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Global

Gold, silver and bronze

The traditional three-medal reward structure aptly describes the results of 2008's Project Finance International legal survey, with the top three dominating the rankings to an unprecedented degree. By **Mark Kolmar**.

As ever, the leading legal triumvirate in 2008 are Allen & Overy (back on top after two years in second place), Clifford Chance (down one place to second) and Linklaters. Allen & Overy has retaken the top spot with a total of 28 deals, nine more than in 2007. The firm has been involved in a number of the headline deals of the year. Saudi Kayan, National Chevron Phillips (NCP), Guadalajara Toll Roads, Power Senoko, Lunen Power and Capital Beltway are all in the top 30 and have an average project cost of US$4.5bn.

Although Clifford Chance has slipped to second on overall deal count at 24, one lower than last year, its prevalence on the top deals matches its rival. As well as acting opposite Allen & Overy on Kayan (Allen & Overy lenders/Clifford Chance sponsors) and NCP (vice versa), Clifford Chance was involved in Ma'aden, the MoD's FSTA, Tuas Power, the Trinergy wind portfolio and the Enerjisa hydro scheme.

Linklaters improved its deal count, from 18 to 21, to make third place its own after jointly holding the position last year. While the majority of its deals were in the medium to low range, at US$1.6bn and below, it achieved decent representation in the top projects – FSTA, Trinergy, Gdansk refinery – and can boast the year;s largest deal, the US$20bn Sakhalin 2 as the feather in its cap, advising the sponsors.

White & Case backed up its role as lenders' counsel on Sakhalin 2 with another lenders' counsel role on Emirates Aluminium (Emal). The two deals give a US$26bn involvement to the firm, backed up by 12 other deals to see it take fourth place. Freshfields Bruckhaus Derringer secured fifth place from 14 last year, by turning four deals into nine and making up an entirely UK-based top five. Lenders' counsel on MTN Nigeria's US$2bn expansion project was its largest deal.

Sixth place is jointly held by a quartet of US and Australian firms. Milbank Tweed Hadley McCloy was the highest placed US firm, Allens Arthur Robinson the leading Australian, and Latham & Watkins and Shearman & Sterling, the two that joined Linklaters in third place last year.

DLA Piper, Ashurst and Chadbourne & Parke take joint 10th, with six deals each. Last year's eighth, ninth and 10th are among the notable plunges this year. Norton Rose managed just three deals compared with last year's nine, dropping it 10 places to 18th; Lovells drops out of the top 10 from ninth to 13th, managing just half of last year's eight deals; and Amarchand Mangaldas Suresh A Shroff falls from 10th towards the very bottom of the table, having completed just one deal after last year's seven.

Although a conglomeration of deals towards the head of the table is now an established phenomenon, the squeeze this year is confined to the very pinnacle. Outside of the top three business is in fact more evenly spread than previously; the top 10 firms this year make up 48% of total mandates, down from 53% last year. Within that top 10, however, 54% are taken by the top three, up from 42% in 2007.

Last year, three firms shared third place, leaving five firms within 72% of the leader's total. White & Case's 14-deal total is up 40% from its total last year, but the figure was lower than the last year's fourth place. Freshields' fifth place this year was achieved with half the 18-deal figure that five firms reached in 2007, and far from being equal with third place, was from just 42% as many deals. Compared with the leader's new high of 28 deals, it achieved just 31%. In Milbank Tweed sixth place hosts the only non-mover, despite the US firm's eight deals being barely half its 15 of last year.

The driver of this squeeze appears to have been the banks, with whom the top few have secured favour. Allen & Overy and Clifford Chance have advised lenders over sponsors by ratios of 3:1 and 1.7:1 respectively, having both had slightly more business from sponsors than lenders last year. The pair have taken a fifth of all lenders' counsel roles between them, but covered just over a 10th of all sponsor representation. Fourth placed White & Case in fact leads the way on the sponsor front with 11 deals, but with just three for lenders.

Fifth place was **achieved with half** the figure five firms **reached in 2007**

GLOBAL - SEPT 2007 TO SEPT 2008

Law firm	Funder	Sponsor	Total
Allen & Overy	21	7	28
Clifford Chance	15	9	24
Linklaters	10	11	21
White & Case	3	11	14
Freshfields Bruckhaus Deringer	6	3	9
Milbank Tweed Hadley McCloy	6	2	8
Allens Arthur Robinson	6	2	8
Shearman & Sterling	5	3	8
Latham & Watkins	2	5	7
DLA Piper	6	0	6
Ashurst	3	3	6
Chadbourne & Parke	3	3	6
Skadden Arps Slate Meagher & Flom	3	1	4
Mallesons Stephen Jacques	2	2	4
Lovells	1	3	4
Freehills	1	3	4
Herbert Smith	3	1	4
Sullivan & Cromwell	0	3	3
J Sagar	1	2	3
Norton Rose	3	0	3
Simpson Thacher & Bartlett	2	1	3
Luthra & Luthra	2	1	3
Vinson & Elkins	1	2	3
Al Jadaan	2	1	3
Corrs Chambers Westgarth	0	2	2
Lovells Lee & Lee	2	0	2
Drew & Napier	1	1	2
CMS Cameron McKenna	1	1	2
India Law Services	2	0	2
Uría Menéndez	1	1	2
Orrick Herrington & Sutcliffe	1	1	2
Denton Wilde Sapte	1	1	2
Nauta Dutilh	1	1	2
Gide Loyrette Nouel	1	1	2
Simmons & Simmons	1	1	2
Berwin Leighton Paisner	0	2	2
Allen & Gledhill	1	0	1
Paul Weiss	0	1	1
Stamford Law	0	1	1
Franck Galicia Duclaud	0	1	1
Rodyk & Davidson	1	0	1
Rajah & Tann	0	1	1
Herguner Bilgen Ozeke	1	0	1
Trowers & Hamlins	1	0	1
GÖRG Partnerschaft von Rechtsanwalte	0	1	1
Udo Udomo & Belo-Osagie	1	0	1
Dua	1	0	1
Vieira de Almeida	0	1	1
Clayton Utz	0	1	1
Blake Dawson	0	1	1
Adnan Sundra & Low	1	0	1
Bracewell & Giuliani	0	1	1

Regional figures explain the plunge of the US firms - a drop in deal activity in the Americas.

GLOBAL - SEPT 2007 TO SEPT 2008

Law firm	Funder	Sponsor	Total
Hughes & Hubbard	1	0	1
Addleshaw Goddard	0	1	1
CMS Hasche Sigle	0	1	1
Nishimura & Asahi	1	0	1
Anderson Mori & Tomotsune	0	1	1
King & Spalding	0	1	1
Gibson Dunn	1	0	1
Chiomenti & Associati	1	0	1
Amarchand Mangaldas	1	0	1
Morais Leitão, Galvão Teles, Soares da Silva	0	1	1
Galicia y Robles	1	0	1
Bell Dewar	1	0	1
Hofmeyr Herbstein & Gihwala	0	1	1
Andrews Kurth	0	1	1
Holmer Roberts & Owen	1	0	1
Fraser Milner Casgrain	1	0	1
Torys	0	1	1
Garrigues	2	0	2
Jones Day	1	0	1
Herzog Fox & Neeman	1	0	1
Gornitzky	0	1	1
Levy Meidan	0	1	1
Cuatrecasas	0	1	1
Blakes	0	1	1
Castillo Laman Pantaleon & San Jose	1	0	1
Wikborg Rein	0	1	1
Puno & Puno	0	1	1
Cleary Gottlieb Steen & Hamilton	0	1	1
Wragge	0	1	1
Kim & Chang	1	0	1
Baker & McKenzie	0	1	1
Paul Hastings Janofsky & Walker	1	0	1
Morrison & Foerster	0	1	1
Abbas Ghazzawi	0	1	1
Deszo	0	1	1
Henrique Saldanha	1	0	1
Conyers Dill & Pearman	1	0	1
Richards Manuela Antonio	0	1	1
Legance	0	1	1
Gleeds	0	1	1
McMillan Stikeman Elliott	1	0	1
Davis	0	1	1
Adkin Gump Strauss Hauer & Feld	0	1	1

Regional figures explain the plunge of the US firms. A drop in deal activity in the Americas has seen just 48 legal mandates compared with 71 last year. Last year's leading trio of Latham & Watkins, Milbank Tweed and Shearman & Sterling covered just 11 deals in the region this year, barely a third of the 30 achieved last year.

