GEXPERTS LEARNING ACADEMY

Petroleum Project Financing

Bankability, risk allocation and capital structure

PROFESSIONAL COURSE LIBRARY · UPDATED 20 NOVEMBER 2026

Learning outcomes

- Explain limited-recourse project finance and its distinction from corporate borrowing.
- Map key parties, cash flows, security and contractual interfaces.
- Assess debt capacity using transparent cash-flow and downside assumptions.

From resource to bankable project

- Define the project boundary, ownership, construction and operating phases.

- Build a bankable chain: permits → reserves/resources → design → offtake → financing → operations.
- Separate technical, commercial, fiscal, environmental and political conditions precedent.

Cash flow and debt capacity

- Revenue is not free cash: deduct operating costs, taxes, sustaining capital and working-capital needs.
- Debt service coverage ratio (DSCR) = cash flow available for debt service ÷ scheduled debt service.
- Illustration only: CFADS 100 / debt service 50 = DSCR 2.0x; the case is not a current project forecast.

Risk allocation and contracts

- Allocate each risk to the party best able to control, absorb or insure it.

- Map completion, performance, supply, offtake, foreign exchange, fiscal, regulatory and force-majeure risks.

- Check alignment across EPC, O&M, transport, sale, insurance and financing documents.

Capital sources and protections

- Compare commercial banks, bond markets, export-credit support, development finance and sponsor equity.
- Match tenor, currency, amortisation and covenants to asset life and revenue profile.
- Test security package, reserve accounts, guarantees, hedging and step-in rights for enforceability.

Downside cases and decision gates

- Use price, volume, schedule, cost, tax, FX and interest-rate sensitivities.
- Stress combined risks and liquidity runway; identify break-even conditions and cure rights.
- Do not use a single commodity-price forecast as a bankability conclusion.

Applied case exercise

- Teams receive a hypothetical offshore development with a capex schedule, operating forecast and draft offtake terms.
- Calculate CFADS and DSCR, then identify the three assumptions that dominate debt capacity.
- Recommend a funding mix and risk-allocation actions; disclose data gaps and conditions precedent.

Current context and reference points

- Commodity-price volatility reinforces scenario-based valuation; EIA November 2026 STEO is a forecast, not realised pricing.
- IMF WEO October 2026 projects global growth of 3.1% for 2026 and 3.4% for 2027; use as macro context only.
- References: EIA STEO https://www.eia.gov/outlooks/steo/outlook.php · IMF WEO https://www.imf.org/en/Publications/WEO/Issues/2026/10/13/world-economic-outlook-october-2026

Scope and accreditation

- Educational training material; the worked example is illustrative and not investment, tax or legal advice.
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- Confirm jurisdictional law, lender criteria, current market data and independent technical review before use.