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# Global Awards

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**Global Bank of the Year – Mitsubishi UFJ**

Mitsubishi UFJ has been expanding its global capital markets footprint since the start of the financial crisis and this expansion has been most notable in the project finance arena. When no less a figure than the president of the bank, Katsunori Nagayasu, says during 2011 that now is the time to gear up for further project finance expansion, it is a fairly significant statement of intent.

For the global project finance market, the expansion could not have been more timely. The eurozone round of the crisis, which kicked off in August, has left many former stalwarts of the global project finance market struggling to keep funding. There has been no such hindrance for MUFG and, of course, the other main Japanese banks – SMBC, which notably stepped into the breach in 2008/09, and Mizuho.

The Japanese have, of course, been the most important players in the market before – back in the 1990s alongside the American banks. Now they are resuming their previous role, maybe alongside some dollar-rich Americans.

MUFG has been building up its presence, most notably in the Americas since 2009 – to such an extent that in both 2010 and in the first half of 2011, its deals volume – measured by mandated lead-arranging – was double that of its nearest competitor. It combines both a New York presence and the Union Bank team in California. In Asia-Pacific, it was the lead Japanese bank at the 2011 half-year. Globally, it was second behind SBI Capital at that point and it is likely this result will be repeated at full-year.

In the EMEA region, it just made it into the Top 20 at half-year. This will be changing quickly. It has bought the RBS portfolio and has staffed up to 70 people. In addition, it completed its purchase of RBS assets in the booming Australian market this year.

The bank has been involved in a wide range of deals across the globe in a senior structuring role. It had numerous roles on the Caserones mining deal in Chile and is playing an important role in the Cartegena refinery scheme in Colombia, which had yet to close at the time of going to press. It also took lead roles on the Alta wind deal in the US and the Seigneurie de Beaupre wind deal in Canada.

In Asia-Pacific, it was involved in the Dow/Siam Cement HPPO petrochemical financing in Thailand. It took the subdebt on the Single Leap PPP and was MLA on the Mundaring water treatment scheme, both in Australia.

In EMEA, the bank started to emerge across the energy and infrastructure arena. Not only did it do its traditional schemes, such as Meerwind offshore wind in German, Nord Stream 2 and Yuzhno Russkoye in Russia and the Sur IPP in Oman, but it also became important in the infrastructure space, with deals such as the ABP refinancing in the UK and the Loire Brittany high-speed rail scheme in France.

**Global Adviser of the Year – HSBC**

HSBC has advised on a wide range of important project financing across the globe this year. The bank has always had a strong advisory feel to its business, a lead that many might now be following. However, it maintains a strong balance sheet to help out on its deals – which in some cases this year proved to be important.

In Asia-Pacific, a highlight was the closing of the Mong Duong 2 IPP in Vietnam. The deal scored a range of firsts in the region and had certainly been a long time coming. At US$1.5bn it is the largest project financing in the country. It bought together US, South Korean and Chinese shareholders and had a 18-year tenor.

In Thailand, it bought home the Dow/Siam Cement HPPO petrochemical financing, a highly strategic investment for both sponsors. The final financing totalled US$680m after HSBC arranged guaranteed bridge loans in 2009 and 2010 to keep the scheme in funds. And in Australia, the bank advised a Citi Infrastructure Investors-led team on its infraco style port acquisition from DP World. The deal involved a US$788m financing.

In the Americas, the bank was involved in key deals in Brazil. It advised and jointly book-ran the Queiroz Galvao Oil & Gas project bond, which raised US$700m in the summer, opening up a new strain of liquidity for the Brazilian energy market. And at year-end it was financial adviser on the project financing for Embraport, a greenfield port scheme handling container traffic in Santos.

In addition, it had advisory roles on the US$1bn Odebrecht ODN 1 and 2 drill ship deals and the ODN Tay bridge financing. Brazil has become an important project finance market. While some sectors, such as infrastructure and power, remain largely in the financing hands of BNDES and the local banks, the oil and gas sector has seen new opportunities develop for oil and gas banks. And Embraport shows that the infrastructure sector can attract international funds. HSBC is at the forefront of these developments.

In the EMEA, the bank has been active in advising in another important market – France and its PPP deal pipeline. It advised RFF, the rail network client, on the Bretagne Pays de Loire high-speed rail deal. The project was won by Eiffage and is the largest PPP closed in France at €3bn. The project debt is €1bn. The bank advised a Vinci-led team on the €160m Nice stadium financing, which mixed availability payments with non-regulated commercial revenues. And it advised the Bouygues/HSBC Infra Fund team on the €900m A63 toll road financing that closed early in the year.

