

## Project Finance Group Of The Year: Sullivan & Cromwell

By Michael Phillis

*Law360 (January 29, 2020, 3:20 PM EST)* -- Sullivan & Cromwell LLP helped longtime client Australia Pacific LNG refinance \$4.5 billion in debt with more favorable terms and facilitated \$2.5 billion in financing toward a major copper mine project in Chile, earning it a place among Law360's Project Finance Groups of the Year.

The firm's project finance practice has more than 30 attorneys concentrated in places that include New York and Hong Kong. Those attorneys are helped by others in Washington, D.C., Sydney and elsewhere around the world, according to the firm. Inosi M. Nyatta, co-head of the firm's global project development and finance practice, said the firm's attorneys are generalists, providing flexibility for client needs. She said the firm's approach was unusual among law firms these days that have trended towards specialization.

Nyatta said that in project finance, unpredictable events occur and that when they do, the project team must be able to adapt to serve a client over the long term. She said Sullivan & Cromwell is organized so that if the structure of a project's financing shifts or another major development occurs, the firm doesn't need to put a new team in place.

"The team is able to give basic advice ... and if we need a specialist, we can draw them in," Nyatta said. "In many cases we have had projects we have worked on for over 20 years where we have been able to be the institutional knowledge for our clients."

The firm helped longtime client Australia Pacific LNG, which is a major LNG exporter and joint venture between ConocoPhillips, Origin Energy and Sinopec, refinance \$4.5 billion in project debt over a series of transactions, the most recent of which occurred in March 2019. The transactions included a \$2.55 billion loan with commercial banks and a \$600 million private placement of secured notes. Those deals followed a 2018 transaction in which a \$1.4 billion private placement was used to refinance project debt previously received from the Export-Import Bank of China.

"The low rates obviously decrease their cost of funding, which is then generally beneficial and frees up more cash flow for them to do other things," she said. "That was seen as very positive for the sponsors."

Big deals like the Australia LNG refinancing can require around-the-clock and around-the-world support,



according to Nyatta.

“Our clients were in Australia. We had certain advisers in the UK, we had advisers in New York, and we had financiers all around the world. So we staffed that team with a team in New York, a team in Hong Kong and a team in Australia,” Nyatta said. “We are very used to working together across different offices. On the Australia Pacific LNG deal, for instance, it was really around-the-clock support to the client.”

The firm also helped Teck Resources Ltd. and its subsidiary secure \$2.5 billion in financing for one of the biggest mining projects in Latin America’s history. The project is tied to a current operation, but is going to be more than five times the size, according to the firm. To execute the Quebrada Blanca Phase 2 financing finalized in May, the firm had to deal with a diverse group of lenders, the unique stage of the project’s development, which involved an existing operation, and the tremendous potential for future growth, according to a pair of partners at the firm.

“It is not an entirely greenfield project, which required structuring the project financing to accommodate the fact that you already had an existing operation,” Werner Federico Ahlers, a partner at the firm, said, adding that the scale of the new development effectively makes it its own project.

Sergio J. Galvis, a partner at the firm, said Sullivan & Cromwell's extensive experience handling financing deals for major projects in Latin America helped it move major mining projects forward.

“The combination of being proactive and at the same time being viewed by the market as being reasonable at anticipating all the parties’ interests and needs and being very practical and commercial-minded” was beneficial, Galvis said.

The firm also worked on a \$1.3 billion copper concentrate mine expansion in Chile on behalf of Minera Los Pelambres. The second tranche of that financing, valued at \$875 million, was announced in February 2019 and involved several commercial banks.

Sullivan & Cromwell helped a consortium led by affiliates of Chinese state-owned China Three Gorges dam in the acquisition of Empresa Generacion Huallaga SA, or EGH, from Odebrecht Energía del Perú S.A. and Odebrecht Energia SA, which had been wrapped up in major corruption scandals in Brazil and Peru. The project gave the Chinese consortium control of the major Chaglla hydroelectric plant in Peru.

The firm said the deal was especially complicated because of Peru’s investigation into Odebrecht and its goal of ensuring that the company would pay any penalties that were leveraged against it. The government in Peru allowed the sales to go forward subject to the approval of certain ministries, “so long as a portion of the proceeds that the buyers’ pay go through a government trust account,” Ahlers said.

“A portion of those funds are going to be retained in the account and be held pending resolution of the corruption allegations for payment of the fines and penalties,” Ahlers said.

According to Nyatta, as trends in the industry emerge, such as increases in the metal and mining space after a lull and the increased frequency of LNG project refinancing, the firm’s approach helps it handle those new market developments efficiently.

“Particularly for the project finance space where there is cyclicity, we have found over the years that it

makes sense to apply this generalist approach,” she said. “We can really use our resources to cover the ups and downs in project finance.”

--Editing by Peter Rozovsky.

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