<table>
<tr><td colspan="3">Comments Template on EIOPA-CP-16-005
Consultation Paper on
the request to EIOPA for further technical advice on the identification and calibration of other infrastructure investment risk categories i.e. infrastructure corporates</td><td>Deadline
16.May.2016
23:59 CET</td></tr>
<tr><td>Company name:</td><td colspan="3">The Association of Corporate Treasurers</td></tr>
<tr><td>Disclosure of comments:</td><td colspan="2">EIOPA will make all comments available on its website, except where respondents specifically request that their comments remain confidential.

Please indicate if your comments on this CP should be treated as confidential, by deleting the word Public in the column to the right and by inserting the word Confidential.</td><td>Public</td></tr>
<tr><td></td><td colspan="3">Please follow the instructions for filling in the template:
⇨ Do not change the numbering in column “Reference”.
⇨ Please fill in your comment in the relevant row. If you have no comment on a paragraph, keep the row empty.
⇨ Our IT tool does not allow processing of comments which do not refer to the specific paragraph numbers below.
o If your comment refers to multiple paragraphs, please insert your comment at the first relevant paragraph and mention in your comment to which other paragraphs this also applies.
o If your comment refers to sub-bullets/sub-paragraphs, please indicate this in the comment itself.
Please send the completed template to CP-16-005@eiopa.europa.eu, in MSWord Format, (our IT tool does not allow processing of any other formats).

The paragraph numbers below correspond to Consultation Paper No. EIOPA-CP-16-005.</td></tr>
<tr><td>Reference</td><td colspan="3">Comment</td></tr>
<tr><td>General comments</td><td colspan="2">The Association of Corporate Treasurers applauds efforts to make finance available to new single asset infrastructure projects. We are concerned that EIOPA efforts to define such projects puts at risk the current appetite of insurers for the debt of corporate entities engaged in infrastructure investment, maintenance and operation.

Efforts to stimulate single asset project finance debt may inadvertently obstruct the current orderly</td><td></td></tr>
</table>

financing of multi asset corporate debt by creating confusion as to which definition the latter comes within.

The United Kingdom (UK) in particular within the EU has robust regulation of multi asset infrastructure entities which has enabled water, telecommunications, rail, and energy businesses to raise significant debt in the traded bond markets with debt investors relying on the same mix of credit ratings, internal analysis, and publicly available information as available for any other corporate borrower. In addition the UK has utility specific legislation and regulators which hold public deliberations on tariff setting and are obliged where regulating specific utility activities to take account of sustainability of funding.

Otherwise infrastructure owners and operators borrow throughout the EU as is evidenced by the lengthy list in Annex III. EU wide infrastructure businesses therefore already access capital markets through which to market their debt to insurers, pension funds, other fund managers, and individuals.

We make specific comments on sections of the consultation below but our response overall is for any guidance to insurers to restrict itself defining unrated, single asset businesses within the current terms of Solvency 2, for example as in Table 20 of Regulatory Impact on Banks' and Insurers' Investments (see: https://www.ageas.com/sites/default/files/Regulatory%20Impact%20on%20Banks%20and%20Insurers%20Investments%20-%20final_0.pdf) and not to encroach on the existing capital market available to rated utility infrastructure businesses.

We note that the response template does not include provision to answer Question 9. Our response is as follows:

(a) The only "benefit" identified is the efficient allocation of capital by the insurer as lender for which it would require greater information than that required for a corporate lending. The question for the insurer is, as with any bond investment, is the return sufficient to justify the

	additional cost which in this case is monitoring. (b) See above (c) See above	
Section 1.1.		
Section 1.2.		
Section 1.3.		
Section 1.4.		
Section 1.5.		
Section 2.		
Section 3.		
Section 4.		
Section 5.1.		
Section 5.2.		
Question 1.	(a) No. (b) Single asset infrastructure entities are generally closely held by one of two groups of investors. These are either: expert sponsors engaged in the technology of the assets and which provide offtake, maintenance and supply contract to the project; or venture capital investors. Ownership is often governed by shareholders agreements, and funding by inter-creditor agreements. These agreements require analysis to assess the credit worthiness of each entity although the sponsors may obtain a credit rating to act as a proxy for this analysis. Where a rating is in issue, it may serve as a proxy for comparison to multi asset corporate listed businesses. Multiple asset, corporate infrastructure businesses may have listed equity or be held by private investors. For example, Thames Water Utilities has listed debt but the equity of its holding company is held off-market by a consortia of pension funds; Severn Trent Water has listed debt and is ultimately owned by a listed holding company Severn Trent Plc. The debt of	

	each is rated and its issue requires an EU compliant Prospectus and can be compared to other similar listed corporate infrastructure and non-infrastructure businesses. Also the external credit ratings of each of these businesses enables comparison of their credit worthiness to similar rate non infrastructure businesses.	
Section 5.3.		
Section 6.1.		
Section 6.2.		
Section 6.3.		
Section 6.4.		
Section 6.5.		
Section 7.1.		
Section 7.2.		
Section 7.3.		
Section 7.4.		
Section 7.5.		
Section 8.1.		
Section 8.2.		
Question 2.	(a) Telecoms carriers are subject to a variety of forms of regulation, and in the case of mobile telephony carriers, differing degrees of market exposure. More information would be required as to which telecoms carriers are included in the data. We note that for example British Telecommunications plc and Orange SA, the major UK and French telecom carriers, and effectively monopolistic is not included in the portfolio (b) We recommend analysis is made between: • Economically regulated listed utilities (for example, BTplc) • Mobile carriers which are generally exposed to market competitiveness	

