

Closing a project finance transaction in Mozambique during a worldwide pandemic

The world shut down in 2020, but the largest project finance in Africa could not stop.

The discovery of vast quantities of natural gas off the coast of northern Mozambique in 2010 was the starting point for the Mozambique LNG Project, which led to a \$20bn final investment decision in June 2019. In September of that same year, Total (the second-largest LNG player in the world) announced that it had closed the acquisition of Anadarko's 26.5% operating interest in the Mozambique LNG Project and that the project was finally ready to move on to the next stage.

In March 2020, the World Health Organization rang the alarm bell and declared Covid-19 a worldwide pandemic, prompting governmental authorities across the world to impose multiple restrictions on the free movement of people and goods. The virus ground the world to a halt, brought about a global health and financial crisis without precedent in our time and held people hostage to a certain level of fearmongering spearheaded by the media and uncertainty.

Covid-19 proved to be a challenge to all ongoing and new transactions worldwide and the Mozambique LNG project finance was no exception. On top of the many complexities typical in project financings of this magnitude, turning the Covid-19 challenge into an opportunity required creative and out-of-the-box thinking from all players and advisers involved in the transaction, particularly to keep the confidence of all the participating lenders.

The finance documents were signed in July 2020, proving that the lenders kept their confidence in the Mozambique LNG Project, despite the troubling and uncertain pandemic times. The senior debt project financing amounts to \$14.9bn and includes direct and covered loans from eight export credit agencies, 19 commercial banks and a loan from the African Development Bank.

The focus then turned to satisfying the conditions precedent to the financial close. This Mozambique LNG Project's milestone proved utterly challenging from a legal and practical perspective considering the complex and multijurisdictional security package that had been agreed, which includes security interests over the assets located in Mozambique.

The Covid-19 pandemic forced the world to adjust and Mozambique was no exception. The country plunged into an overlong State of Emergency in April 2020 forcing people to shift from a deep-rooted face-to-face meetings culture to telematic means, which completely changed the way business is done.

For the Mozambique LNG Project, the formalities applicable to the creation and/or perfection of the Mozambican security interests proved to be a particularly difficult hurdle to

in making the drawdowns. The teams are now focused on the final post-closing actions.

The Mozambique LNG Project is expected to put Mozambique on the map of the main players

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overcome during a worldwide pandemic. With several public authorities either temporarily closed or operating at a much slower pace, their staff working in rotation, the satisfaction of the conditions for the financial close seemed like yet another goal that had to be postponed in a world in the grip of a relentless virus, but the unwavering commitment of all players and advisers to the best interests of the project made the financial close possible at the end of March 2021. The Mozambique LNG Project and its advisers worked together with the lenders and their advisers and found creative and compromising solutions that ensured that the lenders were comfortable

in the global LNG market and to have a very positive socio-economic impact in the country.

Total and the government of Mozambique have also been working together to ensure security measures are implemented in the Afungi site to ensure the continuity of the activities so that this transformational project can stay on track to deliver LNG in 2024.

A multidisciplinary team of lawyers from VdA and GDA (the exclusive member of VdA Legal Partners in Mozambique) is advising Total (and the other project sponsors) in connection with the legal aspects of the project financing in Mozambique.

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