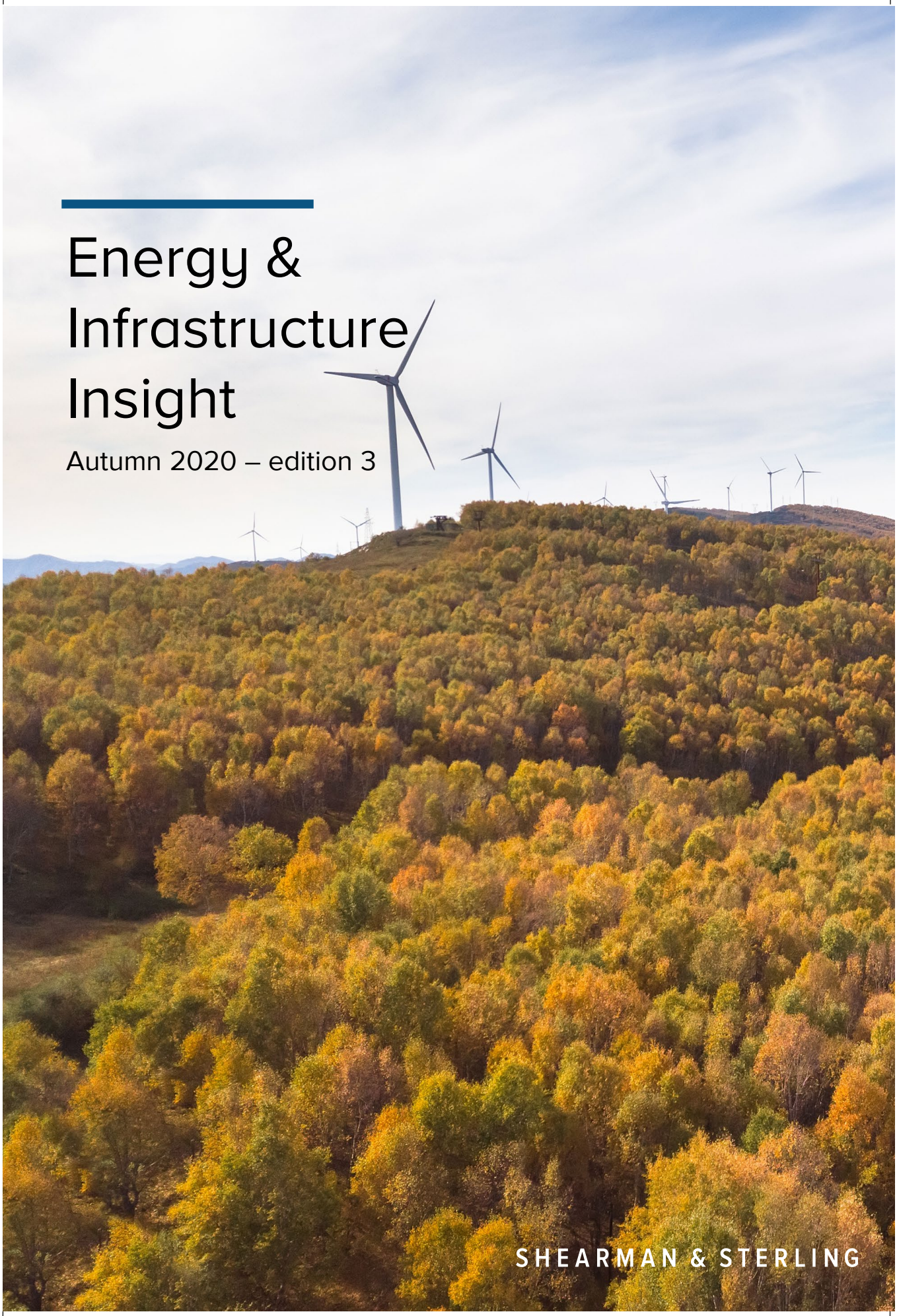

Energy & Infrastructure Insight

Autumn 2020 – edition 3

SHEARMAN & STERLING

From the Editors

We are pleased to publish the third edition of our Energy & Infrastructure Insight, providing information and analysis of the current issues facing the energy and infrastructure sectors across the globe.

In this latest edition, we examine the European infrastructure market and consider the differing impact the COVID-19 pandemic has had on M&A activity by sector and the terms of the deals being agreed. In a similar vein, we also examine the rationale and processes for monetizing embedded "non-core" infrastructure assets and key issues for sellers, investors and operators.

However, where there is challenge there is also opportunity, and, against a background of market unrest caused by the COVID-19 pandemic, resulting in more than 20 oil and gas producers filing for bankruptcy already this year, we explore the key considerations for purchasers when buying oil and gas assets from distressed companies.

Not surprisingly, no sector has been left untouched by COVID-19, and this is also true for the mining sector. We ask this question: what is it that the mining industry has stopped talking about?

Finally, we focus on the environment as a matter of great interest and hope, and ask whether hydrogen is the answer to sourcing clean energy, and whether Taiwanese offshore wind energy is being challenged by headwinds.

We hope you find this latest edition both interesting and informative.

Gregory Tan
Partner

New York
T +1 212 848 8324
gtan@
shearman.com

Iain Elder
Partner

London
T +44 20 7655 5125
iain.elder@
shearman.com

Ben Shorten
Partner

Singapore
T +65 6230 8907
bshorten@
shearman.com

European Infrastructure Market Update: What Impact Has the Pandemic Had on the M&A Sector?

The various sub-sectors within the European infrastructure market have suffered from markedly different fortunes during the COVID-19 crisis and this has, to some extent, affected M&A activity. In this article, we explore the extent to which the COVID-19 crisis has affected the level of M&A activity and the impact of the crisis on deal terms.

SECTORAL IMPACT

In assessing the impact of the pandemic on the infrastructure market, the key question is what impact the pandemic, the government-enforced lockdowns and the change in consumer habits (*e.g.,* the general sentiment to continue working from home) has had on the revenues in the various infrastructure sub-sectors.

On the one extreme, revenues in the airport sector have suffered significantly from the restrictions on travel and—even as borders have opened up—the continued limited business travel and far below normal level of holiday travel. The effect of this is starting to be seen in financial reporting (*e.g.,* with Gatwick reporting EBITDA for H1 2020 of £3.2 million, less than 2 percent of its reported EBITDA for H1 2019). A similar story is being felt among other transport assets that are reliant on business and holiday travel (*e.g.,* Eurotunnel has forecast a year-over-year fall in EBITDA of 37.5 percent for 2020).

By contrast, the crisis has (broadly speaking) had limited impact on revenues for operating assets in the utilities, water, waste, power and telecom sectors. Indeed, in some sectors (*e.g.,* fiber) the pandemic has added weight to the proposition that these asset classes should be treated as core infrastructure (given the resilience of cashflows through the current economic crisis), with a consequential positive impact on valuations and level of interest. Other asset classes (such as oil storage) have benefited from other macroeconomic factors (*e.g.,* the low oil price), which again has driven demand and has had a positive impact on valuations.

