



Liquid opportunity: Brazil's \$550 billion water infrastructure market

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Investing in Brazil's water future

Brazil's water sector stands at an inflection point and it's creating a significant opportunity for both local and international investors. The country's 2020 regulatory overhaul has fundamentally shifted market dynamics, opening what is now the world's largest addressable water market to private investment, while establishing universal access mandates that require BRL 550 billion in capital deployment by 2033.

For utilities, investors, and water technology companies worldwide, Brazil represents a unique convergence of massive infrastructure needs, regulatory clarity, and compelling market fundamentals. The sector transformation offers multiple entry points across the value chain, from utility acquisitions to technology deployment, each supported by clear policy frameworks and substantial capital requirements. Brazil's water infrastructure challenges create significant business opportunities.

Today, 33 million Brazilians lack access to water supply - 15% of the population - while 80 million people, representing 38% of the country, live without sewage treatment. In total, 102 million people lack access to safely managed sanitation services, placing Brazil at 50% sanitation access compared to the global average of 57%.

These infrastructure gaps represent substantial market demand that must be addressed through private capital, given the scale of investment required. The combination of urgent need, regulatory support, and market scale has created what many consider the premier water sector investment opportunity globally. Water market dynamics globally are shifting toward emerging markets, driven by infrastructure deficits and regulatory modernization. Investment opportunities are expanding rapidly in these markets, supported by policy frameworks that prioritize private sector participation. Brazil exemplifies this trend, combining immediate market needs with the regulatory infrastructure necessary to support large-scale private investment.

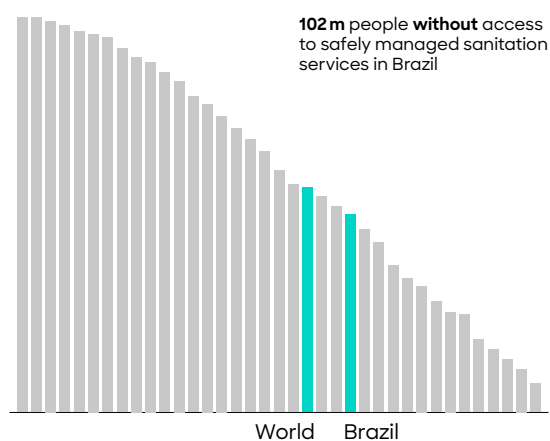
- **Regulatory certainty brings new opportunity**

The 2020 New Legal Framework represents a fundamental shift from Brazil's historically public-dominated water sector to a competitive private market. This regulatory clarity has established universal coverage mandates that are driving unprecedented capital requirements - and creating a significant investment opportunity.

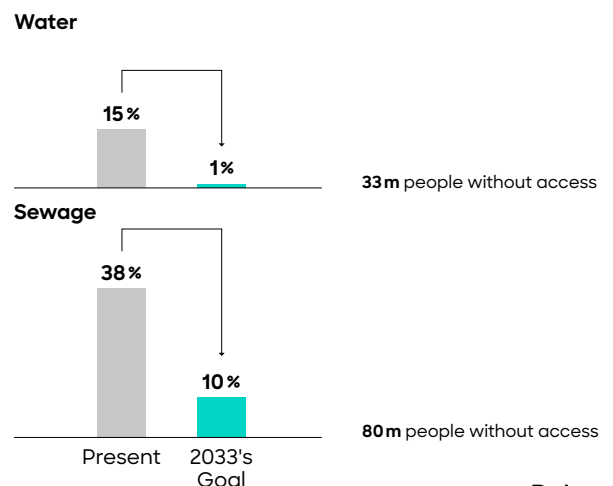
The framework sets ambitious targets for 2033: achieving 99% water coverage and 90% treated sewage coverage. To meet these goals, Brazil must reduce the population without water access from 15% to just 1%, and those without sewage access from 38% to 10%. The scale of this transformation requires doubling current investment levels immediately.

