K&L GATES

OnStream

Highlighting developments and issues in the international oil and gas industry

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Welcome to the second edition of "OnStream," K&L Gates' publication for UK and European clients and contacts, highlighting developments and issues in the international oil and gas industry.

In this issue:

International arbitration and the efficient management of complex oil and gas disputes

Complex and costly projects beget complex and costly disputes. In this article, Ian Meredith and Sean Kelsey of our international disputes practice explore how the associated call on resources, time and effort can - with forward planning - be mitigated. But, as they explain, there remain traps for the unwary.

Introduction: managing complex commercial disputes

Multiplicity of parties and/or contracts is characteristic of major international industrial and commercial transactions in a global economy. Projects for the location, production, transport, storage and sale of the world's essential hydrocarbon resources are prime exemplars of that general proposition. Disputes are a predictable feature of projects routinely involving national governments and their executive or commercial agencies, major multinationals, sophisticated infrastructure, construction and engineering, rafts of contractors and subcontractors, and an extended string of contracts of sale and sub-sale. But the precise timing, occurrence and nature of such disputes are unpredictable. One way of seeking to manage the associated cost 'before the event' is to make resolution of anticipated disputes as efficient as possible, once they arise. Rarely will it be cost-effective for claims, between a number of parties to the same project, and with the same or related subject matter, to be pursued by way of multiple proceedings spread across several jurisdictions, and at the risk of conflicting outcomes.

Issues in complex international arbitration

The globalization of the oil and gas industry, and in particular the pre-eminence in that sector of some of the world's more politically and legally 'challenging' jurisdictions, has lent significant impetus to international arbitration as the standard choice of dispute resolution procedure. Arbitration of complex, multi-party, multi-contract oil and gas disputes can pose a number of issues. In some respects, the litigation model is better suited to the resolution of such disputes. As long as the relevant courts accept jurisdiction, there may be few theoretical limits on the joinder of non-parties with a relation to the primary dispute. By contrast, arbitration is dependent on the consent of each individual party to the specific dispute resolution process. Tribunals acting under institutional arbitral rules predicated on the classic model of a bilateral dispute between consenting parties have been unable to join non-parties, consolidate multiple proceedings, and otherwise accommodate multi-party disputes - or even disputes between the same two parties to multiple contracts with separate and different dispute resolution clauses.

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Russia's law on foreign investment in strategic sectors

In this article Georgy Borisov, partner, and Igor Scherbak, associate, of K&L Gates' Moscow office examine the regulatory structure and key legal issues affecting foreign investors seeking to do business within the oil and gas sector in Russia.

Overview

The Law on Foreign Investments in Legal Entities of Strategic Importance to the National Defense and State Security of the Russian Federation No. 57-FZ (the "Law on Foreign Investment in Strategic Sectors" or the "Law") was adopted in April 2008. The Law was enacted as a result of debates and numerous negotiations between the Government, the Presidential Administration, the Federal Security Service (FSB), the Federal Anti-Monopoly Service (FAS), certain ministries (such as the Ministry of Industry and Energy, the Ministry of Communications and Information Technology), major market players (such as Gazprom and RAO UES), and others. Since its adoption, the Law has been playing a significant role in determining criteria for investments in Russian strategic entities by foreign companies and public institutions.

The Law sets forth restrictions on any type of control over Russian strategic entities by foreign public investors, limits amount of foreign private investors' share in the charter capital of such entities, as well as determines the process of granting approval for acquisition of shares (participatory interests) in legal entities having strategic importance by the special Governmental Commission.

Foreign Investors and Strategic Companies

In terms of the Law there are three types of foreign investors: (i) private investors – companies incorporated outside of Russia, (ii) public investors – foreign states or international organizations, as well as entities controlled by these states or organizations, and (iii) groups of foreign investors.

