Financing transport infrastructures in Europe

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TEN-T Corridors

- BALTIC - ADRIATIC
- NORTH SEA - BALTIC
- MEDITERRANEAN
- ORIENT / EAST-MED
- SCANDINAVIAN - MEDITERRANEAN
- RHINE - ALPINE
- ATLANTIC
- NORTH SEA - MEDITERRANEAN
- RHINE - DANUBE

European Commission

The added value of investing in key Transport Infrastructure

- Investing in transport is **investing in growth and competitiveness**
- **Underinvestment** in Infrastructure (new infra & maintenance) has negatively affected the economy, with a pro-cyclical effect
- IMF study: it is **time to invest in infrastructure** – high return for the economy when targeted towards adequate projects & via debt issuance
- Need **optimal allocation** of scarce public resources (right projects at the right time) & ensure **Additionality**

Demand is there….

- **Huge investment needs** to integrate European transport system, for better using existing infra & greening of transport

- €+600bn investments needs identified on corridors, **€127bn of which potentially suitable for IFIs** in the next years (projects already prepared or close to implementation)

- The remaining ones needs support at EU & National level, with possible **combination** of grant funding (National, Cohesion Policy, CEF), public financing (CEF, EIB, NPBs, Institutional investors….) and private sector investments

...but needs to be triggered

- Focus on a stable, well-identified **project pipeline**: need for Technical Assistance and capacity building
- **Certainty on the Regulatory framework**, smooth and predictable project appraisal and consent procedure – including on State Aids, to be screened ex ante
- **Availability of public guarantees** is a key factor for allowing private capitals to come in: larger role for EU Guarantees, favorable treatment of national ones vis-à-vis GSP
- Potential and actual **Revenues and Benefits** related to projects **to be monetized** (e.g.: earmarking, cross-financiang, ETS widening for internalisation of external benefits,)

European Commission

How to stimulate the financial offer…

Factors hindering project funding to be assessed

- Regulatory issues

  Complex procurement & permitting procedures,

  Clarification of state-aid rules

  Statistical treatment of PPPs

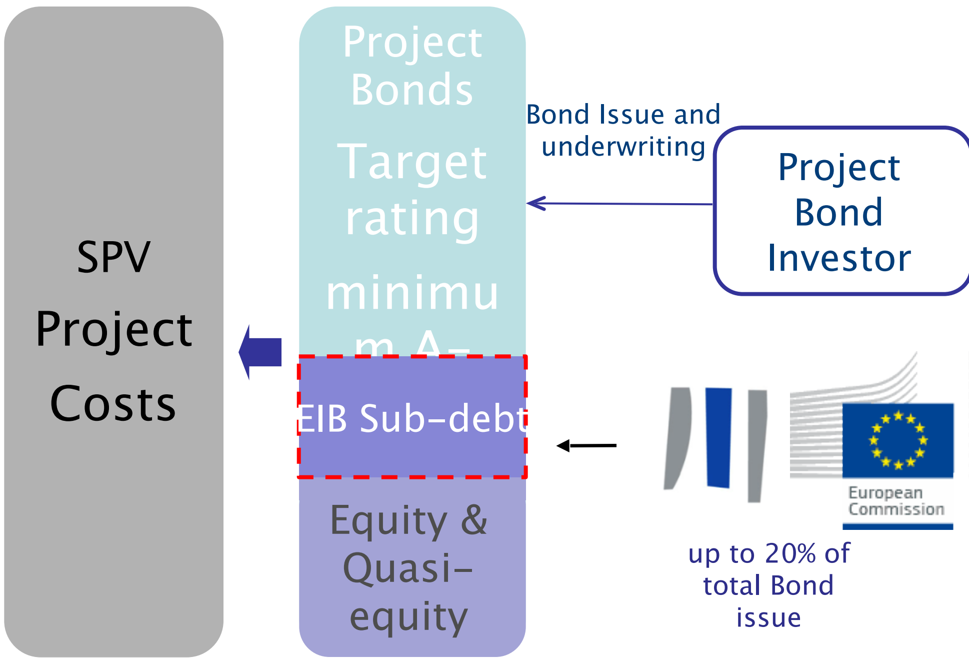
  Solvency II, Basel III,

  Rules favouring long-term investments by investors

- Life-cycle approach

  Opportunities in cross-subsidisation, user-pay, Eurovignette, but also to bring-in efficiency throughout the project life (benefiting from the added value it generates)

e.g.: Project bonds



A mechanism to "credit enhance" senior debt and thus attract capital market investors

- Project Company will divide its debt into two layers:
- A <u>Senior tranche</u>, which will be issued as Project Bonds and placed with institutional investors (insurance companies, pension funds, etc.)
- A (smaller) <u>Subordinated tranche</u>, which would be underwritten by the Commission and the EIB, in a funded (loan) or unfunded (guarantee) form.
- Subordinated debt maximum 20% of total debt
- EIB and EU to receive a fee and/or credit margin