

INTERVIEW

Strengthening Value-chain for Securing Stable Long-term LNG Supplies

Project Financing for Procurement of LNG Tanker

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Project Financing for the Procurement of an LNG Tanker

In March 2015, JBIC signed a loan agreement in project financing up to approximately USD87 million (JBIC portion) with Panama-registered Oceanic Breeze LNG Transport S.A. (OBLT), a joint venture between Kawasaki Kisen Kaisha, Ltd. and INPEX SHIPPING CO., LTD., which is wholly-owned by INPEX CORPORATION (INPEX).

This loan is intended to finance OBLT to procure a liquefied natural gas (LNG) tanker for transporting LNG produced mainly from the Ichthys LNG Project led by INPEX in Australia.

It should be noted that the Ichthys LNG Project is a project that INPEX, as the operator, develops a gas and condensate field off the northwest coast of Western Australia; transports the produced gas through subsea gas pipelines to an onshore liquefaction plant to be built in Darwin, Northern Territory; and produces and sells LNG (annual production capacity: 8.4 million tons), liquefied petroleum gas (LPG) and condensate. In December 2012, JBIC signed a loan agreement in project financing in the amount of up to USD5 billion (JBIC portion) with Ichthys LNG, and also provided necessary funds to Tokyo Gas, Osaka Gas, KEPCO and Chubu Electric Power that are investing indirectly in the project. (All of them were cofinanced with private financial institutions.)

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Operated by a Japanese Company, and about 70% of LNG expected to be exported to Japan

The Ichthys LNG Project is in progress off the coast of Western Australia. The project operated by INPEX, is participated in by TOTAL S.A., a French company, Tokyo Gas Co., Ltd. (Tokyo Gas), Osaka Gas Co., Ltd. (Osaka Gas), The Kansai Electric Power Co., Inc. (KEPCO), Chubu Electric Power Co., Inc. (Chubu Electric Power), TOHO GAS Co., Ltd., and others (about 70% of interests held by Japanese companies), will develop, produce and sell LNG, liquefied petroleum gas (LPG) and condensate (hydrocarbon liquid, a raw material for gasoline, jet fuel and naphtha), and will supply about 70% (about 5.67 million tons per annum) of the LNG to Japanese companies.

In December 2012, JBIC signed a loan agreement in project financing in the amount of up to USD5 billion (JBIC portion) with Ichthys LNG Pty Ltd. (Ichthys LNG), an Australian company that makes up the project, and also made loans to provide the necessary funds for the acquisition of interests and development to Osaka Gas, Tokyo Gas, Chubu Electric Power and KEPCO.

"The loan to Ichthys LNG was the largest per project in terms of commitment for a single project in the JBIC's history. In the project, INPEX, as the first Japanese operator of a large-scale LNG project, leads the whole process of the project from the development of a gas and condensate field to the production of LNG. As the Japanese government asserts, in its strategy for securing resources, the importance of participation in upstream development by Japanese companies who are also the resource consumers, this project is one of the most important projects in terms of scale and contents." Matsuda emphasizes the significance.

The global demand for LNG is anticipated to increase with the increasing demand from emerging countries and growing environmental awareness. In Japan, it has become an important issue to secure stable long-term supplies as dependence on LNG has grown after the Great East Japan Earthquake in March 2011.

"It has become more important than ever to secure resources in Australia, which is politically and economically stable and blessed with large reserves of natural gas, to diversify Japan's LNG supply sources. Given that, JBIC has supported the companies participating in the project from the beginning." Matsuda explains.

Linking the Value-chains by Supporting LNG Tanker Procurement

This loan is intended to finance the procurement of an LNG tanker by OBLT, invested in by "K" Line and a subsidiary of INPEX, to transport from Australia to Japan about 900 thousand tons of LNG per annum produced from the Ichthys LNG project and INPEX as an off-taker will purchase the LNG. For INPEX, so to speak, this is regarded as the project that completes the "gas supply-chain" ranging from upstream to downstream of the Ichthys LNG Project.

"JBIC received a request for this project financing in early 2013. Since the 1980s, JBIC has supported Japan's LNG

In March 2015, JBIC signed a loan agreement of approximately USD87 million (JBIC portion) in project financing with Panama-registered Oceanic Breeze LNG Transport S.A. (OBLT), a joint venture between Kawasaki Kisen Kaisha, Ltd. ("K" Line) and INPEX SHIPPING CO., LTD., which is wholly-owned by INPEX CORPORATION (INPEX). The loan is cofinanced with Mizuho Bank, Ltd. and Mitsubishi UFJ Trust and Banking Corporation, bringing the overall cofinancing amount to approximately USD125 million. This loan is intended to finance OBLT to procure a liquefied natural gas (LNG) tanker for transporting LNG produced mainly from the Ichthys LNG Project led by INPEX in Australia.



Courtesy of INPEX CORPORATION.

value-chain projects and it has a track record of providing project financing for LNG tankers. However, up until now, most LNG tankers that JBIC provided project financing for were owned by electric power companies, and this is the first project in which a subsidiary of INPEX, which is an oil and gas developer, is going to own the tanker. Also, since it is my first project financing of an LNG tanker, I negotiated carefully with the related parties, by taking sufficient time on each step, studying the characteristics of related contracts such as collateral and risk guarantees, and exploring ways to incorporate the sponsor's needs. Although there were difficult issues, I was able to deepen mutual understanding through close communication with the concerned parties. In addition, I was committed to the schedule management to ensure the funding in time for the LNG tanker service as the Ichthys LNG Project is scheduled to start production at the end of 2016." Suzuki looks back.

The outline of the loan agreement was agreed by the end of 2014, and JBIC was finally able to realize the signing of the loan agreement in March 2015 after negotiating the details.

Value-chains Led by Japanese Companies to the World

"Oil and gas developments are dominated by the global majors with overwhelming track records, and Japanese companies generally participate in development projects by acquiring partial interests through investment. In contrast, the Ichthys LNG Project is an epoch-making project in that a Japanese company is launching and leading the project as the operator for the first time. Based on this result, I expect that opportunities will increase in the future for Japanese companies to participate in shale gas development in North America and oil and gas field development in East Africa. JBIC will continue to support the building of LNG value-chains from the acquisition of interests, development of oil and gas fields, construction of related facilities, operation, and transporting by Japanese companies like this project." Matsuda explains future prospects.

"The demand for LNG is growing centering on Asia, and JBIC will continue to actively support upstream development by Japanese companies to secure stable supplies of resources for Japan. About LNG tankers, I would like to continue my support, utilizing this experience, for high efficiency, high performance and safe Japanese vessels to increase their share in the world market." Suzuki voices her aspirations.