



European Investment Bank
EIB Transport Lending Policy

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EIB's 2011 Transport Lending Policy

Preface

1. Introduction

As the world is struggling with a deep and protracted economic downturn, the need for comprehensive growth-oriented post-crisis strategies is becoming ever more acute. Initially a financial crisis, an economic downturn is now spreading negatively and profoundly to all sectors of the real economy. Strategies are by necessity focusing on bringing back dynamism and growth. This growth-orientation can, however, not ignore the realities and constraints imposed by the scarcity of natural resources, the pressures on our ambient environment and the challenges of climate change. The sharp dilemma posed between the urgent need for renewed economic growth and the need to find sustainable solutions requires a sophisticated approach and multi-faceted response to the challenge.

Efficient mobility infrastructure and services are indispensable for any well functioning society and are necessary elements of any viable long-term economic strategy. Indeed, in a crisis environment, sound mobility investments sustain aggregate demand in the short run while securing solid returns on investment in the long run.

A number of new EU policy initiatives have contributed to the recognition of a need to have a fresh look at EU transport policies. The EU 2020 strategy defined the ambition of smart, sustainable and inclusive growth, the 2011 White Paper on Transport highlighted the importance of an innovation orientation and a modern infrastructure as prerequisites for realising a vision of a competitive and sustainable transport system, and the Connecting Europe Facility initiative outlined a plan for massive investments to boost EU transport networks.

It is against this complex and demanding backdrop that the EIB engaged in a review of its transport lending policy, issued in 2007. This review consolidates and strengthens the ability of the Bank's interventions to spark a revitalisation of the EU transport sector and by doing so, to support the overall economic revival policy of the EU in a long-term sustainable way.

2. EIB's role in supporting mobility

The EIB is the EU's policy driven bank. Bank lending in the transport sector contributes to multiple EU policy objectives including environmental improvement, regional development, the knowledge economy, and the trans-European networks. The Bank, as a European institution, continually seeks to focus on activities that are likely to have the greatest impact on furthering EU policy goals.

Since the commencement of its operations in 1958, the EIB has provided long term finance to support the development of many of the transport networks that underpin the European economy and society – roads and motorways, conventional and high speed rail lines, major bridges and tunnels, key European ports and airports as well as essential urban mobility infrastructure for our growing cities. Through its support of research, the Bank has contributed to technological innovation that has made travel more efficient and safe. The Bank's investments in the sector have helped to reduce costs per unit of transport in terms of time, energy consumption and accidents; to create new jobs; to facilitate greater trade; to reduce negative environmental impacts of the operation of the transport system; and more broadly to improve the quality of life for the citizens of the EU.

Bank lending has been instrumental in helping candidate Member States to prepare for accession and continues in this role in the current accession countries. Outside the EU, the Bank has supported transport investments in line with its external mandates, for example by ensuring safe transport links to our neighbouring countries. In aggregate, since 1958 the Bank has committed over EUR220 billion to the sector. Bank lending has also tended to be counter-

cyclical, with temporary significant increases in commitments during recessionary periods helping to stabilise investment on a more consistent long-term path. The large increase in Bank lending over 2009-2010 to support economic recovery in Europe is the latest example.

3. Providing Value Added

The transport lending strategy must ensure that the Bank continues its effective intervention in favour of key EU growth policies while at the same time responding to environmental and climate change policy.

The satisfaction of future transport demand in the EU requires the combined effort of all transport modes and means. It remains essential for effective Bank lending to recognise that the challenge is to optimise the mix of transport modes and types of interventions rather than favouring a single or a few solutions.

To achieve these complex objectives requires a multi-dimensional approach, which is unlikely to be achieved by setting rigid sub-sector lending targets. Instead it is necessary to define basic guiding principles for Bank interventions as well as set out operational selection criteria that establish priorities between projects for the individual sectors.

Since the transport lending policy was last reviewed in 2007, the EIB has introduced a new method for measuring the value added of the Bank's lending activities within the EU and accession countries. Potential projects are screened and graded for their contribution to EU objectives, their quality and soundness and in particular their economic case and environmental sustainability - as well as the financial and non-financial contribution made by the Bank. The Bank's Corporate Operational Plan has established targets for each of these criteria which encourage the selection of projects with the highest value added.

Selection criteria serve to prioritise EIB investment. They filter out projects which cannot demonstrate adequate returns or pose too high risks. The expected economic rate of return, including externalities, is differentiated across modes – projects in the public transport, rail, inter-modal and waterborne transport sub-sectors projects are accepted with lower returns relative to projects in the roads and aviation sub-sectors. Furthermore, all projects must comply with the Bank's Statement of Environmental and Social Principles and Standards. This Statement commits the Bank to seek to improve the balance between the environmental and social cost and benefits of the projects it finances.

The fight against climate change is a priority of the EIB. Another prioritisation tool introduced since 2007 is the climate action indicator included in the lending objectives set down in the Bank's Corporate Operational Plan. The Bank seeks to invest at least 25% of its new commitments in projects expected to make a significant contribution to climate change mitigation or adaptation. Projects in the public transport, rail, inter-modal and waterborne transport sub-sectors generally count towards meeting the indicator whilst those in the roads and aviation do not. Shipping and RDI projects will be assessed on a case-by-case basis. The indicator therefore serves to orient the Bank's portfolio towards more support for the intrinsically more environmentally sustainable modes.

Further mainstreaming of climate change considerations into the Bank's project appraisal has been introduced and will be further developed over the coming years. An assessment of the greenhouse gas impact of investment projects is being introduced. The application of these forecasting tools allows the Bank to take a more informed decision on each project submitted for approval.

4. Guiding principles and selection criteria

While the economic and policy context has changed since 2007 the overall guiding principles remain valid and important in the current environment:

- Mobility is essential for the free movement of people and economic growth. In this context, the EIB will pursue an approach that strives for the most efficient, most

economic and most sustainable way of satisfying transport demand. This will require a mix of transport solutions, covering all modes, though carefully planned to control the negative environmental impacts of transport.

- The EIB will continue its strong commitment to the funding of TENs. The long-term nature of these investments and their essential role in achieving an efficient and cohesive Community-wide transport system continue to make them the backbone of transport investment in the EU and essential for the functioning of the internal market. The relationship between the stock of infrastructure capital and greenhouse gas emissions is complex, but this does in itself not call into question this continued EU commitment to TENs.
- As with all other EIB projects, and in line with the Bank's priority objective to support the fight against climate change, the Bank will continue its work of mainstreaming climate change consideration into its projects.

In aggregate, the implication of the prioritisation outlined above and the guiding principles implies the following operational selection criteria for each mode/activity:

- Research Development and Innovation. The EIB will finance RDI in the transport sector though subject to careful assessment to ensure that each project supports the objective of developing a more efficient and sustainable European transport system, contributes to reducing oil dependence and enhances the competitiveness of European industry.
- Manufacturing. The EIB will finance manufacturing projects located in less developed regions in the automotive sector as well as for transport rolling stock/vessels. The EIB restricts its lending to manufacturing to those projects that support the transformation of the transport sector into a more sustainable sector by contributing to meeting of emission reduction targets. In addition, further restrictions will be applied to automotive manufacturing as discussed below.
- Land transport. Lending for urban public transport, rail and multi-modal projects are prioritised as these are intrinsically the most promising in terms of reducing greenhouse gas emissions per transport unit. Lending for road will continue for those projects forming part of the TEN-T and/or situated in less developed regions. Road projects are expected to demonstrate a high economic rate of return.
- Waterborne Transport. Lending for inland waterway, port, logistics and maritime projects are also prioritised in support of sustainable transport solutions. Shipping projects are subject to particular scrutiny with respect to the procurement, supplier and operating arrangements.
- Civil Aviation. Air traffic management projects are being prioritised as more direct air routes and efficient procedures play a central role in helping air transport improve its environmental performance. The EIB will finance airports being part of the TEN-T and/or located in less developed regions. The financing of aircraft acquisition will continue to be supported only by exception when very strong value added can be demonstrated including high economic rate of return.

