

Afsluitdijk PPP, The Netherlands

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The Netherlands' Afsluitdijk PPP project – brought to [financial close](#) by a BAM-led consortium on 29 May (2018) – reveals the extent to which banks from beyond the surrounding region are shying away from Dutch infrastructure projects. Meanwhile, with the Dutch PPP pipeline drying out, construction companies and banks in the Netherlands are also feeling the pinch.

The Afsluitdijk

Dutch procurement agency Rijkswaterstaat on 26 February [selected the Level consortium](#) for the project. [Commercial close](#) took place on 25 April.

The consortium comprises:

- BAM PPP PGGM – 46%
- Van Oord Aberdeen Standard Investments, APG Group – 46%
- Rebel Group, EPICo – 8%

The Afsluitdijk project consists of the design, reconstruction, financing, operation and maintenance of a 32km dyke that runs between Friesland and Den Oever in North Holland.

The existing structure is over 85 years old and is an important Dutch landmark. However, its flood control capacity does not meet modern standards. The Afsluitdijk was first completed in 1932 and closed off the saltwater Zuiderzee, turning it into a freshwater lake known today as IJsselmeer.

The project will result in the top layer of the Afsluitdijk being reinforced and an extra water barrier in front of current locks at both ends of the dam – at Kornwerderzand and Den Oever – being installed to protect against high sea water levels.

On the Wadden Sea side, the causeway will be raised and reinforced with new facing. For this work, the consortium will use 'Level-blocs', concrete elements that have been developed specially for the Afsluitdijk, it said.

Meanwhile, the drainage locks at Den Oever will be expanded. When the water level in the Wadden Sea is high, natural drainage is no longer possible. The consortium will correct this by building two large pumping stations in Den Oever.

For the construction of the new pumps and the extra discharge capacity, the existing drainage locks in Den Oever will remain intact but will be renovated.

At the same time, the A7 road which runs along the top of the dyke will gain wider emergency lanes. Special pumps and sluices will also re-establish fish migration through the barrier.

BAM Infra will provide the design, construction and long term maintenance for the 25-year contract, in conjunction

with Van Oord Nederland.

Construction completion of the project is scheduled for 2022.

Other [consortia](#) that bid for the project include:

- Fluor – with Société Générale as financial adviser
- VolkerWessels and Boskalis – with Crédit Agricole as financial adviser

Financing

Total funding for the project amounts to roughly €835 million (\$974 million). Lenders will provide around €815 million, guaranteed by the European Fund for Strategic Investments (EFSI).

Long term debt amounts to €660 million, of which the European Investment Bank (EIB) will provide €330 million under a 30-year facility.

Additionally, there are two milestone facilities for a total of €100 million, and an equity bridge loan of about €60 million.

The lenders on the deal comprise:

- Belfius Bank
- DekaBank
- EIB
- KfW IPEX-Bank
- Landesbank Baden-Württemberg (LBBW)
- Rabobank

KfW IPEX-Bank will provide about €124 million, with DekaBank and LBBW lending similar amounts. Contributions from Belfius Bank and Rabobank are smaller.

Rabobank will not provide long-term debt.

Pricing on the debt is partly fixed and partly floating, with the floating-rate portion covered by interest rate swaps.

Pricing on the long-term debt for this availability-based scheme is thought to be between 100bp and 110bp over Euribor.

This level was considered too low for many of the banks which have provided debt for Dutch infrastructure PPPs in the past, meaning they did not lend on this deal and are unlikely to be involved in the upcoming transactions, some have said.

The tenor on long-term commercial debt is 25 years post construction, or around 30 years in total.

While no institutional investors are lending to the project, a limited sell down of debt is envisaged for after financial close with German institutional investors expected to take interest. However, this is not expected to amount to a substantial proportion of the overall debt, one source said.

Advisers on the Afsluitdijk deal include:

- Rebel Group – financial
- De Brauw – sponsors' legal
- NautaDutilh – lenders' legal
- Atkins – technical
- BDO LLP – model auditor
- AON – insurance
- Allen & Overy – adviser to the EIB

- J C Rathbone Associates – hedging adviser

Shrinking pipeline

Financial close of the Afsluitdijk project will be followed by financial close of the [A16](#) motorway and [Blankenburg](#) tunnel PPPs, both of which are expected in June.

These will be followed by the [Via15](#) project – for which a prior information notice was issued by Rijkswaterstaat in March – the [A9](#) – for which six consortia were prequalified around the same time – and the Michiel Adriaanszoon de Ruyter [barracks PPP](#) in Vlissingen – although this last project seems to be facing opposition from marines who don't want to move to Vlissingen, and may even be scrapped.

However, the project pipeline in the country – which was once seen as the posterchild for the PPP sector – is coming close to drying out entirely, with no further deals expected beyond these five.

As a result, construction companies in particular and even banks have started cutting down their projects teams, one source explained.

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