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A circle of twelve blue stars, similar to the European Union flag, positioned to the right of the text "The EU bank".

Brussels, 23<sup>rd</sup> February 2016

# **EFSI Workshop: Financing Port projects through financial instruments**

## **Case Studies:**

- Calais Port 2015 (PBCE) - France**
- Accessibility Ports Infrastructure - Spain**

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# Case Study – Calais Port 2015 (PBCE)

Existing situation



Situation after project completion



# Case Study – Calais Port 2015 (PBCE)

- The project consists of
  - The **design, build, finance, maintenance and operation (DBFMO) of the new Port of Calais 2015**;
  - The operation and maintenance of the Port of Boulogne-Sur-Mer.
- Concessionaire is primarily rewarded by the revenues generated by the project
  - No fixed availability payments;
  - Significant incentive to maximise efficiency and commercial operations.
- 50-year concession agreement
- Financing the project at attractive conditions is not obvious:
  - Project company partially exposed to traffic risk
  - Repayment of the debt depends on the revenues;
  - Very long concession period.



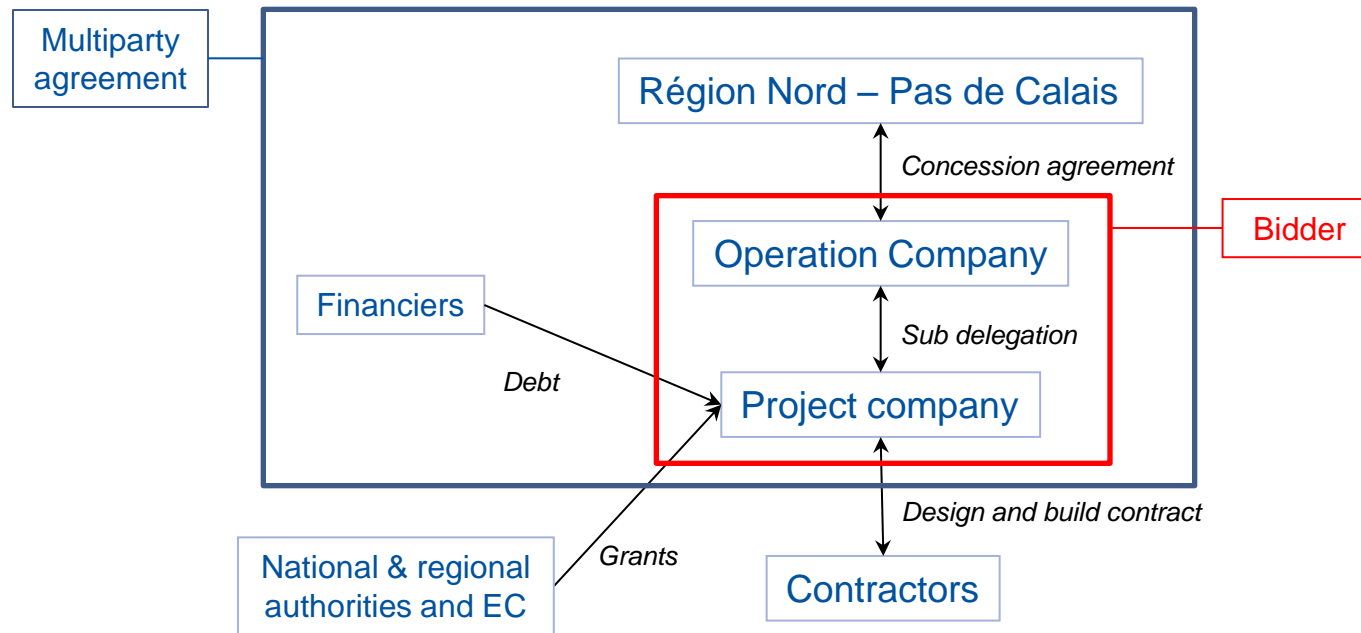
# Case Study – Calais Port 2015 (PBCE)

- EIB provided a **project bond credit enhancement** facility:
  - 1) Mitigated the traffic risk for senior lenders
    - Instrument provides extra liquidity in case the project company is unable to meet its (senior) financial obligations
  - 2) Increased the rating of the project: allowed institutional investors to invest in the project
    - Institutional investors are looking for investment grade investments with (very) long tenors
- The credit enhancement facility was structured in such a way that the project obtained the desired loan grading at a minimum cost for the project company.
- PBCE:
  - Only after the construction period;
  - Duration of 18 years;
  - Facility 10% of outstanding senior debt.

