DRAFT OPINION

of the
European Economic and Social Committee
on the
Revision of EIB transport lending policy
(own-initiative opinion)

Rapporteur-General: Mr Simons

Administrator: Mr Cochet
On 5 May 2011, the European Economic and Social Committee, acting under Article 29(2) of its Rules of Procedure, decided to draw up an own-initiative opinion on the

Revision of European Investment Bank transport lending policy.

The Section for Transport, Energy, Infrastructure and the Information Society was instructed to prepare the Committee's work on the subject.

Given the urgent nature of the work (Rule 59 of the Rules of Procedure), the European Economic and Social Committee appointed Mr Simons as rapporteur-general at its ... plenary session, held on … (meeting of ...), and adopted the following opinion by … votes to … with ... abstentions.

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1. Conclusions and recommendations

1.1 The transport sector is very important to the EIB, and vice versa: in 2010 the EIB issued loans of EUR 63 billion, EUR 13.2 billion, or 21%, of which went to the transport sector.

1.2 Given that the Commission will soon issue new TEN-T guidelines, it is important to coordinate with the EIB on how the core infrastructure network and individual projects can best be financed in view of the objectives set out in the white paper published on 28 March 2011.

1.3 In the Committee's view, the review of the "renewed policy for lending to the transport sector", published by the EIB in 2007, needs to be seen in this context. The white paper now puts more emphasis than in the past on actions relating to sustainability – such as a reduction of at least 60% in greenhouse gas emissions by 2050 with respect to 1990 – which means that the sustainability criterion will have more weight than it has previously had in the projects to be financed.

1.4 The Committee agrees with the EIB that the first guiding principle when granting loan facilities must be to strive 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, that is compatible with comodality and the internalisation of external costs, both of which are principles for logistics chains.
The Committee is keen to stress that the EIB should therefore act neutrally and objectively with respect to all modes of transport. Particularly over longer distances, efficient and effective comodality is needed, making the most of the advantages of each available mode of transport.

The Committee fully agrees with the second guiding principle of developing TEN-Ts.

The Committee would like the third guiding principle used by the EIB in its guidelines and selection criteria – prioritising railways, urban transport, inland waterways and maritime projects – to focus less on the modes of transport themselves and more on the logistics chains, in order to maximise the benefits in terms of reducing greenhouse gas emissions.

With regard to funding for RDI projects, the Committee feels that funding projects to reduce emissions at source is the right approach.

In the Committee's view, the EIB should, when reviewing its guidelines for granting finance facilities, pay particular attention to consideration for logistics chains as a whole, with the role of transport hubs (such as ports, airports and multimodal terminals) as logistics centres being absolutely vital.

Given the tension between the ambitious target of reducing greenhouse gas emissions by 60% by 2050 on the one hand, and the financial crisis on the other, the Committee feels that one of the challenges inherent in this situation is to further develop other forms of public and private financing such as public/private partnerships, albeit selectively as set out in point 4.6.3.

For a detailed response to the EIB's three specific questions, the Committee would refer to the numerous opinions listed in point 4.7 et seq.

Introduction

The European Investment Bank (EIB) is, like the EESC, a European Union body established by the Treaty of Rome in 1958. It finances projects that further the EU's objectives, by borrowing money cheaply and then lending it to banks and businesses.

The EIB is AAA rated, which means that it can borrow money on the capital markets at a low interest rate. It can thus then lend that money on favourable terms in various ways:

- it lends money directly to businesses or other bodies to help fund large projects (with budgets exceeding EUR 25 million);
- it lends money to banks and other lenders, which in turn grant loans to smaller projects, focusing on small and medium-sized enterprises;
- it can act as a guarantor for loans, thus eliminating risk for lenders.
2.3 With regard to project implementation and monitoring of the funding provided, the EIB has established close cooperative ties with the international banking sector and with other EU institutions.

2.4 In view of their high degree of interdependence, the EU institutions regularly invite the EIB to discuss and harmonise policy. For example, the EIB is involved in the preparations for meetings of the Council of Ministers, and takes part in the work of certain European Parliament committees, as well as being in ongoing consultations with the European Commission.

