

# *The future of PPP financing*

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# ***The European debt challenge***

Sovereign/Euro crisis

Quantitative easing/LRTO?

Basel 3

Long term debt

De-levering (sales, new business)

Role of EIB

Liquidity & capacity

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## *The financing options & some thoughts*

- Long term project finance
- Short term project finance
- Bank to bond
- Bond in at financial close
- All equity
- RAB/utility finance
- Credit enhancement (insurers and guarantors)
- Government finance
- Development Banks
- Multi-laterals
- Export credit agencies
- Debt funds
- Sovereign Wealth Funds

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## ***Some policy challenges***

Refinancing risk?

Termination support?

Level of funding support during bids?

Flexibility at preferred bidder?

Fall back options?

De-risking project agreements

Credit enhancement

Lessons learnt from non-European markets

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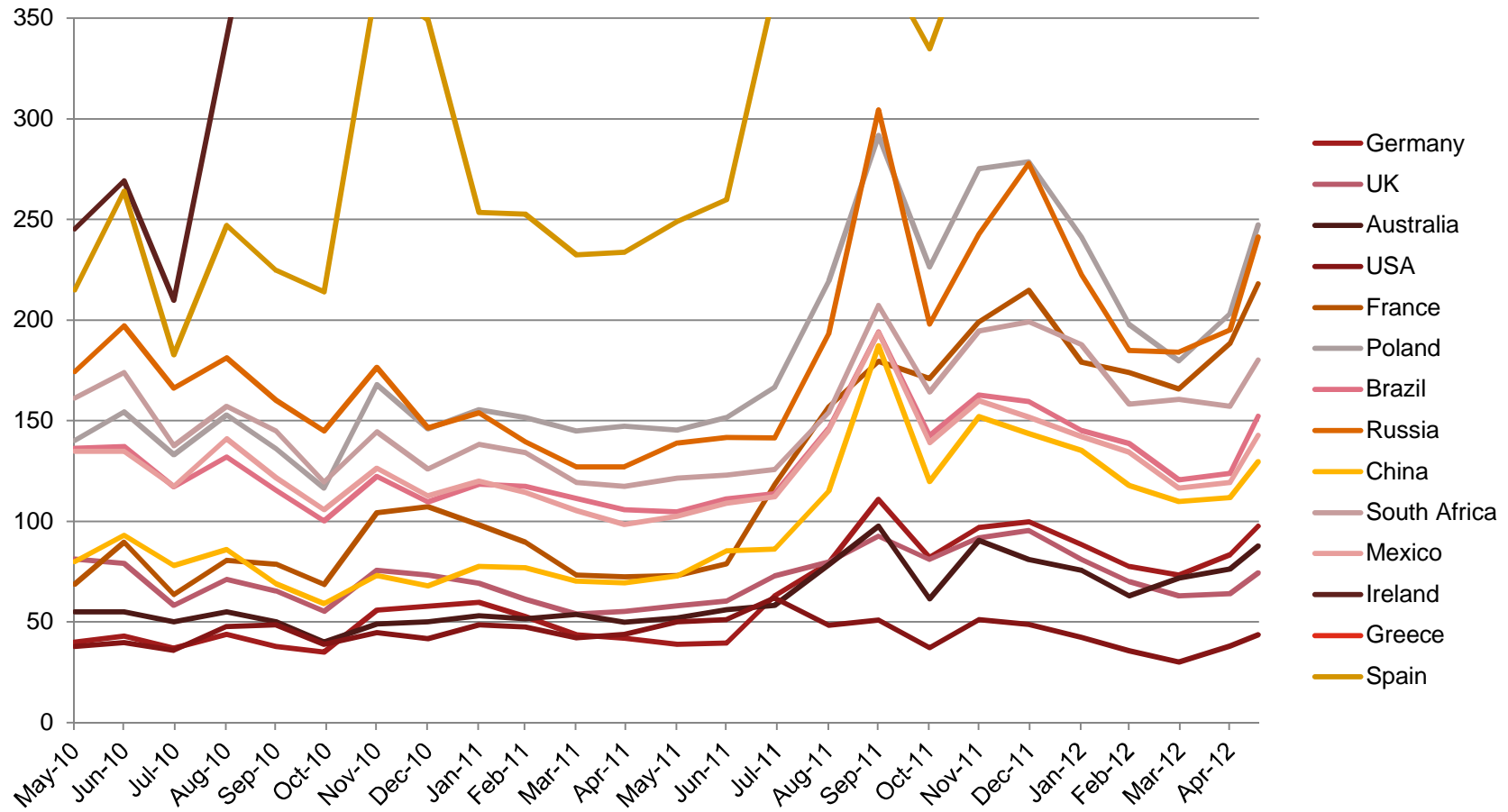
# *Appendices*