**Project bonds were issued by the project company with a maturity of 40 years and acquired by an institutional investor at a competitive yield.**

# Case Study – Calais Port 2015 (PBCE)

- Project revenues were not enough to finance the investments;
- A public subsidy (including CEF grants) had to be foreseen to bridge the gap:
  - The subsidy was an important criteria during the tender of the concession;
  - Competition forced private partners to keep the subsidy as low as possible.
- Final structure





# Case Study – Calais Port 2015 (PBCE)

## Conclusion:

- The early involvement of EIB allowed a discussion to reduce the construction costs and improved the overall cost-benefit balance of the project.
- The Port de Calais project is an example of how an authority can use public money in a smart way. With a minimum of public grants, the Région was able to implement an important and complex infrastructure project.
- The EIB credit enhancement product made it possible to improve the financial cost of the project. The bonds were issued at a competitive yield and their repayment could be spread over a very long period.
- A combination of EIB instruments and subsidies is a very useful instrument to catalyse the implementation of difficult and complex projects.



# Case Study – Accessibility Ports Infrastructure (Spain)



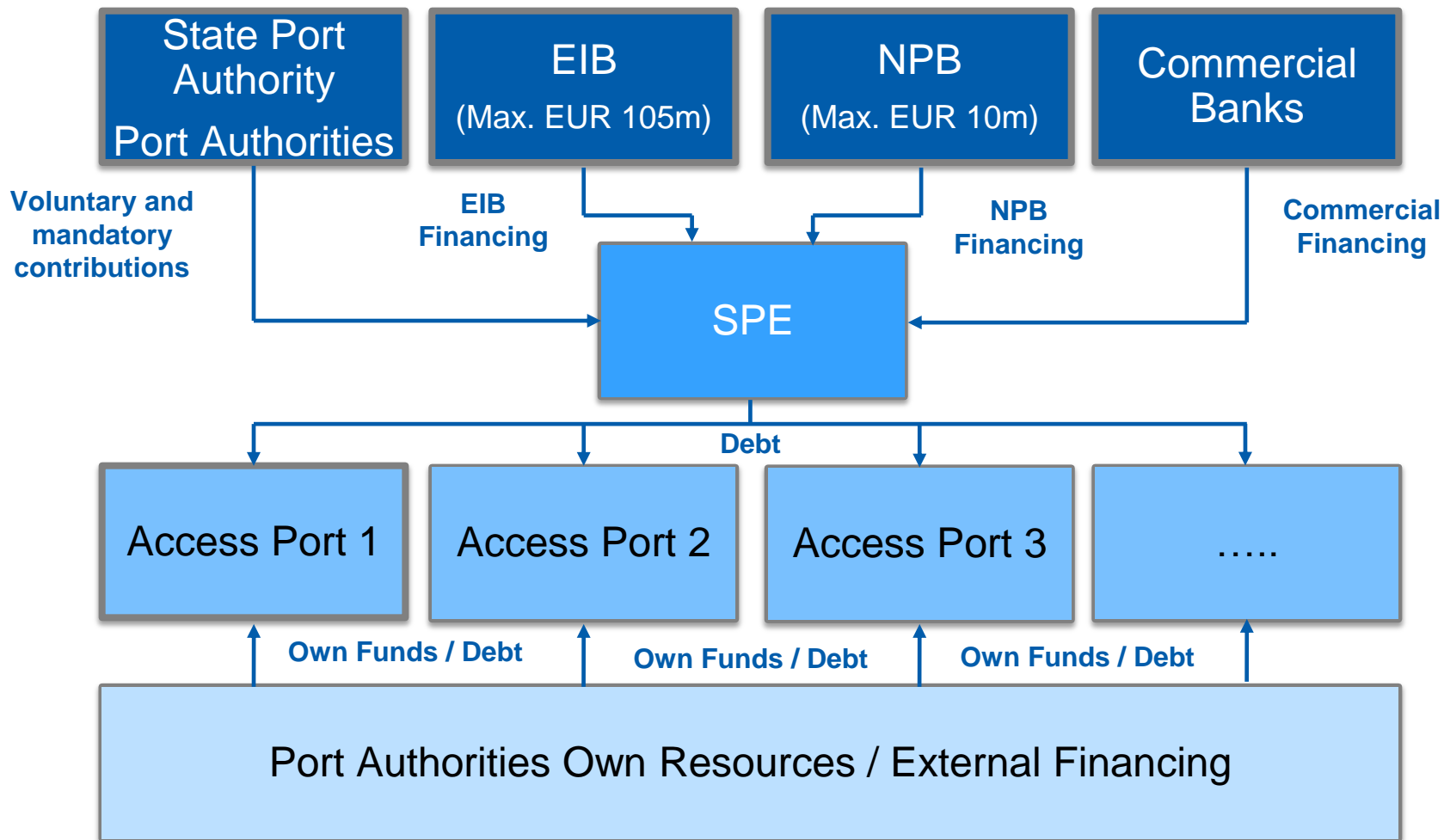
# Case Study – Accessibility Ports Infrastructure (Spain)

