## Financing of infrastructure projects: Competitiveness and Innovation Framework Programme (2007-2013) and trans-European transport and energy networks

2011/0301(COD) - 19/10/2011 - Legislative proposal

PURPOSE: to launch the pilot phase for the Europe 2020 initiative with respect to bonds for the financing of projects in the fields of transport, energy and information and communication technologies (ICTs).

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: due to fiscal austerity in the Member States, there is a danger that infrastructure projects of EU interest are not carried out at the pace required to achieve Europe 2020 objectives thereby compromising the EU's economic recovery and growth. **Innovative solutions are urgently required** to mobilise a greater share of private savings and to improve the range of financial instruments available for infrastructure projects, especially in the energy, transport and ICT sectors.

The norm for infrastructure projects with commercial potential should be to combine EU funds in partnerships with the capital market and banking sectors, particularly via the European Investment Bank (EIB). In its <u>resolution of 8 June 201</u>1, the European Parliament underlined that the Union should take action notably to enhance the use of the Union funds as a catalyst for attracting additional financing from the European Investment Bank (EIB), European Bank for Reconstruction and development (EBRD), other international financial institutions and the private sector.

On 29 June 2011, the European Commission adopted its <u>proposal for the multi-annual financial framework (MFF) for the period 2014-2020</u>. One of the key decisions was to bring the granting of financial aid for transport, energy and ICT infrastructure into a common legislative framework, the Connecting Europe Facility (CEF). The mechanism will provide a longer term framework enabling the creation and implementation, in a timely and efficient manner, of projects in the fields of energy, transport and telecommunications.

The Europe 2020 Project Bond Initiative will become an **integral part of the risk-sharing instruments** of the Connecting Europe Facility for the period 2014-2020. The main objective of the pilot phase in 2012-2013 is to **prepare the operational phase** of the initiative under the Connecting Europe Facility for the period 2014-2020 and to provide immediate support for infrastructure projects.

In order to allow a more efficient implementation of the financial instruments under the Connecting Europe Facility, the launch of a pilot phase is required, both to allow the optimisation of the design and stimulate investor appetite for the post-2013 period.

## **IMPACT ASSESSMENT:**

the impact assessment reviews the current market situation with a link to the impact assessment accompanying the proposal for the CEF which includes more background on the potential CEF instruments, financing gaps and market imperfections affecting current levels of investment in infrastructure.

Three options were analysed: i) the status quo, i.e. continuing with current grant programmes for energy and transport and the current grant programmes and financial instruments for transport; ii) regulatory incentives and iii) the proposal to implement the Project Bond Initiative. In this context, the potential risks hindering the implementation of the Initiative have been reviewed and a quantifiable expected impact revealed in terms of a multiplier effect.

LEGAL BASIS: Articles 172 and 173 (3) of the Treaty on the Functioning of the European Union (TFEU).

CONTENT: the Commission is proposing To launch a pilot phase of the Europe 2020 Project Bond Initiative in the **area of transport, energy and ICT**. This initiative seeks to mobilise investment in areas that will stimulate growth and create jobs. The Initiative aims to provide the credit enhancement required to attract capital market investors and would facilitate the creation of a new asset class in terms of infrastructure project bonds. The initiative will complement, rather than replace bank lending and thus provide **an alternative and competitive source of long-term debt finance to infrastructure projects**. To have the maximum impact, the initiative could also be applied to projects at an advanced stage of the bidding process for the purposes of refinancing during or shortly after the end of the construction period.

In the pilot phase, the Commission would work in particular with the EIB to optimise the design of the initiative for optimal implementation from 2014 onwards. Budgetary funds should be requested by the EIB on the basis of a range of projects, which the EIB would deem suitable and likely to be realised. Any such requests should be made prior to 31 December 2013. Due to the complexity of large infrastructure projects, the actual approval might take place at a later date, but no later than 31 December 2014.

In order to implement the pilot phase of the Europe 2020 Project Bond Initiative, Decision No 1639/2006 /EC establishing the Competitiveness and Innovation Framework Programme (CIP)and Regulation (EC) No 680/2007 laying down the general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks should be amended.

Given the short time available, the Commission invites the Parliament and the Council to adopt the proposal for a pilot phase as speedily as possible.

BUDGETARY IMPACT: the total budget available from the EU for the pilot phase of the Europe 2020 Project Bond Initiative is **EUR 230 million**.

The initiative will be entirely financed by **redeployment within the envelopes of existing programmes** in 2012 and 2013. The following redeployments could be made in favour of the initiative:

- up to EUR 200 million from the TEN-T (transport) budget,
- up to EUR 20 million from the budget of the framework programme for innovation and competitiveness in order to allow the financing of projects in the field of ICT and in particular broadband,
- and an amount of up to EUR 10 million from the TEN-E (energy) budget.