

WORKSHOP ON FINANCING OPPORTUNITIES FOR THE TRANSPORT SECTOR

21 October 2016

Riga

LATVIA

- EIB and transport lending
- EFSI for transport objectives
- EU-backed financial instruments
- CEF/EFSI Case studies

The EIB: the EU bank

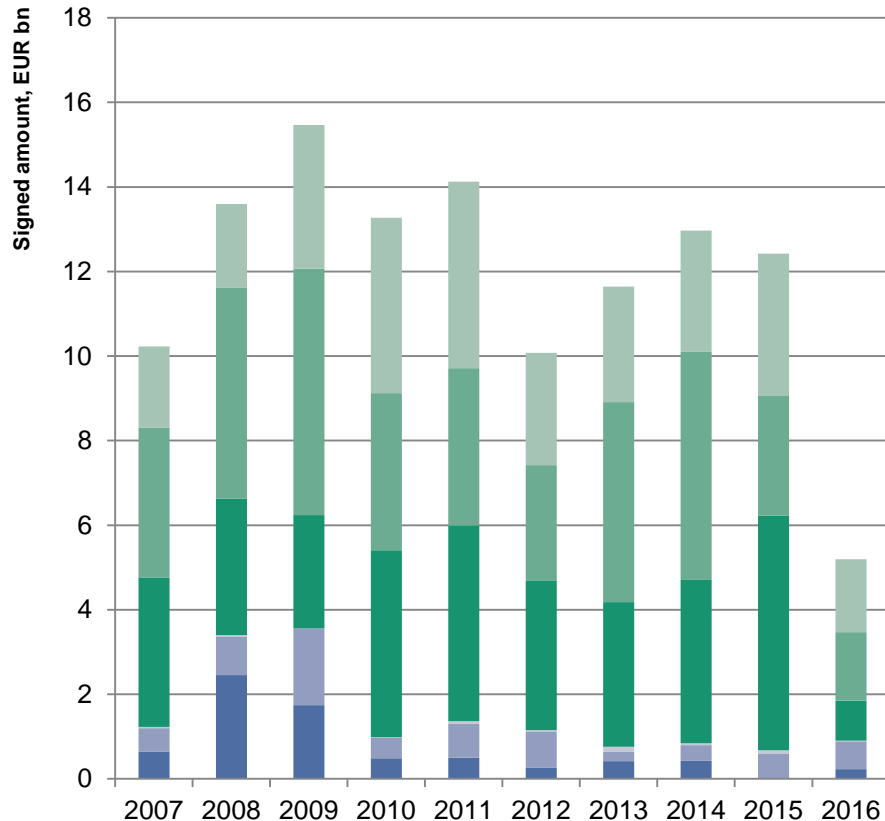


- Natural financing partner for the EU institutions since 1958
- Around 90% of lending is within the EU
- Shareholders: 28 EU Member States