	• Telecom carriers subject to government relationships (Orange SA)	
Question 3.	(a) (b) The benefit of a rating is to enable easier access to markets and investors and these benefits should be considered against the coat. The cost of maintaining a rating is a combination of the rating agency fees and management time and distraction to explain their business model and maintain information flow to agencies. The cost of doing so for extant, multi assets businesses with available public oversight will be materially less relative to debt volumes than that required for a new, single asset entity. (c) The main criteria should be the public availability of shareholder and inter-creditor agreements, coupled with major supplier and offtake agreements. This disclosure has requirement been a barrier to listing and rating of project finance debt where promoters would be disclosing discrete, project based commercial information.	
Section 8.3.		
Section 8.4.		
Question 4.	(a)We disagree with the restatement of the definition Article 1, 55(b) proposed in Annex VI. This change removes the differentiation between finance sought for a single asset, and finance sought for multi asset operating infrastructure entities. By making this change, all other proposed changes affect many of the entities listed in Annex III. We do not believe the qualification proposed for Article 164(a), 1(c)(a) alleviates this concern. The first leg is capable of applying to a single asset infrastructure plant, while the second leg does not apply to all listed infrastructure utilities across the EU due to differing types of Member State regulation of utilities. We recognise that these qualifications may be of assistance in evaluating unrated new projects which	

	have no economic track record. (a) No answer (b) Yes, the definitions as proposed could lead to exclusion of Corporate infrastructure entities and hence our call in section (a) above to have the definition changed form that proposed. Such entities are able to disclose their risks as required by the Prospectus Directive plus supplements where appropriate. Abnormal concentration of project type risks would form part of this disclosure. A corporate infrastructure entity may have many separate projects. The diversity becomes the risk mitigation.	
Question 5.		
Section 9.1.		
Section 9.2.		
Question 6.	We recommend the use of accounting data to provide sectoral risk analysis with the revised wording specifying IFRS as a common accounting standard.	
Question 7.	(a) The negative pledge is designed to ensure the assets cannot be secured elsewhere. Leg (ii) of Option 1 is the extension on which project finance lenders would normally rely in order to take control of the revenue attached to the asset. We would however expect project finance lenders to require a charge over equity as well as the negative pledge. This is attractive where there is not a clear regulatory structure for the lender to rely on. Otherwise the lender should look through the security arrangements to the powers of the regulator which may include administrative rights which over-ride lender rights. Typically in the UK, the retention of a licence granted by a regulator is a prime covenant for lenders. As noted in answers above, clarity is required as to the difference EIOPA sees in the terms “corporate infrastructure” and “project infrastructure” with our preference being that the latter is pursued but that corporate infrastructure remains valued for capital purposes as it is now.	

	We would expect finance over specific assets to be arranged through an SPV even if solely owned by a corporate infrastructure group thereby enabling the negative pledge and share pledge to be applied only to that SPV. Other lenders to the corporate infrastructure group would be required to accept terms carving out the SPV debt from the larger group debt for which the trade-off is that the SPV's debt is solely reliant on the performance of its assets. (b) Our concern is that focus is being shifted to the broader use of negative pledge security for all infrastructure lending and away from the regulatory framework which in the case of UK regulated infrastructure debt is counter intuitive because it is the regulation which ensures sustainable finance for the debt issuer where that is the regulated entity. The way the proposal is drafted favours Whole Business Securitisation (WBS) class B type debt (or debt with those characteristics), instead of debt in regular corporate structures which are typically held by a listed holding company. WBS corporate capital structures are usually more heavily indebted structure than their listed counterparts, that being one of the main drivers for WBS to lower cost-of-capital. (c) The question for the lender to the corporate infrastructure entity which has a project financed project entity is the degree to which the revenues and assets outside of the SPV support the corporate debt giving regard to cash ICR ratios and the regulatory framework. A difficulty within the EU is that different member states have differing infrastructure regulation, and that regulation can differ within a member state for different types of infrastructure. For example, the UK has tariff dependent financing for Water, and subsidised tariffs for rail. External ratings may be a simpler means of credit analysis, but only because the rating agencies take on the role of analysing these different regulatory and contractual structures.	
Section 9.3.		
Section 10.1.		
Question 8.	(a) Assuming this is the 'Infrastructure assets" defined in Annex VI, subject to answers above, we	

	believe the risk management framework is appropriate. (b) The question is: what information do insurers require to meet the risk management requirements? Project finance borrowers already comply with the information requirements of bank lenders. The main difference to a bond lender is that each party would expect the frequency of reporting to reduce once the mobilisation (construction) phase of the project ceases. (c) See above.	
Section 10.2.		
Annex I		
Annex I Questions		
Annex III		
Annex IV		
Annex V		