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TITLE: A question of finance

QUOTE: "Although we are always looking for money for more projects, financing is becoming easier to find."

TOGY talks to Ahmad Nasri Mohajeri, the managing director of Faranegar Industrial Design & Engineering Company (FIDEC), about the state of the downstream sector market in Iran. FIDEC works frequently with the National Petrochemical Company and is branching out into EPC work in Iran's hydrocarbons fields. The company had around USD 300 million of projects in hand as of February 2016.

What is the market demand for revamping refineries in Iran?

We have a lot of big refineries in Iran. In total, I believe they have a capacity of 2 million bpd. Of all of them, perhaps two or three are new, including the Arak refinery and the Bandar Abbas refinery. All the others require revamping and renovation. The oldest one, in Abadan, is almost 120 years old. It shouldn't be revamped, but completely replaced.

The Shiraz and Tehran refineries also need revamping and renovation. The quality of their products is poor.

The most critical equipment that needs to be worked on is the distillation tower. This is our main focus in refineries as many of the problems are found here. If the distillation tower is working properly, then you can go step by step through the connected mechanisms to find the problem.

Also, each of these process plants has a core. For a chlorine alkali plant, the core is membrane cells. We would focus on this and then move to other parts. In polymerisation plants, the polymerisation reactor is the main equipment that should be focused on. It is paramount that this works properly.

How is Iran moving towards updating technology in the petrochemicals sector?

We are currently following heightened standards to remove toxic and dangerous products and equipment. We are part of the European Green Association. For example, the chlorine alkali plant in Bandar Imam is a project we are working on. This type of plant uses mercury for the electrolysis process, and mercury is very dangerous. It can leak into the sea and cause a lot of problems. Due to international rules, all this mercury had to be changed. We worked with the United Nations Industrial Development Organisation on this project.

Another project in that area is to remove or to reduce the amount of styrene, another toxic product that shouldn't reach rivers, the sea or even land. We are working with South Korea's Kumho Petrochemicals to find a solution.

Do you think there are many opportunities across the petrochemicals facilities in Iran for these kinds of modifications?

Yes. Facilities have to follow this policy. It is very serious in Iran. We need to reduce the pollution caused by these plants and FIDEC is at the forefront. We guide facilities on how to research, how to find a solution, and study how companies have dealt with these issues abroad. This is one of our largest responsibilities.

It is a very difficult task as revamping old projects requires new solutions and old licences need to be matched with new licences.

In Arvand, there is another big chlorine alkali plant. This is a membrane system, but they have a problem with salt. We have a contract to finish it and to renovate it, but this has not been simple. It is always a unique experience. We have to find and make new designs or contact petrochemicals companies around the world and find out how they've solved this problem. Since the nature of our facilities are different, we might only be able to rely on 30-40% of their know-how.

What is Iran's main focus for its hydrocarbons industry?

At the moment, Iran needs more oil and more gas. This is the country's major source of income, and it has to sell a lot. A big problem at this time is that oil price is very low and all this investment doesn't seem feasible, but this is a strategic plan for 10 years down the road.

The second priority after oil and gas is petrochemicals because they have excellent added value and a very good market. The last priority is refineries, whose capacities need to be expanded and require renovation.

According to the Iran Petroleum Contract, the government will now only invest in oil and gas resources. Petrochemicals and refineries belong entirely to the private sector, and it is necessary to find finance partners to complete them. This is a new policy, and I think it is the right policy. At the moment, everyone's major problem is financing.

Has it become easier to find investors?

Although we are always looking for money for more projects, financing is becoming easier to find. About 20 years ago we received a lot of money from European countries and banks, and we were quite successful. Nowadays, I have heard that financiers are still afraid of risking their dollars, but things are steadily improving. One of the main reasons for project delays is related to finance.

Investors are definitely coming to the country, but there is no clear policy on how they want to get their money back and what kind of guarantees they need. There are a lot of financing organisations coming here, such as banks from China, South Korea and Japan.

Different organisations are also coming from Germany, the UK and even the US. They came, they have money and they are ready to finance, but the guarantees they are asking for make it difficult. Two or three guarantees together is just not possible.

The Central Bank policy dictates that we can give guarantees for government projects only, not for the private sector. I can give guarantees from other banks, just not from Central Bank, which is what investors want. The bank can guarantee the risk, but nothing more.