EIB's Green Shipping Financing Programmes

Info Day and Transport Investment Conference

Connecting Europe Facility and European Fund for Strategic Investments

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Overview of EIB's lending activity in shipping

- EIB has been lending to the shipping industry for many years under its traditional lending programmes with large shipping corporates.
- Under the umbrella of the European Fund for Strategic Investments (EFSI): Green Shipping Loan Programme.
- Under the umbrella of the Connecting Europe Facility (CEF): a new financial instrument to further support Green Shipping investments.

EFSI supported Green Shipping Loan programme

General Characteristics:

- EUR 250 million loan programme.
- Pilot phase focused on Mediterranean and Atlantic (but based EU ship owners who contract new built vessels with eligible projects.
- Expected to support around EUR 500 million of investments.
- Up to 50% of investment costs.

Eligibility criteria:

- Investments eligible under EIB transport lending policy with significant European interest (flag, ownership, incorporation, routes).
- Particular focus on green investments and sustainable shipping (alternative fuel such as LNG, hull treatment, ballast water treatment systems, …).

Senior product:

- Direct senior secured loans to European corporates.

Global authorisation and delegation arrangements:

- Programme approved by the EFSI Investment Committee and the EIB Board of Directors in June 2016.
- Delegation to the EIB Management Committee for projects with investment costs of less than EUR 200 million.

CEF supported Green Shipping Platform: Main Drivers

➢ **CEF Green Shipping Platform objectives:**

Design a **sustainable, scalable and commercial financial instrument** that:

- Provides a solution to accelerate investments in greener shipping that allows, in the pilot stage, operators to adapt to the current EU regulatory framework on emissions,
- Could be replicated/used to finance compliance with future regulations on ballast water, and
- Crowds-in commercial banks.

➢ **Main issues to be addressed by the Green Shipping Platform:**

- The Platform intends to address the main market gaps/constraints to access financing and attract back commercial lenders to the sector by providing mitigants that reduce the credit risk of the loans to the shipping industry for environmentally focused investments.
- After reviewing the main financing constraints of the sector, the challenge appears to be linked to the perceived **risks associated with the sector** but also the **reluctance** of commercial lenders **to finance (and value) environmentally focused investments** especially on existing fleet.
- The Platform focuses on **de-risking the environmentally focused investments**. The Platform is designed for general fleet renewal focused on greener shipping and being incremental to commercial lending (leveraging).

➢ **The issues that will NOT be addressed by the Platform:**

- A number of operators are currently in a challenging financial situation. The Platform will not change the structural issues of the sector nor provide financing to operators that do not have a bankable business plan.

Structure of Green Shipping Platform

- **National Interface:**
  - The shipping segment the Platform is trying to support is characterised by small and medium size enterprises with investment needs that are below EIB's traditional ticket size (EUR 50M and above).
  - This required EIB to do things differently and partner with commercial banks that can play a front office role. EIB is in advanced discussion with commercial banks to conclude framework agreements.

- **Guarantee or funded risk participation structure rather than direct lending:**
  - Given the above, a guarantee or funded participation scheme with commercial banks is considered as the optimal structure to achieve the stated objectives and cover the market needs. The financial instrument will be priced in accordance with EIB's credit policy.

- **Bankable operators:**
  - While the EIB may support up to 100% of the incremental environmental investments on existing vessels or up to 50% of the debt financing on new vessels, in all cases (existing and new vessels) the financial instrument amount will remain a fraction (between 20% and 50%) of the ship's overall financing.
  - This will require commercial banks to finance part of the operation. This co-financing will translate into significant leveraging of EU resources (estimated at 16x) and ensure the Platform does not support operators that would not be otherwise bankable therefore avoiding the Platform having a market distortion effect.

CEF supported Green Shipping Platform at a glance

EUR 750 million programme:

- Pilot to be launched with financial institutions in France, The Netherlands and Nordic countries.
- EUR 250 million supported by the CEF and EUR 500 million by the EFSI.
- Expected to support around EUR 3 billion of investments.

Eligibility criteria:

- Investments eligible under CEF horizontal priorities and EIB transport lending policy with significant European interest (flag, ownership, incorporation, routes).
- Particular focus on green investments and sustainable shipping (alternative fuel such as LNG, hull treatment, ballast water treatment systems, …).

Co-financing rates:

- Up to 50% of debt financing on new vessels.
- Up to 100% of green components of retrofitting operations.

Senior and subordinated product:

- Platform supports the issuance of guarantees for or the taking of funded risk participations of, senior and subordinated obligations.

Global authorisation and delegation arrangements:

- Programme approved by the EFSI Investment Committee and the EIB Board of Directors in June 2016.
- Delegation to the EIB Management Committee for transactions of up to EUR 50 million of EIB exposure.

EFSI Case Study: 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
- EIB EUR 75m loan (with EFSI guarantee approval) 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
- Environmental, noise, safety and accessibility benefits.
- Support deployment of alternative fuel public transport

Example of electric bus testing in Riga (2016)

Source: Latvian Information Agency (2016), Leta/delfi.lv

Thank you!

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