



NEW APPROACHES FOR FINANCING OF SOPHISTICATED RAILWAY INVESTMENTS

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Henry, Marty-Gauquié
Director, Liaison with International Organisations, EIB Group Representative in Paris, France
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EIB Transport Lending Policy Relevant Aspects – Rail

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- Funding railways [...] will continue to be a **priority**, as these are intrinsically the most promising in terms of **reducing greenhouse gas emissions per transport unit**
- Lending to **sound projects in rail [...] will be prioritised**, even when they are neither TENs nor located in assisted areas.
Efforts will be made to enhance lending to these sectors
- **Eligibility categories:** TEN-T, economic and social cohesion; external mandates; and environment, i.e. supporting sustainable transport solutions is always applicable for rail projects
- **Urban rail:** same eligibility and policy as above

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EIB Transport Lending Policy

Some Additional Comments

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- EIB Cost Benefit Analysis (CBA) takes account of externalities
 - CO2 emissions are systematically computed
 - For certain projects, **other external costs and benefits** are also internalised in the CBA analysis:
 - **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 (RUs) and new entrants

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EIB Rail Financing

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□ Key figures 2008-2012

- Total Rail Financing: €35.7bn

EU: ➡ Railways Mainlines and Rolling stock: €18.1bn

➡ Urban Rail: €16.6bn

Partners countries: €80 million

□ 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, etc.

- ▣ As part of a railway network

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

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

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EIB Financing Instruments

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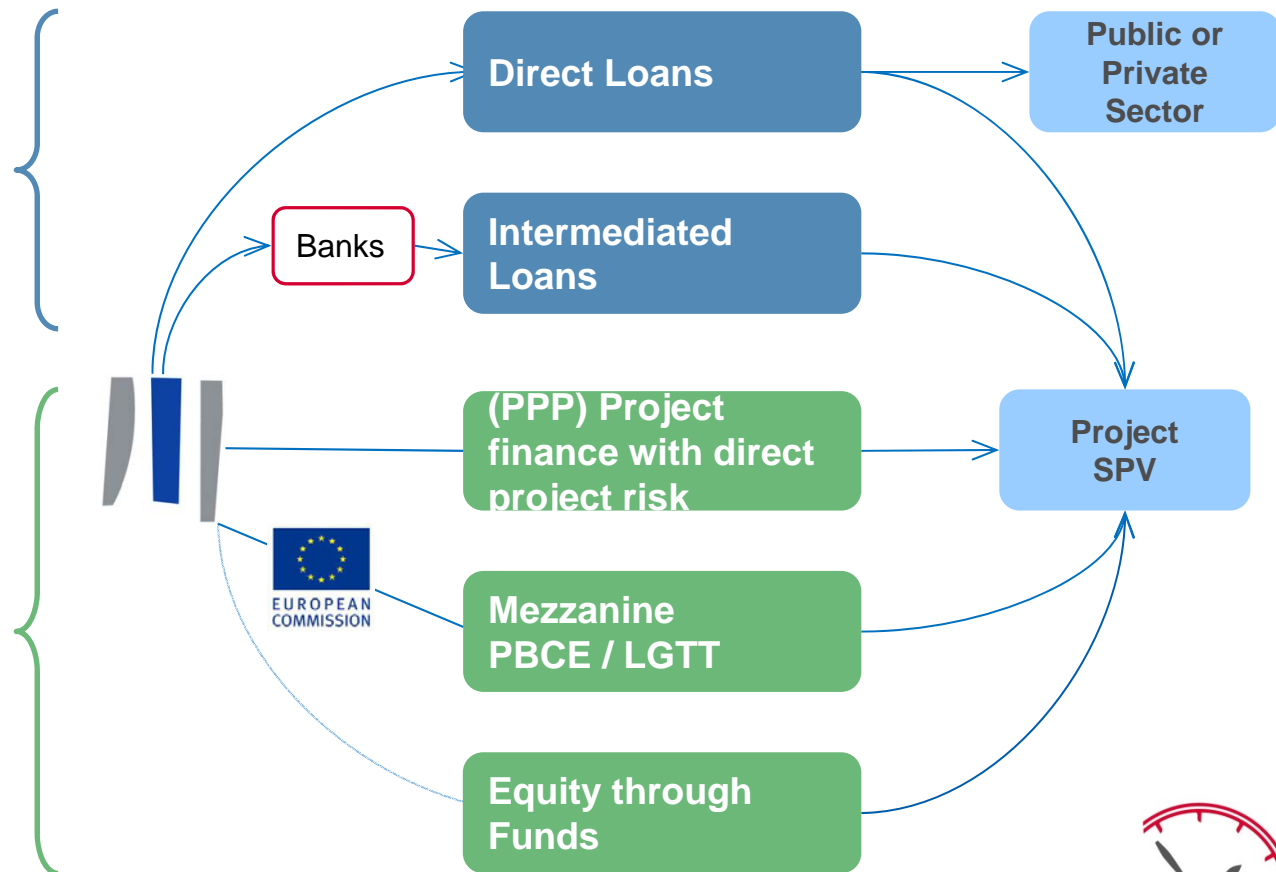
- A wide and flexible portfolio of financing instruments for TEN projects

