

## EIB Lending to Transport Sector Projects



**European  
Investment  
Bank**

*The EU bank*

A circular arrangement of twelve five-pointed stars, representing the flag of the European Union.

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- General information about EIB Group
- EIB and transport lending
- EFSI for transport objectives
- EU-backed financial instruments
- Blending with ESIF, EFSI and CEF
- CEF/EFISI Case studies

# The EIB Group



Providing finance and expertise for sound and sustainable investment projects



Leading developer of risk financing for innovative SMEs

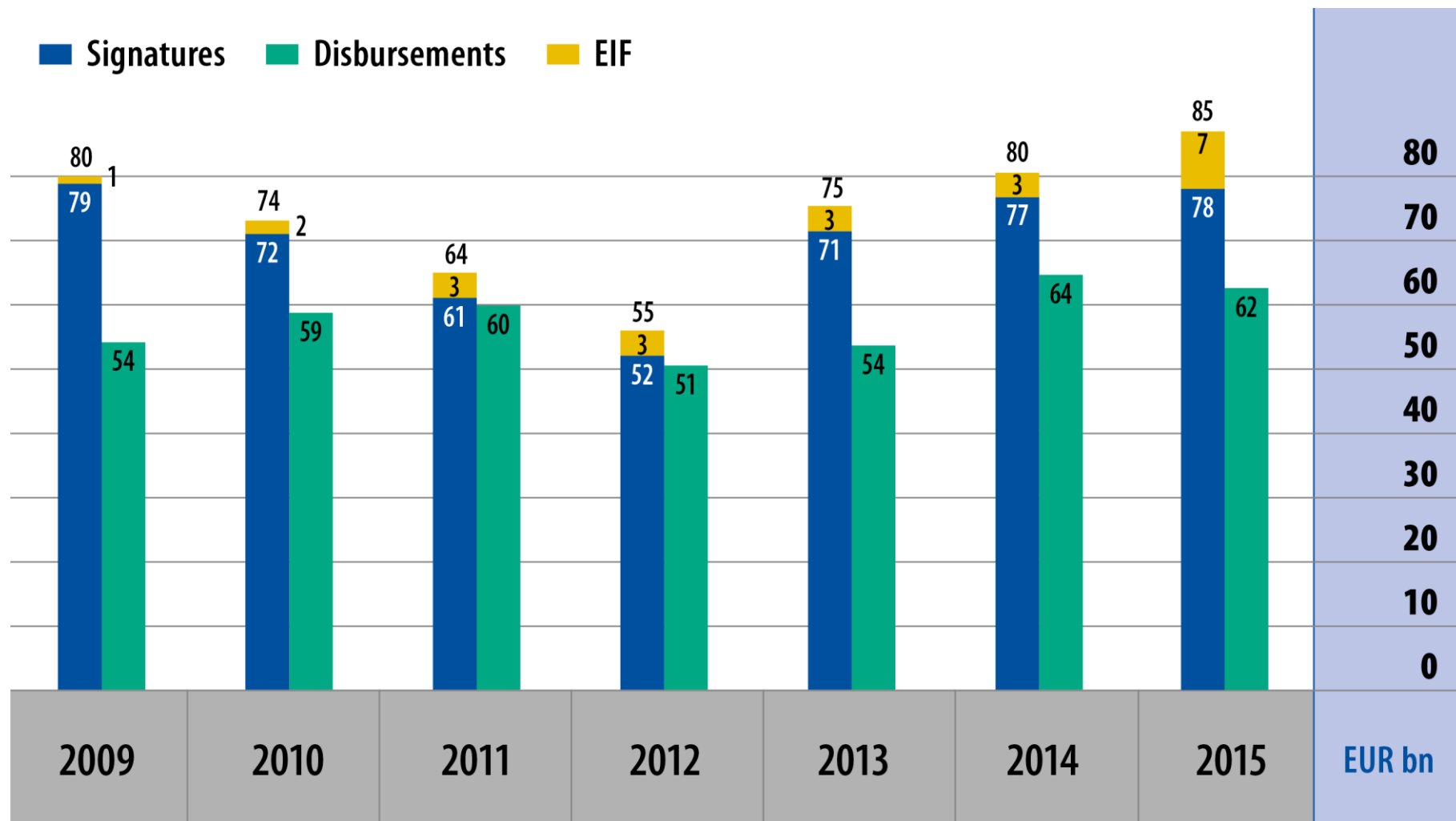
# The EIB: The EU bank

- Largest multilateral lender and borrower in the world:
  - funds raised on the international capital markets;
  - favourable borrowing conditions passed to clients.
- Some 450 projects each year in over 160 countries.
- Headquartered in Luxembourg, 33 local offices.
- Around 2 600 staff:
  - finance professionals, engineers, sector economists and socio-environmental experts;
  - more than 50 years of experience in financing projects.
- EIB products:
  - **Loans** (direct and intermediated)
  - Guarantees and securitization
  - Advisory services

# The EIF: SMEs support specialist

- The leading EU developer of risk financing for SMEs and mid-caps
  - Founded in 1994 (over 20 years experience with SMEs financing)
  - Key shareholders:
    - 59,9% EIB
    - 28,1% EC
    - 12 % public and private financial institutions
  - AAA-rated by the three major rating agencies
  - Works with a wide range of counterparts to support SMEs and mid-caps (600+ PE funds, 400+ banks and alike)
  - Some 1,8 million SMEs supported since its creation (2720 in Czech Republic)
- Headquartered in Luxembourg with 260 staff
- Financial instruments:
  - Guarantees and securitization
  - Equity
  - Microfinance

# EIB Group track record - over EUR 500bn lent since 2009



# We focus on our key priorities

(EIB Group in 2015)



## ENVIRONMENT

EUR 19.6bn  
(23%)



## INFRASTRUCTURE

EUR 18.9bn  
(22%)