# Country credit ratings

Issuer Name	Long Term Issuer Ratings		
	S&P	Moody's	Fitch
Australia, Commonwealth of	<b>AAA</b>	Aaa	AAA
Canada, Commonwealth of	<b>AAA</b>	Aaa	AAA
Germany, Federal Republic of	<b>AAA</b>	Aaa	AAA
United Kingdom, Government of	<b>AAA</b>	Aaa	AAA
France, Republic of	<b>AA+</b>	Aaa	AAA
United States of America, Government of	<b>AA+</b>	Aaa	AAA
China, People's Republic of	<b>AA-</b>	Aa3	A+
Poland, Republic of	<b>A-</b>	A2	A-
Ireland, Republic of	<b>BBB+</b>	Ba1	BBB+
South Africa, Republic of	<b>BBB+</b>	A3	BBB+
Spain, Kingdom of	<b>BBB+</b>	A3	A
Brazil, Federation Republic of	<b>BBB</b>	Baa2	BBB
Mexico (United Mexican States)	<b>BBB</b>	Baa1	BBB
Russian Federation	<b>BBB</b>	Baa1	BBB
India, Government of	<b>BBB-</b>	Baa3	BBB-
Greece, The Hellenic Republic	<b>CCC</b>	C	CCC

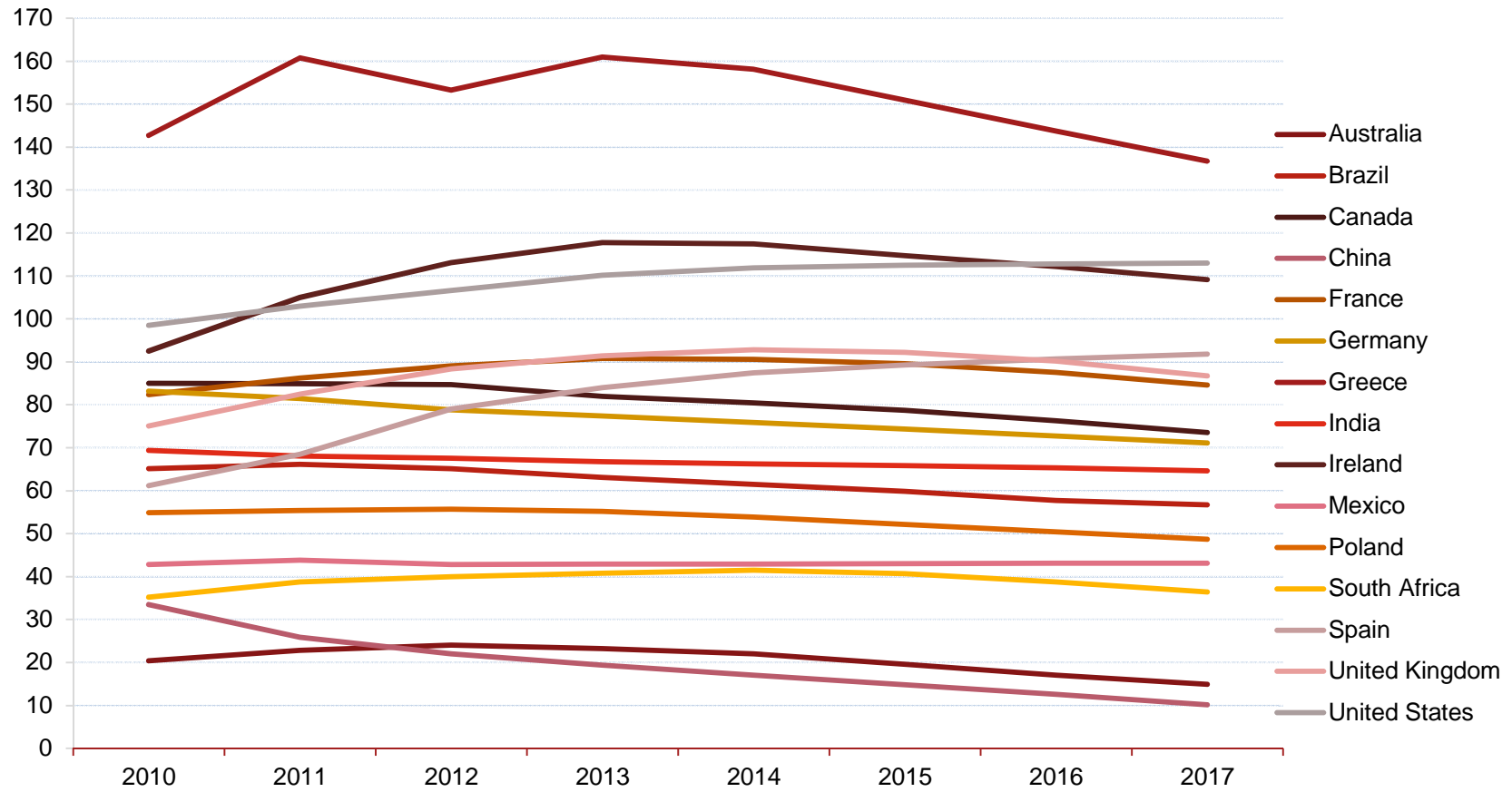
Source: Thomson Reuters

# Country CDS



Source: Thomson Reuters

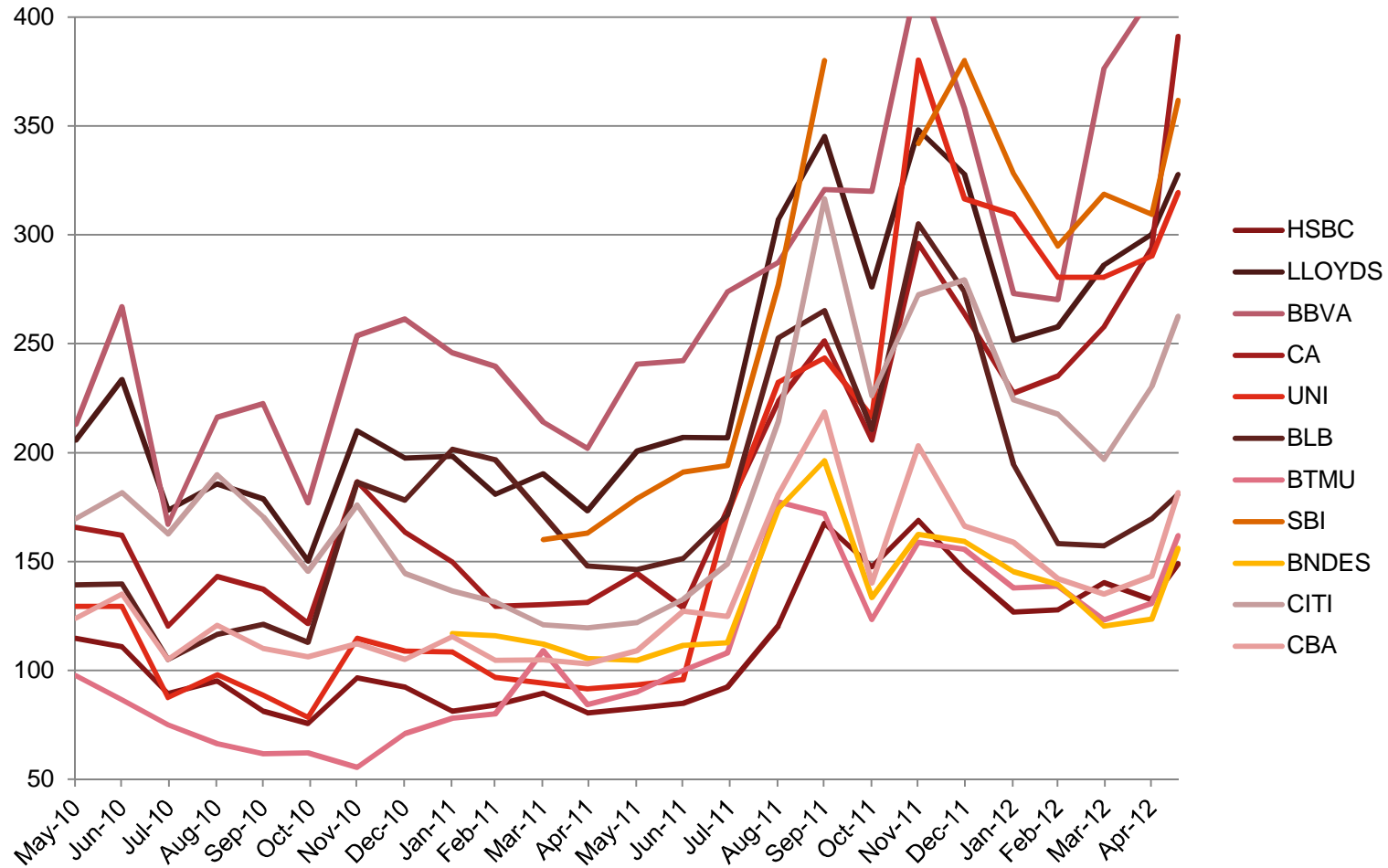
