LTIIA welcomes a new Member:

LTIIA registered a new member early 2021 with NSW Treasury Corp.: 

NSW TCorp is a public sector fund based in the Australian state of New South Wales; it is the financial markets partner of the NSW public sector, tasked with protecting the financial interests of the state through best-in-class investment management, financial management, solutions and advice that delivers sustainable returns and financial efficiencies for its clients. It is both an asset owner and asset manager on behalf of NSW public sector.

With Assets under management (AUM) over AUD 105bn, out of which Infrastructure AUM is approx. A$6.5 billion, TCorp is a top five Australian investment manager. It is rated Aaa (Stable) by Moody’s and AA+ (Stable) by S&P.
LTIIA participation in Industry events:

Recently convened:

The on-going crisis restrained LTIIA scheduled event participation over the last months of 2020 to webinars & virtual events, taking place by video or audio-conference. Among the events which we took part in over the last 3 months were:

11th November: PwC Luxembourg 5th Infra Sound Bite, part of Alternatives Week
This Infra Sound Bite was jointly organized with LTIIA on COVID’s Impact on Infrastructure. The 1 hour panel session gathered the following members of LTIIA: Frédéric BLANC-BRUDE for EDHEC Infra, Matthias WOITOK for EIB and Francois-Olivier RUZEK (PWC), and addressed issues ranging from impact of COVID on Infra, sector-wise & region-wise, the corresponding asset allocation challenge for Institutional investors and the Impact on their strategy and appetite for infra risk.

27th November: AOAC SDG Framework presentation: This 1-hr webinar organized jointly by LTIIA and GRESB presented the new framework created under the CFA Asset Owners Council (AOAC), for asset owners & managers to measure impact of infrastructure assets on delivery of the SDGs and ESG; the exchange allowed those LTIIA members that have developed their proprietary SDG assessment methodology to explain how they proceeded, and how it could be articulated with the proposed framework.

9-10 Dec 2020 The Global Infrastructure Dialogue 2020- Frankfurt
The panel moderated by F.Bergere, discussed the latest global trends in infrastructure, and more specifically segmentation and specialisation in a maturing asset class with corresponding differentiated strategies by different actors.

Marketplace initiatives:

LTIIA is leading, or participating in, the following methodological working groups, set up with the intent to provide feedback from players, table proposals and participate in consultations with public decision-makers at regional or global levels.

- FAST-Infra (“Finance to Accelerate the Sustainable Transition-Infrastructure”): FAST-Infra, a broad-based, Finance industry-led open and inclusive initiative launched in 2020 by: CPI, GIF, HSBC, IFC & OECD is designed to develop sustainable infrastructure
(SI) into a deep and liquid asset class, and scale-up private investment in SI in emerging and developing countries by introducing a sustainable infrastructure labelling system and platforms for targeted market financing interventions.

- Working group 1, to which LTIIA is contributing, deals with **Sustainable infra label** with underlying standards, governance / reporting rules and terms by which it is awarded. By end-March, a Draft Framework Document will be circulated and pre-consultation roundtables set up, including one with Institutional investors to which LTIIA members will be invited to participate; while Q2-2021 should see the wider Public Consultation and finalised Framework Document

There are 4 other workstreams covering:

- **Technology-Enabled Securitisation Platform** (An 'end to end' workflow system allowing a more rapid and concentrated flow of documentation and data throughout the project stages)
- **Global Renewable Energy Guarantees**, Regional diversified guarantee funds / off-take guarantees covering several months of debt payments (e.g. for PPAs)
- **Open-Sourced Managed Co-Lending Portfolio Programme**, a Syndication structure involving MDBs and allowing for participation from a wide range of Investors in emerging markets through credit enhancement (first loss absorption tranche).
- **Sustainable Financing Facility**, for Banks and concessional capital lend to NDBs for on-lending to sustainable infra projects

The whole set of deliverables will be presented at the COP26 in November.

• **Financing for development** :

  Though not directly linked to LTIIA work program, this working group, piloted by F.Bergere for Paris Europlace/Financing for tomorrow addresses a closely related theme: How can post-crisis infrastructure financing -from private sector side - be scaled up and its efficiency increased, in particular through better use of Blended finance tools made available by MDBs, IFIs and NDBs, so as to better contribute to Sustainable development goals, and economic recovery in developing countries.

