

# EIB Financing for Transport Sector

## The development of financial instruments

Hydrogen Fuel Cell Joint Undertaking

Brussels, November 19th, 2015

## 1. EIB Lending

## 2. Financing of Transport Projects

## 3. EIB Financial Products

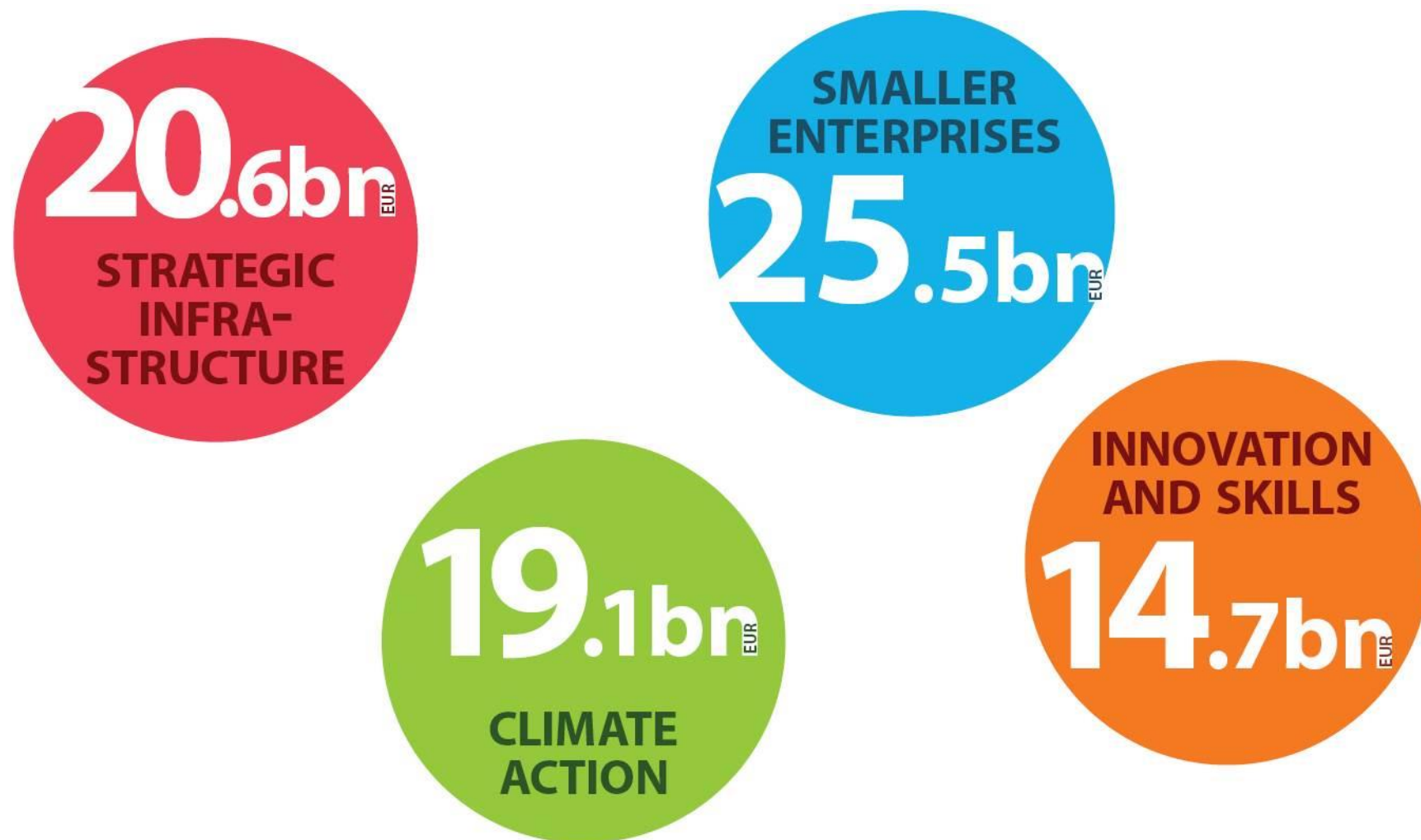
# The EU bank



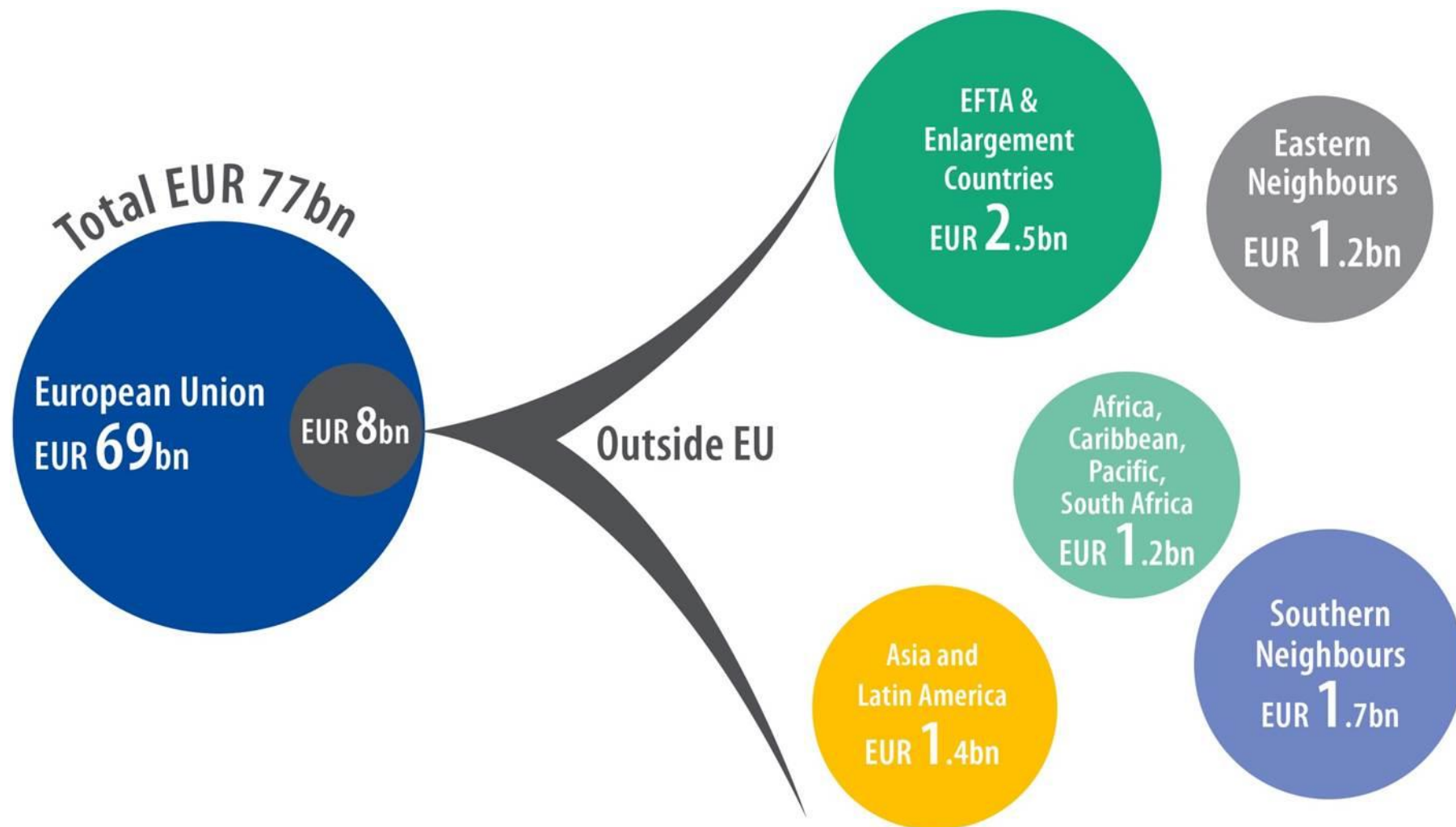
- Natural financing partner for the EU institutions since 1958
- Around 90% of lending is within the EU
- Shareholders: 28 EU Member States

