

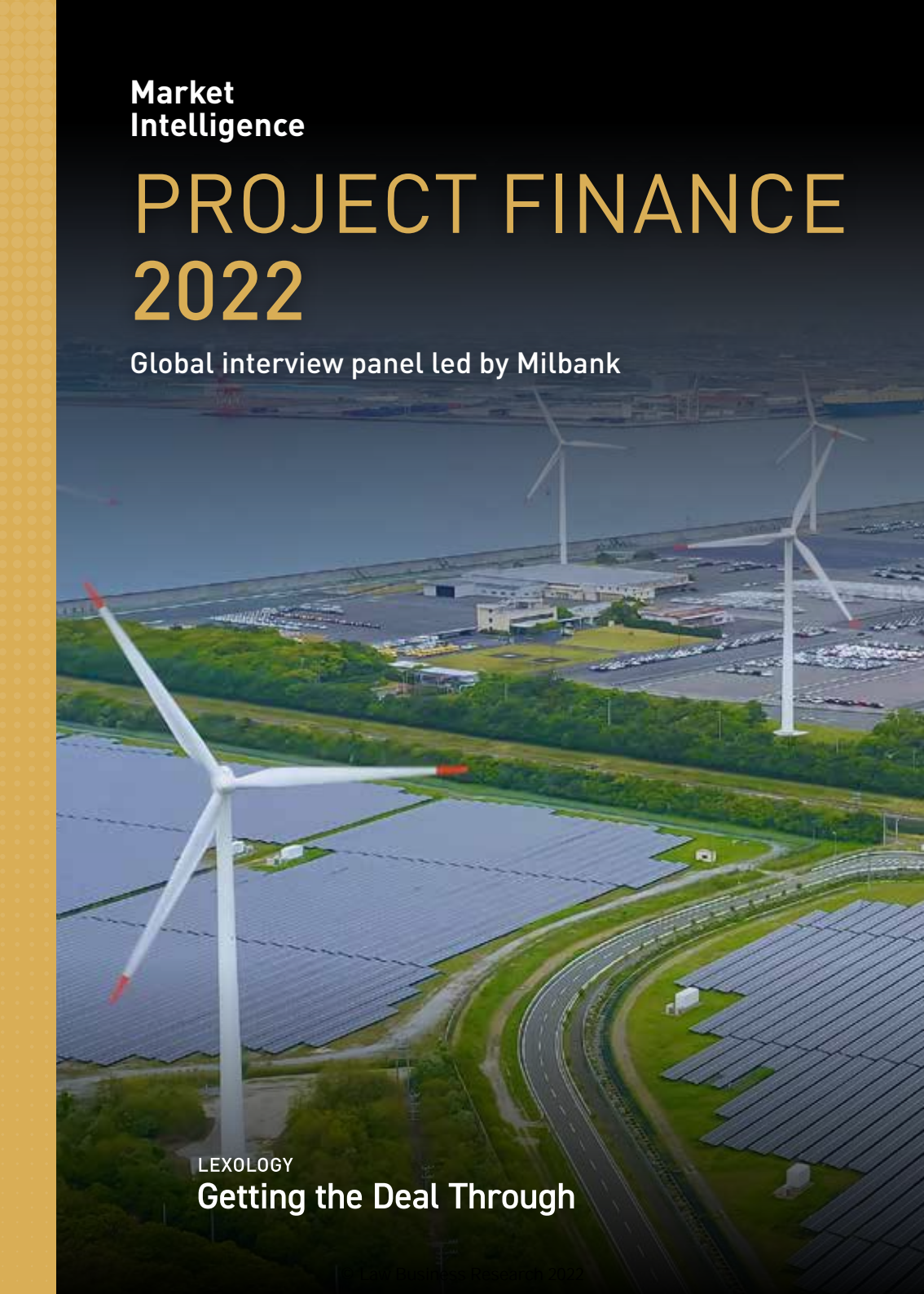
**Market  
Intelligence**

# PROJECT FINANCE 2022

Global interview panel led by Milbank

LEXOLOGY

**Getting the Deal Through**





LEXOLOGY

## Getting the Deal Through

### Publisher

Edward Costelloe

edward.costelloe@lbresearch.com

### Subscriptions

Claire Bagnall

claire.bagnall@lbresearch.com

### Head of business development

Adam Sargent

adam.sargent@gettingthedealthrough.com

### Business development manager

Dan Brennan

dan.brennan@gettingthedealthrough.com

### Published by

Law Business Research Ltd

Meridian House, 34-35 Farringdon Street

London, EC4A 4HL, UK

Cover photo: shutterstock.com/g/  
chombosan

This publication is intended to provide general information on law and policy. The information and opinions it contains are not intended to provide legal advice, and should not be treated as a substitute for specific advice concerning particular situations (where appropriate, from local advisers).

