

# Sonatrach deal highlighting rise of African investment opportunities

Spanish law firms taking the lead in north Africa and the Portuguese in southern Africa but the prospect of new international arrivals is rising

The recent acquisition of a stake in leading Spanish utility by Algerian state-owned energy company Sonatrach has highlighted the rise in interest by African entities in Iberian businesses, and the continued expansion of Spanish and Portuguese business across the continent.

Sonatrach has taken a stake in Gas Natural Fenosa after the company's Board approved a capital expansion that will see it pay €514m for a 3.85 percent holding. The deal marks a turnaround in relations between the companies, which have long-standing commercial ties but have been locked in a series of disputes in recent years.

Among the most significant has been an ongoing dispute over gas supply prices the final resolution of which opened the door for the current share deal. The disagreement was decided through arbitration with Gas Natural represented by Freshfields and Sonatrach by French firm Bredin Prat. An arbitral award in favour of Sonatrach was made last August, but it has taken until now for the matter to be closed with the signing of a deal that will see Gas Natural Fenosa pay a surcharge of \$1,89bn (€1,32bn) for Algerian gas supplies dating between January 2007 and May 2011.

Portugal may have seen an influx of Angolan investment over recent years, with sizeable shareholdings in companies including Galp and Millennium BCP, and potentially more on the way, but the Sonatrach deal is a first for Spain.

The flow of investment to date has predominantly been out of Iberia and into Africa. Cepsa, Endesa and Iberdrola are partners alongside GDF Suez and Sonatrach in the €900m, 547km Medgaz pipeline that connects Algeria to Spain. Cepsa is also active in Morocco through Cepsa Maghreb, as is Endesa through subsidiaries such as Endesa Carbono and a shareholding in Morocco's Energie Electrique de Tahaddart Africa. Iberdrola has operations in Algeria, Tunisia, Egypt and Kenya, and Isolux Corsán has recently won a tender for a €142m, 482km high tension electricity line in Kenya.

To date, Spanish law firms have led the market in north Africa, with Garrigues and Cuatrecasas Gonçalves Pereira operating offices in Morocco, alongside French firm Gide.

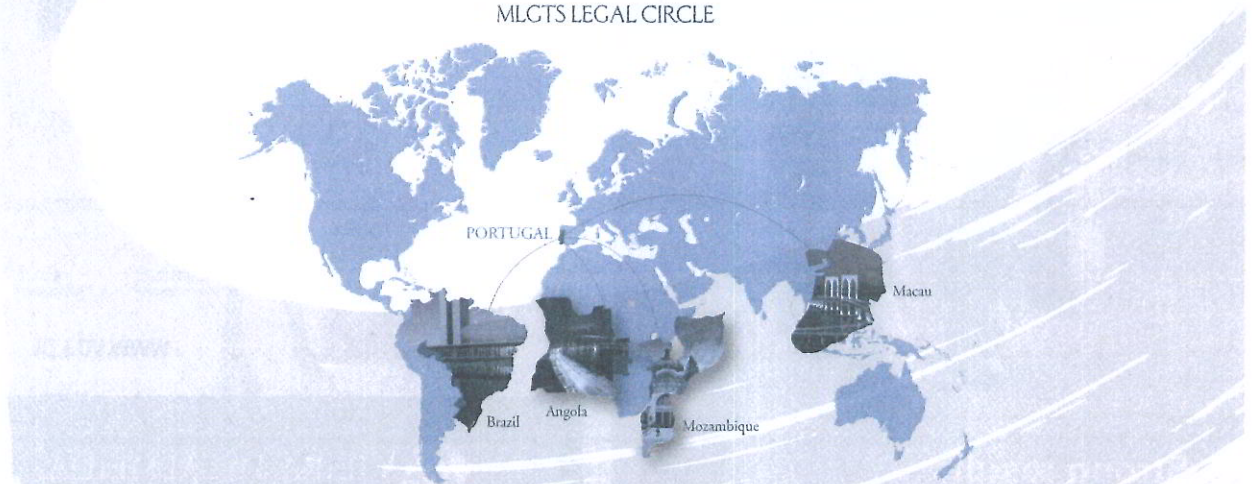
Sub-Saharan Africa remains the domain of the Portuguese, especially Angola and Mozambique, where companies in the energy, telecoms, construction and bank sectors are dominant. Lisbon's leading firms all have deep local experience with Miranda, PLMJ, F Castelo Branco & Associados, Abreu Advogados and Vieira de Almeida and SRS Advogados targeting inbound and outbound deal flows.

A greater flow of African investment to Spain may yet however see more domestic firms take a fresh look at the continent, albeit now in competition with a growing number of UK firms (see *News in Brief* opposite).

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