CBS Action Plan: Making the best use of new financial schemes for European transport infrastructure projects

Progress Report – Abstract

Prof. Kurt Bodewig & Prof. Carlo Secchi
TEN-T European Coordinators

BACKGROUND

The development of the trans-European transport network (TEN-T) and thus the creation of a real and unique European multimodal transport network across borders, is vital for the European integration process and a well-functioning internal market. To this end, the TEN-T policy can rely on a very strong project pipeline, especially in Cohesion countries. However, huge financial efforts are still needed to implement this European network, which cannot be met by grant financing only and should also heavily rely on private financial support. For this reason, and upon the request of the Transport Ministers Informal Council in Milano (September 2014), former Vice-President Henning Christophersen (†) and the two European Coordinators, Prof. Kurt Bodewig and Prof. Carlo Secchi issued in June 2015 an "Action Plan to make the best use of innovative financial instruments in the transport sector ». This Action Plan, consisting of twelve recommendations, contributed significantly to the debate on the Jobs, Growth and Investment Package of President Juncker and supported the implementation of the related European Fund for Strategic Investments (EFSI). It aimed at fully grasping the opportunities to encourage private finance investment in transport (through EFSI and in general), facilitating synergies between public sources at national (in particular National Promotional Banks) and EU level (CEF, ESIF, EIB) and private sources such as institutional investors, commercial banks and insurance companies.

Now after two years of implementation and of the existence of EFSI, K. Bodewig and C. Secchi will issue a progress report that highlights the progress made and most importantly outlines the steps and measures that are still needed to improve the framework for private finance investment in Europe. This is a first abstract of the progress report which will be finalised by the end of the year.

MAIN ACHIEVEMENTS SO FAR

Since the publication of the CBS report in June 2015, several measures called for by the Action Plan have been developed and successfully implemented in order to improve the framework for infrastructure investments. Next to the fact that the European Investment Advisory Hub (EIAH) is up and running and that the European Investment Project Portal (EIPP) has been set up, other important achievements include (i) the definition for all TEN-T core network corridors of a detailed list of projects and investment needs until 2030, (ii) the provision of guidance for the simplification of EU permitting rules from the permitting study conducted by DG MOVE, (iii) the amendment of the General Block Exemption Regulation (GBER) which extends its scope to other categories of transport projects, (iv) the first CEF blending call which provides learnings for the possible setting-up of blending facilities for bankable transport projects under the revised CEF Regulation, (v) the adoption of the implementing act on Solvency 2 (for institutional investors) for "qualifying infrastructure investment" and (vi) the guide issued in September 2016 by Eurostat and EPEC on the appraisal of PPPs. This is only a selection of the various positive developments over the last two years.

HOW TO FURTHER MOBILISE INVESTMENTS IN INFRASTRUCTURE

While the progress made in improving the framework for investments is so far encouraging, more needs to be done to mobilise investments for EU transport infrastructure as the investment needs are huge: indeed, recent analysis estimate the financial needs for the implementation of the core network in its entirety by 2030 in the range of EUR 750 billion. In order to succeed in this huge endeavour, the CBS progress report intends to make sure that the investment framework is as conducive as possible and to further increase the effectiveness of the **implementation of the Juncker Investment Plan with its three pillars**:

1

For mobilising finance, **the first pillar** of the Juncker Plan, we need to look into, for example, (i) widening the user-pays and polluter-pays principles, including in the context of the revision of the Eurovignette Directive, (ii) promoting the blending approach especially for areas which are only partly marketable and especially in their market-up take phases - such as alternative fuels or ERTMS, (iii) supporting the setting-up of blending facilities for specific policy objectives with long implementation times and low direct financial returns - such as C-ITS or interoperability of rail, (iv) to keep working on one single set of rules and simplified financial and Common Provisions Regulations so to leverage the joint use of EU instruments, (v) to develop a financial support system for administrative costs for financing institutions, in particular for small projects and (vi) to develop guidance on internalising positive externalities.

2

For making finance reach the real economy and develop an investable project pipeline, **the second pillar**, we need to grasp the opportunity, amongst others, to (i) evaluate existing capacity-building programmes for project promoters and if appropriate provide tailor-made assistance specific to countries, themes and/or types of projects, in order to continuously improve the quality of projects, (ii) provide guidance on cost-benefit analysis for a more thorough approach to this important part of programme and project preparation, (iii) envisage to require full-fledged business plans also for publicly funded projects, (iv) reinforce the alignment between ex-ante conditionalities of ESIF and TEN-T policy objectives.

3

For improving the investment environment, **the third pillar**, we need to look into, for example, (i) setting-up special procurement rules for cross-border projects, (ii) establishing a single permitting authority or setting time limits for the permitting procedure and harmonizing the permitting requirements for EU funded projects, (iii) under Basel III (banking sector) consider reducing the capital requirements for long-term infrastructure financing , (iv) issuing guidance on Concessions, similar to what has been done by Eurostat and EPEC for PPPs, (v) widening the Single Window towards more project clearance upfront.

CONCLUSIONS

The TEN-T Coordinators call for the continuation of **a stronger Investment Plan for Europe** across its three pillars:

i) the **EFSI in conjunction with CEF** grants, together with a **specific blending instrument for transport** (and other long term infrastructure) investment,

ii) more accessible at local level and more targeted **technical assistance** for strategic projects, and **greater visibility** of investment opportunities to help the development of a strong project pipeline and help projects reach the real economy and

iii) **the removal of regulatory barriers** at both national and EU levels and the **widening of the Single Window** towards more project clearance upfront.