

Six firms in Chilean water project loan

Christina Mckeon Frutuoso 17 July 2018

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Milbank, Tweed, Hadley & McCloy LLP in New York and Barros & Errázuriz Abogados in Santiago have helped a joint venture between Japanese trading company Mitsui and Spanish infrastructure operator Cobra obtain project finance worth US\$558 million for a desalinisation plant.

The banks relied on Allen & Overy LLP in New York and Garrigues (Chile) in Santiago for the deal, which closed on 28 June.

The funds will finance the construction and operation of a desalinisation plant in the port city of Mejillones in Chile's Antofagasta region. Once complete, the plant will be connected to a desalinated water storage tank owned by Minera Spence and its parent company, mining and metals

business BHP Billiton. Both BHP and Minera Spence sought counsel from Mayer Brown LLP in Houston and New York, and Larraín y Asociados in Santiago for the deal.

The project, which will be constructed by Mitsui and Cobra's joint venture Caitan, will also involve the creation of a 154-kilometre aqueduct which will transport water from the plant to a Minera Spence mining site. Caitan will supply Spence's mining project with water for 20 years. Spence's mining site will use the water for extracting copper.

The financing is backed by BHP's expected cash flow from the Spence mining project. Latin Lawyer understands the project financing marks National Australia Bank's first investment in Chile.

The desalinisation plant and the aqueduct are expected to be operational by 2020.

The participation of Mitsui and banks like Mizuho in this deal underlines Japan's increasingly close links with the region. According to IMF data, Brazil and Mexico are both sizeable importers of Japanese products, while exports from Chile and Peru to the east Asian country have grown steadily in recent years.

There have also been a series of big-ticket deals involving Japanese companies this year. Mitsubishi acquired a minority interest in a Peru-based subsidiary of mining company Anglo American for US\$600 million in June. In another major transaction, Japanese motor manufacturer Nidec purchased Whirlpool's Brazil-headquartered air compressor business for US\$1.08 billion in cash earlier this year. Mitsui has also been busy. It acquired a 49% stake in car rental company Mita from Inversiones Tajamar in May.

Japan is not the only east Asian country investing more in Latin America. The China Development Bank and the China Export-Import Bank alone have provided funding worth more than US\$150 billion to Latin America and the Caribbean since 2005. This has encouraged countries like Mexico, which

have long been dependent on the US, to diversify their economies with a shift to the East. Others, such as Brazil, Chile and Peru, already count China as their largest trading partner.

Counsel to Caitan

Milbank, Tweed, Hadley & McCloy LLP

Partner Dan Bartfeld and associates Sean O'Neill and Lindsay Hall in New York

Barros & Errázuriz Abogados

Partners Francisco de la Barra and Carola Trucco, and associates Enrique Barros, Cristobal Pellegrini, Juan José Izquierdo, Ignacio Urbina, José Miguel Poblete, Francisca Ellis, Joaquín Uauy, Fernanda Becker, Juan Cristobal Triviños, Pedro Pablo Ballivian and Martín Vial in Santiago

Counsel to Santander, MUFG, Bilbao Vizcaya Argentaria, Crédit Agricole, Ing Capital, Intesa Sanpaolo, Mizuho, National Australia Bank Limited, Nippon Life Insurance Company, Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank

Allen & Overy LLP

Partner Dorina Yessios and associates Leona Say, Vanessa Guillermet, Svein Hoexter and Yamini Peddada in New York

Garrigues (Chile)

Partner Pedro García and associates Antonio Morales, Francisco Irarrázaval and Francisca Ferrer in Santiago

Counsel to Minera Spence and BHP Billiton

In-house counsel - Daniel Weinstein

Mayer Brown LLP

Partner George Miller and associate Sean Kulkarni in New York; and partner Jose Valera in Houston

Larraín y Asociados

Partner Jorge Granic and associate Francisco Cerda in Santiago

Practice area: Project finance & infrastructure

Country: Chile, International

Industry: Water