## INNOVATION

EUR 18.7bn  
(21%)



## SME

EUR 29.2bn  
(34%)

# We deliver **impact** where it's needed



## **JOBS**

4.1m jobs in small businesses



## **HEALTH**

9.8m people with access to improved health services



## **EDUCATION**

1.5m students benefitting from EIB projects



## **WATER**

21m people benefitting from safe drinking water



## **TRANSPORT**

380m additional passengers



## **ENERGY**

2.3m households powered by EIB projects



## **URBAN**

3.2m people benefitting from urban upgrades



## **DIGITAL**

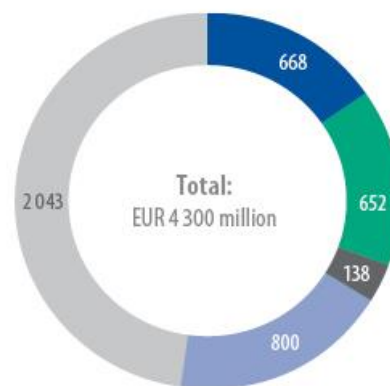
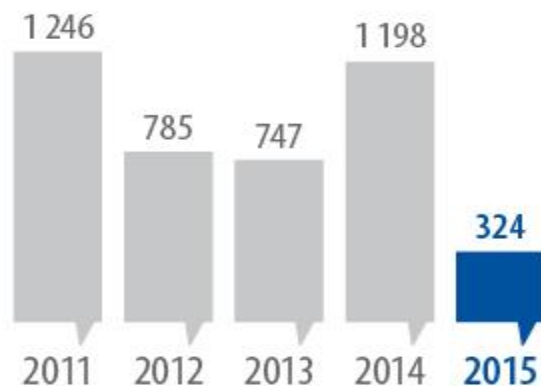
15.3m people with new or upgraded connections



# EIB activities in Czech Republic

## Signatures in the Czech Republic 2011-2015

(in EUR m)



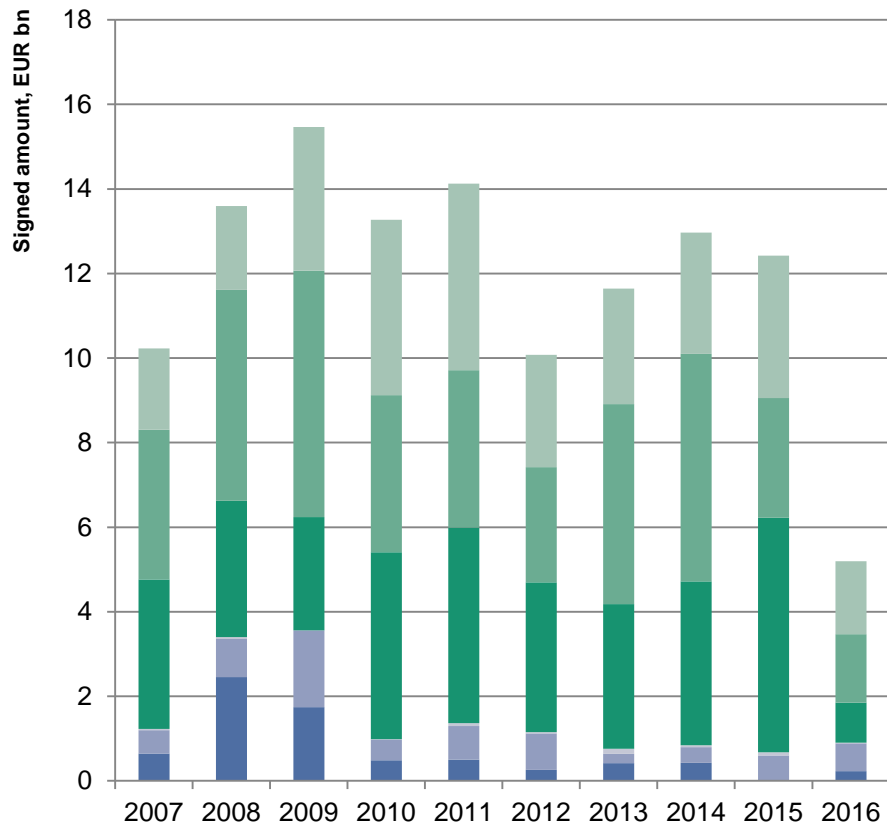
EIB lending by sector in the Czech Republic from 2011 to 2015  
(in EUR m)

■ Energy	16%
■ Transport, telecommunications	15%
■ Water, sewerage, solid waste, urban development	3%
■ Industry, services, agriculture	19%
■ Small and medium-scale projects	47%

# EIB Lending to Transport Sector 2007-2016

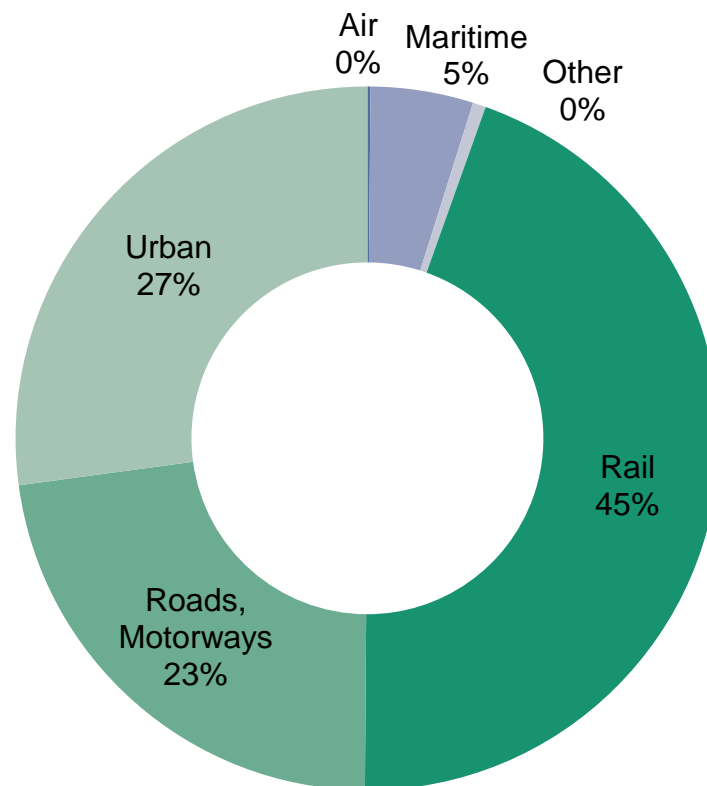
**Transport operations signed EU Member States (2007-2016)**

