



Blending possibilities with Innovative financial Instruments and EFSI

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Funding and financing tools available

Connecting Europe Facility: grants

- **Budget of €22.5bn for 2014 -2020, with 11.3bn reserved for Cohesion MS**

1st call in 2014 (€13bn, 2nd call in November 2015 (€7.5bn)

=> most budget allocated

Connecting Europe Facility: Financial instruments

- **Up to €1.5bn available for a wide array of instruments**

Project Bonds, LGTT, possibility of other Debt or Equity instruments, dedicated investment funds for specific policies

Budget could be used as grants for blending with EFSI/CEF financial instruments

European Fund for Strategic Investments

+ *Standard EIB lending (for transport ~8 bn 2010-2014)*





CEF Call (Innovation): from real life trial to financial instruments

At the end of the trial a business plan to be produced showing how to scale-up the trial to mass application.

Such documentation would facilitate and accelerate the evaluation of a bank, such as the EIB, on whether private investments may come in at the end of the trial.

In this respect, attention should be given to the opportunities offered by the new financial instruments provided by CEF and EFSI and to constituting viable partnerships and consortia suitable to receive such type of financing.



CEF call : Cost Benefit Analysis

- Projects generating net revenue: CBA must be accompanied by a **calculation of the "funding gap"** (*i.e.* the share of the project's costs that is not covered by net revenue)
- MS should **confirm in the application form that a methodology recognised** in the respective national context has been used
- It is strongly recommended that the **Cohesion Policy CBA methodology** for Major Projects is used

Financial instruments

What are financial instruments?

- EU financial instruments combine EC risk capital and EIB resources
- They target private or commercially-financed investments
- They typically cover higher risk projects using a wide range of financial products: loans, guarantees, credit enhancement, equity
- This helps improve access to other financing (guarantee)
- Tailored products can be developed to meet identified market gaps

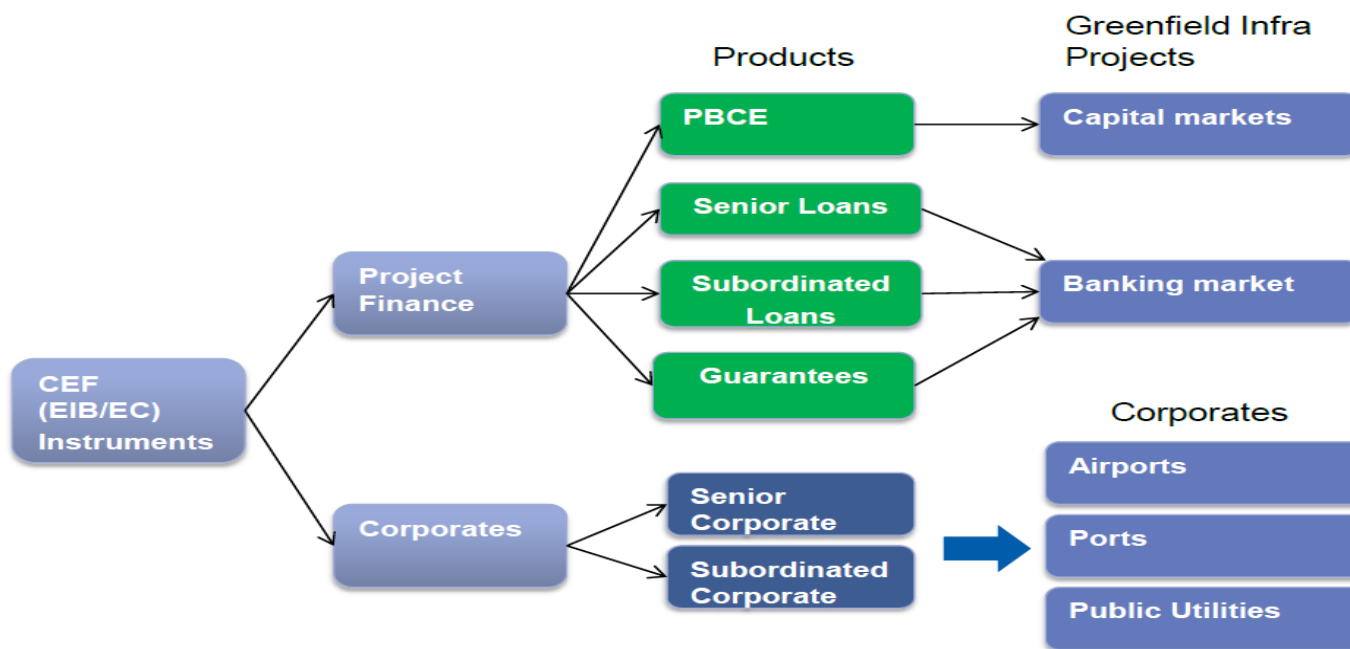
Identifying projects suitable for financial instruments

