



Financing opportunities under ESIF for the Transport Sector

Arturo Polese, DG Regio

Summary

Overview of thematic objective 7

Types of projects and features

***Financing transport investments with ERDF
and CF***

***Operations generating net revenue after
completion***

Schemes for complementarities ESIF/EFSI

Rail sector specific considerations

T07: promoting sustainable transport and removing bottlenecks in key network infrastructures 1/2

ERDF investment priorities - Cohesion Fund investment priorities:

7(a) – 4d(i) supporting a multimodal Single European Transport Area by investing in the TEN-T;

7(b) enhancing regional mobility through connecting secondary and tertiary nodes to TEN-T infrastructure, including multimodal nodes;

7(c) 4d(ii) developing and improving environment-friendly (including low-noise) and low-carbon transport systems, including inland waterways and maritime transport, ports, multimodal links and airport infrastructure, in order to promote sustainable regional and local mobility;

TO7: promoting sustainable transport and removing bottlenecks in key network infrastructures 2/2

7(d) – 4d(iii) developing and rehabilitating of a comprehensive, high quality and interoperable railway system, and promoting noise-reduction measures;

7(e) improving energy efficiency and security of supply through the development of smart energy distribution, storage and transmission systems and through the integration of distributed generation from renewable sources. (NOT DISCUSSED HEREBY)

N.B. Sustainable multimodal urban mobility is also covered by TO 04 (shift towards a low-carbon economy) for the ERDF and the CF (thematic concentration)

Policy requirements

- Need for clear prioritisation: consistency with national transport plans and in line with TEN-T
- Comprehensive transport plans should be based on a rigorous assessment of transport demand (both for passengers and for freight), should identify missing links and bottlenecks and should set out a realistic and mature pipeline for projects
- Focusing on sustainable forms of transport should also be addressed
- Ensuring proper maintenance of the networks

Key measures (1/2)

Investments in the core TEN-T infrastructure: rail, road, inland waterways and sea transport; intelligent transport systems; preparing for introduction of infrastructure charging schemes

Enhancing regional mobility (comprehensive and core TEN-T) network: connecting secondary and tertiary nodes to TEN-T infrastructure, including multimodal links (only ERDF)

Key measures (2/2)

Environment-friendly and low-carbon transport systems: maritime transport; intermodal transport systems; fuel security; removal of bottlenecks in inland waterways

Comprehensive and interoperable railway system: core and comprehensive TEN-T (existing) railway infrastructure, secondary connectivity, upgrading of dense railway networks; modernisation of the rolling stock, stations; European Rail Traffic Management System (ERTMS); Level crossings; Access points for rail freight; Passengers with Reduced Mobility adaptation of stations

Contribution to TO 4

TO 4 (supporting the shift towards a low-carbon economy in all sectors)

o Promoting clean fuels and vehicles

o Promoting innovative road pricing, user charging systems and traffic management, and in fuelling and charging infrastructure for new carbon-free vehicles for urban transport

Financing transport investments with ERDF and CF

Projects have to be coherent with the OP and eligible

(Public) grant resources are never sufficient...

Financial engineering solutions (PPP) should be explored

Financial Instruments, such as project bonds, loans from International Financing Institutions can be used

Combination ESIF/EFSI opens new opportunities

Building a sustainable financial plan

Correct cost estimate

Operational sustainability

Revenue generating operations

Cost estimates

Should be independent from financing sources

Should take into account Best Available Technologies

Should take into account "appropriate" technical solutions

Should be built from the beginning anticipating phasing needs and future development plans

Require appropriate technical command from promoting bodies

Operational sustainability

Cohesion Fund/ERDF resources should not be used to build infrastructure that cannot be adequately maintained at the national or regional level in the future

Maintenance must be assured by ring-fencing appropriate resources in the regional or national budget, recourse to the PPP, or introduction of tolling/ appropriate tariffs etc.)

Realistic forecasts of tariffs and revenue increases must be developed

Operations generating net revenue after completion (CPR/61)

The eligible expenditure of an operation to be co-financed from ESIFs shall be reduced in advance taking into account the potential to generate net revenue over a specific reference period that covers both implementation of the operation and the period after its completion (Financial Instruments excluded)

Potential net revenue

- application of a flat rate net revenue percentage for the sector or subsector

Sector	Proposed flat rates
ROAD	30%
RAIL	20%
URBAN TRANSPORT	20%
WATER	25%
SOLID WASTE	20%

- calculation of the discounted net revenue (CBA)

