EIB Support to Bus Fleet Expansion

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- EIB support to the urban transport sector
- Bus fleet funding and financing
- Examples and case studies
## EIB products

We help catalyse investment

<table>
<thead>
<tr>
<th>LENDING</th>
<th>BLENDING</th>
<th>ADVISING</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Loans (direct/intermediated) (investment/framework)</td>
<td>• EU backed financial instruments (EFSI; CEF Debt Instrument)</td>
<td>• Umbrella initiative: EIAH</td>
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<tr>
<td>But also:</td>
<td>• Higher risk projects for innovation (InnovFin)</td>
<td>• Prepare, evaluate and support the implementation of projects (JASPERS, ELENA)</td>
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<td>• Guarantees</td>
<td>• External EU blending facilities</td>
<td>• Support for public/private partnerships (EPEC)</td>
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<td>• Equity participation</td>
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<td>• Enhance use of EU funds (financial instruments advisory; fi-compass)</td>
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<td>• Enhance access to finance (InnovFin Advisory)</td>
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Attracting FUNDING for long-term growth
EIB Transport Sector Lending

2008-2017
Bus Transport Market

Typical stakeholders

- Funders / Financiers
- Political Body / Public Sector
- Transport Authority
- Transport Operator
- Bus Manufacturer
- Bus Leasing Company
- Passengers
- Infrastructure CAPEX / OPEX

Possible contract relationships: Ticket revenue, Transport Services.
(Low Emission) Bus Fleet Funding and Financing

<table>
<thead>
<tr>
<th>Own resources / Revenues</th>
<th>Grants and subsidies</th>
<th>Loans (debt) and guarantees</th>
<th>Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Authority</td>
<td>• National / public grants and subsidies</td>
<td>• Commercial</td>
<td>• Investment Funds</td>
</tr>
<tr>
<td>• Operator</td>
<td>• European grants (CF/ERDF; CEF)</td>
<td>• Regional / National</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• National Promotional Banks (NPBs)</td>
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<tr>
<td></td>
<td></td>
<td>• Investment funds</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• EIB / other IFIs</td>
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Key Considerations for Financing Bus Fleet Renewal (1)

› The Project
   ‣ The scope: vehicles / operation / maintenance / financing
   ‣ The business model
   ‣ Linkage to wider urban transport strategy
   ‣ Existence and adequacy of Public Service Contract (Regulation 1370/2007)
   ‣ Technology risk (especially related to alternative fuel vehicles and infrastructure)
   ‣ Procurement method (total cost of ownership considerations?)
Key Considerations for Financing Bus Fleet Renewal (2)

- Counterparty / borrower / promoter
  - Roles and relationships. Identity of counterpart / borrower / promoter (public or private)
  - Legal status, ownership and borrowing capacity (creditworthiness)
  - Public service operations (length of service contract)
  - Loan tenor vs asset economic life vs service contract duration
  - Guaranties (or not) from public authority / parent company
  - Finance contract mitigants, securities and remedies
Blending EU Grants/Financial Instruments and EIB Finance (in the EU)

- Combining ESIF and CEF financial instruments/grants with EIB finance
  - Structural Programme Lending (ESIF grants + EIB loans)
  - Port of Calais (CEF grant + Project Bond)
  - Riga Public Transport (CEF grant + EIB loan)
- CEF Transport Blending Call
  - EUR 450 m to support alternative fuel infrastructure and innovative components of mobile assets (eligible TEN-T nodes)
- CEF Blending Facility
  - (under development)
  - EIAH supporting Market Assessment
## EIB Lending Products to Transport Sector

### Public / Corporate / Project Finance

<table>
<thead>
<tr>
<th>Product</th>
<th>Description</th>
<th>Key criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment Loan</td>
<td>Loan to one borrower</td>
<td>Large. Minimum EUR 25m cost</td>
</tr>
<tr>
<td>Framework Loan (and Structural Programme Loans)</td>
<td>Multi-component investment programme; one borrower</td>
<td>Small and medium projects. Typically EUR 10-50m</td>
</tr>
<tr>
<td>Programme Loan</td>
<td>Investment programme; More than one borrower</td>
<td>Small and medium projects. Typically EUR 10-50m</td>
</tr>
<tr>
<td>Multiple Beneficiary Intermediated Loans</td>
<td>Intermediated lending</td>
<td>Small and medium projects. Typically &lt; EUR 25m</td>
</tr>
</tbody>
</table>
EIB Lending Considerations

