

Melbourne Desalination PPP

Alternative Project Financing

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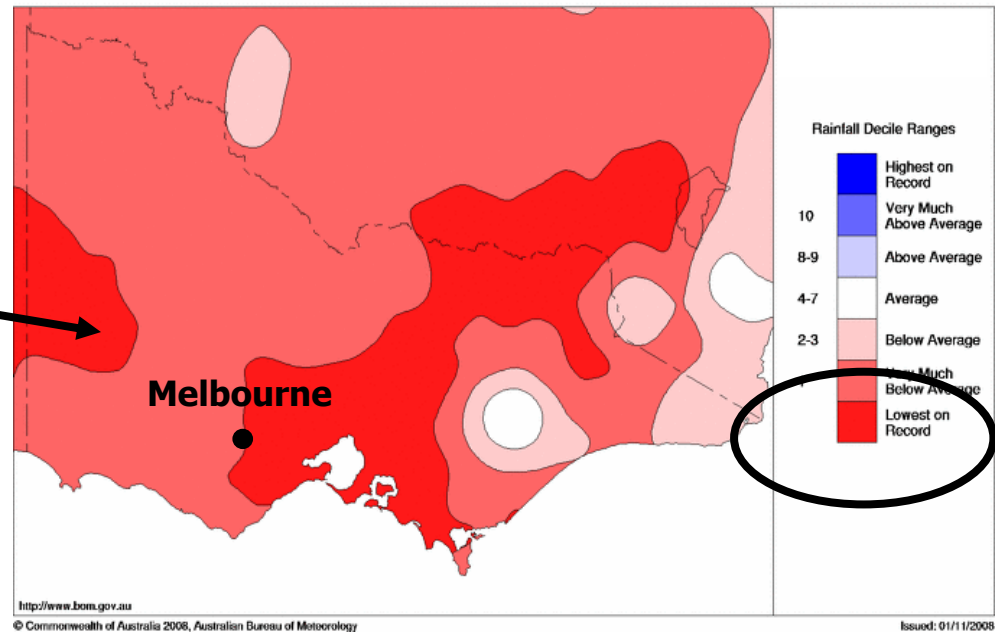
Melbourne Seawater RO Desalination Project

State of Victoria – Project Need

- A Water Supply System Entirely Dependent Upon Rainfall
- Ongoing Drought
 - ❖ Record low rainfall in recent years



*Victorian Rainfall Deciles :
November 2005
to October 2008*



Melbourne Seawater RO Desalination Project

Project Scope – 4 Distinct Components



Desalination Plant

- ❖ 150 GL/year (109 MGD)
- ❖ Plant expandable to 200 GL/year (145 MGD)

**Marine Tunnels &
Intake / Outfall
Structures**



Transfer Pipeline

- ❖ 84 km / 52 miles underground water pipeline (1.94 m / 76 inch diameter)

