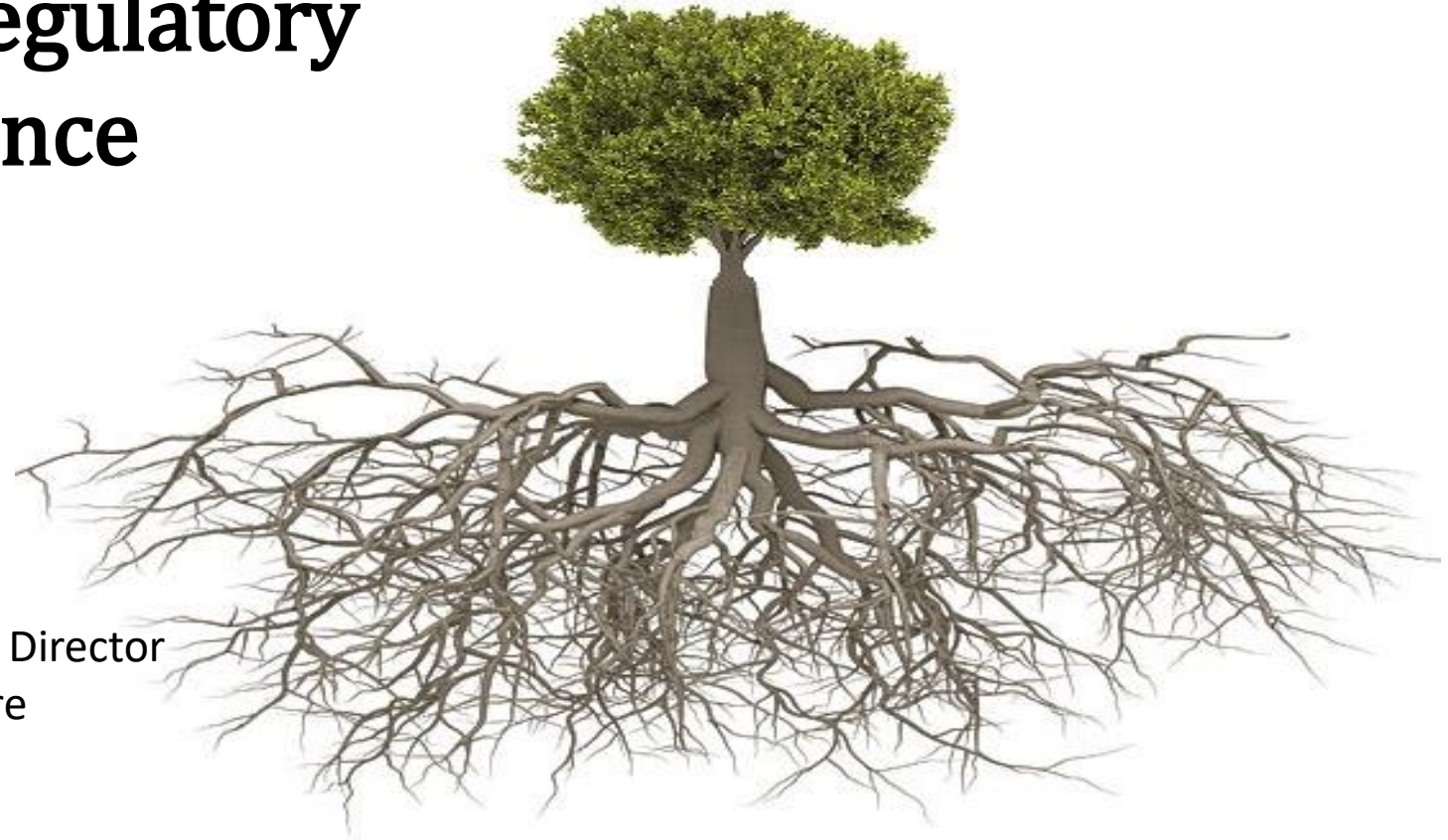


ACCC/AER Regulatory Conference

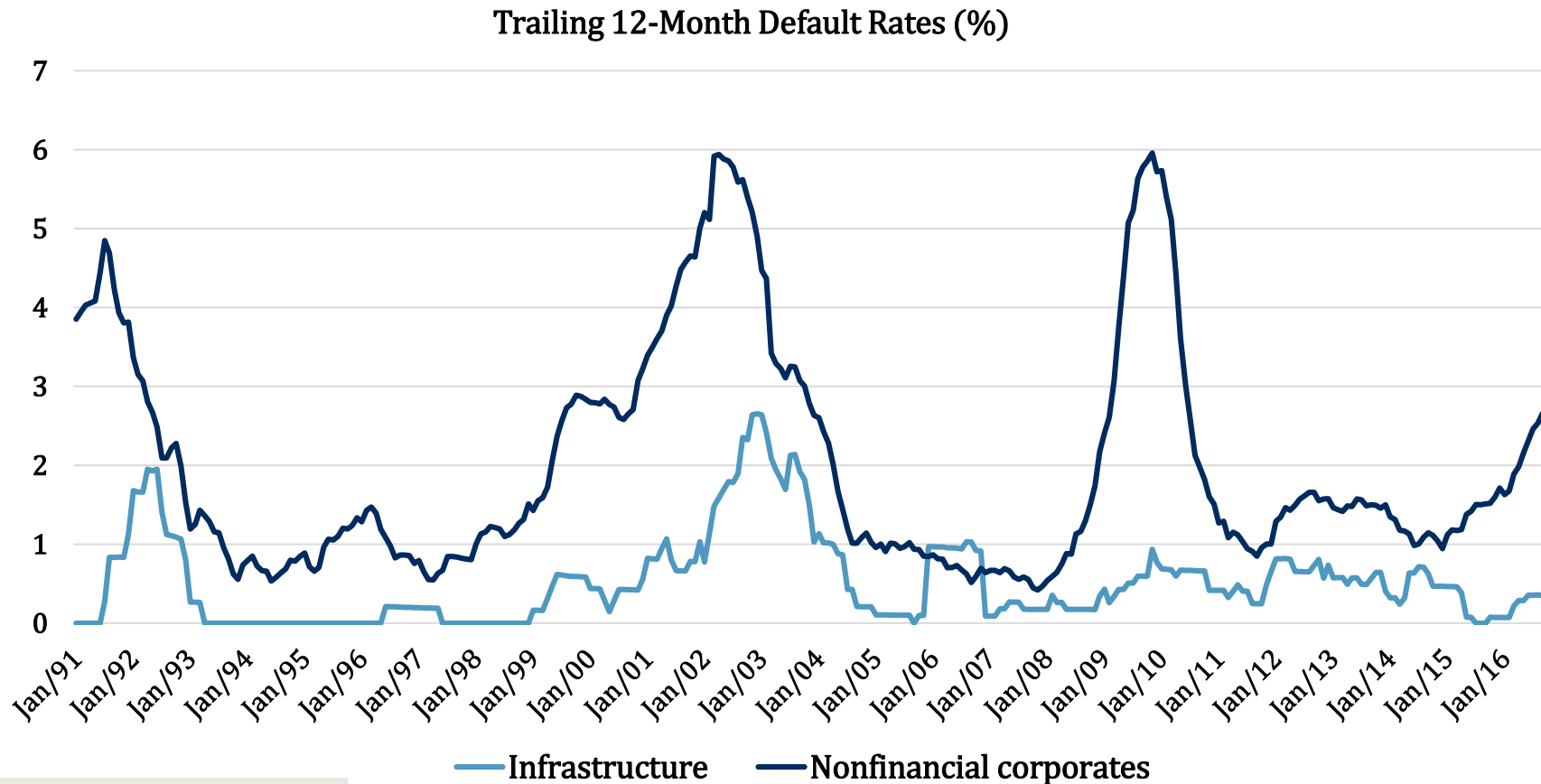
Mar Beltran
Sector Lead, Senior Director
Global Infrastructure
S&P Global Ratings



Brisbane July 2018

Why Infrastructure?

