

At A Glance

# Infrastructure Transaction Support in Germany

## Overview

NERA is a world leader in providing economic advice on markets and regulation in the fields of energy, water, telecoms, and transport. A key focus of our work is providing support to bidders, vendors, and lenders in transactions across these sectors.

In Germany, we have supported a host of industry players and financial investors on major transactions in the electricity and gas sectors covering generation, transmission, distribution, and storage sites, as well as on deals in the transport and water sectors.

Our German transaction support team has also worked on a wide range of energy and transport sector transactions abroad, including in Austria, the Czech Republic, France, Italy, and Sweden.

## Recent Examples of NERA's Transaction Work in Germany

### Major Regulated Pipeline Transactions

NERA advised bidders in pipeline transactions, including Thyssengas, EVG/ETG, OGE, BEB, and Creos Deutschland, with regard to the German regulatory system and its potential development, including areas of risk and potential outperformance. Our advice included a review of VDR documents, management questions, auditing of the regulatory valuation model, and support during the development of the economic aspects of the SPA.

### Major Power Network Transactions, Including Offshore Connections

NERA advised bidders for Amprion, 50Hertz Transmission, as well as potential JV partners for TenneT on German power network regulation, the specifics of the offshore connection regime and its changes over time, as well as the economic sustainability of the German renewables support regime and its impact on potential "asset stranding" in the network sector.

### Generation Assets

NERA advised investors with regard to potential acquisitions of conventional and renewable energy plants, including e.g., Meerwind and other offshore wind farms, CCGT-CHP plants, and biomass. We advised the acquirer(s) with regard to dispatch modeling, support schemes (for renewables and CHP plants), and price forecasting.

### Storage Units

NERA advised a potential acquirer and an owner of gas and battery storage units with regard to the regulatory and market environments, cost estimation, and the development of earnings projections. In addition, we used our proprietary gas market models to value storage assets and individual contracts.

### **Assets Outside of the Energy Sector**

NERA regularly advises buyers on assets outside of the energy sector, including during the sale of Hochtief's airports, when NERA advised a potential bidder on current regulatory limits to price setting and the commercial limits to pricing up to these caps. In addition, our work has included transaction advice in the water sector.

### **How NERA Can Help**

We support our clients before and during a transaction by providing impartial expert advice. In advance of a transaction, we may help in identifying suitable targets that meet the investment criteria of our clients. Once a formal due diligence process starts, we assist in all economic aspects of the transaction to help our clients derive a value for the target asset, for example, by identifying risks and opportunities, and conducting forecasting and cash-flow modeling.

In practice, we tailor our services to the specific needs of our clients and to suit the requirements of any transaction. Based on our experience, transaction support, in particular the main due diligence phase, often requires intensive efforts. At NERA, we have the depth of resources to deliver first-class service under tight deadlines.

### **Pre-Due Diligence Market and Risk Assessments**

We help clients to identify suitable regions and targets that meet their investment requirements, for example, by comparing different markets and regulatory regimes. This may include analyses of the regulatory framework, market structure, demand and supply dynamics, barriers to market entry, and trends in cost structures and input markets.

Where clients have already identified a target, we help them decide whether to proceed with a transaction by pinpointing risks and opportunities related to the target using publicly available information.

We may also conduct competition analysis to address concerns that may be raised by competition authorities and help identify remedies at an early stage (if and as necessary).

### **Regulatory Due Diligence**

In an infrastructure space characterized by long-lived investments, an understanding of the complex regulatory environment is vital in order to forecast the company's future profitability. Regulators determine the allowed revenues, the company and industry structure (sometimes forcing divestments), as well as the market arrangements and industry codes.

We provide expert advice on all aspects of the regulatory environment and the likely trends and changes to come. We use this knowledge to help acquirers understand regulators' views and likely regulatory responses in future price reviews. A combination of local expertise and international experience in infrastructure regulation puts us in the best position to evaluate regulatory regimes and identify future changes.

