

NEXTSTATION

MARRAKECH 2015



5TH INTERNATIONAL CONFERENCE ON RAILWAY STATIONS



Palmeraie Palace

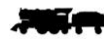
Marrakech, 21-22 october 2015



New approaches for financing Railway Investments



LENDING POLICY



RAIL & CLIMATE ACTION FINANCING



PROJECT APPRAISAL



FINANCE TOOL KIT

- Mr. Marty-Gauquié
- Director, Liaison with International Organisations, EIB Group Representative in Paris
- European Investment Bank
- Session 1A, Development and Management of Stations, Challenges and opportunities in financing sophisticated railway investments: the case of railway stations





EIB Transport Lending Policy

Relevant Aspects – Rail

- Funding railways [mainline & urban] will continue to be a priority, as Rail is a sustainable transport solution per nature.
- Efforts will be made to enhance lending to these sectors
- Eligibility categories: TEN-T; economic and social cohesion; linking EU with neighbouring Countries; environment and climate change prevention / mitigation





EIB Transport Lending Policy

Some Additional Comments

- EIB Cost Benefit Analysis (CBA) takes account of externalities
 - ▣ **CO²** emissions are systematically computed
 - ▣ **Other external costs and benefits** can also be internalised in the CBA :
 - **Environmental**: Energy Efficiency Balance Sheet, noise, congestion, overcrowding
 - **Social**: insertion in the urban context, social mixity improvement,
 - **Technical**: intermodality + interchange improvements
- Railway projects can take a variety of forms:
 - ▣ Rehabilitation or upgrading of **existing rail infrastructure** including stations, electrification, re-signalling...
 - ▣ **Freight facilities**, including intermodal terminals
 - ▣ New lines, including **High-Speed Rail**
 - ▣ **Rolling Stock** – both conventional and High-Speed, both freight and passengers, both for incumbent operators and new entrants






EIB Rail Financing

□ Key figures 2010-2014

- Total Rail Financing: €36.6bn

EU:  Railways Mainlines and Rolling stock: €19.8bn
Urban Rail: €16.8bn

MED Partners countries: €1.5bn (Total Partner countries : €7.7bn)

□ Stations Financing: some key projects

- ▣ As part of an urban development scheme

Prague Main Station; Budapest-Keleti Station and its interchange with Metro line 4;
Madrid Chamartin and Atocha Terminal Stations and their tunnel interlink; London Cross-Rail; Transport for London (Victoria Interchange) etc.

- ▣ As part of a railway network

Warsaw-Gdansk & Krakow-Rzeszow corridors; Prag-Linz & Prag-Pilzen-Nurnberg corridors;

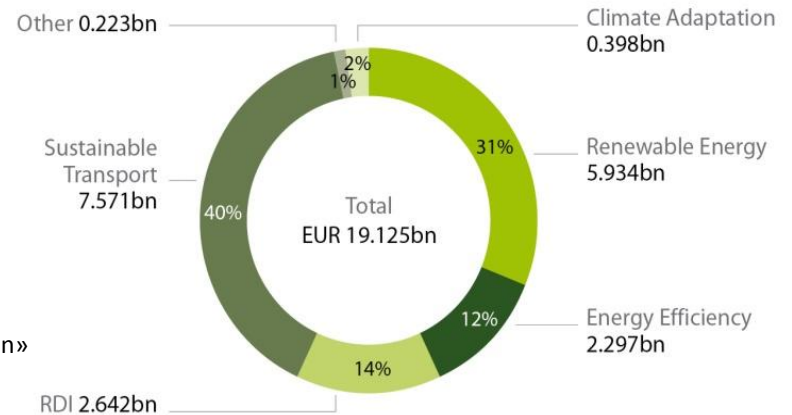
New HSLs such as those in France (Tours-Bordeaux; Bretagne-Pays de Loire; Nîmes - Montpellier)





EIB Climate Action Financing

by sector (in EUR)