Resources

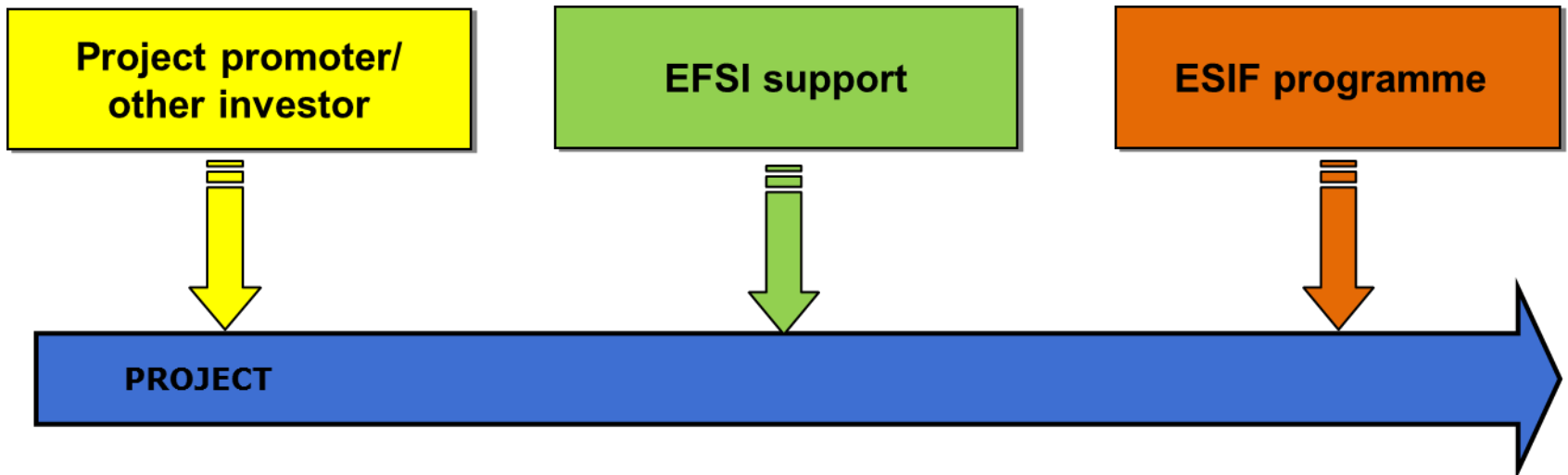
Financial flows estimates in the transport sector may typically show the availability of resources for capital investments:

- Potential attractiveness for private investor and private operators participation*

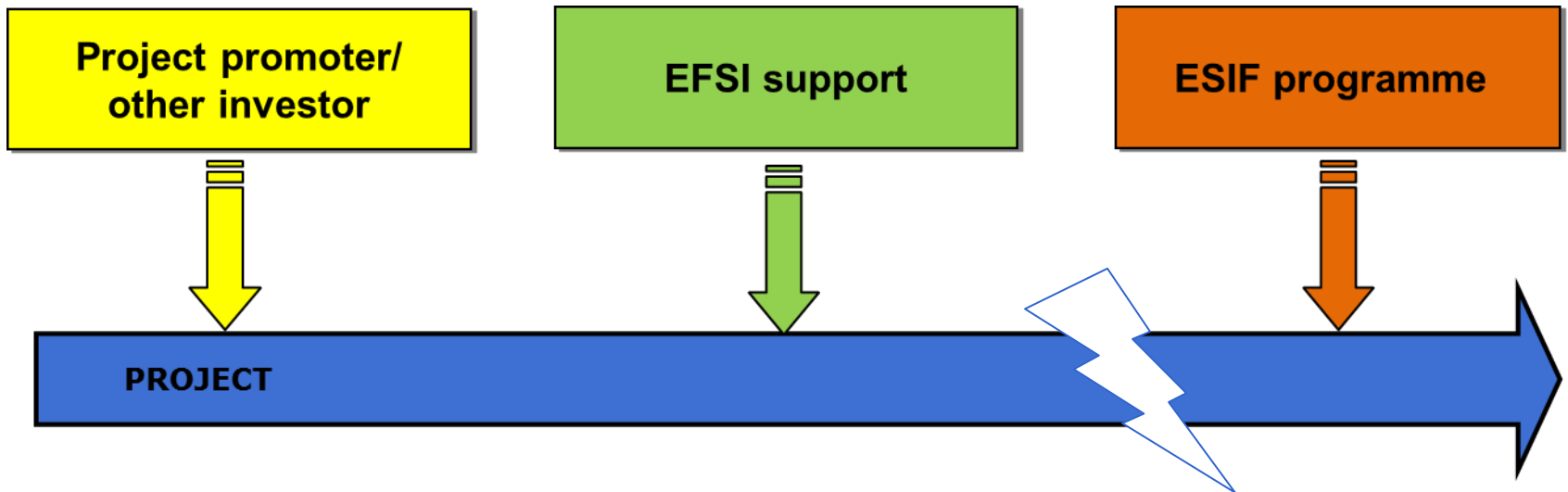
ESIF support (grants) may be foreseen for permitting financial sustainability