No photocopying. CLA and other agency licensing systems do not apply. For an authorised copy contact Adam Sargent, tel: +44 20 3780 4104

© 2022 Law Business Research Ltd

ISBN: 978-1-83862-949-6

Printed and distributed  
by Encompass Print  
Solutions

# PROJECT FINANCE 2022

Global Trends.....	3
Africa Overview .....	17
Benelux Overview .....	43
Brazil.....	55
Germany .....	69
Greece.....	85
Middle East Overview .....	97
Mozambique .....	113
Serbia.....	125
Taiwan .....	137
Turkey.....	151
United Kingdom.....	167
United States .....	187



# Mozambique

Zara Jamal has been a partner at Abreu Advogados since 2016 and at JLA Advogados, Abreu Advogados' associate firm in Mozambique, since 2014. Zara works primarily on the implementation of international businesses and project finance transactions in Mozambique, focusing particularly on the banking, insurance, real estate, agriculture and energy sectors. Her practice centres particularly on the areas of banking, finance, corporate and regulatory law.

Ana Sofia Batista has been a partner at Abreu Advogados since 2007, with vast experience in project finance. As a lawyer, she has been involved in many M&A transactions. Ana Sofia Batista has more than 20 years of experience and co-heads the firm's corporate and M&A practice. She has been involved in several investment projects mainly in Mozambique, providing legal advice and support in the local law matters.

Isabel Pinheiro Torres is a senior associate lawyer and has been at Abreu Advogados since 2010 working primarily in the area of finance and banking law. She focuses particularly on financing operations and regulatory matters including processes for authorisation of regulated entities before the supervisory entities. She assisted several clients in project transactions in Mozambique, including in the LNPG and electricity sectors.

## 1 | What have been the trends over the past year or so in terms of deal activity in the project finance sector in your jurisdiction?

Despite the global economic deceleration caused by the pandemic, the appetite for the investment in project finance still remains quite active in Mozambique, with particular focus in the sectors of LNG, energy, infrastructure and agriculture.

In 2021, Vale Mozambique announced its divestment in the coal mining business in Mozambique and entered into negotiation with several bidders for the sale of its assets, including the Moatize Coal Mine and Logistic Corridor of Nacala. The transaction agreements included the sale and purchase agreement of one of Vale holding companies and a royalty agreement that assures certain production conditions and coal price to Vale up to 10 years further to the acquisition. In late 2021, it was announced that the winning bidder was Vulcan Minerals, a subsidiary of Jindal Group, which is present in Mozambique in the coal mining sector at Chirodzi.

The year 2021 was also marked by the financial close of the Mozambique LNG project in the Rovuma Basin, which amounts to almost US\$15 billion of financing, of the approximately US\$24 billion of total project costs. Mozambique LNG is the country's first onshore LNG development. The project includes the development of the Golfinho and Atum fields, located within Offshore Area 1, and the construction of a two-train liquefaction plant with a capacity of 12.9 metric tonnes per year (MTPA). Offshore Area 1 contains more than 60 trillion cubic feet of gas resources, from which 18 trillion cubic feet will be developed. The project is backed by long-term offtake agreements and almost 90 per cent of the production is already sold to LNG buyers in Asia, the Middle East and Europe. Additionally, the project is expected to have a domestic gas component for domestic consumption to help fuel future economic development.

Total later suspended its operations on site due to the insurgency in northern Mozambique. Developments are expected for 2022 on this project.

The Coral Sul Floating Liquefied Natural Gas (FLNG) Project is also under implementation by the Area 4 concessionaires in the Rovuma Basin offshore Mozambique, with a floating LNG vessel with capacity of 3.4 million tonnes of LNG/year, with a US\$7 billion investment estimation. The vessel arrived at the basin in November 2021 and production is expected to start in 2022.

