

CEE countries offer huge investment opportunities in airport and renewables: CMS 2019 Infrastructure Index

- CMS publishes its biennial Infrastructure Index which ranks 50 countries in order of infrastructure investment attractiveness
- Poland leads the CEE regional table, with six other CEE countries listed in the Index
 - CEE shows highest growth in passenger traffic in Europe, with major airport expansion projects announced

27 November 2019. Central and Eastern Europe is brimming with opportunities in renewables, airport expansions and electrification of transport as the race towards green leadership and proactive government policies gather pace. These are among the findings published in the 2019 CMS Infrastructure Index: Bridging Continents.

The latest report by international law firm CMS in conjunction with inspiratia, analyses data against six criteria to create a guide to the most attractive destinations for infrastructure investment in the world. This year's report confirms that a crucial point has been reached in the global transition into greener, smarter and more sustainable investments and assets.

Secondary market opportunities rapidly expanding in CEE

Seven countries in CEE secured a ranking in the 2019 Index, with Poland claiming the top spot across the region for investment attractiveness. Poland, which this year rises three points since the 2017 index to claim 19th position in the 2019 global index, is making huge strides in the clean energy sector. In August it signed one of its first PPAs between a wind farm producer and car manufacturing group, marking Europe's first automotive renewables transaction. Meanwhile, the Polish government is putting forward ambitious targets to reduce its coal generation by 50% by 2040 and develop 10 GW of offshore wind capacity by 2030.

The report reveals that the secondary market in CEE is rapidly increasing, with the region boasting the highest growth of passenger traffic in Europe. CEE countries are announcing huge airport expansion projects, such as Serbia's Nikola Tesla airport, which, following the acquisition by Vinci, plans to invest roughly EUR 730m to build-up the facility into the best-connected airport in the region. Many are also planning new greenfield additions, including in Romania and Lithuania.

The findings also show that CEE countries are making significant strides with electric vehicles following an upsurge in demand. Germany-based Ionity partnered with Shell in Q3 2018 to deploy EV charging stations in 24 European countries, including Poland, Czech Republic, Hungary and Slovakia, as part of what could be the Europe's largest ultra-fast charging network. Austria's largest electricity provider, Verbund, also partnered up with Enel X, Smatrics, Greenway and OMV to develop EV charging infrastructure in Romania, Slovenia, Croatia, Hungary and other countries in the CEE region.

Marcin Bejm, Head of Infrastructure at CMS Poland says: "Poland's strong position in the Index is gratifying and reflects the strength of the secondary infrastructure market and the government's support for investment in sustainable assets. Throughout the CEE region there is growing commitment to new technologies and clean energy, with encouraging signs of foreign business partnership, which bodes well for the future."

Europe charges ahead in sustainability race

Germany overtook the Netherlands to take the top spot in the 2019 Index, thanks to its considerable sustainability and innovation drive. The country is putting climate action at the

centre of the German national identity, supported by a number of offshore wind projects, the construction of a fourth electricity highway and an extensive EV charging programme. Elsewhere, notably the Brexit-effect is taking its toll on the UK infrastructure sector as it slips five places to 9th position on the 2019 Index.

Overall, Europe claimed six of the top 10 countries in this year's Index.

Other findings in the report show:

- **Asia Pacific: leaders in digital transformation:** Investment in digital infrastructure is on a general upswing in the Asia Pacific region, with major hubs vying for supremacy in the communications sector. Singapore ranks 3rd in the overall Index, with numerous digital infrastructure investment opportunities are backed-up by strong regulatory frameworks and initiatives such as Singapore's Digital Industry (DISG), an authority dedicated to driving digital infrastructure investments, further bolstering the country's reputation as Asia's data centre hot spot. China has also shown significant improvement in the rankings, rising by 10 points since the 2017 index to claim 18th spot, thanks to its considerable 5G efforts. Over 10 million advance orders for 5G data plans were submitted to China's three mobile operators, and they will deploy a total of 130,000 standalone 5G base stations across the country by the end of 2019.
- **Smart cities shaping the Middle East's future:** As private-led investment continues to build across the region, the report shows that the Middle East is making significant headway in becoming a global smart and sustainable city hub. Supportive PPP legislation in the UAE, Kuwait, Qatar, Oman and soon Saudi Arabia is set to increase investor confidence and support for the region's economic diversification. The region has also presented some of the most ambitious solar and onshore wind projects including closing a pipeline of over 2.8GW, according to inspiratia, and putting renewable energy at the centre of its growth agenda.
- **LatAm leads innovation across the Americas:** Major interconnectivity projects in Latin America mean that the region is leading on innovative digital infrastructure of the future. Examples include a 3,500km-long submarine fibre optic network from the north to the south of Chile and the recently completed 10,000km subsea cable connecting California to Chile. In North America, Canada has maintained its appeal to private and institutional investors through strong PPP procurement activity. Despite high-profile announcements in the US to improve the country's highways, railways, bridges and broadband, discussions with the government on these issues have come to a halt.
- **African trade ambitions boost interconnectivity:** Fiscal constraints and limited project finance capabilities may hinder ambitions, but African governments are starting to open their doors to greater private investment to overcome their infrastructure shortfall. East Africa in particular demonstrates strong political will for renewables. Kenyan President Uhura Kenyatta has announced an ambitious programme to move Kenya's installed renewable energy capacity from 70% to 100% by 2020. A target well within reach due to the 310MW Lake Turkana wind farm, which was connected to the national grid, via the new USD 271m Loiyangalani-Suswa power transmission line, in December 2018.

Kristy Duane, Co-Head of Infrastructure and Project Finance at CMS, comments:

"Infrastructure is connecting people worldwide at an unrelenting level. With sustainability, innovation and digital transformation at the heart of government agendas, investors are

finding new and exciting opportunities on a global scale, including in 5G, subsidy-free renewables, smart cities and PPP in new markets.

