
Abu Dhabi and Papua New Guinea set for USD 1.1 billion deal

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It is reported that Papua New Guinea is close to reaching a deal with Abu Dhabi fund International Petroleum Investment Company to raise a USD 1.1 billion through exchangeable bonds for Oil Search Limited to fund its stake in an USD 11 billion LNG project.

Sir Michael Somare Prime Minister of New Guinea said that he was confident it would obtain the Gulf funding despite the global credit crunch and a dramatic drop in commodities prices that have made finding funds for new resource projects uncertain.

He said that "We have negotiated very successfully with a sovereign fund, International Petroleum Investment Company. We are raising USD 1.1 billion. We have fixed an exchangeable bond rate that is agreeable by both party."

The talks come at a time when Western firms and governments are turning to the world's top oil exporting Gulf region for money as the global financial crisis bites. But Gulf funds that lost billions in the turmoil due to the steep slide in oil prices have become more selective with where they invest their cash, especially as they are under growing pressure to shore up tumbling domestic stock markets during the liquidity crunch.

Exxon Mobil has a 41.6% interest in the LNG project, Oil Search holds 34.1%, Santos Limited has 17.7% while Nippon Oil Corporation and landowners hold the rest.

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