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



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HSL-SEA (Tours-Bordeaux France)

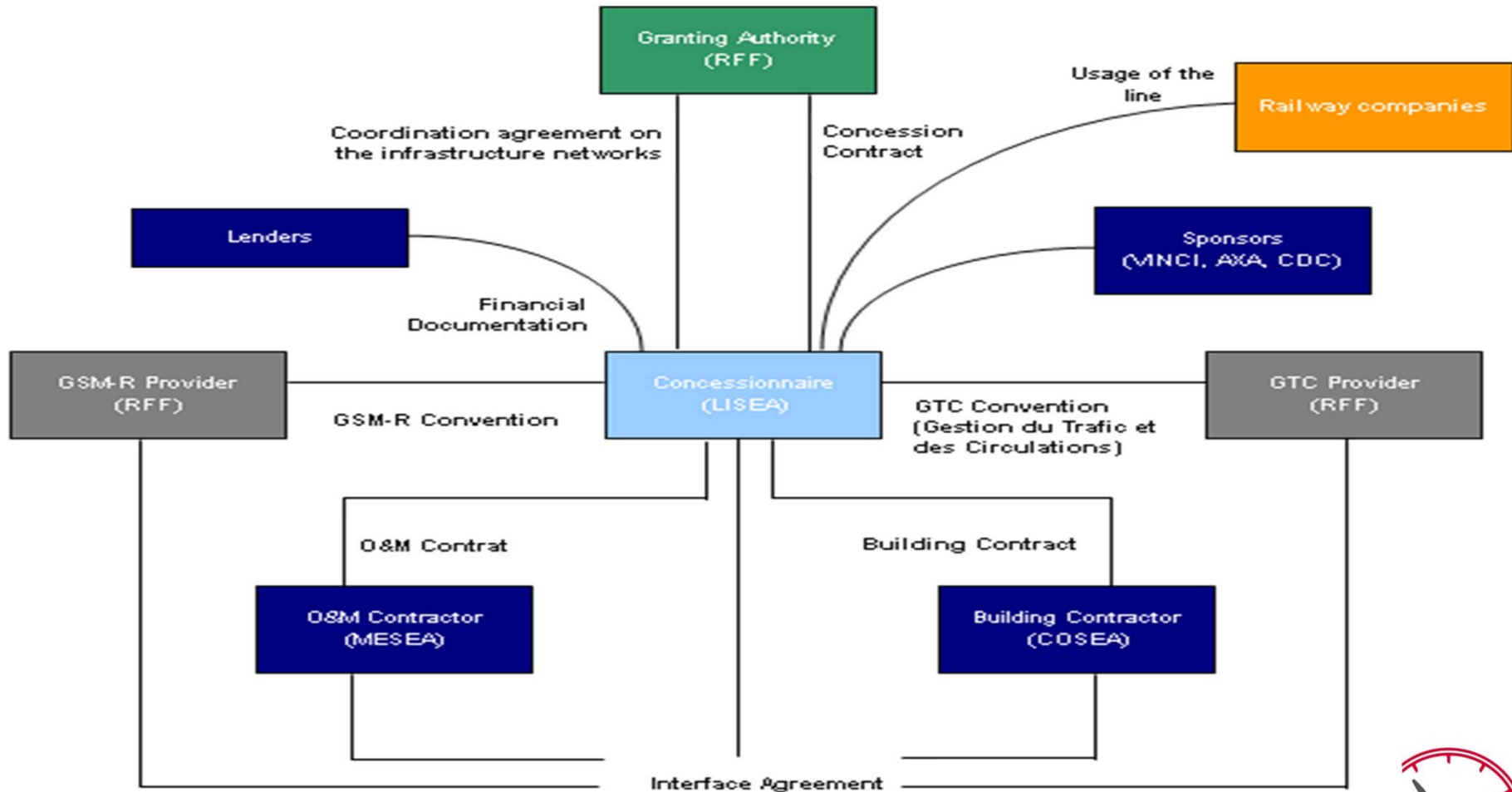
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- Total project costs €8.5bn
 - €3.1bn of bank finance, of which **€1.2bn provided by EIB**
 - €775m of equity finance, of which **€390m provided by EIB**
- Strong involvement of the **French State directly guaranteeing 80% of the project's senior debt**
- **9 commercial banks** alongside EIB & CDC to provide funding
- EIB financing for the HSL SEA Tours – Bordeaux comprises the following products:
 - **Risk-sharing instruments**
 - €200m: SFF project finance (completion + traffic risks)
 - €200m: LGTT guarantee for supplementary bridge finance during the rang-up period
 - **Secured loans split into**
 - €400m: Senior debt, fully backed by a French State guarantee
 - €387.5m: Equity Bridge Loan, fully guaranteed by securities
 - **Indirect EIB equity participation through the intervention of Meridiam (€140m) as part of the shareholders**