Investing in Europe's growth

## Lending priorities and 2014 lending volumes



## Lending outside EU in 2014: EUR 8bn (EIB signatures)



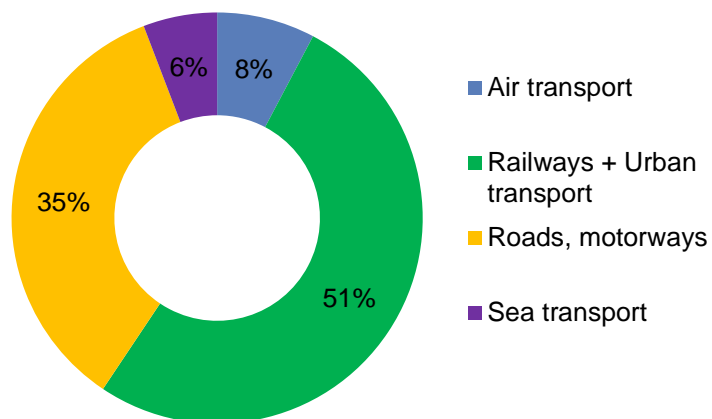
## EU Policy and the EIB Transport Lending Policy

The EIB, as a European institution, continually seeks to focus on activities that are likely to have the greatest impact on furthering EU policy goals and has integrated these policy indications in its Transport Lending Policy.

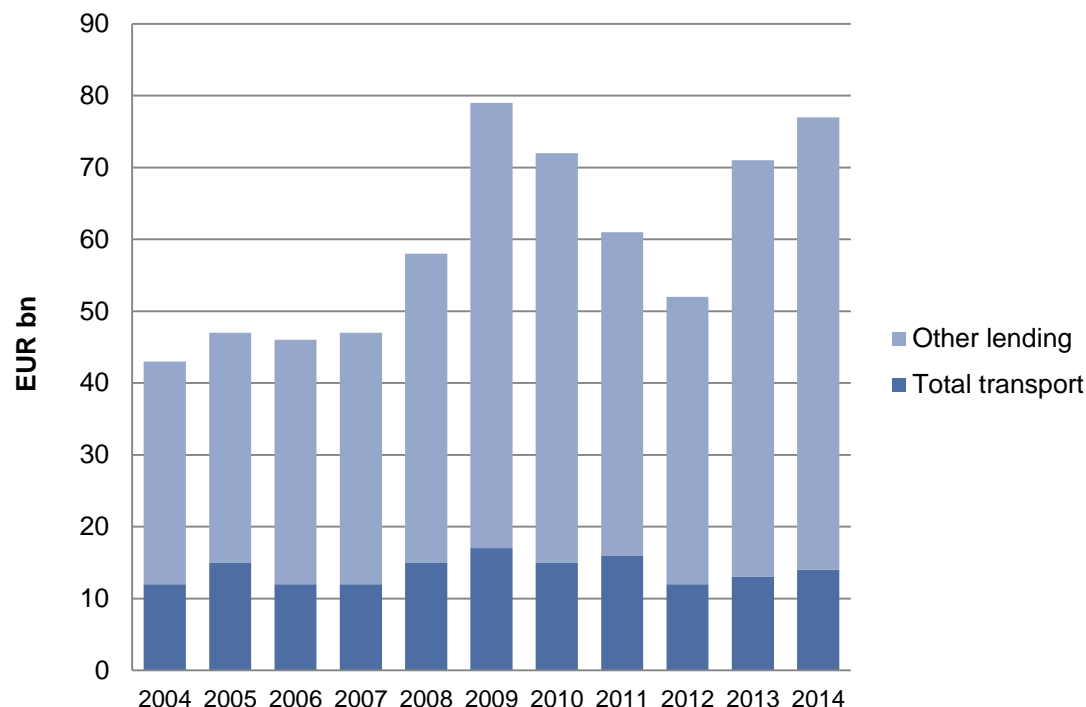
In financing the transport sector, the EIB prioritises its ***support to technologies and infrastructures with the objective of developing a more efficient and sustainable European transport system with a further use of renewable sources***, contributing to reducing oil dependency and enhancing the competitiveness of the European industry.