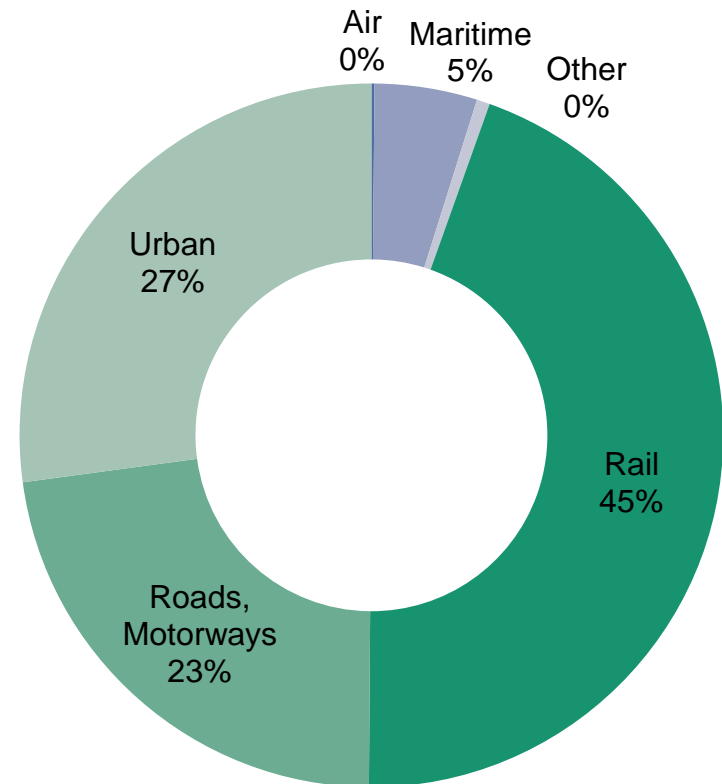
Investing in Europe's growth

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

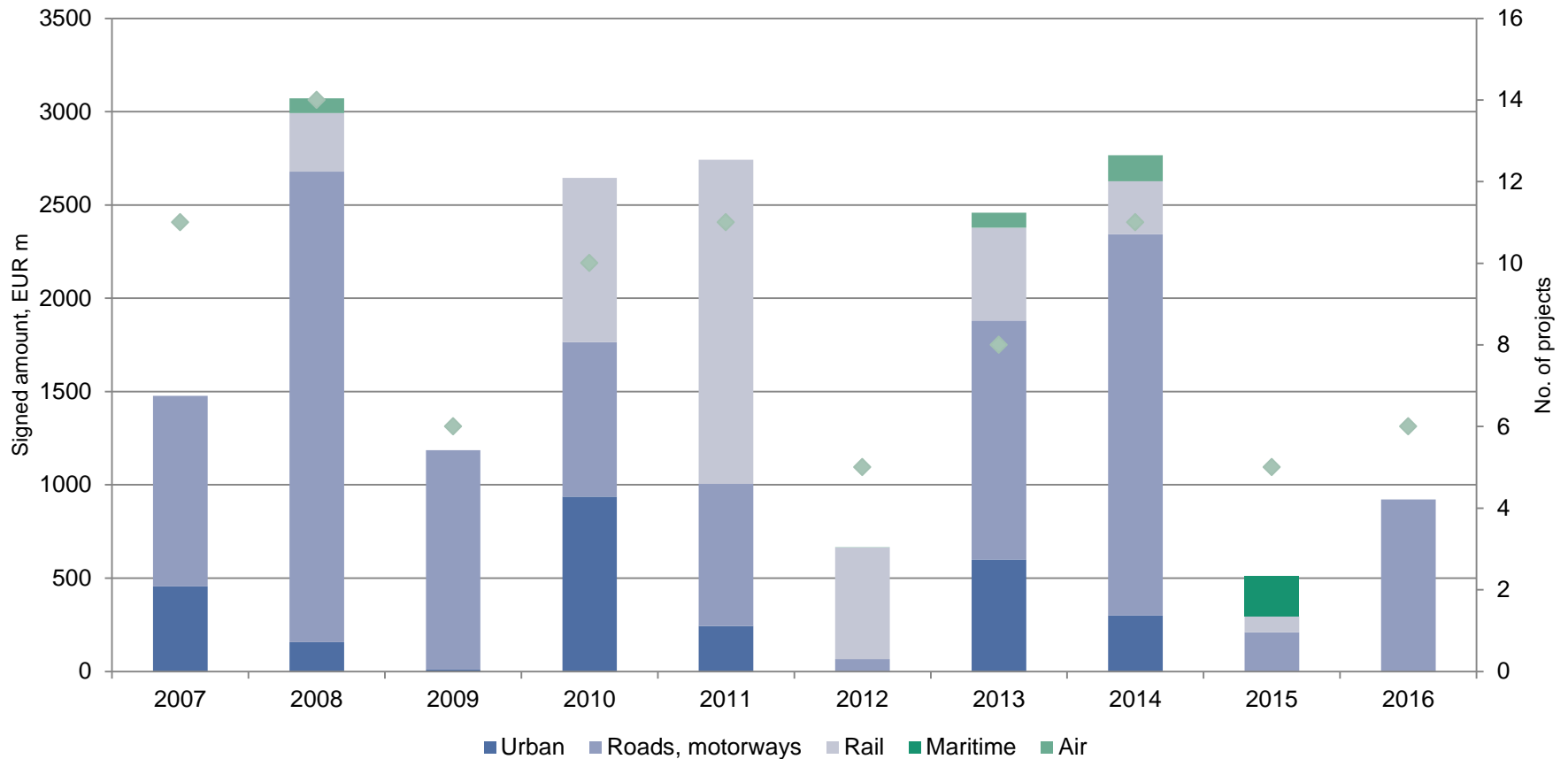


Recent EIB lending (signed operations) some EUR 70bn per year. On average, transport projects have constituted some 15%-20% of total lending.

■ Air ■ Maritime ■ Other ■ Rail ■ Roads, Motorways ■ Urban
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