4. Conclusion

In conclusion, as outlined above, transport project selection and appraisal at the EIB is performed via a multi-stage and multi-dimensional approach designed to maximise the value added of the Bank's lending so as to best contribute to furthering EU policy. The following document describes EIB's lending approach in the transport sector and in more detail how individual transport project proposals will be assessed and prioritised.

EIB's lending approach in the transport sector

PURPOSE OF THIS DOCUMENT

1. In 2007 the EIB published its revised policy for lending in the transport sector¹ which reflected various changes to the European policy context at the time, in particular the way in which climate change considerations were to be mainstreamed into the Bank's lending activity. The document acknowledged that the policy context was likely to be dynamic, foreseeing the requirement for periodic revision.
2. Whilst climate change considerations remain central to the EIB's lending, this revised 2011 Transport Lending Policy also reflects more recent changes to the European policy context, and in particular the response of the Bank and other EU institutions to the 2008 financial crisis and its continuing aftermath. The document is also informed by the results of an extensive stakeholder consultation launched by the Bank as part of the process of updating the policy.
3. The purpose of the document is to inform the EIB's stakeholders - shareholders, borrowers, promoters and partners - as well as the wider public: (i) what types of transport projects are consistent with the Bank's objectives; and (ii) how transport projects will be assessed and prioritised by the Bank. This document does not deal with the financial instruments available to support transport investments, an area that is covered in other publicly available Bank documents².
4. The principles outlined also apply to projects, funded in part by the EIB, where Bank resources are channelled through external entities such as infrastructure funds or intermediary banks and where such projects would be subject to an individual assessment if directly financed by the Bank.
5. This document will be subject to periodic reviews in line with EU policy developments.

EIB APPROACH TO PROJECT SELECTION

6. Article 16 of the EIB's statute (2009)³, along with related provisions in the Treaty of Lisbon, allows the Bank to grant loans and guarantees for economically productive investment projects in three areas: (i) projects for developing less-developed regions; (ii) projects for modernizing or converting undertakings or for developing fresh activities called for by the progressive establishment of the common market; and (iii) projects of common interest to several Member States. Following this mandate, the Bank's Corporate Operational Plan (COP), a rolling three year strategy which is reviewed and updated on an annual basis, establishes the mission statement, priority lending objectives and key performance indicators which determine the activities pursued by the Bank⁴.
7. As the Bank of the European Union, the EIB Group uses its special expertise and resources to make a difference to the future of Europe and its partners by supporting sound investments which further EU policy goals. The Bank's broad strategic objectives in the EU and pre-accession countries reflect EU policy objectives centred on contributing to three main public policy goals in line with the Europe 2020 strategy, namely:
 - the increase of growth and employment potential (in the transport sector this would include TEN-T and knowledge economy);
 - economic and social cohesion; and

¹ A Revised Policy for EIB Lending to the Transport Sector, September 2007

² See for example, <http://www.eib.org/projects/topics/tens/index.htm>

³ <http://www.eib.org/about/publications/statute.htm?lang=-en>

⁴ <http://www.eib.org/about/publications/operational-plan-2011-2013.htm>

- environmental sustainability (in the transport sector this would include support to sustainable transport modes, public and waterborne transport).
8. In line with the External Mandate and the revised Cotonou Partnership Agreement, the lending objectives for the regions outside the EU in which the Bank operates are:
 - local private sector development;
 - social and economic infrastructure;
 - climate change; and
 - regional integration.
 9. The Bank's investments reflect one or more of these public policy goals, and the Bank finances transport projects to the extent that they contribute to meeting the objectives set down in the Bank's Statute and COP. The project pipeline of the EIB reflects the investment needs of promoters, who generate and implement projects.
 10. The Bank's strategy identifies three 'pillars' for measuring the 'value added' (VA) of the Bank's lending activities within the EU and accession countries⁵. Investments are screened and graded to determine their level of value added against the following main criteria.
 - Pillar 1: contribution to EU objectives;
 - Pillar 2: the quality and soundness of the project, focusing on identifying the economic and environmental sustainability of the operation; and
 - Pillar 3: the contribution made by the EIB, both financial and non-financial.
 11. While this paper focuses on the process of assessment of transport projects with respect to the first two pillars, such assessment takes place alongside a more general screening performed for all projects that includes the following points.
 - Not all projects are eligible for EIB support, and a list of excluded sectors is maintained (for example, projects with a military purpose are excluded)⁶;
 - The Bank's borrowers must be capable of repaying a long term loan and must provide adequate financial security; and
 - Projects must represent sound long term economic investments and comply with the Bank's relevant policies (particularly on procurement, environment and social aspects)⁷.
 12. Projects which pass this multiple screening exercise are presented individually to the Bank's Board of Directors, which takes a funding decision on a case by case basis, depending on the circumstances of the individual project. Certain projects are also identified as meeting the requirements to be fulfilled for classification as "climate action projects", which will then count towards meeting the climate action indicator established in the COP.

BACKGROUND AND EU POLICY CONTEXT

13. During its history, the EIB has committed over EUR220 billion to the transport sector, representing one quarter of all its investments, by far the largest single sector. Over the period 2001-2010, the Bank has committed EUR139 billion into transport infrastructure, equipment, rolling stock and vessels. In addition, over the same period the Bank committed EUR19.3 billion for Research Development and Innovation (RDI) in the transport field. In 2010, roughly one quarter of the EUR14.5 billion of Bank commitments to the sector was made to each of the rail, urban and road sub-sectors with

⁵ A similar 3 pillar assessment is performed for projects under the Bank's external mandates.

⁶ <http://www.eib.org/about/documents/excluded-activities-2010.htm?lang=-en>

⁷ Note, only in exceptional cases does the EIB finance working capital as part of the scope of investment projects. However, advance payments made by promoters to suppliers can be financed by the Bank.

the balance supporting air, maritime and inter-modal projects. The Bank's Corporate Operational Plan foresees continued high levels of lending for transport and the Bank expects to play a significant role in the sector into the longer term.