DEAL ACTIVITY

Clearly, sectors where there have been an adverse revenue impact as a result of the pandemic have seen a significant drop off in deal activity (generally those, such as airports, that are more GDP correlated). Any seller looking to market a stake in these assets in this market will likely struggle to find a purchaser willing to value on the basis of pre-COVID EBITDA levels (particularly where, in the case of airports, it is not clear when the pre-COVID level of airport passenger traffic, and consequent revenues, will return). A number of high profile airport transactions that were earmarked to be signed/announced during 2020 have therefore been pushed back for the foreseeable future.

Meanwhile, deal activity in sectors where revenues have not been so heavily impacted by the crisis have, after an initial pause, continued to be relatively buoyant compared to the wider M&A market. During the crisis, a number of high profile transactions have been announced, including:

- KKR's acquisition of Viridor (a U.K. waste management business) for an enterprise value of £4.2 billion;
- the sale by Macquarie of 75.1 percent of Viesgo (a Spanish electricity distribution business) to EDP; and
- KKR's investment in FiberCop (an Italian fiber-to-the-home business alongside TIM) for an enterprise value of €7.7 billion.
- This level of activity has been driven by a number of factors, including:
  - the continued high level of available equity and debt capital (indeed, a number of funds have successfully closed further fundraising during the course of this year);
  - the view that the infrastructure sector is generally a robust non-cyclical sector to invest in (as further demonstrated by performance in these sectors during the crisis); and
  - the view that investment into infrastructure (particularly, green energy and fiber) is going to be a key focus of government stimulus programs over the coming years.

Impact on Deal Terms

Before the crisis, deal terms in the European M&A market for infrastructure assets would be best described as "super" seller friendly. Generally, almost all transactions were structured around a locked box purchase price structure with sellers offering no more than fundamental warranties (as to title and capacity) and purchasers required to give 'hell or high water' undertakings to obtain regulatory approvals. Most deals involved a separate limited or no recourse warranty deed to allow a purchaser procured warranty and indemnity (W&I) insurance policy to be put in place. However, depending on the competitive dynamic and on the basis that a broad and thorough set of due diligence materials had been made available, it was not uncommon for there to be no such warranty/insurance package offered. Purchasers knew the risks and, given the appetite to deploy the ever increasing capital available for European infrastructure assets, were willing to take the risks.

It is still too early to tell whether deal terms in the market have moved back to a more balanced position. Deals that are taking place in the sectors where revenues have had limited impact from the crisis are still being run as competitive auctions and transacted on a similar basis to the position pre-pandemic, as the appetite to buy these assets remains strong from investors.

What has yet to be gauged is how deals for assets whose revenues were significantly impacted by the crisis will be run. We anticipate that some of those deals will be structured based on completion accounts, given the inherent difficulty of pricing (and adjusting) a historic 2019/2020 balance sheet. A number of other off-balance sheet items would also potentially need to be factored in as pre- or post-closing adjustments (*e.g.,* rent/tax/interest deferrals, employee furlough costs, etc.).

Purchasers may even push for earn-out type structures to provide protection in the event the revenues do not return to pre-COVID levels and may also look to build in conditionality in the event that COVID or other MAC-type events occur that affect their ability to close (*e.g.,* an availability of financing CP, repetition of warranties at closing, etc.).

Whether Purchasers will achieve much success in introducing such terms into deals remains to be seen. The European infrastructure market remains highly competitive as investors look to deploy the significant capital that has been allocated to the sector. Purchasers will be unlikely to persuade sellers in a competitive auction dynamic to accept anything less than the seller friendly terms seen pre-COVID. However, if the impact of the crisis on certain sectors means that transactions occur on a limited auction or bilateral basis, then purchasers may have some success swinging the balance back towards a purchaser-friendly set of deal terms.

FOR MORE INFORMATION PLEASE CONTACT:

Tim Sheddick
Partner

London
T +44 20 7655 5657
tim.sheddick@
shearman.com

Iain Elder
Partner

London
T +44 20 7655 5125
iain.elder@
shearman.com

Tom Pound
Senior Associate

London
T +44 20 7655 5056
thomas.pound@
shearman.com

Key Considerations When Buying Oil and Gas Assets From Distressed Companies

The oil & gas industry is facing unprecedented challenges following the price decreases and market unrest caused by the COVID-19 pandemic, and more than 20 oil and gas producers have filed for bankruptcy already this year. Many more exploration and production and oilfield service companies are in serious financial distress and, for those with capital to spend, there will be opportunities to acquire assets and distressed companies (including acquisitions of asset packages, acquisitions of companies, and take-private transactions). With the likelihood of continuing uncertainty, this article will look at some of the key considerations for buyers when evaluating potential acquisitions of distressed oil and gas assets in the months ahead.

MULTI-STAGE AUCTION

A sale process pursuant to Section 363 of the Bankruptcy Code typically includes two stages of auctions. The initial selected bidder on the assets of a bankrupt company, known as a stalking-horse bidder, agrees to set a floor price, ensuring a minimal recovery to creditors. Thereafter, interested parties bid against the stalking horse. In exchange, the stalking horse typically obtains court-approved bid protections, including a break-up fee and expense reimbursement that compensate the stalking horse for its opportunity cost and the value provided to the bankruptcy estate should the stalking-horse bid induce any higher or better bids. Therefore, a stalking-horse bidder should consider the risk of being outbid at an auction when negotiating the terms and conditions of the purchase agreement, maximize the scope of its bid protections and ensure that any court-approved bidding procedures are as favorable to its bid as possible.

CREDITOR INFLUENCE ON NEGOTIATIONS

The bankruptcy court must approve the purchase agreement in connection with any purchase of assets from the debtor. In connection therewith, the bankruptcy court has broad discretion to consider the objections of the seller's creditors, including those with liens on the assets at issue, those holding blocking debt positions on the terms of any Chapter 11 plan and any post-petition DIP lenders that otherwise have material consent rights. As a result, a buyer must consider how the seller's creditors may react when negotiating the terms and conditions of the purchase agreement. In some instances, negotiating directly with such creditors on the terms of a Chapter 11 plan can minimize public competition and otherwise improve the position of a potential buyer.

In any case, a buyer should structure its bid to maximize the extent to which it may acquire assets free and clear of liens, claims and other liabilities of the seller under Section 363(f) of the Bankruptcy Code.

EXECUTORY CONTRACTS, "CURE" COSTS AND CONSENT TO ASSIGNMENT PROVISIONS

An "executory contract" is a contract under which unperformed obligations remain on both sides, such that either party would be excused from performance if the other party were to breach its remaining obligations. Section 365 of the Bankruptcy Code provides the debtor the option to reject, assume, or assume and assign its executory contracts in bankruptcy. Many contracts commonly entered into in the oil & gas industry, including joint operating agreements, vendor contracts, farmout agreements and midstream agreements, may qualify as executory contracts under the Bankruptcy Code. Therefore, it is important for a buyer to identify material contracts that may qualify as executory contracts and timely direct the debtor as to those executory contracts that will be assumed by the debtor and assigned to the buyer pursuant to the bankruptcy process. This process is typically addressed in any purchase agreement as well as in the sale motion and related orders proposed to the bankruptcy court.

