

## ABG Sundal Sees Higher Demand for Producer Debentures

By Ian McKinnon

Jan. 23 (Bloomberg) -- Norway's ABG Sundal Collier said global appetite for convertible debentures from Canadian oil producers and miners will probably rise this year because of tightening credit standards and volatile stock markets.

ABG arranged about \$450 million last year in convertible debentures for Canadian companies and may place as much as \$1 billion in 2008, said Mark Gretton, head of the Oslo-based brokerage's bond desk. High prices for oil and other commodities make convertible debentures attractive to investors and provide cheaper financing costs than debt, he said.

"There's a significant appetite for good quality paper" that's convertible into shares, Gretton, 42, said in an interview today in Calgary. "If you are an investor and you wish to make a forward bet on anything, right now you would probably like to buy volatility in the oil sector."

Toronto-based Kinross Gold Corp., Canada's third-largest bullion producer, said today it may raise as much as \$460 million from selling bonds convertible into stock. Calgary-based Petrobank Energy and Resources Ltd., the best-performing energy stock in Canada last year, used publicly traded ABG to place privately \$250 million in convertible notes last May.

Companies with long-lived oil-sands projects in Canada such as Petrobank are appealing to fund managers and other investors, Gretton said. Petrobank's stock more than tripled last year, and the notes are convertible in 2012 at a price of \$28.49 while the shares traded today in Toronto at the equivalent of \$44.32.

### Crude Oil Futures

Oil prices are high enough to make oil-sands projects economic, he said. Crude oil futures in New York climbed 57 percent in 2007. They have dropped 8.6 percent this year on fears of a U.S. recession.

Investors are more likely to want exposure to oil prices than forward equity or forward credit exposure because the credit cycle is certainly at the end of its life and credit is likely to deteriorate from here on in," Gretton said.

About C\$1.2 billion (\$1.17 billion) was raised last year by oil companies selling convertible financings, according to data from Calgary-based Sayer Energy Advisors. In 2006, similar sales raised C\$1.9 billion, Sayer Vice President Tom Pavic said in a telephone interview.

Petrobank got a 40 percent premium for the convertible notes while agreeing to annual interest payments of 3 percent, Chief Financial Officer Corey Ruttan said.

### 'Attractive Instrument'

"This can be a very attractive instrument, and with a very

low coupon, it becomes pretty compelling," he said today in a telephone interview. ``Certainly we would look at it again in the future."

Petrobank also used ABG Sundal to raise \$100 million in convertible notes last month for Petrominerales Ltd. Petrobank owns a 77 percent stake in the Colombian oil producer.

The Petrominerales deal was oversubscribed even as credit markets were roiled by U.S. subprime problems, Ruttan said.

``The appetite for these things is pretty vast," he said.

Gretton was in Calgary as part an effort by ABG Sundal to arrange financing transactions and encourage Canadian companies to list on Oslo's stock exchange.

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