- Purpose: financing a special entity (SPE) created to support investments from the state-owned Port Authorities (PAs) and Puertos del Estado (PdE) in land accesses to the main national ports.
- Support the implementation of eligible rail and road projects under the SPE's investment programme for the period 2015-2020.
- 13 pre-identified projects at: Avilés, Bahía de Algeciras, Baleares, Barcelona, Bilbao, Cartagena, Castellón, Ferrol-San Cibrao, Motril, Sevilla, Tarragona, Valencia and Puertos del Estado with a total cost of EUR 485 m.
- Improve interoperability between transport modes in the TEN-T network.
- Some ports are in Cohesion Priority Regions (40%).
- The majority of schemes will contribute to Climate Change through Sustainable Transport objectives (95% rail schemes).

# Case Study – Accessibility Ports Infrastructure (Spain)

- The SPE will be mainly financed by mandatory contributions to be made on an annual basis by PdE and the PAs based on a proportion of prior year's profits.
- Voluntary contributions may also be made by PdE and the PAs.
- These contributions are not sufficient to finance all the investment needs of the SPE and, therefore third party financing is required.
- EIB financing will accelerate the construction of projects and will act as a catalyst for the participation of the Spanish NPB (ICO) and other commercial banks.
- With regard to eligibility under Article 9) (c) development of transport infrastructures and equipment and innovative technologies for transport, the operation may eventually benefit from the EU Guarantee in accordance with the EFSI Regulation and the terms of the EFSI Agreement.

## Case Study – Accessibility Ports Infrastructure (Spain)



# Case Study – Accessibility Ports Infrastructure (Spain)

## Loan characteristics

- Instrument: Unsecured Loan.
- Amount: EUR 105m.
- Disbursements: Up to 8 disbursements with a minimum amount of EUR 5m.
- Tenor: Loan up to 20 years with a 3 years grace period in order to match tenor of the mandatory contributions.

# Case Study – Accessibility Ports Infrastructure (Spain)

- Main features:
  - Private investments mobilized at different levels:
    - Additional financing required by SPE (commercial banks).
    - Direct investments by Port Authorities financed by private sector.
    - Private investments at ports as result of improved accessibility.
  - EIB anchor investor role: assumption by EIB of higher risk than in the past allows the financing at a point of time in which other lenders were reluctant.
  - The set up of this innovative SPE will accelerate investments that would otherwise not been carried out until 2020 or further.
  - Precedent for similar products to be implemented in the near future.
- Risks:
  - Market risk: repayment subject to performance of the ports and their capacity to generate revenues.
  - Ramp-up risk: SPE set up in 2015 with no previous financial track record.
  - Other risks: no initial equity as such although mandatory contributions are subordinated to third parties financing.