Access to basic sanitation is a global issue, but the situation is even more alarming in Brazil

Global ranking - access to sanitation [%]



Population without access to water supply and sewage [%]



Source Roland Berger

Roland Berger

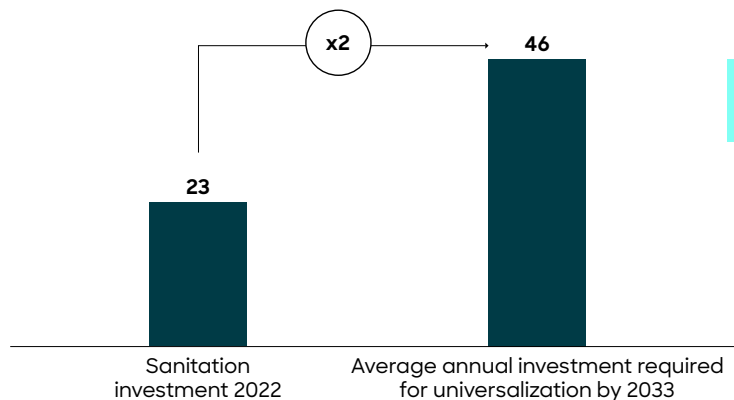
The numbers are staggering. Current annual sanitation investment stands at BRL 23 billion, but reaching universalization requires BRL 46 billion annually - representing a total investment need of approximately BRL 550 billion by 2033. At the current investment rate, universalization would only occur in 2055, making private capital not just beneficial but essential to meeting Brazil's climate and development commitments.

The private sector response has been swift and substantial. Expected private investment includes BRL 105 billion across 43 privatization projects by 2033, with BRL 75 billion anticipated in 2025 alone across 24 state and municipal projects. This capital mobilization represents one of the largest infrastructure financing efforts in Latin American history.

Brazil's New Legal Framework aims to attract investment for BRL 550 bn universalization goals by 2033

Brazilian investment demand for sanitation universalization

Annual investment¹ - 2022 vs. required for universalization [BRL bn]



At the current investment rate, universalization would only occur in 2055 - **private capital is essential to reverse this scenario**

¹ It considers values based on June 2022 prices

Source Decretos da Agência Nacional de Águas e Saneamento Básico (ANA) 31/03/2022, Relatório Trata Brasil, Press clippings

Roland Berger

- **Market evolution: From public monopoly to private competition**

The transformation of Brazil's water sector has been rapid and significant over the last five years. Prior to 2020, the market was characterized by low investment dynamism, public sector dominance, and regulatory restrictions that limited large-scale private capital entry. The sector operated more as a social service than a business, with limited innovation and chronic underinvestment.

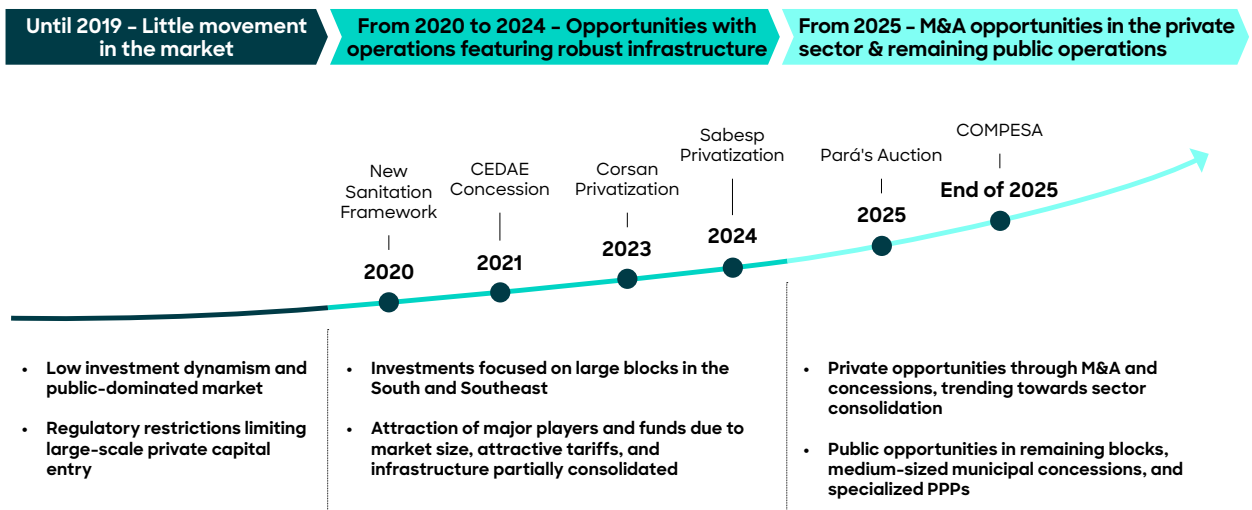
From 2020-2024, following the New Legal Framework, investments focused on large blocks in the South and Southeast regions. Major players and funds were attracted by market size, attractive tariffs, and partially consolidated infrastructure. Key milestones during this period included the CEDAE concession in 2021, Corsan's privatization in 2023, and Sabesp's privatization in 2024 - each transaction