In order to determine the strategic importance of legal entities the Law provides an exhaustive list of 42 activities which are defined as activities of strategic importance for national defense and state security. These activities can be grouped into the following subcategories: (i) activities related to nuclear industry, nuclear safety, and/or radioactive materials, (ii) military-related activities and production of weapons (including dual purpose aircraft and aviation equipment), (iii) aviation activities, (iv) space activities, (v) exploration and development of subsoil areas of federal significance[1], (vi) certain activities conducted by natural monopolies (the companies which are included into the Register of the Subjects of Natural Monopolies), (vii) extraction of biological resources from waters (e.g. fishing), (viii) large-scale television and radio broadcasting, (ix) certain telecommunication services carried out by entities holding dominant position on the market, (x) large-scale printing and publishing activities. Thus, a company involved in one or more of mentioned activities shall be recognized as a strategic company.

Transactions Subject to Preliminary Approval

The Law lists the transactions which are subject to preliminary approval by the Governmental Commission. These are the transactions which result in: (i) acquisition of the shares (participatory interests) in the charter capital of the strategic entity, and/or (ii) obtaining of a control over the strategic entity.

The term "control" means a possibility for the foreign investor to: (i) dispose, directly or indirectly, of more than 50 percent of the voting shares in a strategic company, (ii) determine decisions of a strategic company, including terms of the company's activities, (iii) appoint sole executive body of a strategic company, or more than 50 percent of its collegiate executive body, board of directors or any other management body, or (iv) act as the management company for

such strategic entity. It is worth mentioning that with respect to strategic companies operating on the territories of strategic subsoil fields the same criteria apply with the exception that the 50-percent thresholds are reduced to 25 percent.

Specifically, the transactions which could result in establishing control over the strategic company are as follows: share purchase agreements, gift agreements, exchange of the voting shares agreements, asset management agreements and other transactions which lead to transfer of the title to shares (participatory interests) to a foreign investor.

As to public investors, preliminary approval is necessary for the transactions resulting in acquisition of the right to directly or indirectly dispose of more than 25 percent of the voting shares (participatory interests) or the right to appoint the sole executive body of a strategic entity, and/or any right to block decisions of the company's management. Whether a strategic company holds a subsoil license for conducting operations on the strategic subsoil field and a public foreign investor acquires the right to dispose, directly or indirectly, of more than 5 percent of the voting shares (participatory interests) in the charter capital of such entity, preliminary approval will be required as well. But in either case the Law prohibits a public foreign investor from acquiring control over the strategic company.

In order to obtain an approval for the transaction a foreign investor shall file an application to the respective authority. The term of the application's consideration usually amounts to three months (in certain cases it could be extended to additional three months). As a result of consideration of the foreign investor's application by the Governmental Commission one of the following decisions could be passed: (i) decision on a prior approval of the transaction, or (ii) decision on a prior approval of the transaction subject to an agreement with the foreign investor setting forth its obligations as prescribed by the Law, or (iii) refusal to approve the transaction. Nevertheless, this refusal could be challenged in the Supreme Arbitrazh Court of the Russian Federation.

Subsequent Notification of a Transaction

Purchase of more than 5 percent of shares (participatory interests) in the charter capital of a strategic company by a foreign investor triggers an obligation for such investor to notify the Federal Anti-Monopoly Service of the relevant transaction no later than 45 days from its consummation date.

Exceptions

Provisions of the Law do not apply to those relations with regard to foreign investments regulated by other federal laws of the Russian Federation and its international treaties. If a foreign investor directly or indirectly controlled more than 50 percent of the voting shares (participatory interests) in the charter capital of the strategic entity before the proposed transaction, then no approval is required.

Restrictions related to strategic companies holding subsoil licenses for operations on the strategic subsoil fields may not apply if the Russian Federation owns, directly or indirectly, over 50 percent of the voting shares of such strategic company. This exception suggests the way to invest in such strategic companies through a joint venture with a Russian state-owned company where the Russian Federation has control.

Consequences of non-compliance with the mandatory provisions of the Law

Transactions made by foreign investors in violation of described requirements and provisions of the Law could be deemed void; the foreign investor could be suspended from the voting rights granted by the shares and decisions of shareholders' meetings in which the foreign investor participated could be invalidated as well.

