
Utilities industry investment in Russia: problems and solutions

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Abstract

Subject/theme. The article presents the problem of attracting investments to utilities industry (water and sewerage services) in Russia. **Goals/objectives.** The goals of the utilities sector study are the analysis of capital assets existing condition and investment behavior, issue spotting and improving proposals. **Methodology.** Analysis of statistical information about water and sewerage services equipment performance and investment activity is applied. Authors discuss legislative actions for public utilities private investments promotion and examine foreign experience of estimating return profitability in PPP (public private partnership). **Results. The Russian FSS** data shows a steady increase of deteriorated water and sewerage networks extent. **It goes to** show insufficiency of return profitability level provided by current utilities tariffs. Authors hypothesize that the return profitability, specified by Russian Federation tariff regulation, comes short to public utilities investment risks. The foreign practice for decrease estimated profitability level for PPP business projects applies a project risks redistribution from private investors to other concessioners (State, customers). **Conclusions.** The analysis of the risks faced by investors of the PPP projects in water supply and sewerage services in Russia is proposed. It may allow to redistribute the risks between the public and private concessioners to **reduce the adequate return profitability level.**

Keywords: *investment, utility infrastructure, water supply and sewerage, public-private partnerships, risk analysis, risk allocation*

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