In order for a seller to assume and assign any executory contract, it must cure any defaults with respect to such executory contract. The amount and allocation of responsibility for payment of such "cure costs" is a key consideration when buying assets pursuant to the bankruptcy process. Although cure costs are technically the seller's responsibility, a buyer can increase the value of its bid by assuming all or some portion of them.

Impact on Deal Terms

While consent to assignment provisions in oil and gas contracts are typically enforceable outside of bankruptcy, it is possible for them to be rendered unenforceable under Section 365(f)(1) of the Bankruptcy Code. Section 365(f)(1) provides that a trustee may assign an executory contract or unexpired lease "notwithstanding a provision in an executory contract or unexpired lease of the debtor…that prohibits, restricts or conditions the assignment of such contract or lease." Note that this safe harbor provision is only applicable to contracts and unexpired leases that qualify as executory contracts and not available with respect to consent to assignment provisions in oil and gas leases in Texas and other jurisdictions where oil and gas leases are not considered executory contracts.

POST-CLOSING INDEMNIFICATION AND P&A LIABILITIES

Following a sale of assets pursuant to the bankruptcy process, a seller is likely to distribute the sale proceeds soon thereafter and remain insolvent or, if possible, wind down. As a result, the seller's representations and warranties in the purchase agreement typically do not survive closing and the seller's post-closing indemnification obligations are often very limited.

The Bankruptcy Code requires that all administrative claims must be paid in full. Accordingly, the question as to whether plugging and abandonment claims are entitled to administrative priority and the party responsible for plugging and abandonment obligations is a key consideration when buying assets pursuant to the bankruptcy process. The answer largely requires a state-by-state analysis and, therefore, it is important that the parties address the allocation of plugging and abandonment and other environmental obligations in the purchase agreement. Understanding a debtor's ability or inability to abandon assets with P&A liabilities in excess of market value may also provide a buyer with additional leverage.

OUT-OF-COURT TRANSACTIONS

Buying assets from a distressed seller outside of bankruptcy presents other opportunities and risks. On the one hand, out-of-court transactions are generally subject to less competition and public disclosure. However, where a seller is potentially insolvent and yet willing to transact, a buyer must consider the risk of subsequent challenges by creditors (or a bankruptcy trustee) to unwind the sale transaction and otherwise claw back value from the buyer. In the current climate of volatility and distress, this risk should not be overlooked. In some instances, pursuing the transaction through a structured Chapter 11 case is the best way to mitigate claw-back risks, execute with greater certainty and maximize the extent to which the sale is free and clear of the seller's liabilities. In other instances, particularly where there are few creditors and they are tactfully engaged in the sale process, an out-of-court approach can be an effective strategy to minimize competition and transaction costs.

FOR MORE INFORMATION PLEASE CONTACT:

Nathan Meredith

Partner
Dallas
T +1 214 271 5372
nathan.meredith@
shearman.com

Ian Roberts

Partner
Dallas
T +1 214 271 5610
ian.roberts@
shearman.com

Hydrogen – Is It the Answer to Clean Energy?

In July, Neom Company, Air Products and ACWA Power announced an agreement to develop the World's first green hydrogen-based megaproject – a US$5 billion facility located at Neom, Saudi Arabia's city of the future.

In this article we highlight the fast-growing commercial opportunity that green hydrogen presents, and financing structures that can be used to facilitate investment in projects capable of exporting this new energy source. The article explores how existing hydrocarbon supply chains can be adapted for green hydrogen going forward, and why it is therefore an attractive industry for energy players to diversify into.

The project will comprise the world's largest electrolysis facility by far—2GW—and will produce green hydrogen-based ammonia for export to global markets. Air Products will be the exclusive offtake of the green ammonia and intends to transport it around the world to be dissociated to produce green hydrogen for the transportation market. The transition from a hydrocarbon-based global energy market to zero-carbon alternatives is accelerating faster than many have expected. Green hydrogen is increasingly being recognized as a cornerstone of this evolution. The cost of production is falling while demand rises as energy importers worldwide position hydrogen as a key fuel of the 21st century industrial economy.

In a political declaration on 15 June 2020, seven European energy ministers committed to "enable a forward-looking European hydrogen infrastructure and liquid market in the near future," while recognizing the importance of a timely scale-up to create a global renewable hydrogen market.

Days earlier, the German government had released a comprehensive National Hydrogen Strategy. Adopting the motto "shipping the sunshine" and based on the principle that only hydrogen produced on the basis of renewable energies (green hydrogen) is sustainable in the long term, the government's energy policy assumes that a global and European hydrogen market will develop over the next 10 years and that most of the hydrogen [Germany will need] will have to be imported.

On the other side of the world, in March 2020 Japanese Prime Minister Shinzo Abe, cutting the ribbon for a green hydrogen research facility in Fukushima, said: "I have a firm resolution to make a great change…in the conventional energy frameworks all over the world. Clean hydrogen will become a source of energy for operating manufacturing floors in plants and fuel for various vehicles…. Let's work together and cultivate a new era of hydrogen to accomplish these goals."

Now, the world's first green hydrogen export megaproject has been announced. What does this mean for development of the hydrogen market, and for project development going forward?

GREEN HYDROGEN

Green hydrogen is simply hydrogen, the most abundant element in the universe, produced by processes that are powered entirely by renewable electricity, such as solar and wind power.

The renewable electricity powers an electrolyzer, equipment that combines anode-cathode technology with a chemical catalyst, to split water molecules into hydrogen and oxygen.

The resulting hydrogen gas has the highest energy content of any common fuel by weight. It is manufactured without any emissions, pollutants or greenhouse gases, and emits none when used. The only by-product of the industrial process is oxygen, which is itself marketable or otherwise easily and safely disposed of by release into the atmosphere.

Green hydrogen's zero-carbon characteristics distinguish it from other forms of reduced carbon hydrogen that form part of ongoing decarbonization efforts. Whereas historically hydrogen has been produced from coal or natural gas, which generates significant carbon emissions and is known respectively as brown and grey hydrogen, there has been increasing interest in blue hydrogen, for which the carbon emissions are captured and stored, or re-used. Green hydrogen removes carbon entirely from the equation.

Hydrogen – Is It the Answer to Clean Energy? (cont.)

Hydrogen can be stored in pressurized or liquefied form. Unlike batteries—the current preferred approach to storing renewable power—hydrogen in storage does not deteriorate over time. From storage, hydrogen can be converted back into energy for electricity generation. It can also be used as a feedstock for zero-carbon or reduced-carbon fuels—especially in hard-to-electrify industries such as aviation and freight logistics/shipping—chemicals and fertilizers.

