Structuring Infrastructure Deals
To realise sustainable infrastructure, public entities need to demand it.
Traditional Procurement Vs. Public Private Partnerships
PPP are fast becoming the default method of procurement

- Management contracts
- Leases/Affermage
- Concession
- Build-Operate-Transfer
- Design-Build-Operate-Transfer
- Design-Build-Finance-Operate
A PPP yields value-for-money if it provides a net positive gain greater than that of traditional procurement.

Public sector comparators need to assess value-for-money across the asset life cycle.
What do we need? What do we procure?

**Project Preparation**

- **Project Development funds**

**Feasibility Study**
- Ascertain future demand
- Sources of future revenues
- Sources of future revenues

**Deal Structure**
- optimise risk sharing

**Bankability**
- project finance

**Technical Specifications**
- Award criteria

**Contract conditions**
Risk Allocation in the Deal Structure

- Siting
- Design
- Construction
- Environmental & Social
- Commercial
- Operating
- Performance
- Financing
- Marco economic
- Political
- Force Majeure
Stages in mobilising private finance into infrastructure

Pre-construction planning: 4% to 6% total project capex.

Public Funds

Construction Phase: Debt/Equity

Export Credit Agencies, Banks, Private Equity

Post Construction Refinancing:

Institutional Investors, IPO
Reducing the cost of capital for sustainable infrastructure: Green Bonds

October 2014, Ontario.
Eglinton Crosstown LRT. $500 million

March 2014, TD’s 3 year deposit notes.
1.82% interest rate. $500 million.

Jan 2014, Export Development Canada.
Env. Preservation, climate mitigation. $300 million
Capitalising Sustainable Infrastructure: Increase appeal to institutional investors

Improve the credit rating of the underlying project through first loss protection instruments to enhance project bonds and collateralised loan obligations.

- Insurance monolines
- Cash facilities
- Guarantee mechanisms
Thank you

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