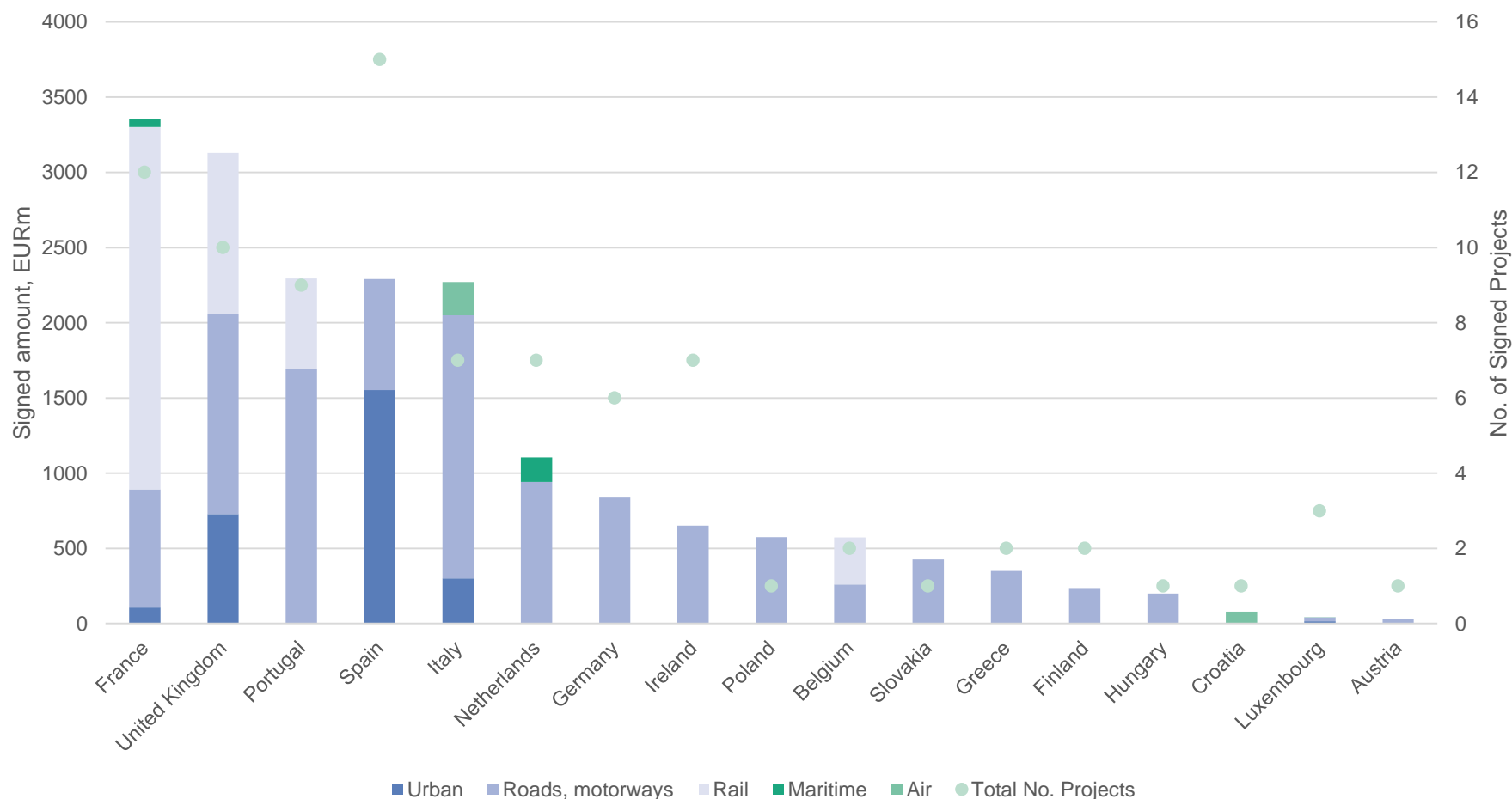
Transport PPP-operations signed in EU Member States



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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

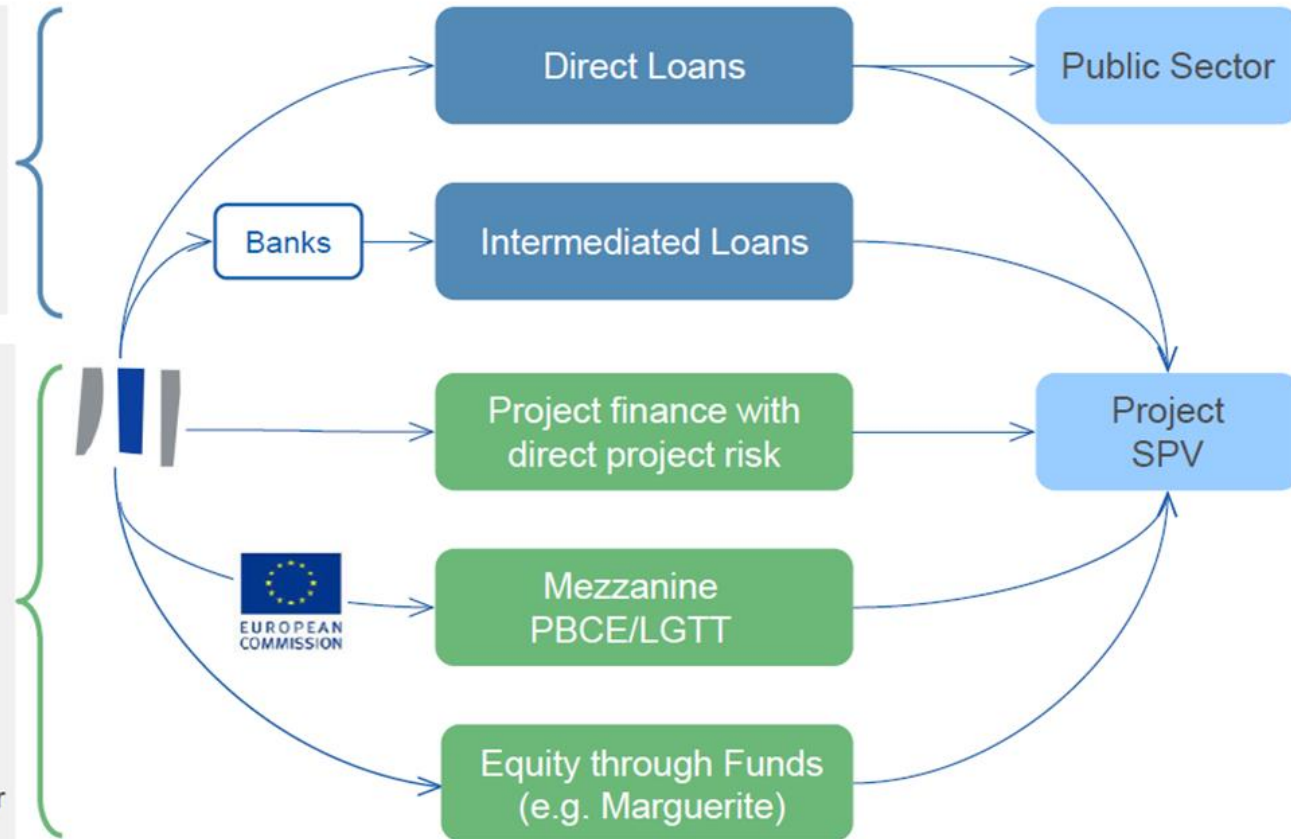
Financial Products

Standard Loans

“Traditional” EIB lending instrument
 Guaranteed basis
 Represents the bulk of EIB’s lending volumes

