

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

2011/0301(COD) - 11/07/2012 - Final act

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).

LEGISLATIVE ACT: Regulation (EU) No 670/2012 of the European Parliament and of the Council amending Decision No 1639/2006/EC establishing a Competitiveness and Innovation Programme (2007-2013) and Regulation (EC) No 680/2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks.

CONTENT: following an agreement with the European Parliament at first reading, the Council adopted a Regulation launching the **2012-2013 pilot phase of the EU project bonds initiative aimed at mobilising up to EUR 4.5 billion in private sector long-term capital market financing of economically viable projects in the field of transport, energy and ICT infrastructure.**

In its [resolution of 8 June 2011](#), entitled “Investing in the future: a new Multiannual Financial Framework (MFF) for a competitive, sustainable and inclusive Europe”, the European Parliament welcomed the Europe 2020 initiative with respect to project bonds for the financing of projects in the field, a risk-sharing mechanism with the EIB providing capped support from the Union budget, that is designed to leverage the Union funds and attract additional interest from private investors for participating in priority projects that are in line with Europe 2020 objectives.

Project bonds are **private debt issued by the sponsor(s) of a project**, either a private company or a special purpose vehicle (SPV) created by one or more companies to finance a specific project. The EU project bonds instrument will provide credit enhancement for projects in order to make it easier for their sponsors to attract private financing.

When raising financing through a project bond, the company or SPV shall issue senior and subordinated tranches of debt. By creating a subordinated tranche, which takes first losses, the credit standing of the senior debt is enhanced because it carries less risk and thus can attract more investors.

The European Investment Bank will take up the subordinated debt, whereby funds from the EU budget will be used to cover part of the EIB's risk.

The **risk-sharing instrument** for project bonds referred to in the Regulation is **a joint instrument by the Commission and the EIB** which provides added value as a Union intervention, addresses sub-optimal investment situations when projects do not receive adequate financing from the market, and provides additionality. It avoids distortion of competition, aims to secure a multiplier effect and aligns interests in the form of a credit enhancement. The risk-sharing instrument for project bonds shall:

- take the form of a debt instrument or a guarantee granted by the EIB with the support of a Union budget contribution in favour of financing provided to projects in the field of ICT and broadband, complementing or attracting financing by Member States or the private sector;

- mitigate the debt service risk of a project and the credit risk of bond holders;
- be used only for projects whose financial viability is based on project revenues.

The main **terms, conditions and procedures** of the risk-sharing instrument for project bonds are laid down in **Annex IIIa** of the Regulation.

The initiative will be entirely financed by the EU budget via redeployment within the envelopes of existing programmes in 2012 and 2013. Under the Regulation

- up to **EUR 200 million in 2012-2013** will be allocated for transport projects,
- up to **EUR 10 million** for energy and
- up to **EUR 20 million** for ICT and broadband projects.

If successful, the pilot phase will be followed by an operational phase during 2014-2020 under the EU's "[Connecting Europe](#)" facility for transport, energy and ICTs.

ENTRY INTO FORCE: 01/08/2012.