Conclusion

Since its adoption the Law has been strongly criticized for creation of excessive administrative barriers to foreign investors interested in projects in the territory of the Russian Federation. Recent amendments made to the Law in November 2011 reflected positive reaction of the Russian state authorities to criticism and existing problems in the sector of foreign strategic investments. Though the amendments were not ideally drafted, the fact that additional amendments to the Law are currently being discussed between the representatives of business community and Russian state authorities adds more confidence in successful settling of differences and improvement of investment climate.

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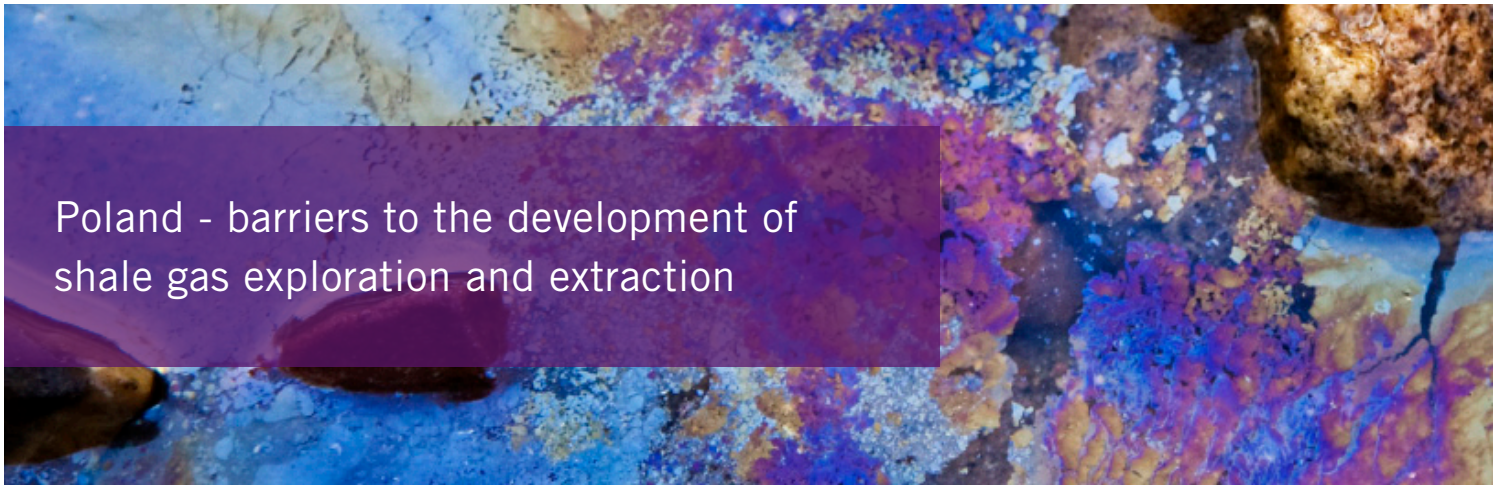
[1] Definition of a "subsoil area of federal significance" (a "strategic subsoil field") is set forth in the Law "On Subsoil" dated February 21, 1992 and includes areas with deposits of over: 70 million tons of recoverable oil or 50 billion cubic meters of gas, 50 metric tons of gold or 500,000metric tons of copper.



Poland - barriers to the development of shale gas exploration and extraction

In this article, Tomasz Dobrowolski of our Warsaw office considers the potential barriers to the development of shale gas exploration and extraction in Poland.

In many respects, the developments relating to the exploration of shale gas in Poland are very positive and promising. The strong determination of the State authorities (including the Treasury and Environment Ministry) to create a positive environment for shale gas prospecting is a key factor in this. If successful, such efforts, together with Poland's new LNG terminal, planned nuclear power plant project and renewable sources installations, should improve Poland's energy mix and hence its energy 'safety-net'.

However, some major issues have yet to be resolved – issues which have the potential to cause headaches for some concession holders and investors, who are conscious that even the strongest determination of the State does not – of itself - directly add funds for exploration of shale resources.

New Shale Gas Bill

The Polish business community is anxiously awaiting the draft of the so-called "shale gas bill". This is expected from the Cabinet in approximately 1-2 months. It is expected to define the role of the State (represented by the Treasury) in future exploitation of shale gas deposits in Poland, as well as the role of the State as a possible recipient of the proceeds from the sale of gas.