Of the 26 deals, two stand out – the US$4.2bn Guadalajara Toll Roads project, and the US$3.8bn Peru LNG. The

Global

GLOBAL TOP 10 1998 TO 2008

Law firm	Funder	Sponsor	Total
Clifford Chance	88	64	152
Alleny & Overy	90	50	140
Linklaters	62	38	100
Milbank Tweed Hadley & McCloy	62	21	83
Shearman & Sterling	44	35	79
Latham & Watkins	41	33	74
White & Case	24	38	62
Skadden Arps Slate Meagher & Flom	22	22	44
Allens Arthur Robinson	24	13	37
Norton Rose	24	9	33

US's Southern Lights Pipeline and Capital Beltway form a chasing pair around the US$2bn mark, with nine deals between US$1bn and US$1.6bn, and a further 13 between US$500m and US$1bn.

Top spot is shared by four firms, on just four deals. Global leader Allen & Overy doubles its two deals in the region last year, with lenders counsel roles on the big road deals – Guadalajara and Capital Beltway – headlining its portfolio for the region. Chadbourne & Parke also comes from two deals in 2007, with healthy representation in the mid-range. It was sponsors' counsel on Topaz Power (US), and lenders' counsel on LNG Clean Energy (US) and Noble's 2008 wind portfolio in New York.

Last year's leading trio of Latham & Watkins, Milbank Tweed and Shearman & Sterling all suffer drops in deal count, though Milbank Tweed and Shearman & Sterling rise to joint first place..

Milbank Tweed was lenders' counsel on Peru LNG and sponsors' counsel on Capital Beltway; Shearman & Sterling was sponsors' counsel on Southern Lights.

The drop in Americas activity has been matched by a corresponding rise in Asia-Pacific work, up from 47 mandates to 69; total deal value is almost double at US$62.5bn against US$32.5bn. Ten of Asia-Pacific's deals have breached the US$2bn mark, compared with three in the Americas.

Australia and Singapore led the way with seven of the top 10 and all of the US$4.4bn-plus top four. Woodside Pluto LNG (Australia) was US$8.2bn, Marina Sands (Singapore) US$5.2bn, Brisbane Airport Link (Australia) US$4.8bn and Resort World (Singapore) US$4.4bn. India was represented by the US$4.25bn Mundra UMPP and the US$2.1bn Hazira steel plant, and China by the US$3.5bn Fujian Petrochemical expansion.

In the table, Clifford Chance and Allens Arthur Robinson lead the way with seven deals each. Of the big deals, Allens Arthur Robinson acted for the lenders on Brisbane Airport Link and Babcock & Brown Power's US$2.5bn asset refinancing, and Clifford Chance was lenders' counsel on the US$3bn Tuas Power privatisation in Singapore.

The drop in Americas activity has been matched by a correspon-ding rise in Asia-Pacific work.

EMEA - SEPT 2007 TO SEPT 2008

Law firm	Funder	Sponsor	Total
Allen & Overy	15	8	23
Clifford Chance	8	9	17
Linklaters	9	7	16
White & Case	2	7	9
Freshfields Bruckhaus Deringer	5	3	8
Ashurst	3	3	6
DLA Piper	5	0	5
Milbank Tweed Hadley McCloy	3	1	4
Skadden Arps Slate Meagher & Flom	3	0	3
Norton Rose	3	0	3
Herbert Smith	2	1	3
Al Jadaan	2	1	3
Latham & Watkins	0	2	2
Shearman & Sterling	1	1	2
Mallesons Stephen Jacques	2	0	2
CMS Cameron McKenna	1	1	2
Uría Menéndez	1	1	2
Lovells	0	2	2
Denton Wilde Sapte	1	1	2
Nauta Dutilh	1	1	2
Gide Loyrette Nouel	1	1	2
Simmons & Simmons	1	1	2
Sullivan & Cromwell	0	1	1
Allens Arthur Robinson	0	1	1
Herguner Bilgen Ozeke	1	0	1
Trowers & Hamlins	1	0	1
GÖRG Partnerschaft von Rechtsanwalte	0	1	1
Udo Udomo & Belo-Osagie	1	0	1
Vieira de Almeida	0	1	1
Addleshaw Goddard	0	1	1
CMS Hasche Sigle	0	1	1
Chadbourne & Parke	0	1	1
Chiomenti & Associati	1	0	1
Morais Leitão, Galvão Teles, Soares da Silva	0	1	1
Bell Dewar	1	0	1
Hofmeyr Herbstein & Gihwala	0	1	1
Garrigues	2	0	2
Jones Day	1	0	1
Herzog Fox & Neeman	1	0	1
Gornitzky	0	1	1
Levy Meidan	0	1	1
Cuatrecasas	0	1	1
Cleary Gottlieb Steen & Hamilton	0	1	1
Wragge	0	1	1
Berwin Leighton Paisner	0	1	1
Kim & Chang	1	0	1
Baker & McKenzie	0	1	1
Abbas Ghazzawi	0	1	1
Deszo	0	1	1
Legance	0	1	1
Gleeds	0	1	1

The dominance of **EMEA sees its top** five matching that of **the global table**

AMERICAS - SEPT 2007 TO SEPT 2008

Law firm	Funder	Sponsor	Total
Milbank Tweed Hadley McCloy	3	1	4
Shearman & Sterling	3	1	4
Chadbourne & Parke	2	2	4
Allen & Overy	4	0	4
White & Case	0	3	3
Linklaters	0	3	3
Latham & Watkins	2	1	3
Simpson Thatcher & Bartlett	2	1	3
Vinson & Elkins	1	2	3
Orrick Herrington & Sutcliffe	1	1	2
Skadden Arps Slate Meagher & Flom	0	1	1
Freshfields Bruckhaus Deringer	1	0	1
Bracewell & Giuliani	0	1	1
Hughes & Hubbard	1	0	1
Lovells	0	1	1
Adkin Gump Strauss Hauer & Feld	0	1	1
King & Spalding	0	1	1
Gibson Dunn	1	0	1
Galicia y Robles	1	0	1
Andrews Kurth	0	1	1
Holmer Roberts & Owen	1	0	1
Fraser Milner Casgrain	1	0	1
Torys	0	1	1
Blakes	0	1	1
Berwin Leighton Paisner	0	1	1
Sullivan & Cromwell	0	0	0

Freehills takes second place with four deals, having also done two last year. Contrary to most, Freehills did three of its four deals sponsor-side, although its largest was for the lenders on the US$1.2bn Royal Children's Hospital PPP in Australia.

