



# Project Bonds Initiative

## Implications for TEN-T Funding and Financing

Carlo Secchi  
11.04.2011

# TEN-T Policy Review

- Green Paper: February 2009
- Creation of 6 Expert Groups
- Consultation Document: May 2010
- Revised Guidelines: Summer 2011
- Accompanied by revised financial proposal, autumn 2011

# ● Mandate of Expert Group 5

- look into the use and the earmarking of transport revenues to ascertain continuous revenue flow and potentially provide supplement funding, the internalisation of externalities and cross-financing
- reflect on the EU-added value in terms of funding and elaborate on possible scenarios as regards the EU support rate
- address the articulation of the various EU resources which contribute to the delivery of the TEN-T, in particular the coordination between the Cohesion and Structural Funds and the TEN-T budget
- determine the key elements for the mobilisation of the private sector in the delivery of TEN-T assets
- give consideration to innovative financing mechanisms such as Public Private Partnerships
- look into possible higher involvement of financial markets by way of setting up joint financial instruments with the EIB

- Expert Group 5: composition and meetings
  - 21 experts from various regions of Europe with different background expertise
  - Chaired by Professor Carlo Secchi, European Coordinator for the Priority Projects 3 and 19
  - Group met 4 times between March and May 2010
  - Final report finalised in July 2010.

# ● Cost of TEN-T network

## ● Full TEN-T Network

- Total cost: €900bn
- of which €550bn for the period 2014-2020

## ● Core Network alone

- €250bn to be financed in 2014-2020

- Volume of investments, 2007-2013: €350bn
  - Community contribution: €116bn
    - TEN-T Programme, €8bn
    - Cohesion and Structural Funds, €43bn
    - EIB, €65bn (loans)
  - Member States: €196bn
  - Funding gap: €38bn

- Infrastructure investments and the real economy
- Crisis has hit Europe hard and Member States' capacity to invest greatly diminished by necessity to decrease deficits. However,
  - Infrastructure investments can guarantee a minimum growth for Europe because mobility of goods and people is key to economy.
  - Infrastructure boosts construction sector, important contributor to the EU employment and growth
  - Infrastructure represents productive investments whose benefits are spread over years.

# ● PPP market and TEN-T projects

- EU should review relevant rules and practices to better adapt to PPP requirements, in particular in relation to blending EU funds with PPPs. (Rec No. 25)
- Commission should support the continuation of the EPEC) in the next MFF (Rec No. 26)
- Allocation of TEN-T grants could be made conditional to the application of a 'Public Sector Comparator' (Rec No. 27)
- Commission and EIB could identify and assess TEN-T projects with PPP potential in order to form a PPP project pipeline (Rec No. 28)
- Commission could consider the use of escrow accounts to contribute more effectively to PPP deals (Rec No. 31)



# ● Ideas on future financing of TEN- T

- Commission and EIB should broaden the scope of the current LGTT by enlarging its applicability for availability-based PPPs and extending the guarantee period to the whole duration of the PPP contract (Rec No. 33)
- In order to ensure more flexibility as well as to be able to respond to the market needs on time, the TEN-T regulation could enhance its provision to risk sharing facility from 1% to 10% of the overall TEN-T budget (Rec No. 35)
- If a financing instrument is not performing well, the TEN-T regulation could foresee conditions for the termination of the instrument before the end of the budgetary period. The refund of the TEN-T contribution would then be used for other financial transactions (Rec No. 37)

# ● E-bonds or Project bonds?

- EIB and the Commission should support the development of TEN-T project bonds, notably by providing credit enhancement facilities (guarantees) (Rec No. 39)
- MOVE, with the support of the TEN-T Executive Agency and the EIB should assess the TEN-T project pipeline in order to identify potential candidates for project bonds. (Rec No. 40)

- How does it fit into the TEN-T revision?

April 2011: TEN-T Comprehensive Network  
and crucial nodes

May 2011: TEN-T Core Network

June 2011: TEN-T Guidelines &  
TEN-T Multimodal Corridors

# ● Project bonds and corridors

- PPPs for mono-modal Corridor society (notably Motorways )
- TEN-T Core Network's main international links will become « Multimodal Corridors », providing an institutional and financial framework for implementation and management
- A large share of traffic (→ traffic-related revenues) and external benefits will be linked to the Multimodal Corridors
- Opportunity for PPPs for multi-modal Corridor society (e.g.: hypothetical “Brenner model”)
- Creation of an international Special Purpose Vehicle to issue project bonds / other financial engineering tools for a cross-border multimodal Corridor



● Thank you for your attention!

SOURCE