14. In Western Europe, overall investment in transport infrastructure by the public and private sectors has been more or less flat in real terms over the period 1995-2009, whilst over the same period central and Eastern Europe has seen a threefold increase. For the EU as a whole, since 2005, gross investment in the rail sector has been of the order of EUR 35 billion per year, in the roads sector about EUR65 billion per year, for inland water ways about EUR2 billion per year and about EUR4-6 billion each for ports and airports⁸. Investment has been most heavy in the roads sector, with the distribution in 2009 between road and rail modes being about two-thirds in Western Europe and four-fifths in central/eastern Europe. On this basis, EIB lending represents just a few percent of total investment in the sector in the EU, with a modal share somewhat skewed to rail in comparison with overall public and private investment. By contrast, the Bank's contribution to meeting the investment needs of the Trans-European Transport(TEN-T) networks over the period 1996-2013 is expected to be about 15%, demonstrating the priority accorded by the Bank to these.
15. The EIB, as a European institution, continually seeks to focus, within the COP lending objectives, on activities that are likely to have the greatest impact on furthering EU policy goals. EIB lending in the transport sector contributes to multiple EU policy objectives including regional development, the knowledge economy, environmental improvement and trans-European networks. Furthermore, the transport industry in itself represents an important part of the economy: in the EU it directly employs around 10 million people and accounts for about 5% of GDP.
16. EU transport policy is currently articulated primarily through the 2011 Transport White Paper⁹ which argues that *"transport is fundamental to our economy and society. Mobility is vital for the internal market and for the quality of life of citizens as they enjoy their freedom to travel. Transport enables economic growth and job creation: it must be sustainable in the light of the new challenges we face. Transport is global, so effective action requires strong international cooperation. The future prosperity of our continent will depend on the ability of all of its regions to remain fully and competitively integrated in the world economy. Efficient transport is vital in making this happen."*
17. The White Paper establishes a vision of a competitive and sustainable transport system. *"The paramount goal of European transport policy is to help establish a system that underpins European economic progress, enhances competitiveness and offers high quality mobility services while using resources more efficiently. In practice, transport has to use less and cleaner energy, better exploit a modern infrastructure and reduce its negative impact on the environment and key natural assets like water, land and ecosystems."* In achieving this goal, the White Paper recognises that *"curbing mobility is not an option."*
18. The White Paper outlines a number of challenges to achieving this vision:
 - o **Growing transport and supporting mobility whilst reaching a 60% emission reduction target** (as its part in achieving the overall EU target for reduction of 80-95% below 1990 levels by 2050). This is to be achieved through improving the efficiency of vehicles across all modes, optimising the performance of logistics chains, and using infrastructure more efficiently through management and information systems.
 - o **An efficient core network for multimodal intercity travel and transport** involving the consolidation of large volumes for transfer over long distances. *"This implies greater use of buses and coaches, rail and air transport for passengers and,*

⁸ <http://www.internationaltransportforum.org/statistics/investment/data.html>. These figures may understate total investment, missing for example sub-national flows.

⁹ Roadmap to a Single European Transport Area – towards a competitive and resource efficient transport system, COM(2011)144

for freight, multimodal solutions relying on waterborne and rail modes for long-hauls. Better modal choices will result from greater integration of the modal networks: airports, ports, railway, metro and bus stations, should increasingly be linked and transformed into multimodal connection platforms for passengers."

- **A global level-playing field for long distance travel and intercontinental freight**, recognising the maritime and aviation sectors as inherently global.
 - **Clean urban transport and commuting**, envisaging a *"higher share of travel by collective transport, combined with minimum service obligations, which will allow increasing the density and frequency of service, thereby generating a virtuous circle for public transport modes. Demand management and land-use planning can lower traffic volumes. Facilitating walking and cycling should become an integral part of urban mobility and infrastructure design."*
19. The White Paper seeks also to ensure that the EU is a world leader in safety and security of transport in all modes. The importance of maintaining the competitiveness of the European transport and logistics sector is highlighted. A strategy for a Single European Transport Area supported by a Strategic Transport Technology Plan is set out to guide transport research and innovation, together with Smart Pricing and Funding, to make efficient use of infrastructure, leverage private investment, and avoid market distortions.
20. Ten subsidiary goals have been established and a large number of individual initiatives are recommended to help achieve these goals. The package of initiatives include both regulatory and administrative measures - which are not in the purview of the Bank - as well as call for increasing volumes of investment aimed to drive the necessary system improvements to achieve the overall targets; over EUR1.5 trillion, or EUR75 billion/year, for the period 2010-2030 according to the White Paper. At the same time, the goals include a commitment to move towards full application of user and polluter pays principles, to eliminate distortions, generate revenues and ensure financing for future investments.
21. Of these ten goals, the following are particularly relevant for the EIB as an investment vehicle: (i) halve the use of conventionally used cars in urban transport by 2030 and phase them out by 2050; (ii) shifting of 30% of road freight over 300km to other modes by 2030, which will require appropriate infrastructure to be developed; (iii) tripling the length of existing high speed rail network by 2030 and maintain a dense railway network in all Member States; (iv) a fully functional EU wide and multi-modal TEN-T core network by 2030; (v) by 2050, connect all core network airports to the rail network and ensure that all core seaports are sufficiently connected to rail freight and, where possible, inland waterway system; (vi) deployment of modernised traffic management infrastructure; and (vii) halve road casualties by 2020 and make sure that the EU is a world leader in safety and security of transport in all modes of transport. All these goals require long term investment finance which the Bank is well equipped to provide.
22. The EIB also looks to the Trans European Network Transport (TEN-T)¹⁰ Policy as a key source of motivation for lending. The TEN-T is a major element for economic growth and job creation in Europe. The completion of an integrated, technology led and user-friendly transport system is a key factor in the competitiveness of the Union. The TEN-T is essential to facilitate the mobility of people, freight and services and thus to the establishment of an internal market and economic and social cohesion of the Union. The Bank will seek to support the EU priorities of the development of the TEN-T including the creation of high quality infrastructure for all modes; the promotion of inter-modality and interoperability between modes; the facilitation of the optimum use of existing infrastructure; the connection of major agglomerations and regions; and to better connect the Union to the networks of the states of the European Free Trade Association, our eastern and southern neighbours. To the extent that the TEN-T policy prioritises

¹⁰ Decision No 661/2010/EU of the European Parliament and of the Council of 7 July 2010 on Union guidelines for the development of the trans-European transport network. Proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Union guidelines for the development of the trans-European transport network, COM 2011 650/2

certain investments, the Bank shall, through its VA method, also prioritise the same investments.

23. EIB lending into the transport sector is also driven by EU Regional Policy¹¹. Regional policy has three strands: (i) Convergence, to reduce regional disparities in Europe by helping those less developed regions to catch up with the ones which are better off; (ii) Regional Competitiveness and Employment to create jobs by promoting competitiveness and making the regions concerned more attractive to businesses and investors; and (iii) European Territorial Cohesion, to encourage cooperation across borders - be it between countries or regions – that would not happen without help from the cohesion policy. To pursue these goals requires investment – in infrastructure, human capital, technology – which the Bank is mandated to support.
24. The EIB also takes into account other strategic dimensions, for example, whether projects contribute to actions/ projects mentioned in the Action Plans of the EU Strategy for the Baltic Sea Region and/ or EU Strategy for the Danube Region, bearing in mind the need to coordinate the strategy with existing structures and initiatives to avoid duplication and overlap.
25. EIB lending for transport will also contribute to the EU 2020 Strategy¹², launched in 2010. This establishes the three priorities of “smart, sustainable and inclusive growth”, and calls for strengthening knowledge and innovation as drivers of future growth and for promoting a more resource-efficient, greener and more competitive economy. Transport is a key sector that creates growth and jobs as well as helps Europe to maintain its competitive edge.
26. Finally, EIB will support Research, Development and Innovation in the transport sector in line with the Strategic Transport Technology Plan initiative. This is a strategic framework for future transport research, innovation and deployment, based on a vision for an integrated, efficient and environmentally friendly European transport system by 2050. The initiative aims to identify priorities for a European roadmap to deploy the full potential of research, technology and innovation in the transport sector and to address the key challenges for the European transport system to achieve the goals set out in the White Paper.
27. In line with EU policies, EIB believes that the construction of efficient and adapted transport systems in the 21st century requires a sophisticated combination of all available transport modes. The challenge for EIB support to the transport sector is therefore not to discard one or the other type of intervention, one or the other transport mode, but rather to seek to optimise the strategy for action and to assure an appropriate mix of interventions to serve the complex set of policy objectives. To this end, it was necessary to define guiding principles for Bank intervention in accordance to the Bank's COP and to seek to develop specific selection criteria to assess whether potential projects meet the requirements of this multi-dimensional approach.