There are many potential markets for green hydrogen, and diverse supply chain options for its delivery. Hydrogen gas can be liquefied and transported in vehicles and vessels, or combined with nitrogen to create green ammonia, a liquid, which opens up even simpler methods of transporting the zero-carbon energy such as bulk shipping. The ships themselves could be powered by ammonia or by hydrogen fuel cells.

Green hydrogen can be easily deployed in existing industrial processes such as refining, petrochemical and metal production. However, when hydrogen production is scaled up, the opportunities become much wider ranging.

According to the International Energy Agency (IEA), hydrogen and ammonia will start to be used together with, or instead of, natural gas and coal in power generation, while hydrogen's storage capabilities also help mitigate grid-balancing challenges associated with increasing the share in the power mix of weather-dependent sources such as wind and solar power.

The aviation and shipping sectors, which have limited low-carbon fuel options available, represent an opportunity for hydrogen-based fuels to take significant market share. Norway, for example, has just announced Europe's first commercial green hydrogen aviation project, which will create enough zero-carbon jet fuel to supply its five most popular domestic aviation routes.

The export opportunities are particularly exciting. As the "shipping the sunshine" motto encapsulates, green hydrogen ammonia is the first truly scalable medium, or energy carrier, for the export of one country's renewable power resources to another country. For regions with abundant solar and wind resources (and land on which to locate them), such as the Middle East, there is an important new role to play in decarbonizing the global economy. The NEOM Company/Air Products/ACWA power project exemplifies the first project to capture this opportunity.

Green hydrogen imports will be attractive to countries that cannot produce renewable energy resources quickly enough, or at all, to meet their decarbonization objectives. In many places, demand for green hydrogen will outstrip the supply of renewable energy needed to produce it, at least for some decades.

For example, according to Hydrogen Europe, an industry association, EU hydrogen demand is forecast to be 16.9 million tons per year by 2030, nearly 75 percent of which will need to be imported from outside the bloc.

In Japan and South Korea, government policy dictates that all hydrogen imports must be carbon-free by 2030, and Japan's Ministry of Energy, Trade & Industry (METI) expects Japan's annual consumption of hydrogen to grow from 4,000 tons in 2020 to 300,000 tonnes by 2030 and 5 million–10 million tons by 2050. Japan is already looking at switching from coal and imported LNG to hydrogen for its gas-fired power plants.

IHS Markit has estimated, consistent with findings by the China hydrogen alliance, that hydrogen could constitute 10 percent of China's energy mix by 2050, contributing to a 65 percent decrease in China's carbon emissions from 2015 levels.

On the supply side, though, other than the NEOM Company/ACWA Power/Air Products project, there are few projects of sufficient scale currently in operation or under intensive development to meet this rising global demand.

The IEA estimates that less than 0.1 percent of global dedicated hydrogen production today comes from water electrolysis.

Current Electrolyser facilities are smaller than 100MW, 5 percent of the scale of NEOM's.

Hydrogen – Is It the Answer to Clean Energy? (cont.)

There are plans in numerous European countries to create facilities that could be scaled sufficiently to generate exports, and in Western Australia's Pilbara region there is a proposal for 15GW of solar and wind capacity to supply the local mining industry and provide electricity for hydrogen commodity production through electrolysis.

Future energy presents challenges despite the growing consensus that green hydrogen will be an important part of the future energy mix, and that demand for it will necessitate world-scale production and international trade, getting there will take creativity and dedication. We foresee three challenges that must be addressed:

* Formation of the market;
* Financing and;
* Establishment of the supply chain.

FORMATION OF THE MARKET

In order to make the significant capital investments necessary for a world-scale green hydrogen project, investors need confidence that there will be a stable market for its products once it starts operations. For early projects, there will be a chicken-and-egg element to this calculus, as investors balance first-mover advantages against the risk of oversupply.

However, as illustrated by examples throughout this article, we see policy globally as trending inexorably to the development of a market, similar to, and to some extent in place of, LNG, in which green hydrogen will be freely traded.

Moreover, to some extent, green hydrogen projects will have inherent risk mitigation built in, because of their dependence on renewable energy project co-development. New electricity capacity intended for powering electrolyzers can be redirected to grids if the green hydrogen market is slower to develop than expected, or suffers demand volatility, assuming the grid has a need for the redirected power.

We also expect the early investors in green hydrogen projects, such as those in the NEOM Company/ACWA Power/Air Products project, to be major hydrogen/energy industry players, who are capable of judging market risks well, and are capable of deploying green hydrogen resources within a wider product portfolio.

FINANCING

We see well-structured green hydrogen megaprojects as strong candidates for limited recourse project financing, as well as other debt markets.

The zero-carbon nature of the products, and the high demand for them that is expected in countries heavily involved in the export credit financing market, means it is reasonable to expect significant liquidity being available for project financing.

Renewable generation sub-components of green hydrogen projects, like many utilities projects, can also be structured to attract funds investment or facilitate capital markets issuances.

Financing will involve innovative work, though. While electrolysis per se is a well-known industrial process, in the absence of a track record of world-scale projects having successfully operated, there will of course be questions about technology selection and reliability.

We see this as similar to the early years of project financing in other major industries, such as power, LNG and petrochemicals, where lenders gather comfort over time, leading to the emergence of well-understood models for banking projects in various regions of the world.

As with other sectors that integrate different technologies, such as LNG-to-power, for some projects there may also be difficulties in securing a competitive single point construction solution for all the various components, both power and hydrogen/ammonia production, which could give rise to split construction packages, and resulting interface risk that requires structuring to mitigate.

Hydrogen – Is It the Answer to Clean Energy? (cont.)

SUPPLY CHAIN ESTABLISHMENT

Establishing a route to market for green hydrogen will require capital investment to build new, or retrofit existing hydrocarbon focused, land and sea freight carriers, liquefaction/regasification facilities, as well as pipelines.

As we understand it, this is not necessarily technically difficult, but presents a further risk for early players in the new market.

Due to the extensive additional investment that would be required for the development of new pipeline networks, we expect that the early green hydrogen projects will rely heavily on sea transportation—not dissimilar to the LNG market—enabling producers to reach a broader range of customers, most likely large-scale industrial consumers to start with, and reducing upfront investment costs in the supply chain.

We expect that a number of the practical and contractual issues faced in the LNG market, particularly during its early development, to be relevant to the early hydrogen market—*e.g.,* the need for long-term offtake arrangements with price certainty and a strong offtake.

Pilot and small-scale projects have already begun. For example, in Victoria, Australia, a US$350 million plant will ship 5,000 tons of liquefied hydrogen per year to japan, along with 18,000 tons per year of ammonia. It is expected that the pilot phase will demonstrate the integrated supply chain by 2021, with a subsequent investment decision to be made about commercialization.

A Head Start

A question often asked about the development of the green hydrogen export industry is: who will be the first to market?

