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Infrastructure investment needs and financing challenges of European ports

Presentation of results of a study by Peter de Langen, Martina Fontanet, Mateu Turró, Jordi Caballé

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The investment needs of EU ports are around €5 billion per year

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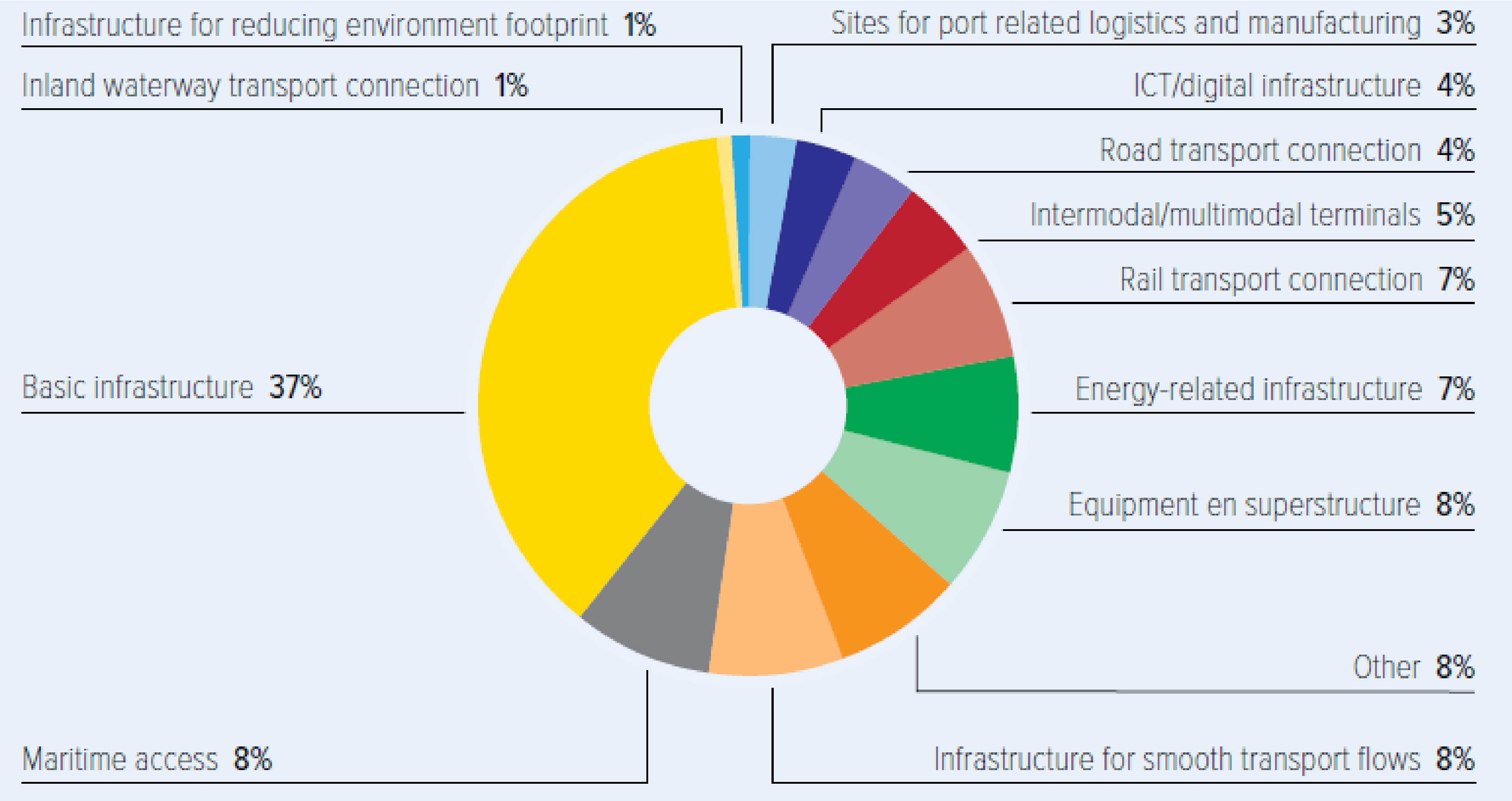

Source: Port Investment Survey, with replies from around 50% of the EU core ports and around 10% of all comprehensive ports, with data on almost 400 investment projects.

The responding seaports cover over 61% of the total cargo throughput in the EU 27.

Two additional conclusions

1. Investments in basic port infrastructure continue to be the main investment category.
2. Broad variety of types of port infrastructure, including for instance energy-infrastructure.

