

How the private financial sector responds to a changing market



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Introduction of MUFG

MUFG's Origination Capability

Bank ranking by total assets in 2018

	Bank	Total Assets In USD billion
1	Industrial & Commercial Bank of China	4,213
2	China Construction Bank Corp.	3,634
3	Agricultural Bank of China Ltd.	3,441
4	Bank of China Ltd.	3,206
5	JPMorgan Chase & Co.	3,108
6	MUFG	2,890
7	HSBC Holdings Plc.	2,652
8	BNP Paribas SA	2,651
9	Bank of America Corp.	2,641
10	China Development Bank	2,470

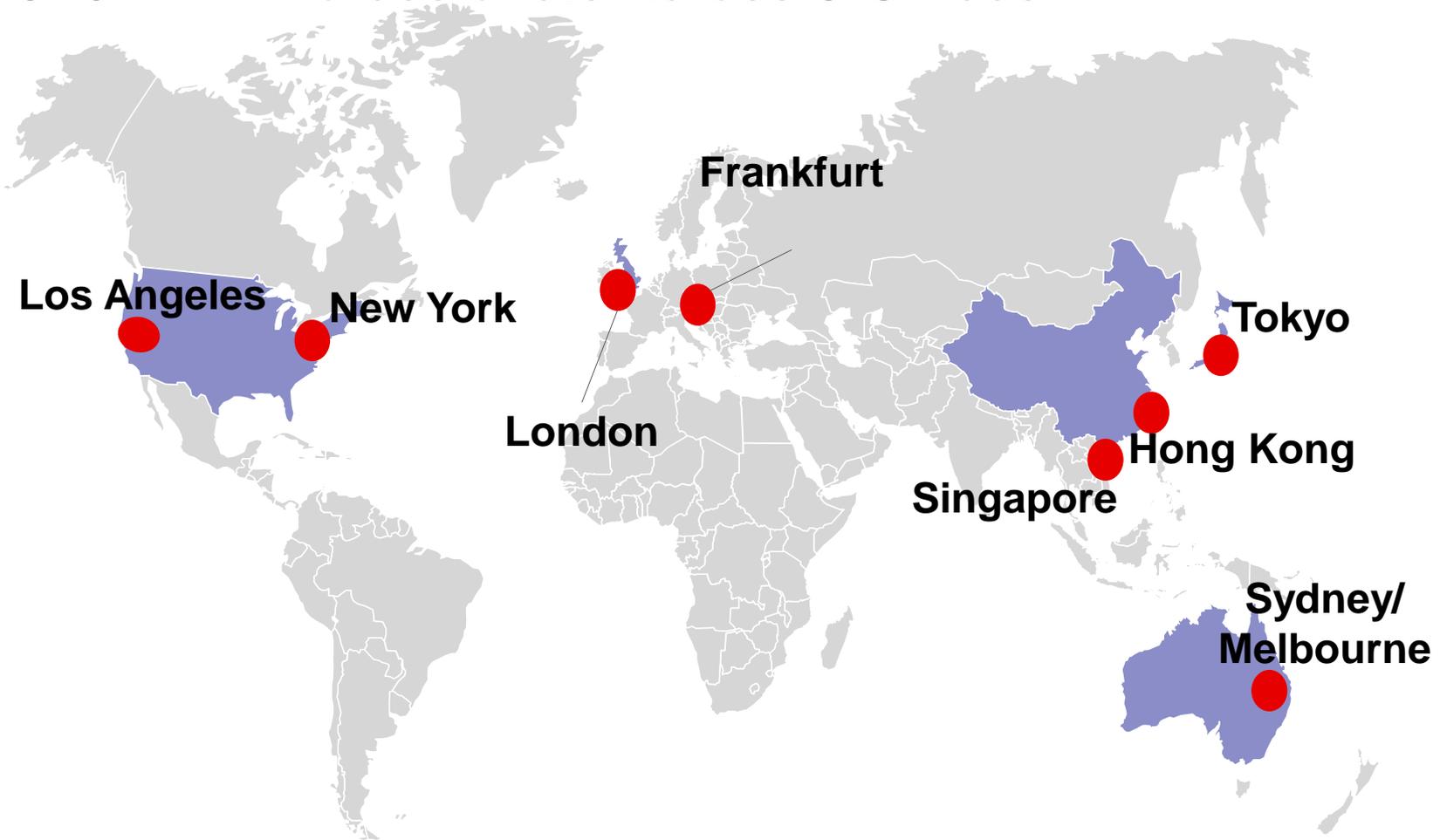
MUFG's Origination Capability

Global Mandated Lead Arranger Ranking Full Year 2017

	Arranger	Amount In USD million	No. of Deals
1	MUFG	12,180	130
2	State Bank of India	10,388	22
3	SMBC	9,106	107
4	BNP Paribas	6,687	71
5	China Development Bank	6,590	3
6	Credit Agricole	6,164	71
7	ICBC	6,115	35
8	Mizuho	5,733	48
9	ING	5,695	78
10	Societe Generale	5,607	71

MUFG's Global Presence in Project Finance

340+ PF Professionals Across 8 Offices



1 Changing markets

2 Breaking down how banks interpret this change

3 Expected near / long term changes

“Changing Markets”

Recap of what we will discuss on

- Destination Clause relaxation
- Multiple price formula
- Off-take contract tenor

“Changing Markets”

Recap of what we will discuss on

- Destination Clause relaxation
⇒ Less issues
- Multiple price formula
⇒ Experience of assuming price risk.
Assessment required.