Risks might be mitigated with EU funded guarantees (EFSI)

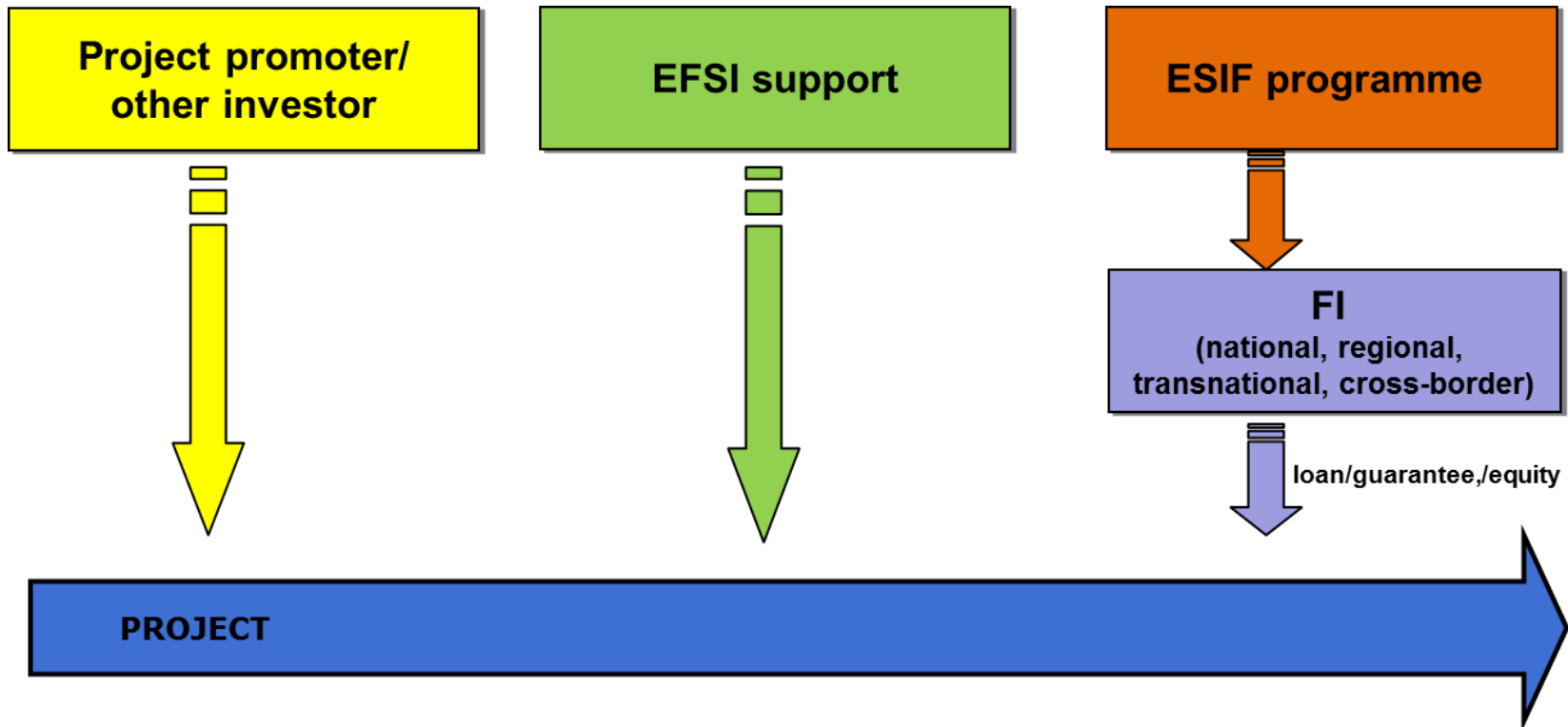
ESIF and EFSI combination – Project level



