



EFSI: an opportunity for rail?

20 October 2015

RFE dinner event

EFSI – situation today

- 01.07 - Text of Regulation published, 22.07 - Agreement on working procedures of EFSI signed
- A number of **warehoused projects**:
 1. [Copenhagen Infrastructure II](#) (DK, **energy**)
 2. [Abengoa research, development and innovation II](#) (ES, **biotechnology**)
 3. [Energy efficiency in residential buildings](#) (FR, **energy**)
 4. [Grifols Bioscience R&D](#) (ES, **health**)
 5. [Äänekoski bio-product mill](#) (FI, **industry**)
 6. [Redexis Gas Transmission and Distribution](#) (ES, **energy**)
 7. [Arvedi Modernisation Programme](#) (IT, **industry**)
 8. [Primary healthcare centres PPP](#) (IE, **health**)
 9. [Vienna Hospitals PPP](#) (AT, **health**)

EFSI – situation today

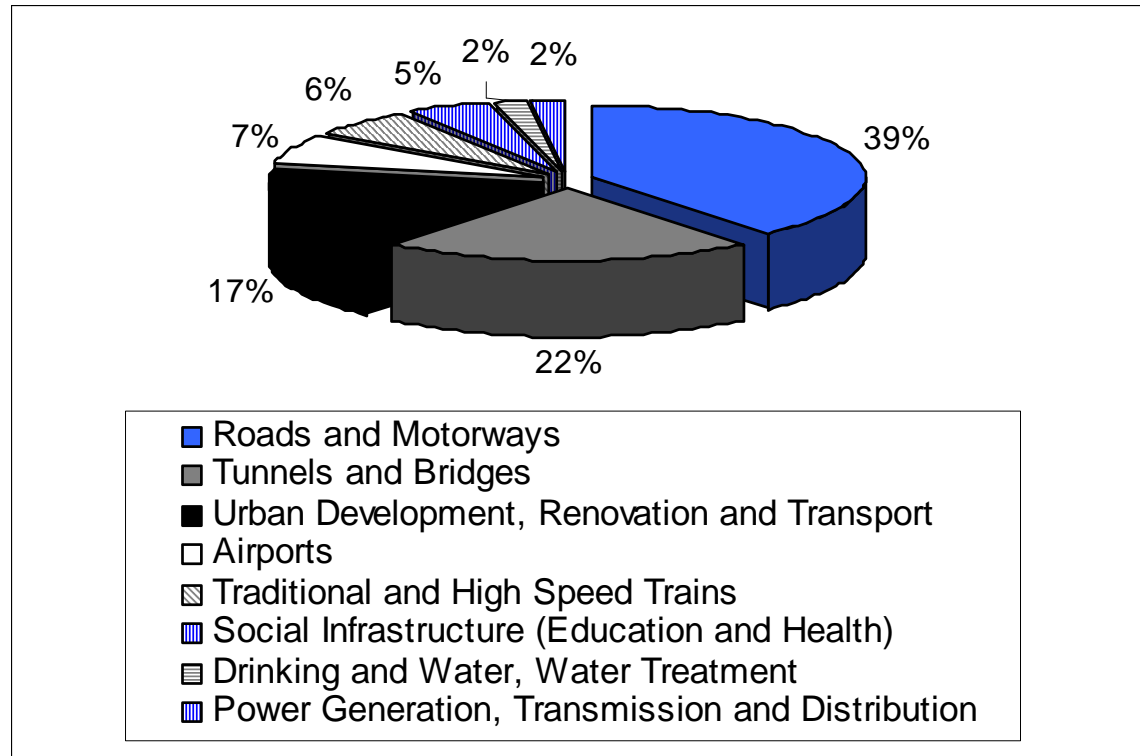
- **Steering Board** has been constituted
- Wilhelm Molterer to be appointed **Managing Director**
- **European Investment Advisory Hub** (EIAH, a single point of contact for guidance and advice, providing a platform to exchange know-how, and coordinating existing technical assistance) is established.
- Decision on the management and main elements of the **European Investment Project Portal** (EIPP) taken, but EIPP not online yet.
- The delegated act for a **Scoreboard** of indicators to decide whether a project proposal fits the criteria to receive backing of EFSI also decided in July '15.
- **DE, ES, FR, IT, LUX, PL, SK, BG, UK** decided to participate to the investment plan via their national promotional banks for a total of 40 bn ca.

EFSI goes ahead - what is left to CEF?

| <i>Figures in euro bn</i> | Transport |
|---------------------------|-----------|
| CEF budget | 14.945,00 |
| CEF first call | 11.930,00 |
| EFSI cut | 2.200,00 |
| CEF left | 815,00 |

CEF left for transport has been almost zeroed, so what is the future of CEF?