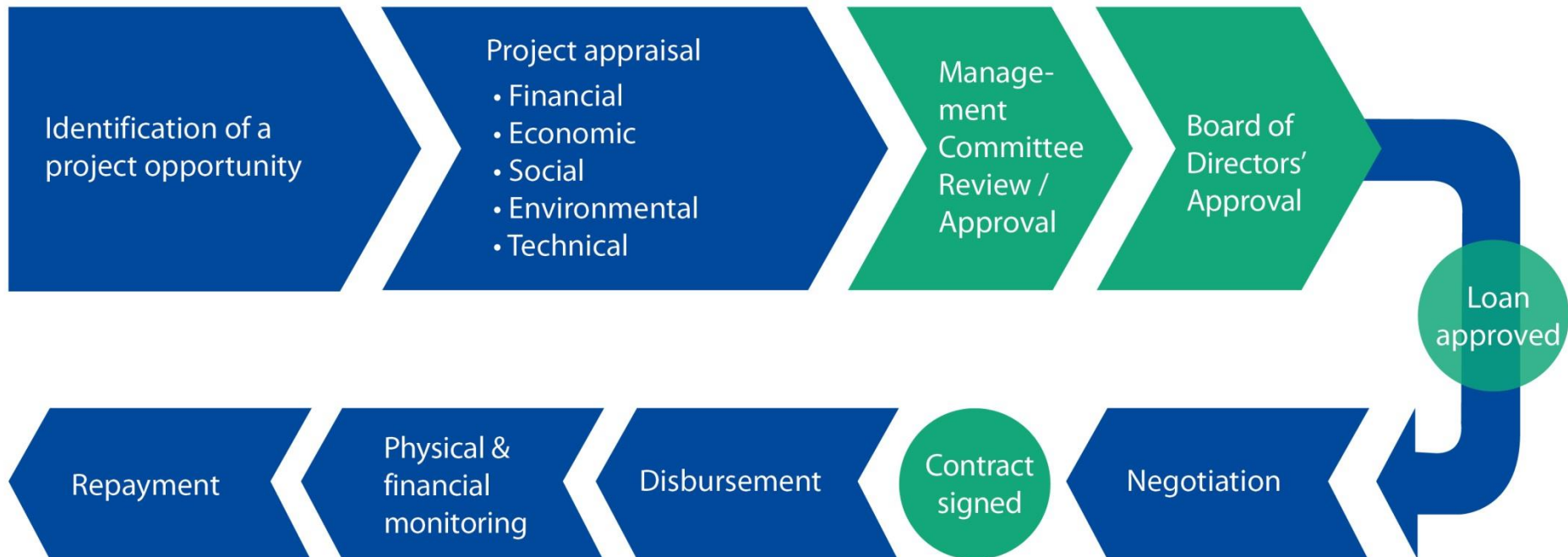
Structured Finance and Financial Instruments

Expands the ability of EIB to provide financing
 Allows lending to projects with a higher risk
 Allows for more flexible financing solutions
 Allows leveraging and efficient use of EC resources
 Aims at facilitating greater private sector investment in long-term infrastructure financing
 Aims at addressing market gaps and/or failures



EIB project cycle

We support sound and sustainable projects



Project Eligibility and Quality



European Investment Bank
EIB Transport Lending Policy



European Investment Bank
The Economic Appraisal of
Investment Projects at the EIB



European Investment Bank
Environmental and Social Handbook



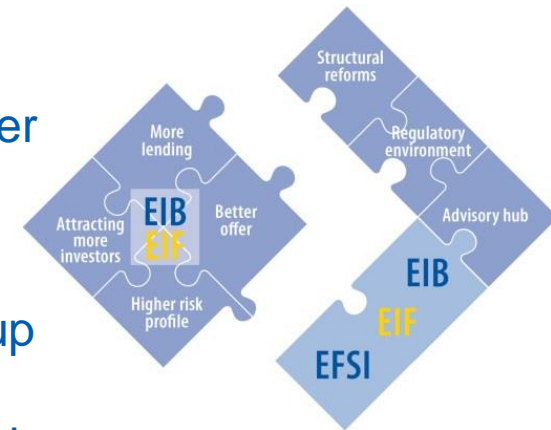
European Investment Bank
Guide to Procurement