In the Middle East, it advised ADWEA on its latest IWPP/IPP to reach financial close, Shuweihat 3, and the Bahraini government on the challenging Muharraq waste-water deal, which finally reached financial close during the summer. It has been working hard on the Hassyan IPP in Dubai, the first IPP in the Emirate, and its labours paid off when the scheme received four competitive bids. In addition, it backed up its advisory with a stapled financing offer to bidders. It has moved two private petrochemical schemes in Saudi Arabia close to financial close and has a range of other leading mandates in the GCC region.

**Global Multilateral of the Year – JBIC**

The role of Japan Bank for International Cooperation (JBIC) has been changing and adapting every year, since it started as the Export-Import Bank of Japan. It has continued to respond flexibly to the needs of Japanese manufacturers.

On March 11 this year, the northern region of Japan was hit by a strong earthquake followed by a tsunami that destroyed massive areas. In addition, the Fukushima nuclear power plant was damaged, resulting in radiation leaks and fears.

One would expect that all resources of Japan would be called back home, to assist in the rebuilding of the devastated region. But that is not the case. Instead, Japanese corporates have been encouraged to continue with their overseas investments and Japanese banks, including JBIC, encouraged to continue lending to the overseas projects. The disaster at home did not have an impact on its activities.

Instead, it has been called on to respond to a range of strategic issues, including new energy, environment, prevention of the hollowing out of domestic industries, and development of overseas markets. According to JBIC president and CEO Hiroshi Watanabe, the new growth strategy set out that JBIC should support overseas integrated infrastructure systems. Following this strategy, developed countries were added as being eligible to use JBIC's overseas investment facility in the area of inter-city/urban transit railway and water, etc.

Thus, JBIC is now supporting Japanese industries getting involved from the early stages of project formulation – for example, through financial policy dialogue with the Indonesian government, enhanced partnerships with host country governments, and feasibility studies on high-speed railways.

It is being pushed to actively support overseas projects, not just natural resources and power, but also in integrated infrastructure systems and other strategic projects. Also, it is expected to support overseas businesses that preserve the global environment, such as preventing global warming.

Thus, there is no reason for JBIC to stop lending. In PFI's mid-year league tables, JBIC topped the table on multilateral developing country exposures, with a total of US$2,962m. That comprises US$1,209m of direct lendings and US$1,753m of guarantees. In the table for developed country exposures, the Japanese institutions – JBIC/ Nexi and DBJ, were jointly ranked third with US$771m in total exposure.

The projects JBIC was involved in during the first six months were largely in Latin America, the Middle East and Europe. They included Samarco and San Cristobal mines in Latin America as well as the Shu 3 IPP in the UAE.

The second half could be an interesting one and could include the 1,600MW IPP of J-Power in Thailand. There is also steel-maker Tenigal in Mexico and most recently, it was part of a US$1.1bn PF loan for US$2bn Caserones coper and molybdenum mine project.

JBIC is the international wing of Japan Finance Corp that was set up on October 1 2008. But from April 2012, a newly incorporated JBIC will take over, under a new JBIC Act that was passed in May this year. It will see further lendings not only to developing countries but also to developed ones. It will help make things happen.

**Global Sponsor of the Year – ACWA Power**

A few years ago there was plenty of talk about local developers emerging to challenge the big global power project developers. In Asia and Latin America, such entities did come forward – although many were linked to existing utilities of major corporates. In the Middle East, one came forward and is now well established in its regional market and beyond. And this year it reached financial close on the largest gas-fired independent power project (IPP) in the world – Qurayyah.

ACWA Power is still heavily focused on its home market in Saudi Arabia, where it has a near perfect record in bidding for IPP schemes. But this year it has moved significantly into the Middle East regional market and next year it will transact deals further afield – from Turkey down to sub-Saharan Africa.

The Qurayyah deal, on its home patch, is huge – only comparable in size to the ultra mega power project (UMPP) coal-fired deals in India. The deal was bid out by Saudi Electricity Company as a 2,000MW project. But the ACWA bid was so competitive, at 16% below the others and with the offer of a doubling in size, that SEC decided to take the offer.

The financing has been banked in the ultra-liquid Saudi market but it is still a US$2.1bn international financing with a good mix of local and international banks plus three export credit agencies. In addition there is a US$700m equity bridge loan (EBL). Loan pricing is very competitive and there was even a 15% balloon at the end of the 20-year power purchase agreement (PPA). The deal was bid in March and ACWA bought it to a close in December.