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HSL-SEA: Contractual Structure

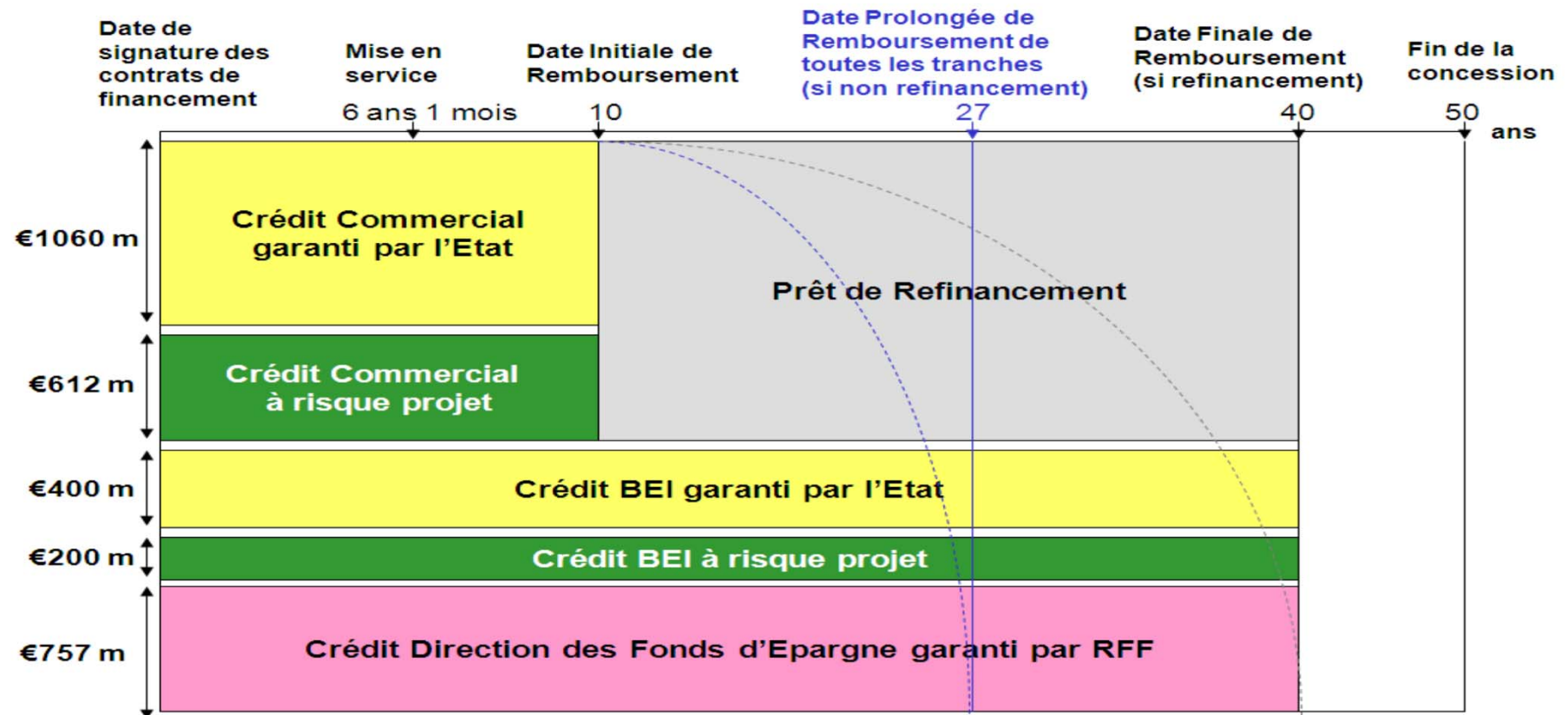
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HSL-SEA: Financial Structure

