



Investment Opportunities in the Water Sector



Sinayo Securities

09 May 2018

In partnership with:



INVEST CAPE TOWN
COLLABORATE | ENABLE | PROMOTE



**Western Cape
Government**
Economic Development
and Tourism

Report Outline

Aimed at investors – highlights key opportunities in the SA urban water sector

- Sector Overview
- Policy and Regulations
- Opportunities and Barriers
 - Industrial
 - Commercial
 - Residential
 - Municipal markets
- Funding and Incentives

Download: www.greencape.co.za/market-intelligence/



Water

–

2018

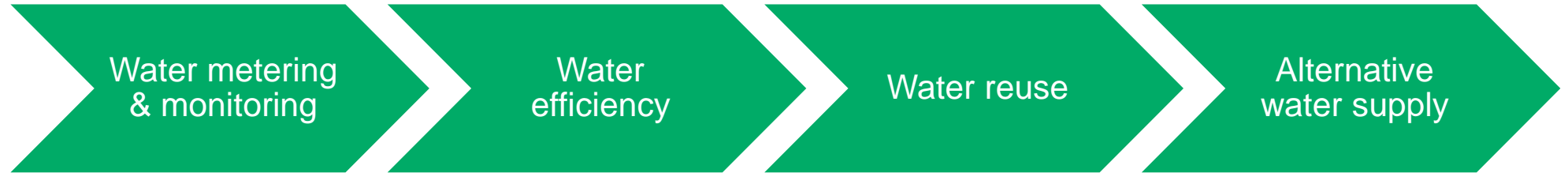
Market Intelligence Report

–





Key opportunities in the urban water sector



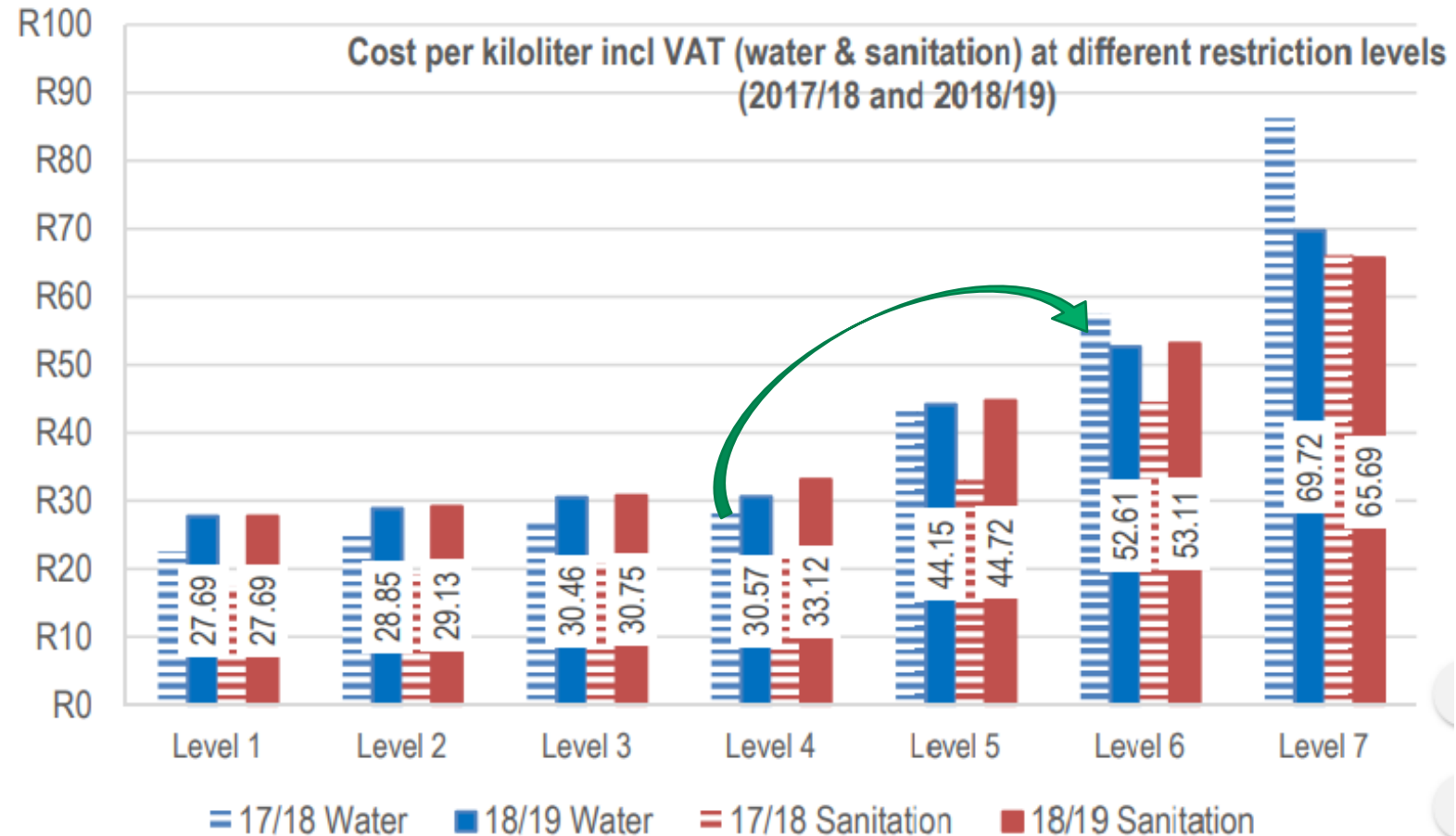
Market	Water metering and monitoring	Water efficiency and reuse	Alternative water supply
Industrial	<ul style="list-style-type: none"> • Smart water metering • Water quality monitoring 	<ul style="list-style-type: none"> • Industrial effluent treatment • Upgrading treated effluent • Water exchange networks (~2300 manufacturing sites in CT) 	WC residential market R5.8 billion: <ul style="list-style-type: none"> • Groundwater supply • Rainwater harvesting • Seawater desalination
Commercial		<ul style="list-style-type: none"> • Onsite reuse • Water efficient devices 	
Residential		WC new development market: R900m (2018)	
Municipal	<ul style="list-style-type: none"> • Non-revenue water SA metro market: R2 billion p.a. 	<ul style="list-style-type: none"> • Potable water reuse CT market: ~R2 billion 	<ul style="list-style-type: none"> • Groundwater • Seawater desalination