The company now has 14 operating assets including Barka in Oman, which it bought into last year. Two deals are in construction – Rabigh and Qurayyah. During the year the company bought into 59% of the power capacity of Jordan by purchasing a 65% stake in Enara Energy Investments, which holds 51% of former state utility CEGCO. The company owns seven plants.

ACWA has bought the IFC into the deal as its partner and the two are likely to increase their stake by buying Malakoff's holding. The government continues to hold 49%. The asset purchase mixes the need for both operating skills and project development and financing to upgrade the plants into a more modern fleet.

Given that it is growing as a corporate in its own right, the company has moved away from relying on guarantees or other forms of support from its main shareholders. In mid-year, it raised a novel US$300m five-year murabaha corporate Islamic financing with three American banks – Citigroup, JP Morgan and Bank of America - plus Standard Chartered, Mizuho and MayBank. And it managed to refinance the shareholder guaranteed EBL on the Shuaibah plant through a new ACWA five-year corporate facility from ANB with a 70% balloon.

The company is now planning further expansion. It will be interesting to see how it evolves from its home base.

**Global Financial Sponsor of the Year – Blackstone**

Blackstone's energy and natural resources team scored two significant hits this year - both globally significant deals. The private equity firm has patiently built up a range of investments in the division, which is headed from New York by David Foley. This year it raised debt, via a reserve based loan (RBL), and equity on its investment in the multi billion dollar Jubilee oil field in Ghana. And then it project financed its Meerwind offshore wind farm off Germany. Both deals were large, complex and transacted in a straightforward manner.

Blackstone's involvement in the sector is perhaps understated. But it owns independent power producer (IPP) Sithe Global which is due to commission the US$900m Bujagali hydro power project in Uganda in January 2012. Being a PE house, many of its deals have structured/project finance attached - including Bujagli which was project finance in early 2008. In addition Blackstone has a stake in Indian IPP developer Moser Baer which project financed a 1200MW plant in Madya Pradesh in May this year and announced plans for 300MW of solar in India and other countries recently.

The Kosmos deal was one of the most significant oil and gas transactions this year. Kosmos Energy has 23.49% of Jubilee. It completed its IPO in New York in May, giving the company a value near US$7bn. Kosmos is jointly owned by Blackstone and Warburg Pincus. It raised US$594m in the IPO. The deal was led by Citigroup, Barclays Capital and Credit Suisse.

At the same time it raised a US$2bn seven-year loan from Absa Capita (Barclays), BNP Paribas, Credit Agricole, HSBC, SG and Standard Chartered priced competitively at between 325bp to 475bp. The deal includes an accordion feature that allows it to be increased to US$3bn. Fifteen banks joined the lead arrangers in the syndication process.

Meerwind was one of the two mega German offshore wind farm deals which reached a close over the summer, the other being Global Tech. The comparsion between the two was obviously interesting although both were different. Global Tech was put together by local German companies and was said to be more bank friendly. It sold well in syndication. Meerwind has a less attractive structure for the banks but still managed to raise €385m of project debt from the commercial banks. KfW and EKF provided €510m of debt directly.

The deal benefitted from the attractive tariffs available to German offshore wind farms. The Blackstone team therefore concentrated on getting the contractual structure right on the deal. A small team of a dozen employees and consultants based in Bremerhaven worked on getting the eight supply contracts into a bankable state. Peter Giller worked on the scheme for Blackstone and he worked closely with Watson Farley & Williams partner Malte Jordan on the contractual arrangements. Giller is well known in project finance circles. In the 1990s he was head of ABB Ventures and then moved to head the new International Power company in 2000 until 2002. Blackstone's NY team then led the project financing advised by Green Giraffe Energy Bankers.

**Global M&A Deal of the Year – Fenice**

F2i and AXA's jumbo refinancing of their three Italian gas networks defied expectations, with 12 banks providing a more than €2bn debt package.

Whereas F2i and AXA financed their two previous gas network acquisitions (Enel Rete and E.On Rete) separately, the sponsor group opted for a bold three network refinancing when acquiring G6 Rete from GDF Suez. After sounding out the capital markets to no avail, the sponsors approached the banks from the previous deals with the prospect of a big bank debt solution.

Twelve banks entered negotiations for the deal in June, but two dropped out early on. JP Morgan was first to drop out, with the US bank believed to be uncomfortable with the deal's seven-year tenor. Santander soon followed suit as the bank does not consider Italy a key market. The deal attracted two new banks, however, Centrobanca and ING. Although Centrobanca took a small €30m ING put forward €120m, constituting the largest amount of entirely fresh debt committed to the project.