The NEOM Company/Air Products/ACWA Power project illustrates part of the answer to this question. Renewable power developers and existing hydrogen market players will form joint ventures in parts of the world where renewable electricity resources are abundant and the regulatory and economic environment is facilitative.

We expect traditional energy players also to get involved quickly, to carve out a place in the burgeoning green hydrogen market. National and international oil companies, on both the supply and demand sides of the market, would be natural investors and developers, both because of their deep knowledge of crude hydrocarbon and LNG markets—which may be templates for parts of the green hydrogen supply chain—and because of their existing infrastructure and supply chains.

These historical advantages will reduce the barriers to market for them compared with niche players. Many National Oil Companies (NOCs) and International Oil Companies (IOCs) already have well-advanced hydrogen strategies in place, and those that do not would be well advised to develop a plan for their role in this industry going forward.

Disclaimer: This article first appeared in Project Finance International under the original title 'Shipping the Sunshine'.

CONCLUSION

Green hydrogen is a serious contender to be one of the replacements for hydrocarbons as the world moves towards sustainable industry, and has the benefit of leveraging existing hydrocarbon infrastructure as it grows.

With governments increasingly promoting green hydrogen and ammonia, we see the industry as replacing petrochemicals and LNG in the megaproject cycle of the 2020s. Early investors from both the supply and demand side of the market can gain an upper hand in the early stages of this exciting new industry.

FOR MORE INFORMATION PLEASE CONTACT:

Dan Feldman

Partner
Abu Dhabi
T +971 2 410 8158
dan.feldman@
shearman.com

Omar Alkaffas

Associate
Abu Dhabi
T +971 2 410 8163
omar.alkaffas@
shearman.com

Monetizing Embedded "Non-core" Infrastructure Assets

Owners of large-scale undertakings in the energy, natural resources and industrial sectors often have their own built and operated infrastructure assets that are critical to the operations of, but that (on a stand-alone basis) do not fall within, the "core" business of those owners. This article looks at a recent trend of carving-out such "non-core" infrastructure assets with a view to transferring to third party owners/operators, including the rationale for doing so and the common issues that arise.

Owners of large-scale undertakings in the energy, natural resources and industrial sectors often have their own built and operated infrastructure assets that are critical to the operations of, but that (on a stand-alone basis) do not fall within, the "core" business. Examples include:

- pipelines for upstream offshore oil and gas operators;
- self-generation facilities, as well as storage and waste facilities, for downstream oil and gas operators; and
- rail and port businesses for mining companies.

Historically, building, owning and operating such assets was the preferred option, given other service providers' reluctance to cover the significant upfront capital cost, and market specific rationales (*e.g.,* iron ore miners viewing the infrastructure connecting mine to market as key to preserving their position on the iron ore cost curve).

However, in recent years operators have considered transferring such assets off balance sheet to achieve an upfront cash injection. The ability to obtain such liquidity has become more attainable due to the increasing pool of infrastructure investors and other financial sponsors looking to acquire real assets with long-term contracted or regulated cashflows.

RATIONALE FOR THE CARVE-OUT

The seller's primary rationale is to remove the "non-core" infrastructure asset from its balance sheet. The asset is typically transferred to a newly formed infrastructure company (InfraCo), InfraCo enters into a long-term contract with the seller, and the seller then sells the equity in InfraCo to a third-party investor/operator. This releases capital for deployment in the seller's "core" business and/or for return to shareholders.

An investor/operator may also be able to improve asset performance, either through business synergies, through capacity increasing capital projects, or by converting the infrastructure asset into a greener operating model.

Ready-built assets that generate secure long-term revenue streams are attractive to infrastructure investors. Given the infrastructure investor's cost of capital will likely be lower than the seller's, the value attributable to InfraCo by the new investor (based on the discounted cash flow of the long-term revenue stream) is likely to be higher than the value attributable to the asset by the seller (based on the depreciated capital investment). The investor/operator will also benefit from reducing costs, extending the life of the asset and/or opening up access/supply to third parties.

Monetizing Embedded "Non-core" Infrastructure Assets (cont.)

KEY ISSUES – SELLER

1. Security of access/supply – exclusive or priority use

The seller's primary concern will be the security of access (for transportation/storage type infrastructure) or supply (for infrastructure providing energy/utility supply) in the service contract between the investor/operator and InfraCo.

Some sellers may, subject to their own access/supply being secure, allow third-party access/supply on a capacity rights basis, particularly given the advantage of shared fixed operating and maintenance costs. Oil and gas pipelines have historically been operated on this basis, with the infrastructure being made available to third parties to the extent there is additional capacity within the pipelines.

On the other hand, some assets may have been designed and built on the basis that the seller's retained operations would be the only user (*e.g.,* rail routes and ports connecting mines to market) and therefore third-party access may raise strategic considerations for the seller.

2. Security of access/supply – termination rights

InfraCo's ability to terminate the service contract with the seller (and InfraCo's remedy upon termination) is likely to be a key issue. While termination is undesirable for both parties, they will need to decide the outcome of certain material default scenarios (principally, the seller group's material payment default/insolvency and InfraCo's material underperformance or prolonged force majeure/shutdown).

Where the seller is the sole/primary user of the asset, the logical solution is simply for the asset to be transferred back to the seller. Where the seller is in default, InfraCo would seek to be compensated through a termination payment that puts InfraCo (and therefore the investor/operator) in the position it would have been in had the returns from the service contract continued. Where InfraCo is in default, the seller would seek to withhold or significantly reduce any termination payment.

Where access/supply is permitted to third parties, and alternative sources of services/supply are available to the seller, InfraCo may prefer avoiding the buy-out mechanism in favor of terminating the service contract with the seller and then operating solely for the benefit of the third parties. To avoid disruption to access/supply, the seller will likely seek to limit InfraCo's ability to terminate and/or build in appropriate remedy periods.

3. Ensuring operational performance

To incentivize operational performance post transfer a key performance indicator (KPI) regime would usually be introduced, with financial penalties if certain targets are not met. The investor/operator will want to ensure this regime is appropriate and achievable. Rather than a full disposal, InfraCo could be structured as a joint venture between the seller and the investor/operator. The seller could then retain a level of operational control or, if the investor/operator wished to be purely passive, the seller could continue to operate as it had before the carve-out.

Monetizing Embedded "Non-core" Infrastructure Assets (cont.)

KEY ISSUES – INVESTOR/OPERATOR

The investor/operator's principal concern will be the continued revenue stream over the life of the service agreement at a reasonable level of return on investment. The service contract will therefore likely include a tariff structure on a use-or-pay or a take-or-pay arrangement and a form of credit support.

1. Tariff structure

The investor/operator will likely favor a "cost plus" arrangement, whereby the seller agrees to cover certain of InfraCo's capital and operating costs and pay an agreed margin above such costs. The seller will be on risk for any unknown costs (*e.g.,* those arising from a change of law or unbudgeted capital expenditures).