Investment needs of EU ports are driven by external developments

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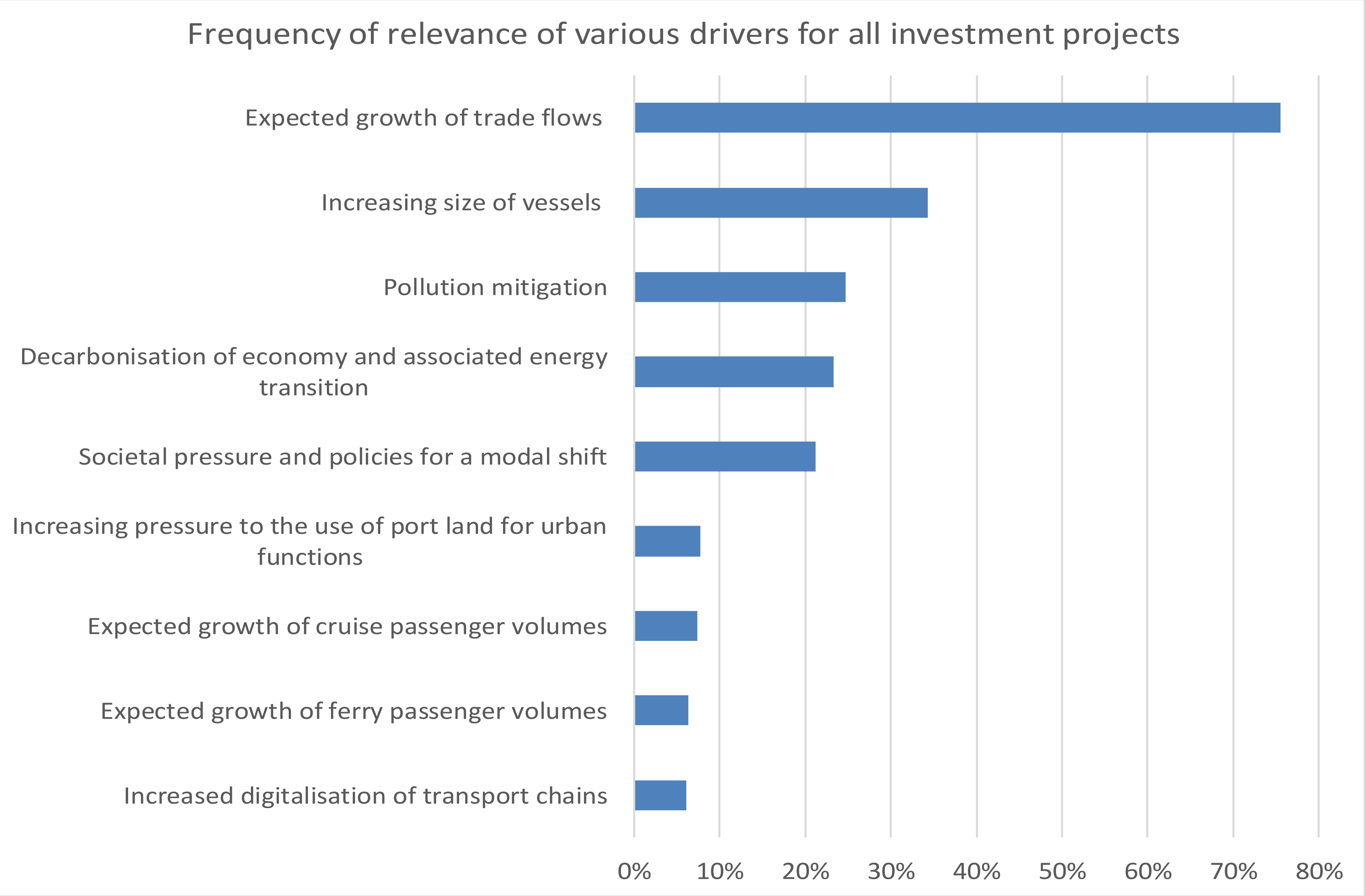

- Basic port infrastructure investments are chiefly driven by expected growth of trade volumes.
- Maritime access investments are driven by both scale increases and expected trade increases

Investments in port infrastructure create economic value as well as societal value

