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Project Finance MVP: Mayer Brown's Christopher Erckert

By **Kaitlin Ugolik**

Law360, New York (December 14, 2012, 3:17 PM ET) -- For his work advising BNP Paribas and two Peruvian banks in about $527 million in financing for a key piece of public infrastructure in Lima, Peru — the largest Peruvian currency financing to date for a nonsovereign issuer — among other feats, Mayer Brown's Christopher Erckert has earned a spot on Law360's list of Project Finance MVPs.

Erckert led Mayer Brown's representation of BNP Paribas, as arranger and placement agent, and Banco de Credito del Peru and Banco Internacional del Peru-Interbank as commercial bank lenders, in the financing for the complex and controversial toll road known as Via Parque Rimac.

The 17-km, or 10.5-mile road, which is currently under construction, includes a 1.2-mile tunnel beneath the Rimac River, 5.6 miles of new roads, 11 viaducts and a new public park running about 2.4 miles along the river. But the project faces a complicated future, with changes requested by Lima's mayor, Susana Villaran, pending for 2013 implementation unless she loses her position in an impending recall.

“The financing had to be structured in a way that could accommodate either the project as originally conceived or with the changes that the mayor had sought,” Erckert said.

The resulting uncertainty was one of the more challenging things about the project, Erckert said, but the financing, which was expected to come from a combination of local bond investors, local banks and international banks, was its most unique aspect.

The appetite from international investors was significant, but there was so much demand for the project from within the Peruvian financial market and the political climate was such that tapping the bond investor market made the most sense.

The project ended up with a mixture of bank and bond investors, creating a complicated financing environment that Erckert was able to navigate with a structure that gave the banks a significant amount of control without requiring the same level of input from bondholders, according to the firm.

In addition to being the largest Peruvian currency financing done for a nonsovereign issue, the project became one of the very few bond financings in which investors took both a construction and a demand/traffic risk, which bond investors are generally averse to taking.

The mixed financing for the Via Parque Rimac project was also significant because it represented one stage in the evolution of project financing that Erckert says has kicked off in earnest this year. Driven in large part by the retrenchment of many principal lenders in the sector — traditionally the New York branches of European banks affected by the Euro crisis — financing is shifting toward debt capital markets.

This year "was anything but business as usual for the projects market," Erckert said.

Erckert, who has been with Mayer Brown for close to four years and focuses his practice on financing transactions in Latin America, has worked on deals at all stages of this evolution this year. In addition to the Via Parque Rimac deal, he represented HSBC Holdings PLC and BNP Paribas in financing for a $500 million transmission line in southern Peru representing the more traditional approach.

The Abengoa Transmision Sur Project runs more than half the length of Peru, covering 550 miles and serving as a fundamental piece of the country's national electric grid and the government's effort to increase its reliability, according to Mayer Brown. It involved mini-perm financing, which Erckert described as a hybrid between a bridge loan and long-term financing that includes a large final balloon payment that will require refinancing in the bank or bond markets.

That deal structure is relatively commonplace compared to Via Parque Rimac, and a collection of wind power projects in Oaxaca, Mexico, on which Erckert helped advise more than $300 million in financing that included the first wind energy project bonds for a Latin American project.

Erckert represented project sponsor Acciona Energia SA and the issuers on project bond financing for Oaxaca II and Oaxaca IV wind farm projects, which made up the first-of-its-kind sister project that also represented one of the first Latin American project bonds to receive an international scale investment grade rating.

The deals were originally planned as traditional commercial bank project financings, but the European debt crisis made the project bond market more attractive, and the transactions made a complete transformation to total bond projects placed out of the New York market, according to Erckert.

"These projects demonstrate the evolution of this market — how it's moving from a primarily commercial bank financing-based model to a diversified model that includes ever-increasing funding from the local and cross-border debt capital markets," he said. "The Mayer Brown projects team has been fortunate in being chosen by our innovative clients to work with them on the cutting edge of that evolution."

--Editing by Jeremy Barker.