

A FOREIGN AFFAIR

Why Canadian investors are getting in bed with international markets.

By Krista F. Hill

Although the current market downturn is affecting mergers and acquisitions activity worldwide, the current credit crunch may not affect the infrastructure sector as much as other industries. Borrowers with high quality assets, such as infrastructure businesses, may find a more favourable market for their debt requirements. Even with an absence of available debt financing, cash-rich investors, such as the Canadian pension funds, are well-positioned to take advantage of investment opportunities as public company values decrease and other potential buyers may find it more difficult to obtain necessary leverage.

With significant pools of funds earmarked for infrastructure investments, Canada does not provide enough opportunities for the Canadian investors to deploy all of their capital.

Transmission infrastructure is an

attractive investment for Canadian pension funds, but they have been forced to look beyond Canadian borders for opportunities. A good example of this phenomenon is the recent investment by Borealis Infrastructure, as part of a consortium, in Oncor Electric Delivery LLC, the largest transmission and distribution company in Texas.

While the Canadian pension funds have focused primarily on acquiring existing assets in OECD (Organization for Economic Co-operation and Development) countries, with more funds being raised for the infrastructure sector and competition for infrastructure assets intensifying, they may need to search further and wider afield for investment opportunities, including in emerging markets. This trend can be seen in the recent acquisition by Ontario Teachers' Pension Plan, together with Morgan Stanley Infrastructure, of

SAESA Group, a Chilean electric distribution, transmission and generation company.

Canada is well-positioned to access infrastructure funds in order to replace and expand its infrastructure. However, with more money being invested outside of Canada, Canadian governments need to ensure that enough opportunities exist in Canada in order to make sure that our country receives its share of this private capital. 🍁

Krista F. Hill is a partner in Torys LLP's Corporate Department and co-coordinator of its Infrastructure and Energy Group.

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