- Off-take contract tenor
⇒ Will effect lender’s credit decision

Off-take contract (or SPA) tenor

- How it will affect Lender's decision
- Understanding what this means to Lenders
- How developers should be prepared to talk with Lenders

- 1 Changing markets
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Significance of Off-take contracts

FAQs to banks

- Can you lend money to this project?
- How much, how long, at what price can you lend to this project?

Significance of Off-take contracts

FAQs to banks

- Can you lend money to this project?
⇒ Qualitative binary question
- (a) How much, (b) how long, (c) at what price can you lend to this project?
⇒ Quantitative, and requires logic and calculation

Significance of Off-take contracts - 2

(a) How much?

Debt Capacity

Price (P) multiplied by Volume (V)

$P \times V$

(Integrated) LNG price x liquified volume

(Tolling) Liquifaction fee x liquified volume

Significance of Off-take contracts - 2

(b) How long?

- Project location (country risk)
- Operation permit
- Reserves/feed stock supply contract tenor
- Off-take contract tenor

Significance of Off-take contracts - 2

(c) What pricing?

- Project sponsor credit (completion/operation)
- Off-take contract counterparty credit

Significance of Off-take contracts - 2

(c) What pricing?

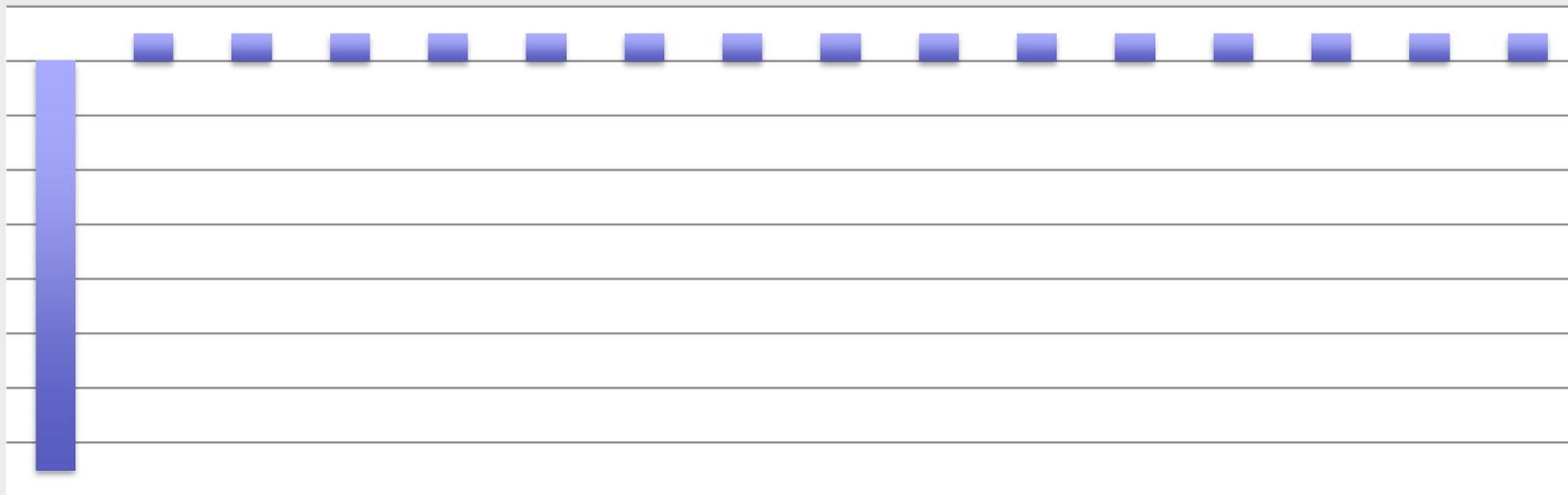
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Both off-taker quantity and quality are important for Lenders

