

# European Water Deal of the Year 2003

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Derived from UK PFI templates, the Hague/Delfluent Waste Water Treatment Project - the first true continental European PPP water project and the first wastewater deal under the Netherlands PFI-equivalent Publieke Private Samenwerking (PPS) regime - was underwritten on 5 December 2003 with pre-commitments from six banks for syndication in 2004.

Underwritten by Dexia and Rabobank on a 50/50 basis, the Eu362 million debt includes a guarantee facility from the European Investment Bank (EIB), the burden of which will shift to EIB's balance sheet after the plant has been built.

The debt breaks down into a Eu186 million long term commercial loan; a Eu132 million commercial bank guarantee covering the EIB financing; and a Eu45 million equity bridge loan - equivalent to total equity invested. Pricing is below 100bp and the deal is currently in syndication, although the arrangers have pre-commitments from six banks.

Sponsored by a Veolia-led (formerly Vivendi Water) consortium - comprising, Delta, Heijmans, Strukton, and WBE (the Rotterdam water authority) - through special purpose company Delfluent BV, the purpose of the project is to bring wastewater treatment in The Hague region up to new EU environmental standards.

The project covers construction of a state-of-the-art plant at Harnaschpolder and upgrade of an existing wastewater plant at Houtrust. The project was not without hurdles. Both plants are in densely populated areas and permitting processes meant the deal took three years to close.

The project is structured as a UK PFI/PPP-style scheme, with the project company receiving performance-based payments under a 30-year DBFO agreement with Delfland (the Hague and Rotterdam regional waste water authority). But the contract structure differs from past Scottish water deals in that there is no volume risk - Delfluent receives availability payments. Furthermore, sludge removal is the responsibility of the municipal authority - not the private sector.

The success of Delfluent is important for Dutch PPS which has yet to convince the lending market that there will be a stable deal pipeline of a size that make committing time and resources to the sector worthwhile. The nature and size of the deal, far bigger than most wastewater projects, could have a significant impact on developments in waste water treatment projects both in the Dutch market and on the wider international stage.

Delfluent Waste Water

Status: underwritten December 2003

Description: First Dutch water PPS

Debt: Eu362 million

Concession awarder: Delfland

Sponsors: Veolia; Delta; Heijmans; Strukton; WBE

Lead arrangers: Dexia; Rabobank

Financial advisory to concession awarder: PricewaterhouseCoopers

Financial adviser to sponsors: BNP Paribas

Legal counsel to ElB: Norton Rose

Legal counsel to sponsors: Allen & Overy

Legal counsel to concession awarder: Stibbe Simont Monahan Duhot

Technical adviser: Mott McDonald

Auditors: Ernst & Young

Insurance adviser: Miller Consulting

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