

INTERVIEW

First Project Financing for the Republic of Trinidad and Tobago

Supporting the Methanol and Dimethyl Ether Producing Project

Interview with Deputy Director Masahiro Ito, Division 1, Oil and Gas Finance Department, Energy and Natural Resources Finance Group



Deputy Director Ito

Producing 1 million tons of methanol and 20 thousand tons of DME

Located at the southernmost end of the Caribbean Sea, Trinidad and Tobago comprises the two islands of "Trinidad" and "Tobago". The islands are distinct – the island of Tobago is a beautiful resort destination, while the island of Trinidad, situated not far off the coast of Venezuela, is surrounded by many natural gas fields and has thriving natural resource-related industries. The twin-island country is one of the leading natural gas producers in the Atlantic region and is ranked as one of the top ten exporters for LNG.

"Trinidad and Tobago has operated a number of methanol and ammonia producing plants for many years. But the Government has recently been keen to promote downstream businesses to diversify the use of natural gas and increase its added value.

CGCL was jointly established by three Japanese companies and Trinidad and Tobago's state-owned gas company as well as a private-sector company. In this project, CGCL plans to produce one million tons of methanol annually at the Union Industrial Estate in the La Brea area in southern Trinidad. A portion of methanol will be used to produce DME. MHI is responsible for the construction of the plant, and MGC and MC will off-take the majority of the methanol produced and sell it to various areas in the world, including Japan," Ito outlines for the project.

Methanol is mainly produced from natural gas and is used for a wide range of purposes – as a raw material for adhesives agents and synthetic resins, as well as gasoline additives and fuel for fuel cells. DME, which can be produced from methanol, is used as an aerosol agent in spray cans; it is also attracting attention as a next-generation clean energy to replace liquefied petroleum gas (LPG) and diesel fuel.

"The global demand for methanol is about 65 million tons per annum. Japan's annual demand for methanol is about 1.7 million tons, and Japan depends entirely on imported methanol. This project, having direct involvement of the Japanese companies, is expected to bring diversification of methanol supply sources, and thus contribute to secure and stable supply of energy resources for Japan," Ito explains the significance of the project.

Persistent negotiations to realize JBIC's first project financing for Trinidad and Tobago

"JBIC received a request to consider project finance at the end of 2013. We had experience to provide project finance to methanol plants in Venezuela and Brunei, but never to Trinidad and Tobago. In addition, the Government of Trinidad and Tobago had no experience in handling project finance deals, so we started from explaining how project finance works. Detailed negotiations started in the summer of 2014.

In project finance, stable continuity of the project is essential. In the petrochemical industry, in particular, it is

In September 2015, The Japan Bank for International Cooperation (JBIC) signed a loan agreement to provide project finance to Caribbean Gas Chemical Limited (CGCL), a company in the Republic of Trinidad and Tobago (Trinidad and Tobago). This is the first time for JBIC to provide project finance to Trinidad and Tobago.

CGCL is a joint venture established by Mitsubishi Gas Chemical Company, Inc. (MGC), Mitsubishi Corporation (MC), and Mitsubishi Heavy Industries, Ltd. (MHI) with Trinidad and Tobago's state-owned company, The National Gas Company of Trinidad and Tobago Limited, and Massy Holdings Ltd. In this project, CGCL will produce methanol and dimethyl ether (DME), using natural gas, in the southern part of the island of Trinidad.



indispensable to secure the supply chain from raw materials to finished products. In other words, a stable supply of gas to the plant is necessary to produce methanol, earn profits, and repay the loan. Therefore, the key challenge in organizing project finance for this project was how the lender could ensure a stable supply of natural gas. The lenders, the sponsors, and the Government of Trinidad and Tobago discussed various possibilities. We flew in to Trinidad and Tobago several times to negotiate persistently, and finally succeeded in drawing up a scheme that was acceptable to all the parties involved.

In addition, we needed to figure out a way to convince the Government of Trinidad and Tobago to use the English law, which is one of the standard governing laws in project financing and international financing, because Trinidad and Tobago strongly wished to use its domestic law as the governing law of the contract. In this way, we solved difficult problems one by one and finally reached an agreement on a rough outline of the financing around July 2015," Ito looks back.

"Based on the rough plan, we then discussed the detailed wording used in the agreements related to the financing. However, since a national election in the country was scheduled for September 7, 2015, the Government insisted on signing the agreements before the election because of a possible change in the cabinet members and delays in administrative work due to the handover. Everyone involved worked hard to do what was necessary to agree on the content of the agreements, which led to the formal signing on September 2, 2015, just days before the election.

Supporting this project will contribute not only to diversifying the supply sources of methanol and DME for Japan, but also to strengthening the relationship between Japan and Trinidad and Tobago, one of the leading natural gas producers in the Atlantic region. In addition to being an English-speaking country, Trinidad and Tobago has a high credit rating and a good access to Western countries. This good business environment can offer high potential for projects in which Japanese companies can be involved. As a Japanese policy-based financial institution, we will continue to provide a wide range of support to various projects," says Ito on JBIC's future efforts.

Plant Construction in Progress towards Production Start in March 2019

JBIC signed on September 2, 2015, a loan agreement to provide project finance totaling up to USD485.1 million (JBIC portion) with CGCL, a company in Trinidad and Tobago. This loan is cofinanced with The Bank of Tokyo-Mitsubishi UFJ, Ltd., bringing the overall cofinancing amount to USD693 million.

CGCL is a joint venture established by MGC, MC, and MHI with The National Gas Company of Trinidad and Tobago Limited and Massy Holdings Ltd. (with the Japanese side holding 70% of the shares). The company plans to produce one million tons of methanol and twenty thousand tons of DME annually in this project. The plant is being constructed by MHI, and is scheduled for completion in December 2018 and its operation is to commence in March 2019.