Total EUR 118bn



**Transport operations signed in EU Member States (2015)**

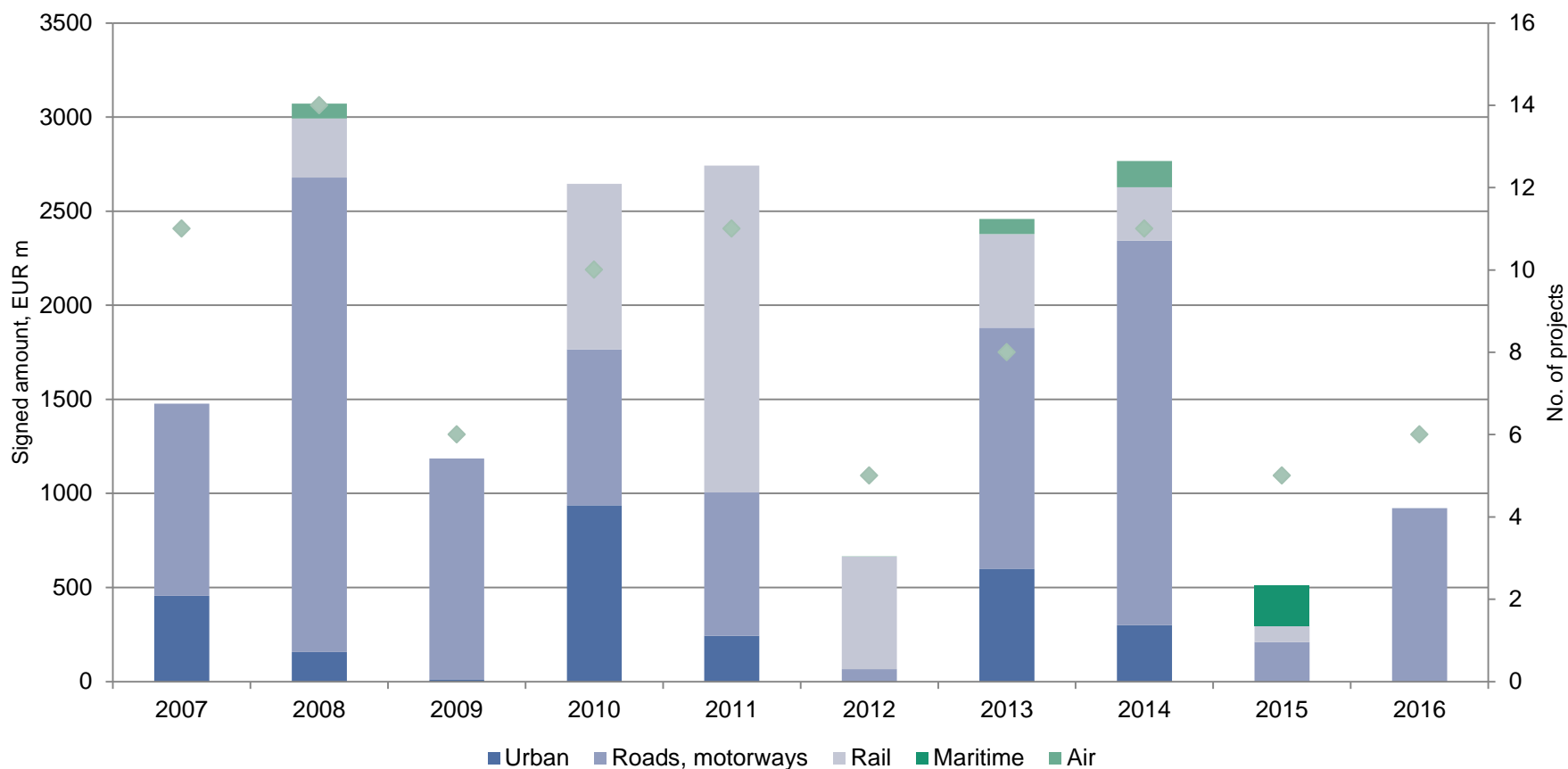
Total EUR 12.4bn



Recent EIB lending (signed operations) some EUR 70bn per year. On average, transport projects have constituted some 15%-20% of total lending.

