

HERESY?

THE GREEN FINANCING DEAL OF THE YEAR

Transaction: Teekay Shuttle Tankers \$125 million Senior Unsecured Green Bond Issue

Winners: SEB, Danske Bank, DNB Markets and Nordea

This category received the most nominations, and the winning transaction most of those. This affirms our decision last year to add this new category, believing not only that the industry cares, but that Green Finance will surely become a major category. For naysayers, this answers the question of how a company that owns tankers can qualify for eco-friendly financing. You have to start somewhere.

In October, Teekay Shuttle Tankers (“TST”) announced the successful completion of its five-year \$125 million Senior Unsecured Green Bond issue, making it the inaugural green shipping bond in the western hemisphere. The deal launched with an ambitious volume of up to \$150 million, and an initial price talk of 625 to 650 bps. Ultimately, the floating rate notes were priced at the wide end of the range, bearing

interest at a coupon of three months LIBOR + 6.50%. Although the deal size did not achieve the maximum amount, the green label enabled a larger investment base to participate in the transaction than in a regular bond issue from a tanker company. In fact, the order book attracted a wide range of investors, with a geographical diversification across the Nordics. But most importantly, ~65% of the

orders came from outside Norway. Details of the offering are shown on the facing page in the Guts of the Deal.

The net proceeds from the bond issue will be used in accordance with TST’s Green Bond Framework for the financing or refinancing of E-Shuttle vessels. Under the Green Bond Framework, net proceeds are to be used to finance or re-finance, in whole or in part, projects and



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assets promoting the transition towards low-carbon, climate change resilient and environmentally sustainable economies. The E-shuttle vessels have been defined by the Norwegian government as low emissions vessels, which will incorporate all of the following Energy Efficiency and Pollution Prevention and Control measures making them the most environmentally friendly tankers built to date:

- Battery powered Hybrid technology for fuel savings, peak load shaving, and added overall system redundancy
- LNG as fuel instead of MGO/HFO
- Volatile Organic Compound (VOC, crude oil vapours) reduction plant – condensa-

tion type

- Gas turbines for reducing non condensable VOCs (including methane)
- Possibility to mix condensed VOCs with LNG – turning VOC emissions into usable fuel for the vessel’s generators.

These measures will lead to the following emission reductions:

- Annual CO₂ emissions reduced by more than 47%
- Annual NO_x emissions reduced by more than 80%
- Annual SO_x emissions reduced by more than 95%
- Annual VOC emissions reduced by more than 95%

From an operational perspective, the E-Shuttles are being acquired based upon existing and committed field develop-

ments to directly replace older conventional shuttles. The intention of these investments is not to increase volume of transported oil, but to replace older and less energy-efficient vessels. To further ensure that the Green Framework lives through end of life, the vessels will be registered in Norway, ensuring the future dismantling is in line with the EU Ship Recycling regulation.

TST’s green bond framework, developed in cooperation with SEB, was awarded Light Green shading from the second opinion provider CICERO, who highlighted Teekay’s role as an accelerator of the transition towards environmentally friendly alternatives in the shipping industry, an

industry which has historically proven to be particularly hard to decarbonize. The green format and light green shading from CICERO were crucial in attracting demand from both existing and new investors.

While all of this is very interesting, a concrete example provides what this means in terms of the environment. According to the company, the environmental impact of the four E-shuttles is equivalent to 60,000 Teslas, providing more CO₂ emission reductions than all the Teslas in Norway (42,516 as of June 30, 2019).



Guts Of the Deal

Issuer	Teekay Shuttle Tankers L.L.C
Amount	\$125,000,000
Borrowing Limit	\$200,000,000
Notes Offered	Senior Unsecured Green Bonds
Coupon	3-month LIBOR + 6.50%
Issue Price	100.00%
Maturity Date	18-Oct-2024
Amortization	Repaid in full at maturity at 100% of the nominal amount
Optional Redemption	Non-callable for life
Conditional Call Options	Callable at 100% upon a tax event. Clean-up call at 101%
Guarantees	None
Ranking	Rank parri passu with other senior unsecured debt other than obligations mandatorily preferred by law
Security	None
Undertakings	Merger/de-merger restrictions, financial indebtedness, negative pledge, financial support, continuation of business disposals, distributions and compliance with laws.
Green Bond Undertakings	Maintain a Green Bond Framework and within 60 days after settlement deliver a Second Party Opinion that the Bonds qualify as a green bond.
Financial Covenants	Free Liquidity of a minimum of \$35M and 5% of Total Debt. Net Debt/Total Capitalization not to exceed 75%.
Change of Control	Put at 101%
Use of Proceeds	Green projects as further defined by the Green Bond Framework, including by way of refinancing existing intercompany debt originally incurred to finance such green projects
Credit Rating	None
Global Coordinator & Sole Green Advisor	SEB
Joint Lead Managers	SEB, Danske Bank, DNB Markets, Nordea
Governing Law	Norwegian
Incorporation	Marshall Islands
Listing	To be listed on the Oslo Stock Exchange
Trustee	Nordic Trustee