



EIB transport policy and trans-European transport networks (TENs)

EIB transport lending policy

With a significant impact on economic growth, social development and the environment, effective transport systems are essential to Europe's prosperity. Mobility of goods and persons is an essential contributor to a functioning internal market and transport is therefore a key factor in the functioning of the European economy as a whole. Transport is also a key component of the competitiveness of European industry and services and is therefore an important industry in its own right.

The EIB adopted a new transport lending policy¹ in 2007, which it consistently implemented in 2008. Thus, the EIB's project selection in the transport sector seeks to optimise the approach in order to meet demand and strives for an appropriate mix of interventions in efficient, economic and sustainable ways, across all modes, controlling the negative environmental impacts.

The EIB is committed to the funding of TENs. These are essential to the functioning of the internal market and continue to be the backbone of transport investment in the EU. The long-term nature of investments in TENs 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 (see below).

Funding railways, inland waterways and maritime projects (in particular the "motorways of the sea") continues to be a priority as these are the most promising in terms of reducing greenhouse gas emissions per transport unit. The same applies to urban transport and intermodal hubs.

Road and airport projects must demonstrate high economic value. Support focuses on improvements in safety, efficiency and reduced environmental impact.

In the rail, shipping, and urban transport sectors, financing the purchase of vehicles is consistent with climate change goals. The financing of aircraft purchases is limited to exceptional circumstances where very strong value added can be demonstrated. Examples could be connections to convergence regions if air transport is essential to secure the territorial integrity of the EU and fuel efficiency is improved.

Further emphasis is given to RDI activities with vehicle manufacturers, particularly in the context of anti-crisis measures for 2009-2010, and has resulted in a Clean Transport Facility for the automotive and other transport industries including equipment manufacturers and component suppliers (see briefing note EIB support for EU energy objectives). This facility targets significant CO₂ reduction through research, development and innovation expenditure, as well as tangible fixed assets in related infrastructure and production plants, regardless of the sector in which the investment takes place. In the longer run, EIB support for automotive manufacturing will remain selective and be limited to projects in convergence regions, where their contribution to employment and innovation diffusion, including through their links with the local mid-cap and SME network, is important.

Transport projects supported should be fully in line with the orientations of EU environmental and energy efficiency policies, achieving higher environmental standards and accelerating the achievement of the goal of reducing CO₂ emissions (as, for example, through the development of energy-efficient smaller cars and renewably fuelled vehicles).

TEN policy objective

Trans-European transport networks (TENs-T) facilitate the freedom of movement of goods and persons, and help the development of less favoured areas. TENs provide interconnection and interoperability of existing

¹ <http://www.eib.org/projects/publications/eib-transport-lending-policy.htm>

national networks and high-quality infrastructure for the European Union. They also connect the EU to the wider European neighbourhood, specifically to its neighbours in the Accession Countries (Croatia and Turkey), the European Economic Area (Norway, Iceland and Liechtenstein), the Balkans, the new neighbours (Russia, Ukraine, Moldova, Belarus and the Southern Caucasus) and the Mediterranean Partner Countries. TENs represent one of the two elements of the European Action for Growth initiative (the other being RDI), which is aimed at strengthening Europe's long-term growth potential.

The EIB is a leading source of bank finance for these high-quality and critical transport networks. Given the continuing need to invest in large infrastructure networks across the Union, the EIB has decided to provide at least EUR 75bn for trans-European transport projects in the period 2004-2013. In 2008, the EIB lent EUR 9.8bn for transport in the EU, driven notably by a strong development of lending in favour of priority TENs projects (EUR 3.8bn), bringing total financing for these projects to EUR 14bn since 2004. In comparison, in 2007 the Bank lent a total of EUR 7.1bn for large infrastructure networks in the EU.

Tailored financial instruments

The EIB has developed tailored financial instruments to encourage investment in the major transport networks across the Union and beyond, in addition to its usual large, long-maturity loans with fixed and variable interest rates. These new financial instruments include the Structured Finance Facility, which aims to match the types of funding to the requirements of large-scale infrastructure projects. With this facility, the EIB can reach projects with a credit quality that previously might not have qualified for EIB financing. In 2008, the Bank lent EUR 1.6bn for transport projects under SFF, compared with EUR 474m in 2007, and a total of EUR 2.75bn since SFF became operational in 2001.

PPPs play an important role in investment in transport TENs. In 2008, PPP projects accounted for 30% of EIB transport lending linked to the trans-European networks (EUR 2.9bn compared with EUR 857m in 2007). The Bank has built up wide experience and expertise in the field of PPP financing and, jointly with the European Commission, EU Member States, and certain other states and organisations, established the European PPP Expertise Centre (EPEC) in 2008. EPEC aims to facilitate the effective sharing of experience and best practice in PPPs.