Investment Plan for Europe: Context

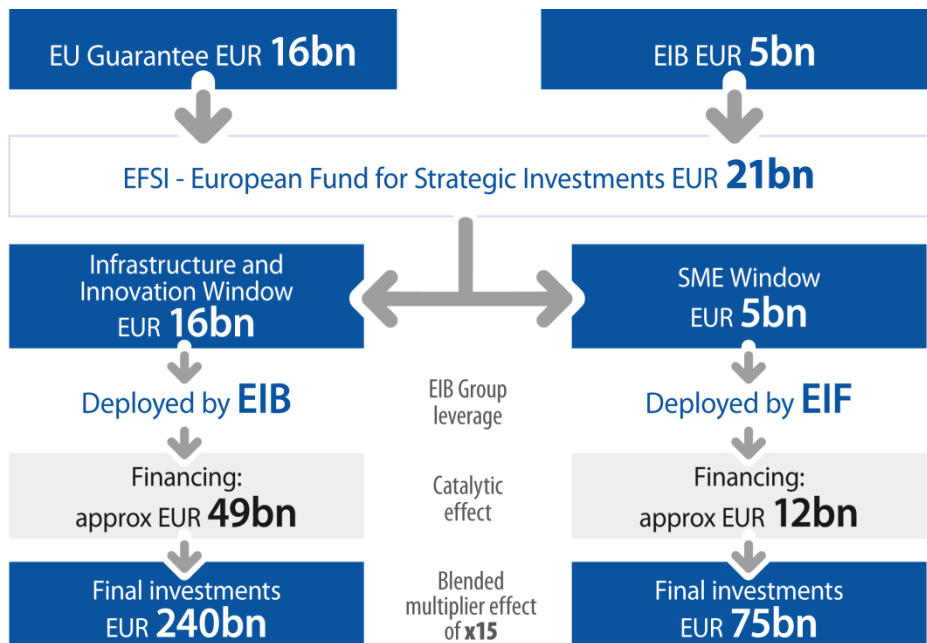
The Investment Plan for Europe consists of three strands:

- 1. Improved investment environment:** regulatory and structural reforms at EU and national levels for predictability, removing obstacles, aiming at a friendlier investment environment
- 2. Making finance reach the real economy:** stepped-up technical assistance / advisory by establishing European Investment Advisory Hub (EIAH) in EIB and by EC facilitating a project directory
- 3. Mobilising finance for investment:** The EFSI, via EIB, to better address the current shortage of (higher) risk-financing in EU



Aim: to mobilise at least €315 billion in investment across the EU

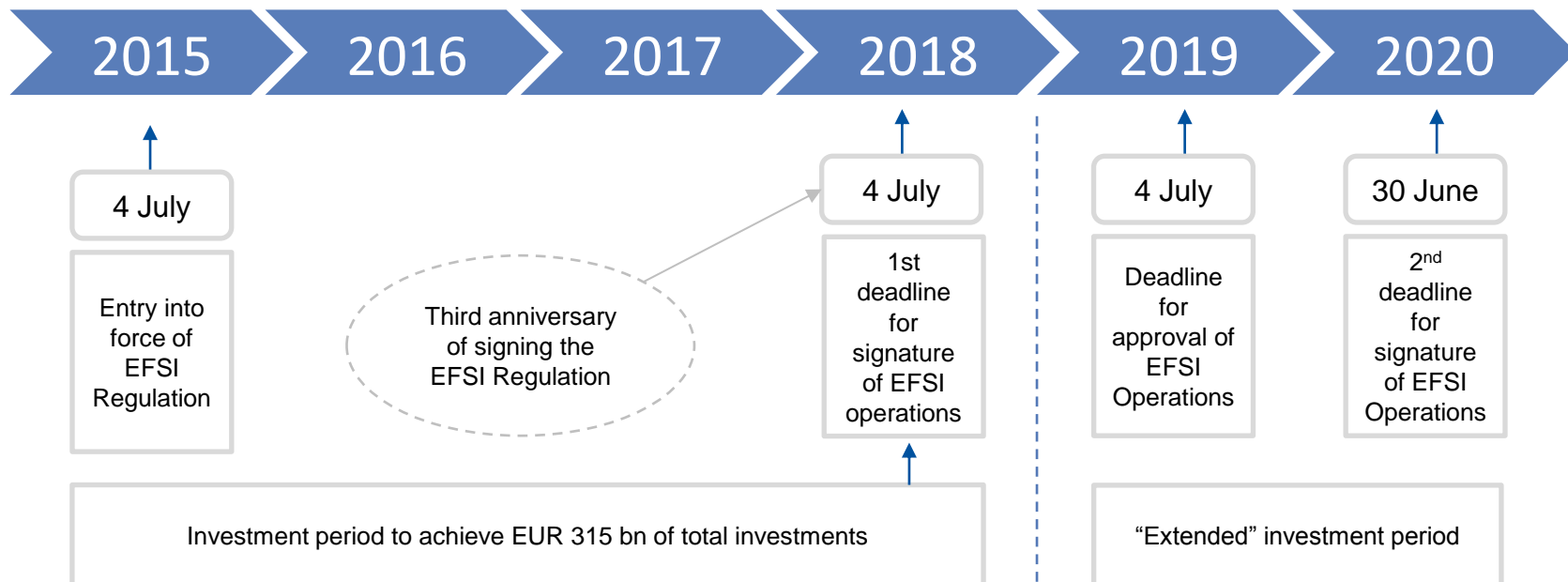
EFSI Overview



- 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

EFSI Scoreboard

Contribution to EFSI objectives



- EFSI policy objectives

Pillar 1

Quality of the project



- Growth
- Sustainability
- Employment

Pillar 2

Technical and financial contribution

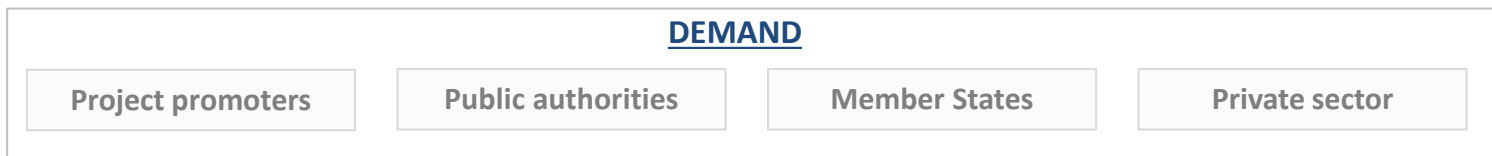


- Financial contribution
- Facilitation
- Technical advice

Pillar 3

Complementary indicators

- ✓ Multiplier effect
- ✓ Finance mobilised
- ✓ Cooperation
- ✓ Macro-economic indicators



