

The Cleaner Transport Facility

At the TEN-T Days 2016 in Rotterdam, the EIB and European Commission (EC) announced the intention to expand financing for the decarbonisation of the transport sector, with a main focus on the deployment of alternative fuels. Following this announcement, EIB Vice President Pim van Ballekom launched together with Commissioner Violeta Bulc, the **Cleaner Transport Facility** ("CTF") today at the Transport, Telecommunications and Energy Council (Transport).

The CTF is a new initiative targeting the deployment of alternative fuels in the transport sector.

Supporting Decarbonisation and Sustainable Transport in the European Union

The support for alternative fuels and cleaner technology in transport contributes to the European Union's (EU) policies on climate action and sustainable transport, as underlined in the recently-adopted EC strategy on low-emission mobility¹.

The alternative fuels and cleaner transport technology sector is gradually moving towards larger-scale deployment across the EU. The EIB is supporting this shift with investments in sustainable transport projects through existing EIB products and new financial instruments, such as the green shipping financing programmes under the European Fund for Strategic Investments (EFSI). The EC supports a large number of (pilot) projects including EUR 107 million of Connecting Europe Facility (CEF) grants invested to deploy 650 additional supply points for alternative fuels along trans-European transport network (TEN-T) roads by 2020, for a total investment of EUR 187 million. The next focus will be market-driven and will prioritise captive market fleets such as urban buses.

The EIB has been engaging with public and private stakeholders to identify current market needs and gaps in the deployment of cleaner fleets at a larger scale, while considering the diversity of governance, risk structures, technologies, usage modes and geographies. Therefore, this initiative is proposed to deploy the EIB's technical and financial capacity adapted to specific market needs, in order to explore viable business models and boost opportunities to finance cleaner transport.

Cleaner Transport Facility

The CTF is an umbrella to support the deployment of new cleaner technology in transport by making use of the tools the EIB and the EC can offer. The objective of CTF is to support the accelerated deployment of cleaner transport vehicles and their associated infrastructure needs, such as for charging and refuelling, which are expected to foster socio-economic benefits including reduced health costs due to cleaner air and lower noise.

The initiative will seek to focus on life-cycle cost models involving risk-sharing financial instruments leveraging also private sector funds, rather than more traditional models entailing higher capital investment with a debt burden on the public sector. This will be done through the full range of EIB and EC financial products, and advisory services available to eligible public and private entities. Financing could be provided by EFSI and the CEF. The InnovFIN programme under Horizon 2020 could also be deployed to finance energy demonstration projects involving electro-mobility, hydrogen and/or fuel cells.

The European Investment Advisory Hub (EIAH), a joint initiative of the EIB and the EC, in the context of the Investment Plan for Europe, provides technical and financial advisory services² to project promoters to enhance their institutional capacity, strengthen project preparation and implementation

¹ The European Commission released a new strategy for low-emission mobility on 20 July 2016 (COM(2016) 501 final). This builds on the Directive on the deployment of alternative fuels infrastructure (2014/94/EU) and the 2011 White Paper on Transport.

² This service is free for public entities.

and, where applicable, optimise the use of EU funds. As part of the EIAH services, the ELENA³ facility for 2016/2017 can support project promoters with grant funding for technical assistance for the preparation of sustainable investments.

Projects that deploy alternative fuels, according to the Directive on the deployment of alternative fuels infrastructure, will fall under the CTF. Cleaner transport vehicles are defined as having lower greenhouse gas emissions or enhanced environmental performance compared to conventionally-fuelled transport vehicles. This includes, inter alia: electricity, hydrogen, biofuels and natural gas, including biogas, compressed natural gas (CNG) and liquefied natural gas (LNG)⁴.

Cleaner Buses

Building on the experience of EIB and the EC in the sustainable transport sector, the CTF will cover investments in cleaner (alternatively fueled) fleets and related infrastructure due to their importance as a form of public transport in urban areas, linkage to municipal and public authorities, and the potential significant benefits to the local environment, particularly on air quality and noise. Pooling several projects under the same programme, ideally by multiple cities, and represented by a single borrower⁵, could enable economies of scale in procurement for both suppliers and promoters.

The first project approved under CTF for EIB finance with EFSI guarantee, together with an EU grant, supports the purchase of new hydrogen fuel cell buses, trolley buses and associated infrastructure in Riga (Latvia). Further operations are under approval in Artois-Gohelle (France), Las Palmas and Palma de Mallorca (Spain).

According to an industry analysis⁶ of the global hybrid and electric heavy-duty transit bus market by 2020, 18% of global transit bus sales in Europe will be with a CNG/LNG powertrain, and 30% will be hybrid or electric (48% on alternative fuels). For hybrid and electric buses, this would amount to some 4,400 unit sales or capital investment of more than EUR 2 billion⁷ in 2020, a quarter of which is expected to be electric and three quarters using hybrid technology⁸.

Cleaner Alternative Fuel Private Vehicles

Additionally, the CTF may include support for the deployment of other types of cleaner, alternative fueled vehicles, particularly privately operated fleets (e.g. taxis fleets or other service providers), and infrastructure on strategic networks – including the TEN-T.

Background Information

The **European Investment Bank (EIB)** is the long-term lending institution of the European Union owned by its Member States. It makes long-term finance available for sound investment in order to contribute towards EU policy goals. In 2015 alone, the EIB invested over EUR 12 billion (signed operations) on transport projects in the EU. The EIB also supports investments outside the EU.

Within the Investment Plan for Europe, the **European Commission (EC)** partners with the EIB on removing obstacles to investment including in transport, providing visibility and technical assistance to investment projects and making smarter use of new and existing financial resources. The EC Directorate-General for Mobility and Transport (DG MOVE), works with the EU Member States, European industry, citizens and experts to promote efficient, safe, and environmentally friendly mobility to generate growth and jobs.

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³ ELENA (“European Local ENergy Assistance”) to support the preparation of investments in sustainable energy.

⁴ This focus is in line with Regulation (EU) on TEN-T guidelines 1315/2013 (article 33) and Directive on the deployment of alternative fuels infrastructure (2014/94/EU).

⁵ Where appropriate with the support of a National Promotional Bank or an investment platform.

⁶ Frost & Sullivan (2013) Brief Insights on the Global Bus Market.

⁷ Assumed prices of vehicles range between EUR 285,000 and 390,000 for diesel buses, EUR 430,000 and 510,000 for hybrids and EUR 570,000 and 650,000 for electric.

⁸ Stakeholders have reported that prices are declining and in some cases, were reported to be the same on a total cost of ownership comparison with diesel buses.