Contents

• The global project finance market
• The global PPP market
• Trends, observations and the future
• The big picture
Global project finance market

Annual project finance invested globally (US$ Bn)

Source: Project Finance International
## Global project finance market

### Global loans by sector (US$m)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>56,289</td>
<td>73,300</td>
<td>80,499</td>
<td>43%</td>
</tr>
<tr>
<td>Oil &amp; Gas</td>
<td>25,640</td>
<td>25,951</td>
<td>38,835</td>
<td>51%</td>
</tr>
<tr>
<td>Transportation</td>
<td>25,451</td>
<td>52,315</td>
<td>43,607</td>
<td>71%</td>
</tr>
<tr>
<td>Telecommunications</td>
<td>8,118</td>
<td>13,383</td>
<td>5,314</td>
<td>-35%</td>
</tr>
<tr>
<td>Leisure and Property</td>
<td>7,474</td>
<td>13,824</td>
<td>15,439</td>
<td>107%</td>
</tr>
<tr>
<td>Water &amp; Sewerage</td>
<td>4,699</td>
<td>1,578</td>
<td>997</td>
<td>-79%</td>
</tr>
<tr>
<td>Mining</td>
<td>4,071</td>
<td>8,858</td>
<td>10,823</td>
<td>166%</td>
</tr>
<tr>
<td>Industry</td>
<td>3,454</td>
<td>6,306</td>
<td>12,154</td>
<td>252%</td>
</tr>
<tr>
<td>Petrochemicals</td>
<td>2,797</td>
<td>11,306</td>
<td>4,614</td>
<td>65%</td>
</tr>
<tr>
<td>Waste &amp; Recycling</td>
<td>1,194</td>
<td>1,267</td>
<td>724</td>
<td>-39%</td>
</tr>
<tr>
<td>Other</td>
<td>n/a</td>
<td>86</td>
<td>479</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>139,186</td>
<td>208,174</td>
<td>213,487</td>
<td>53%</td>
</tr>
</tbody>
</table>

*Source: Project Finance International*
*Excludes Refinancings, Oil and Gas, Telecoms and Power

Source: Dealogic ProjectWare

“PFI/PPP rose 11% to a record level in 2011”
... but PPP margins remain high

Source: Dealogic LoanAnalytics

Note: Excludes Refis
and refinancing volumes remain low

Source: Dealogic ProjectWare

Value (US$ m) | Number of Refis

World Overview of the PPP Market • 26 March 2012
PwC
Asia Pacific and the subcontinent grow, Europe declines
**Trends, observations and the future**

**Funding markets**

1. Bank debt markets are suffering as a result of global downturn, sovereign crisis and regulatory change (Basle III). Debt is scare and expensive with significant regional variation.

2. Bank market uncertainty and liquidity constraints expected to persist while governments introduce financial regulations tailored to macro prudential concerns.

3. Withdrawal of traditional banks creates opportunities for new players (e.g. Canadian, Japanese and Australian lenders).

4. And for capital markets players and products, but maturity and appetite is highly variable.

Ongoing reliance on multilaterals, state support and development banks. e.g. EIB in Europe, Banobras in Mexico, BNDES in Brazil.

PPP structuring (with Governments willing to take more risk?) will be increasingly important and refinancing will continue to be difficult.
Trends, observations and the future

PPP programmes

1. Uncertainty is likely to slow new PPP procurement in many western European economies and favour non-Eurozone jurisdictions.

2. UK market continues to decline driven by government cutbacks and political desire to reinvent the model “too costly, inflexible and opaque”.

3. Potential opportunities to acquire government-owned infrastructure assets at significant discount (e.g. Greece, Ireland and Portugal).

Continued shift from Europe to the South, East and possibly North America.
And from primary deals to the secondary market and M&A.
The big picture

Fundamental drivers for PPP remain:

• Case for infrastructure investment to create growth and sustain competitiveness is clear

• Gap between required spend and currently affordable spend is increasing, so private capital is required

[Diagram showing the gap between annual need for investment in infrastructure ($3 trillion), current private investment ($1 trillion), and the gap ($2 trillion). Source: World Economic Forum]
The ongoing challenges for policy officials will be to:

• Adapt to current circumstances so that deals can continue to be done
• Sustain clear pipelines and effective deal delivery mechanisms wherever possible
• Ensure long-term affordability and value for money
• Manage the PR of PPPs - make the case