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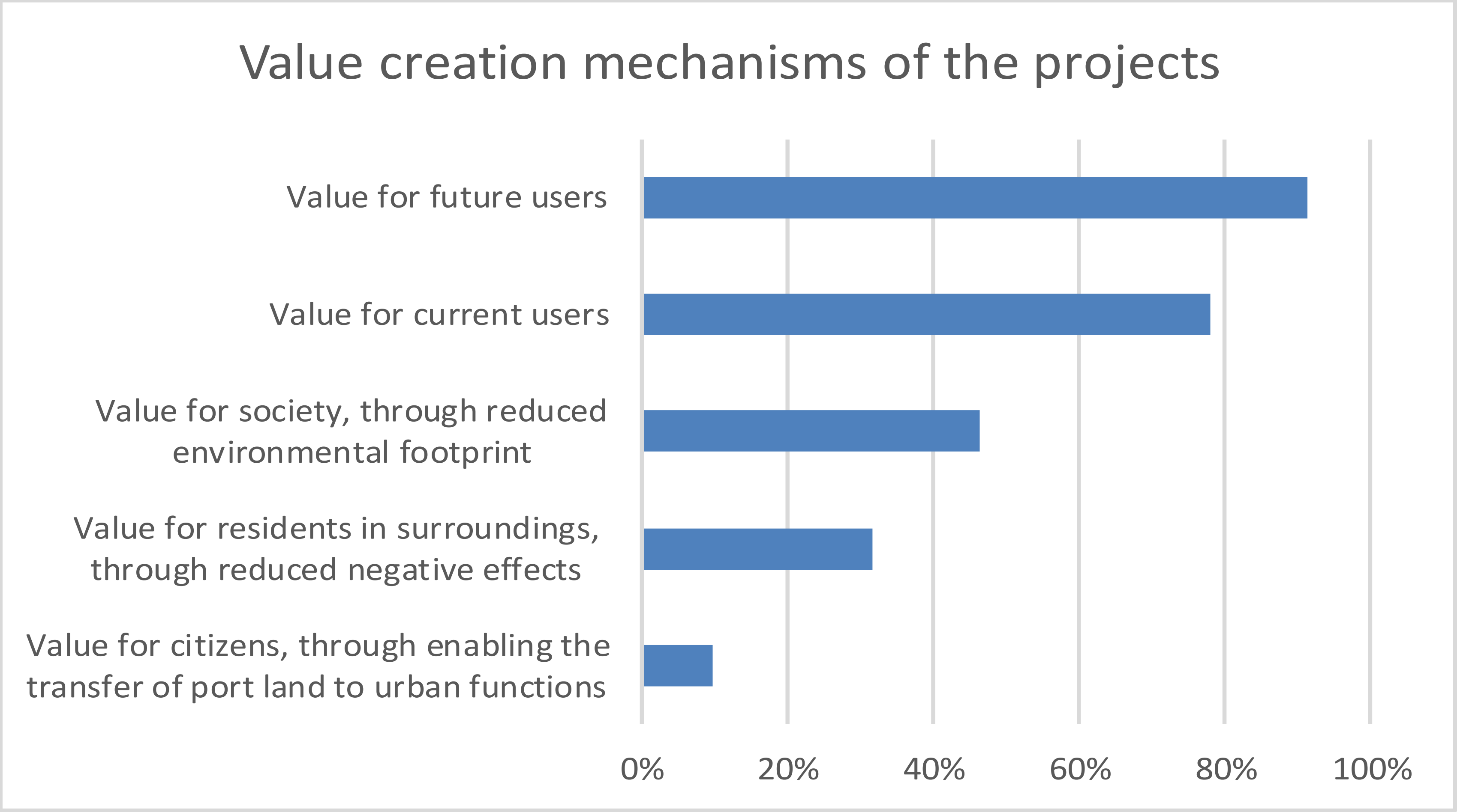
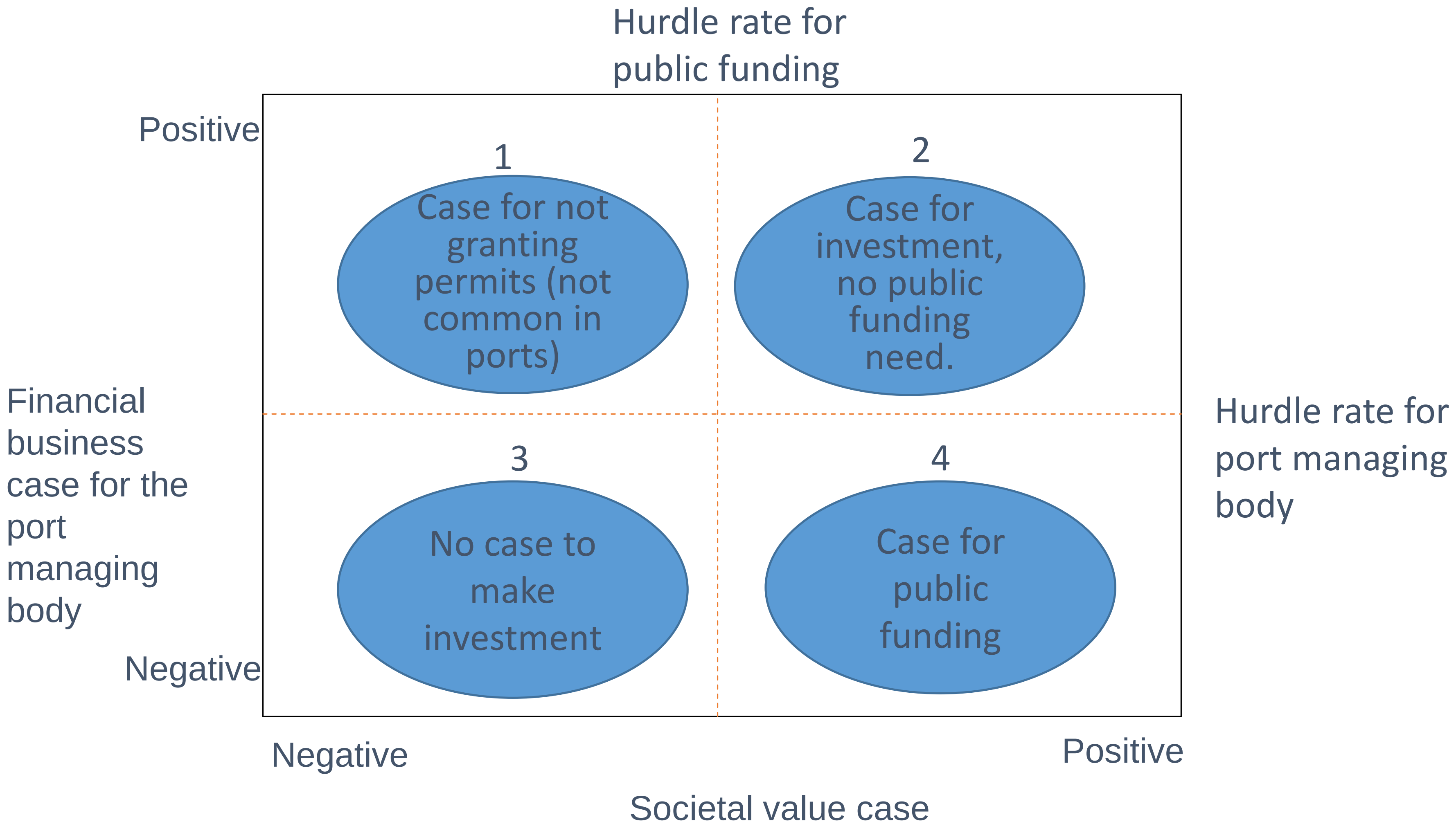


