

Market Update

Review of the European PPP Market First half of 2012

Headlines

- During the first half of 2012, the European PPP market recorded its lowest volume for 10 years
- Overall, 41 transactions reached financial close for an aggregate value of EUR 6 billion
- Only 7 countries closed PPP transactions over the period
- As in 2011, France remains the largest PPP market in value terms, while the UK closed the highest number of deals

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This publication has been prepared to contribute to and stimulate discussions on public-private partnerships (PPPs) as well as to foster the diffusion of best practices in this area.

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Data Collection and Methodology

The data used in this publication is an EPEC elaboration of information collected from a variety of sources, in particular Dealogic ProjectWare, InfraNews, Infrastructure Journal and Inspiratia, cross-checked where appropriate against EIB's own project files. The list of PPP projects forming the dataset has been reviewed, where possible, by EPEC members. The data is inevitably incomplete. As a consequence, the findings of this publication should be treated with caution.

This publication deals with:

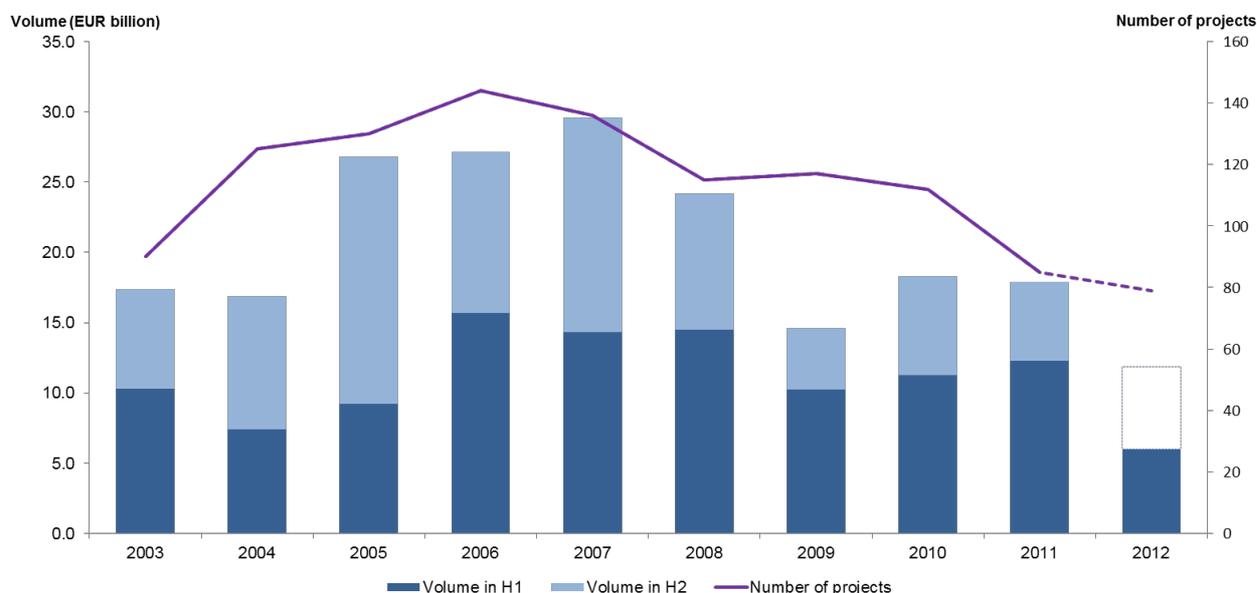
- PPP transactions of a design-build-finance-operate (DBFO) nature or a design-build-finance-maintain (DBFM) nature or concession arrangements which feature a construction element, the provision of a public service and a genuine risk sharing between the public and the private sector;
- transactions financed through 'project financing' and which reached financial close; and
- transactions for a value of at least EUR 10 million.

The project values quoted in this publication refer to the projects' external funding requirements at the time of financial close (i.e. the sum of debt and equity) and therefore exclude public capital contributions.

1. GLOBAL VIEW

- The aggregate volume of PPP transactions that reached financial close on the European market in the first half of 2012 totalled EUR 6 billion. As shown in Figure 1, this half-year market volume is the lowest recorded over the last decade.

