

GARRIGUES

March 29, 2023

Garrigues advises on US\$975 million Project Financing for Chancay Multipurpose Port in Peru

Garrigues Peru advised the Lenders and Agents on a 15-year US\$975 million term loan facility signed on March 28, 2023, for COSCO SHIPPING Ports Chancay Perú S.A. (“**CSP Chancay**”), which proceeds shall be used for the construction and development of the Chancay Multipurpose Port Terminal, located 67km north of Lima, Perú (the “**Project**”). CSP Chancay is 60% owned by COSCO SHIPPING Ports, a Hong Kong listed company, and 40% owned by Volcan Compañía Minera S.A.A., a Peruvian listed company.

The Project will be financed by a syndicate of Lenders led by Bank of China, as Joint Mandated Lead Arranger and Bookrunner, and includes Bank of Communications Co., China Minsheng Banking Corp. Shanghai Pilot Free Trade Zone Branch, and Shanghai Rural Commercial Bank.

The Project is Perú’s first privately-owned port for public use. In addition, the deal is one of Perú’s largest Project Finance deals in the decade and is thought to be the country’s largest ever port financing.

Key Information

- **Borrower:** COSCO SHIPPING Ports Chancay Perú S.A.
- **Sponsors:** COSCO SHIPPING Ports and Volcan Compañía Minera S.A.A.
- **Lenders:** Bank of China, Bank of Communications Co., China Minsheng Banking Corp. Shanghai Pilot Free Trade Zone Branch, and Shanghai Rural Commercial Bank.
- **Facility Agent:** Bank of China (Hong Kong).
- **Security Agent:** Bank of China (Peru).
- **Deal Value:** US\$975,000,000.
- **Signing Date:** March 28, 2023.

Transaction Highlights:

- This transaction consists of a 15-year term loan facility to finance the development of Peru’s first private port for public use, the Chancay Multipurpose Port.
- Use of proceeds of the Facility will be to pay costs of development, engineering, procurement, construction, and commissioning of the Project during the construction period that are necessary to ensure Project completion.
- The financing was highly complex as negotiations have been ongoing for more than 3 years between parties located in China, Hong Kong and Peru. The deal includes a highly tailored collateral package, covering shares of CSP Chancay, an all-assets pledge, an accounts pledge, land and concession mortgage, and direct agreements with project contractors.
- Garrigues Peru’s team worked closely with the Lenders to analyze all bankability issues and due diligence for the development of the Project, guiding the Lenders from the outset of the transaction, in every stage of the process, helping them understand the complexities of the Peruvian Port market.

- Garrigues Peru Partner Diego Harman, who led the transaction on behalf of the Lenders, added: *“It has been a pleasure working with COSCO and Volcan on this historic project, which is truly exciting for Peru as it is the country’s first privately-owned port for public use. Its strategic location in the central-northern region of the country will help boost economic development as it will allow for a direct shipping lane between Asia and South America. The transaction was able to be signed successfully after more than 3 years in the making, which highlights the significant economic importance of the Project, not only for the country but also for the Asia-South Pacific region.”*

The Project and CSP Chancay

- The Project has been in development since 2008, when the preliminary design and feasibility studies commenced. Preliminary works commenced in 2016, under the direction of Volcan. In January 2019, COSCO SHIPPING Ports entered into an agreement for the development of the Project, by which COSCO SHIPPING Ports (Chancay) Limited, acquired 60% of the shares of Terminales Portuarios Chancay from Volcan.
- The Project, Perú’s first private port for public use, will be located 58 km north from Lima, a favorable location with immediate access to Peru’s capital, which concentrates the country’s economic activities.
- The Port of Chancay is a natural deep-water harbour, which will allow the handling of containerized cargo, general cargo, non-mineral bulk cargo, liquid cargo and rolling cargo, through a Port operational zone, an entrance complex and an underground viaduct tunnel. It is set to become the regional hub port of South Pacific.

Legal counsel involved:

- **Inhouse Counsel to Borrower:** Valeria Ferrero, Anabel Contreras, Diana Mariaca Torres
- **Peruvian Counsel to Lenders:** Garrigues Peru
 - **Garrigues Peru Team:** Partner: Diego Harman; Associates: María José Cardoza, Eduardo Ortega.
- **Inhouse Counsel to Bank of China (Peru):** Silvana Puente
- **English Counsel to Lenders:** Mayer Brown
- **Bermuda and BVI Counsel to Lenders:** Appleby
- **English Counsel to Borrower:** Holman Fenwick Willan
- **Peruvian Counsel to Borrower:** Payet, Rey, Cauvi, Pérez Abogados

About Garrigues:

Garrigues is an international legal and tax services firm that advises locally, regionally and globally on all aspects of business law. Garrigues’ strength lies in its team of over 2,000 people who work across the board to solve its clients’ problems. And in the values that it shares in the countries in which it operates on four continents: the highest quality of service, ethical commitment and an innovative approach to anticipating market needs. The ultimate goal is to help build a climate of trust and security that fosters business development in a fairer, more ethical, responsible and sustainable society.

Garrigues has been named 'Latam Local Legal Adviser of the Year' (IJ Global Awards, 2021) and 'Andean States Banking & Finance Firm of the Year' (IFLR Americas Awards, 2021). Garrigues is recognized in prominent positions and has multiple leading lawyers listed in the main legal directories (Chambers, Legal500, IFLR1000).

For further information about this release please contact Patricia Wallace (patricia.wallace@garrigues.com) or Blanca Remirez De Ganuza (blanca.remirez.de.ganuza@garrigues.com).