# Gross Debt to GDP



Source: Thomson Reuters

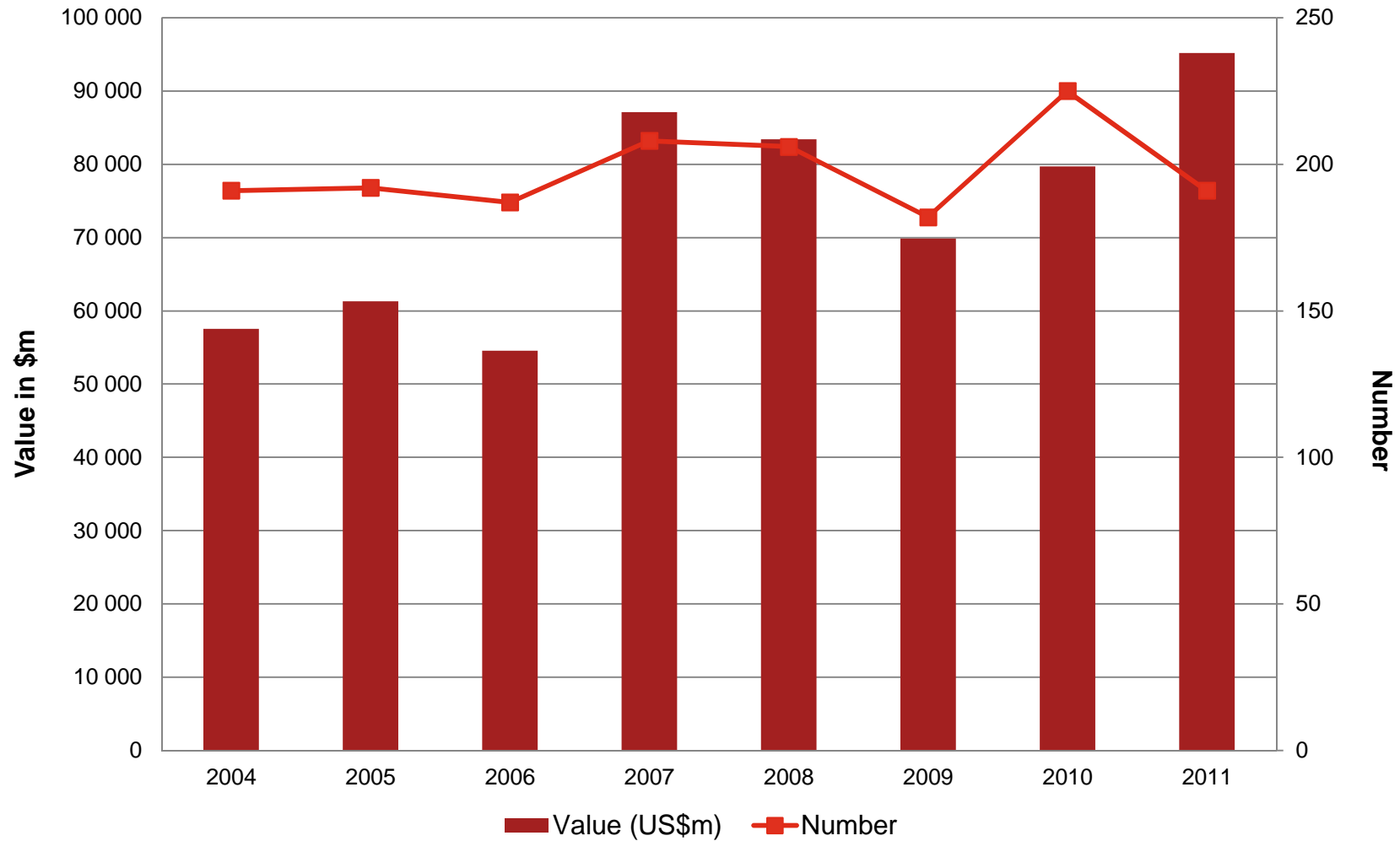


# Bank CDS



Source: Thomson Reuters

# Global concessions



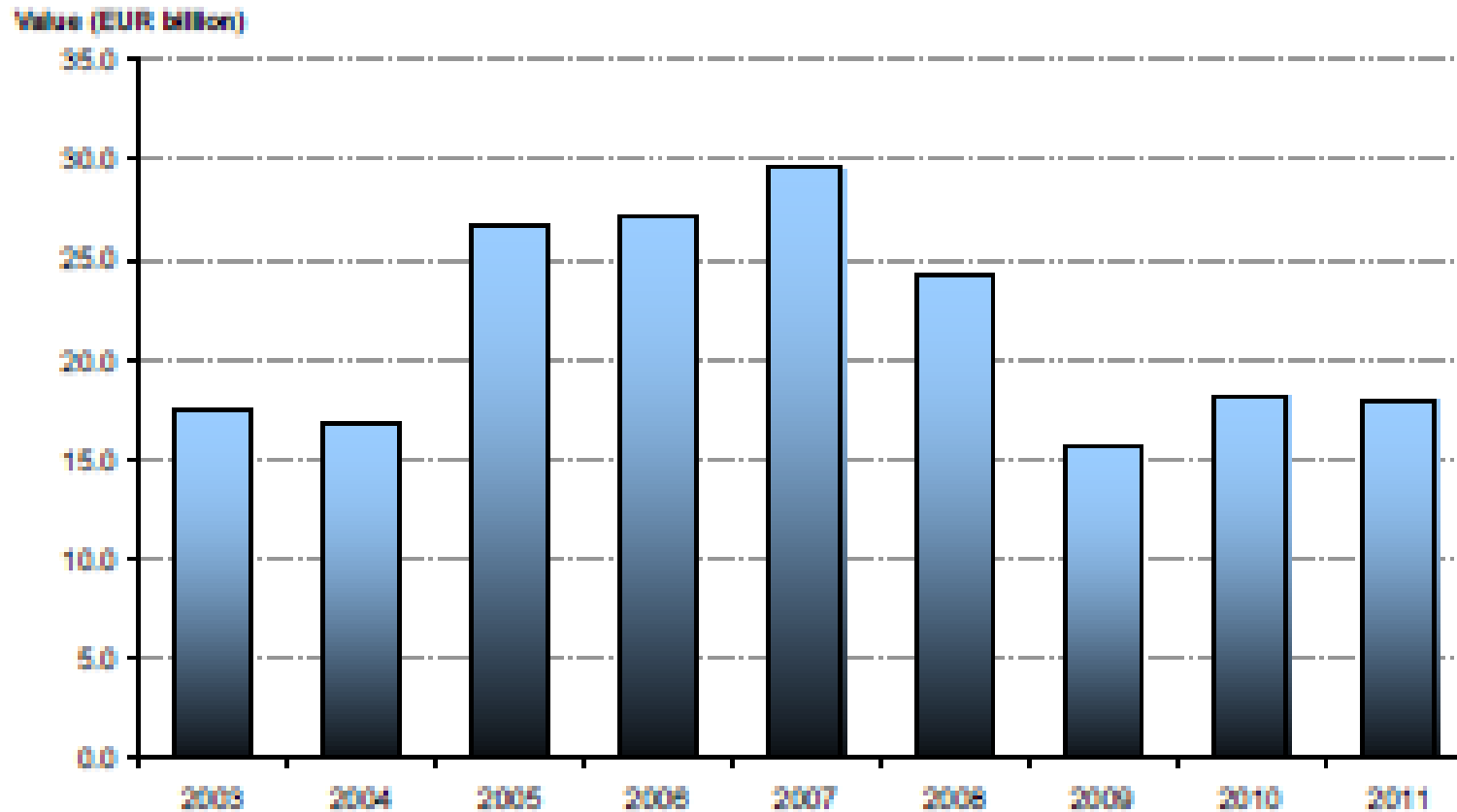
Source: Dealogic ProjectWare

Sectors: Central Government, Environmental, Health, Social Infrastructure, Transport, Mining, Energy, Power, Telecoms