The concern within the business community is hence that the terms of the bill may be politically motivated. If so, this may create business obstacles for developing the sector, making existing concession holders and potential investors re-evaluate the business and legal risks associated with investing in this sector in Poland.

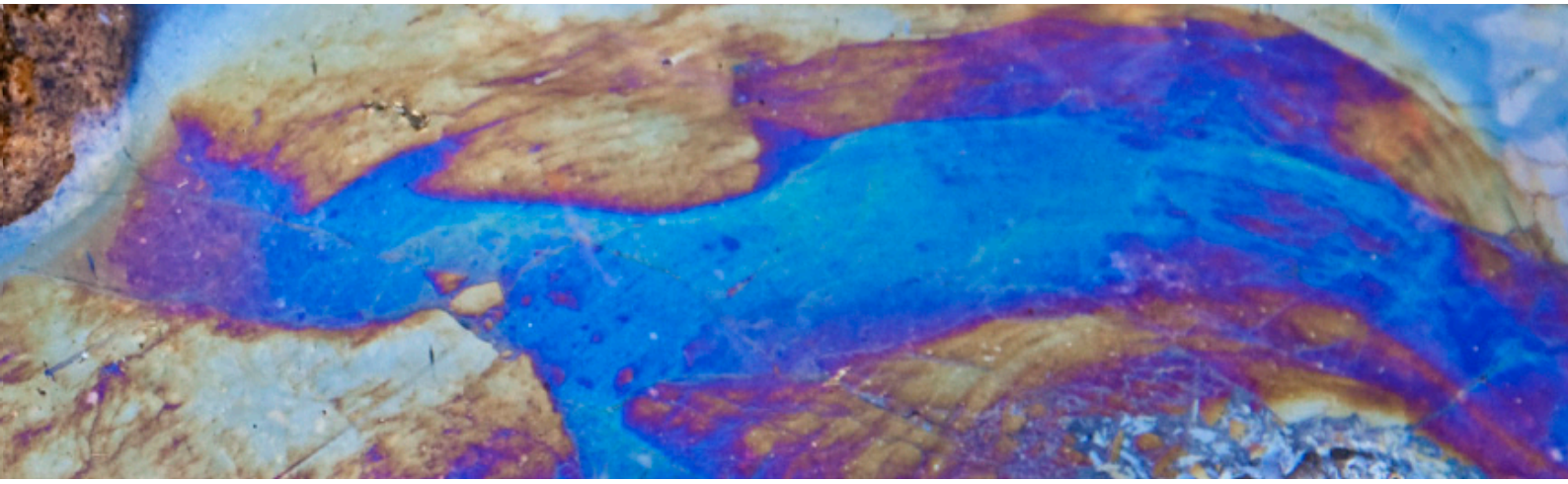
The new bill may be considered as a new set of rules for the game, so discussions on grandfather rights, protection of investments and the like are then almost inevitable. It also appears that some of the concession holders are, for that reason, sitting on the sidelines and waiting for further developments before taking decisions on their next steps and their increased financial involvement.

EU Regulation?

One of the external determinants for exploration development over the past year has been uncertainty over the European Commission's intended role and in particular whether shale gas exploration and production may be additionally regulated at the EU level. If so, the concern is that this could translate into even bigger legal risks.

In November 2011 a report (prepared at the Commission's request by the Belgian law firm Philippe and Partners) was published which indicated that the existing European regulatory framework is adequate to the current (still early) phase of exploration activities, and discussed its implementation in four countries (Poland, France, Germany and Sweden). In January 2012 the European Commission accepted the findings of the report as properly reflecting the regulatory environment.

Despite the reservations by the authors of the report (namely that shale gas exploration is still at an early phase of development and has not yet reached a commercial stage), the Commission's officials were positive regarding development prospects and this gives shale gas enthusiasts (in Poland) and its supporters (in Sweden) the green light to further promote and develop the process of shale gas extraction in their territories. The shale sceptics' opinion is unlikely to be affected by the report and one should expect debate to intensify when the commercial stage of gas production comes closer.