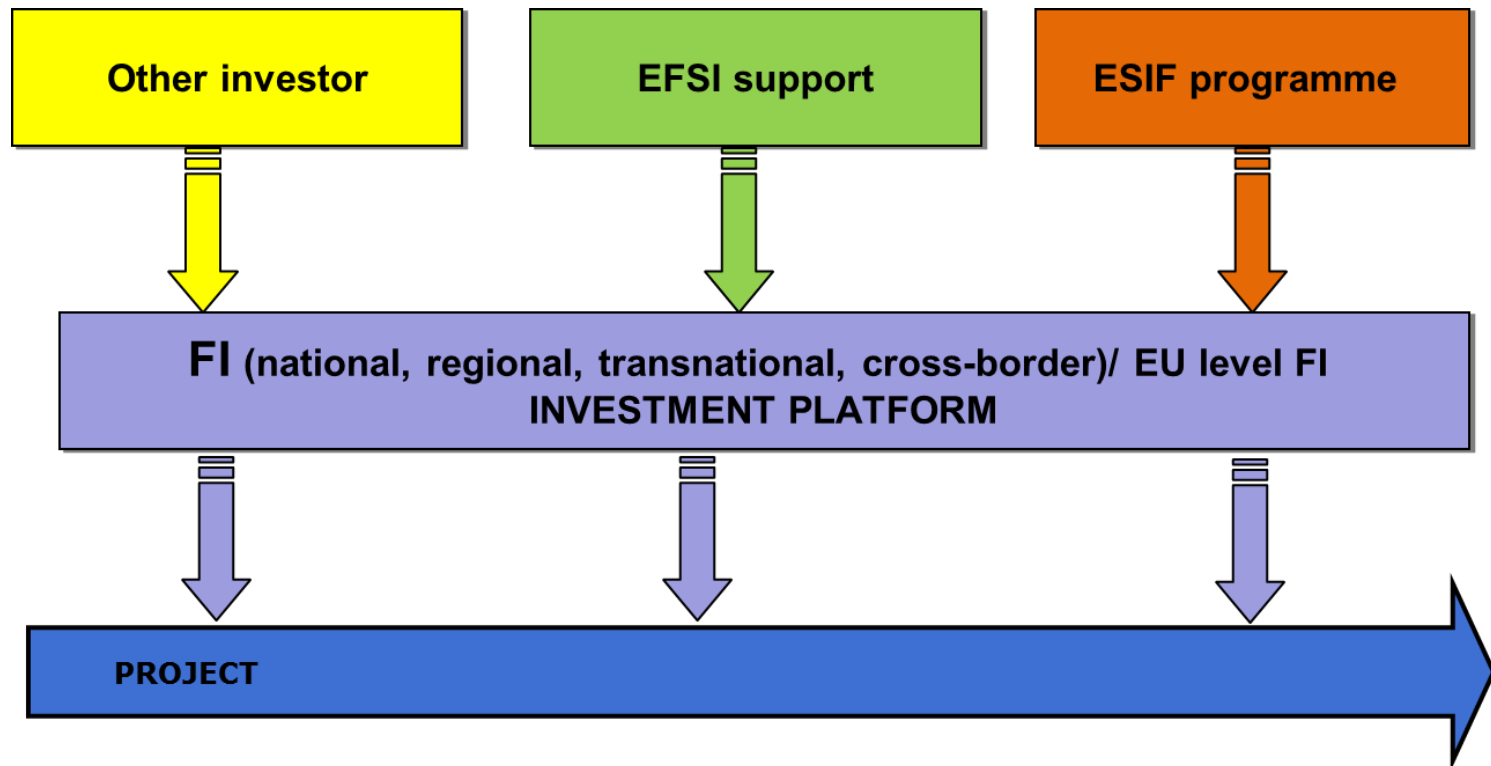
ESIF and EFSI complementarity – Project level



ESIF and EFSI combination – Project level



ESIF and EFSI combination – Financial instrument/investment platform level



Examples of complementarities ESIF/EFSI in the transport sector

- A14 VILNIUS - UTENA HIGHWAY PPP (LT)

Reconstruction of 58.1 km of highway. PPP under a 13 y concession (3 y construction). Operation and maintenance of up to a total of 72.15 km

EFSI is providing debt to the PPP.

"availability payments" from LT reimburse the private contractor (+ maintenance fees).

ESIF grant (CF) is envisaged to co-finance a part of the project not procured through PPP (the reconstruction of road section within Utena 2 km).

Examples of combination ESIF/EFSI in the transport sector 1/2

- LITHUANIAN AIRPORTS

Investments in Vilnius airport to improve safety and environmental performance. Total cost 75 M€.

EIB is providing a 30 M€ loan to the airport company (Related total EFSI investment 43,93 M€)

ESIF grants (CF) are envisaged to co-finance a group of projects in Vilnius airport

Examples of combination ESIF/EFSD in the transport sector 2/2

- ESTONIAN AIRPORT

Investments in Tallin airport to modernise airport, improve safety and environmental performance.

Total cost 79,9 M€.

EIB is providing a 30 M€ loan to the airport company (15 years)

ESIF is giving a grant to the airport company for the investments (27,1 M€)

Rest is provided for by project promoter (own resources + bank loans)

Rail sector specific considerations

Implementation of rail projects must take into consideration that governance of the implementing bodies maybe ineffective (rail operator difficulties)

Purchase of rolling stock in the mid- term might increase economic competitiveness and reduce maintenance, beside achieving environmental objectives

Full CBA must be developed taking into account market developments induced by investments at super-regional scale

Thank you for your attention!

arturo.polese@ec.europa.eu