Significance of Off-take contracts - 2

LNG project nature: significant CAPEX

- Long tenor off-take contracts are required to justify the large initial CAPEX



Cheniere's Corpus Christi Train 3

- FID Achieved May 2018
- Two-thirds of LNG capacity committed through SPAs
EDP (0.8mmpta / 20yrs),
Trafigura (1mmpta / 11yrs),
PetroChina (1.2mmpta / 20yrs)
- Debt to equity ratio 50:50

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How banks look at the off-take tenor issue

How should Lenders (Banks) fit in?

- Banks accept track record
What happens in the past will happen in the future
- Operation can be measured
- Pricing can be followed

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But track record is necessary

Will changes occur over night?

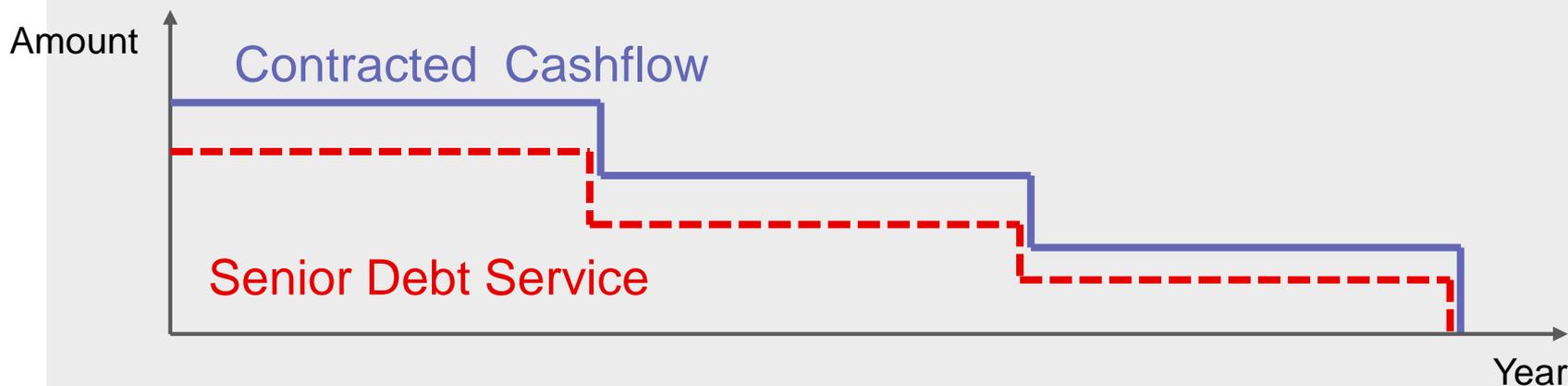
Not likely, lack of track record

- Since 2016, FID transactions all secured financing with long term SPAs in place
- Indonesia's Tanguh Train 3 expansion
- Mozambique's Coral South FLNG
- LNG Canada