- **Climate Action Financing**
 - 2010-2014: Over €90bn
 - Wide range of Financial Products
 - Debt and Debt funds: (Debt for Energy Efficiency Fund) «DEEPGreen»
 - Multilayered Risk Funds: Green Global Partnership Fund
 - Investment Funds: GEEREF; Green Growth; GGFund
 - Technical Assistance Facilities and Financing Facilities
 - ELENA Facility, Natural Capital Funding Facility
 - SE4All, REPP, etc
- **Capital Market Activities: developing the «Green Bonds» market**
 - Largest «Climate Awareness Bond» issuer (€8bn on a total market volume of \$44bn)
 - Member of the «Green Bond Principles» Coalition
- **Benchmarking and Inducing transparency**
 - IDFC (International Development Finance Club) = harmonising concepts & methodologies
 - Climate & Clean Air Coalition : harmonising project appraisal principles





EIB Project Appraisal Approach

- Evaluate the project as part of its **network & economic environment**
- Check the quality of the project & sector **governances**
 - ▣ If the project is part of a wider context, check if a regional governance exists
- If the project is part of a wider project (i.e. Rail Station part of an urban regeneration project), check the existence of an «**integrating agency**»
- If the project is organised as a **PPP** or **PFI** scheme, check:
 - ▣ The **public governance** and the performance indicators
 - ▣ The sustainability of the **risk sharing** between the parties
 - ▣ The sustainability of the **financial arrangement** and of the **shareholder's pact** for the SPV





EIB Financing Instruments

- A wide and flexible portfolio of financing instruments for TEN projects

Standard Loans

“Traditional” EIB lending instrument

Guaranteed basis

Represents the bulk of EIB’s lending volumes

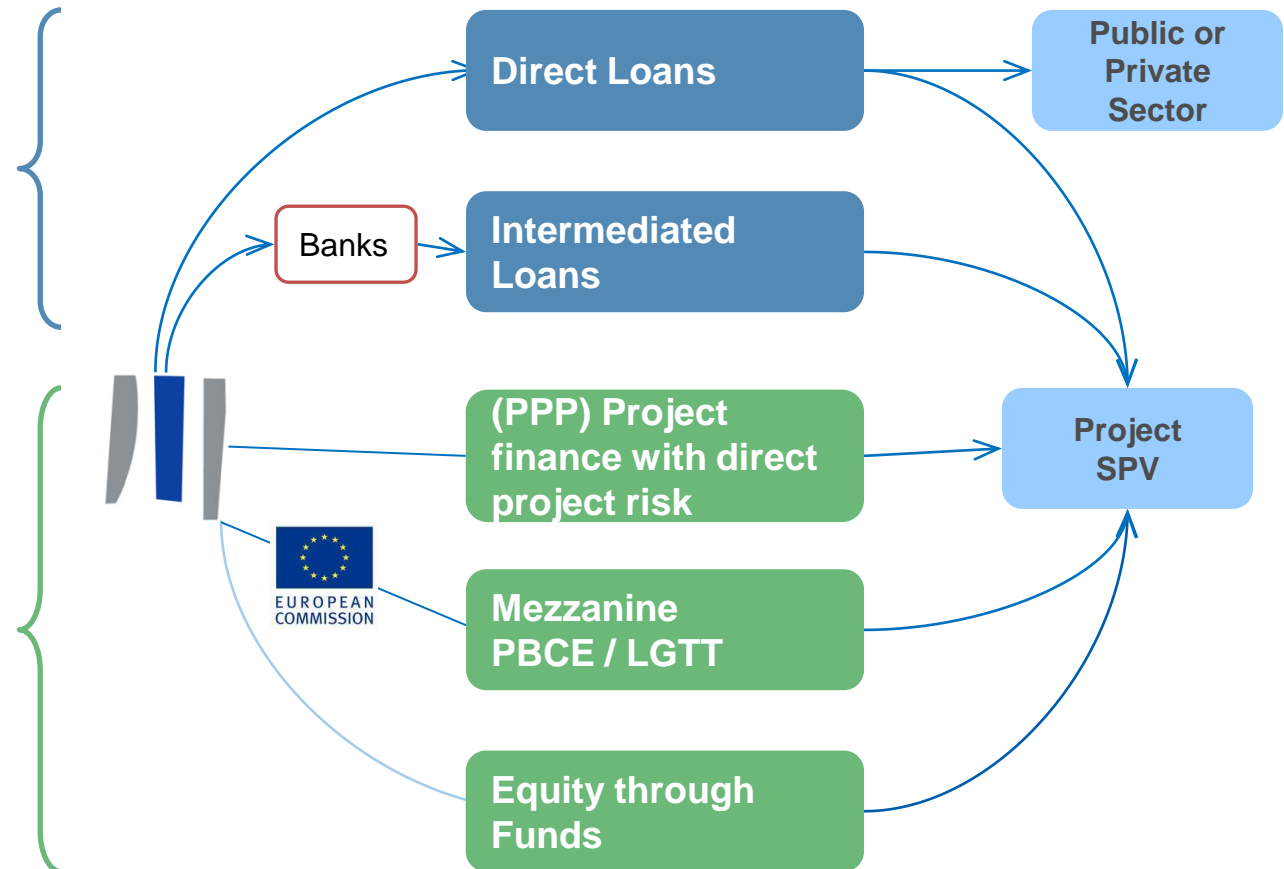
Structured Finance Facility (SFF)