# EIB Transport PPP-Lending 2007-2016

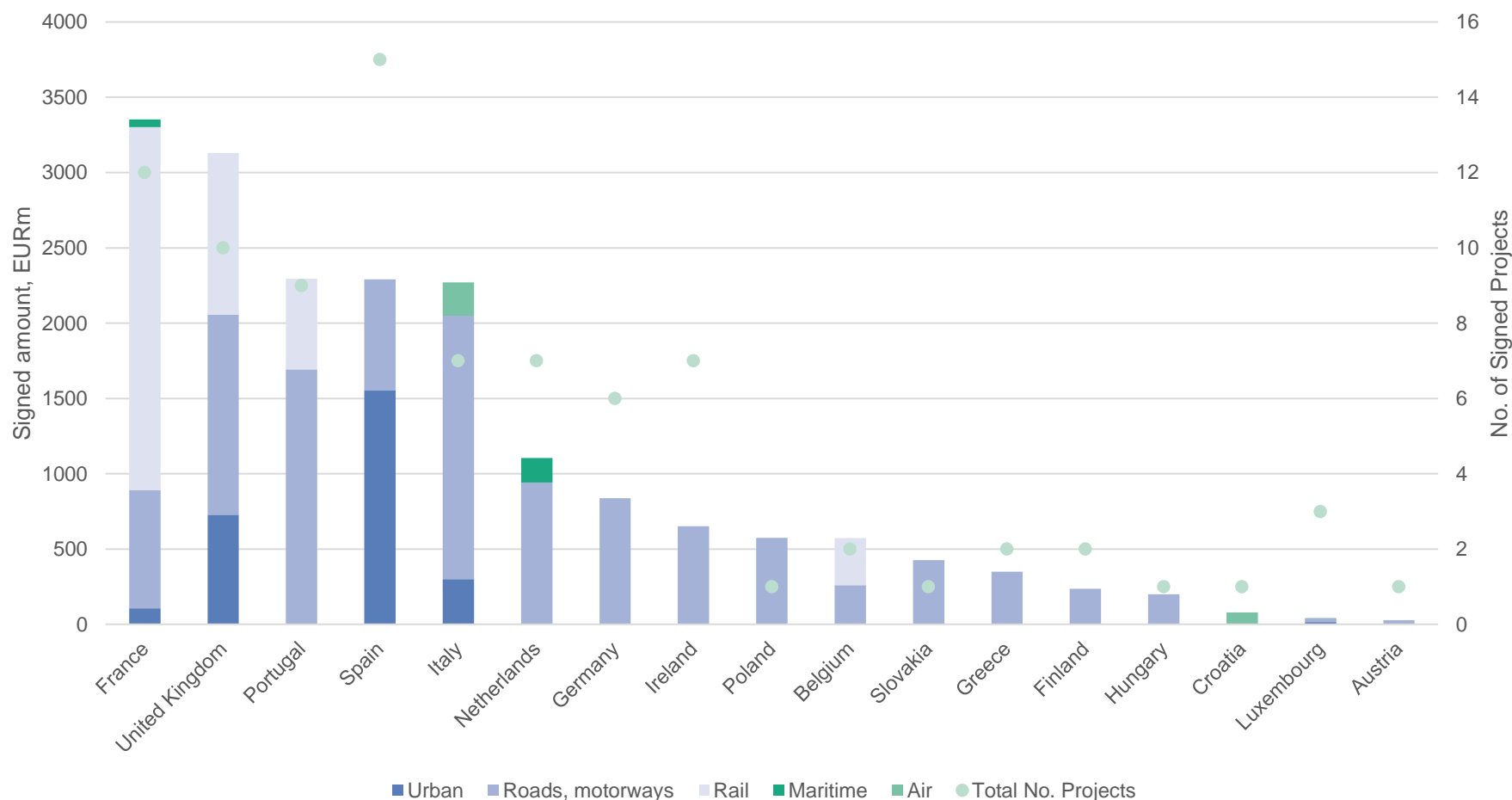
## Transport PPP-operations signed in EU Member States



Note: 2016 data is partial up to September 2016. The data is the property of the EIB. For reproduction, prior permission from the EIB is required.

# EIB Transport PPP-Lending 2007-2016

PPP operations signed in Transport Sector between 2007 and 2016



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## We help catalyse investment

LENDING	BLENDING	ADVISING
Loans But also:  Guarantees (trade financing)  Equity participation	Combining EIB finance with EU budget (Project Bond Initiative)  Higher risk projects for innovation (InnovFin)	Prepare, evaluate and support the implementation of projects (JASPERS)  Support for public/private partnerships (EPEC)
Attracting FUNDING for long-term growth		