EMEA remains the dominant region for the sector. Its 128 mandates total of 2007 rose to 150 this year. Project count and total deal value both exceed the other two regions combined, at 74 projects totalling US$128bn. The Middle East is the driver for the region at the top end, with five of the seven mega-deals coming from the area. Russia boasts the largest, however, and the US$2bn-plus bracket of 15 deals includes two from Eastern Europe – Budapest Airport, Hungary and Gdansk Refinery, Poland – and one from Sub-Saharan Africa – MTN Nigeria's expansion.

The big top seven had two deals hitting double-digits counted in dollar-billions: Sakhalin Phase 2 LNG at US$20bn and Saudi Kayan Petrochemicals at US$10bn. Five other deals fall around the US$5bn–$6bn mark: Emirates Aluminium (US$6bn), Ma'aden Fertiliser (US$5.5bn), NCP Jubail Petrochemicals (US$5.2bn), MoD FSTA (US$5bn) and Yemen LNG (US$4.9bn).

The dominance of the EMEA market sees the top five positions in the table matching that of the global table:

EMEA's project count and deal value both exceed the other two regions combined.

ASIA PACIFIC - SEPT 2007 TO SEPT 2008

Law firm	Funder	Sponsor	Total
Clifford Chance	7	0	7
Allens Arthur Robinson	6	1	7
Freehills	1	3	4
Luthra & Luthra	2	1	3
J Sagar	1	2	3
White & Case	0	2	2
Shearman & Sterling	1	1	2
Mallesons Stephen Jacques	0	2	2
Lovells Lee & Lee	2	0	2
Linklaters	1	1	2
Latham & Watkins	0	2	2
India Law Services	2	0	2
Drew & Napier	1	1	2
Corrs Chambers Westgarth	0	2	2
Allen & Overy	2	0	2
Wikborg Rein	0	1	1
Sullivan & Cromwell	0	1	1
Stamford Law	0	1	1
Rodyk & Davidson	1	0	1
Richards Manuela Antonio	0	1	1
Rajah & Tann	0	1	1
Puno & Puno	0	1	1
Paul Weiss	0	1	1
Paul Hastings Janofsky & Walker	1	0	1
Nishimura & Asahi	1	0	1
Morrison & Foerster	0	1	1
Lovells	1	0	1
Herbert Smith	1	0	1
Henrique Saldanha	1	0	1
Dua	1	0	1
DLA Piper	1	0	1
Conyers Dill & Pearman	1	0	1
Clayton Utz	0	1	1
Chadbourne & Parke	1	0	1
Castillo Laman Pantaleon & San Jose	1	0	1
Blake Dawson	0	1	1
Anderson Mori & Tomotsune	0	1	1
Amarchand Mangaldas	1	0	1
Allen & Gledhill	1	0	1
Adnan Sundra & Low	1	0	1

Allen & Overy, Clifford Chance, Linklaters, White & Case and Freshfields Bruckhaus Derringer.

Allen & Overy's headline roles are lenders' counsel on Saudi Kayan and sponsors' counsel on NCP. Second place Clifford Chance in fact boasts a greater share of those top deals, working on Saudi Kayan (sponsors), Ma'aden (lenders), NCP (lenders) and FSTA (sponsors). Linklaters took the sponsors' counsel role on Sakhalin, and was lenders' counsel on FSTA. Fourth-placed White & Case made its presence felt at the top as lenders' counsel on Sakhalin 2 and Emal.

Projectlist

PROJECT LIST SEPT 2007 TO SEPT 2008

Project	Country	Value (US$m)	Lenders	Sponsors	Subsidiary roles	Sector
Sakhalin Phase 2 LNG	Russian Fed	20,000.00	White & Case	Linklaters		Oil & Gas
Saudi Kayan Petrochemicals	Saudi Arabia	10,000.00	Allen & Overy	Clifford Chance/ Al Jadaan/		Petrochemicals
Woodside Pluto LNG	Australia	8,160.00	Paul Hastings Janofsky & Walker	Morrison & Foerster		Oil & Gas
Emirates Aluminum (Emal)	Utd Arab Em	6,000.00	White & Case	Sullivan & Cromwell	Allen & Overy, Hadef Al-Dhahiri & Associates	Industry
Ma'aden Fertiliser	Saudi Arabia	5,500.00	Clifford Chance/Al Jadaan/ Kim & Chang	Baker & McKenzie		Petrochemicals
NCP Jubail Petrochemical	Saudi Arabia	5,222.70	Clifford Chance/Al Jadaan	Allen & Overy	Abbas Ghazzawi	Petrochemicals
Marina Sands	Singapore	5,200.00	DLA Piper/Allen & Gledhill	Paul Weiss	Stamford Law	Leisure
MoD Future Strategic Tanker Aircraft (FSTA)	UK	5,014.00	Linklaters	Clifford Chance	Lovells, Simmons & Simmons	Infrastructure
Yemen LNG	Yemen	4,915.00	Milbank Tweed Hadley McCloy	Sullivan & Cromwell		Oil & Gas
Airport Link Toll Road (Brisbane)	Australia	4,794.10	Allens Arthur Robinson	Corrs Chambers Westgarth		Infrastructure
Resort World	Singapore	4,416.00	Lovells Lee & Lee	Drew & Napier		Leisure
Mundra Coal-Fired UMPP	India	4,250.00	Chadbourne & Parke	J Sagar		Power
Guadalajara Major Toll Roads (Farac)	Mexico	4,225.60	Allen & Overy	Franck Galicia Duclaud	Latham & Watkins	Infrastructure
Peru LNG	Peru	3,806.30	Milbank Tweed Hadley McCloy	Skadden Arps Slate Meagher & Flom		Oil & Gas
Fujian Petrochemical Expansion	China	3,500.00	Shearman & Sterling	White & Case	Latham & Watkins	Petrochemicals
Budapest Airport	Hungary	3,190.00	DLA Piper	Deszo	Clifford Chance	Infrastructure
Tuas Power Privatization	Singapore	3,072.20	Clifford Chance/Drew & Napier/ Lovells Lee & Lee	Sullivan & Cromwell		Power
Power Senoko	Singapore	2,837.00	Allen & Overy/Rodyk & Davidson	Latham & Watkins	Rajah & Tann	Power
Trinergy Wind Portfolio Acquisition	Italy	2,762.40	Linklaters	Clifford Chance		Power
QGTC LNG Shipbuilding Programme	Qatar	2,762.00	Skadden Arps Slate Meagher & Flom	Latham & Watkins		Oil & Gas
Enerjisa Hydro Portfolio	Turkey	2,666.40	Clifford Chance/Herguner Bilgen Ozeke	White & Case		Power
Babcock & Brown Power Asset Refinancing	Australia	2,537.70	Allens Arthur Robinson	Mallesons Stephen Jacques		Power
Fujairah F2 IWPP	Utd Arab Em	2,400.00	Ashurst/Trowers & Hamlins	Milbank Tweed Hadley McCloy	White & Case, Allen & Overy	Power
Southern Lights Pipeline	US/Canada	2,200.00	Latham & Watkins	Vinson & Elkins		Oil & Gas
Hazira Integrated Steel Plant	India	2,148.00	J Sagar	In-house		Industry
Gdansk Refinery Upgrade	Poland	2,111.00	Linklaters	CMS Cameron McKenna		Oil & Gas
Lunen Coal-Fired Power	Germany	2,064.30	Allen & Overy	GÖRG Partnerschaft von Rechtsanwalte	Power	
MTN Nigeria Expansion	Nigeria	2,000.00	Norton Rose/Udo Udomo & Belo-Osagie	Freshfields Bruckhaus Deringer	Clifford Chance	Telecommunications
Capital Beltway HOT Lanes	US	1,900.00	Allen & Overy	Orrick Herrington & Sutcliffe	Hunton & Williams, Troutman Sanders, Nixon Peabody	Infrastructure
GTL Telecom Expansion	India	1,816.00	India Law Services/Herbert Smith/Dua	In-house		Telecommunications
Douro Litoral Toll Road	Portugal	1,786.10	Uría Menéndez	Vieira de Almeida		Infrastructure
City of Dreams	Macau	1,750.00	Clifford Chance/Henrique Saldanha/ Allens Arthur Robinson/ Conyers Dill & Pearman	Richards Manuela Antonio		Leisure
Sorfert Fertiliser	Algeria	1,737.48	Reinhart Marville Torre	White & Case		Petrochemicals
M6 Motorway (Szekszard-Boly-Pecs)	Hungary	1,634.00	White & Case	In-house	Clifford Chance	Infrastructure

