

INTERVIEW

Project Financing for FSRU Operation Project in Senegal

Contributing to Natural Gas Supply to Powership for Fuel Transition from Heavy Oil

Interview with **SEKIGUCHI Mizuki**
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The Japan Bank for International Cooperation (JBIC) signed in December 2022 a project financing loan agreement amounting to approximately USD35 million (JBIC portion) with SENEGAL LNGT COMPANY LIMITED (SLNG) registered in the Republic of the Marshall Islands, which Mitsui O.S.K. Lines, Ltd. (MOL) has shares in. The project's floating storage and regasification unit (FSRU) supplies natural gas from the FSRU to a powership in Senegal. The loan is co-financed with MUFG Bank, Ltd., bringing the total co-financing amount to approximately USD71 million.

FSRU to Serve First LNG Powership Project in West Africa

In this project, an FSRU owned by SLNG will regasify liquefied natural gas (LNG), which will then be supplied to an LNG powership and used to generate electricity in Senegal, West Africa. The generated electricity will be sold to a state-owned power company in the country. The loan is intended for financing the FSRU project.

"The project is a combination of an FSRU and an LNG powership to enable energy transition of the 235MW-capacity powership, which has been in service since 2019, from heavy oil to natural gas, an energy source with a smaller environmental impact. This powership meets approximately 15% of Senegal's power demand, and the shift to natural gas will contribute toward the energy transition of the country.

MOL, which is one of the world's largest shipping companies, and Karpowership of Turkey, which is a world-class powership company, have invested in SLNG, the project proponent. The two companies entered into an LNG powership partnership, under which Senegal is the first project.

Powerships are equipped with power generating facilities to generate electricity offshore. As they are more economical and quicker to build than power plants on land, they draw attention from emerging countries and developing countries where power demand is growing. However, many of them are fueled by oil, and to alleviate environmental impact and achieve low-carbonization, an energy transition to natural gas is called for," explains SEKIGUCHI.

Online Meeting with Senegalese Deputy Minister of Oil and Energy

In 2019, MOL contacted JBIC for project financing support. Although in 2018, JBIC provided project financing for Jawa 1 Gas-to-Power Project in Indonesia, which included the operation of an FSRU, this is the first time for JBIC to provide financing for the operation of an FSRU project only. Accordingly, JBIC deliberated the form of this project and loan conditions in detail.



SEKIGUCHI Mizuki

SEKIGUCHI looks back on the point of the negotiation: "I joined this project in the summer of 2022, when the loan negotiation had begun in earnest. I found it challenging in some parts of the online negotiation with MOL's partner Karpowership because it was the first time we worked with this company. So, it was great that in October, when the COVID-19 pandemic waned, Karpowership's project development chief came to Japan and we had a kick-off meeting with the chief, MOL, and MUFG Bank in JBIC's office. This face-to-face meeting helped to build trust, and we shared the importance of the project. At following online negotiations, we shared our candid views on the loan conditions and environmental preservation with Karpowership, and they understood our thoughts.

Another key aspect was to check the energy policy of the Government of Senegal. We met with the Ambassador in the Embassy of Senegal in Japan and we both concurred that this project was in line with the energy policy of Senegal. Also, with the help of JBIC's Representative Office in Paris and backed by the Embassy of Senegal in Japan, we held an online meeting with the Senegalese Permanent Secretary of Oil and Energy, where he told us that Senegal was actively promoting energy transition, including LNG powerships. It assured us that this project was important for Senegal."

Then the loan agreement in project financing was signed with SLNG in December 2022.

Supporting New Marine Development that Involve Japanese Companies

The Government of Japan, in the j-Ocean roadmap, which was formulated under the Basic Plan on Ocean Policy announced in 2018, advocates improving Japanese technical capability and productivity in a wide range of marine development sectors. FSRUs are one of the focal points, and JBIC's financial support for the project will contribute to MOL accumulating and utilizing developmentally its expertise and know-how for operation and maintenance of FSRUs.

"As a powerful means of energy transition to achieve low-carbonization, projects that involve both an FSRU and an LNG powership in Senegal attract attention from Asia and Europe as well as Africa. It is a big opportunity for Japanese marine companies that have led the world's shipbuilding and shipping industries.

I have been involved in projects of major leasing companies for acquisition of an aircraft leasing company or container leasing company. I would like to apply my experience in this project to supporting new marine development projects that involve Japanese companies, such as LNG powership projects, with JBIC's various financial facilities and schemes and risk-assuming function," says SEKIGUCHI.