# OBJECTIVE: close the investment gap!

## Investment Plan for Europe

Mobilize EUR 315bn of investments

**- European Fund for Strategic Investments (EFSI)**

- Cooperation with national promotional banks and EIB

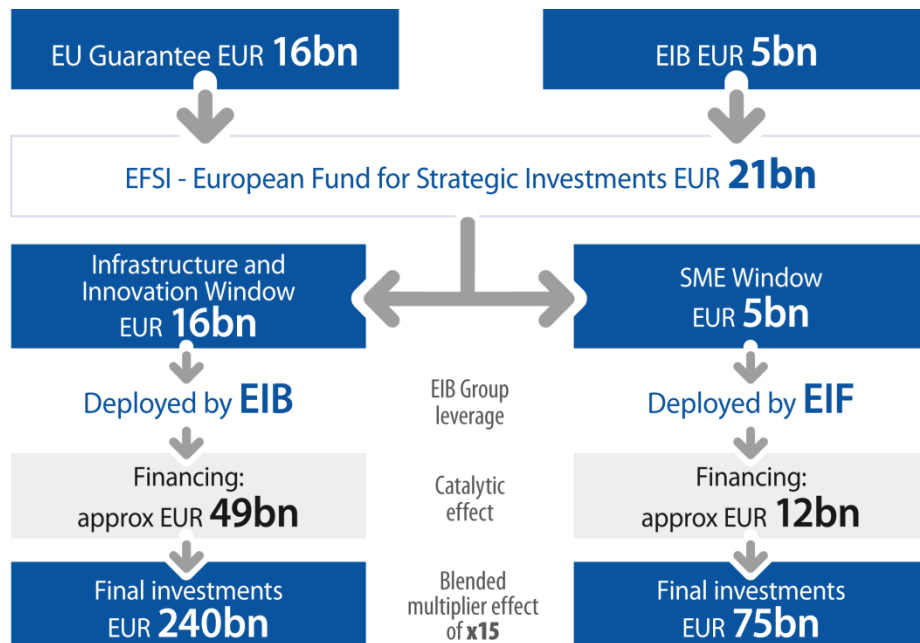
Support investment in the real economy

- European Investment Advisory Hub
- European Investment Project Portal

Create an investment friendly environment

- improvements of the European regulatory environment
- Structural changes

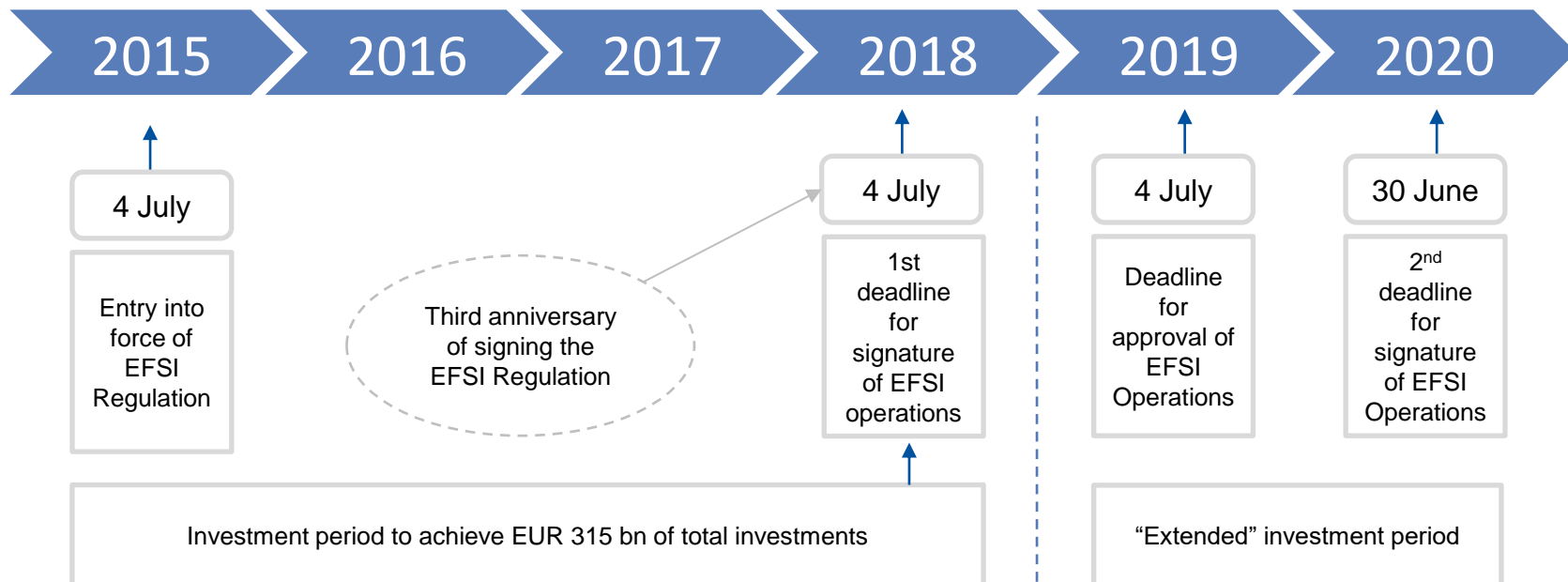
# EFSI Overview



- EFSI is not a fund or a separate legal entity
- It is a contractual arrangement between EC & EIB Group
- EU guarantee is a portfolio guarantee – not individual transactions
- All EFSI operations are EIB or EIF operations
- EIB and EIF normal appraisal and processes apply
- EFSI governance structure
- EFSI consists of:
  - EUR 16bn EC guarantee in favour of EIB
  - EUR 5bn capital contribution by EIB
  - Target of generating EUR 315bn investment in 3 yrs.

# Overview: Timeline and Investment Period

## □ Key milestones:



EFSI Operations to target EUR 315 bn of total investment by 2018.  
Investment Period extends until 30 June 2020.



# EFSI Eligible Operations

## Sector eligibility

- In transport:  
“Development of transport infrastructures, and equipment and innovative technologies for transport”
- TEN-T and CEF regulations
- Smart sustainable urban mobility projects
- Connecting nodes to TEN-T

## Counterpart eligibility

- Corporates of all sizes
- SPVs and Project Companies
- Utilities
- Public sector entities
- SMEs(<250 employees) or Midcaps (<3000 employees)
- National promotional banks or commercial banks for intermediation
- Dedicated investment platforms

## Project eligibility

- Commercially sound
- Economically and technically viable
- Added value (additionality) – typically higher risk profile than normal EIB operations
- Investments boosting employment and growth
- Pricing commensurate with the risk
- Covering EU28 countries or cross-border operations