PROJECT LIST SEPT 2007 TO SEPT 2008

Project	Country	Value (US$m)	Lenders	Sponsors	Subsidiary roles	Sector
North American Energy Alliance Acquisition	US	1,600.00	Simpson Thacher & Bartlett	Shearman & Sterling		Power
Qafco Fertiliser Expansion (Train 5)	Qatar	1,600.00	Skadden Arps Slate Meagher & Flom	Linklaters		Petrochemicals
Future Provision of Marine Services PFI	UK	1,600.00	Freshfields Bruckhaus Deringer	Linklaters		
Ras Laffan C IWPP	Qatar	1,500.00	Skadden Arps Slate Meagher & Flom/ Ashurst	Latham & Watkins	Allen & Overy, Milbank Tweed Hadley McCoy, Shearman & Sterling	Power
Cogentrix Power Plants Acquisition	US	1,500.00	Simpson Thacher & Bartlett	Milbank Tweed Hadley McCloy	Latham & Watkins, Bingham McCutcheon	Power
Adani Coal-based Power Plant Phase 3	India	1,449.00	Clifford Chance/Luthra & Luthra	In-house		Power
Newcastle Third Coal Loader Terminal	Australia	1,418.20	Allens Arthur Robinson	Clayton Utz/Blake Dawson		Infrastructure
Al Yah Satellite Communications	Utd Arab Em	1,400.00	Freshfields Bruckhaus Deringer	Allen & Overy		Telecommunications
Eastern Dispersal Link (EDL) Expressway	Malaysia	1,400.00	Adnan Sundra & Low	In-house		Infrastructure
SH-130 Road	US	1,385.00	Orrick Herrington & Sutcliffe	Bracewell & Giuliani	Milbank Tweed Hadley McCoy, Nossaman	Infrastructure
Oman Refinery Co & Sohar Refinery Co Merger	Oman	1,370.00	DLA Piper	Allen & Overy		Oil & Gas
Severn Power	UK	1,362.30	Clifford Chance	Linklaters		Power
Tokyo	Spain	1,324.70	DLA Piper	Ashurst		Infrastructure
GNL Quintero LNG Terminal	Chile	1,306.00	Shearman & Sterling	Linklaters/Vinson & Elkins		Oil & Gas
Votorantim Expansion and Refinancing	Brazil	1,300.00	Hughes & Hubbard	White & Case		Mining
Trillium PPP	UK	1,275.00	Freshfields Bruckhaus Deringer	Lovells		Infrastructure
GATE LNG Regas Terminal	Netherlands	1,268.00	Ashurst	Addleshaw Goddard	Linklaters	Oil & Gas
Tuin Zonne Solar Portfolio	Spain	1,250.20	DLA Piper	Uría Menéndez	Linklaters	Power
Topaz Power Group Repowering	US	1,206.00	Shearman & Sterling	Adkin Gump Strauss Hauer & Feld		Power
Cuddalore Petroleum Refinery	India	1,197.50	Luthra & Luthra	Linklaters		Oil & Gas
Royal Children's Hospital PPP	Australia	1,183.00	Freehills	Allens Arthur Robinson		Infrastructure
Propapier Papermill	Germany	1,179.60	Norton Rose	CMS Hasche Sigle		Industry
Tokyo Airport Passenger Terminal	Japan	1,174.80	Nishimura & Asahi	Anderson Mori & Tomotsune		Infrastructure
Maithon Right Bank Thermal Power	India	1,133.00	India Law Services	J Sagar		Power
Kaltim Prima Coal & Arutmin Indonesia Acquisition	Indonesia	1,100.00	Clifford Chance	Freehills		Mining
LNG Clean Energy	US	1,100.00	Chadbourne & Parke	King & Spalding		Oil & Gas
Connecticut Power Generation (Kleen Energy)	US	1,092.00	Gibson Dunn	Chadbourne & Parke		Power
A4 Second Coentunnel	Netherlands	1,081.90	Denton Wilde Sapte/Nauta Dutilh	Clifford Chance		Infrastructure
Societa Energie Rinnovabili Wind Portfolio	Italy	1,049.80	Chiomenti & Associati	Allen & Overy		Power
Masinloc Coal-Fired Power Plant Privatization	Philippines	1,025.00	Clifford Chance	Mallesons Stephen Jacques		Power
Punjab Oil Pipeline	India	1,020.00	Amarchand Mangaldas	Luthra & Luthra		Oil & Gas