As well as the need to draft a financially reasonable shale gas bill, the Polish administration should be prepared to solve some potential conflicts and uncertainties by eliminating systemic and legal risks resulting from statutory rules since the recently adopted Geological and Mining Law of 2011. Although these regulations were positively assessed by the authors of the report, it has some potential weaknesses.

Interference with existing concessions

These new regulations implement the EU Hydrocarbons Directive and introduce the tendering requirement into the Polish domestic legislation. In doing so, the new regulations have changed the concession-awarding regime. A key issue is the existence of concession holders who had been granted exploratory concessions and invested money in that process without the obligation to participate in a tender at any stage. This may lead to problems with those concession holders who, having completed the prospecting phase, would then lose the tender for an extraction concession. The system is criticised for not being investor friendly and any consequent disputes are likely to turn into long, drawn-out affairs.

New tendering procedures

The new regulations provide that the tender criteria for award of both prospecting and extraction concessions are to be non-discriminatory and are to give priority to "the best systems of prospecting for identifying hydrocarbon deposits, or extracting hydrocarbons from deposits". The successful bidder is to be selected by a tender board composed of at least three members, subject to rules of procedure which have not yet been precisely determined. The statutory provisions dealing with the criteria are quite general and this may lead to interpretative disputes unless properly supplemented by the proposed ordinance of the Council of Ministers on tender procedure for a concession for prospecting, identifying and extracting hydrocarbons from deposits (only its draft of August 2011 is available now).

Conclusion

The Polish Geological Institute published a report on 21 March 2012 on recoverable reserves of shale gas and shale oil in Poland. This report – although based on conservative historical data – indicates that the likely range of shale gas recoverable resources in Poland is 346 to 768 billion cubic meters, which is approximately 5 times the volume of conventional gas in Poland. According to the Chief Geologist such data would rank Poland as the third country in Europe in terms of recoverable natural gas.

Hopefully following that report and in expectation of new ones based on the most recent exploration results, the risks listed earlier in this article can be eliminated or at least reduced to the satisfaction of investors, consumers and local communities.

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Conversion or upgrade of offshore installations: special considerations

In this article Raja Bose and Ian Fisher examine the special considerations affecting the decision to convert or upgrade offshore installations and production facilities.

Introduction

For over two decades, K&L Gates' international disputes team has been identifying the underlying reasons for cost overruns and delays on large construction projects, and what can be done to avoid such problems. This litigation and arbitration experience also has been applied to the conversion and/or upgrade of offshore installations, such as FPSOs (Floating Production Storage and Offloading) and other floating and fixed offshore production facilities as well as MODUs (Mobile Offshore Drilling Units).

Newbuild projects and conversion/upgrade projects technically may be very different. For example, the difference between a harsh environment jack-up rig and an FPSO – but the projects are fundamentally the same. Both project types experience common issues that can lead to disputes, such as delays, cost overruns, and claims for additional work. While disputes do arise in connection with newbuild projects, the conversion/upgrade projects are notorious for generating disputes. Rarely, if ever, do these types of projects complete on time and on budget. Usually, for commercial reasons, an oilfield operator and contractor will opt for a conversion/upgrade rather than a new-build. Conversion/ upgrades should cost substantially less than newbuilds, and, in addition, can have significant time benefits. For example, in relation to FPSOs it is widely quoted that the project lifespan for a conversion is 14-24 months, whereas a newbuild would take nearly twice as long at 24-30+ months.

There may be other very good commercial reasons why a conversion/upgrade project may be the better option. For example, in a recent dispute, the owner made the decision to convert a third generation semi-submersible into an extreme harsh condition rig instead of purchasing a newbuild. The owner reasoned that, because all the shipyards capable of building a newbuild at the time were too busy, by the time they would have taken delivery of a newbuild, the day rate would have likely dropped considerably. Therefore, it made commercial sense, because they would be able to get an upgraded rig operating while the market remained strong and before their competitors could start operating newbuild rigs.

Reasons why disputes are more likely with a conversion/upgrade project.