¹¹ COUNCIL REGULATION (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999

¹² COM (2010) 2020

GENERIC APPRAISAL ASPECTS

28. The alignment of a given project with the Bank's policy priorities must not be construed as the Bank's commitment to fund a particular project or sector. Any project specific credit decision will remain subject to a detailed and satisfactory due diligence and documentation as well as formal approval by EIB's decision making bodies in compliance with the Bank's policies and guidelines, including those related to credit risk. The EIB conducts an extensive technical due diligence exercise on all of the projects presented to it for funding. This appraisal process has certain common aspects for all sectors, and these are described below. In addition, each sub-sector has a number of specific considerations, and the current version of these for the various transport modes is described in the remainder of the document.
29. Wherever possible, the Bank undertakes its own cost benefit analysis (CBA) for the projects it finances applying methods drawing on international best practice. Such CBA may rely in part on material such as feasibility studies provided by promoters. The CBA will include, wherever quantifiable, the expected local and global environmental costs and benefits in the analysis. The Bank requires that investments are planned to meet forecast demand at a satisfactory level of service over the life of the project and thereby ensure that there is efficient use of existing and any newly created capacity. The extent to which a project applies the user and polluter pays principles shall also be taken into consideration.
30. All projects are checked for compliance with the following documents of the Bank.
- Guide to Procurement. This informs promoters of a project whose contracts are financed in whole or part by the EIB of the arrangements to be made for procuring works, goods and services required for the project. The Guide is available at:
<http://www.eib.org/projects/cycle/procurement/index.htm>
 - EIB Statement of Environmental and Social Principles and Standards. This sets down the environmental and social requirements to be fulfilled throughout the project cycle for projects to be financed in whole or part by the EIB. Amongst other things, the Statement includes a commitment by the Bank to seek to increase the environmental and social benefits of the projects it finances and decrease the environmental and social costs. The Statement is available at:
<http://www.eib.org/about/news/eib-statement-of-environmental-and-social-principles-and-standards.htm>
31. Since 2009, the Bank has examined methods to estimate the greenhouse gas (GHG) impact of significant investment projects in line with international best practice. Two GHG measures are currently being estimated for a typical year of future operation of a project: the absolute level of GHG emissions and the relative GHG emissions i.e. compared to a baseline scenario without the project. Given developments in this field, however, this methodology is likely to be updated over time, as appropriate. In the case of rail, public transport and road infrastructure projects, the Bank estimates GHG emissions based on forecast traffic demand (i.e. emissions beyond the direct control of the project promoter are included¹³). Further work is ongoing to apply this approach across other transport modes. The GHG emission estimates of relevant projects will be included as part of the documentation prepared by the Bank's Services and submitted to the Board. Application of these tools allows the Bank to take a more informed decision on each project submitted for approval. A summary of the current methodology is available at:
<http://www.eib.org/about/documents/footprint-summary-of-the-methodologies.htm?lang=-en>
32. For those projects meeting the generic and sub-sector specific quality criteria outlined below, the EIB may still condition disbursement of an approved loan on the promoter performing certain additional tasks. Such conditions may typically be attached to

¹³ In the language of the World Resources Institute GHG protocol, scope 3 emissions.

completion of pending project preparation activities as well as implementation and operating arrangements. Projects with significant environmental or social impacts will be subject to additional monitoring and reporting obligations, including where necessary independent oversight of such activities.

33. As a means of enhancing the Bank's value added, the Bank will seek to ensure that promoters have access to relevant technical assistance where necessary, including helping promoters to access grant funds where available. Specific technical assistance facilities such as JASPERS¹⁴ and ELENA¹⁵ are available to support project development and implementation within the EU and others outside the EU (for example the EU Africa Infrastructure Trust Fund).

SPECIFIC SELECTION CRITERIA

34. The EIB recognises and supports the concept that achieving the goals established in the White Paper will require a multimodal approach. Moreover, through its VA method, the Bank will prioritise projects that specifically target inter-modal improvements and will also encourage promoters to consider such elements in the scope of uni-modal projects. However, given that most projects are currently conceived, planned and implemented in a single sub-sector, specific requirements are set out below by mode or topic for practical purposes. Each sub-sector should be read in conjunction with the general appraisal aspects noted in the previous section.
35. This section deals first with Research Development and Innovation, an area that is likely to make the greatest contribution to the achievement of the overarching White Paper objective of achieving a 60% GHG emission reduction in the sector by 2050. Thereafter, each sub-sector is considered separately from the perspective of the Bank's value added approach; first in relation to consistency with EU objectives and secondly relating to the inherent quality of the individual project. The section considers the land, water and air transport sub-sectors in turn.

Research, Development and Innovation (RDI) in Transport Sectors – consistency with objectives

36. The transition to sustainable modes of transport is impossible without innovative environmentally friendly technologies for infrastructure and equipment. The EIB, therefore, prioritises the development and application of these technologies in the transport sector. A significant part of its financing in the sector focuses on the support of Research, Development and Innovation (RDI). Projects shall respond to the EU policy indications set out in March 2000 in the context of the "Lisbon Agenda" and, more recently, in the Europe 2020 strategy.
37. RDI projects are in principle of common interest to several Member States and fully in line with the objectives of the Bank set down in the Lisbon Treaty. EIB financing of RDI in the transport sector shall in particular support the objective of developing a more efficient and sustainable European transport system, contribute to reducing oil dependence and enhance the competitiveness of the European industry, as targeted by the White Paper.
38. The EIB will finance RDI projects in the transport sector which are consistent with the relevant EU policy¹⁶. The principal aim of the Bank's financing of RDI is to support the

¹⁴ JASPERS (Joint Assistance to Support Projects in European Regions) assists the 12 Central and Eastern EU Member States in the preparation of major projects to be submitted for grant financing under the Structural and Cohesion Funds.

¹⁵ European Local Energy Assistance (ELENA), a technical assistance facility that facilitates the mobilization of funds for investments in sustainable energy at local level, established by the European Commission and the European Investment Bank.

¹⁶ Including the Europe 2020 Strategy, the White Paper on Transport, the Strategic Transport Technology Plan, the European Green Cars Initiative (established in the context of the European Economic recovery Plan (COM(2008) 800), the Directive on the Promotion of Clean and Energy Efficient Road Transport Vehicles (Regulation (EC) No 443/2009

development of breakthrough technologies with significant potential for innovation as well as more innovative projects across all technologies, which lead to: (i) lower consumption of fossil fuels; (ii) emission reduction (in particular at local level); or (iii) an increase in safety.