Commitments were signed at the start of August, just before a new round of sovereign downgrades for Italy while the ECB tried to staunch rising Italian bond yields. Banks had every right to demand a margin flex, but held back due to the quality of sponsors and given the opportunity for new business from them further down the line.

The deal was signed on September 26, following approval from the EC and Italian Competition Authority. Full financial close came on October 3, with first drawdown following shortly after. Swaps were completed by the end of that month with 75% hedged, yet another sign of the attractive terms sponsors managed to extract from their bank group.

Whereas Enel Rete and E.ON Rete closed using five-year debt, banks were able to stretch to a seven-year tenor for the refinancing. The debt is split into three facilities, all maturing on September 30 2018. The first is a €1.77bn term loan refinancing of three gas network acquisitions. The second is a smaller €300m term loan covering new capital expenditure. The third is a €40m working capital revolver.

While the sponsors managed to extract great terms from their banks, the deal is still prudently structured for the lenders. Margins step up from 210bp to 375bp over the loan's life and a 35% cash sweep kicks in in year four, which then becomes a full cash sweep from year five. In addition to margin step-ups and cash sweeps, there are also dividend lock-ups linked not only to coverage ratios but to gearing metrics such as net debt to regulated asset base and net debt to Ebitda.

Away from its financial structure, the deal represents another step in the liberalisation of Italy's gas market. F2i Reti Italia now has a market share ranging from 17% to 22% according to various measures, a growing challenge to state backed Eni's hegemony. The financing reflects bank's continued appetite for regulated utilities with mini-perm tenors, and the opportunities for quality sponsors to extract favourable terms on these deals even in difficult markets.

**Global Law Firm of the Year – Milbank Tweed**

Milbank Tweed has won this year's Global Law Firm of the Year award. According to Project Finance International's Legal Survey 2011, Milbank Tweed had the highest number of projects in the Americas region and a very significant presence across the world. The firm was involved in the sponsor role for the US$3.7bn Hongsa Mine-Mouth project in Laos and the US$2.5bn Jurong Aromatics Complex project in Singapore, among many others.

In the Americas region, Milbank Tweed had a total of 15 deals in its basket for 2011. Milbank represented Brazilian oil company Galvao Oleo e Gas on an issue of project bonds worth US$700m. The funds will be used to refinance two of Queiroz's oil rigs.

Milbank also represented Japanese trading houses ITOCHU Corporation, Marubeni Corporation and Mitsui & Co in the US$750m financing to Venezuelan state oil company Petroleo de Venezuela (PDVSA) for the expansion of the El Palito oil refinery, and Mitsubishi Corporation in the US$750m loan facility to PDVSA for the expansion of the Puerto La Cruz oil refinery.

Another important project where Milbank represented the lenders was the US$795.5m project financing for the development of the 800MW gas-fired CPV Sentinel power plant to be located in California's Coachella Valley. Financing for the CPV Sentinel Power Plant was one of the largest project financings in the US thermal power industry in 2011.

Milbank was also involved in the US$2.2bn Caserones copper mine financing in Chile. The law firm represented Japan Bank for International Cooperation (JBIC), Mizuho Corporate Bank, Sumitomo Mitsui Banking Corporation (SMBC), BTMU, HSBC and Nexi in the US$1.1bn debt financing of the copper mining project in Chile.

Some other important projects include the US$2.1bn Shepherds Flat scheme, on which Milbank acted as lenders' counsel, the US$850m Hudson transmission project, which used Milbank for the lenders and Skadden for the sponsors, and the US$585m Wind Energy Texas Transmission project, where Milbank represented the mandated lead arrangers.

With a year full of successful projects, Milbank is now looking forward to new opportunities in 2012. Philip Fletcher, a partner at Milbank Tweed, is of the opinion that opportunities in 2012 will be in the natural resource sectors of oil and gas and mining, apart from the usual power and telecommunications sectors, and Milbank Tweed is looking forward to these opportunities in the new year.

“Milbank Tweed has been active in the project finance market for a very long time and we have deep familiarity with blending together the broad range of financing sources needed to help overcome the liquidity problems that exist in the present day market,” said Fletcher.

According to Dan Bartfeld, a partner in the global project finance group at Milbank Tweed in New York, the key is in the types of projects. Transportation infrastructure is going to be very active in Brazil, with developments such as airports, seaports, rails and logistics because of the Olympics and World Cup.

For Bartfeld, “a big problem is the lack of capital”. European banks will have capital constraints because of their heavy exposure to Greece. To fill the breach, Japanese banks are moving in, Bartfeld said. “The Japanese companies are very, very strong.”

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