2.5 The EIB's shareholders are the Member States of the European Union, which jointly subscribe the bank's capital according to a scale that reflects their economic weight within the EU.

2.6 In 2010 the EIB issued loans totalling EUR 63 billion, 21% (EUR 13.2 billion) of which went to the transport sector; in the period 2006-2010, loans to the transport sector made up 23.7% of the bank's total lending. Apart from the Member States themselves, the EIB is the biggest provider of funding for TEN-T projects.

2.7 In 2007, the EIB published its "renewed policy for lending to the transport sector", setting out guidelines and selection criteria in order to take better account of concerns over the impact of climate change while at the same time meeting the growing need for mobility. It also indicated that the dynamic nature of policy development meant that transport lending policy would need to be reviewed periodically.

2.8 With the Commission's publication of the white paper on 28 March 2011 and the forthcoming publication of the revised guidelines for TEN-T projects, it is important for the EIB's policy on lending to the transport sector to be reviewed once again.

2.9 The EIB has said the same, and has launched a public consultation. Alongside the current guiding principles, it is particularly interested in the following three questions:

2.9.1 How might the bank better contribute to "smarter growth" based on knowledge and innovation? It is particularly interested in the impact of new technologies on transport.

2.9.2 How might the bank better contribute to "sustainable growth" and to a more resource efficient, greener and more competitive economy? This particularly relates to improving sustainable mobility to reduce congestion and pollution while promoting energy efficiency and the use of renewable energy.

2.9.3 How might the bank better contribute to "inclusive growth" fostering employment and delivering social and territorial cohesion? The bank is focusing here on bottlenecks, cross-border infrastructure, intermodal nodes and urban, peripheral and regional development.
3. **General comments**

3.1 The Committee believes that it is both useful and necessary to have regular coordination, at an early stage, between the EU’s policy-making and advisory bodies and the EIB, and therefore welcomes the EIB’s request for an EESC own-initiative opinion on the revision of EIB transport lending policy.

3.2 As indicated in the conclusion to the white paper, transport policy should increase the competitiveness of transport while delivering the minimum 60% reduction of greenhouse gas (GHG) emissions from transport by 2050, compared with 1990. The goal for 2030 is to reduce GHG emissions to around 20% below their 2008 level. In the Committee’s view, this means that considerable efforts will be needed to meet these targets and that, with respect to sustainable development, funding will need to be sought for projects that promise significant sustainability benefits. This is set out in more detail by the study group for opinion TEN/454 on the White Paper: Roadmap to a Single European Transport Area – toward a competitive and resource efficient transport system.

3.3 Overall, the Committee considers the current (2007) EIB guidelines for transport lending to be appropriate; the first guiding principle is to strive 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. The Committee feels that this complies with the principle of comodality, to which it also subscribes and which will remain, now and in the future, the foundation for the logistics chains of a system for the internalisation of external costs that is "objective, generally applicable, transparent and easily understandable" and thus retains "support ... in society at large, but more particularly in the modes of transport".

3.4 Nonetheless, it may, in the Committee's view, be justified for financing to be provided for a single mode of transport, if that proves to give the most economic, sustainable, safe and social result within that particular logistics chain.

3.5 In the Committee's opinion, the EIB should therefore act neutrally and objectively with respect to all modes of transport. As the white paper states, over longer distances, efficient and effective multimodality is needed, making the most of the advantages of each available mode of transport.

3.6 The Commission states that, over longer distances, the EU needs specially developed freight corridors optimised in terms of energy use and emissions, minimising environmental impacts, but also attractive for their reliability, limited congestion and low operating and administrative costs. The Committee endorses this, but would also like to see similar corridors for passenger transport.

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3.7 The second guiding principle by which the EIB makes decisions concerning its lending facilities is the development of TENs. This involves long-term investments that have an essential role in achieving an efficient transport system in the EU. The Committee, too, considers developing and upgrading the TEN-T network to be extremely important.