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

The project & its financing

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

- **Financing: 2nd phase**

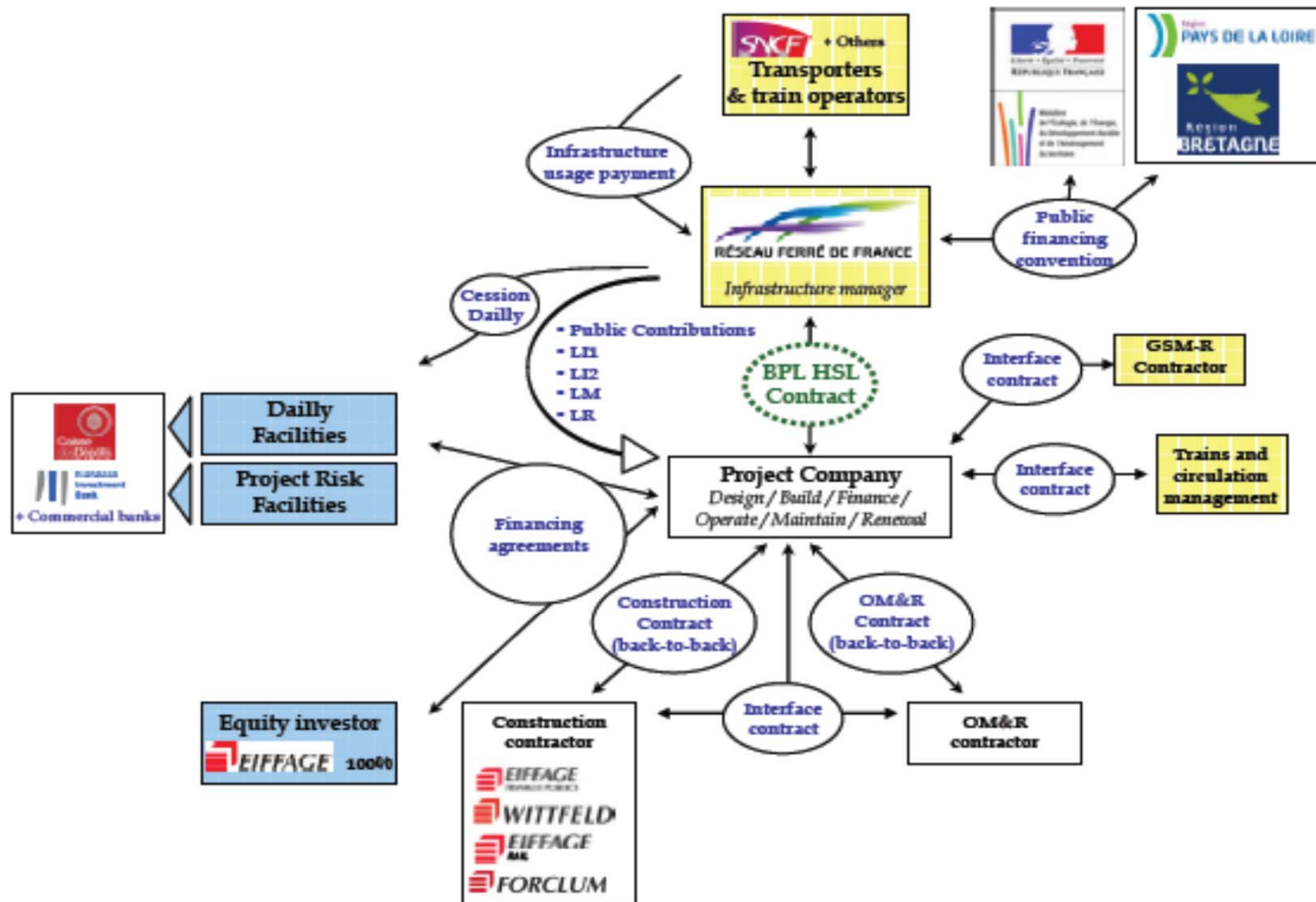
Long term Refinancing of commercial MT Facility by:

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

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HSL-BPL: Contractual Structure

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HSL-BPL: Financial Structure

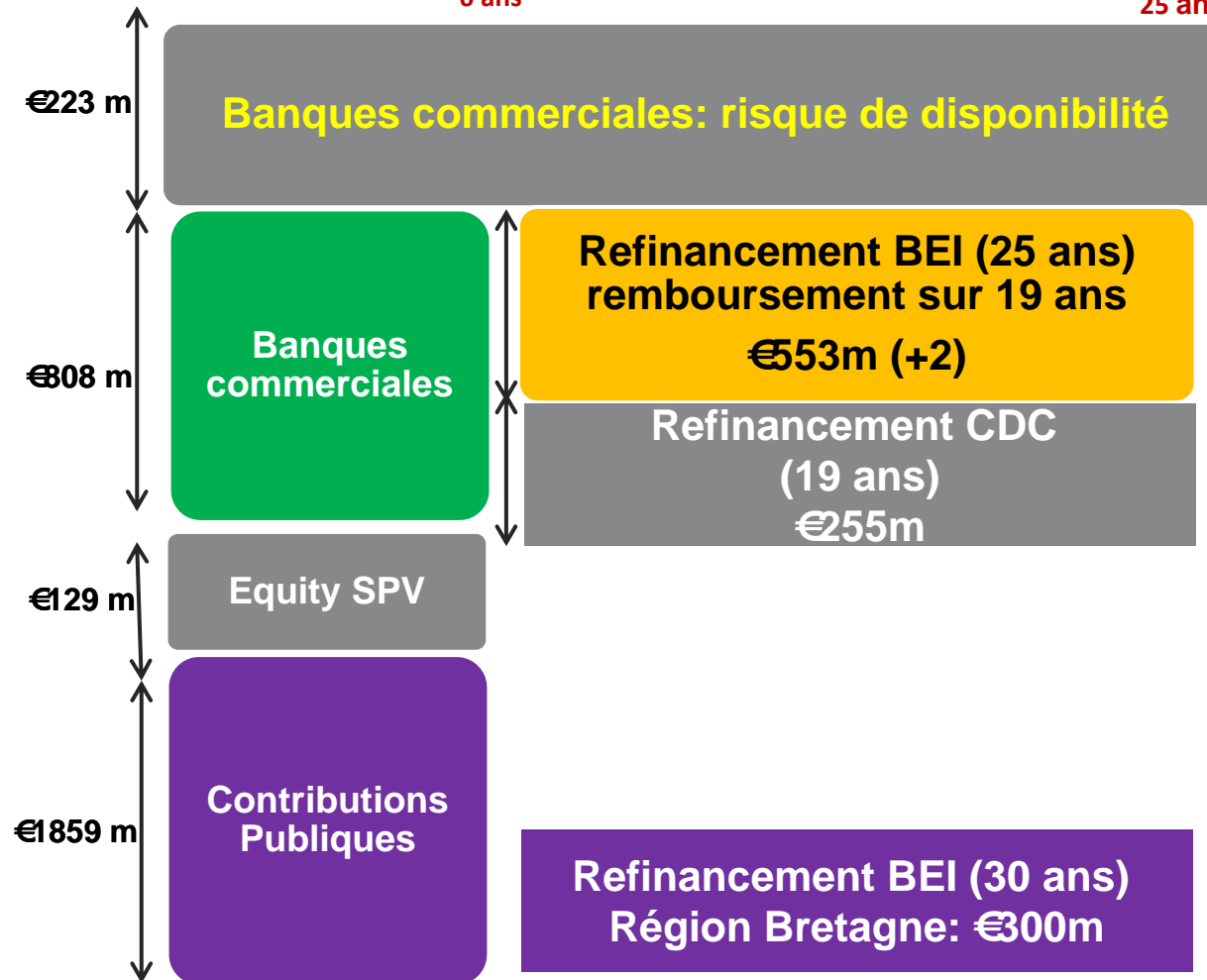
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mise en service