Established in 2001

Expands the ability of EIB to provide financing

Allows lending to projects with higher risk (PPP’s)

Allows for more flexible financing solutions





HSL-SEA (Tours-Bordeaux France)

Concession with traffic risk

- Total project costs €8.5bn of which **€5.6bn private sector finance**
 - ▣ €3.1bn of bank finance, of which €1.2bn provided by EIB
 - ▣ €775m of equity finance, of which €390m provided by EIB
- **The French State guaranteeing 80% of the senior debt**
- **9 commercial banks** alongside **EIB & CDC** to provide funding
- EIB financing comprises the following products:
 - **Risk-sharing instruments**
 - €200m: SFF project finance (completion + traffic risks) = 40 years
 - €200m: LGTT guarantee for supplementary bridge finance during the rang-up period = 5 years at completion of civil works
 - **Secured loans split into**
 - €400m: Senior debt, fully backed by a French State guarantee = 40 years
 - €387.5m: Equity Bridge Loan, fully guaranteed by securities = 10 years
 - **Indirect EIB equity participation through Meridiam (€140m)**





HSL-BPL (Bretagne-Pays de Loire – France)

PPP with availability risk

- Total cost: €3,012m
- Public sector contribution: €1,851m (61.5%)
- Equity: €129m + bank finance: €1,840m
- **Financing: 1st phase**
 - ▣ Commercial LT Facility: €223m (25 years)
 - ▣ Commercial MT Facility: €808m (6 years)
- **Financing: 2nd phase**

