

QWI

GLOBAL
WATER
INTELLIGENCE
MAGAZINE

9

WATER IS OUR CONCERN

SEPTEMBER 2016



MYANMAR STEPS ONTO GLOBAL WATER STAGE

SUU KYI BROKERS DEAL WITH JAPANESE LENDERS
TO KICK OFF MASSIVE WATER SUPPLY INVESTMENT

BRAZIL SETS OUT STALL FOR CONCESSIONS

POST-IMPEACHMENT GOVERNMENT UNVEILS
PLANS FOR PRIVATE SECTOR PARTICIPATION

EXTERNAL FORCES PUSH TARIFF HIKES

2016 GLOBAL WATER TARIFF SURVEY REVEALS HEFTY
WATER PRICE RISES IN THE DEVELOPING WORLD

WWW.GLOBALWATERINTEL.COM

Volume 17, Number 9

Published by:

Media Analytics Ltd.
Suite C, Kingsmead House
Oxpens Road
Oxford OX1 1XX
United Kingdom
T: + 44 (0)1865 204 208
F: + 44 (0)1865 204 209

E-mail domain name:

globalwaterintel.com

Publisher:

Christopher Gasson
cg@globalwaterintel.com

Editor-in-Chief:

Ian Elkins (E-mail: ie@)

Deputy Editor:

Tom Scotney (E-mail: ts@)

Managing Editor:

Sebastian Lennox (E-mail: sl@)

North America Editor:

Paul Hasler (E-mail: ph@)

Australia Editor:

Max Borchardt (E-mail: mb@)

Head of Marketing:

Chantal Marchesi (E-mail: cmarchesi@)

Head of Sales:

Mark Richards (E-mail: mark.richards@)

Advertising Executive:

Ruth Newcombe (E-mail: rn@)

Full staff contact details:

www.globalwaterintel.com/contact

Registered Company Number: 4412085

ISSN No: 1471-3322. Media Analytics Ltd. accepts no liability or responsibility whatsoever for any loss or damage suffered by the subscriber or any other user of the information contained in this publication. Unauthorised distribution or reproduction of the contents of Global Water Intelligence is strictly prohibited without prior consent of the publisher.

© 2016 by Media Analytics Ltd. All rights reserved. No part of this publication may be photocopied, reproduced, retransmitted, put into a computer system or otherwise redistributed without prior authorisation from Media Analytics

Cover picture: Reuters / Alamy



COVER STORY: Myanmar's leader Aung San Suu Kyi has reignited hope for water security in Yangon by negotiating a loan package with the Japanese government. It is the first step in an ambitious infrastructure build-out programme (see page 24).

4 INTELLIGENCE

- 4 **Need to Know:** News, nuggets and information from the world of water this month.
- 5 **Chart of the Month:** Water security ratings in the Asia-Pacific region.
- 6 **The List:** The world's top 20 desalination plant suppliers.
- 7 **Christopher Gasson:** Nine key takeaway points from this year's Global Tariff Survey.
- 8 **GWI Water Index:** China outperforms as US utilities continue to correct.

9 AMERICAS

- 9 **GWI investigates:** The dynamics of industrial-municipal wastewater partnerships.
- 15 **Hinesville's mine:** ESG poaches Georgian contract from CH2M after 32 years.
- 16 **Pipeline dreams:** Will EPCOR's water conveyance acquisition open up a new market?
- 18 **Letting off pressure:** Pentair refocuses after valve unit sale.
- 20 **Cracking a tough nut:** Will post-impeachment changes open up Brazilian PPPs?

- 21 **Peruvian shake:** Lima fast-tracks water PPPs.
- 22 **Debra Coy:** Picking winners and losers in the smart water explosion.

24 ASIA PACIFIC

- 24 **Big in Japan:** Aung San Suu Kyi secures Japanese loan for Yangon water supply revamp.
- 25 **Sebastian Lennox:** Reading the race for Marina East.
- 28 **Ranhill remastered:** SIIC takes control of industrial portfolio.
- 29 **Metito cognito:** Rami Ghandour reveals Asia strategy.
- 31 **Rise of the Tigris:** Water fund signs \$30m Chinese deal.
- 33 **Willy Yeo:** Why Vietnam is ripe for a closer look.

34 MIDDLE EAST/AFRICA

- 34 **Busy Muscateers:** Water production the priority as restructuring nears.
- 35 **Riyadh all about it:** Saudi desalters to host major PPP get-together.
- 36 **Pointing the way:** Iranian PPP contracts break ground.

- 37 **Tom Scotney:** Like it or not, a new tariff environment has arrived.

38 EUROPE

- 38 **Ofwat flog-off:** UK regulator predicts £3bn household retail market – do the sums add up?
- 39 **Safe move:** How will the Bank of England's purchase plan affect water bonds?
- 40 **Candid Kemira:** Chemicals firm fights margin pressure to secure international growth.
- 42 **Bella Italia:** Legislation looks to serve up a more dynamic private water market.
- 43 **David Lloyd Owen:** Water monitoring data shows sewage handling is serious business.