demonstrating growing investor confidence in Brazil's water market fundamentals. From 2025 onwards, the market is entering a new phase characterized by M&A opportunities in the private sector, remaining public operations, and increased consolidation. There have been new important concessions, in particular in the North and North East states where typically physical and commercial losses are higher. These include auctions in Pará (awarded in April and August 2025), among others, representing billions in additional investment opportunities.

This evolution is reflected in dramatic market share changes. Private sector participation has grown from just 13% in 2012 to 42% in 2024. This shift represents fundamental changes in operational efficiency, customer service standards, and investment capacity.

Concentration remains high among private players. The top six companies control 98% of the private market, while the remaining 40+ players share just 2%. There are signs, however, that new entrants will continue to chip away at the dominant players. Brazil's water market is attracting international players seeking scale opportunities in a regulated environment with clear growth drivers. For instance, Acciona Agua was awarded bloc 2 of the Sanepar sewerage PPP in the west of the state of Paraná. The project will see an investment of almost BRL 2 billion (c. \$352 million) to extend wastewater coverage to 651,800 people by 2033.

Investments in Brazil's water sector have shifted from concession auctions to private sector concentration



Non-exhaustive
Source Roland Berger

Roland Berger

• **Three strategic pathways for market entry**

For utilities, investors, and technology companies looking to participate in Brazil's water transformation, three distinct pathways offer different risk-return profiles and strategic advantages.

1 *Private market consolidation*

The first pathway involves M&A opportunities among current private players, focusing on consolidation in an increasingly competitive market. This approach centers on helping existing operators optimize their portfolios, potentially selling stakes in certain regions while investing in others to create more focused, efficient operations.

Many current operators are seeking capital to reduce financial leverage while positioning for growth. They're evaluating which assets to retain based on strategic importance, operational synergies, and long-term growth potential. For investors, this creates opportunities to acquire proven assets with established customer bases and operational histories.

The consolidation trend is accelerating as companies recognize that scale advantages are becoming more important in a competitive bidding environment. Operators that can demonstrate operational excellence across multiple concessions, leverage shared services, and invest in digital transformation are increasingly winning new contracts and commanding premium valuations

2 *Public concession opportunities*

The second pathway focuses on acquiring new concessions through public auctions, including both privatizations and greenfield opportunities. Potential privatizations offer immediate scale and established infrastructure, though often requiring significant modernization investments.

State and municipal concessions represent expansion opportunities into underserved regions with significant growth potential. These concessions typically offer longer contract terms and greater operational flexibility but require substantial infrastructure development and local market expertise.

Special public-private partnerships (PPPs) offer innovative structures that can reduce risk while maintaining attractive returns. These arrangements increasingly incorporate performance metrics tied to environmental and social outcomes, aligning with ESG investment criteria.

3 *Value chain expansion*

The third pathway involves transversal opportunities across the water value chain, extending beyond utility operations into construction, operations services, energy, and technology. This approach recognizes that the BRL 550 billion investment requirement will create massive demand across multiple sectors.

Construction opportunities are particularly significant, as expanding sanitation services will require extensive infrastructure development. Local construction companies often need partnership and development support to meet quality standards and delivery timelines, creating opportunities for international players with technical expertise.

Operations and services represent approximately 30% of utilities' total costs, offering capital-light business models with recurring revenue streams. These opportunities include billing and collection services, maintenance contracts, laboratory services, and customer management systems.