  The first deliverable consists of a mapping of main players, with a particular focus on actors based in France/Europe, involved in the infrastructure financing industry in emerging countries, whether financial and non-financial actors, participating directly (financial flows) and indirectly (technical assistance) in financing SDG- enabling infrastructure projects. One of the objectives of this mapping is to identify how actors interact with each other and highlight possible gaps. Full report to be completed in 2nd half of 2021.
LTIIA internal working groups:

Following the ESG theme last year, 2 new working themes have been selected for this year 2021, based on the survey of LTIIA members’ priorities.

1-Volatility of unlisted equity investment:
LTIIA and EDHEC Infra launched a new joint research project addressing the issue of Volatility of Unlisted Infrastructure Equity Investments. The objective is to provide investors in long-term infrastructure assets with an in-depth understanding of the drivers of volatility in the returns of unlisted infrastructure, so as to better inform their investment decision-making process.

This research will distinguish between three sources of variance of unlisted infrastructure returns: cash flows, the unlisted infrastructure equity risk premia and interest rates. It will provide a detailed analysis of the sensitivity of returns to changes in the corresponding drivers, including:
- short-term shock to cash flows/dividends (Covid-19 lockdowns) and long-term shifts in revenue profiles,
- the different risk factors driving the equity risk premia in the market for private infrastructure equity investments
- the impact of interest rates (duration) and different types of evolution of the yield curve

The paper will discuss the relevance of measuring and managing the risks inherent in unlisted infrastructure assets including their potential integration in the risk management and asset-liability management frameworks of different investors. The analysis will include detailed results by TICCS ® market segments and key geographies.

-Calendar: mid-March 2021: first complete draft for comments, followed by official publication Early April 2021
-Dissemination: April 2021: Webinar organized jointly by EDHECinfra & LTIIA (to be recorded and made available online), Inclusion in the EDHECinfra and LTIIA newsletters (May 2021: ) including an ‘interview’ of LTIIA chair, and discussion of the paper in the program of the July 2nd 2021 InfraDay event in London.

2-Social infrastructure:

Though not all LTIIA members do actually invest significantly in that field, there is a shared interest to do more in this respect, linked with the key importance of Social Infra highlighted during the sanitary crisis, chronic underinvestment and the prospect of increased budgetary constraints going forward, post-COVID: Social Infra thus offers new
prospects for institutional investors in search of portfolio diversification and ESG/Impact credentials

The Working group, with close to 20 LTIIA members participating, aims to come up with actionable recommendations for institutional investors, and also for public development banks/authorities/regulators (as we plan to Team up with our public sector associate members: ELTI and D20-LTIC).

The first WG meeting, held on Feb18th, dealt with:

- Scoping (what Definition of Social Infra to retained, and overlaps with Real Estate, Private equity, or other Alternative assets?)
- Methodology & deliverables: identifying drivers for current low flows/levels of investment to Social infra & recommendations for scaling up to Institutional investors (Equity & Debt), and “enablers” such as Public procuring authorities, Regulators…

A mapping of active players on Investors’ side is also envisioned

Dissemination of the main takeaways is planned in H2-2021 through LTIIA Website, Webinars (including jointly with D20-LTIC and/or ELTI?) and at the Paris Infraweek (& LTIIA AG) in October.

-the COVID crisis impact on Infrastructure investment is another theme considered, though not prioritized, for 2021: Members are invited to share, data & use cases, best practices, lessons on how they responded to sanitary and economic crisis, while relevant info will be shared with ELTI and D20-LTIC. In March a joint webinar with D20-LTIC will be scheduled highlighting findings from the recently published EIB Investment Survey – in particular of the impact on investment decisions as a result of the covid-19 pandemic.

