

# PRESS RELEASE

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## CMS Infrastructure Index reveals positive trends in infrastructure sector

- CMS publishes its biennial global Infrastructure Index which ranks 50 countries in order of infrastructure investment attractiveness
- Germany leads the ranking, ahead of the Netherlands and Singapore

Frankfurt, 27 November 2019. Environmental, social and governance (ESG) criteria are becoming a top priority for infrastructure investors, according to the 2019 CMS Infrastructure Index: Bridging Continents.

The latest report by international law firm CMS, in conjunction with inspiratia, analyses data against six criteria to create a guide to the most attractive destinations for infrastructure investment in the world. This year's report identifies that a pivotal point has been reached in the global transition towards greener, smarter and more sustainable investments.

### Europe charges ahead in sustainability race

Germany overtakes the Netherlands to win top spot in the 2019 Index, as it attempts to prioritise sustainability and innovation. Despite some controversy over whether the government is meeting and setting ambitious enough targets, climate action is very much an essential part of the political agenda. As a result, there are clear opportunities associated with projects to support renewable energy and EV infrastructure. Elsewhere, notably the Brexit-effect is taking its toll on the UK infrastructure sector as it slips five places to 9<sup>th</sup> position on the 2019 Index.

Overall, Europe claims six of the top 10 countries in this year's Index. The report reveals that the continent has plenty of opportunities in 5G, renewables, and electrification of transport as the race towards sustainability leadership and proactive government policies gather pace.

Other findings in the report show:

- **Asia Pacific leads in digital transformation:** Investment in digital infrastructure is on a general upswing in the Asia Pacific region, with major hubs vying for supremacy in the communications sector. Singapore ranks 3<sup>rd</sup> in the overall Index, with numerous digital infrastructure investment opportunities backed-up by strong regulatory frameworks and initiatives such as Singapore's Digital Industry (DISG), an authority dedicated to driving digital infrastructure investments, further bolstering the country's reputation as Asia's data centre hot spot. China also shows a significant improvement in

the rankings, rising by 10 points since the 2017 index to claim 18<sup>th</sup> spot, thanks to its considerable 5G efforts. Over 10 million advance orders for 5G data plans were submitted to China's three mobile operators, and they will deploy a total of 130,000 standalone 5G base stations across the country by the end of 2019.

- **Smart cities shaping the Middle East's future:** As private-led investment continues to build across the region, the report shows that the Middle East is making significant headway in becoming a global smart and sustainable city hub. Supportive PPP legislation in the UAE, Kuwait, Qatar, Oman and soon Saudi Arabia is set to increase investor confidence and support for the region's economic diversification. The region has also presented some of the most ambitious solar and onshore wind projects including closing a pipeline of over 2.8GW, according to inspiratia, and putting renewable energy at the centre of its growth agenda.
- **Latin America leads innovation across the Americas:** Major interconnectivity projects in Latin America mean that the region is leading on innovative digital infrastructure of the future. Examples include a 3,500km-long submarine fibre optic network from the north to the south of Chile and the recently completed 10,000km subsea cable connecting California to Chile. In North America, Canada has maintained its appeal to private and institutional investors through strong PPP procurement activity. Despite high-profile announcements in the US to improve the country's highways, railways, bridges and broadband, discussions with the government on these issues have come to a halt.
- **African trade ambitions boost interconnectivity:** Fiscal constraints and limited project finance capabilities may hinder ambitions, but African governments are starting to open their doors to greater private investment to overcome their infrastructure shortfall. East Africa in particular demonstrates strong political will for renewables. Kenyan President Uhura Kenyatta has announced an ambitious programme to move Kenya's installed renewable energy capacity from 70% to 100% by 2020. A target well within reach due to the 310MW Lake Turkana wind farm which was connected to the national grid via the new USD 271m Loiyangalani-Suswa power transmission line in December 2018.

**Kristy Duane, Co-Head of Infrastructure and Project Finance at CMS, comments:**

"Infrastructure is connecting people worldwide at an unrelenting pace. With sustainability, innovation and digital transformation at the heart of government agendas, investors are finding new and exciting opportunities on a global scale, including in 5G, subsidy-free renewables, smart cities and PPP in new markets.

As our 2019 report illustrates, infrastructure assets play a vital role in climate change mitigation, with top-ranked Germany coming under increasing domestic pressure to transform its infrastructure efforts to meet more ambitious targets. Environmental, social and governance (ESG) criteria are becoming a top priority for infrastructure investors – however this brings with it challenges as investors navigate a complex matrix of evolving requirements and standards for different assets around the world.