Of which  
**EUR 13.8bn**  
signed

# EIB Group figures

As of 12/10/2016

Approved EFSI  
financing\*

Total investment related to EFSI  
approvals

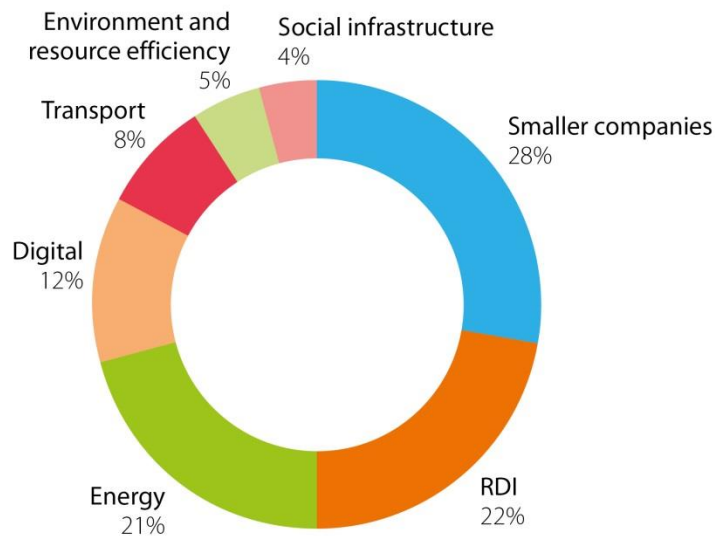
**EUR 24.8 bn**

**EUR 138.3 bn**

\* EIB-approved: EUR 17.4 bn  
EIF-approved: EUR 7.5 bn



## EFSI investment by sector



361 approved  
transactions in 27  
of 28 EU countries



Signed projects					
Title	Country	EFSI financing	Total investment related to EFSI	Sector	Approval date
Trenitalia Regional Rolling Stock	Italy	300m	617m	Transport	17/11/2015
Accessibility Ports Infrastructure	Spain	105m	425m	Transport	15/12/2015
ICO Infrastructure Risk Sharing Loan	Spain	25m	Not disclosed	Energy; Transport; Social infrastructure	15/12/2015
A6 Almere Motorway PPP	The Netherlands	79m	234m	Transport	10/03/2016
D4R7 Slovakia PPP	Slovakia	427m	639m	Transport	21/10/2015
QUAERO European Infrastructure Fund	EU Countries	40m	Not disclosed	Digital; Energy; Transport; Environment and resource efficiency; Social infrastructure	10/03/2016
Mirova BTP Impact Local Fund	France	Not disclosed	Not disclosed	Digital; Transport; Social infrastructure	16/06/2016
CUBE Infrastructure Fund II	EU Countries; Switzerland; Norway	100m	Not disclosed	Transport; Environment and resource efficiency; Digital; Energy	16/06/2016
Rock Rail East Anglia	United Kingdom	69m	856m	Transport	23/09/2016
Approved					
Title	Country	EFSI financing	Total investment related to EFSI	Sector	Approval date
Autovie Venete A4 widening	Italy	120m	887m	Transport	22/09/2015
A6 Wiesloch-Rauenberg to Weinsberg PPP	Germany	300m	Not disclosed	Transport	12/03/2015
Grand Contournement Ouest de Strasbourg (A355)	France	280m	510m	Transport	17/11/2015
Infracapital Greenfield Infrastructure Fund	United Kingdom; EU Countries	Not disclosed	Not disclosed	Digital; Energy; Transport; Environment and resource efficiency; Social infrastructure	19/05/2016
Lithuanian Airports	Lithuania	30m	44m	Transport	16/06/2016
Greek Regional Airports PPP	Greece	300m	400m	Transport	19/07/2016
Przewozy regional Rolling Stock Modernisation	Poland	46m	106m	Transport	19/07/2016
Lisbon Urban Renewal Housing Climate FL	Portugal	250m	523m	Transport; Environment and resource efficiency; Social infrastructure	19/07/2016
A14 Vilnius - Utena Highway PPP	Lithuania	40m	88m	Transport	23/09/2016
Riga Transport Company		75m	175m	Transport	12/10/2016
Tallinn Airport Upgrade	Estonia	30m	48m	Transport	12/10/2016
Transport Project	Denmark	Not disclosed	Not disclosed	Transport	12/10/2016
RDI Project	Italy; Germany; France	Not disclosed	Not disclosed	RDI; Transport	12/10/2016
TIIIC Transport and Social Infrastructure Fund	EU Countries	60m	Not disclosed	Transport; Social infrastructure	12/10/2016
Pre-Approvals					
Title	Country	Subs-projects		Sector	Approval date
Green Shipping Guarantee Programme	EU Countries			Transport	16/06/2016
Green Shipping Programme Loan	EU Countries; Spain			Transport	16/06/2016
EIB Co-investment Programme	EU Countries	Mirova Eurofideme 3 Co-Investment Wind Sweden		Energy; Transport; Environment and resource efficiency; Smaller companies; RDI	19/05/2015

As of 12/10/2016

# Driver for Financial Instruments

- Grants are limited, public debt capacity constrained
- A financial instrument is a mechanism to address specific risks that are deterring promoters and investors from investing in projects
- Instruments allow the public sector to encourage private sector involvement
  - Projects need to be conceived to involve private sector
  - Laws and regulations need to be clear
  - Main approvals should be in place
  - Specified in output terms
  - Risk allocation clear
- Not just PPPs. Regulated concessions; Sector interventions e.g. cleaner transport

# Identifying Projects for Financial Instruments

- Project identification:
  - Focused on project maturity/readiness/level of preparation
- Key features of financeable projects:
  - Revenue generating potential
  - Affordability of the project to users/public authority
  - Performance based outputs
  - Project where the commercial, legal and political risks are quantifiable
  - Bankable project based on realistic projections of both costs and revenues
- Technical assistance to projects with potential
  - Support to procuring authority in using financial instruments
- Transport sector
  - Sector: Airports, ports, locks and canals, roads, rail, logistic platforms, alternative fuels, fleets
  - Activities: Construction, rehabilitation, efficiency improvements, vehicles
- Note:
  - Financial instruments will not change the structural issues of the sector nor provide financing to operators that do not have a sustainable business perspective.