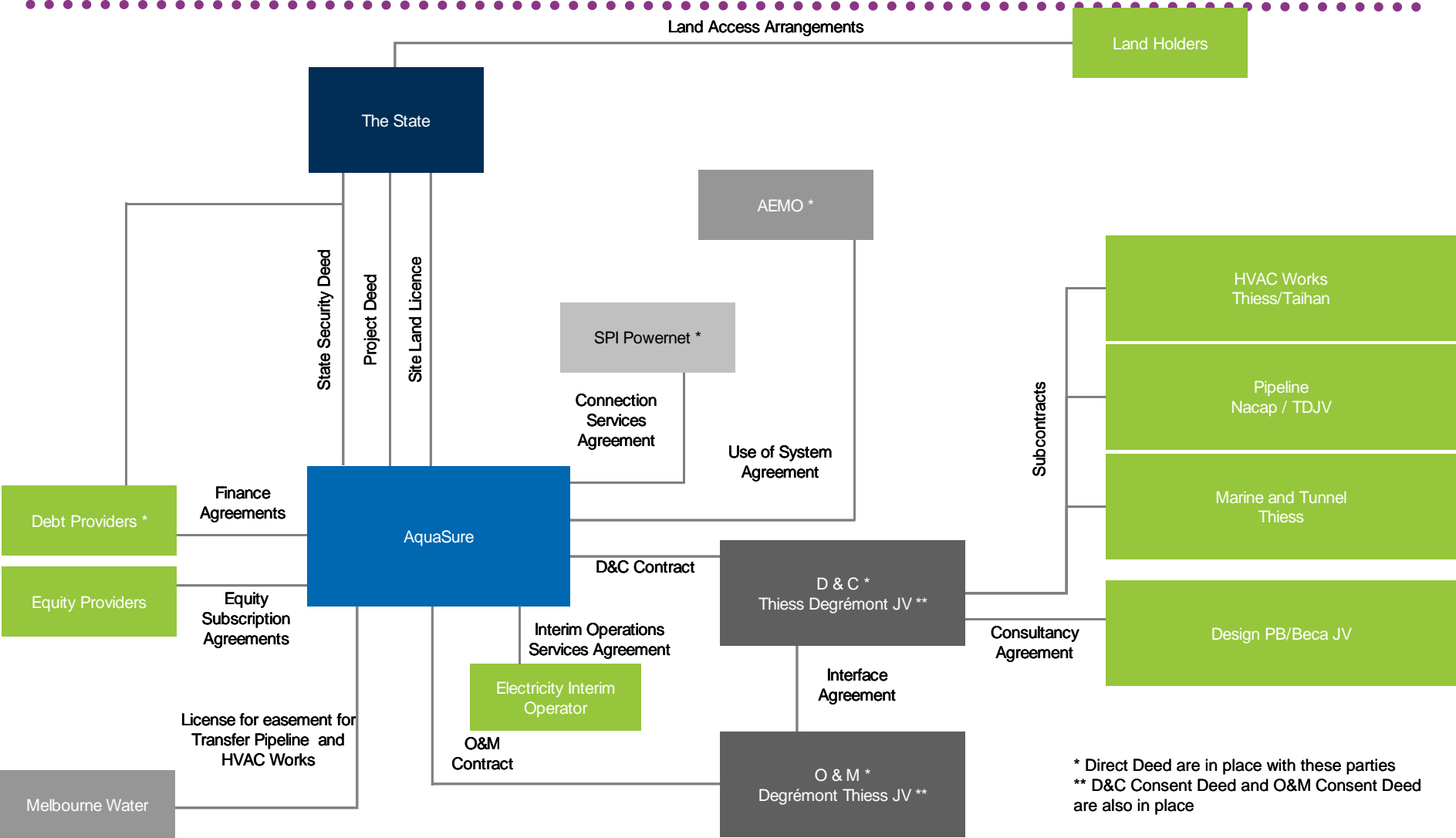


Power Supply

- ❖ 87 km / 54 miles underground HV power transmission line
- ❖ 100% of electricity used for Desalination Facility offset by purchase of Renewable Energy Certificates

Melbourne Seawater RO Desalination Project

Contractual Structure



* Direct Deed are in place with these parties
 ** D&C Consent Deed and O&M Consent Deed are also in place

Melbourne Seawater RO Desalination Project

AquaSure – D&C and O&M Contractors

Design & Construction



Thiess Pty Limited 65 %



Degrémont Pty Limited 35 %

Operations & Maintenance



Degrémont Pty Limited 60 %



Thiess Services Pty Limited 40 %

Power & RECs



AGL Sales Pty Ltd Power

AGL Hydro Partnership RECs



Melbourne Seawater RO Desalination Project

Project Financing – Constraints & Solutions

- PPP Requirements (DBO Offer Not Considered by State)
 - ❖ Maximize private funding
 - ❖ Minimize State funding
 - ❖ Significant pressure to identify Equity Investors / Debt Lenders

- A Flexible Financing Structure
 - ❖ Strong commitment from 2 major Australian Banks to enable syndication
 - ❖ Strong support from State of Victoria State Guarantee & potential co-funding
 - ❖ Very successful syndication strategy with State involvement; oversubscribed by 50%

- Very International Project
 - ❖ 33 Banks (16 nations)
 - ❖ 7 Private Equity Investors (5 nationalities)
 - ❖ Strong Australian Influence – 40% of materials (AUD value) sourced in Australia



Melbourne Seawater RO Desalination Project

Project Financing – Constraints & Solutions

■ Financial Crisis & Process Concerns

- ❖ Project timing coincides with worst financial crisis in 90 years
- ❖ Banks with strong powers of negotiation,
- ❖ Limited knowledge of Desalination process, and
- ❖ Increased expectations in protecting their interests
- ❖ Joint and several guarantees required from parent companies