What is the solution? – Near term

Adjusting debt capacity

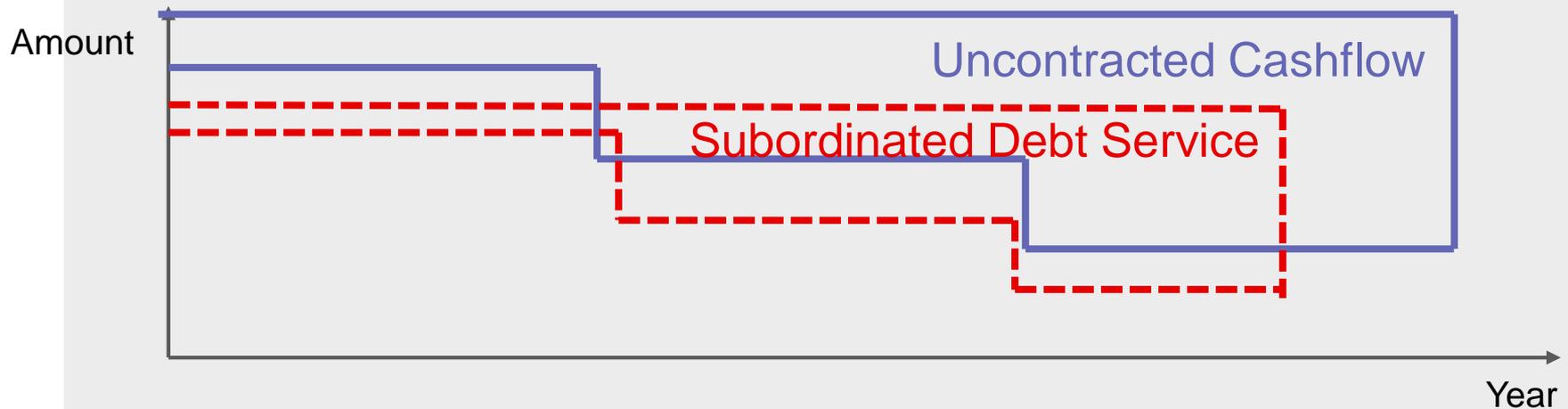
- Debt size adjustments based on long term SPAs
⇒ Senior debt amount to be calculated based on the committed off-take contracts



What is the solution? – Near term 2

Inviting new finance providers

- Institutional investors
 - Private equity funds
- ⇒ Investors who have experience taking merchant risk

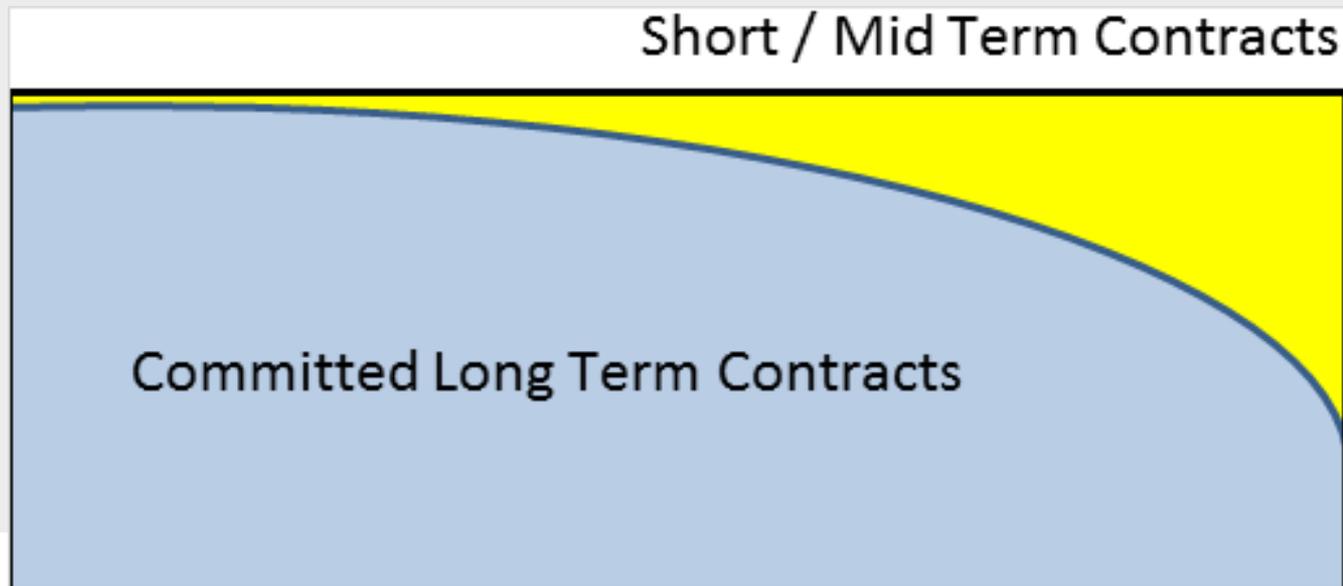


What is the solution? – Long term

Gradual shift of acceptance of short/mid SPAs

Step 1: Sponsor's track record

Step 2: Reliable market to sell LNG
(both tangible and intangible)



Thank you.