# EIB and Transport Lending

## Transport Lending



## EIB lending in the EU



*Providing long-term lending: EUR 653 bn from 2004-2014.  
Transport lending 20–25 % of total; TEN-T is 60% of transport lending.*

# Financing of transport projects

Sound underlying  
business case

Revenue generation and  
certainty

Project structuring,  
procurement and  
financing choices

Financing options

Barriers to private  
financing

Role of EIB

*Transport is a key sector for EIB. We can offer suitable products for most structures, as long as it is based on...  
**...a sound business case and project structure.***



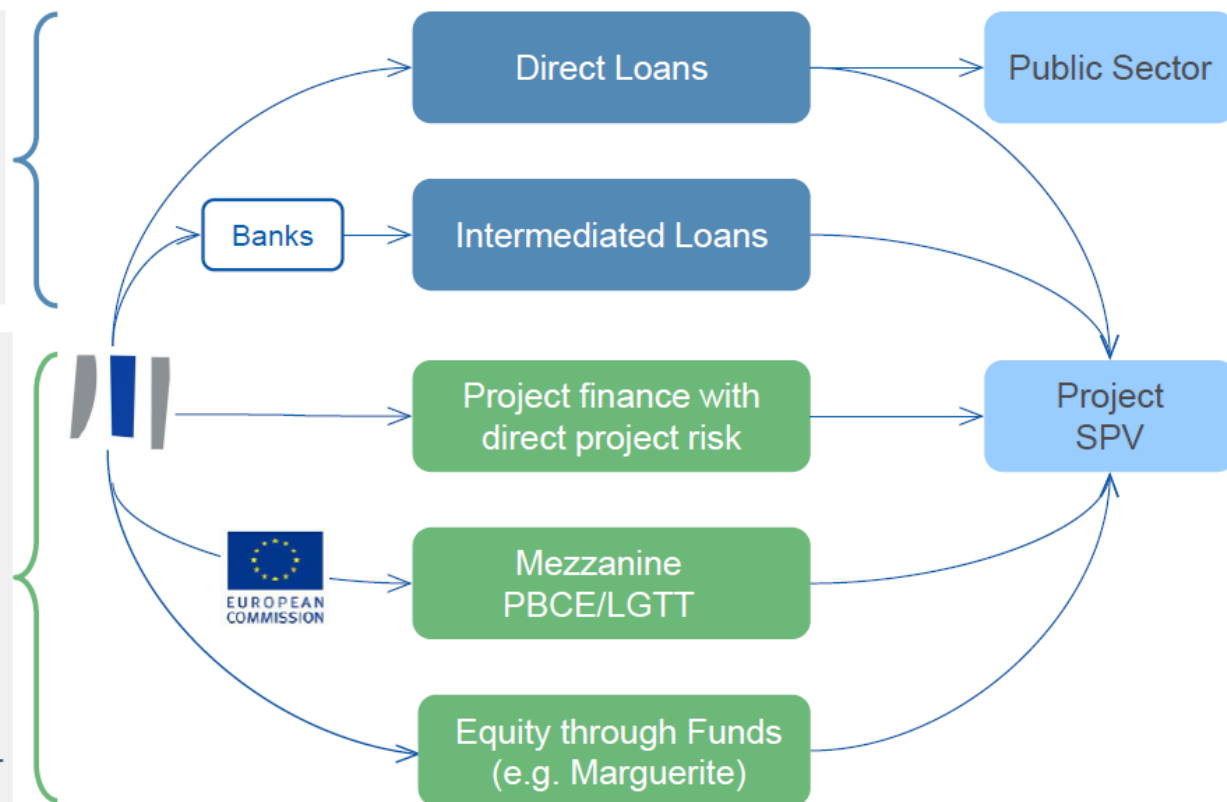
# EIB financial products evolving

## Standard Loans

“Traditional” EIB lending instrument  
 Guaranteed basis  
 Represents the bulk of EIB’s lending volumes

