

Energising the emerging markets

A combination of natural resources and domestic consolidation is providing law firms with new international opportunities in Angola, Mozambique and other African countries

International interest in Africa has never been higher. The continent's rich natural resources and evolving economies have made numerous countries desirable locations for investment. For Iberian law firms, Angola has been on the ascendancy for a while but this year has seen Mozambique reveal high ambitions too.

"Mozambique has finally discovered an appetite for natural gas in 2011," explains António Vicente Marques, the Luanda, Angola-based founder of AVM Advogados, which opened in Maputo earlier this year. "This, combined with a growing desire for oil projects, has resulted in significant exploration and ambitious plans for several energy projects."

While Angola's natural resources are well-documented, and exploited, gas was first discovered in Mozambique nearly 50 years ago, the civil war and struggling economy had however delayed exploitation of upstream resources. Now, the list of potential deals is long. The country has already tendered three sets of offshore oil and gas exploration licences – for the Sofala, Rovuma and Maniamba basins – which are likely to be worth billions of dollars.

These previously untapped resources are stirring up international interest. US-based firm Anadarko, for example, has already earmarked \$3bn for projects in the Rovuma basin, with pledges to increase that to \$15bn over the next seven years, including ambitious plans for a liquefied natural gas (LNG) facility.

Mozambique does not currently have any LNG capacity so the project, which is undergoing a pre-front-end-engineering and design study, would be a landmark deal. Anadarko already has ENH (US), Mitsui (Japan), BPRL (India), Videocon (India) and Cove Energy (UK) lined up as joint venture partners on the project.

"We are seeing much more interest from international companies in Mozambique, including places such as China and Italy," states AVM's Claudia Santos Cruz, a Mozambique qualified lawyer. "Portugal may be the historic trading partner but it only accounts for around 25 percent of cross-border activity, which means three quarters of investments are coming from elsewhere around the world."

Bank jobs

Law firms in Mozambique, Angola and Portugal are well-positioned to benefit from

such investments. Firstly, in terms of the procurement and contracts for the projects themselves but also for the financing that will be required to back the initiatives.

Deals are either funded through capital markets (for example, bonds, rights issues or flotation) as well as traditional bank loans. Most of the mid-market financings in Angola and Mozambique are done by Portuguese and South African banks, BPI and CGD operate a local joint venture called BCI, while Millennium BCP operates as BIM, in conjunction with local financial institutions. For the bigger transactions, banks from Italy, the US, China and the UK are often turned to for syndication although the mandated lead arrangers are still likely to include the Portuguese players.

"These markets are very attractive for international banks because the margins on the debt are significantly higher than they find in Europe," Vicente Marques continues. "Corporate loans can come in at around 300 basis points."

In addition the financial markets are quite stable and there is little need for involvement from multilateral lenders to steady private investors' confidence.

Law firm competition

Santos Cruz says that law firms with a credible practice and an international scope are now in a good position to pick up work. "The big global firms do not know these markets or the jurisdictions very well. As such, they turn to leading local practices, usually with strong links to Portugal, for advice because the regimes in Angola and Mozambique are based on Portuguese law."

To compound matters, there has been high-profile consolidation amongst Mozambique's largest law firms. This has increased competition by reducing the amount of practices that can service international clients.

"The best firms will receive direct referrals but, in light of the market consolidation, there will now be more potential because larger firms could be conflicted out," Santos Cruz adds.

With a natural resources boom looming and only a few capable law firms available to do the work for developers and banks, those players – both local and Portuguese – that have invested strategically in the African practices – can expect a bumper decade.



António Vicente Marques



Claudia Santos Cruz

La combinación de recursos naturales y estabilidad regional ofrece a los despachos nuevas oportunidades en Angola, Mozambique y otros países africanos. El interés internacional nunca ha sido mayor, afirman António Vicente Marques y Claudia Santos Cruz, de AVM Advogados con sede en Angola.