Project types: BLT, BOO, BOOT, BOT, DBFO, DBO, DBOT, PFI/PPP

# European PPP Market 2003-2011 by Value

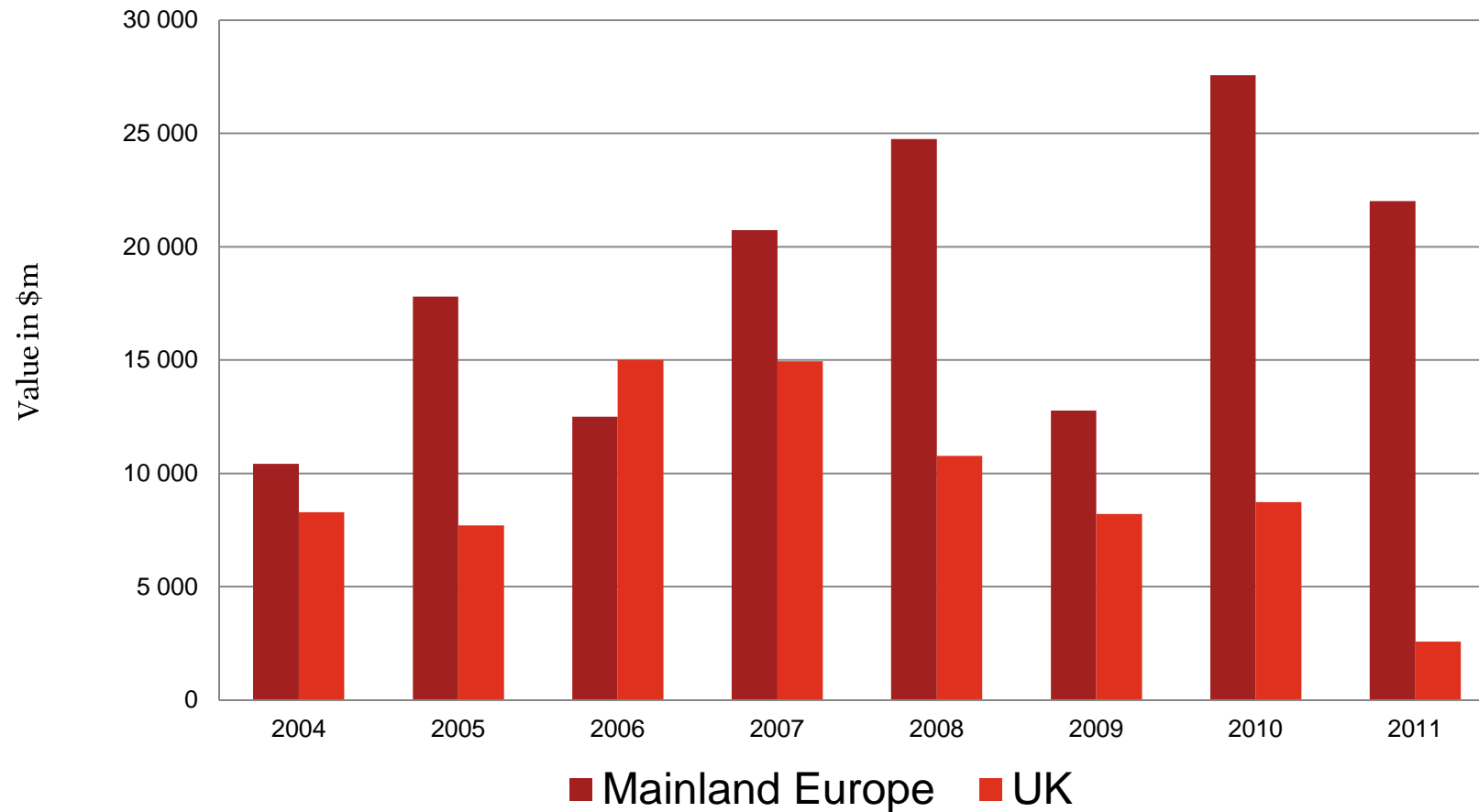
Figure 1: European PPP Market 2003-2011 by Value



