Investment Committee of the InvestEU Fund

Meeting no 31 of 12 September 2024
Online

Valle Umbra Servizi (VUS Financing)

INVEU-ICR-0053-2024 – Sustainable Infrastructure Window (SIW)

Short description of the financing or investment operation and its objectives

Name of the final recipient	Valle Umbra Servizi S.p.A.
Type of the final recipients	Enterprise (publicly owned by municipalities)
Country of implementation	Italy
Implementing partner	Cassa depositi e prestiti (CDP)

This InvestEU Operation is the first transaction under CDP SIW Thematic Debt Financial Product addressing water scarcity in Italy, by supporting Valle Umbra Servizi S.p.A. (VUS), a multi-utility company historically providing Integrated Water Services and Urban Hygiene Services in 22 municipalities of the Umbria region.

In particular, the plan entails to:

- Reduce water losses and digitalising the network.
- Increase the separation between sewage waters and rainwater, and reducing stormwater flows in the main water treatment systems.
- Improve the water treatment and sludge management systems also in terms of energy efficiency.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the EU guarantee on 12 September 2024 for the above-mentioned operation.

Valle Umbra Servizi operates in a highly regulated sector, it is strongly financially constrained and is exposed to inherent regulatory risks. Given its capital structure (i.e. owned by municipalities) the company is undercapitalised and faces significant constraints in terms of capital increases.

Their public concession related to the integrated water system will expire in 2031, but it has recently developed an ambitious industrial plan to: (i) increase quality and coverage of water and wastewater services, (ii) improve the efficiency of water treatment infrastructure, and (iii) contribute to the resilience of IWS in the Umbria region. Such investments require substantial capital, part of which VUS finances through self-funding and debt, to be repaid through tariff increases resulting from the new investments in line with the RAB (Regulated Asset Based) mechanism.

The financial benefits (i.e., the company tariff increases), operational and environmental advantages (e.g., reduction in water losses) resulting from VUS investment plan, will become evident over the long term.

Due to the high financial risks, it is difficult for VUS to attract private investors, therefore, CDP's operation is instrumental to the financial viability of the project, ensuring VUS access to finance. In fact, the combination of counterparty and regulatory risks embedded in the project prevented VUS from obtaining the necessary financial resources from the market.

Considering these factors, CDP is financing the project under this InvestEU financial product to support VUS Investment implementation that entails important climate adaptation elements and close the funding gap.