Sellers typically favor a fixed tariff for access/supply. In this case, the new investor/operator may ask that unknown costs above a certain threshold are passed back to the seller through an increase in the tariff.

2. Take-or-pay

A use-or-pay or take-or-pay arrangement means the seller is committed to use or pay/take or pay for a minimum level of access/supply during a prescribed period of time under the service agreement. An infrastructure investor's pricing of the initial acquisition is likely to reflect the output of a discounted cash flow model that assumes these payments.

The seller is unlikely to object to the use-or-pay or take-or-pay arrangement but will need to consider the level at which and on what basis payment commitments are set.

The parties also need to determine if the take-or-pay should apply during periods of force majeure and shutdown affecting the infrastructure asset. As its counterparty is an equity investor, the seller will typically seek to push such risks to InfraCo. This may be complicated, however, where the seller maintains a level of control over the asset.

3. Creditworthiness

The investor/operator will be concerned with the creditworthiness of the seller group entity (user) entering into the service agreement with InfraCo. The investor/operator will likely not want its cash flows to be linked to the performance of the user's business and may therefore look for credit support from the wider seller group (*e.g.,* a parent company guarantee from a seller group entity whose financial status is not linked solely to the user's business).

The seller will likely want to limit InfraCo's ability to call on any credit support provided to certain circumstances (*e.g.,* the user's insolvency) and push all other risk of underperformance by InfraCo to the investor/operator on the basis it should take some level of equity risk on the cash flows.

Is The Carve-out a Viable Option?

The seller will need to determine whether the release of capital through the transfer of the equity in InfraCo to a new investor/operator outweighs the strategic benefit of maintaining complete control over the infrastructure asset.

Conversely, the new investor/operator will need to determine the security of InfraCo's cash flows and whether it is able to generate further revenues through business synergies, undertaking capacity building capital projects and opening up access/supply to third parties, thereby maintaining a secure long-term revenue stream.

FOR MORE INFORMATION PLEASE CONTACT:

Tim Sheddick
Partner

London
T +44 20 7655 5657
tim.sheddick@
shearman.com

Renad Younes
Partner

Abu Dhabi
T +971 2 410 8127
renad.younes@
shearman.com

Anthony Lepere
Partner

London
T +44 20 7655 5518
anthony.lepere@
shearman.com

Tom Pound
Senior Associate

London
T +44 20 7655 5056
thomas.pound@
shearman.com

What Has the Mining Industry Stopped Talking About?

Like other industries, the mining industry has grappled with the COVID-19 pandemic and governmental responses to it for much of 2020. We seek in this article to revisit what the mining industry has stopped talking about as it has navigated these uncertain times.

ALTERNATIVE SOURCES OF CAPITAL FOR THE MINING SECTOR

"Alternative Financing Sources" is a term often used as a shorthand reference for streaming or royalty financing. The concept, however, encompasses many more forms of financing, such as private equity funding, commodity trader facilities, and other pools of capital and investment instruments, all of which have primarily developed over the last 10 to 15 years.

THE ONGOING DEBATE

Prior to the onset of the COVID-19 pandemic, there was significant debate as to the direction in which mine finance was trending, primarily due to the mining industry's rapidly increasing and steady use of alternative sources of finance. Specifically, there has been much discussion as to whether their popularity had peaked and whether the benefits that these sources were expected to provide (discussed below), and if these promised benefits were proving true. Mining companies were chafing at the consequences of dealing with the implications of having alternative sources of finance in their capital structure and more generally at the challenges of having more complicated capital structures, both of which had impacts on their ability to evolve and grow their business, which the companies had not anticipated.

The other side of the debate insisted that alternative sources of finance were here to stay, but it recognized that the three traditional sources of finance remained important sources and, in truth, those traditional sources never really exited the industry. In fact, development financial institution activity increased after the 2008 financial crisis, and now again during the COVID-19 pandemic, to address market disruptions.

The bottom line is that today the sector needs capital from both the traditional and alternative sources to meet its needs. Creating a well-trodden roadmap for the different sources to co-exist within a company's capital structure is where the focus needs to be and largely is.

EFFECTS OF THE PANDEMIC ON BORROWERS OF ALTERNATIVE SOURCES OF CAPITAL

The pandemic has proven to be a testing ground for some of the newer sources of capital. First, we would caution that how a source of capital reacts in the face of distress brought on by a global pandemic, when every company is affected in some form or fashion, is not necessarily a predictor of how it will react to a particular company's, country's or region's distress. Second, we are only beginning to witness the resulting effects of this pandemic, with the economic fallout of COVID-19 likely to span over a significant period of time.

That being said, this period of uncertainty has already confirmed some expectations, such as the benefit of streams where there is no "payment default" if there is no production/revenue generation—due to an imposed shutdown or otherwise—or the challenge of commodity-linked, short-term working capital lines in the same circumstances. It has also confirmed that sector-focused sources are generally better equipped to deal with distress, and therefore are more predictable and practical.

ESG-LINKED SOURCES AND INVESTMENT INSTRUMENTS RELATION TO MINING

Ordinary people, ESG financing sources and products are not top of mind as being available to finance mining projects. These sources are, however, often available to mining companies, and likely will become more readily available as time progresses. ESG-linked sources encompass everything from green, social and ESG-linked bonds, as well as transition facilities issued in the capital markets and/or borrowed from commercial bank facilities, and funds established for impact investment. As the mining industry moves to modernize and "green," these changes present opportunities, as mining companies require significant capital expenditures that could qualify for such funding. For these reasons, ESG financing sources are certainly capital that mining companies should consider accessing.

What Has the Mining Industry Stopped Talking About? (cont.)

ALTERNATIVE SOURCES OF CAPITAL FOR THE MINING SECTOR

"Alternative Financing Sources" is a term often used as a shorthand reference for streaming or royalty financing. The concept, however, encompasses many more forms of financing, such as private equity funding, commodity trader facilities, and other pools of capital and investment instruments, all of which have primarily developed over the last ten to 15 years.

FOCUS ON ESG AND RESULTING IMPLICATIONS FOR RAISING CAPITAL BY THE MINING INDUSTRY

Capital markets are an attractive source of financing for mining companies, as they provide access to significant liquidity in the form of equity and debt instruments, as well as hybrid debt instruments, and allow for the diversification of capital structure. This diversification can take the form of debt instruments, which, among other things, offer issuers with longer tenors, fixed interest rates instruments and covenant flexibility, as compared with traditional bank financings.

Green Bond Issuances as a Source of Capital for Mining Companies

An interesting form of financing that some mining companies may increasingly look to take advantage of is green bonds. Functionally, green bonds are bonds where the proceeds are used to finance projects that result in positive environmental effects. These new kinds of bonds allow mining companies access to a different investor group. Green bond issuances have been on the rise for a decade as a meaningful source of liquidity that many issuers are starting to consider more frequently.