Source: Market Update - Review of the European PPP Market in 2011 - EPEC

# Mainland Europe vs UK

Value of closed PPP deals from 2004-2011 (Mainland Europe vs UK)

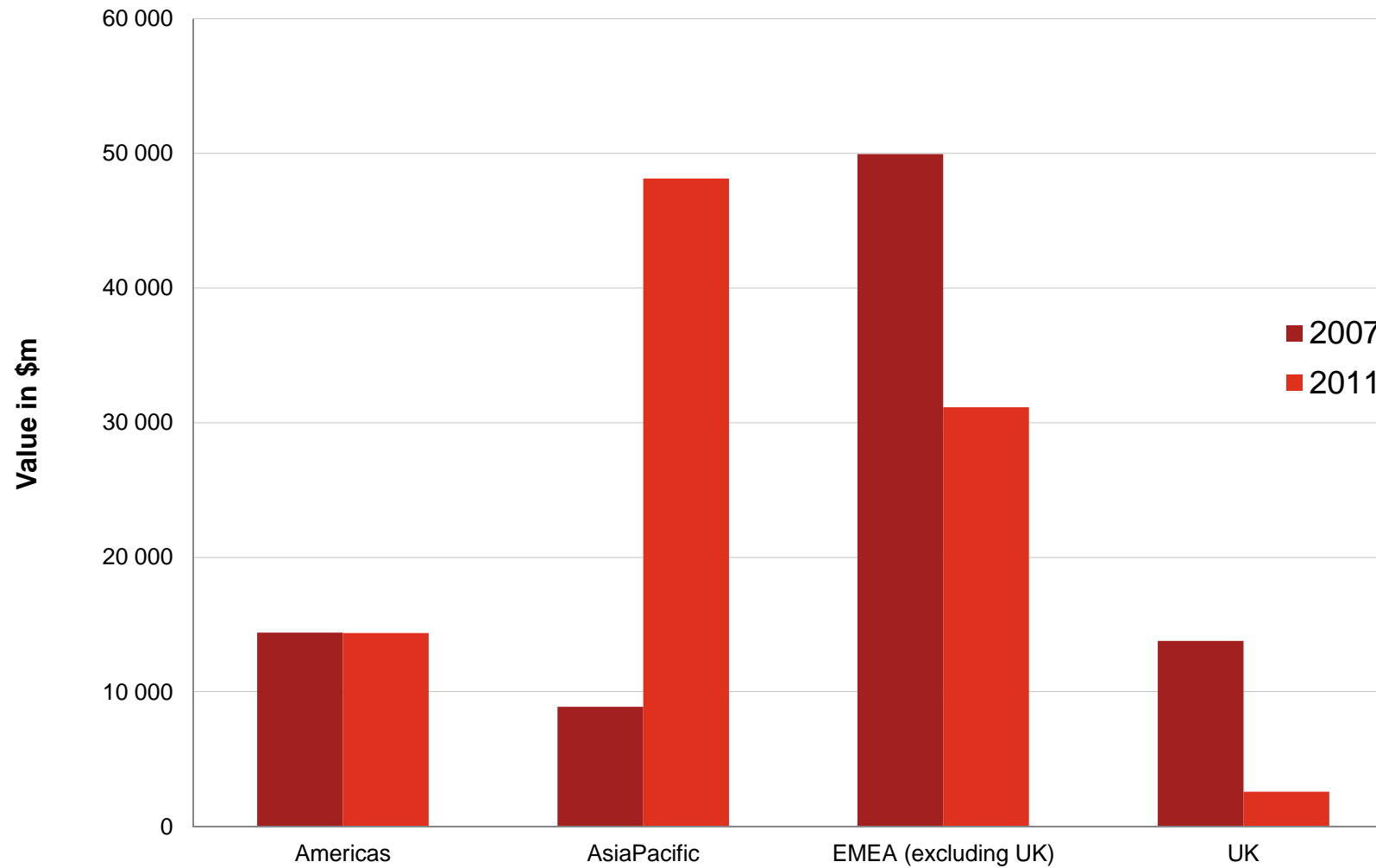


Source: Dealogic ProjectWare

Sectors: Central Government, Environmental, Health, Social Infrastructure, Transport, Mining, Energy, Power, Telecoms