Projectlist

PROJECT LIST SEPT 2007 TO SEPT 2008

Project	Country	Value (US$m)	Lenders	Sponsors	Subsidiary roles	Sector
A1 Bremen-Hamburg Toll Road {A-Modell}	Germany	1,019.40	Allen & Overy	Linklaters	Norton Rose	Infrastructure
Lundin Petroleum Oil & Gas Exploration	France	1,000.00	Linklaters	Ashurst		Oil & Gas
Black Gold Drilling Rigs	Brazil	1,000.00	Milbank Tweed Hadley McCloy	Linklaters		Oil & Gas
Sloe Independent Power	Netherlands	985.00	Clifford Chance	Allen & Overy		Power
Engro Urea Fertilizer Plant Expansion	Pakistan	954.10	Lovells		Allen & Overy, Clifford Chance	Petrochemicals
Perenco North Sea Acquisition	UK	924.50	Herbert Smith	Herbert Smith		Oil & Gas
Bluewater 1&2	Australia	913.00	Mallesons Stephen Jacques	Allens Arthur Robinson		Power
La Yesca Hydroelectric Power Generation	Mexico	910.00	Vinson & Elkins	White & Case		Power
Istrian Motorway PPP	Croatia	900.00	Allen & Overy	In-house	Paul Hastings Janofsky & Walker	Infrastructure
Tangguh LNG Terminal Additional Facility	Indonesia	884.00	Allen & Overy	White & Case	Latham & Watkins	Oil & Gas
Noble Power 2008 New York Windfarm Portfolio	US	875.00	Chadbourne & Parke	Latham & Watkins		Power
Enfidha & Monasir Airports Concession	Tunisia	874.50	Allen & Overy	Clifford Chance/ Gide Loyrette Nouel		Infrastructure
Bujagali Hydroelectric Power	Uganda	867.70	Linklaters	Chadbourne & Parke	Hunton & Williams	Power
Salalah Methanol Plant	Oman	858.00	DLA Piper	Allen & Overy		Petrochemicals
Tata Coal Mines Acquisition Financing	India/Indonesia	845.00	Clifford Chance	Freehills		Mining
Elecgas CCGT Plant	Portugal	844.80	Clifford Chance	White & Case	Linklaters	Power
Southwest Generation Operating Co LLC	US	840.00	Latham & Watkins	Linklaters		Power
New Tyne Tunnel Scheme	UK	825.00	Freshfields Bruckhaus Deringer	Clifford Chance	Herbert Smith	Infrastructure
Milan Metro System Line 5	Italy	804.30	Allen & Overy	Lovells		Infrastructure
A19 Real Toll Road Refinancing	France	799.50	Gide Loyrette Nouel	Freshfields Bruckhaus Deringer	Lovells, Clifford Chance	Infrastructure
Cahora Bassa Hydro Takeover/Upgrade	Mozambique	759.70	Linklaters	Morais Leitão, Galvão Teles, Soares da Silva	Denton Wilde Sapte	Power
Empresa Electrica Guacolda Expansion	Chile	748.00	Shearman & Sterling	Simpson Thacher & Bartlett		Power
M6 Motorway (Dunaujvaros and Szekszard)	Hungary	742.40	Linklaters	Freshfields Bruckhaus Deringer	Baker & McKenzie	Infrastructure
Al-Andalus Windfarm	Hungary	709.40	Garrigues	In-house		Power
Rioja PFI	UK	700.30	Freshfields Bruckhaus Deringer	Linklaters	Lovells	Infrastructure
Sabiha Gokcen Airport	Turkey	697.80	Allen & Overy	Clifford Chance		Infrastructure
EnPlus San Severo CCGT Plant	Italy	681.00	Allen & Overy	Legance		Power
Nuevo Necaxa-Tihuatlan Toll Road	Mexico	658.20	Galicia y Robles	White & Case		Infrastructure
Melbourne Airport Expansion (Terminal 2)	Australia	652.70	Allens Arthur Robinson	Corrs Chambers Westgarth		Infrastructure
Anthony Henday Road Phase 2	Canada	652.10	McMillan Stikeman Elliott	Davis		Infrastructure
Seacom Underwater Cable	South Africa	650.00	Herbert Smith/Bell Dewar	White & Case/ Hofmeyr Herbstein & Gihwala	Hunton & Williams, Chadbourne & Parke	Telecommunications

PROJECT LIST SEPT 2007 TO SEPT 2008

Project	Country	Value (US$m)	Lenders	Sponsors	Subsidiary roles	Sector
FPSO Espirito Santo	Brazil	650.00	Allen & Overy	Berwin Leighton Paisner		Oil & Gas
Pusan Port Phase 2-3	South Korea	637.20	Linklaters	Shearman & Sterling		Infrastructure
Wembley Refinancing	UK	633.00	Shearman & Sterling	Allen & Overy		Leisure
Texas Gulf Wind (Kenedy Construction)	US	629.00	Milbank Tweed Hadley McCloy	Andrews Kurth	Orrick	Power
BBW Portfolio Acquisition (Additional Facilities2)	Spain	619.60	Mallesons Stephen Jacques	Clifford Chance	Allens Arthur Robinson	Power
Third Jeddah Container Terminal Port	Saudi Arabia	615.00	Allen & Overy	Linklaters		Infrastructure
A1 Northern Ireland Road PPP	UK	613.70	Clifford Chance	Ashurst	McGrigors, SMBC	Infrastructure
Northwest Parkway Concesssion	US	603.00	Freshfields Bruckhaus Deringer/ Holmer Roberts & Owen	Chadbourne & Parke/Lovells	Mayer Brown, Icenogle Norton Smith and Bleszner	Infrastructure
Tunbridge Wells (Pembury) Hospital	UK	601.70	CMS Cameron McKenna	Denton Wilde Sapte	K&L Gates	Infrastructure
St Clair Power	Canada	601.50	Fraser Milner Casgrain	Torys		Power
Issaran Heavy Crude Oil Field Development	Egypt	600.00	Allen & Overy	Simmons & Simmons		Oil & Gas
Rijnmond II Gas-Fired IPP	Netherlands	590.00	Linklaters	Clifford Chance/Nauta Dutilh		Power
Renovalia Solar 2	Spain	586.30	Garrigues			Power
Acuerdo Marco III Windfarm	Spain	585.20	Jones Day			Power
BC-10 FPSO	Brazil	585.00	Allen & Overy	In-house		Oil & Gas
Ras Abu Fontas A1	Qatar	575.00	Simmons & Simmons	Shearman & Sterling		Power
Hadera Desalination Plant	Israel	553.70	Allen & Overy/Herzog Fox & Neeman	Gornitzky/Levy Meidan		Power
St. Nazaire hospital	France	552.00	Allen & Overy	Gleeds		Infrastructure
Chinarevskoye Oil Refinancing and Extension	Kazakhstan	550.00	Allen & Overy			Oil & Gas
Son Dureta Hospital PPP Scheme	Spain	545.10	Clifford Chance	Cuatrecasas		Infrastructure
East Toba/Montrose Creek Hydroelectric	Canada	535.20		Blakes		Power
Magat Hydroelectric Privatization	Philippines	530.00	Clifford Chance/Castillo Laman Pantaleon & San Jose	Wikborg Rein/Puno & Puno		Power
Braemar 2 Power Station	Australia	524.40	Allens Arthur Robinson	Freehills		Power
Diabolo Rail Tunnel	Belgium	521.30	Allen & Overy	Cleary Gottlieb Steen & Hamilton		Infrastructure
Syrian Cement	Syria	520.00	Milbank Tweed Hadley McCloy	White & Case		Industry
Lebrija Solar Thermoelectric Plant		Spain	516.10	Linklaters		Power
Zagreb to Macelj Road Financing	Croatia	510.00	Allen & Overy	Wragge	Paul Hastings Janofsky & Walker	Infrastructure
Sonasing Saxi Batuque FPSO	Angola	510.00	Norton Rose	Berwin Leighton Paisner		Oil & Gas
CIBA Cement	Algeria	510.00	Milbank Tweed Hadley McCloy	White & Case		Industry

Looking for opportunities

The economic downturn may spell less deals, but law firms in the Americas see a few bright spots. By **Alan Gersten** and **Deirdre Fretz**.

The faltering economy worldwide could lead to Latin American law firms going out of business and US law firms delaying plans to open offices south of the border, but not the end of legal business in emerging markets, such as Latin America. The mix of business may become different, but opportunities will still be there.

"The business may shift from financing to restructuring and mergers and acquisitions as some firms are forced to sell assets," said Eric Silverman, a partner in the global project finance group at Milbank Tweed Hadley & McCloy in New York.

For years, liquidity had been flowing north of the border from places such as Brazil, Chile, Peru and Mexico, but the crashing worldwide economy has reversed the flow and falling commodity prices have exacerbated the situation. In different market cycles, law firms could return to the basic and most essential legal services.