While mining companies are not typically considered a "green" sector, mining companies can issue green bonds, but they should be aware that they are likely to be subject to greater scrutiny from investors due to the nature of their operations. Therefore, mining companies that choose to issue green bonds must be proactive about disclosing ESG-related information to their investors, conduct robust sustainability reports with KPIs and potentially facilitate a third-party audit of a relevant project so that there is robust reporting in place in connection with the green bond issuance.

EFFECTS OF TAILINGS FACILITIES RISKS ON CAPITAL MARKETS TRANSACTIONS

The tailing dam collapse in Brumadinho once again put a spotlight on tailings facilities globally, highlighting the potential for catastrophic humanitarian, environmental and financial consequences in case of a failure. The risks associated with these failures have had an impact on capital markets transactions, manifesting themselves in the form of detailed diligence of potential exposure and disclosures of risks associated with tailings dams.

ASSESSING ESG PERFORMANCE AS A FACTOR OF MINING COMPANY SECURITIES ISSUANCES

While ESG performance is not the key driver determining whether a mining company is able to successfully issue securities, it is an increasingly important factor for future investment opportunities.

The ability of a mining company to access the capital markets depends on a variety of factors including credit worthiness in the case of debt securities, as bond investors will focus on the ability of issuers to generate cash to service the instruments. When evaluating an investment opportunity, investors will, however, also take into account other considerations, including environmental and health and safety compliance. This is especially true of funds that have certain ESG investment criteria. Mining companies have become aware of this and hence have faced pressure to act.

MITIGATING ANTI-CORRUPTION COMPLIANCE RISKS FOR MINING COMPANIES

Examining the Nexus between Mining Industry Participants and the U.S. Government

While most mining does take place outside the U.S., the jurisdictional reach of the U.S. Foreign Corrupt Practices Act (FCPA), the U.S. anti-corruption statute, is quite extensive. All U.S. issuers, including foreign companies whose stock or ADRs are traded in the U.S., automatically fall within the purview of the statute. Additionally, any foreign company that transacts business in the U.S. is subject to the jurisdictional reach of the FCPA. Indeed, the U.S. enforcement authorities have taken the position that any bribes paid in U.S. dollars create a basis for liability under the statute (by virtue of being routed through U.S. correspondent banks), even if the company has no other ties to the country.

There have already been multiple instances of non-U.S. mining companies being charged with FCPA violations and having to pay steep fines as a result. Recently, a Chilean mining company with no operations in the U.S., whose employees allegedly paid bribes to Chilean government officials while in Chile, was charged by U.S. authorities with violating the FCPA. That company paid $100 million in penalties and was subjected to a U.S.-imposed compliance monitor. Such enforcement risk and attendant penalties extend beyond the company itself and to the individuals involved, who may face imprisonment.

What has the Mining Industry Stopped Talking About? (cont.)

THE IMPORTANCE OF COMPLIANCE IN THE FACE OF THE ECONOMIC DOWNTURN

The mining industry consolidation that is taking place in response to the recent economic downturn, marked by an increase in business combinations and asset purchases, may lead one to question the importance of compliance while mining businesses focus on economic survival. Now more than ever, however, compliance needs to be a key area of focus for mining companies. Many companies are now facing fiscal pressures that may lead to budget cuts, reduced compliance staffing and a temptation to cut corners, all of which can contribute to heightened compliance risks. Additionally, participation in various economic stimulus programs offered by many countries may lead to greater government interaction, which in turn increases the potential corruption risk. For these reasons, it is imperative that companies be particularly vigilant and take steps to ensure that their compliance programs are adequately equipped to effectively mitigate these heightened risks. This includes performing adequate due diligence on potential business partners and acquisition targets, implementing robust internal controls and ensuring that company employees are adequately trained to detect potential red flags and take the necessary follow-up measures. While companies may need to adapt its compliance practices to take into account new practical realities and limitations, such adaptations should be risk-based, defensible and well-documented. If the proper steps are not taken, mining companies face not only enforcement risk, but also reputational risk and overall business risk.

OUTSIDE OF THE CONSOLIDATION/ACQUISITION CONTEXT, THERE ARE OTHER AREAS WHERE MINING COMPANIES MIGHT FACE POTENTIAL ANTI-CORRUPTION COMPLIANCE RISKS.

Historically, mining companies have tended to operate in under-developed or developing countries, where there is often pressure by local governments to engage in various corporate social responsibility efforts to support the local economy. With the recent global pandemic and the ensuing strain on local economies, mining companies may find themselves being called upon even more by local governments to assist with providing basic social services, contributions to local charities and other forms of economic support. Companies should also ensure that they have the necessary compliance policies, procedures and internal controls in place to monitor such payments.

FOR MORE INFORMATION PLEASE CONTACT:

Cynthia Urda Kassis

Partner
New York
T +1 212 848 7969
curdakassis@
shearman.com

Marwa Elborai

Partner
London
T +44 20 7655 5524
marwa.elborai@
shearman.com

Paula Anderson

Partner
New York
T +1 212 848 7727
paula.anderson@
shearman.com

Anthony Lepere

Partner
London
T +44 20 7655 5518
anthony.lepere@
shearman.com

Key Takeaways

ALTERNATIVE SOURCES OF CAPITAL FOR THE MINING SECTOR

- The pandemic has proven to be a testing ground for some of the newer sources of capital, with the period of uncertainty confirming some expected benefits of these sources including:
    - For streams and royalty financings, there is indeed no "payment default" if there is no production/revenue generation—due to an imposed shutdown or otherwise—that said, the anticipated challenges of short-term commodity-linked lines can materialize; and
    - sector-focused sources are generally better equipped to deal with distress and are therefore more predictable and practical from the company's perspective.
- Even with the introduction of competition in the form of alternative sources of capital for mining companies, traditional sources have remained relevant and important sources of capital to the mining industry.
- ESG-linked sources of capital are becoming more prevalent for mining companies, especially given the impending modernization of mining operations to reduce their environmental impact.

FOCUS ON ESG AND RESULTING IMPLICATIONS FOR RAISING CAPITAL BY THE MINING INDUSTRY

- Mining companies, though not typically considered a "green" sector, may look to take advantage of green bonds as a financing tool, though may be subject to greater-than-normal scrutiny, can allow mining companies access to a broader group of investors.
- The risks associated with potential tailings facility failures have been a topic for additional diligence and disclosure on capital markets transactions.

MITIGATING ANTI-CORRUPTION COMPLIANCE RISKS FOR MINING COMPANIES

- The mining industry consolidation that is taking place in response to the recent economic downturn, marked by an increase in business combinations and asset purchases, has led to heightened compliance risks and increased the need for mining companies to implement a well-functioning compliance framework to effectively mitigate these increased risks.
- With the recent global pandemic and the ensuing strain on local economies, companies should ensure that they have the necessary compliance policies, procedures and internal controls in place to properly diligence community service programs to ensure their legitimacy and to monitor any payments made to charitable organizations to guarantee that such funds are not being improperly diverted to local government officials.