Figure 1: European PPP Market 2003-2012 by Volume and Number of projects

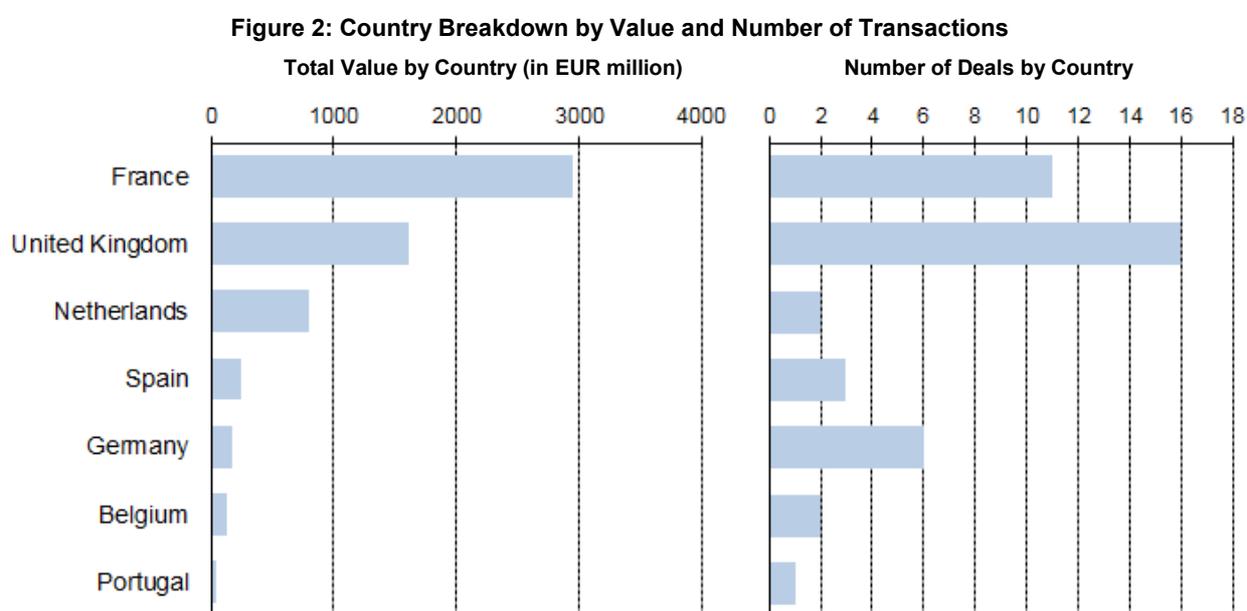


- Over the period, **41 PPP transactions** reached financial close. This is in line with the 44 transactions signed over the first half of 2011 but significantly less than the trend observed over the period 2007 to 2010.
- The **average transaction size** was EUR 146 million, which is below the values for 2011 and 2010.
- **Three large transactions**¹ were signed in the first half of 2012, one in the Netherlands and two in France. Their combined value accounted for 52% of the overall European market volume. These were:
 - Nimes-Montpellier high-speed railway (EUR 1.8 billion) in France;
 - Rotterdam World Gateway port expansion (EUR 720 million) in the Netherlands; and
 - Paris' Tribunal de Grande Instance courthouses (EUR 563 million) in France.

¹ Defined as deals exceeding EUR 500 million in value.

2. COUNTRY BREAKDOWN

- As Figure 2 below shows, in the first half of 2012 **France remained the largest PPP market in value terms** (EUR 2.9 billion), followed by the UK (EUR 1.7 billion). France and the UK alone accounted for 76% of the overall European market volume.
- With 16 deals closed in the first half of 2012 (compared to 20 in the first half of 2011), **the UK remained the most active market in terms of number of transactions**. France closed 11 transactions, while no other country closed more than four PPP deals.
- Only seven countries closed at least one PPP transaction over the period.