Access point

Delivery channels



EFSI Governance

- EFSI will have its own governance structure that does not infringe on the governance or authority of EIB's decision making bodies.

Steering Board (SB)

- 3x EC and 1x EIB (VP Fayolle)
- Strategic / Oversight
- Decisions by consensus

Managing Director / Deputy (MD / DMD)

- EIB employees (MD Mr Molterer / DMD Ms Tsanova)
- Coordination / Reporting / EFSI external "face"

Investment Committee (IC)

- 8 members + MD
- Members are independent experts with no affiliation to EC or EIB
- Sole decision making body to approve of EC Guarantee
- Decision by simple majority (quorum of 5)
- No conflict of interest – confidentiality requirements

Of which
EUR 13.8bn
 signed

EIB Group figures

As of 12/10/2016

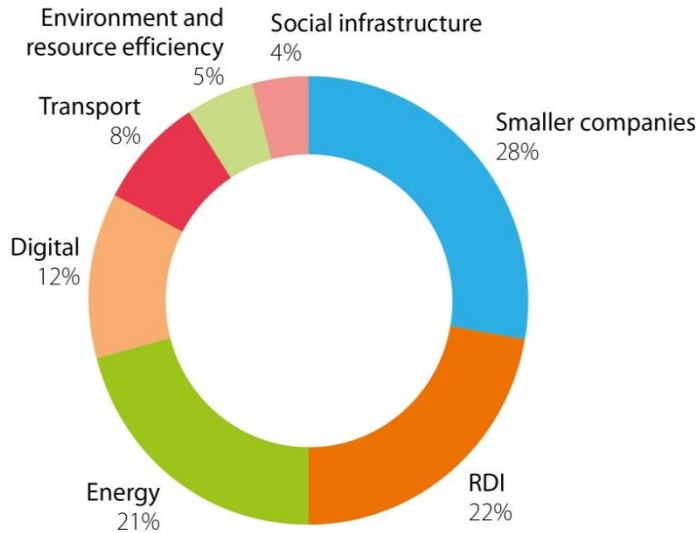


EUR 24.8 bn

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

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.

Financial Instruments: CEF and EFSI

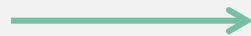
- Under the Connected Europe Facility (CEF), EUR 24bn is available to co-fund TEN-T projects in EU Member States (EUR 11bn for Cohesion Member States)
- CEF instruments:
 - Grants
 - Contribution to innovative financial instruments (such as CEF Debt Instrument, Loan Guarantee for TEN-T (LGTT), Project Bond Initiative (PBI), Senior Debt Credit Enhancement (SDCE))
- CEF has a budget for financial instruments and EFSI provides EUR 21bn risk capital

Main benefits:

- Expanded risk bearing capacity of EIB Group
- New products (notably subordinated debt/equity-type financing: risk sharing, contingent loans, equity-type)
- Developing new instruments is a collaborative process, need pilots to test concepts

Current focus:

Greener Shipping
SESAR – Single European Sky
ATM Research
ERTMS – European Rail Traffic
Management System



