

## United Kingdom and Europe

In 2012-2013, the UK's global competitiveness ranking for "quality of overall infrastructure" was 24<sup>th</sup> --- equal to the US and below all other G7 economies except Italy, pointing to the country's significant infrastructure deficit<sup>(1)</sup> In Europe, the public funding of infrastructure is at historically low levels for many governments despite increasing infrastructure investment requirements<sup>(2)</sup> The European Commission estimates that funding needs for infrastructure development in the EU, covering transport, energy, and information and communication networks, could total up to €2 trillion by 2020.<sup>(3)</sup>

Capstone believes there are potential opportunities in operating and development-stage power projects, utilities and P3s in the UK, and Western and Northern Europe.

Overall, infrastructure investment opportunities are increasing in these markets as governments seek funding solutions to meet investment needs and due to the maturity of the public-private partnership market, particularly in the United Kingdom. There is also likely to be a shift to divestment of infrastructure assets, in part by private infrastructure funds as they approach the end of their fund terms.

The UK and Europe, similar to other OECD countries, are challenged to balance security, stability and affordability in energy supply while complying with stringent carbon reduction requirements, with major new investment in energy and utilities infrastructure required. In addition, the UK and EU have set requirements for renewable energy to comprise 15% and 20%, respectively, of electricity generation capacity by 2020.

Furthermore, many European countries are in acute need of upgrades and improvements to their roads and transportation infrastructure, reflecting aging infrastructure and years of underinvestment.

At the same time, public debt burdens have increased since the global financial crisis, creating the potential for the sale of public infrastructure assets. There is also the potential for the sale of non-core infrastructure assets by corporations and utilities as they seek to reduce debt and reposition.

## Australia

In Australia, Capstone is primarily interested in P3 opportunities. Australia was a pioneer of the P3 model and features an active project pipeline and increasing market opportunities since the global financial crisis.

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(1) "Global Competitiveness Report 2012-2013," World Economic Forum, 2013.

(2) "Private Infrastructure Finance and Investment in Europe," European Investment Bank, February 2013.

(3) "Top 10 Investor Questions for 2013: Global Public Private Partnership Infrastructure Investment," Standard & Poor's, 2012.