The energy sector presents unique opportunities as utilities increasingly invest in their own renewable energy sources. Solar power, biogas from wastewater treatment, and energy efficiency programs are becoming standard components of modern water system operations.

Technology integration offers perhaps the highest-growth potential, encompassing everything from smart meter deployments to AI-powered network optimization. Brazilian utilities are rapidly adopting digital solutions to improve operational efficiency and customer service, creating substantial opportunities for water technology companies.

Three possible investment pathways to explore in the Brazilian market: private, public and transversal

1 Private opportunity: M&A of current players

- **Portfolio optimization**
Review of the asset portfolio by local operators, with a view to maintaining only strategic regions
- **Need for capital**
Demand to reduce the financial leverage of local operators
- **Sector consolidation**
Creation of a new major player through the acquisition of several concessions

2 Public opportunity: Acquisition by auction

- **Privatizations**
Possible privatization of Copasa in Minas Gerais
- **State and municipal concessions**
Block auctions in Pará and Pernambuco
- **Special PPPs**
Recent partnerships in Ceará between companies for sanitation improvements

3 Opportunities across the value chain

- **Construction**
Expanding sanitation services will require high investments
- **Operations/services**
Represent ~30% of the companies' total cost
- **Energy sector**
Utilities are investing in their own energy sources including renewables options

Source Roland Berger

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• Navigating investment complexities

Brazil's water sector opportunities come with specific market complexities that require sophisticated understanding of local dynamics, regulatory requirements, and operational challenges. The regulatory environment, while supportive of private

investment, continues evolving as authorities balance investor returns with affordability and service quality objectives.

Tariff regulation varies significantly by region, particularly in areas with lower purchasing power where affordability constraints can impact return profiles. Long investment horizons - typically 25-35 years for concession contracts - require careful financial modeling and risk management strategies.

Environmental compliance requirements are becoming more stringent, with water quality standards and environmental impact assessments creating both costs and competitive advantages for operators with advanced technical capabilities. Infrastructure resilience requirements are intensifying, making robust system design essential for long-term success.

Geographic complexity varies significantly across regions. South and Southeast regions offer more developed infrastructure and higher-income populations, while North and Northeast regions present greater growth potential but require more extensive infrastructure development and local partnerships.

Current investment opportunities pose challenges, needing thorough analysis for attractiveness and improvement



High CAPEX and greater operational complexity due to weaker infrastructure in the remaining regions



Tariff limitations and low purchasing power of the population as well as a **long investment horizon**



Dwindling resources and rising droughts increases uncertainty in predicting financial outcomes



Regulatory and environmental compliance in a scenario of stricter water quality rules

Source Roland Berger

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• Market timing and strategic positioning

Brazil's water sector represents a market at an optimal investment inflection point where regulatory clarity, infrastructure needs, and capital requirements have aligned to create significant opportunities. The BRL 550 billion investment requirement over the next decade represents substantial infrastructure spending that will support both immediate returns and long-term growth.

For utilities seeking expansion opportunities, Brazil offers established regulatory frameworks, proven market mechanisms, and substantial scale advantages. International utilities can leverage their operational expertise while accessing one of the world's largest water markets.

Investors will find a market with strong fundamentals, regulatory support, and clear growth trajectories. The combination of immediate returns from established assets and long-term growth potential from expansion opportunities creates attractive risk-adjusted return profiles across multiple investment strategies.

Water technology companies face particularly strong market dynamics, as Brazilian utilities adopt digital solutions, smart infrastructure, and advanced treatment technologies. The scale of planned investments ensures substantial, sustained demand for innovative solutions across the entire water value chain.

The window for optimal market entry reflects current market conditions where major players are establishing positions and asset prices are adjusting to reflect growing investor recognition of the opportunity. Companies that move strategically—with appropriate local partnership and market understanding—can position themselves to participate in this large-scale infrastructure transformation.

Further reading

- ➔ [THE 2025 WATER M&A MARKET OUTLOOK](#)
- ➔ [CURRENTS OF CAPITAL 2025 REPORT: INVESTMENT TRENDS AND OPPORTUNITIES IN THE GLOBAL WATER SECTOR](#)
- ➔ [SIX GROWTH TRENDS TRANSFORMING THE GLOBAL WATER MARKET](#)

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