# Success Factors for PPP-type Projects

- Clear and visible political commitment
- Projects originating from public investment planning process
- Strong governance, quality control and approval processes
- Public sector awareness of resources and time required
- Experienced advisors available
- Market sounding at all stages
- Long term service requirements can be clearly defined for a long period
- Appropriate PPP design and risk allocation (often availability fee based)
- Right size of project
- Competition during procurement
- Early Involvement of International Financial Institutions
- Early EUROSTAT consultations

# Examples of EIB Involvement using Financial Instruments in Transport Sector

- Loan guarantee for TEN-T (LGTT)
  - 7 projects in Road, rail and maritime sectors (revenue, toll risk)
  - Portugal, UK, Germany, Spain, France
- Project Bond Initiative (or Credit Enhancement)
  - A11 Brugge PPP (Belgium)
  - A7 motorway (Germany)
  - N25 (Ireland)
  - Passante di Mestre (Italy)
  - Port of Calais (France)
- Senior Debt Credit Enhancement (SDCE)
  - A8 motorway (Germany)

# CEF-EFSI Blending Facility

- Proposal for a CEF Blending Call 2016-2017 under Multiannual Work Programme
- Linking CEF grant to private sector investment and/or with EIB finance/EFISI guarantee
- CEF eligibilities
- EIB / EFISI eligibilities if applicable

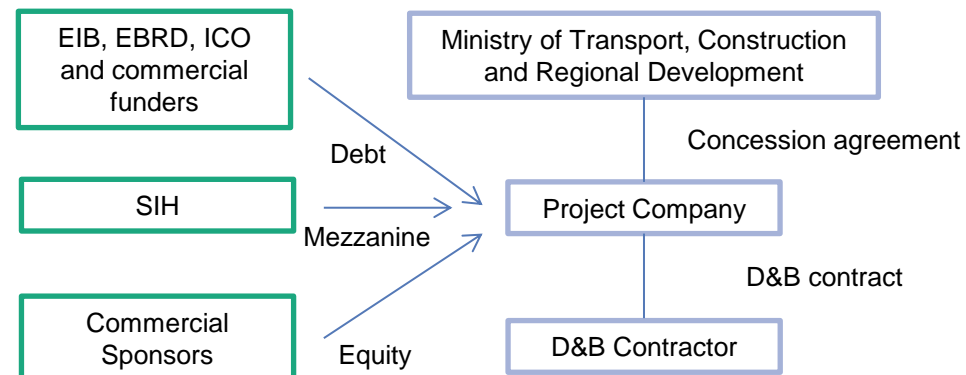
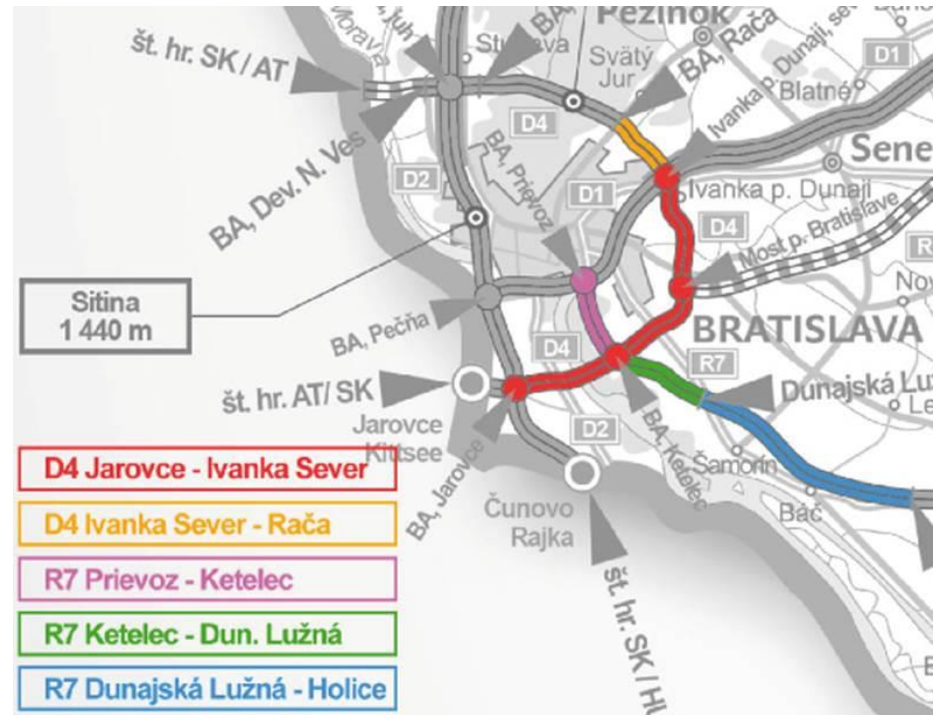


# Blending ESIF grants and PPPs

- Blending may increase viability of PPPs, making them more affordable
- 49 grant/loan blended projects in 13 EU Countries in over 14 years (EPEC stocktake)
- Regulation 1303/2013, Common Provisions Regulations on ESI Funds is making blending easier:
  - Regulation is explicit on possibility of blending
  - Timing of PPP and ESIF grant process enabling the PPP and EU grant process to run together
  - Earlier assurance of grant availability (prior to selection of concessionaire)
  - Expenses incurred and paid by the private partner are considered incurred and paid by the public sector beneficiary
  - Use of escrow accounts to allow for disbursement of grant funding beyond N+3 and 2023
  - Grants can cover part of the availability payments
  - Calculation of grant rate by applying flat rate (instead of traditional Funding Gap Calculation)

