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In this issue of *The Journal of Project Finance*, we continue to pursue three ongoing themes: merchant power development, discounted cash flow valuation, and infrastructure development in emerging markets. These recurring themes generally underscore a common theme, namely, the restructuring and evolution of various regulatory, ownership, and financing aspects of many of the global infrastructure industries.

Starting off, Roger Feldman expresses concern that the slow pace of comprehensive federal electric power deregulation will impede the extent of merchant plant growth and silently subject consumers to higher-cost and more erratic power systems. Glenn McIsaac, Chris Beale, and Jonathan Lindenberg describe a wave of financing innovations inspired by the restructuring of the electric power industry. David Fowkes, Nasir Kahn, and Don Armstrong describe in detail how lease finance is being used in power project financings, and compare the features of synthetic and true leases.

Next, Alix Mandron reinforces an argument for the use of variable discount rates in project valuation made by Benjamin Esty in the Spring 1999 issue, and suggests some modifications to his approach. This article does not, per se, follow the theme of restructuring and evolution in the infrastructure industries. But valuation techniques are becoming increasingly important in project financing as mergers and acquisitions (on both ownership and concession bases), and broader financial market access for "project" companies, particularly the equity markets, become more commonplace as the infrastructure industries redefine themselves.

Using the recent project financing for privatization and expansion of the airport in Santiago, Chile, as an example, Barry Gold, Allan Marks, and Lizzy Massa describe how a strong concession supporting a solid business plan and appropriate measures for mitigating country and currency risk can create a sound transaction structure. Finally, the article by Roelf Kotze, Andrew Ferguson, and James Leigland on long-term water and sanitation concession contracts for two towns in South Africa, and the article by Ellen Dry and Sesto Vecchi on build-operate-transfer (BOT) projects in Vietnam, address similar challenges faced by governments and private contractors as laws and regulations are updated to accommodate private-sector participation in infrastructure development.

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The various corporate and project finance techniques that these industries have seen are changing. "Traditional" contractual offtake financing structures (first and most commonly seen in independent power projects) are becoming less frequent, as more structures are becoming similar to "market price"-based "commodity" product project financing structures, such as those seen in many recent transportation, oil/gas, and minerals/metals projects. As the credit profile and perception of entities in these evolving and restructured industries become more stabilized, what will be the future of the highly complex financing structures and high leverage seen in the past and regularly associated with project financing?

For example, if all U.S. electrical generating assets are owned, operate, and/or serve their electrical power markets as deregulated entities on a merchant basis, in the absence of bilateral contracts, will those diversified or project companies with the lowest capital and operating costs be able to obtain the historical levels of leverage seen in the heydays of project financing? Or would they more closely resemble investor-owned utility leverage levels (after making any adjustment in the absence of the transmission and distribution aspects of investor-owned utilities)? Or would they be somewhere in between?

These questions for the electrical power industry, as well as other infrastructure sectors, will be answered in the future. For now, we will see how these new industry operating and financial environments cope with their current and evolving financing structures. Their appropriateness will be determined by how well the structures withstand the issuers' cash flow generation volatility and allow for debt and equity investors to be protected and receive their anticipated financial returns.

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