The energy sector is expected to experience a boost in the near future, further to the approval of the regulation on the access to energy outside the network (Offgrid Regulation), which is expected to result in the universal access to energy until 2030. The Offgrid Regulation sets forth a simplified legal framework applicable to projects to be implemented in areas that are not served by the National Energy Network, including mini-networks with a limited capacity and energetic services



Zara Jamal



Ana Sofia Batista



Isabel Pinheiro Torres

**“The energy sector is expected to experience a boost in the near future.”**

such as solar home systems for domestic or production use. This new regulation is expected to leverage the private sector.

The year 2021 was also marked by the closing of the Mozambique's first solar-plus storage for the 19MWp/2MW-7MWh Cuamba. Globeleq renewables development body owned by the UK and Norwegian governments entered into an agreement for a US\$36 million, 19MWp solar project in Mozambique that also features 2MW/7 MWh of energy storage. The project will benefit from a US\$7 million grant from the Private Infrastructure Development Group, which is funded by the International Finance Corp private-sector arm of the World Bank alongside the governments of the UK, the Netherlands, Switzerland, Australia, Sweden and Germany. The project is expected to be implemented in the course of this year.

In the infrastructures sector, new legislation was approved within the port and maritime sectors, by the incorporation of the Maritime Institute as the supervisory entity for the rail and ports sectors and a redefinition of jurisdiction areas and redefined jurisdiction areas in Mocímboa da Praia, Ilha de Moçambique and Lumbo, Quelimane, Inhambane, Maputo and Matola.

The management of the ports in Mozambique was carried by CFM but currently the ports are subject to concessions and CFM has been replaced as the port operator by the concessionaires, with few exceptions. In early 2021, Mitsui agreed to sell its stake in Nacala Corridor rail and port projects in Mozambique, together with Moatize coal mine, to Vale, the operator of the projects, for US\$1 each.

On the agriculture sector, the African Development Fund approved a US\$47.09 million grant for the first phase of Mozambique's Pemba-Lichinga Integrated Development Corridor, a Special Agro-Industrial Processing Zone, which is expected to improve agricultural productivity and agribusiness development in the area of Niassa.

2 | In terms of project finance transactions, which industry sectors have been the most active and what have been the most significant deals to close in your jurisdiction?

Besides infrastructure and agriculture, the most prominent transactions have been in oil and gas, mining and energy. Regarding the most significant and larger-scale project finance transactions implemented in Mozambique, we would highlight:

- the Nacala Corridor Railway and Port Project (the Nacala Project);
- the Coral South Floating LNG Project (the Coral Project);
- the Moatize–Macuse Railway and Port Project (the Moatize Railway and Port Project);
- the Metoro Solar Power Plant Project (the Metoro Project);



- Cuamba solar-plus storage; and
- the Mozambique Area 1 LNG Project.

The Nacala Project was signed in November 2017 by and between the Japanese Mizuho Bank, Ltd alongside the Japan Bank for International Cooperation, the African Development Bank and nine other private financial institutions and the four special purpose vehicles established both in Mozambique and Malawi by Vale SA and Mitsui & Co, Ltd. The project ticket was of approximately US\$3 billion and it connects the Moatize coal mine developed by Vale and Mitsui in the northern Mozambican province of Tete to the port of Nacala through Malawi, aiming to enable rail and ship transport of produced coal up to a volume of 18MTPA. As mentioned above, Mitsui transferred to Vale its stake in the project and Vale also announced its divestment in this project.

The Coral Project was the first to reach final investment decision for the development of the gas resources discovered in the Rovuma basin. The almost US\$5 billion financing of the Coral South FLNG project in offshore Mozambique, developed by Eni and its partners, closed in May 2017 and the floating platform was launched into



**“The most prominent sponsors frequently derive from the United States, China, Italy, South Africa, France, Japan and India.”**

sea in January 2020. The Institute of National Petroleum of Mozambique informed of the arrival of the vessel in the Rovuma Basin on 3 January 2022, and production is expected to start this year.