39. As a general principle and in line with the indications of the White Paper, the Bank's selection process of the most valuable investments shall address, across all sub-sectors, the full cycle of research, development and innovation as well as, when relevant, the deployment of breakthrough technologies.
40. The rationale for supporting technology deployment is threefold. First, product innovation depends on a close link between upstream R&D and downstream manufacturing of new technology, as both are mutually reinforcing. Thus, the location of manufacturing sites close to R&D centres strengthens both activities and helps secure the R&D carried out in Europe. Secondly, investment costs for pilot plants or infrastructure are often too high for private investors, as they fail to return an acceptable profit, therefore preventing the market launch of new technologies. Knock-on financing to catalyse investments in a new key technology getting started is warranted in many cases. Thirdly, support for the scaling-up of production helps bring forward economies of scale needed to reduce the lead times until a higher penetration of new leading-edge technology is achieved in the mass market.
41. Bank financing for RDI shall cover various eligible costs such as salaries of researchers and technical staff, R&D equipment, outsourced R&D and investments in R&D facilities. With regard to projects aiming at the deployment of breakthrough technologies for transport equipment, typical examples include the investments for the first set of tools for large-scale production as well as demonstration and pilot plants for the manufacturing of future key technologies. As part of its financing of technology deployment, the EIB shall also finance investments in infrastructure for alternative vehicle propulsion systems (e.g. electric mobility, hydrogen, or alternative fuels).
42. The full potential of bio-fuels will only be realised once further improvements in their resource- demands and manufacturing process have been made. The EIB, therefore, will continue to follow a very prudent approach in relation to bio-fuels, by adopting strict screening criteria covering environmental, social, economic, financial, technological and legal dimensions of the project proposals submitted. All projects financed by the Bank shall be aligned to the relevant EU policies and, inter alia, must comply with the EU Renewable Energy Directive (RED, 2009/28/EC).
43. The EIB prioritises RDI projects through the VA method based on their contribution to knowledge creation and the promotion of sustainability of transport. Projects will be assessed on a case by case basis to determine whether they count towards meeting the Climate Action indicator.
44. RDI projects in the rail and public transport sub-sectors, which are deemed always to contribute to sustainable transport outcomes, are subject to no further assessment than outlined above. However, for the other sub-sectors, certain additional specific selection criteria apply as explained below.

RDI – Specific Considerations, Automotive

45. EIB financing shall be highly selective and guided by the premise that the shift to sustainable and safe road transport rests on three foundations: the technological leadership of Europe's automotive companies, a highly efficient domestic manufacturing base and the provision of infrastructure for new power-train concepts, such as electric mobility.
46. The EIB will select projects on the basis of the innovativeness of their scientific or technological approach as well as their potential impact on improving the environmental sustainability or safety of vehicles. Priority will be given to RDI investments with the

setting emissions performance standards for new passenger cars, and the European Strategy on clean and energy efficient vehicles (COM (2010) 186).

potential to transform automotive technology, including those that aim to combine new and existing solutions in highly integrated systems, as well as to investments contributing to setting best practice in the industry and addressing the orientation of forthcoming legislation.

47. The EIB's selection process shall be based on the principles of "technology variety" and "technology neutrality". Technology variety means that any solution to the challenge of developing a sustainable and safe automotive technology will involve more than one base technology. Technology neutrality means that the Bank shall have no preference for any technology, since – at this moment in time – there is no one technological solution that is obviously superior to others.

RDI – Specific Considerations, Waterborne Transport

48. EIB financing for RDI in the waterborne transport sector will focus on supporting the development of clean technology and increased fuel efficiency as well as safe and environmentally efficient methods of phasing out older and less fuel efficient vessels. Existing and pending legislation will drive the technology for more efficient and cleaner propulsion, an example being the International Maritime Organisation's MARPOL Annex VI of the Marine Pollution Convention, MARPOL 73/78 covering air pollutant emissions from ships, and the forthcoming International Maritime Organisation Convention on Ballast Water Treatment, stipulating that shipping must install a ballast water treatment technology. Stricter limits on the sulphur content of fuels will also come into force in 2015 and this will drive engine and scrubber technology. The Bank will support the necessary investment to meet these future regulatory requirements
49. Investment in RDI is essential, not only to improve the fleet's environmental performance, but also to maintain the lead that EU has in world maritime equipment, components and development of specialist vessels. The EIB will pay particular attention to projects focused on the development and application of clean technology that assist the sector to improve its environmental performance and reduce emissions from ships (SO_x, NO_x, PM, and CO₂), in line with the targets of White Paper, as well as on the implementation of safe and environmentally efficient methods of recycling of end of life vessels.

RDI – Specific Considerations, Aviation

50. The focus of EIB support for RDI in civil aviation is on the improvement of environmental performance and of wider operating efficiency. The airline industry is highly competitive, and fuel costs are a main and increasing component of airline operating costs, bringing aircraft manufacturers under intense pressure to improve aircraft fuel efficiency. Currently, technology improvement is focused on operating efficiency, including the development of better performing engines and lighter fuselages. The incentives to improve efficiency have been heightened in Europe with the introduction of aviation to the Emission Trading System (ETS) as from 2012.
51. The industry must maintain the past trend of improved fuel efficiency through the development of new technologies and materials for engine and airframe design and the incorporation of these advanced technologies in new models. The development of alternative fuels and propulsion technologies (bio-fuels, synthetic fuel blends, hydrogen fuel cells) promises potential for further improvements in environmental performance. The enhancements in Air Traffic Management could further reduce emissions through improved traffic flows and reduced holding times. The industry's target is now to stop the growth of emissions by 2020 and to halve emissions by 2050 compared to 2005 levels. In order to help the industry achieve these goals, the EIB will finance RDI that reduces GHG emissions (such as new materials, improved airframe and engine design, improved Air Traffic Management), helps the development of sustainable fuels, or improves operating efficiency.

LAND TRANSPORT

Urban Public Transport – Consistency with Objectives

52. Urban Transport projects help in reducing congestion and environmental externalities through either the promotion of modal shift from private cars to more sustainable transport modes and/or improvements in transport efficiency, including improved inter-modal connections.
53. EU policy in relation to urban transport is articulated through the Green Paper on Urban Mobility (2007)¹⁷, the Action Plan on Urban Mobility (2009) and the White Paper. The latter, amongst other points, stresses the key role that cities play as nodes on the wider transport network and the importance of promoting the improvement of inter-modal connections at such nodes. The promotion of sustainable urban public transport is of common interest to several Member States and fully in line with the objectives of the Bank set down in the Lisbon Treaty. Therefore, the EIB's intervention in this sub-sector in the EU as well as external mandate countries is not subject to any specific restriction.
54. The EIB prioritises urban public transport projects through the VA method. Particular priority is attributed to: (i) projects focusing on the increase in capacity of public transport networks through the construction or rehabilitation of infrastructure or the acquisition of rolling stock and (ii) innovative projects such as investments developed with the support of the ELENA facility, schemes based on the user/polluter pay principles as well as city logistics measures aiming at improving freight distribution in urban areas.
55. Urban public transport projects in Convergence regions or external mandate countries which contribute to enhancing socio-economic growth of less developed metropolitan areas also count towards the convergence or mandate lending priorities in the COP.
56. Urban public transport projects count towards the Climate Action indicator in the COP. Urban public transport projects with proven technological innovation are also labelled as energy efficiency projects in the framework of the VA method.