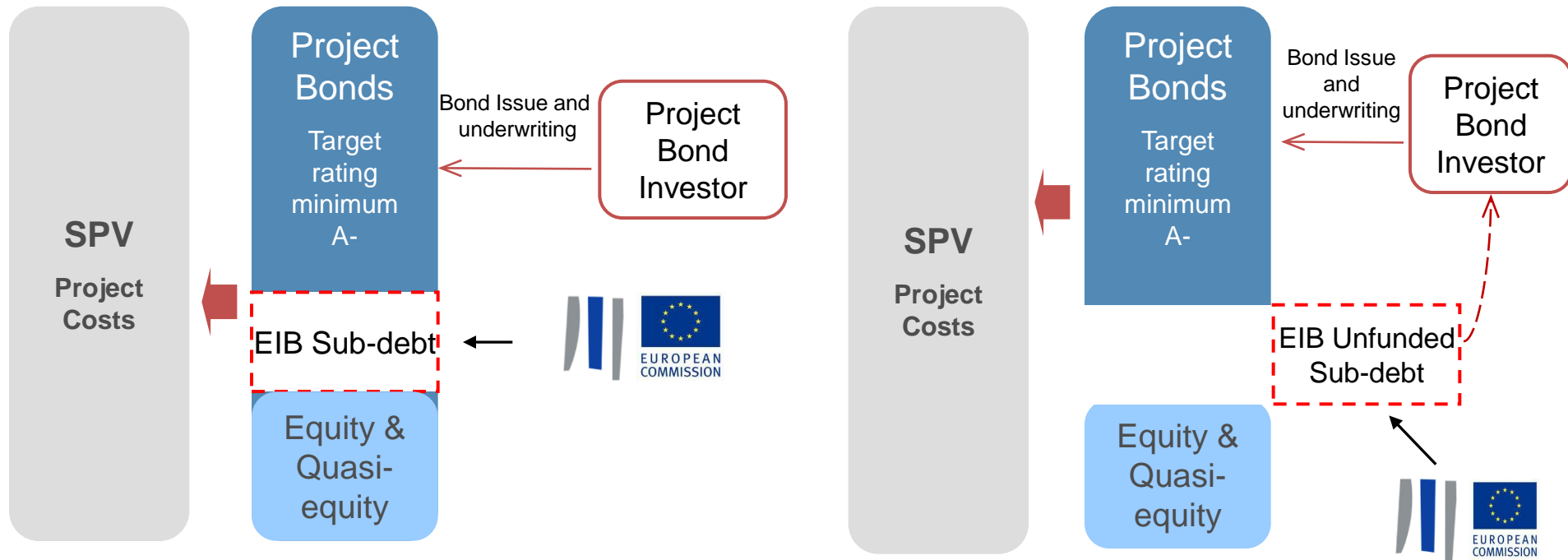
Long term Refinancing of commercial MT Facility by:

 - ▣ EIB Facility: €553m (25 years)
 - ▣ CDC Facility: €255m (19 years)
- **EIB Long Term refinancing of Region Bretagne: €300m**





The «Project Bonds» Concept



EIB Sub-debt participation can be combined with different types funding sources (bonds and other senior loans)



EIB Unfunded Sub-debt participation can be flexibly used and structured in order to ensure target rating

- Covers funding shortfalls during construction
- Comes **on top of a fully funded structure**
- **Revolving capacity**, available until the end of the project



Conclusion

- EIB lending for mainline and urban rail represented **more than half of EIB transport lending** in 2010-2014: €36.6/€62.7 billion
- Rail financing is **a top priority** – but projects must be sound
- Several EIB financing options : Senior debt, Junior debt, risk sharing instruments (Structured Finance, Credit enhancement, guarantees)
- Now, within the Union: Investment Plan for Europe with EFSI guarantees
- EIB's involvement is **catalytic over private finance**



- Projects
- Regions
- Priorities**
- Innovation and skills
- Skills and Jobs
- SMEs
- Climate Action
- Urban & natural environment
- Infrastructure
- Regional development
- Energy
- Trans-European Networks**
- Transport
- Project Cycle
- Projects to be Financed
- Projects Financed
- Operations Evaluation



Connecting Europe's citizens

Trans-European Networks

The EU's Trans-European Networks (TENs) policy links regional and national infrastructure to create coherent European systems. This includes both interconnection and interoperability, mainly for transport and energy, but also ICT. This policy promotes:

- ▶ Economic and social integration
- ▶ Free movement of people, goods and services
- ▶ Development in less favoured regions
- ▶ Limiting environmental impacts
- ▶ Contacts with neighbouring countries
- ▶ Competitive energy production and supply
- ▶ Renewable energy production
- ▶ Efficient and secure energy supply

Special funding conditions

Generally we lend less than our upper limit of 50% of the project cost, but this can rise to 75% in exceptional circumstances. This complements wider EU funding and we also invest extensively in non-TEN transport and energy projects.

Pan-European

The EU is our main focus but TENs policy extends to the EU neighbours: Accession countries, the European Economic Area (Norway, Iceland and Liechtenstein), the Balkans, the Mediterranean Partner Countries and the Eastern Neighbourhood.

Public consultation on EIB's Transport Lending Policy +

Project bonds +

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THANK YOU MERCI

