

The background of the slide is composed of four quadrants. The top-left quadrant is a solid blue rectangle containing the title text. The top-right quadrant features a dark blue background with a glowing purple and pink bar chart and a white line graph. The bottom-left quadrant shows a blurred image of orange and yellow bar charts with a white line graph. The bottom-right quadrant is a solid blue rectangle containing the subtitle text.

Bracewell Finance 2023 Hot Takes

and
Predictions
for the Year
Ahead

2023 Was a Year of Challenging Debt and Capital Markets



Unpredictable capital markets and a constrained capital raising environment resulted in companies seeking alternative forms of capital, including the continued use of asset securitizations by upstream producers in the oil and gas sector, borrowers accessing institutional bank debt rather than the capital markets, and, in some cases, when institutional bank debt itself was constrained, by accessing private credit.

Bracewell closed over **\$39 billion** of financings in 2023. Here are some of the broader trends that emerged from these deals:

Even our strongest borrowers faced headwinds in 2023.

In the absence of favorable debt capital market conditions which precluded a planned capital markets raise, Bracewell acted for one of its investment grade borrowers in connection with **\$1.9 billion of term loan debt** from a variety of institutional lenders.

But challenging markets call for innovative and creative solutions.

Bracewell represents **Credit Agricole** on credit facilities in favor of McDermott International, Ltd (McDermott). In September, more than 75 percent of McDermott's secured letter of credit providers, funded debt creditors and equity holders agreed under a **transaction support agreement** to a path

to amend and extend those credit facilities for three years pursuant to procedures in the Netherlands under the Dutch Act on Confirmation of Extrajudicial Plans (Wet Homologatie Onderhands Akkoord or WHOA) and a Restructuring Plan under Part 26A of the Companies Act 2006 (UK) in England.

We also acted for the administrative agent in connection with the restructuring and refinancing of a **\$250 million asset-based facility** secured by, among other things, interests in life insurance policies. The borrower encountered difficulty securing a refinancing facility after the failures of various banks and the ensuing tightening of bank balance sheets, but successfully found a private credit source to refinance the facility.

In the upstream space, we saw producers return capital to equity investors through the securitization of oil and gas properties. Bracewell advised the administrative agent, in connection with the closing of a **\$565 million securitization of producing assets** that impacted the credit facility provided by the administrative agent and the other lenders to a private exploration and production company.

The Year Ahead

Stabilization or lowering of interest rates may result in an uptick in capital markets and finance activity in 2024, but the extent to which the volatility of 2023 carries over remains a concern. The tightening of institutional credit to E&P companies may continue, but borrowers with low leverage, reputable management, and healthy sponsor equity will be successful in attracting interest and support from senior debt providers.

2023 Was a Year of Energy Transition



As the Inflation Reduction Act ignited the project finance market for renewable energy projects, we assisted our clients with first-of-their-kind renewable energy tax credit transfers and in evaluating opportunities for energy transition financings.



Bracewell was highly commended in the 2023 Financial Times Innovative Lawyers North American Report for advising Synovus Bank on its purchase of IRA tax credits

\$39 billion+

in financings closed by Bracewell lawyers

\$15 billion+

in project financings closed by Bracewell lawyers

\$500 million+

of transactions closed by Bracewell involving the sale of tax credits for credit eligible technologies under the IRA

In 2023, Bracewell closed **project financings** totaling more than **\$15 billion**. Many of these transactions were **back leveraged loans** alongside **tax equity financing**.

We led the market in structuring and closing purchases and sales of eligible tax credits under the Inflation Reduction Act. By year-end, Bracewell had worked on more than \$500 million of these **first-of-their-kind** sales. This included an agreement entered into by **Synovus Bank** with a battery storage developer to acquire approximately \$45 million of federal investment tax credits generated by a portfolio of battery storage projects in Texas, which we began negotiating just weeks after the Inflation Reduction Act was enacted. Bracewell was highly commended for its work on this important transaction in the **2023 Financial Times Innovative Lawyers North America Report**.

Throughout 2023, Bracewell advised financial institutions in evaluating opportunities to provide financing for **energy transition projects** such as **carbon capture projects**, including evaluating financing proposals that relied on the proceeds of the direct payment or sale of federal tax credits generated by the project as a primary source of funds for debt service.

For the latest information and insights on the Inflation Reduction Act, please visit [Bracewell's Inflation Reduction Act Resource Center](#).

