

# Bundling: a Growing Trend as Stakeholders Look to Unlock the Potential of the Infrastructure Asset Class

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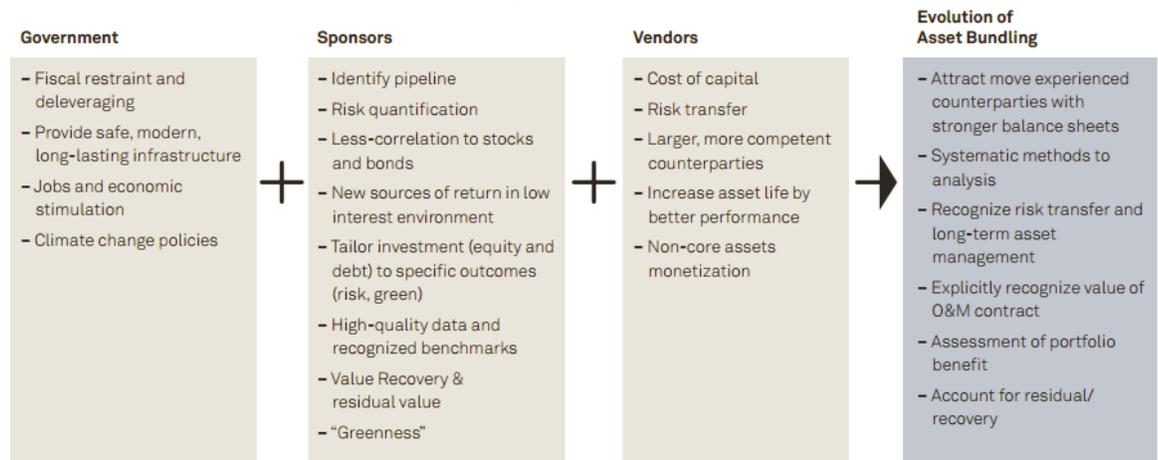
In the ongoing debate over the need for global infrastructure investment, the focus generally falls on the financing gap and the hundreds of billions of dollars that need to be deployed to fill it. But while huge--often unfathomable--numbers make for great headlines, this big-picture discourse often falls short of discussing practical, real-world approaches to the problem.

In this light, S&P Global Ratings outlines some of the bundling credit aspects observed in our ratings of a selection of "bundled" infrastructure asset financings across different asset classes. In doing so, we also highlight the analytical approach used in ratings in this sector. Examples we discuss in this report include the public-private partnership (PPP or P3) Plenary Walsh Keystone Partners LLC (aka Penn Bridges) project to replace 558 deficient bridges in Pennsylvania, and Vela Energy Finance S.A.'s project financing 42 solar-energy parks in Spain.

Such bundling of infrastructure assets is gaining momentum, driven by the needs of the diverse group of stakeholders involved in the supply, funding, construction, and maintenance of infrastructure (see chart 1). This includes

stakeholders has different needs and, hence, motivations. This has led to widespread use of bundling in the private sector, as well as growing interest in bundled P3 opportunities.

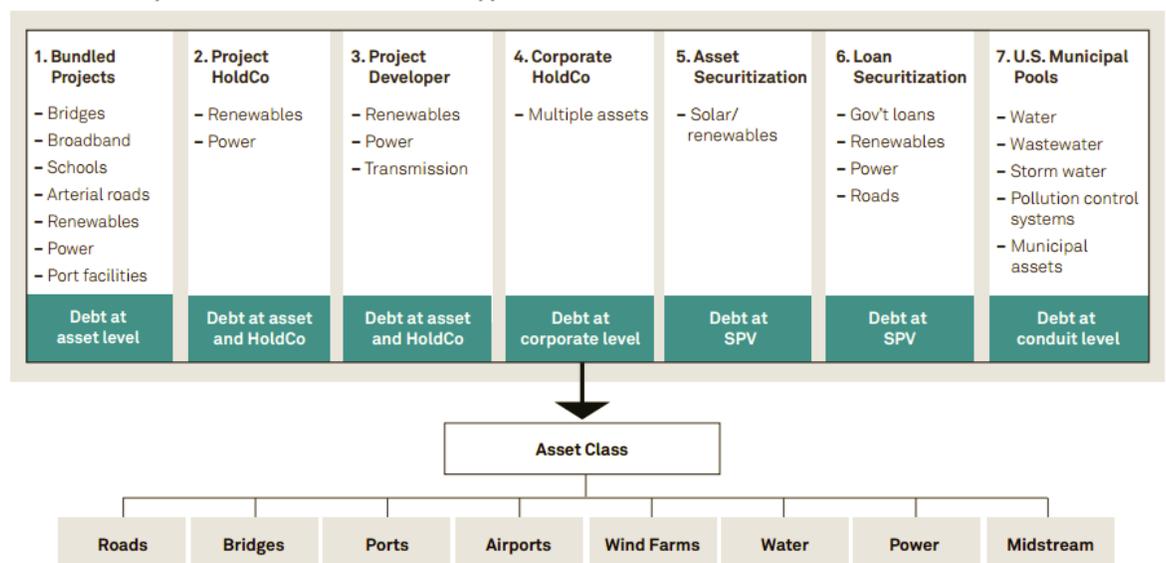
**Chart 1 – Stakeholders' Considerations Drive Bundling Evolution**



O&M – Operations and maintenance. Source: S&P Global Ratings.

There is a wide range of bundling approaches being used today, and the market continues to create new types of structures--particularly as new asset classes emerge and governments, and/or multilateral agencies look for solutions to fund smaller assets or support new markets. Chart 2 illustrates some of the types of bundling approaches we've observed and evaluated in our ratings, along with examples of different asset types that have been bundled.

**Chart 2 – Examples Of "Bundled" Infrastructure Approaches**



SPV – Special purpose vehicle. Source: S&P Global Ratings.

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have packaged assets into a single financing to meet scale requirements or to improve credit strengths by attracting larger, more experienced contractors. And while bundling can complicate the credit analysis of a transaction, we've observed that it can also, when executed, lead to the opening of new sources of capital for infrastructure. An example of this approach is the Penn Bridges project (Plenary Walsh Keystone Partners LLC), in which the state's Department of Transportation (PennDOT) bundled 558 bridges.

In a presentation to the Public Private Transportation Partnership Board on Sept. 27, 2013, Director Office of Policy & Public Private Partnerships Bryan A. Kendro said the decision for this P3 approach was to:

- Replace structurally deficient bridges more quickly;
- Standardize design and construction;
- Provide better value to taxpayers;
- Provide economy-of-scale savings and lower life-cycle costs; and
- Free up dollars for other projects.

We've observed that scale is an important factor in achieving cost-efficient financing of construction and/or operations because infrastructure is so capital-intensive by nature. One infrastructure asset type that we think might attract bundling structures in the future is the U.S. water industry, which is still largely decentralized with more than 50,000 authorities and with the average infrastructure, which is more than 50 years old. We've also observed that interest in bundling water assets is being expressed in other countries.

Individual renewable energy projects also tend to be fairly small, and we have seen bundling is a strategy that governments and sponsors turn to so as to achieve more efficient or alternative forms of financing, including bundling. For example, an industry group in the U.S. (Solar Access to Public Capital, "SAPC") was convened by National Renewable Energy Laboratory with the goal of accelerating the solar photovoltaic (PV) industry's access to public capital through securitized instruments and other investment vehicles. There have been a number of rooftop solar securitization financings we've rated in the U.S that

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