3.8 The EIB’s third guiding principle is that railways, urban transport, inland waterways and maritime projects will be a priority, as they are the most promising in terms of reducing greenhouse gas emissions per transport unit. The Committee would point out that it is not so much the modes of transport themselves as the relevant logistics chains that should be the key factor in reducing emissions. Focusing solely on the mode of transport is also incompatible with the comodality approach, i.e. making all modes stronger in order to develop intermodal cooperation within logistics chains, particularly over long distances.

3.9 With regard to the EIB’s emphasis on, and funding for, RDI activities in cooperation with vehicle manufacturers, the Committee believes that the right approach is to reduce emissions at source, while also paying attention to energy efficiency and safety aspects.

3.10 Developments such as the ageing of the European population, the growing scarcity of fossil fuels, the ongoing increase in levels of urbanisation, climate change, and the progress of globalisation mean that there is a considerable need for financial resources. The Committee therefore believes that the EIB is correct to state that a consistent funding strategy needs to be developed in which public and private funding complement each other. Moreover, the external costs of all modes of transport should be internalised in order to comply with the "polluter pays" principle, and the revenue should of course be re-invested in reducing those external costs – that is, after all, the ultimate aim of internalisation.

4. Specific comments

4.1 The Committee calls for more attention to be paid, alongside networks, to the crucial role of transport hubs – such as ports, airports and multimodal terminals – as logistics centres which make efficient links in the hinterland necessary. It endorses the EIB’s view, echoed in the white paper, that a genuine and efficient comodal approach will make the greatest contribution to reducing energy use and emissions.

4.2 With regard to the criteria for the financing of TEN infrastructure, apart from optimising traffic flows, it will also be necessary to place more emphasis on the potential gains in terms of energy use and emissions; provision should also be made for the extension of the TEN-T network to the EU’s neighbouring countries.

4.3 The completion of the TEN-T network should be a priority when developing a new framework for the financing of infrastructure; consideration will also need to be given to the

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investment strategies of both the TEN-T programmes and the Cohesion and Structural Funds. The Committee considers that better coordination is needed between the Cohesion and Structural Funds and the investment funds for the transport sector to ensure that the best possible use is made of Community money.

4.4 In its white paper of 28 March 2011 the Commission estimates the cost of the investment in infrastructure needed over the period 2010-2030 in order to meet transport demand at EUR 1.5 trillion; the completion of the TEN-T network alone will require EUR 550 billion in the period to 2020, of which EUR 215 billion will be needed to eliminate the main infrastructure bottlenecks.

4.5 In the technology field, the Committee believes that the focus should be on financing projects which reduce emissions of dangerous substances at source through targeted investment in research and development. Research into alternative fuels to replace fossil fuels should also be included.

4.6 The Committee is also aware that there is a tension between the white paper's ambitious objective of cutting greenhouse gas emissions by 60% by 2050 and the major investment this requires on the one hand, and the prudent financial policy made necessary by the financial crisis on the other.

4.6.1 But it also thinks that this situation offers an opportunity for better allocation of the available financial resources and at the same time an incentive to develop other forms of public and private financing.

4.6.2 One possible approach would be participation in the development of new financial instruments for the transport sector, with investors like pension funds and insurance companies playing a part.

4.6.3 The EESC recommends careful and selective use of public private partnerships (PPP) in the funding of TEN-T, taking into account the different level of experience among the Member States in using PPP and recognising the need to mobilise EU financial instruments (e.g. Structural and Cohesion Funds, TEN-T, EIB) as part of a consistent funding strategy that pulls together EU and national public and private funding. In order to give a free choice for the public authorities to engage in PPPs, the EESC refers to its view that the definition of PPPs in Eurostat procedures for government debt should be amended.\footnote{OJ C 51, 17.2.2011, pp. 59 – 66 (Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions – Mobilising private and public investment for recovery and long term structural change: developing Public Private Partnerships (ECO/272)).}

4.7 With regard to the EIB's specific questions (see point 2.9 et seq.), the Committee would refer to its earlier opinions on the subject; references to the most relevant points follow below.
4.7.1 The following opinions are particularly relevant to the first question: contributing to "smarter growth" through knowledge and innovation and the impact of new technologies on transport:

- **TEN/419** Towards the wider uptake of electric vehicles.\(^4\) Point 1.1 – increasing the uptake of electric cars in order to reduce greenhouse gas emissions from the transport sector; point 1.6 – the EESC urges the European Union to promote and support this crucial transition.