The Moatize Railway and Port Project was awarded to Thai Mocambique Logistica, a joint venture between a Thailand-based and Italian–Thai development company, with a 60 per cent share, the local state-owned ports and railway company Portos e Caminhos de Ferro de Mocambique with a 20 per cent share and a local private sector consortium Zambezi Integrated Development Corridor with a 20 per cent share. The project, which was to originally connect Moatize and Macuse and run for 500km, was amended in November 2017 to extend the railway a further 120km west from Moatize to Chitima. The Macuse port will be designed to accommodate ships of up to 80,000 tonnes and annual exports are expected to start at 25MTPA, eventually increasing to 100MTPA. In November 2021, Ethos Asset Management Inc, USA announced a deal in Mozambique with Thai Mocambique Logistica, SA to finance the building of the Macuse port and rail infrastructure in the sum of US\$400 million.

The Metoro Project consists of the largest solar plant in the country and was set up by Neoen, which owns 75 per cent of the plant, with the remaining 25 per cent being owned by Electricidade de Mozambique. The total cost of the plant is estimated to be US\$56 million. The company has been able to obtain US\$40 million from the French Development Agency through its subsidiary Proparco. The Metoro solar power plant will have a capacity of 41MW and will be installed on an area of 70 hectares. It will provide electricity in the provinces of Cabo Delgado and Nampula. Efacec, a Portuguese group experienced in the installation of solar power plants, was awarded the engineering, procurement and construction contract for the plant.

### 3 | Which project sponsors have been most active in driving activity? Which banks have been most active in providing debt finance?

Mozambique is extremely reliant upon external investors to develop and carry out projects across various sectors. As such, the most prominent sponsors frequently derive from the United States, China, Italy, South Africa, France, Japan and India.

Also, considering Mozambique's high economic, political and social risk status and the lack of capacity and liquidity of the government and domestic banks, export credit agencies (ECAs), development finance institutions and multilateral banks continue to play an important role in this matter. The likes of the African Development Bank, the International Finance Corporation, the German Investment and Development Corporation, Proparco and the Dutch Development Bank are committed and involved in supporting investments in the private sector and bolstering investors' confidence by backing some initiatives.

Several international commercial banks are also very experienced in debt financing transactions in Mozambique and, despite going against the risk-averse mindset of Mozambican banks – which are used to following a more traditional commercial banking business model and relying upon the creditworthiness of the borrower and its sponsor – these transactions often include a domestic bank capable of taking on more administrative tasks and helping to get projects off the ground. This is done by assuming the role of onshore security agent, given that the assets located in Mozambican territory must be mandatorily governed by Mozambican law.

### 4 | What are the biggest challenges that your clients face when implementing projects in your jurisdiction?

Although there are macroeconomic policies in place to stimulate and improve the overall business environment, and also a strong political will for attracting large-scale investments, Mozambique still faces some challenges.



A fragile political situation, safety issues, high levels of corruption, an overtasked and unskilled judiciary system, and bureaucratic and inefficient public institutions are frequently pointed out as justification for the slow pace in implementing projects on the ground. Bureaucracy was strengthened during 2021 due to the pandemic and its effects in multiple services. However, experience has shown us that the notion of time in developed and underdeveloped countries is slightly different!

Nonetheless, Mozambique is still perceived as having a high potential for investment due to its favourable geographic location, with its long coastline and proximity to southern African markets, young and growing population and huge mineral and energy resources.

The government has also launched some initiatives and legal reforms to help improve and foster foreign investment in the country. For example, the government has developed an e-government strategy that includes an electronic government network, government portal and e-government communication infrastructure. Also, broad legal reforms are expected. Namely, a new Commercial Code is anticipated, which will set forth less bureaucratic procedures for setting up businesses. Reforms to the investment law, labour law, electricity law and land law are also imminent,

alongside a more innovative regulatory framework directly related to local content, which will promote and foster the involvement of national entrepreneurship in the economic development of the country.

- 5 | Are there any proposed legal or regulatory changes that may give rise to new opportunities in project development and finance? Do you believe these changes will open the market up to a broader range of participants?

As mentioned in question 4, the government is undertaking some broad legislative reforms in various areas. From these, we can highlight the land law reform, which is currently under discussion. As the land in Mozambique is state-owned, which poses limitations to its transfer and encumbrance, it cannot be granted as collateral for project financing.

This fact has compromised and even deterred some investments, as lenders are not able to take strong security during a construction stage. Although an effective change to the land ownership principle is not anticipated, the new law may provide some solutions that could eventually provide reassurance to investors in this respect.

As there is clearly political will to retain and attract new investors, a reform to the investment law and other sectoral areas, namely related to the oil and gas, energy and infrastructure, is also under way.