Urban Public Transport – Other considerations

57. Urban public transport investments shall form part of integrated urban mobility plans addressing the challenges stated in the Green Paper on Urban Mobility and in the White Paper. The growing complexity of urban mobility requires the elaboration of a comprehensive strategy aiming at providing sustainable urban transport through a combination of different transport modes and measures acting on both the supply and demand sides, while being coherent with existing urban development plans. Standalone projects that are not part of an integrated urban mobility plan are unlikely to be effective in reducing congestion and environmental externalities and should not be supported.
58. The EIB will review the suitability of the proposed institutional arrangements as well as the promoter's capability during both implementation and operation phases. Beyond the standard assessment, for projects within the European Union, the Bank will ensure that project operation is designed to comply with Regulation 1370/2007 which prescribes the contracting and financing of public passenger transport services¹⁸. Outside the EU, the Bank expects that promoters follow the main principles of the Regulation.
59. Projects shall demonstrate satisfactory forecast economic returns. The financial sustainability of urban public transport projects will also be assessed.

Railways – Consistency with Objectives

60. For the foreseeable future, railways will remain, alongside inland water, the most energy efficient and least polluting land transport mode, both for passenger and goods transport. The achievement of a higher modal share of railways for certain land markets therefore plays a key role in Europe's ambitions to create a competitive and resource efficient

¹⁷ Green Paper - Towards a new culture for urban mobility {SEC(2007) 1209}

¹⁸ Regulation (EC) No 1370/2007 of the European Parliament and of the Council of 23 October 2007 on public passenger transport services by rail and by road and repealing Council Regulations (EEC) No.s 1191/69 and 1107/70.

transport system¹⁹. EIB financing of the rail sector covers urban railways (light rail, tram-train, metro), regional railways, conventional and high speed railways. The Bank finances both infrastructure (civils, electrics, buildings, signalling) and rolling stock investments. The Bank considers railway projects as being of common interest to several Member States and fully in line with its objectives set down in the Lisbon Treaty – hence there are no restrictions in principle. EIB financing for the manufacturing of rolling stock is limited to investments located in Convergence regions in the EU or under mandate outside the EU.

61. The EIB seeks to support in particular railway projects forming part of the TEN-T. Within the TEN-T, the European Commission has defined or may define priorities (Core Network, Freight Corridors), which accordingly shall be reflected into the Bank's Value Added assessment of proposed projects. Outside the TEN-T, rail projects count towards the environmental sustainability COP indicator. Railway projects, where applicable, also count towards meeting the EIB's targets for lending to projects in Convergence regions and outside the EU where it has been given an external mandate.
62. The EIB prioritises railway projects; and projects on the TEN-Ts and/or in Convergence regions gain additional priority. Furthermore, railway projects normally count towards the Climate Action indicator in the COP.

Railways – Other Considerations

63. Projects shall be designed in accordance with relevant standards – for those infrastructure projects in the E-railway network this would normally mean the European Agreement on Main International Railway Lines (AGC, 1985) and/or the European Agreement on Important International Combined Transport Lines and Related Installations (AGTC, 1991). This outlines key technical parameters to be applied as a function of the type of railway line (new or upgrading, passenger and/or freight, main or feeder line).
64. The TEN-T railway network comprises both the European high speed rail network and important lines of the conventional rail network. TEN-T railway projects may concern upgrading of existing lines, or new lines. The Bank will confirm that projects proposed for financing on the rail TEN-T comply with the growing set of Technical Specifications for Interoperability (TSIs), drafted by the European Railway Agency and adopted in Decisions by the European Institutions, to ensure the interoperability of the trans-European rail system. TSIs are related to infrastructure, energy, command-control and signalling (ERTMS), and maintenance and operation. Furthermore, there are TSI which cover rolling stock operating on the TEN-T which, de facto, are applied to all new mainline rolling stock designs. The TSI also establish requirements for safety and accessibility of the rail system for persons with reduced mobility. On the extended TEN-Ts in neighbouring countries, the Bank will encourage promoters to consider the feasibility of applying the TSIs, in whole or in part.
65. Railway projects can take a wide variety of forms: rehabilitation, upgrading or new construction of lines; electrification or new signalling and communication systems; railway stations or rolling stock yards; intermodal terminals; as well as replacement of rolling stock or new high speed rolling stock. Rail projects shall demonstrate satisfactory forecast economic returns. Projects shall also be assessed for their financial sustainability.

¹⁹ Two of the ten overarching goals in the White Paper relate to modal shift – 30% road freight over 300 km moving to rail or inland water transport by 2030 and 50% of medium distance passenger traffic by rail by 2050.

Roads – Consistency with Objectives

66. For the foreseeable future, road transport will remain the predominant mode in most land transport markets underpinning growth, employment and an integrated society. Nevertheless, EIB financing of the roads sector is restricted to three areas. First, the Bank finances road projects forming part of the TEN-T²⁰. The TEN-T road network comprises motorways and high-quality roads as well as related infrastructure. TEN-T projects are of common interest to several Member States and fully in line with the objectives of the Bank set down in the Lisbon Treaty.
67. Second, the EIB finances road projects in Convergence regions and outside the EU where it has been given an external mandate. EU Cohesion Policy aims, amongst other things, at improving the attractiveness and growth of Member States, regions and cities by improving accessibility, ensuring adequate quality and level of service and preserving the environment. Road improvements fulfil this aim. The Bank's external mandate includes provision for road projects. Road projects in Convergence regions and mandate countries are aimed at developing less-developed regions and fully in line with the objectives of the Bank set down in the Lisbon Treaty.
68. Lastly, the EIB will consider financing certain types of road improvement projects on the existing network that can be shown to be of common interest to several Member States even when such project is not located on the TEN-T or in a Convergence region. Such projects are limited to the following: either where the majority of benefits are expected to be realised as a result of improvements to road safety, security for heavy goods vehicles, or traffic management; or projects which anticipate adverse climate change impacts.
69. Road projects will not normally count towards the Climate Action indicator in the COP.

Roads – Other considerations

70. Projects shall be designed in accordance with relevant standards – for those in the E-road network this would normally mean the European Agreement on main international arteries (AGR, 1975). TEN-T projects may be motorways or other types of high quality road, with the standard determined by feasibility studies. Projects on the TEN-T shall be subject to a road safety audit or inspection in line with the Road Infrastructure Safety Management Directive 2008/96/EC (plus the Tunnel Safety Directive 2004/54/EC where applicable). Outside the TEN-T, safety audits or inspections shall also be performed in line with the principles of the Directives. Where traffic levels are high, projects shall include relevant Intelligent Transport Systems (ITS) or the promoter shall demonstrate that alternative arrangements are being made for the application of ITS. Within the EU, toll collection equipment shall meet inter-operability requirements as prescribed in Directive 2004/52/EC²¹.
71. Road projects shall demonstrate high forecast economic returns. The analysis shall include a standard risk assessment against key assumptions, and projects shall demonstrate that their economic case is robust to downside scenarios. Where there is tolling, projects shall also be assessed for their financial sustainability. In the EU, road pricing for heavy goods vehicles should be consistent with the provisions of the "Eurovignette" Directive 1999/62/EC as amended. Outside the EU, promoters shall demonstrate that there are satisfactory management and financial arrangements in place to ensure the subsequent maintenance of the project.