Rail projects are rarely suitable for EFSI



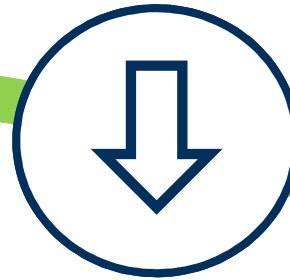
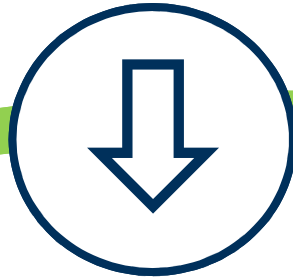
EIB financing for PPPs per sector, EIB 2005

In EIB previous experience with PPPs, **rail is only at 6%** because various categories of risk are associated with long-term rail projects:

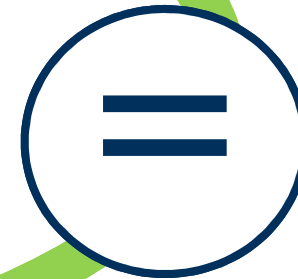
- **Political risks** (change of government)
- **Construction risks** (unforeseen ground conditions)
- **Demand risk** (passenger and freight revenues)

EFSI credit guarantee
lowers the risk associated
to the investment

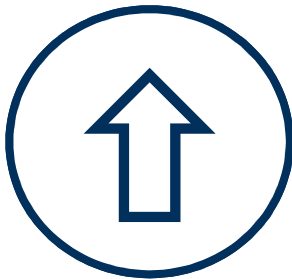
Cost of remuneration of
private capital is lower



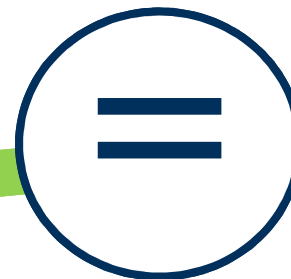
**Are 21 euro bn guarantee
(6.6% of capital invested)
enough to guarantee this
positive chain?**



TAC should not
increase



Private investors should be
more keen to invest in
(rail) projects



Traffic should not
decrease

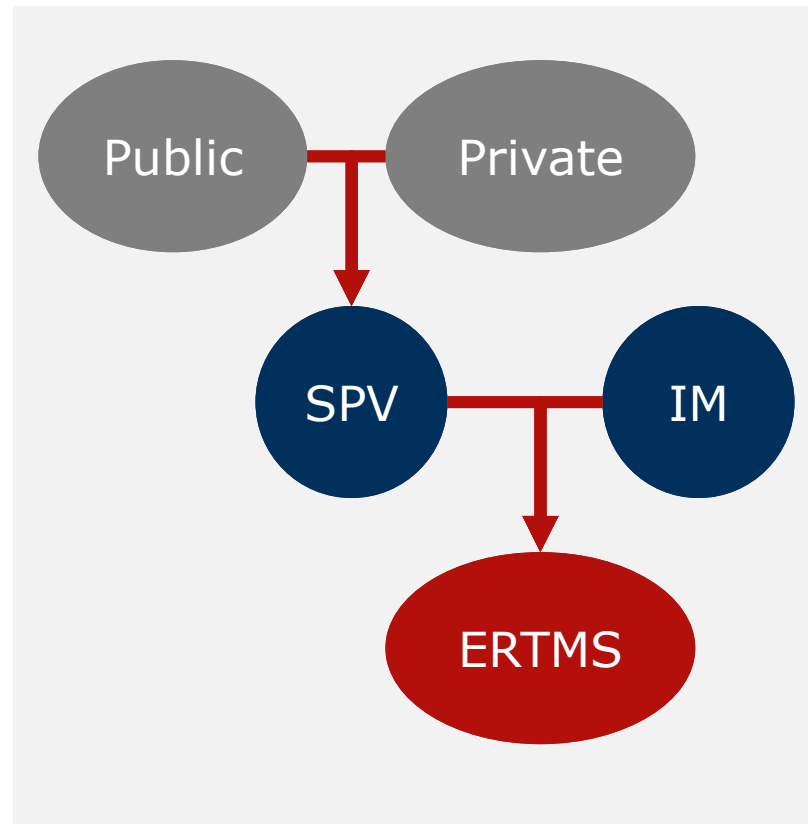


Any opportunities?

Financing ERTMS with EFSI?

Evidence shows that EFSI could finance **trackside ERTMS deployment** through a public-private SPV.

EFSI would provide a guarantee to the investment, attracting private capital at more convenient conditions.



Overall: mixed feeling about EFSI

- ▶ Left the **certain** (CEF grants) for the **uncertain** (EFSI credit guarantee), in a moment where rail is already underfinanced as a whole (EU + national funding)
- ▶ Limited **coverage of defaults** offered by the credit guarantee
- ▶ Uncertainty about the **profile of the potential private investors** (big enough to finance capital-intensive projects, with long-term for the return on the investment)
- ▶ Worries about **non-avoidable risks** (political risks at the top of the list!)
- ▶ Hope that EFSI will trigger a wider application of the **user-pays-principle** on all transport infrastructure

Overall: mixed feeling about EFSI

- ▶ Hope that EFSI will trigger a wider application of the **user-pays-principle** on all transport infrastructure
- ▶ For motorways in particular, EFSI would promote the application of tolls and toll systems, hopefully **freeing up public resources which can be used where PPPs schemes are less easily applicable**, such as in many rail projects



The Voice of European Railways

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