We would also highlight that in 2021, a new authority – Central Registry for Security over Movables – became operational and is responsible for the registration and confirmation of all security rights granted over movable assets. This measure is expected to improve transparency, and publicity on the securities will hopefully facilitate and promote access to financing by granting a higher level of comfort to lenders intervening in project finance in Mozambique for securing their credits.

- 6 | What trends have you been seeing in terms of range of project participants? What factors have influenced negotiations on commercial terms and risk allocation? Are there any particularly innovative features?

The majority of projects implemented in Mozambique still follow a more traditional format of project financing.

As mentioned, large-scale projects are very reliant on ECAs, multilateral lending agencies or development banks as a major source of debt. In these cases, ring-fenced or limited recourse financing is accepted and understood by project participants. In practice, given the political risk associated with Mozambique (as in other African countries), the complexity of the transaction structures and the fact

that there is limited security over public assets underlying the public infrastructure, ring-fenced financing is not pure.

In terms of medium and small-scale projects, these are often funded through syndicated commercial loans in conventional debt financing transactions. More recently, we have noticed that domestic investors are keen on finding alternative sources of financing, thus we believe that this appetite may be helping to boost different and more structured forms of financing.

## 7 | What are the major changes in activity levels or new trends you anticipate over the next year or so?

After almost two years of pandemic, the slow economic recovery will most likely impact the availability of funds and capital for emerging markets, so the growth of brand new investments in Mozambique might also be slow.

Despite this, we point out that emerging economies such as Mozambique have a long history and track record of resilience and fighting spirit. This particular feature might give them the ability to turn around the global crisis and strengthen the political and legislative support to the current investment, developing new market opportunities (on energy and natural resources) and whetting the appetite of foreign investors, in particular in the energy sector.

**Zara Jamal**

[zara.jamal@jlaadvogados.com](mailto:zara.jamal@jlaadvogados.com)

**Ana Sofia Batista**

[ana.s.batista@abreuadvogados.com](mailto:ana.s.batista@abreuadvogados.com)

**Isabel Pinheiro Torres**

[isabel.p.torres@abreuadvogados.com](mailto:isabel.p.torres@abreuadvogados.com)

**Abreu Advogados**

Lisbon

[www.abreuadvogados.com](http://www.abreuadvogados.com)

**JLA Advogados**

Maputo

[www.jlaadvogados.com](http://www.jlaadvogados.com)

# The Inside Track

What three things should a client consider when choosing counsel for a complex project financing?

Trustworthiness, technical skills and local presence. Ideally, the counsel should have an international background and consolidated local knowledge, experience and pragmatic views. International firms with a local presence in Mozambique can offer high-standard legal services adapted to market practice and provide regular updates and support on the ground. Having a pragmatic approach is essential so that we can put ourselves in the client's shoes. Finally, a strong command of English as a working language is also fundamental, all together a cocktail for a successful delivery of services.

What are the most important factors for a client to consider and address to successfully implement a project in your country?

One of the most important factors would be to understand local practice and culture. It is fundamental to grasp the concept that investments in Africa should be long-term and patient endeavours. Furthermore, these emerging economies are more volatile to market conditions and external factors. Thus, projects should be resilient and flexible in order to endure and thrive on the long run.

What was the most noteworthy deal that you have worked on recently and what features were of key interest?

The Mozambique LNG deal is the pioneer in Mozambique but this project has overcome and resisted a number of challenges both of political and economic nature, since we began our assistance in 2015, with major developments expected in the long term. We would also point out our assistance to one of the bidders for the Vale coal mining business in Mozambique. Over the past 15 years, Vale has worked in partnership with the Mozambique and Malawi governments in the implementation of the Moatize mine and the 912km of the Nacala Logistics Corridor to serve coal transportation, in addition to the revitalisation of general cargo operations and passengers transportation. These investments represent a relevant legacy to the countries and are an important vector for local development and an opportunity for major players in this field.

Lexology GTDT Market Intelligence provides a unique perspective on evolving legal and regulatory landscapes.

Led by Milbank, this *Project Finance* volume features discussion and analysis of emerging trends and hot topics within key jurisdictions worldwide.

Market Intelligence offers readers a highly accessible take on the crucial issues of the day and an opportunity to discover more about the people behind the most significant cases and deals.

**Keynote deals**  
**Sector focus**  
**Major investors**  
**2022 outlook**