INTERVIEW

Project Financing for Wind Power Generation Project in Saudi Arabia

Supporting Two Onshore Wind Farm Projects implemented by Japanese Companies

Interview with Senior Associate OKUMURA Chiho,
Division 2, New Energy and Power Finance Department I,
Infrastructure and Environment Finance Group (at that time)


OKUMURA Chiho

In October 2024, the Japan Bank for International Cooperation (JBIC) signed two loan agreements in project financing for onshore wind farm projects in Saudi Arabia. The two projects are being developed by two local companies, both of which are invested in by Marubeni Corporation and Abdul Aziz Al Ajlan Sons Co. for Commercial and Real Estate Investment –Ajlan & Bros (Ajlan). JBIC provided loans of up to approximately USD148 million to RIAH AL-GHAT FOR ENERGY COMPANY (AL-GHAT) for the Al-Ghat onshore wind farm project, and up to approximately USD136 million to WAAD AL SHAMAL FOR ENERGY COMPANY (WAAD AL SHAMAL) for the Waad Al Shamal onshore wind farm project.

The loans are co-financed with Sumitomo Mitsui Trust Bank Limited, Standard Chartered Bank Limited, and Commercial Bank of Dubai PSC, bringing the total co-financing amounts to approximately USD298 million and approximately USD274 million, respectively.

First Project Financing for Onshore Wind Farm Projects in Saudi Arabia

The government of Saudi Arabia launched a National Renewable Energy Program, which is in line with Saudi Vision 2030, aiming to achieve approximately 50% of the energy mix coming from renewable energy by 2030.

OKUMURA outlines the projects: “Under this Program, a Saudi Arabian company funded by Marubeni won the bid for the Rabigh solar PV project with a generation capacity of 300 MW in 2021. At that time, JBIC provided project financing of up to USD78 million, with the total co-financing amount of USD157 million. This was JBIC’s first loan to an independent power producer for a renewable energy project in Saudi Arabia. Since then, the government of Saudi Arabia has been steadily moving forward with its renewable energy plans. Now, the country has launched new projects. One is the Al-Ghat project, where AL-GHAT will build, own and operate a 600 MW onshore wind farm in Al-Ghat, Riyadh Province. The other is the Waad Al Shamal project, in which WAAD AL SHAMAL will build, own, and operate a 500 MW onshore wind farm in Turaif, Northern Borders Province. In both projects, the electricity generated will be sold to Saudi Power Procurement Company (SPPC) for a duration of 25 years.”

Saudi Arabia is a major global producer of oil and natural gas. JBIC’s support for these projects is expected to contribute to strengthening the multi-layered economic relationship between Japan and Saudi Arabia, which is one of the most important exporters of oil, a critical resource for Japan.

Prioritizing Risk Evaluation including Reliability of Large Wind Turbines

These projects were launched at the end of 2022, when international tenders were announced and Marubeni approached JBIC regarding potential finance. Contract negotiations started in May 2024, after AL-GHAT and WAAD AL SHAMAL, both invested in by Marubeni, obtained exclusive negotiating rights.

“In May 2024, the signing ceremony for the power purchase agreements was held in Japan, in the presence of the Saudi Arabian Minister of Energy and the Japanese Minister of Economy, Trade and Industry. This event highlighted the enthusiasm of both countries toward the projects. Accordingly, the Saudi side, which was eager to begin construction as soon as possible, hoped to finalize the loan contracts on a tight schedule. However, this was our first time providing loans for wind power projects in Saudi Arabia, and also our first time working with Ajlan, the co-investor in these projects. So, we made it a priority to help them understand our basic approach.

In particular, one of the main topics we discussed was the reliability evaluation of the wind energy systems. These projects were planned to adopt turbines that had not been used in any of our previous projects. Therefore, it was crucial to ensure their long-term stable operation under harsh conditions, including high temperatures and dust. To achieve this, we required third-party certification for turbines and conducted detailed quality control checks during the manufacturing process. These included whether the construction was proceeding as scheduled for the two projects involving as many as 150 tower structures, and whether the expected power generation could be secured despite changes in wind conditions.

Even when finalizing the financing terms, we persistently negotiated the terms that had not been agreed at first. While respecting Saudi laws and financial systems, we sought their understanding by explaining that these terms were necessary for the stable operation of the project. Although many challenging issues remained until the final stages, we managed to conclude the contracts within five months, based on a shared understanding that these projects are of great importance to both countries,” OKUMURA recalls.

The loan agreements were concluded in October 2024. On-site construction is progressing with the goal of completion by 2026.

Supporting Wind Power Projects Worldwide

OKUMURA was transferred to the Risk Management Department after the signing of the contracts. She is now engaged in a variety of tasks, with a focus on how international political and economic trends impact the business activities of JBIC’s clients.

“I worked on these onshore wind power projects, from the pre-bid stage through to the conclusion of the loan agreements and conducted risk analysis for the project financing. I believe these valuable experiences are contributing to my current assignment.

Saudi Arabia is accelerating its renewable energy development plan toward the 2030 goal and is also promoting a 'smart city' concept, which aims to provide all of the city's energy using renewable sources. On the other hand, the Japanese government released the Infrastructure System Overseas Promotion Strategy 2030, which views global social transformations, such as green transformation (GX) and decarbonization, as opportunities for growth. The strategy is intended to address global challenges, including climate change, and to work closely with countries in the Global South, whose economic presence and influence in the international community are expected to grow over the long term. JBIC will continue to provide financial support to Japanese companies participating in renewable energy projects overseas, including Saudi Arabia.

I personally believe that the technology of floating offshore wind power generation projects where Japanese companies participate abroad, particularly in Europe, can be applied to Japanese coastal waters. It would be even more meaningful if Japanese companies could leverage their overseas experience in future domestic projects,” OKUMURA says.