"Things get disrupted; domestic interest rates soar, and local firms are under stress and now liquidity is flowing the other way," Silverman said. Hence, US legal firms will question whether they want to invest in bricks and mortar through a new office in Sao Paulo, for example. "They will test this against various scenarios," said Silverman, whose firm does not have an office in Latin America, but works closely with top legal firms there.

Milbank plans to keep those ties and snag top business. For example, Milbank represented the lenders on the US$3.8bn Peru LNG deal. That and several other deals received a lot of funding from multilaterals around the world and Silverman expects that trend to increase and include export credit agencies.

"Commercial banks have to rid themselves of these toxic assets," he said. Thus, project finance deals would be a lower priority, leaving the ECAS and multilaterals to fill the breach.

For example, the Panama Canal expansion leaned heavily on multilaterals for financing.

Shearman & Sterling, another law firm with long-standing ties to Latin America, also sees business possibilities there and accepts that markets always fluctuate.

"You just can't react every time there is a hiccup in the market. That's the way it works," said Antonia Stolper, a partner in Shearman's New York office. The Latin American market is "not that big. Most players have been there for a long time. We're used to volatility. It's not new to us," she said.

For example, Stolper has been working in Latin America since 1991 and her firm has had an office in Sao Paulo, the Brazilian business capital, since 2004.

She also mentioned mergers and acquisitions as a source of business and pointed to the recent merger of Itaú and Unibanco, a combination of the second and third biggest banks to form the largest in South America. M&A is not contingent upon leveraging because the participants don't rely on it for a strategic acquisition.

"In the US market, you have many, many zeros behind the acquisition price, but the deals in Latin America are smaller," Stolper said. But they do happen. Despite the current economic problems, she expected the syndication market to keep going. Investment grade countries still have deals pending, and they are moving along. Eventually, there could be a question of whether the banks will lend for these deals.

Long-term projects "are still chugging along", Stolper said. She mentioned that Angamos, an independent power project in Chile, just closed and there are several more long-term deals in the pipeline.

Such projects often take years, and the financing must be long-term. However, if a new project wanted to start today in Latin America, that could be a problem. "The capital markets horizon is less than robust," Stolper said. But Latin American companies generally have much more cash on their balance sheets than US companies. "Prudent CEOs in Latin American companies have more liquidity," she said.

Americas

These CEOs have experienced liquidity crises in the past and learned the hard way to make sure their companies are protected with more liquid assets. In turn, that means their funding requirements may not be as great, and they will be less of a lending risk to banks. As the financial ground shifts, that could mean Latin American law firms could go out of business.

"We've seen local law firms fold, so why wouldn't law firms in emerging markets fold?" asked Milbank's Silverman. For Silverman, legal and financial advice on project finance deals could be underpinned by long-term contracts and solid financing. As an example, he points to Peru LNG, which had both. That's the way law firms and banks handled the situation before. Now, "the future could look like the past", Silverman said.

In the US, law firms are looking into the future to maintain their competitive positions, or gain space from other less forward-thinking firms. Specifically, law firms have become increasingly focused on predicting the future cost of carbon legislation and using those predictions to help their clients make decisions to prepare for what is now thought to be an inevitable revolution in the allocation of the costs of carbon emissions, the impact of global warming and the ramifications of both on future energy use and production.

In February this year, leading US financial institutions Citibank, JPMorgan Chase and Morgan Stanley announced the formation of the "Carbon Principles" – a set of goals that would guide lenders, advisers and power companies in the US to consider carbon risk when evaluating new investments in the power industry.

Just days afterwards, law firm Chadbourne & Parke announced the creation of its climate change practice. The move is part of a broader trend among law firms across the US to help corporate clients, including project companies, to predict the impact of future regulations on current investment decisions.

The team at Chadbourne is spearheaded by former New York Governor George Pataki and John Cahill, former Commissioner of the New York Department of Environmental Conservation, both of whom joined the firm in 2007. The two had worked on climate change initiatives in their former public sector capacities before joining the firm, including the adoption of the Regional Greenhouse Gas Initiative, or REGI, the 10-state mandatory cap and trade agreement, which held its first auction of carbon dioxide emissions allowances in North America on September 25.

Explaining the rationale for the initiative, Chadbourne managing partner Charles K O'Neill said: "With the debate about global warming now over, what we do about it and when are the critical questions we are now helping clients address."

In early April, Bank of America, targeted for negative publicity by environmentalists as the backer of coal projects, also adopted the Carbon Principles. And just as the concept has caught on in the banking sector, a growing number of law firms have also been making efforts to best address the intersection of project finance and environmental law.

> Law firms are increasingly focused on predicting the future cost of carbon legislation.

For example, Brown Rudnick has assembled a clean-tech team to serve companies and investors involved in renewable, sustainable, and environmentally safe technologies. The team includes project finance lawyers Howard Siegel in Hartford, Connecticut and Madeleine Tan in New York. Ron Borod, chair of the finance group at Brown Rudnick and a member of the firm's Climate 7 energy group, notes that the formation of the team follows three years of work in the area, including work with the European Union's carbon credit market.

Both the banks that have adopted the principals and the law firms that have been putting together groups to address climate change issues in all aspect of their clients' needs, including project finance, have all been driven to act by a slowly building consensus that even if the US does not have a federal climate change policy, it must create one. And in the meantime, clients need help understanding the rapidly growing body of state legislation and court decisions that are shaping a piecemeal carbon policy.

Borod of Brown Rudnick notes that the October package of extended tax credits for wind and solar energy projects has come precisely at a time when wind projects cannot use the tax credits as they had previously. With banks pulling back their lending activities and tax equity investors, which funded more than 50% of the capital structure of wind deals, severely constrained, bankers and lawyers are teaming up to figure out how to cobble together green energy financings.

Projects that can no longer raise sufficient funds in the debt and tax equity markets can augment these traditional sources with carbon offsets (also called black credits) and state renewable energy credits (green credits.) Another emerging area of financing is the so-called white credit, earned by increasing energy efficiency and reducing overall energy use. Borod expects this to be a growth area in the coming years.

Ballard Spahr Andrews & Ingersoll formally put together its climate finance group in July 2007, driven by a core group of partners including Robert McKinstry in the firm's Philadelphia office. McKinstry notes that firm's activities in the space have included creating innovative financing mechanisms to allow municipalities and counties to finance energy efficiency programmes.

Municipalities that are at, or are approaching, their debt ceilings and do not have the cash on hand to invest in energy efficiency improvements that have a pay-off time horizon of three to five years can create an energy efficiency authority with the capability of issuing energy saving incremental finance bonds.

The structure is just one example of the new business opportunities the firm can take advantage of after putting together a team that can look at a problem from the point of view of several distinct areas of expertise. "We see climate initiatives as a growth area that is by no means fully realised," says McKinstry.

Asia Pacific

AP market tightens

The financing of Asia-Pacific energy and infrastructure projects will become a lot harder in the next year as the number of international banks able or willing to lend decreases. By **Minerva Lau** and **John Arbouw**.

Even if lenders can be found in the next year, the size of Asia-Pacific debt facilities for energy and infrastructure projects will have been scaled back from original intentions. The first half of the year remained buoyant as the region registered record volumes of completed PF deals. While this may be a surprise due to the credit crunch globally, projects in the PF world remained somewhat indifferent up to a certain point, as projects have longer gestation periods, and thus it will take a few months before any pressure may be felt.