The Year Ahead

We'll be watching the 2024 political overlay closely, however the white-hot appetite for renewables shows no sign of slowing any time soon.

2023 Was a Year of Consolidation in the Energy Space



We saw continued consolidation, and therefore financings, in the traditional energy sector, both in the investment grade space and in the leveraged space, with large transactions involving oil field service providers, midstream operators and exploration and production companies.

Bracewell advised **Wells Fargo Bank, N.A.** as administrative agent and **Wells Fargo Securities LLC**, as lead arranger and sole bookrunner for a **\$300 million bridge term loan facility** for the acquisition of NexTier Oilfield Solutions Inc. by Patterson-UTI Energy, Inc.

Bracewell assisted **Phillips 66** in a **\$1.5 billion delayed-draw term loan facility** with Mizuho Bank, Ltd., as administrative agent. The loan, along with proceeds of a concurrent **\$1.25 billion senior notes issuance**, was incurred to fund a portion of the **\$3.8 billion acquisition** by Phillips 66 of the publicly held common units of DCP Midstream, LP, following the realignment of economic and governance interests in DCP Midstream, LP and Gray Oak Pipeline, LLC through the merger of existing joint ventures owned by Phillips 66 and Enbridge Inc.

Bracewell acted as US counsel to **The Bank of Nova Scotia**, as administrative agent, in a **\$1.25 billion revolving credit and term loan facility** to Baytex Energy Corp. and Baytex Energy USA Inc. A portion of the proceeds from such facility were used to fund the \$2.9 billion acquisition of Ranger Oil Corp.

The Year Ahead

We anticipate an increase in financings related to smaller acquisitions resulting from companies divesting non-core assets from consolidations that occurred in 2023. Although it may be at a slower pace, we also expect to continue to see large consolidations and related financings in the energy space, such as **APA Corporation's \$4.5 billion acquisition of Callon Petroleum Company** announced in January of 2024, where Bracewell acted for APA Corporation with respect to a **\$2 billion committed financing** arrangement in connection with such acquisition.

2023 Was a Year in Which Bracewell's Commodity Finance Team Went From Strength to Strength



Bracewell's expanded commodity finance team continued to work on top of the market and innovative commodities and commodities finance transactions. Investment in renewable fuels drove significant deal volume in the sector, with asset owners and commodity merchants looking for unique ways to unlock value and reduce risk with respect to their asset and production portfolios.

Bracewell's significant experience saw us acting as a thought leader with respect to the participation and syndication of **inventory monetization structures** that are designed to provide liquidity and/or reduce risk in the refinery and production space.

Relative stability in commodity prices meant that commodity traders did not have the debt needs that we saw in 2022, but nonetheless continued to rely on large syndicated facilities to back-stop capital needs, such as the **\$3 billion senior, secured borrowing base revolving credit facility** to a global energy and commodity trading group, in which Bracewell represented the administrative agent.

In 2023, Partners Brian Rogers, Scott Le Bouef and Senior Counsel David Carlson joined Bracewell's commodity finance team.

Bracewell advised commodity merchants, banks and asset owners with respect to **term loans**, **asset-based financing** and **structured finance** and other **intermediation structures** designed to finance renewable fuel projects, renewable fuels production, renewable feedstocks and environmental attributes. Bracewell also advised on the structuring of financings and **physical supply and offtake arrangements** with respect to renewable feedstocks, renewable fuels, tax credits and other environmental attributes.

Bracewell was instrumental in advising clients, and preparing materials for review by the Californian regulator, on issues related to taking **Californian Carbon Credits** as collateral and related enforcement and transfer rights.

The Year Ahead

We anticipate a continued focus on renewable feedstock and renewable fuels production. We expect financial institutions to work with producers to syndicate intermediations and other inventory monetization structures permitting more liquidity providers to participate in the space. While an anticipated uptick in commodities volatility may lead to increased cash needs for commodity merchants, given cash reserves, this may not lead to the increased debt needs of prior years.

The Bracewell Finance Team

Thank you for entrusting Bracewell with your legal needs throughout 2023. We look forward to continuing the journey together as we navigate the year ahead.



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"It's a strong team that is able to address and solve complex issues."
– *Chambers USA 2023*

"... a deep bench of banking and finance expertise."
– *Chambers USA 2023*

"... they have consistently displayed a client centric work ethic, thought leadership and an overall excellent work product that is delivered timely."
– *Legal 500 US 2023*