- **TEN/382** Deployment of intelligent transport systems.\(^5\) Point 1.7 – the EESC points out that building the infrastructure should involve relevant sources of funding from the Community, the Member States and the private sector;

- **TEN/362** A European strategy for marine and maritime research.\(^6\) Point 1.10 – a reference to supporting those fields of marine and maritime scientific research which are not covered by the European Research Strategy through dedicated Commission funds should be included in the documents drawn up as part of the follow-up work to this communication; point 3.6.4 – coordination between Structural Funds, the Framework Programme and other European funding sources is also a key objective; and

- **TEN/335** Emissions from road transport – concrete measures to overcome stagnation\(^7\).

4.7.2 The following opinions are particularly relevant to the second question: "sustainable growth", greater energy efficiency and a greener and more competitive economy:

- **TEN/399-TEN/400** A sustainable future for transport - European transport policy after 2010.\(^8\) Point 2.8 first indent – sharp rise in proportion of older people, different transport patterns, increased government expenditure on public health and pensions, reduced budget for public transport; point 4.15 – massive changes needed in infrastructure investment;

- **TEN/412** European transport policy/Lisbon strategy and sustainable development.\(^9\) Point 1.5 – new trans-European transport network guidelines need to be set, and interventions through the EIB can provide incentives; point 1.8 – solutions which require bold political decisions and involve greater financial outlay, etc.;

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\(^4\) OJ C 44, 11.2.2011, pp. 47-52
\(^5\) OJ C 277, 17.11.2009, pp. 85-59
\(^7\) OJ C 317, 23.12.2009, pp. 22-28
\(^8\) OJ C 255, 22.9.2010, pp. 110-115
- TEN/297 Energy mix in transport\(^\text{10}\). Point 5.4 – transport subsidies amount to around EUR 270-290 billion; point 8.13 – the Commission has earmarked EUR 470 million to set up the Fuel Cells and Hydrogen Joint Undertaking; point 8.15 – the Zero Regio project, co-financed by the European Commission, involving two innovative fuel supply structures;

- TEN/376 Road transport in 2020: organised civil society’s expectations\(^\text{11}\). Point 1.9 – requisite infrastructure to be expanded; point 4.2 – action is needed to put in place and upgrade the physical infrastructure (removal of bottlenecks);

- TEN/336 The social implications of transport and energy developments\(^\text{12}\). Point 1.2.5 – risk-sharing finance facility (RSFF);

- TEN/262 Freight transport logistics - sustainable mobility\(^\text{13}\). Point 1.3 – in order to optimise the physical network, the necessary funding sources need to be mobilised; point 4.5.5 – increase EU budgetary funds earmarked for the construction of trans-European networks; point 4.5.6 – mixed-financing system for the construction and maintenance of infrastructure;

- TEN/440 Programme to support the further development of an Integrated Maritime Policy\(^\text{14}\). Point 2.9 – implementation of the integrated maritime policy at risk due to insufficient financial means; point 2.10 – set up a (financial) programme to support further development of the integrated maritime policy;

- -TEN/427 Financial assistance to projects in the field of energy\(^\text{15}\). Point 1.1 – using European funds as a "leverage multiplier" to speed up investment in energy efficiency and renewable energy sources; point 2.2 – dedicated financial instrument to support renewable energy initiatives;

- -TEN/404 SMEs and EU energy policy\(^\text{16}\). Point 1.2 – support for investment financing and creation of financial synergies between the EU, the Member States and business organisations; point 1.3 – innovation support and investment financing in regional programmes;