Sound investments with a strong economic rationale

- **Loan Size**
  - Normally not exceeding 50% of the project investment cost
  - Typically when combining EIB and EU resources (e.g. grants):
    - Cumulative EIB / EU resources up to combined 90% of the project cost in less developed regions
    - up to 70% in other regions

- **Loan Tenor**
  - Maximum tenor and grace periods limited to the economic life of the assets financed and the implementation period of the underlying project, respectively.
  - For bus investments consider risks related to asset life vs service contract duration

- **EIB Finance Contracts**
  - Technical description of the investment
  - Project related conditions, undertakings and reporting
  - Finance contract mitigants, securities and remedies

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Simplified funding/financing structure

- Grant
- Own resources
- Commercial loan(s)
- EIB loan / (EFSI guarantee)
EIB project cycle

We support sound and sustainable projects

Step 1 Proposal

Step 2 Appraisal
- Financial
- Economic
- Social
- Environmental
- Technical assessment

Step 3 Approval
- EIB Management Committee
- Investment Committee (for operations potentially benefiting from an EU guarantee under EFSI)
- EIB Board of Directors

Step 4 Signature

Finance contract is signed

Step 5 Disbursement

Step 6 Monitoring and reporting

Step 7 Repayment
EIB Support to Urban Transport

- **EIB Transport Lending Policy** (2011) describes eligibility and quality requirements.
- Projects to be technically, economically, socially environmentally and financially sound.
- Urban transport projects to be linked to a urban transport strategy.
- In terms of technology, a combination of best available technology and least cost principles. **Typically at least EURO VI in EU.** Cleaner technology supported/encouraged where applicable.
- Urban projects expected to help in reducing congestion and environmental externalities:
  - modal shift from private cars to more sustainable transport modes; and/or
  - improvements in transport efficiency, including improved inter-modal connections.
Cleaner Transport Facility (CTF)

- Launched by EIB/EC in December 2016
- Support the **accelerated deployment** of new cleaner transport technology
- Full range of **available tools (financial/advisory)** from EIB and EC for public and private entities
- Development of new financial instruments (as applicable)
- **Focus:**
  - Public transport buses / public fleets
  - Alternative fuel infrastructure on strategic networks
  - Innovative technologies
  - **(safety and security investments)**

The objective of the CTF is to support the accelerated deployment of cleaner transport vehicles and help meet their associated infrastructure needs. The CTF is an initiative to deploy the EIB’s technical and financial capacity to adapt to specific market needs in order to explore viable business models and boost opportunities to finance cleaner transport. The first projects were investments in cleaner public transport buses, and we are further exploring other markets.
European Fund for Strategic Investments (EFSI)
EFSI – Status (March 2018)

EIB Group figures As of 15/03/2018

EFSI investment by sector*

- Smaller companies 29%
- RDI 23%
- Energy 21%
- Digital 11%
- Transport 8%
- Social infrastructure 4%
- Environment and resource efficiency 4%

Of which EUR 39.3bn signed

EUR 55bn Approved EFSI financing**
** EIB-approved EUR 41.3bn EFSI-approved EUR 13.7bn

EUR 274bn Total investment related to EFSI approvals

Target by 2020 EUR 500bn

EFSI investment relative to GDP*

Darker colours signify higher investment

- High speed internet access for 11 million households
- Renewable energy for 4.2 million households
- Better health care for 1 million people

*based on approved operations
Project includes the construction of two new BRT lines, the purchase of 41 new hybrid buses (18m) and 6 hydrogen buses (12m)

- EIB EUR 110m loan (supported by EFSI)
- Promoter, borrower: (SMTAG) Mixed syndicate of 3 authorities: Lens-Liévin, Hénin-Carvin and Béthune-Bruay located in the Pas-de-Calais Department
- SMTAG is responsible for the TADAO bus network, with a public service delegation agreement to an operator (Transdev) for a seven-year period (2017-2023)
Sofia Transport Fleet Renewal (BG)