The very nature of conversion/upgrade projects contributes to the fact that disputes are more likely to occur. One of the most obvious factors contributing to a potential dispute is the condition of the existing structure, be it an old tanker or rig. Repeatedly, we see cases where both the owner and shipyard fail to fully appreciate the actual condition of an old structure until the work is well advanced. There may also be interface and integration issues with the shipyard being required to incorporate new designs and materials within an existing structure in order to permit the new and old to operate together. It is absolutely vital that a proper 3D survey of the existing structure be carried out and used as the basis for the new design. We also have been involved in a case where the party responsible for the basic design failed to carry out such a survey and instead used the as-built drawings of the existing rig (which was by that time more than 20 years old) as the basis for the new design. Perhaps unsurprisingly, there were dimensional differences between the old as-built drawings and the actual structure, contributing to misalignment between the new and existing structure. That contributed to huge problems on the project, both in terms of additional structural work and the associated delays.

Another cause of delay and claims for additional work is a failure to carry out sufficient front end engineering or to achieve a design freeze before commencing the construction phase of a project. On fast track projects there is often a desire to start construction work as soon as possible before the basic design is sufficiently complete. This can lead to a situation where the design and construction work is being carried out in parallel. This may not have an immediate impact as much of the early construction work may involve removals from the existing structure, but eventually it will impact the overall project. On a recent matter, we handled the impact of parallel design and construction work that was not felt for about 12 months, but by then, caused significant delay and disputed claims for additional and varied work.

Many of the problems we see with disputed claims for varied and additional work are those associated with contract administration, rather than that of contract structure or wording being too much in favour of one party. In such cases, the contract will contain a perfectly adequate variation order mechanism, but either or both of the parties fail or refuse to operate the agreed procedure as intended. Often we see a shipyard fail to adequately document the instruction received from the owner for the additional work. In addition, too often we see cases where the contract provides that no additional work should be carried out before a variation order is issued by the owner, yet the shipyard starts work on the understanding or promise that the owner will issue a variation order in due course, which then never happens. It is understandable that a shipyard is keen to keep the owner, its customer, happy, but such behaviour usually leads to disputes. It would be preferable for the shipyard to take a more robust attitude with the owner and follow the contractual variation procedure from the beginning of the project, as closely as possible.

How to minimise prospect of a dispute

There are steps which can be taken to avoid a dispute. The most important of these include the following:

- Have a balanced contract regime through realistic and reasonable contract terms;
- Correctly apply contract terms during the project, in particular the variation order procedure;
- Employ proper project management. This involves being proactive and trying to anticipate issues rather than waiting until issues arise and thereby necessitating a response.
- Communication with a counterpart is important, and should be reasonable, responsive, and consistent.
- Seek technical and legal input and support during the project. Investing in the expertise of lawyers and consultants while the project is ongoing can be extremely cost-effective; will help clients better manage risks; and will help clients avoid expensive litigation or arbitration should a dispute escalate.

Conclusion

When litigation or arbitration does commence, there are still steps that can be taken to control that process. Working with experienced and highly skilled lawyers and arbitrators will help guide you through the maze of laws and rules which govern dispute and arbitration centres. The disputes team at K&L Gates' Singapore office have the necessary experience and expertise to assist clients in maximising the prospects of success if such a dispute does arise.

For more information on the issues covered by this article, please contact Raja Bose (raja.bose@klgates.com) in K&L Gates' Singapore office or Ian Fisher (ian.fisher@klgates.com) in K&L Gates' London office.

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International arbitration and the efficient management of complex oil and gas disputes