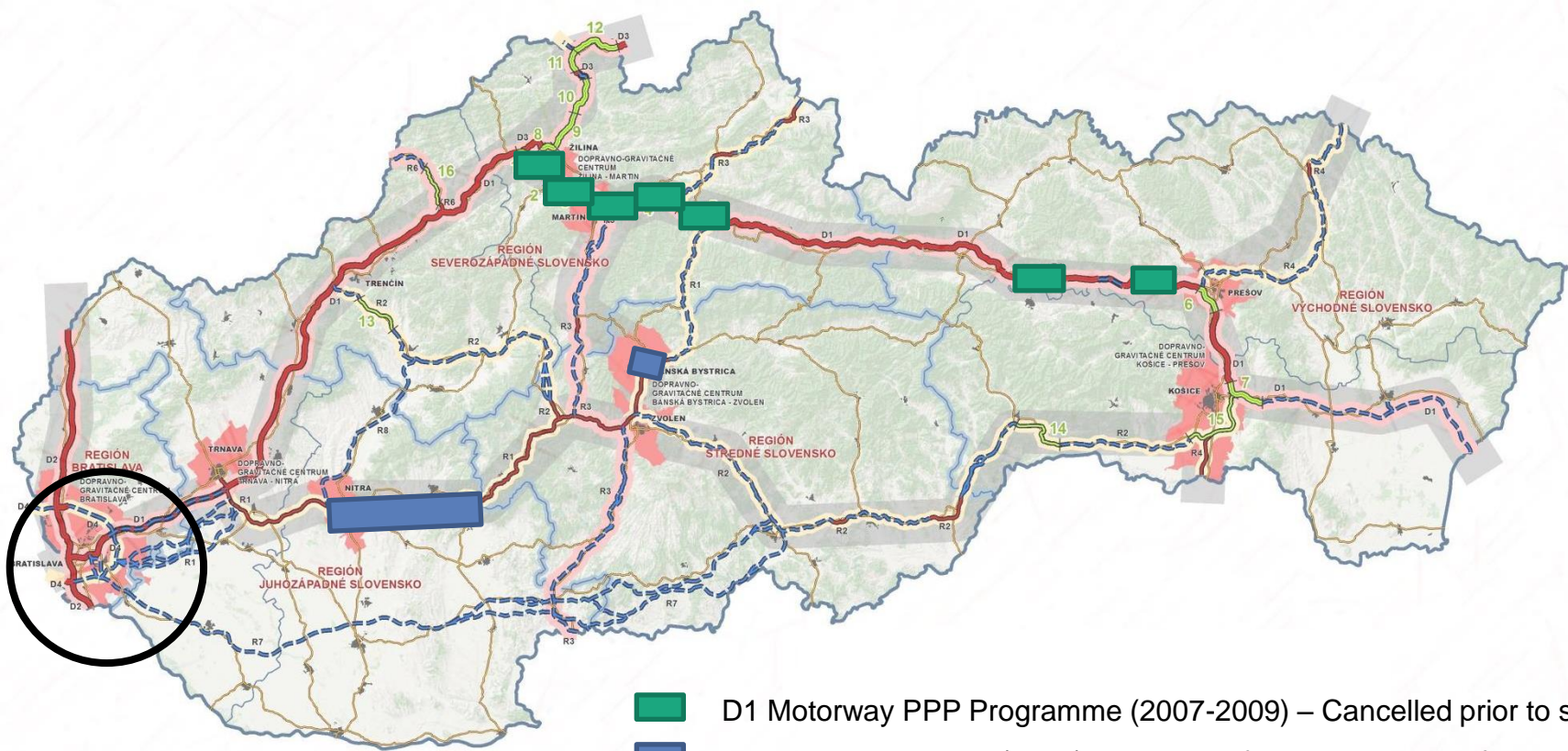
Next wave:

Alternative fuel infrastructure
deployment
Vehicle fleets
Equity facility

Examples of EIB Involvement using Financial Instruments in Transport Sector

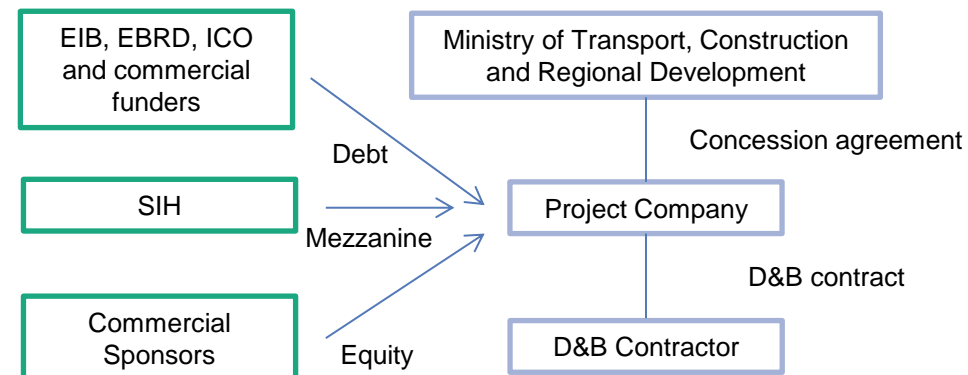
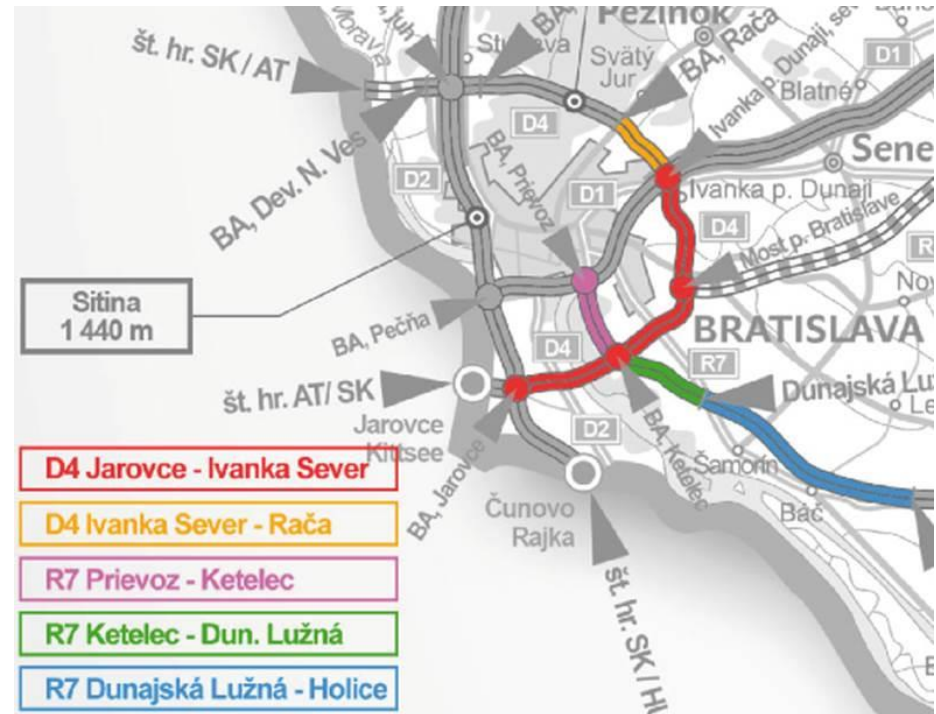
- Loan guarantee for TEN-T (LGTT)
 - 7 projects in Road, rail and maritime sectors (revenue, toll risk)
 - Portugal, UK, Germany, Spain, France
- Project Bond Initiative (or Credit Enhancement)
 - A11 Brugge PPP (Belgium)
 - A7 motorway (Germany)
 - N25 (Ireland)
 - Passante di Mestre (Italy)
 - Port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