- Project includes purchase of new buses, in addition to 5 trams and traffic control systems:
  - 126 modern, low-floor, 18m long articulated CNG buses
  - 110 modern, low-floor, 12 m long solo EURO VI diesel-buses
  - 22 Solo CNG buses
- Borrower: Sofia Municipality (sub-sovereign)
- EIB loan: EUR 40m
- Co-financed with EU funds (Operational Programme Environment 2007-2013)
Riga Transport Company (LV)

- Example of blending CEF grant and EIB/EFSI finance
- Borrower: Riga Transport Company (RTC), public transport operator owned by Municipality of Riga (no direct Municipality guarantee on obligations of RTC)
- EIB EUR 75m loan (with EFSI guarantee) to:
  - Upgrade the tram system (new rolling stock and infrastructure)
  - Modernise existing tramway depot
  - Purchase 10 new hydrogen fuel cell buses, 10 new trolleybuses with hydrogen fuel cell range extenders and associated refueling infrastructure
- EUR 8m CEF grant to co-finance installation of hydrogen fuel production and charging facilities
- Remainder to be financed by RTC’s own funds and other bank (commercial) loans

Source: Latvian Information Agency (2016), Leta/delfi.lv
LAS PALMAS BUS RAPID TRANSIT (ES)

- Project includes purchase of **17 hybrid/electric buses** in addition to BRT infrastructure, and other road improvements in Las Palmas, Gran Canaria
- EUR 50m (with EFSI guarantee) loan to construct segregated **Bus Rapid Transit (BRT)** system
- Borrower and operator: Guaguas Municipales SA - publicly owned limited liability company
- Authority: Autoridad Única del Transporte de Gran Canaria (TGC).
- Municipality: Ayuntamiento de Las Palmas de Gran Canaria
- PSO contract between Authority and Operator (1370/2007)
FLEET RENEWAL LOAN FOR SMES AND MIDCAPS SPAIN (ES)

- Multiple beneficiary intermediated loan
- Dedicated EIB loan to finance investments in fleet acquisition and renewal, including commercial fleet for land transport and agricultural machinery
- Counterpart / borrowers including: Santander, ICO, Banco Sabadell
- EUR 700m credit line (signed - 2017)
Poznan Public Transport (PL)

- Project includes new 115 trams, the purchase of 95 new buses, including electric, and the modernisation of tram and bus depots
- EIB loan of EUR 114m
- EU grants from Operational Programme
- Borrower and operator: MPK Poznan, a municipal public transport operator (trams and buses) fully owned by the City of Poznan
- PSC for period 2009-2024. New 15 year PSC expected (2025-2039)
Thank you!

For further information: k.cheung@eib.org
BACK-UP
Examples of EIAH support

- CEF Blending Call support (July 2017 / April 2018 deadlines)
  - EIAH support for projects to apply for CEF Blending call (pre-call and post-call support)
  - As of end March 2018 – 56 project specific requests.
  - For first deadline 21 ‘EIAH CEF Blending request’ applicants made July 2017 deadline of which 12 proposals were selected.

- Sofia Municipality
  - Discussions to support Sofia Municipality and Sofia Bus Company to explore (direct) financing/leasing options to renew the bus fleet.

- Hydrogen bus SPV for NL
  - Assistance to support The Netherlands (and maybe other member states) to set up a finance structure for H2 buses that will be procured under the Horizon 2020 call (JIVE – FC JU).
Example of ELENA support: MOVIA Copenhagen (DK)

- Beneficiary: MOVIA, public transport authority for East Denmark owned by two regions and 45 municipalities.
- ELENA TA of EUR 1.2m for:
  - Development of tender documents, separating procurement of bus services and of charging infrastructure deliverables
  - Finalisation of technology studies and analysis
  - Finalisation of business cases and lifecycle TCO models (Total Cost of Ownership)
- ELENA TA expected to assist in triggering an investment of EUR 56.6m over a four period, which will include some 80 buses and required infrastructure.
- First batch of bus services have been tendered and won by a private operator who will deploy buses manufactured by Yutong (China), and the first framework contract for charging infrastructure has been awarded to Siemens.
Example of ELENA in NL

- Set up by 2 provinces (=PTA in NL)
- Separate foundation to collaborate to explore Zero Emission Public transport
- Organized forum for stakeholders to meet
- Developed: TCO model & tender docs
- Pilot projects for big concessions (>200 buses)
- Result: Agreement between all PTAs: In NL all new buses will be zero emission >2025