Tailored and 'off-the-peg' solutions

Incorporation of 'umbrella' or common dispute resolution clauses can assist the efficient management of dispute resolution. Resolution of complex disputes ought to be less protracted and more cost effective, and its outcomes more certain if relevant agreements make the same provision. Some model form agreements commonly used in the oil and gas sector enable the parties to cater for complex disputes. The AIPN 2012 Model Joint Operating Agreement, for example, provides that if the parties initiate multiple arbitration proceedings which are related by common questions of law or fact and "*could result in conflicting awards or obligations*", then all such proceedings may be consolidated into a single arbitral proceeding. The rules of a number of leading arbitral institutions now seek to address issues characteristic of complex disputes. The rules of the LCIA, the 2012 ICC rules, and the Stockholm Chamber of Commerce rules variously provide for joinder of third parties and/or consolidation of proceedings in certain circumstances. The Permanent Court of Arbitration in The Hague administers "*Optional Rules for Arbitration of Disputes Relating to Natural Resources and/or the Environment*", which expressly provide for multi-party arbitrations (albeit only in the narrow circumstances of a dispute with more than one party in the claimant and/or the respondent camp). Such examples may form a useful starting point when considering - in appropriate context - the practical circumstances to be addressed in a particular project or transaction. But parties to international arbitration need to be aware of a number of additional issues which may not be as readily addressed in the drafting of dispute resolution clauses.

Joinder of non-signatories

In some circumstances, non-signatories to arbitration agreements can be held to be bound by them: for example, by application of legal doctrines such as the "*group of companies*" doctrine. In English law, the strict approach to the identification of parties to arbitration agreements is typified in the *Petersen Farms* case. New York courts have taken a similar approach, notably in *Sarhank v Oracle Corp*. Conversely, French law has for many years recognised a "*group of companies*" doctrine under which an agreement to arbitrate by one company can extend to other companies in the group in certain circumstances. Non-signatories can also be found party to an arbitration agreement by piercing the corporate veil. In the ICC case *Bridas v Turkmenistan*, an Argentinean corporation (which had found and developed the huge Yashlar gas field in Turkmenistan) had entered a JVA in relation to the Keimir oilfields with a production association formed and owned by the government of Turkmenistan. The government was not a signatory to the arbitration agreement, but Bridas successfully argued (before the tribunal, and ultimately before the US courts), on the special facts of that case, that the government was a party, and secured a US$465 million award of damages against it.

Enforcement

The issue of joinder, and the need to ensure that an agreement to arbitrate covers all the parties involved in an arbitration, can create issues throughout the dispute process, and into the enforcement stage. A particular problem arises when the courts of the country of enforcement take a different approach to such matters from the courts at the seat of the arbitration. *Sarhank* is one example - although the arbitral tribunal had ruled that the respondents were properly parties to the arbitration, the New York courts refused enforcement of the ICC award on grounds that it was made against a party that (according to New York law) was not party to the arbitration agreement. More recently, in *Dallah v Pakistan*, courts in England and France have given conflicting judgments in relation to enforcement of an ICC award in those jurisdictions.

Conclusion

Issues such as these highlight the perennial importance of knowing and understanding the approaches to arbitration in the arbitral seat, and choosing the seat carefully. Appropriate tailoring of 'umbrella' or common dispute resolution clauses, and providing for arbitration in accordance with the rules of an institution which can accommodate issues encountered in complex disputes can help to promote efficiency in the resolution of disputes when they arise. Underlying these considerations are some of the bigger issues in relation to structuring of projects and transactions, to take advantage, for example, of appropriate investment protections. We will address these issues in our next edition.

For more information about the issues covered in this article, please contact Ian Meredith (ian.meredith@klgates.com) or Sean Kelsey (sean.kelsey@klgates.com) in K&L Gates' London office.

Recent Developments

Oil Prices

The worlds biggest oil producer, Saudi Arabia, has recently tried to allay fears over oil shortages by confirming that they can raise oil output by 25% if required. However, oil prices remain above $120 a barrel representing a 25% increase in price since September. The increase is partly due to Iran's threats to disrupt supplies in the Gulf and the fear that its nuclear development programme could lead to conflict in the region.

API Gasoline Campaign

The CEO and President of the American Petroleum Institute, Jack Gerard, has announced a new API campaign to clarify facts regarding gasoline prices with the aim of stimulating reform of US energy policy to create new jobs and decrease prices.

Currently the majority of US oil and gas resources cannot be developed and API intends to convince the US administration to pass pro-development policies and implement a more efficient approval process for new projects. The API believe this would lead to greater supplies of crude oil and natural gas.

BP Shetland Isles Exploration

BP recently launched its first deepwater probe in the North Uist field west of the Shetland Isles after obtaining consent from the UK government for exploration. The drilling operation is the first to be undertaken by BP since the Macondo disaster in 2010. The North Uist site is thought to have significant potential.

