

# INTERVIEW

## Project Financing for FPSO Vessel Chartering Services Provided to an Offshore Oil Field in Brazil

Supporting Japanese Companies in Building an Ultra-Deep FPSO and Providing Operations Services

Interview with Director Chie Wakatsuki and Deputy Director Masaki Takami  
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Director Chie Wakatsuki



Deputy Director Masaki Takami

### An FPSO System for Use in the Development of Ultra-Deepwater Oil and Gas Fields

In recent years, offshore oil and gas fields have been developed worldwide. Since 2000, exploration at a depth exceeding 1,000 meters has expanded, and Petrobras has been focusing on development for deepwater offshore reservoirs off the coast of Brazil. JBIC is supporting the development of an oil field located some 250 kilometers off the coast of the state of Rio de Janeiro at the depth of approximately 2,200 meters in the pre-salt layer that lies about 5,000 meters under the seabed.

MODEC is Japan's only company providing EPCI as well as O&M\*2 for FPSOs. Its strength lies in ultra-deepwater FPSOs that are achieving top performance in the industry. In this project, MODEC will build an FPSO unit with the capacity to produce up to 180 thousand barrels of crude oil per day and 212 million cubic feet of gas per day, and store 1.4 million barrels of crude oil. SEPMV30 will provide FPSO vessel chartering services to Petrobras for 21 years.

Director Chie Wakatsuki explains the outline of the project: "MODEC sees Brazil as an important market for the FPSO business. This project is the 10th FPSO vessel chartering service to be provided to Petrobras by MODEC. JBIC has provided finance for all of them but one.

In the past few years, crude oil prices have dropped, partly reflecting increased supply of shale gas produced in North America. Consequently, the number of new FPSO projects has sharply decreased as deepwater offshore oil and gas extraction lost steam due to high drilling costs. For MODEC, this project is the first successful business agreement in three years."

### A Long-awaited Large-scale FPSO Finance Project Undertaken by Japanese Companies

JBIC received a request for financing by MODEC in March 2017 when it submitted the bid. It formally started deliberations in October of the same year when MODEC was awarded the contract.

Deputy director Masaki Takami looks back: "At that time, the media reported alleged corruption involving a former president of Petrobras. Petrobras is a charterer for this project. We had to clear a number of obstacles that were different from the past eight cases that MODEC engaged with Petrobras. In addition, Petrobras' external credit ratings were downgraded, reflecting the country's sluggish economy and decline in crude prices. A serious compliance problem emerged and this also negatively affected the company's creditworthiness. Hence, I visited Brazil to meet the company's officials and look into its financial condition and the state of corporate governance in detail. I also interviewed various persons at government agencies, financial institutions and rating agencies etc. to hear their opinions."

"As a result, I managed to obtain consent from all of

JBIC signed, in March 2018, a loan agreement in project financing with Sepia MV30 B.V. (SEPMV30), a Dutch company incorporated by MODEC, Inc. (MODEC), Mitsui & Co., Ltd., Mitsui O.S.K. Lines, Ltd., Marubeni Corporation and Mitsui Engineering & Shipbuilding Co., Ltd.

The loan will finance long-term ultra-deepwater FPSO\*1 vessel chartering services (leasing, operations, maintenance, etc.) to be provided by SEPMV30 to Petróleo Brasileiro S.A. (Petrobras), a state-owned oil company in Brazil, for developing an oil field located off the coast of the country. The loan is co-financed with seven Japanese and foreign private-sector banks.



Courtesy: MODEC

※An FPSO vessel of the same type used in the project.

those who were involved to move forward with the project. Nevertheless, I experienced some difficulty in trying to include anti-bribery clauses etc. in the agreement through consultations with the sponsors and co-financing banks. There were times when I was not sure whether we could put the project through by the deadline. I was relieved that we could successfully finalize the financing arrangements for a long-awaited large-scale contract awarded to a Japanese company."

The building of the FPSO vessel is already under way, and it is slated to be delivered to Petrobras in 2021.

### Expanded Deployment of Ultra-Deep FPSOs at Sea off West African Coast

Chie Wakatsuki points out the significance of the role played by JBIC in the FPSO project and its future outlook as follows: "Price competition has intensified in the sector of FPSOs designed for operations in offshore oil and gas fields located in relatively shallow waters. As the scope of offshore exploration is expanding to ultra-deepwater reservoirs, the demand for FPSOs for such operations is expected to grow. Drawing on its proven track record and technological strengths, MODEC is pursuing its strategy to place greater emphasis on ultra-deep FPSOs."

"As part of its Investments for the Growth Strategy 2017, the Japanese government will advance public-private cooperation for development and commercialization concerning methane hydrate deposits expected to exist in waters around Japan. Against such a backdrop, I believe this project will speed up the advance of technology and know-how in FPSO operations required for exploiting ocean resources."

Looking toward the future, Masaki Takami sums up: "As a public-sector financial institution, JBIC can financially support Japanese companies in their efforts to contribute to Petrobras and other oil and gas companies as well as the development of offshore oil and gas fields undertaken around the world."

\*1 FPSO: Floating production, storage, and offloading system. It is a floating vessel for the first stage of processing crude oil produced at oil wells, which separates associated gas and water, and for the storage and offloading of oil.

\*2 EPCI/O&M: Engineering, procurement, construction and installation/operation and maintenance

### Project Finance for Ultra-deepwater FPSO Vessel Chartering Services to a Brazilian Offshore Oil Field

JBIC signed, in March 2018, a loan agreement amounting up to about USD492 million (JBIC portion) with Dutch company Sepia MV30 B.V. (SEPMV30), incorporated by MODEC, Inc., Mitsui & Co., Ltd., Mitsui O.S.K. Lines, Ltd., Marubeni Corporation and Mitsui Engineering & Shipbuilding Co., Ltd.

The loan, made as project finance, will finance 21-year long-term FPSO vessel chartering services to be provided by SEPMV30 to Petróleo Brasileiro S.A. (Petrobras), a state-owned oil company in Brazil, for developing the Sepia oil field located off the coast of Brazil in which Petrobras holds an interest. The loan is co-financed by Sumitomo Mitsui Banking Corporation, ING Bank N.V., Société Générale, Mizuho Bank Ltd., Overseas Chinese Banking Corporation Limited, MUFG Bank, Ltd., and ABN AMRO Bank N.V. The total co-financing amount is about USD987 million.