

Project Finance MVP: Mayer Brown's Christopher Erckert

By Igor Kossov

Law360, New York (December 17, 2014, 7:23 PM ET) --



Mayer Brown LLP partner Christopher Erckert helped put together three highly complex infrastructure deals in 2014 in Peru and Mexico, collectively worth over \$1.7 billion, establishing himself once more as the go-to Latin America lawyer and earning a place on Law360's list of Project Finance MVPs.

Erckert's biggest deal was the Rutas de Lima toll road project in Peru, which required \$1 billion in investment across several tranches of bonds to cover multiple risk factors. He also worked on the \$432 million project bond for the Abengoa Transmission Sur power-line project running from Lima, Peru, to the Chilean border. And he helped create the Energia Sierra Juarez wind power project that straddles the U.S.-Mexico border, overcoming multiple challenges to secure \$300 million in bonds.

"Project finance puts capital to work in a way that contributes to economic growth and improves lives. It is satisfying to be a part of that," Erckert said. "And, particularly now, with the model undergoing transformation, it is also an intellectually rewarding time to be a part of the enterprise."

Project bonds were popular in the 1990s, before commercial banks overtook them. After the global economic downturn, commercial banks cut back on long-term lending, leading investors to search for the kind of yield that project bonds can provide, according to the firm.

Implementing the bond approach for the Rutas de Lima project has been a "model of complexity," Mayer Brown said. The project, which started as a private initiative, seeks to rehabilitate two existing toll roads running north and south from Lima and to extend a third road running east to west. Erckert represented Goldman Sachs Group Inc., BBVA and Credicorp Capital, which had to protect themselves from uncertainty as the property rights to the third portion had yet to be secured.

Erckert's team dealt with the negative carry costs, as well as construction and traffic risk by creating



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three tranches. One tranche was denominated in the local currency, the nuevo sol, for Peruvian investors, with staggered funding dates. The larger tranche was designed for international investors that want exposure to the nuevo sol.

The project also secured commercial bank funding from Banco de Credito del Peru, BBVA Continental and Interbank, which could be drawn down in the future.

"Projects with as much complexity as the Rutas project are a bit like a musical piece. If all the players are coordinated, the result can be inspiring," Erckert said. "If they are not coordinated, the result can be jarring."

The lawyer also worked on the Abengoa Transmission Sur line, representing underwriters BNP Paribas Securities Corp. and HSBC. At the time of issuance, this was the largest Peruvian dollar-denominated project bond ever issued. It was also the first bond in the space to a tenor as long as 29 years, according to the firm.

Arranging it was a little more straightforward than the toll road because the Peruvian energy sector is in dollars and the Peruvian government has an infrastructure program that consistently puts out deals. Erckert helped his clients design financing for the construction phase of the power line, such that it eliminated risk for future bond investors. The bank loans allowed a window to refinance the project through a bond offering.

"Banks have focused on Peru and gotten comfortable with the country," Erckert said.

Rounding out Erckert's big deals for 2014 is the \$300 million he secured for his client in the Energia Sierra project, a 156-megawatt wind farm slated to come online in 2015. The plant sits on Mexican territory, but its power flows through U.S. power lines, which required integrating energy grids and the U.S. president's approval.

In a rare arrangement, California-based San Diego Gas & Electric will buy power from the first stage of the project. It was the last deal of its kind that had wrapped up prior to Mexico's sweeping energy reforms. Erckert said that Mayer Brown is also working on one of the earliest post-reform deals in Mexico.

In the near future, Erckert hopes to close on a project finance deal for a metro line in Lima that he's been working on. But he said his favorite projects involve renewable energy, and he looks forward to working on more deals that improve living standards.

--Editing by Edrienne Su.