Internal Governance:

- LTIIA held a Board meeting on Jan 11th: beyond the latest activity updates, the Board members discussed the scope and priorities of the various themes envisioned to be covered by LTIIA working groups, eventually selecting Social infrastructure and Volatility of Unlisted Infrastructure Equity Investments for FY2021, with the new Infra Normal post COVID impact, also identified as a relevant theme. Board members were also informed of the participation of LTIIA in a Current bid for EU Green deal call on Sustainable cities/“Towards Climate-Neutral and Socially Innovative Cities” program; the results of the bid are expected in the coming weeks: more details to be provided then; if bid successful and our consortium is selected, LTIIA will contribute to the Innovative financing workstream
News from our partners:

➢ **GIH (Global Infra Hub) published its Infra monitor for 2020:**
Monitor annual reports provide in-depth analysis on infrastructure themes earmarked in the G20 infrastructure agenda. The inaugural 2020 edition focuses on private investment in infrastructure and infrastructure investment performance. The report provides context and insights into what the data tells us and how it can assist the infrastructure-related G20 decisions and priorities.

See: [https://www.gihub.org/infrastructure-monitor/](https://www.gihub.org/infrastructure-monitor/)

➢ **Guggenheim Investments,** issued a report, jointly with the WWF, on “Measuring Sustainability in Infrastructure Investment-A Case Study Assessment of Selected Standards and Tools”, testing four standards and tools:

- The IFC Performance Standards (IFC PS) and Equator Principles (EP),
- Envision (a rating system by the Institute of Sustainable Infrastructure (ISI)), the UN Sustainable Development Goals, and
- Impact measurement and valuation (IMV), and applying them on two infrastructure assets, one in a developing economy and one in a developed economy.

The research found that each of the 4 standards provides a valid but different perspective for investors; The effectiveness of each standard or tool depends to a large extent on the specific needs of the individual investor.

No single standard or tool was found to satisfy all of the sustainability assessment needs of the infrastructure investor, so that Investors are likely to find that a combination of different standards and tools is necessary to provide the breadth of perspective and full range of insights they seek.

All four standards tested were found to be weak in addressing certain key aspects (gaps in relation to “black swan” events, such as the financial quantification of physical risks from climate change).

See: [https://www.guggenheiminvestments.com/](https://www.guggenheiminvestments.com/)
Campbell Lutyens released in Dec 2020 a market report on: COVID-19: Investment Sentiment & Impact on Infrastructure assessing LP investor sentiment, based on a Survey across private equity, private infrastructure and private credit investors, showing current trends to be: resilient, yielding, green and digital. Among the main findings:

Infrastructure, as an asset class has proven to be generally resilient through the COVID-19 crisis, but divergence between sub-sectors has been very marked: LPs are becoming much more nuanced in selecting between strategies and asset categories, with increasing focus on the following assets:

i. contracted (PPP/PPA/C&I);
ii. non-GDP correlated (utilities);
iii. Inflation-protected (concessions/regulated)& ESG compatible categories

Infrastructure fundraising remains concentrated on relatively few, large, brand names where investors can get comfortable making virtual commitments without on-site due diligence in person.

The pandemic has accelerated regulators’ and investors’ focus on growth areas: digital infrastructure and the energy transition (to net zero), and due to political and regulatory pressures, investment into sustainability / impact-driven strategies is expected to accelerate further.

A new version of this LP investor sentiment report is due at the end of Q2.
See https://www.campbell-lutyens.com/

➢ EDHEC Infra just released its indices for Q4 2020 and assessment for whole year:
See : https://edhec.infrastructure.institute/announcement/q4-2020-index-release-infrastructure-and-covid-was-2020-a-bad-year-or-the-worst-year/
Meridiam:
- Jan 2021: Meridiam-led consortium won a 33-year PPP contract to modernize and maintain the central utility plant at the California State University, Fresno Campus. The contract — valued at about $170 million — will address the campus hot- and chilled-water generation and distribution piping network providing more than 25,000 students, faculty and staff with energy-efficient and reliable heating and cooling. In addition, the project includes PV solar panels to be built over existing campus parking lots and energy conservation measures within buildings to reduce campus energy usage and carbon footprint.
- Dec 2020: Meridiam and Vinci designated as preferred bidder for the D4 motorway PPP contract in the Czech Republic, a DBFOM new 32 km (+ upgrade of 17 km) motorway.
- Nov 2020: Meridiam acquires eight public infrastructures in Spain consisting of 4 hospitals (3,350 hospital beds), 2 roads (125km), the Barcelona Law School extension (which serves 7,000 students) & Canal de Navarra, a hydraulic infrastructure with a 760 km irrigation system.

See: https://www.meridiam.com/

(NB: other members wishing to see some of their recent developments reflected here, or on our website, should contact LTIIA)