Historical relationship between Japan and Petrobras

Japan and Petrobras initiated a prosperous partnership over fifty years ago. It all began in the 1960s, when Petrobras commissioned the construction of a drillship to the Japanese shipbuilding industry. Since then, the relationship has grown and investments have advanced into the areas of upstream (platforms), downstream (refining assets) and logistics (pipelines). In 2008, Petrobras acquired controlling interest in the Nansei Sekiyu Kabushiki Kaisha (NSS), in Okinawa, and established a partnership with the Mitsui Group in bioenergy projects, mainly production of ethanol and electricity from sugarcane biomass. Besides promoting the supply of E3 gasoline (a blend of 3% of ethanol and 97% regular gasoline) in Japan, which has contributed to the country’s energy security, Petrobras’ activities have generated over 1000 direct and indirect jobs.

Petrobras’ relationship with the Japan Bank for International Cooperation (JBIC)

Petrobras’ partnership with JBIC began in 1997, with the approval of a ¥ 27 billion (US$ 230 million) loan for the construction of a fluid catalytic cracking unit at the Landulfo Alves refinery. Numerous credit operations have followed since then, for a wide variety of infrastructure projects, such as the construction of two oil platforms, a gas pipeline from Bolivia and ensuing expansion of the gas distribution network in Brazil, as well as modernization of two refineries.

These projects have also helped tighten relationships between Petrobras and Japanese trading companies and commercial banks, the latter having co-financed some of the aforementioned loans. The successful relationship Petrobras has maintained with Mitsui & Co., ITOCHU Corporation, Mitsubishi Corporation, Marubeni Corporation, Sumitomo Corporation, Mizuho Bank, Sumitomo Mitsui Banking Corporation and Bank of Tokyo Mitsubishi UFJ is, in great part, due to JBIC’s support over the years. The US$ 5 billion in loans contracted from 1997...
and 2006 have played a fundamental role in leveraging Petrobras’ expansion. JBIC’s loans are linked to flagship oil exploration and production (E&P) projects such as Marlim, Barracuda-Caratinga, EVM, Cabiúnas, Malhas, among others. At one point, JBIC was the main collaborator among financial companies, including those based in Brazil.

In October of 2012, a US$ 1 billion loan was signed under the Global Action for Reconciling Economic Growth and Environmental Preservation (GREEN) initiative for two projects: a combined heat and power cogeneration unit in the Rio de Janeiro Petrochemical Complex (Comperj) and an initiative to control greenhouse gas emissions by reducing natural gas flaring at the Campos Basin. This was both JBIC’s and Petrobras’ biggest loan for energy efficiency projects. In July of 2013, US$ 1.5 billion in loans were approved under the Local Buyers Credit and Export Credit programs for the acquisition of products and services from Japanese companies.

Currently, JBIC has approximately US$ 1.8 billion in loans to Petrobras and further US$ 2 billion under the Green initiative, and Local Buyers and Export Credit programs.

**Investment in shipyards by Japanese companies**

The offshore and ship building industry in Brazil began its revitalization in 2003, with the implementation of the National Oil and Gas Industry Mobilization Program (Prominp). Today, Brazil has six mid and large scale shipyards in operation, with capacity to build tankers, production platforms, drilling platforms, cargo ships, and ocean liners. Japanese groups are partners in two of these shipyards.

In February 2014, the Japanese group formed by IHI, JGC and Japan Marine United increased its stake to one-third in the Atlântico Sul (EAS) shipyard, which has been operating since 2008 [PHOTO1]. The other two-thirds of EAS is owned by Camargo Correa and Queiroz Galvão, two major Brazilian EPC companies.

In 2013, a consortium of Japanese companies led by Mitsubishi Heavy Industries (the other partners being Imabari Shipbuilding, Namura Shipbuilding, Oshima Shipbuilding and Mitsubishi Corporation) acquired 30% of ECOVIX, a Brazilian shipbuilding company owner of 75% of Rio Grande Shipyard [PHOTO 2].

Furthermore, Japanese groups have participation
in two shipyards under construction. Kawasaki Heavy Industries owns 30% and is a technological partner in the Enseada do Paraguacu (EEP) shipyard, expected to begin operations at the end of 2014 [PHOTO 3]. The Estaleiros do Brasil (EBR) shipyard, which has already begun part of its operations (construction of topside modules for floating production, storage and offloading – FPSO – units) has Toyo Engineering Corporation as a partner, with a 50% stake [PHOTO 4].

The cited shipyards are, together, responsible for the construction of eight FPSO hulls, for 15 of the 28 rigs to be built for the first time in the country and for 22 of the 40 oil tankers in the portfolio of domestic shipyards. The delivery of these vessels within schedule is critical to the achievement of Petrobras production targets and the technological cooperation between Brazilian and Japanese shipyards comes out to be a key factor of success, since it has allowed the absorption of knowledge, industrial processes and cutting-edge facilities.

Another important player in Petrobras production targets is MODEC, which operates five FPSO producing 475,000 barrels per day (bpd) [PHOTO 5]. Three other FPSO are in construction and should begin operations in 2016, with a total production capacity of 400,000 bpd.

Strategic Plan 2030 and the Business & Management Plan 2014-2018

On February 25th of 2014, Petrobras’ board of directors approved the Strategic Plan 2030 and set the course for the company’s future. After analyzing the global business environment and the recent developments in the Brazilian oil industry regulatory framework, Petrobras defined the “Strategic Choices” that shall guide its businesses within the Plan’s time horizon. The fundamental choice is to produce an average of 4 million bpd of oil from 2020 to 2030, placing Petrobras among the five largest integrated energy companies in the world.

On the same day, the company also approved its Business & Management Plan 2014-2018 (PNG 2014-2018), for a total of US$ 220.6 billion in investments. The goal for oil and NGL (natural gas liquids) production in Brazil defined by this plan is of 3.2 million bpd in 2018, and 4.2 million bpd in 2020. From 2014 to 2018, Petrobras will put in operation 28 new stationary production units in order to ensure such goals will be reached.

Petrobras E&P Department will invest US$ 153.9 billion in Brazil until 2018. From this amount, 73% will be allocated in production development, 15% in exploration activities and 12% in infrastructure. Among the investments in production and exploration, 60% will be in Pre-salt fields and 40% on post-salt. The Supply Department’s US$ 38.7 billion investment budget has as its flagship projects the Abreu e Lima refinery, the first refining train of Comperj, the construction of 45 tanker ships, and the Premium I and Premium II refineries. The Department of Gas and Energy will invest US$ 10.1 billion and its main projects are two fertilizer plants (Três Lagoas and Uberaba), gas pipelines from Pre-salt fields and their respective natural gas processing units. Lastly, US$ 2.3 billion will be allocated in bioethanol and biodiesel projects.