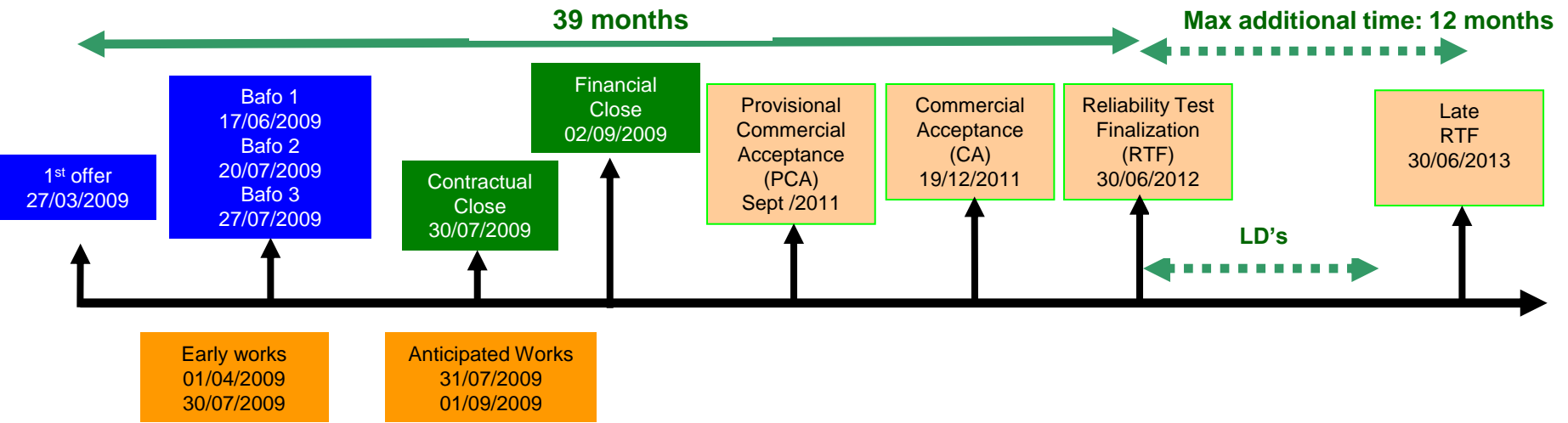


Melbourne Seawater RO Desalination Project

Project Financing – Constraints & Solutions

■ Fast Track Construction

- ❖ Skid-mounted equipment assembly
- ❖ Provides considerable time savings on construction schedule (6 to 9 mo.)
- ❖ Significant impact on interest rate savings

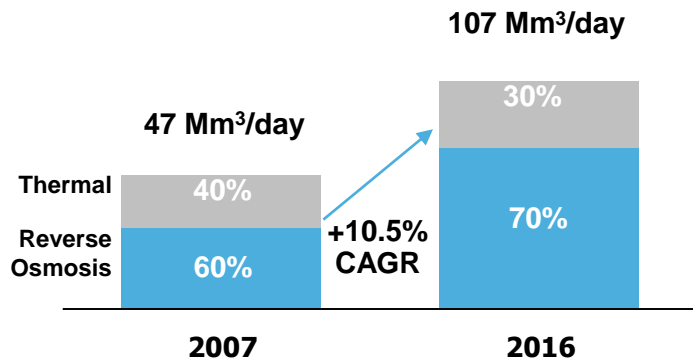


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Project Financing – Critical Point

■ Importance of a Robust Business & Financial Model

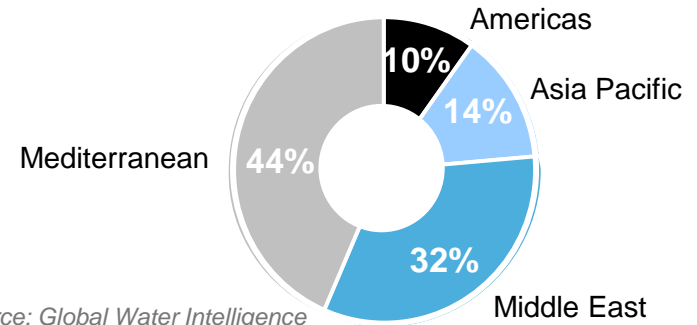
WORLD DESALINATION CAPACITY FORECASTS (2007-2016)



Source: Global Water Intelligence

CAPEX FORECASTS

World reverse osmosis cumulated capex by region (2005-2015)



Source: Global Water Intelligence

■ Leading Position of SUEZ ENVIRONNEMENT in Reverse Osmosis Desalination

- ❖ 250 plants built by Degrémont in 40 years
- ❖ Built the world's first seawater RO plant in 1973
- ❖ 6 plants of more than 120 000 m³/ day (32 MGD) in last 2 yrs (Fujaïrah, Wadi Ma'in, Perth, Barka, Barcelona, Al Dur)
- ❖ July 2009: inauguration of Barcelona desalination plant, largest in Europe
- ❖ August 2009: **Melbourne**, largest desalination plant in the Southern hemisphere

Melbourne Seawater RO Desalination Project

AquaSure : A Public-Private Partnership Milestone

Take-Home Message

- Proposal Phase
 - ❖ Well Defined Project Drivers / Objectives = Time Savings
- Among Top 10 Largest PPP Project Ever
 - ❖ Project Continuity from Commissioning to Facility Operations is Key
 - ❖ Recommendation for Dedicated Tax & Accounting Expertise
- Project Transparency / Cooperation is Critical
 - ❖ Amongst Project Partners
 - ❖ With Financial Institutions
 - ❖ Between Client / Service Provider
- Clear Definition of Project Roles = Risk Management
- Financing is Available for Sound / Quality PPP Projects