"The first half of the year was great, and we are still busy, but 2008 is not going to be a great year," said an oil and gas lawyer. Lawyers spoken to all said that they were still busy with a number of projects they are working on. However, they do not expect many financing deals to be signed by the end of the year and only a few in the first half of 2009.

Things will change as the region begins to feel the effects of the credit crunch and the global financial crisis. And this is the largely unanimous view of the legal profession involved in the project finance industry. Their biggest task in the year ahead will be to manage client expectations in light of the new circumstances.

PF projects have been hardly affected immediately by the credit crunch as they normally take months or years of gestation. Projects that have been in advanced stages were expected to have their financings in place this year, but the credit crunch, among other issues, has pushed back these plans to next year, when lenders' funding costs are forecast to be more reasonable, markets have stabilised and appetite improved. As another lawyer said, delays are the norm in projects that are raising debt funding, so market players will just have to wait and see.

However, as stock markets tumble, lawyers expect an increase in activities revolving debt restructuring for existing facilities. As in the late 1990s, a portion of lawyers may move not just into restructuring debt facilities, but also into re-organising companies. "Law firms may have to be more creative," said another lawyer.

There will also be a growing trend among merger and acquisition lawyers. This year, there have been a number of successful M&A deals and the lawyers that advised the sellers and the successful bidders have been kept busy. In Singapore, for example, two of the three big power companies of Temasek Holdings have been successfully sold to competitive bidders.

Tuas Power, the first to be sold, had Sullivan & Cromwell as legal adviser. Winning bidder China Huaneng Power (via Sinosing Power) had Lovells Lee & Lee. Power Senoko came next and Temasek Holdings appointed Latham & Watkins and local firm Rajah & Tann as legal advisers. Lion Power, the Marubeni-led consortium, was advised by Allen & Overy as well as local firm Rodyk & Davison. The last genco, Power Seraya, is currently up for sale and that exercise should also see participation from law firms advising it and the bidders.

It is the same story in the Philippines, where the main activities this year focused on a number of asset sales – including several power plants that used to be owned by National Power Corp and the divestment of government stake in assets such as PNOC Energy Development Corp.

As well as M&A deals there have been greenfield projects, particularly in India, where the deal flow has been better than in most countries in the region. India, however, continues to have its legal industry closed to foreign law firms, so domestic firms are taking up the role. Many sponsors are also engaging in-house counsel. However, there is hope that India's legal sector will soon be opened up to foreign law firms. International law firms

Asia Pacific

are viewing the Indian market from their offices either in Hong Kong or in Singapore.

China was a market where most law firms had been busily setting up offices but this year there has been limited news on that front, perhaps because those that had wanted to set up offices there have already done so.

However, there are firms that continue to set up new offices elsewhere. Lovells has opened an office in Hanoi and expanded its presence in Ho Chi Minh City. It also has enhanced its PF team based in Singapore with the appointment of energy specialist Brad Roach who joined from White & Case. Lovells, however, has lost Jack Su to Mayer Brown JSM, a merger of American and Hong Kong firms, and the appointment signals a new focus on infrastructure.

Singapore has seen its share of new set-ups. As part of its expansion in the region, O'Melveny & Myers has opened an office in Singapore and hired Bertie Mehigan and Huey Yann Thong, who were also from W&C.

Singapore attracted a newcomer, Gibson Dunn & Crutcher, which has hired about 10 energy lawyers from Jones Day. The new office is led by Jai Pathak, who had spent some 24 years at Jones Day, and with him are partners John Viverito, Saptak Santra and Emad Khali.

The year has also seen Ashurst reviving its energy team, led by Matthew Bubb and Ashley Wright. It has expanded its Tokyo office and has appointed to its Singapore office Daniel Reinbott, who specialises in energy and infrastructure projects, also from White & Case.

In Australia, the competition for legal mandates over the past year has been as heated as ever, and the big Australian firms of Allens Arthur Robinson, Freehills, Mallesons Stephen Jacques, Blake Dawson, Clayton Utz and Corrs Chambers Wesgarth have all reported buoyant business, with the social infrastructure PPP area set for continued growth.

Allens has had a strong year and is currently advising lenders to the A$3.2bn BrisConnections toll road project. It provided advice on the equity bridge facility. Allens is also advising the lender on the refinancing of Babcock & Brown Power's A$2.7bn of debt and was the legal adviser to the lenders in the US$1.4bn Newcastle Coal Loader deal.

Allens has led all firms in dollar amounts and volumes of project finance deals in Australasia in the year to-date, with 25 deals valued at US$6.2bn. Allen's Australasian market share of 34.7% was almost as large as the combined market share of the second and third-placed firms.

While the credit crunch will affect sponsors, the downturn will provide an unexpected bonus for legal firms. The Australian resources sector, where the ability to raise new equity or debt will be severely constrained, will provide a boost to M&A activity as cash-strapped miners look for partners.

> The downturn will provide an unexpected bonus for legal firms: a boost to M&A activity.

In the infrastructure area, there will still be big deals but they will have to be well structured and it is likely that private equity will be needed to fill any funding gap, probably on a mezzanine debt level. This means that legal firms will be spending a great deal more time in identifying and managing project risk. The tanking of the BrisConnections share price and the struggle to syndicate the debt because of concerns over traffic risk is a case in point.

The bright note for legal mandates will be social infrastructure PPPs, with a number of schools, hospitals and student accommodation projects either already in the market or soon to arrive.

Blake Dawson partner Joanne Evans says the current environment favours social over economic infrastructure and PPPs are now better understood by governments. According to Allens Arthur Robinson banking and finance partner Philip Cornwell, there will be an increase in PPPs for new hospitals and schools and these types of projects are manageable because of the relative size of the deals and the ability to attract private finance.

Cornwell also sees the growth area for legal services, at least in Australia, coming from the renewable energy sector. The federal government is about to release the details of its 20% renewable energy target, which will mean energy companies will need to comply with the MRET by 2020. This will provide a boost to wind energy or other renewable energy projects.

A vital part of this will be the roll-out and ramp-up of the emissions trading scheme, which is already a growing feature in China where international companies are buying up carbon credits.

According to Mallesons Stephen Jacques' head of the project finance practice Peter Doyle, the legal market has been strong over the past year and Australian lawyers are also starting to see project finance mandates in Asia, competing with the so-called magic circle firms that have traditionally been used. Mallesons has been hiring new PF partners and the firm believes that despite the economic turmoil 2009 will be a good year.

There is certainly cause for optimism. The big stories for legal services and for large project financings will be the five or six LNG projects that are on the table in Australia and PNG. Shell, BG, Petronas and ConocoPhillips are all involved in the emerging coal seam gas LNG sector and it will be interesting to see which Australian law firms will be involved to provide local advice to the international oil and gas giants.

One area that is certainly in decline and unlikely to see much activity is the move toward publicly listed legal firms. The attraction of unwinding the partnership model and listing firms and their expertise on the stock exchange has waned considerably over the past year.

With the equity markets more volatile than normal for the foreseeable future, there will be few legal practitioners courageous enough to test their luck on the bourse.

EMEA

Evading the crunch

An ever-contracting debt market wasn't enough to stop EMEA's ever-growing deal-count once again improving on the previous year's total. Is the project finance market unaffected, or was 2008 the last of the boom years? By Mark Kolmar.

