

2016 UNECE PPP Forum – China Everbright Water’s Case Study Script



Good morning, ladies and gentlemen. I am Peng Pei, the Legal Counsel of China Everbright Water Limited, a Singapore-listed company that specializes in integrated environmental water services. We are the water sector of China Everbright International Limited, a Hong Kong-listed company with a focus on the environmental protection and alternative energy sectors. It is our great honour to be invited to this Forum to share our experience with PPP projects in China.

PPP has made us what we are today. In 2000, Everbright International had accumulated losses of 122 million US dollars; but today, it's generally regarded as the leading environmental protection company in China with a yearly net profit of 269 million US dollars. It has 169 projects in China and also Germany. That's a huge turnaround within just 15 years, and the main reason is the PPP model! Looking back, it's clear that the turning point occurred in 2003 when it signed 3 BOT projects, 2 for waste-to-energy and 1 for waste water treatment. Since then, Everbright International started its fast pace development.

In 2014, its water sector grew big enough to be separately listed in Singapore, known as China Everbright Water Limited. Everbright Water has 67 environmental water projects, all based on PPP models, including BOT, TOT, BOO, BT and Joint Venture. Today I'd like to take you through our Ji'nan waste water treatment project to show how we develop a PPP environmental project in China and we have achieved.

As indicated by its name, the project is located in Ji'nan, which is the capital city of Shandong Province in eastern China with a population of 7 million. In 2005, Ji'nan had two waste water treatment plants, both managed by the municipal government. Due to the insufficient funding and inefficient operation, the plants had low utilisation rate and high operational cost, and they regularly failed to meet the discharge standard. The local government realised the problems and decided to involve a private party to improve.

Through a public tender process, Everbright Water was selected as the private partner of the Ji'nan Project in 2006. The initial arrangement was based on a TOT model where Everbright Water purchased the two plants from the government and was concurrently granted a 30-year waste water treatment service concession. During the concession period, Everbright Water assumed the operation while the government provided land use right and guaranteed a minimum waste water volume. At the same time, the government still retained controls over the quality of the service that it could impose a penalty or even take over the project if public interest was harmed.

After we took over, the plants experienced dramatic improvement. We then collaborated with the Ji'nan government for another 5 plants based on BOT, BOO and Joint Venture. During the first 10 years' implementation, the designed capacity of the project doubled and the operating capacity increased by a factor of 4. The utilisation rate reached nearly 100%.

The total investment increased from the initial **69 million** US dollars to **251 million** US dollars. And the project is no longer an economic drag on Ji'nan's economy, but instead it generated steadily increased profit over the years. In 2015, the net profit reached **11 million** US dollars. At the same time, the waste water treatment tariff remained at a very low level - for each ton of waste water, the tariff is equivalent to 15 to 20 US cents, which is only 10% of the average water and wastewater tariff (\$1.98/m³) according to the 2012 Global Water Intelligence Water Tariff Survey. The project turned out to be a good value for money for both us and the government.

The project's contribution to the community is also impressive.

The access to the waste water treatment services in the city was substantially improved. In 2005, only 50% of the waste water produced by the urban area was treated before discharge. By 2015, this percentage increased to 95%. So far, the project has treated 2 billion tons waste water and served a population of 3 million. It's also the first waste water treatment project in any provincial capital city to achieve the highest national discharge standard; and Ji'nan ranked No. 1 in the nationwide city waste water treatment appraisal in 2010, 2011 and 2014. The project is now a national education base for primary and secondary schools in China.

Our projects also help combat climate change. Everbright Water has treated 4.66 billion tons of waste water and reduced chemical oxygen demand by 1.55 million. Everbright International's other divisions processed 30.2 million tons waste, and generated green electricity which can fulfil the annual electricity consumption of 8.25 million households. We saved 3.96 million tons standard coal, reduced Carbon Dioxide (CO₂) emission by 11.6 million and prevented 1.29 billion trees being cut down.

To better contribute to the community, we also set up two charitable foundations, one for environmental protection and one for poverty alleviation. The former has been the lead sponsor of Earth Hour Hong Kong in 2014, 2015 and 2016. The latter was jointly set up with Suzhou government in 2013 to help the sanitation workers facing financial difficulties. It donates millions of RMB each year and since its establishment, it has given financial aid to 588 individual sanitation workers.

In addition, in 2010, we donated RMB 6 million to build the Everbright International True Love School in Dangshan County to bring education opportunity to 1,500 underprivileged students. Each semester, qualified employees volunteer to go to the school to help teach English, fine art and music.

We believe that employee' development is the core to our company's sustainable growth, and we have developed comprehensive training and development programmes for employees, including both in-house and external trainings. Each year, we send more than 400 employees to a one-week team building training. We have also partnered with the top university of China Tsinghua University so that our managers and senior technical staff may attend executive education courses and enrol in masters-level engineering program. On average, each of our employee receives 300 hours of training.

Based on our experience, PPP is an effective model to benefit the public, the private, the community and the planet. And our company's development is just a small piece of China's PPP development. According to the official numbers, China currently has more than 7,000 PPP projects covering 19 industries with a total investment of 1.27 trillion US dollars. The 13th five year plan of China proposed five development ideas, which we think is the China version of sustainable development goals. They are innovation, coordination, green development, opening up and sharing.

China is also exploring more innovative PPP models, such as the "sponge city", which refers to a city with its urban underground water system operating like a sponge to absorb, store and purify rainwater and to release it for reuse when necessary. It's a citywide systematic engineering project based on a sophisticated PPP model. Each sponge city project involves billions of RMB investment. We believe that this will be the new trend for China's PPP water projects.

With a strong government support and innovative arrangement, we truly believe that China has now entered into a new era for the PPP development. And we hope we will have the opportunity to share more of our PPP experience in the forum next year.

Thank you!

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