EIB Support to Cleaner Bus Fleet

Per Als, Projects Directorate, EIB
## 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)  But also:</td>
<td>• EU backed financial instruments (EFSI; CEF Debt Instrument)</td>
<td>• Umbrella initiative: EIAH</td>
</tr>
<tr>
<td>• Guarantees</td>
<td>• Higher risk projects for innovation (InnovFin)</td>
<td>• Prepare, evaluate and support the implementation of projects (JASPERS, ELENA)</td>
</tr>
<tr>
<td>• Equity participation</td>
<td>• External EU blending facilities</td>
<td>• Support for public/private partnerships (EPEC)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Enhance use of EU funds (financial instruments advisory; fi-compass)</td>
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<td></td>
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<td>• Enhance access to finance (InnovFin Advisory)</td>
</tr>
</tbody>
</table>

Attracting FUNDING for long-term growth
Bus Transport Market

Typical stakeholders

- Funders / Financiers
- Bus Manufacturer
- Bus Leasing Company
- Transport Authority
- Transport Operator
- Ticket revenue
- Public Service Contract
- Possible contract relationships
- Infrastructure CAPEX / OPEX
- Ticket revenue
- Public Sector
- Political Body / Public Sector
- Passengers
- 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>
</tr>
<tr>
<td></td>
<td></td>
<td>• National Promotional Banks (NPBs)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Investment funds</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• EIB / other IFIs</td>
<td></td>
</tr>
</tbody>
</table>

28/06/2018
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
## 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 project cycle

We support sound projects with competent promoters

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

Finance contract is signed

Step 4 Signature

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)*
What is ELENA?

- Established in 2009 as European Local ENergy Assistance – not only local anymore
- Based on an agreement between the European Investment Bank (EIB) and the European Commission
  - managed by the EIB
  - financed by the Horizon 2020 Framework Programme for Research & Innovation
- Grant for preparation (not implementation) of investment programmes
- Almost EUR 100m awarded to projects supporting approx. EUR 3.8 bn investments
General rules

- Grant covers up to 90% of costs related to project development support
- Budget allocation: first come, first served principle; on average 15 MEUR per year;
- Required level of maturity: preparatory studies carried out and main decisions taken before ELENA support request (ELENA proposal should demonstrate high probability that project will be implemented)
- Obligation of investment implementation - leverage factor required:
  - 20 for sustainable energy projects
  - 10 for clean urban transport
- In case the leverage not achieved: grant may be clawed back
- Final beneficiary (applicant) doesn't have to be the one who is implementing the investment
- 3-year implementation period for EE projects, 4-year for urban transport
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.
Thank you!

For further information:

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More Information

For info or further questions on this seminar and the activities of the JASPERS Networking Platform, please contact the JASPERS Networking and Competence Centre at the following email:

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