

Cleaner Transport Facility: Supporting the deployment of cleaner transport

The alternative fuels and cleaner transport sector is gradually moving towards large-scale deployment across the EU. The European Investment Bank (EIB) is supporting this shift. The Cleaner Transport Facility (CTF) is a new initiative launched in December 2016 by the EIB and European Commission (EC) to assist investments, by both public and private entities, in cleaner transport projects through existing EIB products and new financial instruments.



The objective of the CTF is to support the accelerated deployment of cleaner transport vehicles and help meet their associated infrastructure needs. The CTF is an umbrella that deploys the EIB's technical and financial capacity to adapt to specific market needs in order to explore viable

business models and boost opportunities to finance cleaner transport. The first projects were investments in cleaner public transport buses, and we are further exploring other markets.

We want to hear from stakeholders in the cleaner transport and alternative fuels

sector to work together to develop financial products and structures tailored to the industry's profiles and investment needs. Please contact us to work together to develop financing solutions that meet your needs.



An EFSI loan for Artois-Gohelle

In the Pas-de-Calais Department in northern France, the EIB is providing up to EUR 110m to finance the creation of two bus rapid transport (BRT) lines that will link the principle urban centres in the region. The loan will facilitate the purchase of around 40 hybrid and 6 hydrogen buses. This investment will restructure urban mobility and enhance the quality of public transport and will help to improve air quality.

What projects are covered by CTF?

Under the CTF we look at projects that deploy alternative fuels, according to the Directive on the deployment of alternative fuels infrastructure (2014/94/EU). Cleaner transport vehicles have enhanced environmental performance compared to conventionally-fuelled vehicles. This includes, inter alia: electricity, hydrogen,

biofuels and natural gas, including biogas, compressed natural gas (CNG) and liquefied natural gas (LNG).

The CTF will seek to focus on **life-cycle cost** models involving risk-sharing financial instruments also leveraging 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.



Appraisal criteria

Economic, Financial, Social, Environmental, Technical, Procurement
<http://www.eib.org/products/lending/>

Eligible costs

Infrastructure and assets (e.g. vehicles), project preparation and implementation costs.

The core business of the EIB is to support projects through loans. There are direct loans, programme loans and framework loans.

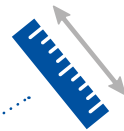
Size

Projects can get loans covering up to 50% of the project costs. For certain innovative projects the smallest loans are EUR 7.5m, but in general direct loans are bigger than EUR 25m. By aggregation and/or delegation smaller projects can be financed.

Borrower

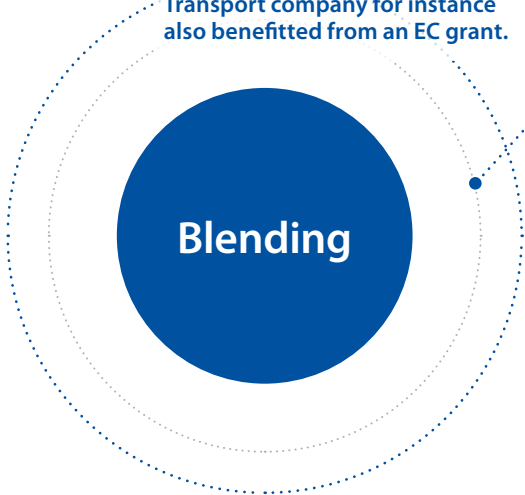
Public and private entities can be borrowers e.g. public transport authorities/operators, leasing companies, vehicle manufacturers, infrastructure operators/managers. Entities requiring a loan can contact the EIB directly.

Lending





Loans and grants may be combined for projects depending on the procedures for the specific grants and loans used. The first project approved under the CTF of the Riga Transport company for instance also benefitted from an EC grant.



Blending

CEF & Blending

The Connecting Europe Facility (CEF) Transport Blending Call was launched in February 2017. Grant award and disbursement under the blending call is contingent on co-financing with the EIB (potentially with the EFSI guarantee), national promotional bank or private finance depending on the project/location. The blending call is available to all EU Member States with a focus on infrastructure to remove bottlenecks and bridge missing links. There is a budget for innovation and new technologies and also core network nodes that may cover, for example, alternative fuel transport infrastructure, technology systems and mobile equipment (e.g. vehicles) in cities. <https://ec.europa.eu/inea/en/connecting-europe-facility/cef-transport/apply-funding/2017-cef-transport-calls-proposals>



Advantages of the EIB

AAA-rated, favourable borrowing rates are passed on to our lenders, EU policy driven, sector expertise, loan maturity can match economic life if creditworthiness allows.