We support clients by modeling allowed revenues and building cash-flow models, or we provide a full audit of the model built by another party (e.g., financial advisors) to ensure that such models are consistent with the regulatory framework and are populated with robust assumptions.

### **Market Due Diligence**

The valuation of assets that operate in a market environment requires an understanding of market forces and their development over the investment horizon. We support our clients with price and quantity/volume forecasts captured by individual assets using advanced market models. Our proprietary models cover, inter alia, European electricity markets (EESyM™), valuation of thermal generators (EnergyMetrics™), European gas markets (GSyM™), energy and gas storage (E-StorM™), as well as macroeconomic energy-carbon modeling (NewERA™).

In addition, we help our clients understand the regulatory aspects of markets, support them with financial modeling or audit existing valuation models, and advise on the competition aspects of a transaction.

### **Overview of Main Due Diligence Services and Deliverables**

We provide a full range of economic due diligence services to help our clients derive a valuation for a target asset. Some of the due diligence services we typically provide are described on the following page.

### **Analysis of Risks and Opportunities**

We apprise clients on risks and opportunities related to regulation and markets. We regularly produce reports on key issues during the course of the transaction, and we draft red flag reports and due diligence reports for investors and lenders.

### **Review of Data Room Documents**

We review relevant documents in the data room to gain a full understanding of the target asset and to inform our clients of potential risks.

### **Meetings with Regulators and Other Parties**

We meet with regulators, management, and vendors to determine key value drivers and other aspects related to a transaction.

### **Regulated Revenue Modeling**

We build models to forecast regulated revenues that capture all relevant aspects of a regulatory framework. We populate the model with assumptions and forecasts of key value drivers over the investments horizon, such as the cost of capital and input and output prices. NERA's cost of capital experts regularly provide advice on the regulatory cost of capital across a range of industries. Alternatively, we support financial advisors in building such a model.

### **Market Modeling**

Using our proprietary market models, we produce forecasts of prices and quantities/volumes captured by individual assets.

### **Asset Valuation**

We bring expert capabilities to the resolution of complex valuation and modeling problems. Our consultants use advanced techniques in economics, finance, statistics, and econometrics to improve the quality and accuracy of appraisals.

### **Audit of Valuation Model**

We provide model auditing services for potential acquisitions, from checking the functional operation of complex models to auditing the inputs and assumptions of existing models.

### **Review of Economic Contents of Contracts**

We review contracts to evaluate risks and liabilities, identify gaps that could create unmitigated liabilities, and assess the robustness of contractual terms and definitions

of economic concepts in light of current conditions and likely market developments.

### **Negotiation with Vendors**

We assist in negotiations between parties by providing economic arguments, tactical support, and risk assessment.

### **Lender Due Diligence**

We offer independent expert advice to lenders on regulatory and market risks during their due diligence process, giving these clients a better understanding of the credit risk that their financial assets face. We provide "teach-in" sessions to lenders to explain relevant aspects of a transaction and to answer their questions. We also support acquirers in their discussions with lenders and rating agencies.

### **Competition Analysis**

We conduct competition analysis to assess the risk that competition authorities would object to a transaction, and we assist with the identification of possible remedies.

## **About NERA**

NERA Economic Consulting ([www.nera.com](http://www.nera.com)) is a global firm of experts dedicated to applying economic, finance, and quantitative principles to complex business and legal challenges. For over half a century, NERA's economists have been creating strategies, studies, reports, expert testimony, and policy recommendations for government authorities and the world's leading law firms and corporations. With its main office in New York City, NERA serves clients from more than 25 offices across North America, Europe, and Asia Pacific.

## **Contact**

### **Tomas Haug, CFA®**

Director  
Berlin | +49 30 700 1506 10  
[tomas.haug@nera.com](mailto:tomas.haug@nera.com)

### **Marco Schönborn**

Principal  
Berlin | +49 30 700 1506 30  
[marco.schonborn@nera.com](mailto:marco.schonborn@nera.com)

### **Dominik Huebler**

Principal  
Berlin | +49 30 700 1506 20  
[dominik.huebler@nera.com](mailto:dominik.huebler@nera.com)