M&A activity was also an important feature in markets globally in 2019, with developing economies, in particular, investing heavily in roads, rail and airports to drive economic growth and bring them closer to international trading partners.

Overall, the infrastructure sector continues to present a positive picture in an uncertain world.”

To find out more, please read the 2019 CMS Infrastructure Index here: [cms.law/infraindex2019](https://cms.law/infraindex2019)

#### **Notes to editors:**

#### **Top five countries offering the greatest opportunities for investors:**

1. **Germany:** Germany takes the number one spot in the 2019 Infrastructure Index. The country’s move to the top of the rankings is attributed to its focus on sustainability and innovation – an increase of almost 8% from 2017 – as well an improvement in ease of doing business (from 80.44% in 2017 to 83.33% in 2019).
2. **Netherlands:** The Netherlands continues to be a top market for infrastructure investors. The country’s traditional and digital infrastructure sectors present vigorous opportunities for global players, such as Macquarie Capital, Siemens and Shell.
3. **Singapore:** One of the world’s most competitive economies as well as a thriving financial hub, Singapore jumps up three places from the 2017 CMS Infrastructure Index to third in 2019. In addition to the highly favourable tax environment, robust political framework and macroeconomic landscape, Singapore has become Asia’s data centre hotspot, thanks to an unprecedented growth in the digital infrastructure sector, including 5G, broadband, IoT and cloud computing.
4. **Australia:** Ranked 4th globally, Australia is home to some of the world’s largest infrastructure and energy investors. The Australian government continues to offer unwavering support and announced in 2019 that it will invest at least AUD100bn in the transport infrastructure sector over the next 10 years.
5. **Canada:** Canada has proactively maintained its attraction for private and institutional investors through its strong PPP procurement activity, which continued apace during 2019. Although the focus is largely on traditional infrastructure, and most specifically transport, opportunities in social infrastructure PPPs remain abundant.

#### **Methodology:**

The parameters of the Index are based on the following six main indicators and further sub-indicators, as shown below:

- Economic status
- Sustainability and innovation
- Tax environment
- Political stability
- Ease of doing business
- Private participation

All of these are weighted as follows:

**Economic status (28%):**

- Annual trade (% of GDP) 4%
- Credit rating and outlook 19%
- Interest rates 5%

**Sustainability and innovation (16.5%):**

- Environmental performance 5%
- Innovation 2.5%
- Quality and condition of infrastructure 9%

**Tax environment (7%):**

- Corporate tax rate 3%
- Resource drain 1%
- Complexity 3%

**Political stability (19.5%):**

- Governance and stability 10%
- Rule of law 2%
- Regulatory stability 7.5%

**Ease of doing business (12%):**

- Transparency/corruption 5%
- Ease of doing business 7%

**Private participation (17%):**

- Government support 5%
- Gross fixed capital formation 2%
- Private investment 10%

The scores and subsequent rankings of the top ten countries are highlighted below.

Country	Economic status	Sustainability and innovation	Tax environment	Political stability	Ease of doing business	Private participation	Final rankings
Germany	26.40	14.11	5.21	17.55	10.00	16.40	89.67
Netherlands	27.20	13.81	5.16	18.37	8.35	16.35	89.23
Singapore	27.00	12.89	4.96	18.90	10.60	13.55	87.90
Australia	25.10	13.20	5.24	16.77	11.25	15.95	87.50
Canada	25.10	12.56	4.60	17.35	11.10	15.95	86.66
Norway	25.50	12.71	5.49	19.18	9.15	14.05	86.08
United States	23.04	13.22	5.02	16.11	11.30	16.05	84.73
Finland	23.32	13.50	5.18	18.56	9.90	13.35	83.81
United Kingdom	21.32	13.63	4.93	17.97	10.35	14.95	83.15
Belgium	21.88	13.17	5.48	16.89	9.40	15.25	82.07

**About CMS:**

Founded in 1999, CMS is a full-service top 10 international law firm, based on the number of lawyers (Am Law 2018 Global 100). With 70+ offices in 40+ countries across the world, employing over 4,800 lawyers, CMS has longstanding expertise both at advising in its local jurisdictions and across borders. CMS acts for a large number of Fortune 500 companies and the FT European 500 and for the majority of the DAX 30. Revenues totalled EUR 1.36bn in 2018.

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