

INTERVIEW

Project Financing for First Large Solar PV Project in Qatar

Supporting Earnestly Growing Renewable Energy Business in Oil and Gas Producing Country

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The Japan Bank for International Cooperation (JBIC) signed in July 2020 a loan agreement with Siraj (1) (SIRAJ1) of Qatar, in which Marubeni Corporation (Marubeni) holds an equity stake. JBIC provides project financing amounting to up to approximately USD165 million (JBIC portion) for the Al Kharsaa Solar PV Plant, which is to be constructed in Qatar, under JBIC's Growth Investment Facility. The loan is co-financed with Mizuho Bank, Ltd., and the total co-financing amount is approximately USD330 million.

First Large Solar PV Project in Qatar

The Al Kharsaa Solar PV Plant is the first large solar PV project in Qatar. SIRAJ1 will build, own, and operate the 800MW solar PV plant on a site of approximately 10km² in Al Kharsaa, located west of Doha, the capital of Qatar. The electricity produced by the plant will be sold to Qatar General Electricity and Water Corporation (Kahramaa) for 25 years. SIRAJ1 is co-invested in by Marubeni, Qatar Petroleum (QP), Qatar Electricity & Water Company (QEWC), and major French oil and gas company TOTAL S.E.

Tsunokake remarks that "You may wonder why the oil and gas producing country of Qatar is developing a renewable energy project. But low-cost and environmentally friendly solar power projects are booming in the Middle East, utilizing one of the area's geographic resources: plenty of sunshine.

In fact, the government of Qatar aims to increase the proportion of renewable energy in the country's total electricity generation to 20% by 2030 in its National Vision. Kahramaa announced bidding in January 2019. Marubeni was preparing for a bid, and soon approached JBIC for a loan."

In the Export Strategy for Infrastructure System and the Strategic Energy Plan, the government of Japan expressed its intent to encourage Japanese companies to win more orders for infrastructure systems and called for the strengthening of Japanese companies' international competitiveness and overseas expansion with financial support from policy-based financial institutions. JBIC decided to support this project because it is in line with these policies and will help further the relationship with Qatar, one of the world's leading natural gas producing countries and an important LNG exporter to Japan.

Negotiating During the COVID-19 Pandemic

Tsunokake recalls that "JBIC had supported solar PV projects in Jordan and India, but this is the first large solar PV project in Qatar. Anticipating Marubeni's consortium would win the bid, we sought legal advisors' opinions and studied useful information from past projects to draft a loan agreement before starting negotiations. In January 2020, when SIRAJ1 signed a power purchase agreement with Kahramaa, we

started to negotiate the finance agreements in earnest with the sponsors Marubeni, TOTAL S.E., QEWC, and QP."

However, the COVID-19 pandemic greatly impacted the project.

Tsunokake adds that "We struggled in the negotiation with the project parties. In normal circumstances, we have face-to-face meetings for days in a row in cities such as Paris or Tokyo at each milestone of the negotiation process. But because of COVID-19, we had no choice but to communicate online throughout the process. Telephone conferences were our main means of negotiation, and we shared documents by e-mail. This made it difficult to build a momentum to conclude the negotiation. At times, we needed to negotiate with the sponsors individually, and things did not progress as we wanted them to. Fortunately, we had already built mutual trust between Marubeni, TOTAL S.E., and the Qatari sponsors, and it helped us move forward toward the goal.

The government of Qatar urged early commencement of the project, ahead of the FIFA World Cup that the country is planning to host in 2022. So, the sponsors needed to conclude the finance agreements quickly. The parties shared arrangements and a timeline, and made great efforts to achieve the goal. Finally, we signed the agreement almost as scheduled, despite the impact of COVID-19."

Contributing to Renewable Energy Business in Line with Japan's Strategy

Tsunokake expresses a vision for the future: "A new experience for me on this project was using online communication for negotiation and internal arrangements. In addition to the negotiations I mentioned, that's how nearly all our internal decision-making procedures were done. I experienced some difficulties unique to online communication, and would like to apply these experiences to efficient, quick response going forward.

Also, the demand for renewable energy is expected to continue growing. In addition to Qatar, other Middle Eastern countries such as Saudi Arabia are encouraging renewable energy projects. And Japanese companies are not the only ones paying attention to this domain; enterprises all over the world are actively seeking renewable energy business opportunities. JBIC will strive to help increase opportunities for Japanese companies.

We would like to meet Japanese companies' strategic business expansion needs in a broad range of areas, including projects that utilize battery systems or involve grid management in addition to construction and operation of a single plant. As a policy-based financial institution, JBIC will continue to provide appropriate assistance with wide-ranging tools."