Infrastructure Navigated the Global Financial Crisis Relatively Unscathed

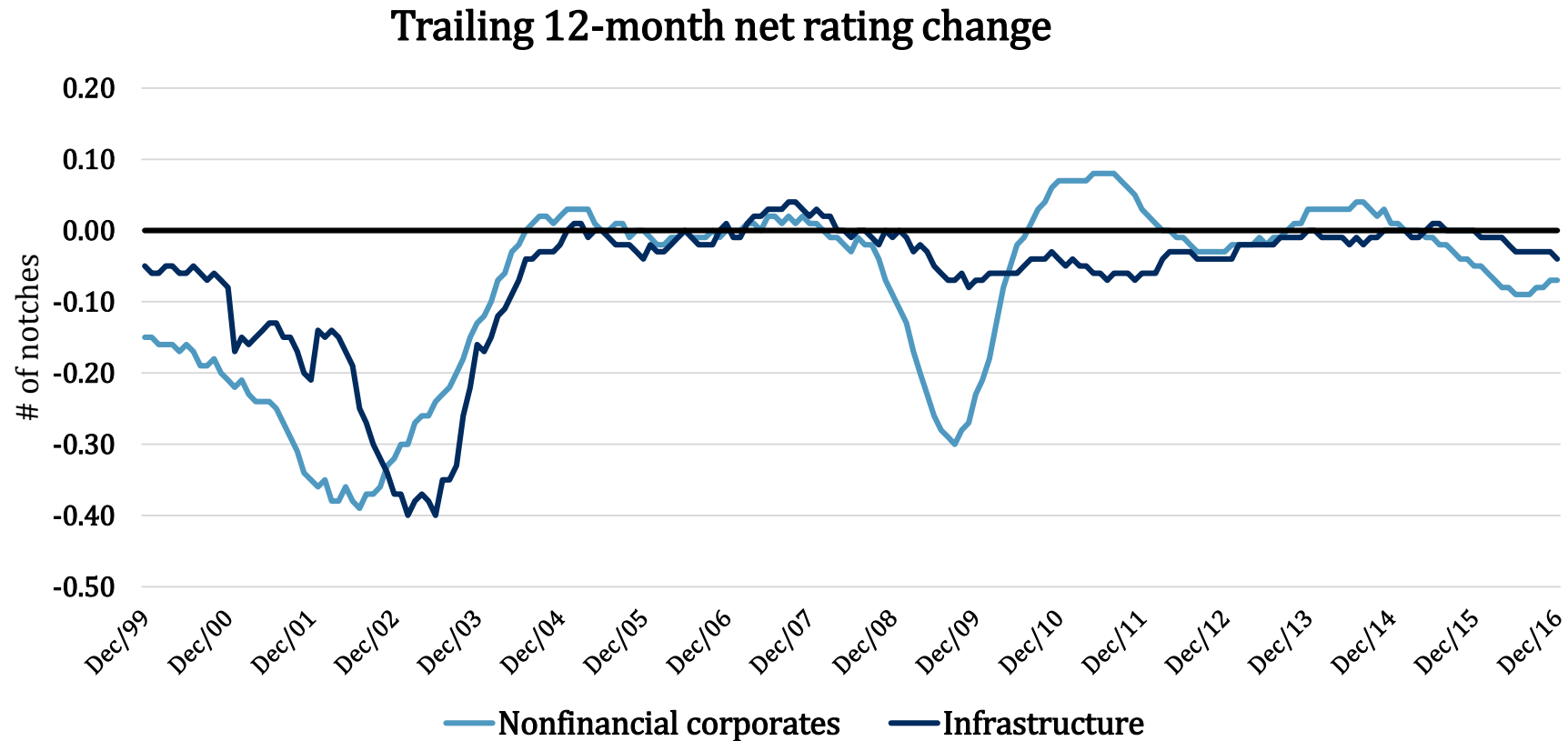


During the GFC, the Infrastructure peak default rate was under 1% compared to just under 6% for NFCs.

Why Infrastructure?

Infrastructure Exhibits Muted Ratings Volatility Relative to Non Financial Corporates (NFCs)

Although Infrastructure and the broader NFC segments both display credit quality changes in line with the economic cycles, rated Infrastructure credits generally enjoy a stronger track record of rating stability than NFCs



Why Regulation?

Consistency and
Predictability of
Regulatory
Frameworks
is NUMBER 1

NUMBER 1 issue for
investors
when entering a new
market or
considering an
investment decision

Source: Global Infrastructure Hub survey to Institutional Investors 2016

Why Regulation?

The extent to which

Regulation
& Competition
Frameworks

supports infrastructure delivery

- Stable, consistent, predictable
- Transparent
- Independent
- Accountable

Regulatory
Agencies

Is a strong indicator of the

Performance

of Infrastructure Financing Markets

- Liquid
- Stable returns
- Long term/sustainable

What are we seeing globally in 2018?