- The vast majority of all projects creates value for future users
- 80% of projects creates value for current users
- 50% of projects reduces the environmental footprint
- Smaller fractions of projects create value for nearby residents or for residents of port cities

The societal value creation calls for public funding



- Business case for the port managing body may be negative, while the 'value case' for society is positive.
- For such types of investments (type 2 projects in the figure below), port managing bodies are faced with a funding gap.

The funding challenge: bridging the funding gap

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- The best method to bridge the funding gap is an EU wide competitive funding mechanism for port managing bodies, as this prevents major distortions of the playing field and places investment *initiative* as well as a healthy part of the *risks* with the port managing body.
- The case for public funding of port infrastructure is the development of EU funding and financing instruments (CEF, EFSI, EIB).
- Between 2014 and 2017, ports have requested 2,5 €billion, and were granted 860 €million (35%) The 860 €million represents 4% of the EU funding between 2014 and 2017.
- The development of port managing bodies towards autonomous, commercially operating and self-financing organisations, enables a greater use of blended financing instruments. This reduces the risks associated with providing grants alone, such as overly optimistic demand & impact forecasts.
- Nevertheless, grants remain a key element in securing that investments that create value for society can be made.

Towards better grant allocation mechanisms

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- A substantial part of the societal value creation of port infrastructure investments is relevant at the EU level. This includes effects of investments on EU regional convergence, positive environmental effects (incl CO2 reduction) commitments, increased energy independence, effects at the European scale (incl. EU CO2 commitments) and improved international EU relations (e.g. the Neighbourhood Policy).
- The European value creation is not dependent on or related to 'cross border' infrastructure. While 'cross border' criteria are relevant for the *links* in the EU network, that applies much less to the *nodes*, such as ports.
- More in general, more clarity on the approach and methods of measuring EU added value is a step forward.
- Finally, ports would benefit from a more balanced distribution of available resources over time, transparency regarding the final selection of projects by the committee of DG MOVE and INEA and more flexibility to modify proposals after funding has been granted.