## Structured Finance and Financial Instruments

Expands the ability of EIB to provide financing  
 Allows lending to projects with a higher risk  
 Allows for more flexible financing solutions  
 Allows leveraging and efficient use of EC resources  
 Aims at facilitating greater private sector investment in long-term infrastructure financing  
 Aims at addressing market gaps and/or failures



*Majority of transport lending is through public sector or backed by guarantees.*

# Financial instruments

- A financial instrument is a mechanism to address specific risks that are deterring promoters and investors from investing in projects.
- It involves using EU funds to provide risk absorption capacity beyond “normal” levels
- CEF has a EUR 2bn budget for instruments and EFSI provides EUR 21bn risk capital
- Instruments can be used in project finance (LGTT & PBI), corporate finance and intermediated lending

# A new way of thinking

- Grants are limited, public debt capacity constrained
- Instruments allow the public sector to encourage private sector involvement
- For this to happen:
  - Projects need to be conceived to involve private sector
  - Laws and regulations need to be clear
  - Main approvals should be in place
  - Specified in output terms
  - Risk allocation clear
- Not just PPPs. Regulated concessions; Sector interventions

# CEF Instruments

- Developing new instruments is a collaborative process, need pilots to test concepts
- Current focus:
  - Greener shipping
  - SESAR
  - ERTMS
- Next wave:
  - Alternative fuel deployment
  - Vehicle fleets
  - Equity facility

- InnovFin consists of a series of integrated and complementary financing tools and advisory services, covering the entire value chain of research and innovation (R&I) in order to support investments from the smallest to the largest enterprise.
- InnovFin is available across all eligible sectors under Horizon 2020, in EU Member States and Associated Countries.
- This includes transport RDI

# InnovFin Product Overview



SMEs	Midcaps	Large Caps	Thematic Finance	Advisory
InnovFin SME Guarantee	InnovFin MidCap Guarantee	InnovFin Large Projects	InnovFin Energy Demo Projects	InnovFin Advisory
InnovFin SME Venture Capital	InnovFin MidCap Growth Finance		InnovFin Infectious Diseases	
SMEs and small Mid-Caps < 500 Employees	Mid-Caps < 3,000 Employees	Large Caps Typically > 3,000 Employees	SPV, Mid-Caps and Large Caps	Public and Private Sector Promoters
Intermediated SME/Mid-Cap Financing	Intermediated and/or direct Corporate lending	Direct Corporate Lending	Project Finance and/or Direct Corporate Lending	Financial Advisory

direct products

indirect products

# How does InnovFin Energy Demo Projects work?



- Broad range of instruments
- EIB can only finance 50% of project costs
- Comprehensive due diligence (legal, financial, technical, etc.)
- EIB standard documentation under English or Luxembourgish law

