

## 2. Summary (English)

The Project Rail Ghent-Terneuzen (RGT) aims to improve the cross-border freight rail infrastructure in the port area of North Sea Port. The project is part of the North Sea – Mediterranean Sea, Rhine – Alps, and North Sea – Baltic Sea corridors. This study 11 is the final part of a study programme started in 2013 to assess the feasibility of the project.

This study 11 explores the opportunities and options regarding grant and loan financing from the European Union and the European Investment Bank (EIB).

### EU grants

The main European grant programme for the cofinancing of transport infrastructure is the Connecting Europe Facility (CEF). The CEF programme fits RGT perfectly as it aims at developing and improving cross border infrastructure corridors in Europe.

The current CEF programme ends in 2020. The RGT project will aim for the 2021-2027 CEF Programme. At the moment a proposal for a regulation for the establishment of the 2021-2027 CEF Programme has been submitted to the European Parliament and the European Council. The RGT project is explicitly mentioned in the list of cross-border links eligible for financial support appended to this regulation.

We highlight a number of key aspects of the CEF Programme in the following table:

<b>Applicant</b>	Anyone, but with government support from relevant jurisdictions
<b>Key conditions</b>	<ul style="list-style-type: none"> <li>• Project must be part of TEN-T network</li> <li>• Regular calls for proposals (several calls each year)</li> <li>• Selection of proposals on the basis of selection criteria</li> </ul>
<b>Maximum contribution</b>	50% of project costs for cross-border links (increased to 55% for projects with cross border coordination)

The program documents of the 2021-2027 CEF Programme have not yet been issued. But on the basis of the text of the draft regulation one may expect that the selection and award process similar to that of the current programme.

The process to apply for the subsidy and secure the funds will typically follow the steps as per the table below:

Step	By whom	Timeline
Call for Projects	European Commission	Typically once or twice a year
Submit application (deadline)	Applicant	3-4 months (deadline) after call

Step	By whom	Timeline
Evaluation	European Commission & advisers	3-4 months after deadline for applications
Signing of grant agreement	European Commission	4-5 months after deadline for applications
Start of works	Applicant	Defined in call documents Typically 6 months after deadline for applications
End of works	Applicant	Defined in call documents Typically max. 3 years after deadline for applications

Formal evaluation criteria are:

5. Relevance of project to objectives of the call
6. Project maturity (readiness to start works shortly after the approval of the grant)
7. Impact (social cost/benefit)
8. Quality of project file

CEF applications for transport projects can only be submitted with the explicit agreement of the member states of the applicants. We also note that strong support from the relevant (national) governments seems to help in effectively securing the CEF subsidies for a project.

### EIB financing

Financing with the EIB in principle is no different from financing with regular infrastructure project lender like banks. The EIB is at times able to provide more competitive financial terms and has some specific requirements in the structure of the project and loan documentation.

The EIB provides 3 key financing products that may be relevant:

4. Loan to government entity
5. Loan to private entity (project Special Purpose Vehicle)
6. Guarantees of loans to the project SPV

Given the relatively low risk profile and small size of the RGT Project, the third option, guarantees of loans, is unlikely to be used. We provide an overview of the key aspects of the direct loans:

Aspect	Public Loan	Private Loan
<b>Borrower</b>	A government	Project company (SPV)
<b>Eligibility</b>	RGT should qualify	RGT should qualify
<b>Cap on loan size</b>	50% of Project Costs	The lower of: <ul style="list-style-type: none"> <li>• 50% of eligible project costs</li> <li>• 50% of SPV senior debt</li> </ul>
<b>Floor on loan size</b>	25 Million EUR	25 Million EUR
<b>Indicative interest rate</b>	French Benchmark Bonds + ~15 bps	EURIBOR IRS + Liquidity Spread + Margin (all-in 1-2% per annum)
<b>Tenor</b>	20 – 30 Years	20 – 30 Years
<b>Security</b>	Guarantee by government	Project Finance Securities (project rights and contracts)

For the public loan we note:

- The subprojects A1 and A3 are too small – stand – alone – to attract EIB finance
- The very competitive EIB cost of funding is matched by sovereign loans to The Netherlands and nearly matched by sovereign loans to Belgium. As such EIB funding is not considered more attractive commercially than regular sovereign debt and therefore not applied as much in The Netherlands and Belgium as in European jurisdictions with less favourable sovereign debt conditions.
- In case the project documentation (project plan, social cost benefit analysis, licenses, EIA etc) is ready, the period between application and signing the loan is about 4-6 months.

For the private loan we note:

- The loan size for the private loan is typically a bit smaller as 50% of senior debt is less than 50% of project costs.
- When the financial markets are liquid and the infrastructure project to be financed has a relatively low risk profile (like RGT), we find that EIB struggles to compete with the banking market and provides loans in only about half of the projects submitted to it (in the Benelux).

- Private project finance loans have a substantially higher risk profile than public loans (even for relatively low risk projects). As a result, the project due diligence is extensive and the timeline for the EIB private loan is about a year longer than for a public loan. This is for a large part caused by the fact that the loans are applied for by the bidder(s) during the tender procedure, adding to the length and complexity of the tender process.