Arctic Exploration

TNK-BP, a Russian joint venture, intends to spend $4 billion on investment on Arctic gas and oil fields in the next few years with a total investment of $12 billion over the next 30 years. Oil production is anticipated in 2016 with peak production by around 2020. It is likely that the oil will supply markets in Asia although it could also be shipped to Europe.

Tanzania Oil Discovery

The Ophir-BG joint venture has recently announced a 4.5 TCF gas discovery in Block 1 offshore Tanzania. This discovery greatly exceeds their pre-drill estimates.

2012 UK Budget: Allowances

The Treasury has announced new tax breaks for small and deep water fields which is anticipated to generate over £40bn worth of investment and is seen as a 'turning point' in the UK government's treatment of the oil and gas industry.

There will be a £3bn field allowance for deep water oil fields (which, in particular, will benefit fields West of Shetland) and the tax allowance for smaller fields will double to £150m. These changes will take effect after new implementing legislation is passed.

2012 UK Budget: Decommissioning Costs

The UK government is offering more favourable allowances for decommissioning costs. After the implementation of the new Finance Act 2013 the government will be able to agree the tax relief on decommissioned assets through contracts entered into between the government and companies in the industry.

New K&L Gates offices open in Doha and São Paulo

Doha

K&L Gates has recently established an office in Doha, Qatar. This is the firm's second office in the Middle East and 39th world-wide and opened following the issuance of a license by the Qatar Financial Centre (QFC) Authority in August 2011. Qatar has experienced rapid economic growth over the last few years. In 2010, it had the world's largest per capita Gross Domestic Product, and its economy grew by nearly 20 percent. It is the world's largest producer and exporter of liquefied natural gas, with oil and gas accounting for more than 50 percent of Qatar's GDP, 85 percent of its exports and 70 percent of Government revenues.

Qatar has become an economic powerhouse on the strength of these huge reserves of natural gas and of oil as well as its purposeful commitment to internal and external investment and diversification of its economy. The new office is headed by Kenneth Freeling, whose practice encompasses the areas of intellectual property, antitrust, complex commercial, and construction litigation.

At the time of the opening, K&L Gates Chairman and Global Managing Partner Peter J. Kalis commented that *"With the launch of our Doha office, K&L Gates formally enters an exciting and increasingly diverse legal marketplace which reflects Qatar's admirable commitment to develop an advanced and diversified economy on the strength of its energy endowments. Our Doha office is a foundation block of our strategy for the Middle East".*

Located in the iconic Tornado Tower, K&L Gates' Doha office includes a team of lawyers with a deep understanding of the Qatar market, as well as substantial Middle East and international experience. Supported by colleagues in the Gulf region and throughout the world, the firm's Doha lawyers will assist clients with their legal and regulatory needs in such established areas as projects; energy and infrastructure; banking and finance; telecommunications, media and technology; real estate and construction; intellectual property, and dispute resolution, among others.

For more information on K&L Gates' Doha office, please contact Kenneth Freeling (kenneth.freeling@klgates.com)

São Paulo

K&L Gates' 40th office in São Paulo represents some of Brazil's leading companies in sectors such as oil and gas, energy, petrochemicals, construction and engineering, transportation infrastructure and agribusiness. Its lawyers offer distinct capabilities in international finance and capital markets, investment management, construction and project development, tax, and arbitration. Representative projects on which we are advising include:

- On behalf of a major Brazilian oil and gas company, the development of a support vessel fleet for use in deepwater oil and gas development under a project finance structure and financing the operations of several drillships under project finance structures;
- On behalf of Brazil's leading petrochemical group, a revolving trade credit program aggregating $650 million in commitments to finance importation of feedstock (naphtha) and the development of a multibillion dollar petrochemical plant in the United States; and
- On behalf of a major Brazilian construction and engineering company, a series of first-of-its-kind transactions with the International Finance Corporation (IFC), the Inter-American Development Bank (IADB), and Corporación Andina de Fomento (CAF) for the issuance of reinsurance support to global insurance companies providing surety bond support on construction projects throughout Latin America.

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