Automotive Manufacturing - Consistency with Objectives

72. The EIB restricts its lending to automotive manufacturing to those projects that support the transformation of the road sector into a more sustainable mode by contributing to meeting of emission reduction targets. In addition, the vehicles manufactured at the site

²⁰ The Bank will consult with the Commission in the event that the inclusion of a particular project in the network is unclear.

²¹ Directive 2004/52/EC of the European Parliament and of the Council of 29 April 2004 on the interoperability of electronic road toll systems in the Community and Commission Decision, 2009/750/EC, of 6 October 2009 on the definition of the European Electronic Toll Service and its technical elements (notified under document C(2009) 7547).

need to fulfil the safety targets set out for Europe. Therefore, in the majority of cases, EIB financing will be limited to manufacturing sites for small or highly energy-efficient and clean-emission vehicles using innovative technology. Beyond the high standards for the vehicles produced, the manufacturing site shall apply processes and equipment which exceed industry standards, notably with regard to energy-efficiency.

73. EIB financing for automotive manufacturing is limited to investments located in Convergence regions in the EU, or under Mandates. The aim of Cohesion Policy in the EU is, amongst other things, to create jobs by promoting competitiveness and making the regions concerned more attractive to businesses and investors. Manufacturing projects (from vehicle manufacturers and component suppliers) financed by EIB in the automotive sector shall demonstrate a clear benefit for the regional economy through higher levels of skilled employment, diffusion of innovation and a larger involvement of local Small and Medium Enterprises and Mid-Cap companies. An essential indicator of such benefits is the existence of a competitive automotive cluster, consisting of an interdependent and diversified network of Original Equipment Manufacturers, suppliers, public authorities and universities, as well as service companies. These networks shall include a significant share of Small and Medium Enterprises and Mid Cap companies, which are likely to benefit from the investment. Furthermore, the project shall add to a large and skilled labour force in the region. With a view to the longer-term future of the regional economy, the project shall foster knowledge transfer (and thus diffusion of innovation) amongst stakeholders.
74. Projects shall also improve the competitiveness of the site or the sector in general, thereby avoiding, in particular, the creation of, or an addition to, overcapacity in the targeted vehicle segment. In some cases, plans to enhance the cost competitiveness of automotive manufacturing in Europe need to be assessed against the impact on other regional automotive clusters (transfer of production).
75. EIB shall focus its financing on the modernisation of existing manufacturing sites with a view to increasing their cost competitiveness or to prepare them for the next generation of vehicles. Typical investments consist of new machines, other equipment and tooling. The financing of green-field sites shall be limited to exceptional cases, where compelling reasons render the construction of a new plant unavoidable. Such cases include the need for new production in close proximity to important regional markets; excess demand in strongly growing market segments; or the need for closing a gap in cost competitiveness.
76. Automotive manufacturing does not count towards the Climate Action indicator in the COP.

Automotive Manufacturing – Other considerations

77. Automotive manufacturing projects shall demonstrate satisfactory forecast economic and financial returns, inclusive of externalities.
78. Outside the EU, the EIB will carefully assess projects to ensure that they: (i) are sustainable and consistent with the EU emissions, safety and technical regulations; and (ii) have a development impact in the broadest sense. The Bank will accept that vehicles manufactured in facilities outside the EU meet local Best Available Technologies when this is justified by specific technical/operating constraints due to local conditions (e.g. fuel quality, infrastructure conditions).

WATERBORNE TRANSPORT

Inland Water Transport - Consistency with Objectives

79. Inland waterborne transport will remain, alongside railways, the most energy efficient and least polluting land transport mode, particularly for goods transport, allowing for the transport of large consolidated freight volumes. This mode is not used at full capacity in most places and in line with the White Paper, the Bank encourages where possible the creation of an attractive and efficient inland waterways system through the connection of core seaports, the removal of bottlenecks and the expansion of the network.
80. Projects forming part of the TEN-T, which includes the major European waterways and inland ports, are supported as part of the Bank's lending for TEN-T. Inland Water Transport projects are also eligible under the EIB's lending in Convergence regions as projects contributing to economic and social cohesion and outside the EU where it has been given an external mandate. The EIB also considers Inland Water Transport projects as contributing to protecting and improving the environment.
81. The EIB gives priority to Inland Water Transport projects through the VA method, and projects usually count towards meeting the Climate Action indicator in the COP.

Inland Water Transport - Other Considerations

82. Projects shall demonstrate satisfactory forecast economic returns. Projects shall also be assessed for their financial sustainability.
83. The implementation of River Information Services is compulsory on all connected waterways of international importance across the EU following Directive 2005/44/EC on harmonisation of such information services. Where the Directive applies, the EIB will either require promoters to include related investments in the scope of the project in order to further increase the safety and efficiency of transport by inland waterways, or promoters shall demonstrate that such measures are being implemented through alternative arrangements.

Ports and Logistics Centres - Consistency with Objectives

84. Ports form the main gateway to international trade for the EU and the demand for sea transportation is expected to increase in the future. Sea ports and intermodal logistics centres have a key role to play in the improvement of an integrated and sustainable global supply chain system. On the European coasts, safe and efficient entry points into European markets are needed to avoid unnecessary traffic crossing Europe. Reliable and diversified intermodal connections with the hinterland are also critical to facilitate the flow of goods and reduce transport time and costs.
85. The EIB finances TEN-T ports, along with their related infrastructure and port associated equipment, as they are of common interest to several Member States and fully in line with the Bank's objectives. Port projects, where applicable, also count towards meeting the EIB's targets for lending to projects in Convergence regions and outside the EU where it has been given an external mandate. The Bank also considers port projects as contributing to protecting and improving the environment. The EIB prioritises port and intermodal projects as part of its VA assessment, especially those in the TEN-T network. Furthermore, ports and logistics centres projects that encourage modal shift from road to rail/maritime or attenuate growth in road traffic receive additional priority and may also count towards meeting the Climate Action indicator in the COP.

Ports and Logistics Centres - Other Considerations

86. Projects shall demonstrate satisfactory forecast economic returns. Projects shall also be assessed for their financial sustainability. The EIB will require that port projects are consistent with the development of the hinterland infrastructures needed for connecting the port with wider transport infrastructure networks (railways, motorways and/or inland water transport). Port projects should be framed in a long term national transport strategy coherent with TEN-T goals at the EU level.

87. Ports may raise particular concerns in relation to possible future sea level rise or storm surges. The Bank will therefore ask promoters to ensure that the project is climate resilient through appropriate design and operating measures.
88. When the operation of the EIB financed facilities is handed over by the promoter to a concessionaire, the Bank requires the promoters to ensure that the principles of the EU Treaty and international best practise are applied when selecting the concessionaire.