- Look at project maturity/readiness/level of preparation
- Characteristics of good candidate projects:
 - Have revenue generating potential
 - Are affordable for the users
 - Have performance-based outputs
 - Their commercial, legal and political risks can be quantified
 - Projections of costs and revenues are realistic

Financial instruments available for TEN-T projects

Connecting Europe Facility:

- Innovative financial instruments: Project Bonds, LGTT
 - whole TEN-T network, Core & Comprehensive





CEF financial instruments/piloting

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**





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

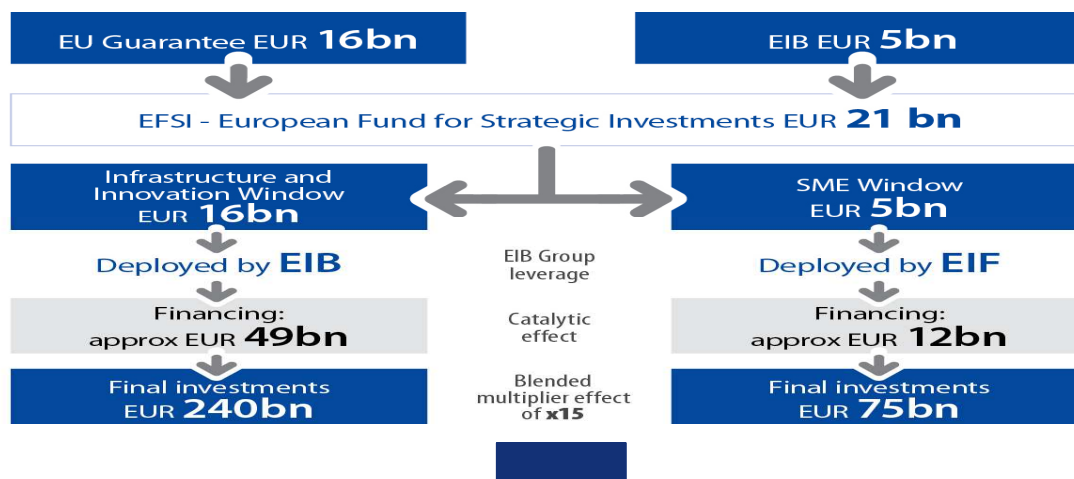




European Fund for Strategic Investments / eligibility

Wide eligibility criteria – Infrastructures and Innovation Window : Operations consistent with Union policies that support any of the following general objectives:

- development of infrastructure including in transport (*development of transport infrastructures, and equipment and innovative technologies for transport: (i) projects and horizontal priorities eligible under TEN-T and CEF Regulation; (ii) smart and sustainable urban mobility projects (iii) projects connecting nodes to TEN-T infrastructures*), telecommunications, digital and energy infrastructure; infrastructure projects in the environment, natural resources, urban development and social fields
- research and development and innovation (including transport)
- develop and modernise the energy sector, renewable energy, security of energy supply and energy and resource efficiency



Eligibility

CEF financial instruments

- **The whole TEN-T network, Core & Comprehensive**
- **All projects eligible under TEN-T Guidelines**
- **Ground and on-board components of traffic management systems or alternative propulsion systems**

EFSI instruments

- **For transport infrastructure and equipment**
- **TEN-T projects, but also beyond TEN-T**
- **Projects for smart and sustainable urban mobility**



EFSI Eligible Operations

Counterpart eligibility

- **Corporates of all sizes,**
- **Utilities**
- **Public sector entities**
- **SMEs(<250 employees) or Midcaps (<3000 employees)**
- **National promotional banks or commercial banks for intermediation**
- **Dedicated investment platforms**

Project eligibility

- **Economically and technically viable**
- **Added value (additionality) – typically higher risk profile than normal EIB operations**
- **Investments boosting employment and growth**
- **Commercially sound**