6 ans

25 ans



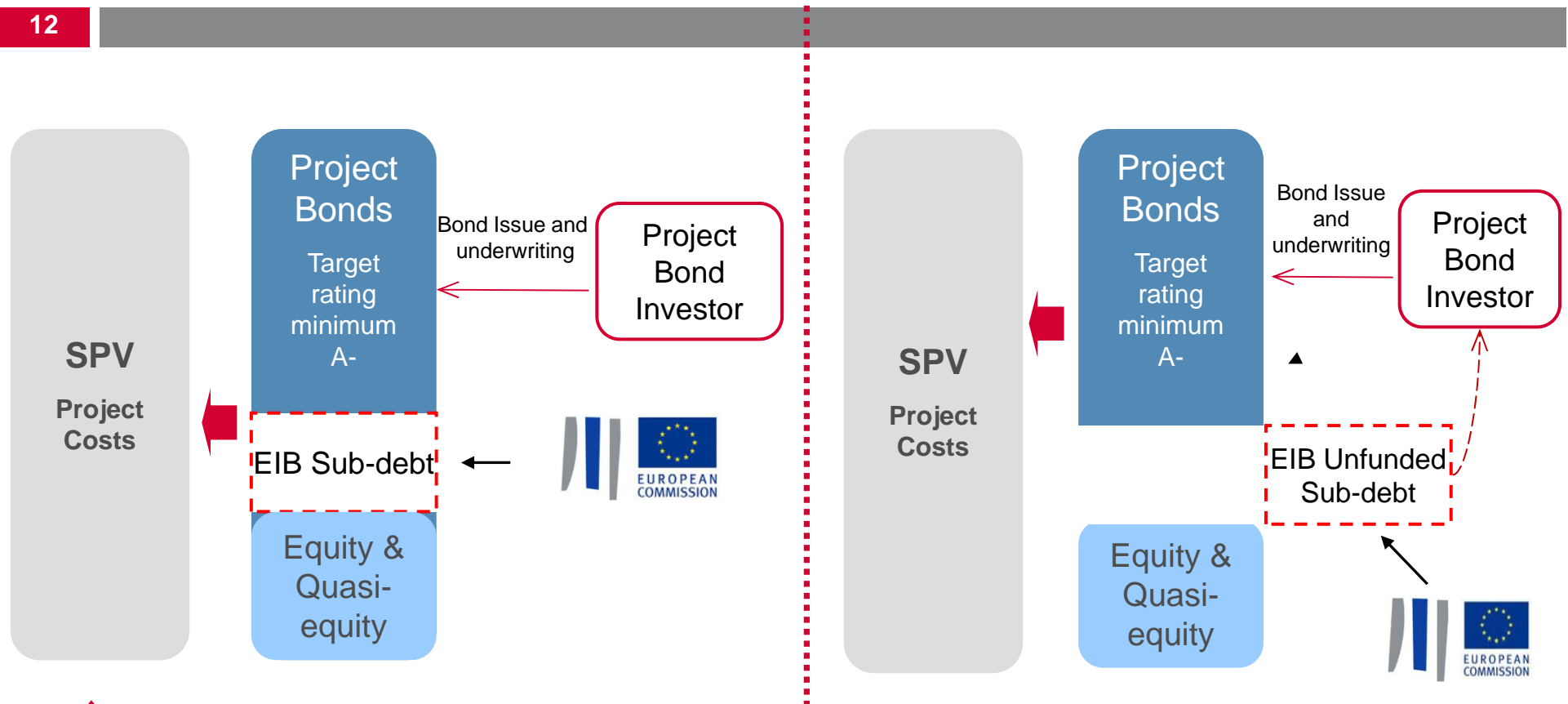
Valeur ajoutée du montage

1. BEI et CDC suppléent l'adversité au risque des banques commerciales sur le long terme
2. BEI moins chère que les banques commerciales de la Phase 1
3. Refinancement sous clause "Cession Dailly" (Statut public de RFF)
4. Remboursement adossé aux loyers de RFF à la SPV (risque de disponibilité)

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The «Project Bonds» Concept

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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

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Conclusions

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- EIB transport policy is driven by EU policy, including for rail
- EIB lending for mainline and urban rail projects represented **more than half of EIB transport lending** in 2008-2012: €35.7/€65 billion
- Rail financing has been and continues to be **a priority** – but projects must be sound
- There are several EIB financing options, now to be enhanced with Project Bonds
- Main added value of EIB's involvement: Catalytic effect over private finance

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...thank you for your attention

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