EFSI Case Study: D4/R7 PPP in SLOVAKIA



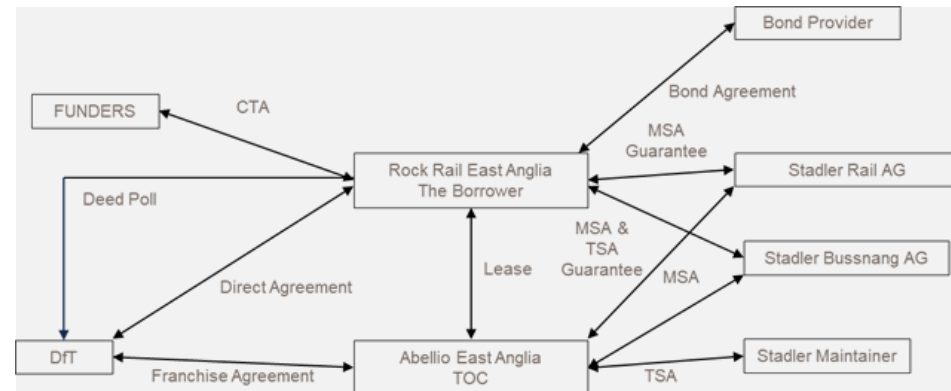
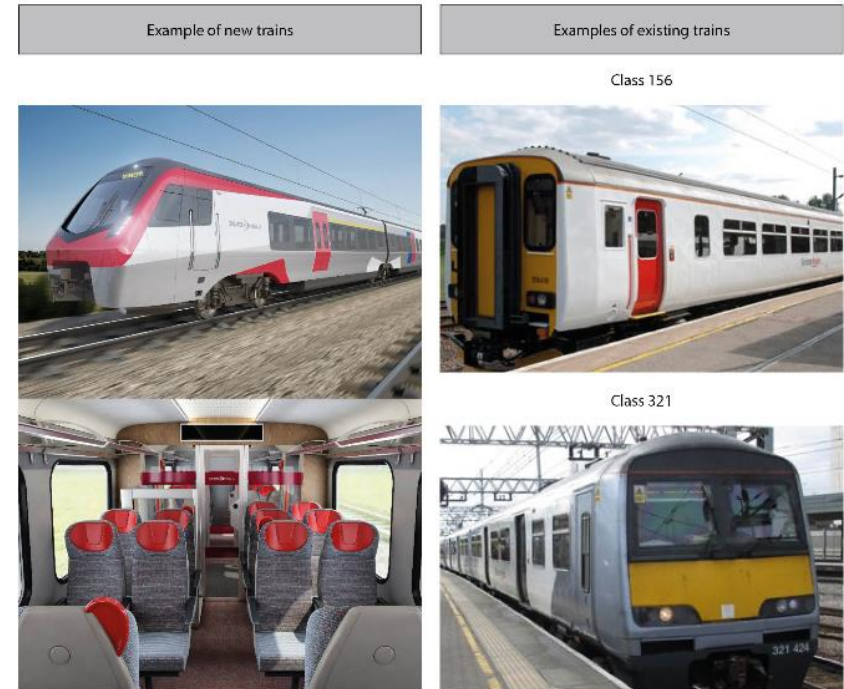
EFSI Case Study: D4/R7 PPP in SLOVAKIA

- 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



ESFI Case Study: Rock Rail East Anglia

- 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.



ESFI Case Study: Riga Transport Company

- Total project cost estimated at EUR 195 million. EIB provides EUR 75 million loan to finance purchase of 20 new low-floor tram units and modernization of tramway infrastructure and depot as well as purchase of 10 hydrogen fuel cell (HFC) busses and 10 Hy-trolleys with HFC range extenders. The project also includes installing of hydrogen fuel production and storage facility.
- Higher risk project. Flexibility of the financing is further enhanced by providing the loan without a first demand guarantee from the parent, the City of Riga. Instead comfort will be taken from the Public Service Contract (PSC) in which Riga municipality will provide remuneration to RTC for carrying out transport services.
- Project benefits from EFSI guarantee – the first EFSI backed transport loan in Latvia. Enhances possibility of attracting commercial loans at more favorable terms.
- The hydrogen infrastructure and vehicles component of the project is part of a multi-country project supported by the Connecting Europe Facility to foster pilot deployment of sustainable hydrogen production pathways and of a chain of hydrogen refuelling stations, tackling at the same time demand for hydrogen vehicles.



Thank you!

More information at: www.eib.org

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