Shipping - Consistency with Objectives

89. Shipping carries around 90% of EU external trade and the EIB's involvement is aimed at supporting the needs of this vital sector of the EU economy whilst at the same time further improving its sustainability.
90. Shipping projects, including both new sea going and inland water way vessels as well as conversion and retrofitting of existing vessels, usually promote sustainable travel for passengers and freight. They are therefore in line with the Bank's COP lending objective of environmental sustainability.
91. The EIB's approach to shipping closely follows EU policy and in particular the latter's emphasis on growth and employment, the protection of the environment, energy efficiency, safety as well as research and development. These are areas where the EU maritime industries are strongly represented. Projects supported by the Bank are considered to benefit a wide range of European stakeholders including suppliers, shipyards, constructors, owners, operators and users. It is therefore envisaged to focus on projects with high European value added.
92. Shipping projects which contribute to the development of Motorways of the Seas, an element of the TEN-T, are considered of common interest to several Member States and fully in line with the Bank's objectives. TEN-T projects include specialised vessels, such as tugs, ice breakers and pilot vessels, which are essential to achieve the operation of the TEN-T port network under adequate safety conditions.
93. Maritime transport is important for EU regional development, as shipping ensures the security of supply of energy, food and commodities and is indispensable for passenger transport and tourism in many regions. Shipping industry projects located in Convergence regions and ships calling at ports in Convergence regions are also supported under the economic and social cohesion lending objective. EIB financing for ship building is limited to investments located in Convergence regions in the EU.
94. Vessels financed by the EIB which are being purchased to operate in European waters will normally be expected to call at EU ports. Outside the EU, the EIB finances projects where it has been given an external mandate based on support for either the development of the local private sector, or the contribution to social and economic infrastructure, or climate change mitigation or adaptation or regional integration.
95. Shipping projects that encourage modal shift from road to rail/maritime are accorded priority under the VA assessment. Projects are also assessed on a case by case basis to determine whether they count towards meeting the Climate Action indicator in the COP.

Shipping - Other Considerations

96. Unless duly justified by the particular features of a project, EIB will finance only ships operating under an EU flag to ensure compliance with European safety, operating and environmental norms. As a strict minimum, all shipping projects financed by the Bank will adhere to all EU and IMO safety and environmental rules and regulations with regard to the construction and operation of vessels.
97. There are strong imbalances in the global shipbuilding market and the global trade rules of the World Trade Organisation or other internationally recognised fora are very difficult to apply and enforce in the sector. Attempts to create a specific Shipbuilding Agreement in the OECD failed after many years of negotiations. Therefore, the EIB will satisfy itself,

inter alia after its procurement review²², that vessel prices in projects that it finances are in line with market prices and will check, in close cooperation with the Commission services responsible²³, for the existence of any outstanding issues concerning (i) Intellectual Property Rights, (ii) potential breaches of trade agreements and, (iii) as far as possible, the risk of distortions caused by anti-competitive practices (including, inter alia, state aid, direct subsidisation, injurious or below-cost pricing, or subsequent public rescue of bankrupt companies) in the producer country or in the shipyard concerned. The Bank will not finance shipping projects where such satisfaction cannot reasonably be obtained. Given the regulated environment in the EU, it is expected that most shipping projects the Bank finances will be performed in European shipyards.

98. The EIB will ensure that shipping projects it finances contribute to an overall improvement of the environmental performance of the fleet concerned. Particular attention will be given to projects focused on the application of clean technology to improve environmental performance and reduce emissions from ships (SO_x, NO_x, PM, and CO₂), in line with the targets of the White Paper. This will include provision for the recycling of old vessels where practicable. In May 2009, the International Maritime Organisation, in cooperation with the International Labour Organization, adopted the International Convention for the Safe and Environmentally Sound Recycling of Ships. The convention on ship recycling is designed to provide globally applicable ship recycling regulations for international shipping and for recycling activities. The Bank will ensure that ship recycling included in its projects complies with this convention.
99. The International Maritime Organisation Convention on Ballast Water Treatment, stipulating that shipping must install a ballast water treatment technology, will come into force within the next few years. This type of plant will typically be the second most expensive item of installed equipment on board a vessel after the main engine. The EIB will ensure that shipping projects it finances comply with this convention.

CIVIL AVIATION

Consistency with Objectives

100. Civil aviation forms an essential component of EU mobility and this is recognised in the White Paper. Many of the economic benefits generated by air travel, particularly for long distance travel, are not substitutable by other modes. The revolution in low cost air travel has enabled EU citizens, in unprecedented numbers, the freedom to travel the world, spreading wealth and mutual understanding. At the same time, air transport also remains one of the safest modes of passenger transport. The EIB intervention in this sector is strongly linked to the economic benefits generated by air transport services. However, as with all transport, these benefits come at an environmental cost which in the case of certain types of air travel can be higher than other modes. The Bank's intervention in the sector therefore seeks projects with strong economic benefits which at the same time improve the environmental performance of the sector.
101. The EIB finances airport projects forming part of the TEN-T. The TEN-T airport network covers hub airports that are essential nodes for distributing passengers and cargo through the network as well as smaller airports that give smaller communities access to the European and world air transport networks. The Bank will also finance airports situated in Convergence regions or outside the EU under the Bank's external mandates; such projects indirectly support growth and employment through improved accessibility to less developed regions.
102. The whole of European airspace must be managed in real time to ensure safe and efficient air transportation. National Air Traffic Management is supplied by single national service providers, and all are potential beneficiaries of EIB financing. More direct air routes and efficient procedures play a central role in helping air transport improve its

²² Private promoters are to note in particular paragraph 3.4.2 of the EIB Guide to Procurement, June 2011, <http://www.eib.org/projects/cycle/procurement/index.htm>

²³ Note that Article 19 of the Bank's Statute requires the Bank to consult with and obtain the opinion of the Commission and host Member State.

environmental performance. The Bank also actively supports financing that contributes to the implementation of the Single European Sky, a central element of European air transport policy.

103. The Bank prioritises Air Traffic Management projects through the VA method and they may also count towards meeting the Climate Action indicator in the COP.
104. EIB financing for aircraft manufacturing is limited to investments located in Convergence regions in the EU or under mandate outside the EU.
105. The financing of aircraft acquisition will continue to be supported only by exception when very strong value added can be demonstrated. Examples could be connections to remote or less developed areas where air services form an essential role in maintaining the territorial integrity of the EU, or lifeline services providing medical, rescue or fire fighting services. In addition, aircraft purchases should normally involve a significant increase of fuel efficiency over existing fleets. Outside the EU a similar approach will be followed.

Other considerations

106. The EIB requires that airport capacity expansions are commensurate with reasonable demand forecasts. Projects shall meet International Civil Aviation Organisation safety and operational standards. Air Traffic Management projects shall meet standards set by the International Civil Aviation Organisation and, in the EU, equipment requirements agreed through Eurocontrol. For aircraft acquisition projects, the airlines must demonstrate best international operative practice, fully meeting International Civil Aviation Organisation standards, and the equipment purchased must be of the best technology standards available.
107. Civil aviation projects have to demonstrate a high economic return after incorporating both costs already internalised through taxes and the new Emission Trading Scheme, as well as additional carbon costs set by the Bank as an approximation to the full cost of emissions. In the case of airports in markets where the Emission Trading Scheme is not applicable, traffic projections will be adjusted to reflect the effect that would be expected from the introduction of the Scheme in the market. For Air Traffic Management projects, the Bank will ensure that the service provider is subject to an effective regime of economic regulation to ensure that there is no abuse of monopoly position.



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