Taiwan Offshore Wind – Challenged by Headwinds?

Taiwan's "Thousand Wind Turbines Program" is an existing energy initiative by the Taiwanese government to increase Taiwan's offshore wind power capacity by 5.5 GW by 2025 and a further 1 GW per year from 2026 to 2035. This article examines the challenges that are faced in achieving this goal.

The "Thousand Wind Turbines Program" has offered an exciting opportunity for investors and stakeholders to participate in the growth of a nascent energy sector in Taiwan, which has so far been supported by firm policy commitments from the government, attractive Feed-in-Tariff (FIT) rates and the implementation of new limited or non-recourse project financing structures familiar to international investors, in lieu of prevailing corporate financing solutions. However, the headwinds to further progress remain.

CONSIDERATIONS FOR INVESTORS

The government's initial efforts to offer a generous FIT was successful in attracting major international investment. In 2019, international investors made more than $5 billion of investments in offshore Taiwanese wind farms. This led to the commissioning of Taiwan's first offshore wind project in November of 2019, which was developed on a limited recourse project financing basis. Construction of a second US$2 billion offshore wind project began during the same month and an agreement was reached in May 2019 to develop a third US$3 billion windfarm off the coast of Yunlin County in south-central Taiwan. However, recent tariff reductions by the government have created financial pressures for developers, including a reduction of the 2020 FIT by approximately 7.64 percent to $0.17 per kWh, placing the economic viability of offshore wind projects at risk. Uncertainty with respect to the future of the auction process, which remains to be finalized, is likely to add to investors' concerns.

Taiwan Offshore Wind – Challenged by Headwinds? (cont.)

The payment structure of the FIT also presents challenges to developers. Since the tariff sets prices in local currency, most of the financing must also be in local currency. Sponsors have to date been able to tap into the liquidity made available by private Taiwanese banks and international banks who are able to extend loans in Taiwanese dollar. However, local state-owned banks with significant funding capacity, have been hesitant to participate. Such banks have been generally unfamiliar with limited or non-recourse-based financing for large projects. They have also been discouraged by certain PPA-related impediments such as the risk of grid unavailability and curtailment of dispatch, which investors must bear. Given the amount of funding already committed by private Taiwanese banks and international banks to Taiwanese offshore wind projects that have reached financial close to date, there are growing concerns about sources of funding for the Taiwanese offshore wind pipeline. So far, developers have sought to tap into liquidity from less typical financiers, such as local insurance companies, but these are unlikely to become anchor lenders for future projects. State-owned bank participation in these financings is therefore increasingly important to the financing needs of these capital-intensive projects. To encourage the participation of local state-owned banks, one possibility could be for them to provide corporate-style long-term loans guaranteed by an international lender (with or without cover from export credit agencies (ECAs)), thereby exposing the state-owned banks to the credit risk of the international lender, and making it easier for them to advance a long-term loan. This was a solution used to allow for local financing participation on a major Brazilian project financing we advised on last year.

Finally, local content requirements may impact development costs for offshore wind projects in Taiwan. Some developers have negotiated unique alternatives with the government such as the establishment of an industry development fund to finance local content requirements in future projects. However, such initiatives may be inadequate to meet the requirement for localization that is expected in future auction rounds. Increased localization is also likely to complicate the ability of international lenders to obtain credit insurance coverage from ECAs, which is often tied to the support of the export manufacturing sectors of the ECA's home jurisdictions. Some ECAs are able to provide cover based on sponsor equity ownership, which could be a solution, but this product is still limited to a minority of ECAs.

THOUGHTS FOR THE FUTURE

The offshore wind market in Taiwan has recorded impressive growth in a short period of time, demonstrating the potential for Taiwan to emerge as a gateway for foreign investment in offshore wind power in Asia. However, its continued success will depend on whether the challenges posed by the increased localization, reduced FIT rates and liquidity constraints can be successfully overcome in future projects.

FOR MORE INFORMATION PLEASE CONTACT:

Ben Shorten
Partner

Singapore
T +65 6230 8907
bshorten@
shearman.com

Etienne Gelencsér
Partner

Tokyo
T +81 3 5251 0209
etienne.gelencser@
shearman.com

Jean-louis Neves Mandelli
Partner

Singapore
T +65 6230 3834
jean-louis.nevesmandelli@
shearman.com

Ashiq Aziz
Associate

Singapore
T +65 6230 3862
ashiq.aziz@
shearman.com

NORTH AMERICA
Austin
Dallas
Houston
Menlo Park
New York
San Francisco
Toronto
Washington, DC

LATIN AMERICA & CARIBBEAN
São Paulo

EUROPE
Brussels
Frankfurt
Paris
London
Milan
Rome

MIDDLE EAST & AFRICA
Abu Dhabi
Dubai
Riyadh*

ASIA
Beijing
Hong Kong
Seoul
Shanghai
Singapore
Tokyo

*Dr. Sultan Almasoud & Partners in association with Shearman & Sterling LLP

About us

Shearman & Sterling is a global law firm with approximately 850 lawyers in 23 offices around the world. We partner with corporations, major financial institutions, emerging growth companies, governments and state-owned enterprises to provide the legal advice and industry insight needed to navigate the challenges of today and achieve our clients' future ambitions.

AS ONE OF THE FIRST LAW FIRMS TO ESTABLISH A PRESENCE IN KEY GLOBAL MARKETS, SHEARMAN & STERLING HAS LED THE WAY IN SERVING CLIENTS WHEREVER THEY DO BUSINESS FOR MORE THAN 145 YEARS.

CHAMBERS AND PARTNERS 2020

PRACTICES

Antitrust
Capital Markets
Compensation, Governance & ERISA
Derivatives & Structured Products
Emerging Growth
Finance
Financial Institutions Advisory & Financial Regulatory
Financial Restructuring & Insolvency
Intellectual Property Transactions
International Arbitration
Investment Funds
Litigation
Mergers & Acquisitions
Privacy & Data Protection
Private Client
Project Development & Finance
Public International Law
Real Estate
Tax

INDUSTRIES

Construction
Energy
Financial Services
FinTech
Healthcare
Hospitality, Leisure & Gaming
Industrials
Infrastructure / Transportation Projects
Mining & Metals
Private Capital
Real Estate
REITs
Retail & Consumer
Technology, Media & Telecommunications

SHEARMAN & STERLING

ABU DHABI • AUSTIN • BEIJING • BRUSSELS • DALLAS • DUBAI • FRANKFURT • HONG KONG • HOUSTON • LONDON • MENLO PARK • MILAN • NEW YORK
PARIS • RIYADH* • ROME • SAN FRANCISCO • SÃO PAULO • SEOUL • SHANGHAI • SINGAPORE • TOKYO • TORONTO • WASHINGTON, DC

*The Law Firm of Dr. Sultan Almasoud in association with Shearman & Sterling LLP