Project types: PFI/PPP and DBFO

## 2007 vs 2011 by region (value)



Source: Dealogic ProjectWare

Sectors: Central Government, Environmental, Health, Social Infrastructure, Transport, Mining, Energy, Power, Telecoms

Project types: BLT, BOO, BOOT, BOT, DBFO, DBO, DBOT, PFI/PPP

# Overview of infrastructure funds

Funds under management

\$151bn

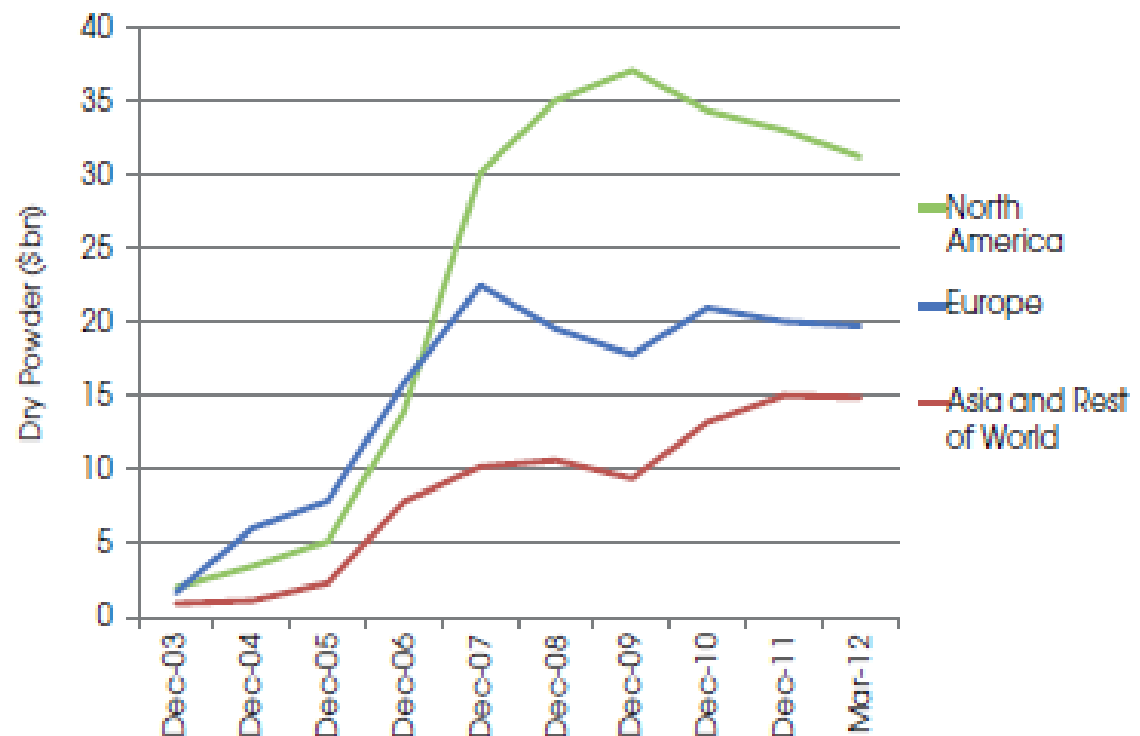
Dry powder

\$65bn

Funds being raised

\$97bn

Fig. 21: Infrastructure Dry Powder by Primary Regional Focus, December 2003 - March 2012



Source: Preqin Infrastructure Online

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## ***Institutional interest - debt***

Still interested, but on their terms

- Help with credit analysis and diligence
- Higher base credit quality in light of Solvency II risk
- Illiquidity premium likely
- Generally, preference not for construction risk exposure
- Small number of suitable pilot projects

Market product developments

- Hadrian's Wall Capital and others?
- Specialist debt funds
- EIB PCBE
- Government support/guarantees (80% cession daily or 20% government instead of HWC or PBCE)

**Interest, but material hurdles to overcome before step-change in activity.  
Definitely opportunities for PwC**