As our 2019 report illustrates, infrastructure assets play a vital role in climate change mitigation, with top-ranked Germany a standout example of a country that is transforming its infrastructure efforts to meet its ambitious targets. Environmental, social and governance (ESG) criteria are becoming a top priority for infrastructure investors – however this brings with it challenges as investors navigate a complex matrix of evolving requirements and standards for different assets around the world.

M&A activity was also an important feature in markets globally in 2019, with developing economies, in particular, investing heavily in roads, rail and airports to drive economic growth and bring them closer to international trading partners.

Overall, the infrastructure sector continues to present a positive picture in an uncertain world.”

To find out more, please read the 2019 CMS Infrastructure Index here: cms.law/infraindex2019

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Notes to Editors

Top five countries offering the greatest opportunities for investors:

- 1. Germany:** Germany takes the number one spot in the 2019 Infrastructure Index. The country's move to the top of the rankings is attributed to its focus on sustainability and innovation – an increase of almost 8% from 2017 – as well as an improvement in ease of doing business (from 80.44% in 2017 to 83.33% in 2019).
- 2. Netherlands:** The Netherlands continues to be a top market for infrastructure investors. The country's traditional and digital infrastructure sectors present vigorous opportunities for global players, such as Macquarie Capital, Siemens and Shell.
- 3. Singapore:** One of the world's most competitive economies as well as a thriving financial hub, Singapore jumps up three places from the 2017 CMS Infrastructure Index to third in 2019. In addition to the highly favourable tax environment, robust political framework and macroeconomic landscape, Singapore has become Asia's data centre hotspot, thanks to an unprecedented growth in the digital infrastructure sector, including 5G, broadband, IoT and cloud computing.
- 4. Australia:** Ranked 4th globally, Australia is home to some of the world's largest infrastructure and energy investors. The Australian government continues to offer unwavering support and announced in 2019 that it will invest at least AUD100bn in the transport infrastructure sector over the next 10 years.
- 5. Canada:** Canada has proactively maintained its attraction for private and institutional investors through its strong PPP procurement activity, which continued apace during 2019. Although the focus is largely on traditional infrastructure, and most specifically transport, opportunities in social infrastructure PPPs remain abundant.

Methodology

The parameters of the Index are based on the following six main indicators and further sub-indicators, as shown below:

- Economic status
- Sustainability and innovation
- Tax environment
- Political stability
- Ease of doing business
- Private participation

All of these are weighted as follows:

Economic status (28%):

- Annual trade (% of GDP) 4%
- Credit rating and outlook 19%
- Interest rates 5%

Sustainability and innovation (16.5%):

- Environmental performance 5%
- Innovation 2.5%
- Quality and condition of infrastructure 9%

Tax environment (7%):

- Corporate tax rate 3%
- Resource drain 1%
- Complexity 3%

Political stability (19.5%):

- Governance and stability 10%
- Rule of law 2%
- Regulatory stability 7.5%

Ease of doing business (12%):

- Transparency/corruption 5%
- Ease of doing business 7%

Private participation (17%):

- Government support 5%
- Gross fixed capital formation 2%
- Private investment 10%

The scores and subsequent rankings of the top ten countries are highlighted below.

Country	Economic status	Sustainability and innovation	Tax environment	Political stability	Ease of doing business	Private participation	Final rankings
Germany	26.40	14.11	5.21	17.55	10.00	16.40	89.67
Netherlands	27.20	13.81	5.16	18.37	8.35	16.35	89.23
Singapore	27.00	12.89	4.96	18.90	10.60	13.55	87.90
Australia	25.10	13.20	5.24	16.77	11.25	15.95	87.50
Canada	25.10	12.56	4.60	17.35	11.10	15.95	86.66

Norway	25.50	12.71	5.49	19.18	9.15	14.05	86.08
United States	23.04	13.22	5.02	16.11	11.30	16.05	84.73
Finland	23.32	13.50	5.18	18.56	9.90	13.35	83.81
United Kingdom	21.32	13.63	4.93	17.97	10.35	14.95	83.15
Belgium	21.88	13.17	5.48	16.89	9.40	15.25	82.07

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About CMS

Founded in 1999, CMS is a full-service top 10 international law firm, based on the number of lawyers (Am Law 2016 Global 100). With more than 70 offices in over 40 countries across the world and employing more than 4,800 lawyers, CMS has longstanding expertise both in

advising in its local jurisdictions and across borders. From major multinationals and mid-caps to enterprising start-ups, CMS provides the technical rigour, strategic excellence and long-term partnership to keep each client ahead whatever its chosen markets. Revenues totalled EUR 1,3bn in 2017.

CMS provides a wide range of expertise across 19 expert practice and sector areas, including Corporate/M&A, Energy, Funds, Lifesciences, TMC, Tax, Banking and Finance, Commercial, Competition & EU, Dispute Resolution, Employment & Pensions, Intellectual Property and Real Estate & Construction.

About Inspiratia

Inspiratia is a pre-eminent and trusted source of global data, analytics, news and events for the renewable energy and infrastructure sectors since 2010. Its forward-looking and in-depth analyses of markets, tracking key trends and industry dynamics are sought after by leading practitioners globally including leading developers, banks, investors, infrastructure funds and advisers and increasingly new market entrants such as corporates and technology providers.

inspiratia produces a daily news and analysis service for both infrastructure and renewable energy markets. inspiratia has a dedicated team of analysts who undertake bespoke research and analysis, including transaction support, for its global client base.

The commercial, financial and economic content produced by inspiratia is complimented by a global programme of briefings, roundtables, webinars and conferences, chaired by our industry experts.