HAGUE AND LONDON OIL PLC
("HALO", “the Company”)

Deal of the Year

ENGIE Global Energy Markets and Hague and London Oil Plc

ENGIE Global Energy Markets (ENGIE) has won Deal of the Year (Deal) in the Energy Risk Awards in 2018 with its structured finance agreement with Hague and London Oil Plc (HALO) supporting certain acquisitions offshore Holland in 2017. The award will be formally presented at an event to be held in London on the 26th of June.

Under the Deal, the foundation of which was signed in April 2016 as a Memorandum of Understanding, HALO will find, buy and manage low-risk natural gas assets in Europe. ENGIE will then provide pre-financing in return for a gas-offtake, as well as implementing risk-management solutions to enable HALO to hedge against price volatility and support debt financing for development.

The Deal was, up to, €10 million ($12 million) structured finance and offtake agreement showcases a structure that ENGIE and HALO believe can be replicated to support small and medium-sized producers that are buying properties divested by oil majors or under-capitalized small/mid-cap companies. In mature basins around the world, oil majors are shedding assets in pursuit of newer and larger finds that satisfy their need for scale. For smaller E&P companies, developing the remaining resources in these regions can be a relatively low-risk operation, but accessing the upfront or development capital is often a struggle.

This plays to a number of the French energy company’s strengths, according to Daniel Simmons, originator at ENGIE. “This opportunity matched very well with three of our main activities,” he says. “The gas offtake element is obviously a very standard service for us – ENGIE has been doing that for a very long time. As a large derivatives house, we were also able to embed derivatives into the structure to manage risk. So [we] put those two parts together and then added the financing element in order to secure the package.”

Mircea Caratas, chief commercial trading officer of ENGIE Global Energy Markets, adds that, with this deal, the firm has been able to fill the vacuum left in the commodities space by the retrenchment of many financial players in recent years. “This is the type of financing that used to be secured by the banks five years ago,” he says. “But when they pulled out of the commodities space they left room for this kind of structured deal. Engie wanted to step in to secure this risk for the smaller and medium producers.”

For smaller players the volatile market conditions juxtaposed with an ability to curb the impact of a sustained drop in natural gas prices is likely to ease the concerns of potential investors or lenders, helping to secure more funding for asset development as well as creating more opportunities for growth.

Only the very largest, commercially stable energy firms would have the financial muscle to make this sort of deal possible, notes Caratas. “We have a good rating and a solid group balance sheet, which gives us the flexibility to put together this kind of financial and physical solution.”
HALO’s Chairman and Interim Chief Executive, Andrew Cochran, stated that ENGIE bring a unique element to the Deal in terms of both its trading capacity and its balance sheet as, “this is the first time ENGIE has completed a deal like this and now they are competing head-to-head with the large trading houses that would traditionally do such transactions.”

On the other side of the Deal, taking ownership of the gas is an attractive option for Engie given the recent divestment of its upstream oil and gas assets. Engie received an offer for its oil and gas business in May 2017 from investment firm Neptune Energy Group, completing the sale in February 2018. It also announced an agreement to sell its upstream and midstream liquified natural gas business to French oil and gas major Total in November 2017. These transactions form part of an ongoing transformation plan that involves ENGIE moving away from more traditional sources to focus on carbon reduction and green energy.

HALO drew down €6 million of the original €10 million facility to fund the purchase of natural gas producing assets offshore Holland. There is also scope to expand the facility to finance similar acquisitions in the future, and Cochran says HALO would like to work with ENGIE again after the success of the Deal.

In addition to the potential to strike more deals of this nature with HALO, Simmons believes this structure can also be replicated with other oil and gas producers. “Similar deals in the North Sea region are pretty likely,” he says. “And we are already seeing demand in other areas of Europe.

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Notes to Editors

Hague and London Oil is an oil and gas company primarily focussed on the Southern North Sea, with a diverse portfolio of offshore and onshore producing, development and exploration assets. The Company has 2P reserves in excess of 10 mmboe, more than 20 mmboe in contingent resource with interests in 17 different licenses offshore Netherlands as well as associated pipelines and infrastructure. On 10 November 2017, HALO completed the acquisition of Tullow 101 Netherlands B.V., comprising a portfolio of exploration and production licences in the Southern North Sea. The acquisition was financed by a structured offtake and finance facility of €6.0m provided by Engie Energy Management SCRL (“ENGIE”).

This announcement contains inside information for the purposes of article 7 of Regulation 596/2014