In addition to finance, the EIB also contributed to the setting-up of the Loan Guarantee Instrument for Trans-European Transport Network Projects (LGTT). A first operation in Portugal was approved in 2008, but 2009 will be the first full year of operations for the LGTT, which will work as a mezzanine product, providing coverage of traffic volume-related revenue risks during the critical early project operation phase. It is a tool specifically designed to allow greater private sector participation in TEN projects that are exposed to volume risk at the beginning of the operating period. The LGTT has received a EUR 500m contribution from the EIB's Structured Finance Facility and an additional allocation of EUR 500m from EU budgetary funds over the period 2007-2013.

The EIB continues to exploit other avenues that could accelerate the implementation of TENs projects, such as working closely with the EU coordinators (a group of six ex-Commissioners promoting transport projects that are seen as key to the development of the trans-European network policy), the Commission (DGTREN), EU Member States, industry associations and the banking sector. EIB-Commission cooperation includes efforts to channel Structural and Cohesion Funds to trans-European network projects in Central and Eastern Europe through JASPERS (see briefing note on Promoting Convergence), as well as work on implementing European Rail Traffic Management Systems (ERTMS) in designated freight corridors.

Trends and highlights from 2008

Of the EUR 9.9bn that went to transport projects linked to trans-European networks in 2008, EUR 9.8bn was provided for projects in the EU, with EUR 3.2bn (32% of the loan volume) going to priority projects as defined by the European Commission. As in previous years, Spain took up most of the financing for TEN projects in 2008 (EUR 2.8bn or 28%, in particular through the high-speed rail connection between Madrid and Valladolid and the Alicante and Malaga airport projects). Italy was next with EUR 1.1bn or 12%, closely followed by Portugal with EUR 1.0bn (10%) with three motorway projects and electrification of the Beira Baixa railway line, and Germany with EUR 0.8bn (8%), notably the Berlin Brandenburg airport and the Frankfurt airport Airbus 380 adaptation.

Rail, which is becoming an increasingly important priority sector for the EIB and the European Commission, accounted for EUR 2.4bn (2007: EUR 3bn) in overall trans-European transport network lending in 2008.

Funding for maritime projects, ports, container terminals and inland waterways (in the context of the focus on the “motorways of the sea”) amounted to EUR 766m (2007: EUR 434m). Roads accounted for EUR 4.2bn (2007: EUR 2.6bn), while lending in the aviation sector reached EUR 2.0bn (2007: EUR 630m); sundry investments of EUR 486m (2007: EUR 426m) were made for competitiveness programmes in environment and transport. NB. Given the large scale of TENs projects generally and the long lead times before their implementation, year-on-year comparisons should be treated with care as one or two large projects financed in one particular year being carried over into the next year potentially makes a big statistical difference.

Outside the EU the EIB lent EUR 86m to support rail and road projects in Bosnia and Herzegovina and Montenegro.

Key projects

Rotterdam Port: second Maasvlakte (The Netherlands)

In the Netherlands the Bank signed a loan contract for a significant land reclamation project in the North Sea to extend the Rotterdam Port Authority’s harbour facilities, notably by adding new container terminal capacity. The Promoter of the project is a publicly owned (City of Rotterdam, and the Dutch Government) limited liability company that is providing significant subordinated loans and equity for the project. The Dutch Government’s condition for participating was that the remainder of the funding would be provided by banks. The signature with the EIB was the first such transaction, which may be seen as a catalyst for subsequent signatures with other loan providers.

Autoroute A 19 (France)

In France the Bank granted a loan with an exceptional maturity of 37 years for the section of the A19 motorway between Artenay and Courtenay (south of Paris and Île de France), which is approximately 100 km long. The A19 motorway is the largest motorway project currently under way in France and will link the east and west of France, avoiding the Paris region. It will notably improve transport conditions for through traffic in the Orleans – Sens corridor linking the major radial motorways connecting Paris with the south, as well for regional and local traffic.

The IP 4 Amarante – Villa Real PPP Project (Portugal)

In Portugal the Bank used the Structured Finance Facility (SFF) for a Public Private Partnership (PPP) to construct 30 km of a dual lane toll motorway between Amarante (Geraldès) and Vila Real (Parada de Cunhos). The project includes the design, build, widening, finance, operation and maintenance of this road. It is accompanied by a guarantee from the joint European Commission – EIB Loan Guarantee Instrument for Trans-European Transport Network Projects (LGTT) for the traffic risk during the ramp-up period of the first 5 to 7 years of the operation. As the LGTT is a separate financial product, the LGTT due diligence appraisal involves a separate, independent team from the Bank.

Flughafen Berlin Brandenburg (Germany)

In Germany the EIB provided a loan for the extension and upgrading of the Berlin Schönefeld airport, which is to become the site of the new Berlin Brandenburg International (BBI) airport and includes the construction of a new terminal, a second runway and a dedicated railway connection. This construction of a major new airport to replace a partly obsolete system of three existing airports is a highly significant infrastructure project and has high priority for the Federal States of Berlin and Brandenburg as well as the Federal Republic of Germany.

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