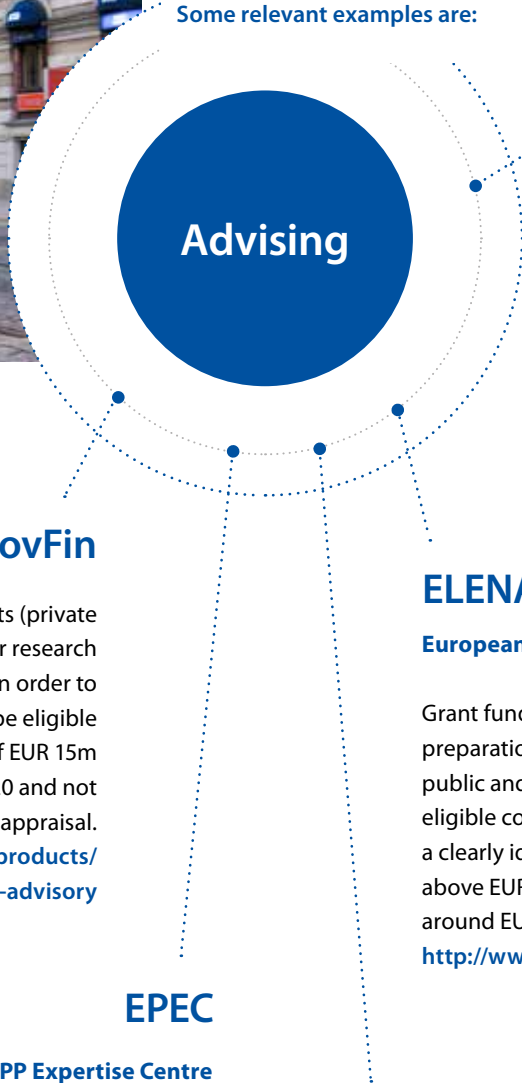
- Long tenors and attractive pricing
- Quality stamp and positive signalling effect, catalysing additional financing from other investors
- Long-term perspective, with a view to supporting EU public policy objectives
- Expertise in financial and technical project preparation

Examples of the use of ELENA

ELENA supported the city of Barcelona's ambition to retrofit its diesel bus fleet to hybrid, whilst in the Netherlands an ELENA grant was provided to a consortium that helped the shift to Zero Emission Bus transport. But ELENA is not just about buses: in Denmark, we provided nearly EUR 2m to prepare the implementation of a light rail system in the city of Aarhus.



Advisory services complement the EIB's lending activity and form an integral part of our Lending, Blending and Advising strategy. <http://www.eib.org/products/advising/>
Some relevant examples are:



EIAH

European Investment Advisory Hub

The Advisory Hub helps Member States and other private or public entities to identify investment needs and to prioritise, prepare and structure projects in the EU. <http://www.eib.org/eiah/>

ELENA

European Local Energy Assistance

Grant funding for technical assistance for the preparation of sustainable transport projects for public and private entities. ELENA covers up to 90% of eligible costs required for technical support related to a clearly identified investment programme (normally above EUR 30m). The annual grant budget is currently around EUR 20m. Further information: <http://www.eib.org/products/advising/elena/>

JASPERS

Joint Assistance to Support Projects in European Regions

This technical assistance programme is an important instrument of EU Cohesion Policy. JASPERS focuses on large projects (>EUR 75m for transport projects). It provides technical expertise for any stage of the project cycle from early stage to final application for funding. JASPERS can help counterparts with making mobility more sustainable and cleaner. <http://www.jaspers-europa-info.org>

EPEC

European PPP Expertise Centre

EPEC helps to strengthen the capacity of its public sector members to enter into Public Private Partnership (PPP) transactions. PPPs may be a solution for larger cleaner transport projects. There is for instance a helpdesk. <http://www.eib.org/epec/>

InnovFin

InnovFin Advisory guides its clients (private and public) on how to structure their research and innovation (R&I) projects in order to improve their access to finance. To be eligible a project must require a minimum of EUR 15m R&I investment, fit with Horizon 2020 and not yet be mature enough for financing appraisal.

<http://www.eib.europa.eu/products/advising/innovfin-advisory>



CTF and Innovation

Innovation, including for cleaner transport, is high on the agenda of the EIB. InnovFin – EU finance for innovators – consists of a series of integrated and complementary financing tools and advisory services offered by the EIB Group,

in cooperation with the EC, and is available to all eligible sectors under Horizon 2020, in EU Member States and associated countries.

Further information:
<http://www.eib.org/products/blending/innovfin>

Recently the Bank launched a tool to help innovative companies find their way to financing more easily: <http://www.eib.org/products/helpingyouinnovate>

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Market needs

The EIB has been engaging with public and private stakeholders to identify market needs and gaps in the large-scale deployment of cleaner fleets, while considering the diversity of governance, risk structures, technologies, usage models and geographies. If a market need emerges, the EIB alongside the European Commission and stakeholders may determine whether the management of a specific barrier or market failure may be best addressed through the development of a financial instrument.

CTF and the future

The EIB is analysing what the next wave of projects under the CTF could be both

for public bus transport projects and for other projects that are starting to emerge. Here are some examples:

1. The challenge of **smaller projects**: projects are often smaller than the 'normal size' for the EIB (>EUR 50/100m). Whilst CTF projects can be aggregated with other investments in the same operation or under frameworks loans, we are exploring alternatives such as programme loans which have been used for Midcaps.
2. Cleaner transport often has **higher upfront capital investment costs** that can be (partially) offset by lower operational expenses. We are exploring other structures that would allow the evaluation of a project involving fleet renewal from a total cost of ownership (TCO) perspective, e.g. leasing structures.
3. **New players** are entering the markets. We are exploring whether existing instruments (for example under InnovFin) can be used more and whether additional eligibility is required to speed up the transition to cleaner transport by helping these new players obtain access to finance. Or maybe new instruments are needed.
4. **Demand risk for charging infrastructure**: Charging and refuelling infrastructure of non-captive fleets is particularly exposed to demand risk. In these cases the credit risk of proposals is likely to be higher and hence some form of dedicated demand risk guarantee may be needed to make them bankable. We are exploring this.



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