Comparing the top end of 2008's project list with that of 2007, evidence of a major worldwide shift in market conditions is hard to find. In EMEA, not only does 2008's largest deal, the US$20bn Sakhalin 2, dwarf last year's US$7bn National Grid Broadcast Masts deal, but so does the second largest, the US$10bn Saudi Kayan. The next four deals – Emal, Ma'aden, NCP and Yemen LNG – all then come in above last year's second biggest deal.

Project finance's multi-year planning phases and multi-decade debt packages have inevitably provided some initial resistance to the growing reluctance of lenders to lend, but the number of deals so close to close when lenders started to get nervous that they have still made it through is dwindling. The bank market correction may mean in short, less bank lending, and for many projects either delays or more expensive debt, but to establish the effects on the market as a whole, it's the knock-on effects that are an important consideration.

Despite the US$20bn headline of the year coming from Russia, the Middle East once again dominates the top end of the table. Excluding the Middle East, only the UK's US$5bn FSTA joins Sakhalin in the US$5bn-plus bracket. Including the Middle East adds Saudi Kayan, Ma'aden, NCP and Yemen LNG – about US$31.5bn of deals.

The threat of recession in Western countries has seen oil prices dive sufficiently in four months to almost entirely undo the three-times rise in the previous year and a half, posing an obvious threat to continued support for these sovereign wealth fund-backed megadeals. Andrew Grenville and Tony Giustini of Clifford Chance's projects team, which acted on three of the five big Middle Eastern projects, believe that the Middle East will be among the more resilient regions, however, with the fall in oil prices not making as big a dent in project numbers as many expected.

"The underlying needs are the same," they explain, "not only in terms of the obvious factors such as power, but the desire to bring more industry within the borders. A more realistic oil price makes longer-term planning more important." The nature of oil as a depletion business is also becoming an increasingly practical consideration for a number of countries. As oil supplies dwindle, the need to put their revenues to productive long-term use is increasingly important.

Along with the Middle East, most Western European countries are likely to remain strong project destinations. Publicly announced support for increased spending has encouraged firms that the flow of infrastructure deals will continue – DLA Piper identifies France, Greece and Italy as expansion opportunities for 2009.

Those countries with developing project finance markets are likely to dip the most. Hungary was the site of the eighth largest deal in EMEA in 2008, as BAA, under parent Ferrovial, took a 75% stake in Budapest Airport for US$3.2bn. The country has also been aggressively pursuing PPPs, with a number of social housing projects and prisons developed.

The expansion has been too highly leveraged, however, and the government is now left with an unsustainably large foreign debt burden – a US$25bn IMF/EU/World Bank rescue package has come with heavy expenditure restrictions. Contrary to infrastructure spending being seen as a way out of crisis, many may see it as the cause.

With the foreign debt reliance of developing countries denoting an increasingly difficult project finance market, and the dive in commodity prices, mining might seem a sector least well-placed. Grenville and Giustini at Clifford Chance believe the opposite, however.

For one, mining companies have time-limited concessions to resource deposits granted by the host governments, and are less able to indefinitely postpone a project than in the case of industrial/petrochemical ven-

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tures. The work of development banks and export credit agencies also softens the blow of working in difficult markets, with lenders seeing the potential to partner with these institutions as protecting themselves against political risk through the stringent selection processes of the multilateral lenders.

Financial assistance extended to reckless borrowers is nothing, of course, compared with that made to reckless lenders. The headline-dominating bailouts of European and US banks will also be felt in the project finance market. While little restriction is expected to be placed on the UK banks outside of limitations on dividend payments, Dexia has lost a part of its foreign operations and DEPFA's step back from the market takes a US$30bn–$40bn order book with it.

As some sectors sustain themselves and others struggle, others will continue to grow, even as the market falters. If the top seven's Middle Eastern petrochemical and power deals show where the market is, then the ninth and 11th largest deals show where it is going. At just above and below US$2.7bn each, the Trinergy wind portfolio acquisition in Italy and the Enerjisa hydro portfolio in Turkey dwarf any of last year's renewables deals.

PFI's personnel-tracking People & Markets section through the year has indicates the trend – Nick Ogden to McGrigors in Manchester, Rafal Hajduk to Norton Rose in Warsaw, Stefan Schmitz to McDermott Will & Emery in London, Giedre Kaminskaite-Salters to Norton Rose, and João Rosado Correia to Garrigues in Lisbon are just some of the personnel switches in which renewables expertise played a part.

Success in leading countries will aid new entrants. Having led the way on solar deals, the Spanish model is ready to be exported throughout Europe, with Egypt, Poland and Romania all considering improving their own solar sectors following Spain's example. Some lawyers have suggested that while the renewables sector is to continue growing, individual projects are to become harder. As the sector matures, renewables projects will lose their darling status and become run of the mill projects, opening them up to opposition, such as complaints regarding the so-called visual pollution of windfarms, that they were more protected against as government favourites.

Even as large and dramatic a cloud as the sudden disappearance of cheap debt from the market doesn't avoid the silver lining idiom, though. For the past year crunch has been everyone's every second word, but in the project finance market an EPC crunch has been causing headaches for years. Demand has been outstripping supply for raw materials and long lead items to the extent that not only have prices shot up, but availability of some has become near-impossible at any cost.

EPC contractors have been able to demand simple fixed-price, fixed-date turnkey contracts, and sponsor and lender counsels have found making these rigid contracts acceptable taking a large proportion of their time.

A greater emphasis is being placed on organising along product lines, rather than geographically.

As the number of projects hitting the markets begins to drop – many of the contractors in the project finance field have been hit by the slump in the real estate sector as well – EPC contractors' order books won't boast the back-log they have in recent years, and a little more bargaining power will return to the sponsors and lenders.

Some law firms say they are already seeing a change in attitude – projects caught in the EPC bidding phase as the change is taking place have seen contractors coming back to the sponsors with revised, less aggressive bids, as the supply-demand balance of the last few years begins to shift. Firms have already experienced postponements and restructurings directly due to the prevailing market conditions, and even MoUs with contractors being torn up, and RFPs going unanswered, as contractors themselves become more risk-averse.

Improved EPC contracts for the projects that go ahead will be little consolation to those experiencing reduced work loads from the overall drop in project numbers, though, so for most the focus is still on trying to establish when commercial bank lending will return.

Stefan Eder, finance and projects EMEA group head at DLA Piper, says the firm has drafted in an economist to lecture the team with projections of the bank market in the next few years. The estimate this particular adviser deemed most likely was that lending would not return to early 2007 levels until 2011, assuming it improves from the current position, with no further downturn first.

Others are more optimistic, saying that Q1 2009 will provide the first clear indications of the situation, and that within a year of that debt could return. Modelling based on past crises is difficult, as banks have been drawn into, rather than being at the centre of, other market downturns in the past 30 years.

Certainly, when lenders do return it will be critical to be in the right shape to be at the top of the list for work when project numbers increase again. Eder describes a restructuring process among his team that reflects a change in the market. With individual deal structures becoming increasingly complicated, and growing standardisation between countries, a greater emphasis is being placed on organising along product lines, rather than geographically.

Citing the Budapest Airport deal as an example, where DLA Piper was lenders counsel, the deal was primarily handled by members of the firm's London team with the greater sector experience, with the local Hungarian office taking an assisting role for local aspects.

Grenville and Giustini at Clifford Chance emphasise the importance of "staying loyal" to the sector for success in project finance. "In earlier years, when other areas were shining in terms of profitability, we didn't abandon project finance," they say. In shakier times, banks and governments will favour the literally and metaphorically more concrete sector more than ever.