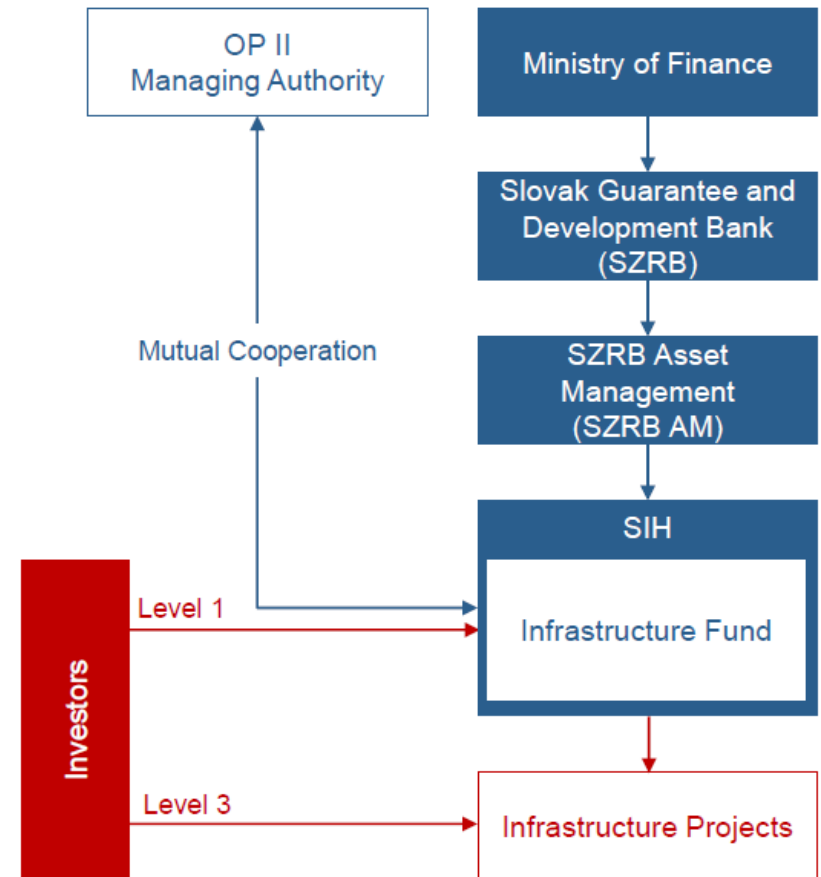
# EFSI Case Study: D4/R7 PPP (SK)

- Design, construction and financing of approx. 27 km of D4 motorway around Bratislava, which connects to R7 expressway (32 km) and procured as part of the D4R7 PPP (availability-based, 30-year concession)
- EIB scope: D4 section (TEN-T)
- Involvement of the EIB and the Commission helped Authority to optimise the project resulting in cost reduction at dialogue stage. Construction (works) for total D4/R7 at some EUR 1000m
- Invitation to tender – Q1 2015. 4 short-listed consortia. Commercial Close – Jan 2016. Financial Close – June 2016. Winning Consortium: Zero Bypass Ltd (Macquarie, Cintra, Porr)
- EIB finance of some EUR 426m with EFSI guarantee, mezzanine instrument via Slovak Investment Holding (SIH), commercial debt and equity



# OP Financial Instrument and DG Regio

- Centralised and more efficient implementation of ESIF via financial instruments
  - Leverage effect
  - Private sector crowding-in
  - Eliminate market gaps
- Slovak Investment Holding (SIH) – MoF and Slovak Republic to support national investments. Fund of Funds
- Max 3% from each 2014-2020 OP (c. EUR 400m)
- Transport investments: PPPs, train stations, ports
- Use of financial instruments from OP on D4R7 subject to approval from EC
- Needs modification of Operational Programme for inclusion of D4



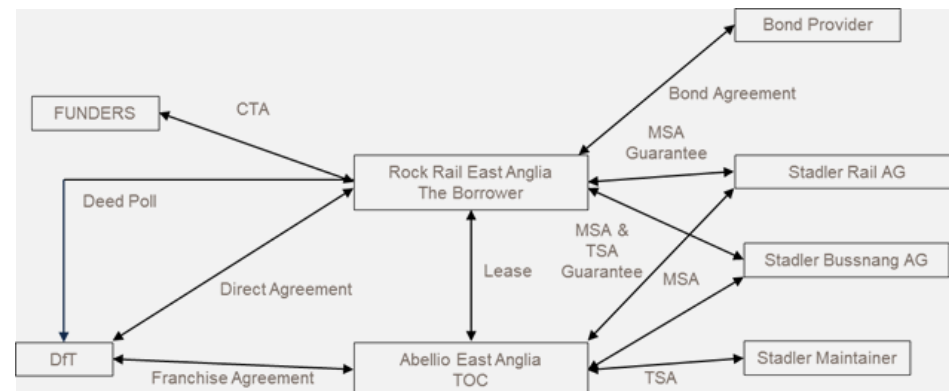
# EFSI Case Study: Rock Rail East Anglia (UK)

- GBP 60 million loan (28-year tenor) to finance purchase of 378 train carriages by Rock Rail East Anglia PLC – a rolling stock company
- New trains to be used by franchise operator Abellio East Anglia Limited, a wholly owned subsidiary of Dutch national rail company Nederlandse Spoorwegen
- Replace existing outdated electric and diesel trains. New trains include electrical multiple units and bi-mode multiple units
- Trains will operate on regional passenger/commuter, intercity and airport railway services
- Higher risk project, in part, due to loss of DfT (government) rolling stock residual value protection (Section 54 Undertaking of Railways Act 1993) should a certain rolling stock fleet come off lease within a certain period.
- Project benefits from EFSI guarantee – the first EFSI backed transport loan in UK.

Example of new trains



Examples of existing trains





# EFSI Case Study: Riga Transport Company (LV)

- Example of blending CEF grant and EIB/EFSI finance
- Borrower: Riga Transport Company (RTC), public transport operator owned by Municipality of Riga
- EIB EUR 75m loan (with EFSI guarantee) to:
  - Upgrade the tram system (new rolling stock and infrastructure)
  - Modernise existing tramway depot
  - Purchase 10 new hydrogen fuel cell buses, 10 new trolleybuses with hydrogen fuel cell range extenders and associated refueling infrastructure
- EUR 8m CEF grant to co-finance installation of hydrogen fuel production and charging facilities
- Remainder to be financed by RTC's own funds and other bank (commercial) loans
- Environmental, noise, safety and accessibility benefits.
- Support deployment of alternative fuel public transport

Example of electric bus testing in Riga (2016)



Source: Latvian Information Agency (2016), Leta/delfi.lv

# Thank you!

More information at: [www.eib.org](http://www.eib.org)

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