44 WATER TARIFF SURVEY

- GWI's annual investigation into water and wastewater tariffs around the world.
- 44 **The big picture:** External pressures drive a global rise in tariffs.
- 45 **Who's in first?** The world's ten highest and lowest tariffs – and the big changers.
- 47 **The spaces between:** A regional view of water pricing.
- 50 **On the up:** US water issues drive public awareness – and tariff rises.
- 51 **Just the facts:** All the key data from the 2016 Global Water Tariff Survey.

55 PROJECT TRACKER

GWI's project tracker database seeks out the most important desalination, reuse, utility, water & wastewater treatment contracts around the world.

62 COMPANIES INDEX

An easy reference guide to all the companies appearing in this issue.

ASIAN WATER INVESTMENT

Tigris Water maintains the momentum with \$30m Chinese investment commitment

The Asian water investment platform has struck its first deal by offering \$30 million of funding to help a small EPC company make the transition to a project developer. It is part of a bigger plan to create an ecosystem of players with complementary capabilities.

The Tigris Water investment platform set up by Saud Siddique and Daniel Yeung earlier this year has signed off on its first transaction, committing \$30 million to Chinese EPC contractor and equipment supplier Yixing Jeffcon in order to facilitate its transformation into a project developer.

Jeffcon is owned by Huang Zhengxin, a former COO of Asia Environment Holdings, the Singapore-listed EPC company which he helped transform into a water project developer before it was taken private in 2011.

"This company has a strong pipeline of BOO/BOT projects, and they needed funding quickly to be able to execute them," explained Siddique. "The first projects that we're looking to fund are going to be municipal wastewater treatment plants in southern China, and our strategy is to help them grow this business in a prudent manner." He believes that within the next three or four years, Jeffcon has the potential to execute \$200-300 million of BOO projects, whilst delivering a 15% IRR across the portfolio.

Siddique is convinced that there are sufficient provincial plant opportunities in the 30,000m³/d region which will naturally fall below the radar of the larger state-owned enterprises, while directly negotiated contracts with industrial concerns could generate more lucrative returns.

He also believes that Jeffcon's access to process engineering expertise through Huang's extensive industry connections means that the company is perfectly positioned to take advantage of the transfer-operate-transfer (TOT) contracts that are popular in China. "Generally speaking, the state-owned enterprises do not have the expertise to improve opex. This company [Jeffcon] is an expert in improving operational expenditure to squeeze out the return," Siddique explained.

His vision for the Tigris platform already extends far beyond Jeffcon, however, and he is confident of signing at least two more deals in Southeast Asia before the end of the year, as he begins to cultivate an ecosystem which he believes will deliver multiple benefits across the Tigris portfolio.

Tigris has already signed exclusive termsheets with five other water companies in Asia, representing more than \$200 million of investment opportunities, and Siddique's strategy of taking the time to build and nurture long-term relationships with senior executives at the companies concerned mean that introductions have already taken place which should enhance cross-selling opportunities.

By inviting representatives from Tigris' future investment targets to the Jeffcon signing ceremony, for example, Siddique was able to create an instant networking environment which will help bring his vision for a complementary ecosystem of companies one step closer to reality.

Although Jeffcon derives 40% of its revenues from its water and wastewater treatment EPC business, 60% of its sales are generated through the sale of energy-efficient aeration blowers – for which it is the exclusive Chinese licensee for a major international manufacturer. While the majority of the Tigris funding will go towards funding BOO/BOT projects, Jeff-

con is also expected to use a portion of the proceeds to lease aeration blowers under energy savings performance contracts.

As Jeffcon and Tigris' other investee companies gain project references, Siddique is keen to exploit the possibility of recycling the capital tied up in projects by hiving them off into an unlisted yieldco vehicle. "Within the next two or three years, we will have a pool of BOO projects throughout the region which are ideal for us to package and put into a yieldco," he explained. "Once we get critical mass, there is substantial ability for us to sell tranches to pension funds and insurance companies by offering a very predictable yield, underpinned by long-term contracts where there is no construction risk."

While most of the initial \$30 million commitment will be deployed as project equity, the agreement also gives Tigris the option to take a significant equity stake in the company itself (and in any BOO/BOT projects it secures). Should everything go to plan, Tigris hopes that a viable exit will present itself within four to five years. ■

ASIAN WATER HEAVYWEIGHTS ENTER THE RING

Huang Zhengxin (left), CEO of Yixing Jeffcon, is looking to transform his new company from an EPC contractor into a project developer with the help of a \$30 million investment from Tigris Water. Tigris CEO and water sector veteran Saud Siddique is pictured on the right.