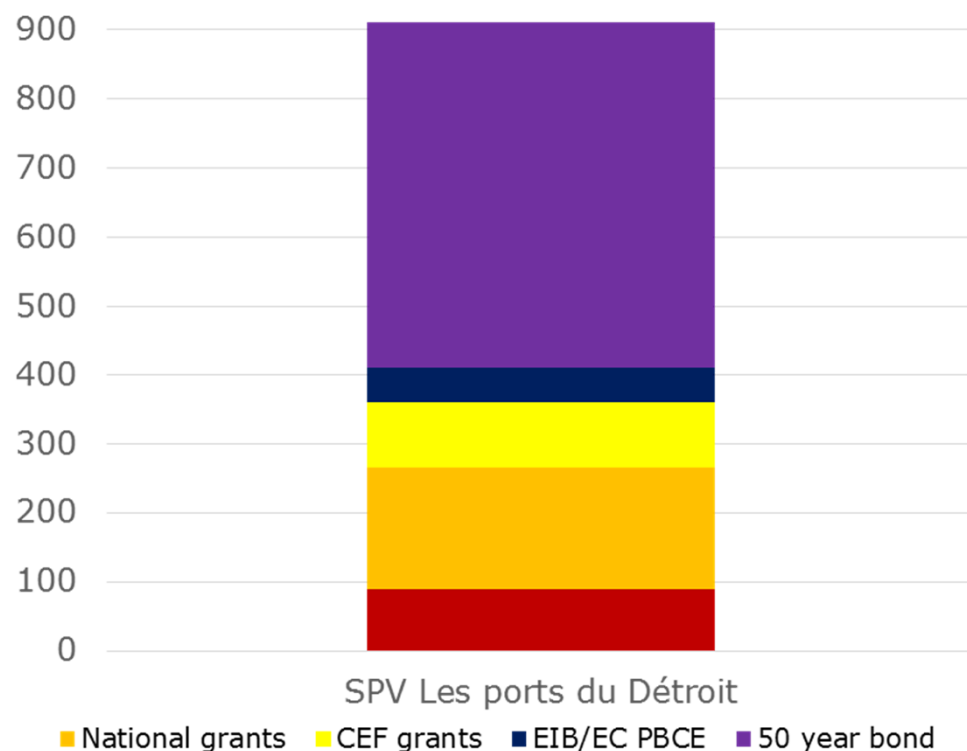
Rational for blending

- For project with potential revenue streams (from users or tax-payers)
- Early involvement of the EIB in order to help define scope/cost and structuring of the project
- Use of EIB instruments (alone, or with CEF financial instruments or EFSI guarantee support) in order to attract investors, extend maturity and lower debt costs
- If **funding gap** remains, and if project is line with EU priorities, possibility to access CEF grants.



A good example: Port of Calais combined use of CEF grants and financial instruments

Structuring Calais Port 2015



- **40-year Project Bonds** bought by Insurance company Allianz
- **10% guarantee by EIB** through PBCE (€50m, covered by €12.5m from EU budget) – reduction of cost of debt
- Bonds issued for construction period and repaid once Port in operation
- Repayment through port fees and availability payments from Region
- Funding gap partially covered with CEF grants
- *Leverage effect of EU guarantee to PBCE in global project (- CEF contribution): ~60x*



National Promotional Banks (NPBs) and Investment Platforms

- **Small projects** could benefit from **pooling investors'** resources together into national, sub-national, multi-country or regional Investment Platforms, to which NPBs could also contribute with the support of an EIB guarantee under a counter guarantee provided by EFSI.
- By aggregating small projects, **investment platforms** provide greater diversification, greater deal flow and reduced risk, and could thus represent an efficient way for investors to align interests and achieve larger scale of investments.
- Alternative potential modes of the joint intervention of the NPBs such as **co-financing on a single project basis** are also envisaged
- To date, Member States from Bulgaria, France, Germany, Italy, Luxembourg, Poland, Slovakia, Spain and United Kingdom have committed to provide co-financing to EFSI supported projects and investment platforms, up to a **total financing volume of EUR 42.5 billion.**



European Investment Advisory Hub (EIAH)

Project promoters

Public authorities

Member States

•Web content + Web portal + Help Desk team

EIAH

COM/EIB's existing advisory programmes and activities

- Project support (**JASPERS**, ELENA)
- Financial instruments (fi-compass)
- Access to finance (InnovFin Advisory, **EPEC**)

Additional advisory and technical assistance

- New investment support also in areas relevant to the scope of EFSI could be delivered by the Hub advisory or operational teams (**e.g. PPP**)
- Identification of needs as they arise

EIAH's partner institutions' expertise

- Network of institutions incl. EIB Group, EC, **National Promotional Banks**, etc.
- Integrated collaboration model



FAQ about the Hub

| | |
|--|--|
| What is the geo scope of the Hub? | <i>The European Union</i> |
| Is the Hub linked to EFSI projects only? | <i>No, support will not be limited to projects to be financed by EFSI (and/or the EIB)</i> |
| Does the Hub provide financing? | <i>No</i> |
| Who concretely delivers the advisory support provided via the Hub? | <i>Experts of the EIB, its partner institutions and/or appointed external consultants</i> |
| Is the support provided via the Hub free of charge? | <i>In most cases, yes. A contribution may be requested from certain private beneficiaries in order to align interests and ensure ownership of results</i> |
| Does the Hub have local offices? | <i>Currently the Hub operates mainly via the EIB headquarter in Luxembourg and its local offices. A network of local partner Institutions is being established</i> |



Key messages

CEF grants are limited in eligibility and in volume, to optimize real life trial concept and enhanced use of CBA/funding gap

CEF & EFSI financial instruments should be considered for projects with potential revenues

Blending EIB/EFISI tools and CEF grants is a possibility, with CEF grant focused on remaining funding gap

New tools are being developed for new sectors by MOVE/EIB, most advanced scheme being green shipping

Proposed scheme should not rule out more complex "platform type" of structures

Need to involve EIB and MOVE early in the process: EIAH





Thank you for your attention!

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