# Which projects can be supported?

## Eligible Projects

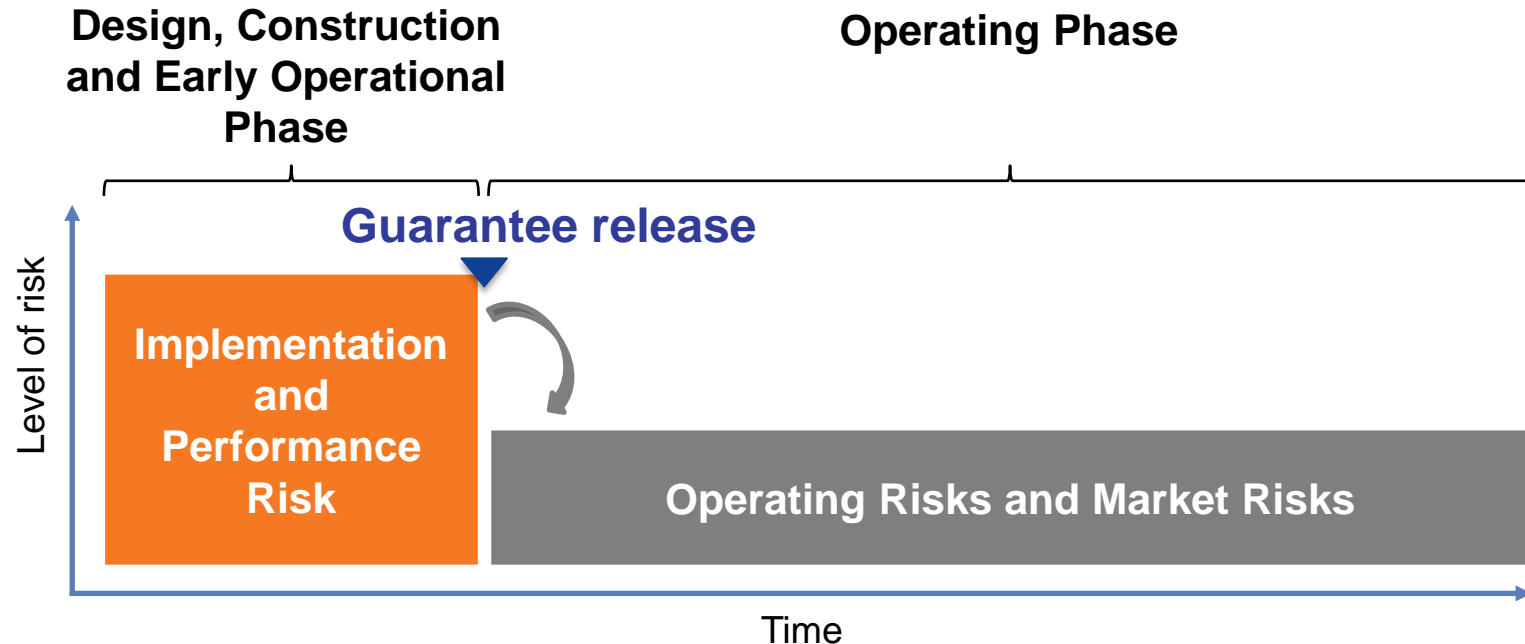
Renewable energy

Fuel Cells, Hydrogen

- Pre-commercial stage
- Loan amount: **min EUR 7.5m, max EUR 75m**
- Loan maturity: **max 15 years**
- Currency: **EUR and local currency**



# Risk and pricing



FLP – First loss piece  
RRT – Residual risk tranche

# Energy Demo Annex - Eligibility criteria (1/2)

1

## Innovativeness

- ✓ Projects shall demonstrate for the first time the commercial viability of pre-commercial technologies
- ✓ Technologies shall be innovative and not be commercially available yet

2

## Replicability

- ✓ The project has the potential to be replicated elsewhere with convincing market opportunities
- ✓ The project should offer prospects for cost-efficient CO<sub>2</sub> reduction both in the EU and globally

3

## Readiness for demonstration at scale

- ✓ The project shall be sufficiently mature for demonstration at the proposed scale (technologies validated and demonstrated through previous testing) with reasonable prospects of success
- ✓ The proposed scale of demonstration should be equal to that of future commercial applications or be such that no significant additional problems are to be expected

## Eligibility criteria (2/2)

4

### Timeline

- ✓ At the time the project is included under the facility, the projected start of commercial operation of the whole project is expected to happen within a period of maximum 4 years

5

### Prospects of bankability

- ✓ The project shall have the potential to be or to become bankable by the guarantee release date
- ✓ This requirement relates to all aspects of the project that are relevant for future project performance and debt service

6

### Commitment

- ✓ Promoters, sponsors and/or operators must be willing to substantially co-fund the project

Thank you for your attention!