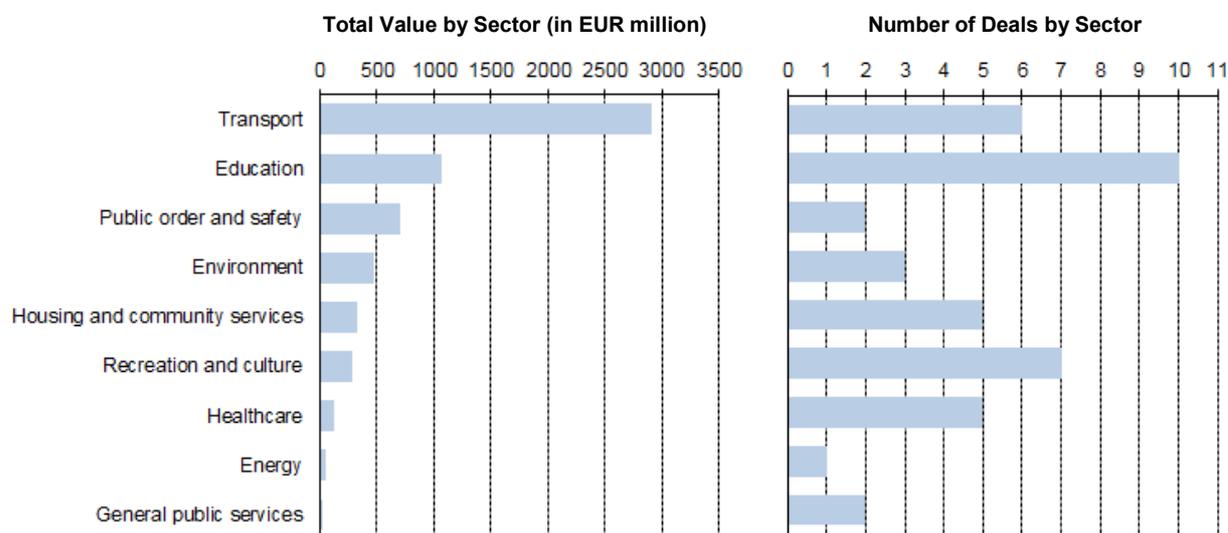


3. SECTOR BREAKDOWN

- Figure 3 below shows that, during the first half of 2012, the **transport** sector recorded the largest volume of transactions (EUR 2.9 billion), accounting for 49% of the overall market value. Six transport PPPs closed (two high-speed railway projects, two road projects, one port expansion and one urban transport project).
- With nine deals closed, the **education** sector proved to be the most active PPP sector over the period. In value terms, it was the second largest sector after transport.
- With seven transactions closed, **recreation and culture** was the second most active sector after education. This continues the trend of 2011, where a number of leisure, aquatic and sport facilities PPPs were signed.

- In the **environment** sector, three waste management/processing projects reached financial close for a total financing requirement of about EUR 600 million. All three were in the UK.

Figure 3: Sector Breakdown by Value and Number of Transactions



4. NOTEWORTHY TRANSACTIONS

The following noteworthy PPP projects reached financial close in the first half of 2012:

- The **R4 Ghent PPP Road** (Belgium) project entails junction improvements over a 4 km of stretch of Ghent's ring road. A notable feature of this project is that it is the first PPP to close in Belgium with a hard mini-perm structure without recourse to a state guarantee.
- The **Dijon Hybrid Buses** project (France) involves the financing, construction and maintenance of a fleet of 102 hybrid buses, to be used for the implementation of a bus-based transport network in the Dijon area. The transaction features a concession period of 16.5 year and an availability-based payment mechanism.
- With its value of about EUR 1.8 billion, the **Nimes-Montpellier high-speed rail bypass** in France is the largest transaction closed in the first half of 2012. It consists of the development of tracks and junctions capable of sustaining both high-speed trains and freight wagons, for a total length of about 90 km. The project will be developed under a 25-year finance, design, construction, operation and maintenance scheme, with an availability-based payment mechanism.
- The **Nottingham Trent University accommodation** project (UK) will see the construction and management of 911 units of student accommodation as well as a new student union building and other facilities over a 40-year concession period. It is the first university PPP in the UK to combine residential and non-residential elements.



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