General drivers



- Risks of insufficient water supply
- Tariffs historically too low to drive market, but increases have improved the business case

Commercial and industrial water and sanitation tariffs (City of Cape Town):



- Water restrictions
- Social responsibility



General barriers

Municipal market:

- Access to suitable off-budget funding (non-metro municipalities)
- Creditworthiness of the municipality
- Capacity constraints
- Procurement processes

Private sector market:

- Access to capital
- Property leasing
- Regulations (e.g. Water Use Licence timeframes, brine disposal)





Financing private sector projects

Significant opportunities in the commercial and industrial markets (often <R50 million)

Example projects in industrial market (indicative business case)*			
	Hybrid cooling system	Upgrading treated effluent to potable stds	Treating organic effluent to potable standards
Capital costs	R3,000,000	R1,000,000	R20-120 million/project
Project size	40 kl/day saved	50 kl/day	200-1000 kl/day
Payback Period	3 years	9 months	3-8 years

- Relatively new market – need for financiers to look critically at risks of smaller projects
- There is a need for innovative financing (e.g. WaSCo, PACE)

* Assuming current tariffs remain in place

Outlook

There are good prospects for investment in the Western Cape and, more broadly, in the South African water sector.





Thank You

Jane Reddick – Water Sector Analyst

jane@greencape.co.za

021 811 0250