

YPF and GE ink milestone project finance in Argentina

Luis Bulcao Pinheiro 10 July 2017

Nearly two decades after a power plant last obtained project finance in Argentina, Shearman & Sterling LLP's New York office and Argentina's Estudio Beccar Varela ([/ll250/firms/1135165/estudio-beccar-varela](http://ll250/firms/1135165/estudio-beccar-varela)) have helped state-run energy company YPF and US investor GE Capital obtain a US\$220 million loan to finance two power projects in the country.



Energy projects are at the heart of Argentina's infrastructure boost projects / iStock/aydinmutlu

Clifford Chance LLP ([/ll250/firms/1134680/clifford-chance-llp](http://ll250/firms/1134680/clifford-chance-llp))'s Washington, DC office and Bruchou, Fernández Madero & Lombardi in Buenos Aires advised the lenders, Credit Suisse Securities, Citigroup Global Markets and Export Development Canada, in the landmark transaction.

Citibank acted as administrative agent and collateral agent, receiving counsel from Tanoira Cassagne Abogados ([/ll250/firms/1130345/tanoira-cassagne-abogados](http://ll250/firms/1130345/tanoira-cassagne-abogados)) in Argentina. Citibank is also thought to have hired Hinckley Allen in New York. The firm did not confirm this information before publication.

The loan will fund the construction of two power plants. One is located in Loma Campana, in the province of Neuquén, and is expected to be operational by December. The second is in the province of Tucumán and will begin operating in February. Both are already under construction. GE holds the engineering, procurement and construction contract for both, having partnered with YPF back in 2016. GE was awarded the EPC contract as part of a public tender.

This is the first project finance loan to close in Argentina in more than a decade. It follows Canadian investor Stoneway Capital Corporation's [sale of project bonds](http://latinlawyer.com/article/1129959/stoneway-offers-argentina%E2%80%99s-first-project-bonds-in-25-years) (<http://latinlawyer.com/article/1129959/stoneway-offers-argentina%E2%80%99s-first-project-bonds-in-25-years>) to finance a thermal power plant in Buenos Aires – the first use of project bonds in a quarter of a century. Both transactions suggest Argentina's relationship with creditors has turned a corner, after a lengthy US litigation over unpaid sovereign debt kept lenders away for years. "We hope that this will be the first of many such projects developed in the new Argentina," comments counsel to YPF and GE, Tomás Allende from Estudio Beccar Varela ([/ll250/firms/1135165/estudio-beccar-varela](http://ll250/firms/1135165/estudio-beccar-varela)). The deal could represent a blueprint for future projects. Bruchou, Fernández Madero partner Matías

López Figueroa says the loan will “without a doubt become a landmark for further project financings in Argentina.” The deal drew on multidisciplinary teams from both BFM&L and Beccar Varela.

President Mauricio Macri is seeking to expand Argentina’s electricity grid. Energy supply shortages mean Argentina currently relies on importing gas and diesel, despite the country’s high potential for energy production. To promote local production, the government sold 2,900 megawatts worth of thermal generation contracts last year. Renewable energy generation is at the core of the Macri administration’s energy policy; the government wants to increase renewables’ share of the market to diversify Argentina’s supply.

Macri’s focus on the energy sector is part of a wider effort to improve Argentine infrastructure. In November, the government enacted a new public-private partnership bill designed to attract private investment to fund major projects, including in the transport sector. Alexia Rosenthal, of Tanoira Cassagne Abogados ([/ll250/firms/1130345/tanoira-cassagne-abogados](https://ll250/firms/1130345/tanoira-cassagne-abogados)), says YPF and GE’s project finance deal will offer confidence to other investors behind large-scale infrastructure projects. “The restoration of the confidence of foreign investors in Argentina is crucial, especially when our country needs to attract capital to improve its infrastructure, production volume and competitiveness,” she says.

Counsel to YPF and GE

In-house counsel to YPF – Fernando Gomez Zanou, Maria Eugenia Bianchi and Mariana Labombarda

In-house counsel to GE Capital – Hussain Shalchi

Shearman & Sterling LLP

Partners Gregory Tan and associates James Ireland, Robert O’Leary and Adriana Ospina-Jimenez in New York

[Estudio Beccar Varela \(/ll250/firms/1135165/estudio-beccar-varela\)](https://ll250/firms/1135165/estudio-beccar-varela)

Partners Tomás Allende, Pablo Torretta and Carlos Cueva, and associates Felipe Videla, Ivana Grossi and Francisco Lombardi in Buenos Aires

Counsel to Credit Suisse Securities, Citigroup Global Markets and Export Development Canada

[Clifford Chance LLP \(/ll250/firms/1134680/clifford-chance-llp\)](https://ll250/firms/1134680/clifford-chance-llp)

Partner Catherine McCarthy, consultants Laura Marriott and Patricio Abal and associates Lauran Smith, Julián Hurtado and Greg Jehle in Washington, DC

Bruchou, Fernández Madero & Lombardi

Partners Matías López Figueroa, Ignacio Minorini Lima and associates Lucrecia von Petery, Andrés Chester, Belén Justiniano, Juan Ignacio Massun, Daniela Rey, Eliana Hougassain, Pablo Andrés Crimer, Maximiliano Yudica Barterls and Sofía Arroyo Bajda in Buenos Aires

Counsel to Citibank

In-house counsel – Carlos María Vasallo, Alejandra Attar Cohen and Armando Zungri Berhongaray in Buenos Aires

[Tanoira Cassagne Abogados \(/ll250/firms/1130345/tanoira-cassagne-abogados\)](#)

Partners Alexia Rosenthal and Jaime Uranga and associate Ignacio Criado Díaz in Buenos Aires

Practice area :

Energy, Project finance & infrastructure