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\(^{10}\) OJ C 162, 25.6.2008, pp. 52-61

\(^{11}\) OJ C 277, 17.11.2009, pp. 25-29

\(^{12}\) OJ C 175, 28.7.2009, pp. 43-49

\(^{13}\) OJ C 168, 20.7.2007, pp. 63-67

\(^{14}\) OJ C 107, 6.4.2011, pp. 64-67

\(^{15}\) OJ C 48, 15.2.2006, pp. 165-166

\(^{16}\) OJ C 44, 11.2.2011, pp. 118-122
– **TEN/366** Integrating transport and land-use policies for more sustainable city transport\(^1\). Point 5.2 – the EU has provided investment funds through the Structural and Cohesion Funds and through the EIB; point 5.3 – the new challenges of climate change require a collective European effort;

– **TEN/381** European rail network for competitive freight\(^1\). Point 4.1.2 – important role of the European institutions in facilitating the deployment of EU assistance instruments for the development of a European rail network for competitive freight by co-financing the creation of the rail freight corridors through the budget for the trans-European transport networks (TEN-Ts), the ERDF, the Cohesion Fund and EIB loans;

### 4.7.3

The third question: "inclusive growth", focusing on employment and social and territorial cohesion, has also been specifically highlighted in EESC opinions. These include, in particular:

– **TEN/276** Transport in urban and metropolitan areas\(^1\). Point 4.1 – the Commission should revise the rules for allocating funding for regional development measures; point 4.5 – a specific EU support programme to promote mobility and urban development would be worthwhile;

– **TEN/445** Social aspects of EU transport policy\(^2\). Point 1.10.1 – the EU should provide financial support for infrastructure measures such as parking areas in road freight transport and good quality rail, metro, tram and bus stations;

– **TEN/397** The EU’s maritime transport policy until 2018\(^3\). Point 7.1 – more investment needed in port infrastructure and hinterland connections, and this should be taken into account in the TEN-T review;

– **TEN/320** Green paper: towards a new culture for urban mobility\(^4\). Point 1.5 – the EESC endorses the use of "green purchases" for procurement relating to infrastructure funded by European programmes, and calls for the removal of existing obstacles; point 4.25 – asks "what added value could, in the longer term, targeted European support for financing clean and energy efficient urban transport bring?";

\(^1\) OJ C 317, 23.12.2009, pp. 1-6


\(^3\) OJ C 168, 20.7.2001, pp. 77-86

\(^4\) TEN/445 – CESE 1006/2011 – not yet published in OJ

\(^5\) OJ C 255, 22.9.2010, pp. 103-109

\(^6\) OJ C 224, 30.8.2008, pp. 39-45
- TEN/401 Promoting sustainable green jobs for the EU energy and climate change package. Point 6.3 – the Committee proposes the introduction of a European sovereign fund - backed by the EIB and by specific funds freed up by the European System of Central Banks and the ECB - for the purpose of reaching the goals on energy efficiency and saving, a kind of European Marshall Plan; point 6.4 – the EIB should administer this fund;

- TEN/414 Action plan on urban mobility. Point 1.10 – the EESC recommends more effectively targeting the EU’s Structural and Cohesion Funds, by establishing a financial instrument to promote urban mobility; point 4.4.4 – recommends optimising existing European funding sources;

- TEN/388 TEN-T: a policy review. Point 2.6 – EUR 400 billion invested in projects of general interest since 1996; point 2.7 – estimated EUR 500 billion of further investment still required; point 3.4 – financing should reflect objectives rather than the other way round; point 3.16 – EESC recommends setting up a separate body to coordinate the use of funding.

The Rapporteur-General
of the
European Economic and Social Committee

Jan Simons

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23 OJ C 44, 11.2.2011, pp. 110-117
24 OJ C 21, 21.1.2011, pp. 56-61

TEN/456 - CESE 873/2011 fin NL/NG/NT/hn