

UK, Japanese firms to advise on oil pipeline finance, law

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KAMPALA. Uganda, Tanzania and French oil giant Total E&P, the lead joint venture partner on the proposed crude oil export pipeline, have contracted Sumitomo Mitsui Banking Corporation Europe Ltd (SMBCE) and Clifford Chance LLP, as the main transaction advisers for the project.

SMBCE, the Europe affiliate of the Sumitomo Mitsui Banking Corporation (SMBC), the second largest bank in Japan by assets, will deal with financial aspects, including sourcing for the required \$3.55b (Shs12.8 trillion) capital expenditure for the project.

SMBCE, is headquartered in the British capital, London but operates offices in major European capitals such as Paris, London, Milan, Dublin, Madrid, Amsterdam and Prague, providing various commercial banking

products and services, as far as Middle East and select African countries.

London based Clifford Chance, one of the 10 largest law firms in the world measured both by number of lawyers and revenue, will deal with legal matters of the East African Crude Oil Pipeline (EACOP).

Sources familiar with the matter told *Daily Monitor* that Clifford Chance, will be assisted by two top Ugandan law firms on local matters such as tax regime, police enforcement action, among others.

A leading local bank will be working with SMBCE but advising the Ugandan and Tanzanian governments. Sources requested the names of the local firms to be withheld for now pending finalisation of some agreements.

The two transaction advisers were selected from a pool of consulting firms which submitted proposals after Total, the main actor on the pipeline de-

velopment, put out Request for Proposals for consultants early this year.

The head of corporate communications for Total's Africa business, Ms Ahlem Friga-Noy, in an email response to our inquires, said hiring transaction advisers "for a project of this magnitude and complexity (trans-border pipelines are not a common occurrence)."

"Transaction advisors are engaged to advise on specific aspects of the project; technical, commercial, legal and financing, to ensure the project's feasibility and long-term viability. It will also ensure that the project is structured in a way that will be seen as very attractive for the banks and financial institutions which are expected to provide a large part of the financing," Ms Friga indicated.

Officials from both countries are evaluating possible financing options for the project but with plans to raise 70 per cent

of \$3.5b capital development financing from international lenders while the remaining 30 per cent capital will be mustered through equity by Total and its joint venture partners, the Anglo-Irish Tullow and Cnooc, and national oil companies of the two countries; Tanzania Petroleum Development Corporation and Uganda National Oil Company.

So far, only Tullow Oil, which is currently finalising farm-down of its Ugandan stake to Total and Cnooc, has committed 10 per cent equity to the multi-billion dollar project.

The financing plans are subject to completion of the Front-End Engineering Design (FEED) study, to look at the various technical aspects that will give clear picture of the project. The Feed, the ministry of Energy Permanent Secretary Stephen Isabalija, told *Daily Monitor*, is expected to be complete by end of this month.