US	P3	N+
Canada	Bundling	+
UK	PFI Regulated Utilities Regulated transport	- - N
France	Privatisations	+
Spain	Reversions	-
Australia	Competition issues on future of SRN	-

The Funding Challenge

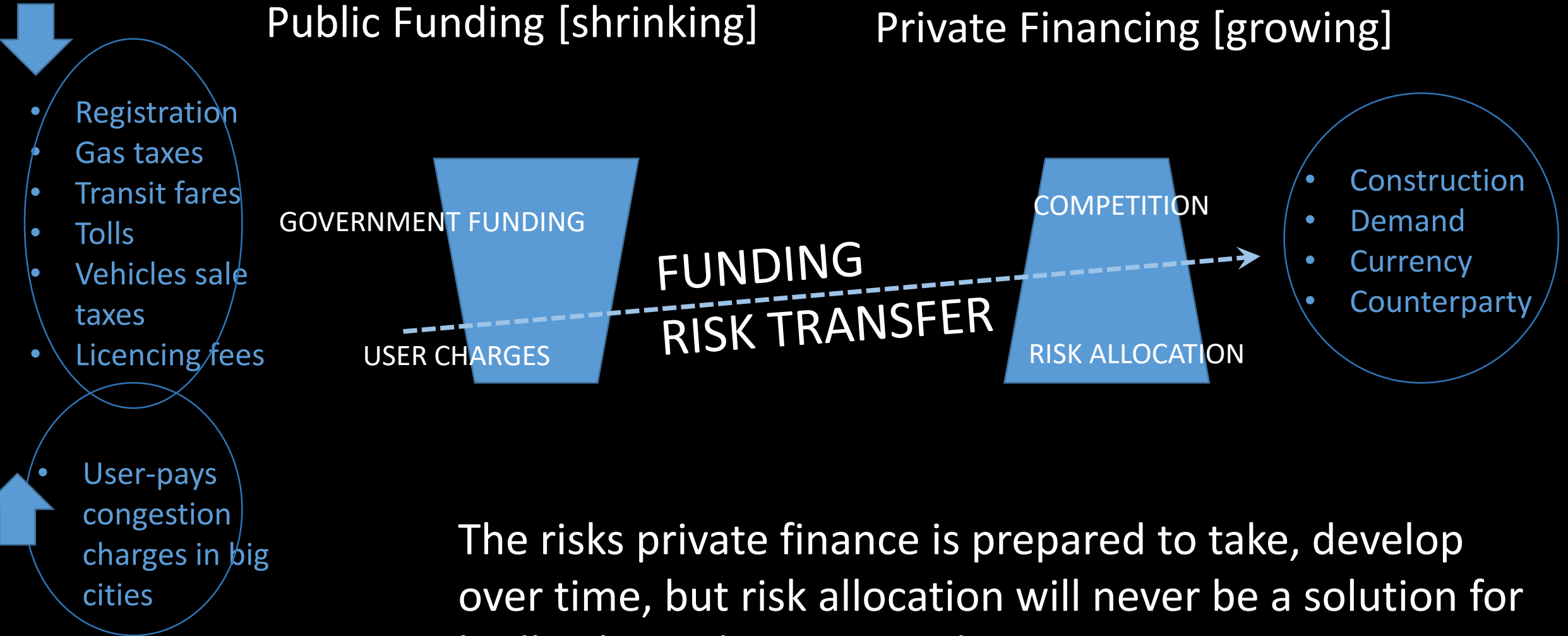
“The biggest problem infrastructure policy makers are facing globally is not a shortage of private capital but rather how is it paid for”.

An Economic as well
as a Political
Challenge

For both
Developed and
Developing
economies

Public Funding [shrinking]

Private Financing [growing]



The risks private finance is prepared to take, develop over time, but risk allocation will never be a solution for badly planned or prepared projects.

And beyond?

The rise of Political Risk

For Developed
as well as
Developing
countries

as a source of Regulatory Instability

The expansion of the Regulatory Problem

- Sustainable
- Resilience
- Clean
- Consumer Preferences
- Technological change
- Affordable
- And more

To a “Social
Licence to
Operate”

What
communities
are prepared to
trade off for
their
infrastructure

Lastly...

Supra National
Regulatory
Reforms



- G20 Financial Reforms on Infrastructure Finance
- Basel II Capital and Liquidity Requirements or
- OTC Derivative Reforms

Are GOOD BUT
NOT AS
EFFECTIVE as



- Macro Financial Environment
- Governments Policies
- Institutional Factors

Thank you!

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