



EUROPEAN PARLIAMENT

2009 - 2014

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*Committee on Industry, Research and Energy*

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**2011/0301(COD)**

27.3.2012

## **OPINION**

of the Committee on Industry, Research and Energy

for the Committee on Budgets

on the proposal for a regulation of the European Parliament and of the Council amending Decision No 1639/2006/EC establishing a Competitiveness and Innovation Framework Programme (2007-2013) and Regulation (EC) No 680/2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks (COM(2011)0659 – C7-0372/2011 – 2011/0301(COD))

Rapporteur: Werner Langen

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## SHORT JUSTIFICATION

The Europe 2020 Project Bond Initiative is to be launched as a pilot phase in 2012-2013 to step up private sector participation in financing infrastructure measures in the areas of transport, energy and ICT/broadband networks. At present, EU countries spend between 0.5% and 2% of GDP on infrastructure investments<sup>1</sup>. In future, private investors are to be involved through public-private partnerships. The Europe 2020 Project Bond Initiative will supplement existing sources of financing.

### General remarks

The financing of project bonds in the pilot phase 2012-2013 will be guaranteed and capped through the redeployment of existing budget lines 06 03 03 TEN Transport (up to EUR 200 m), 32 03 02 TEN Energy (up to EUR 10 m for TEN-E projects) and 09 03 01 CIP (up to EUR 20 m for ICT and broadband projects).

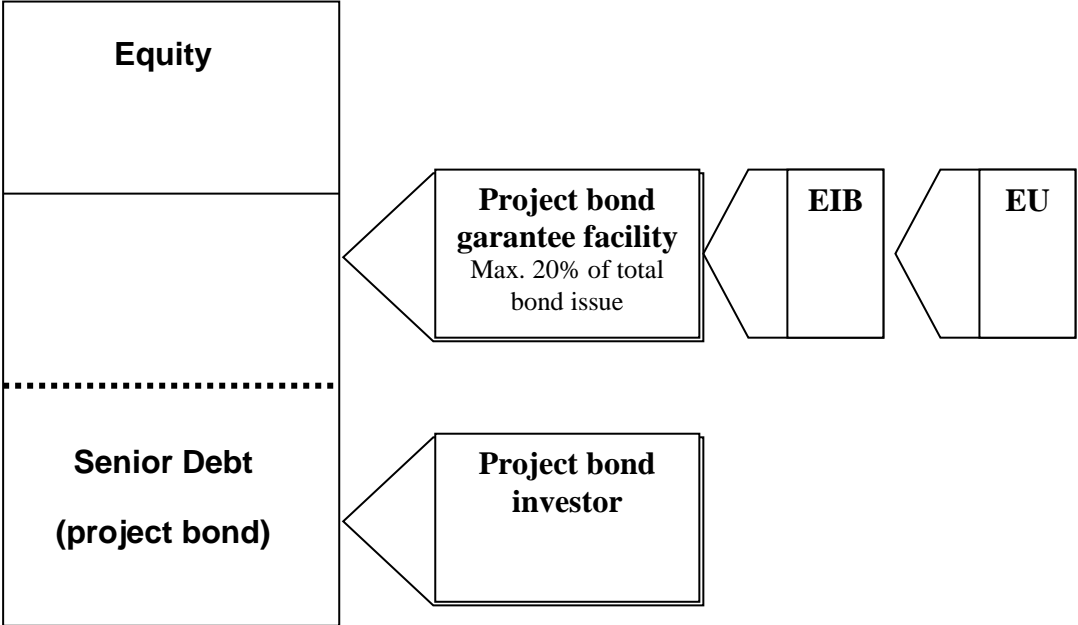
The selection of between five and 14 different projects will be made by the EIB, on the basis of the TEN and CIP guidelines. Market distortions and quasi-subsidies are to be avoided. The purpose of the pilot phase is to test the market and assess implementation. Initial reports from the EIB to the Commission and the European Parliament on the experience gained with the implementation and market acceptance of project bonds will therefore play an important role. The EIB has an obligation to report to the Commission under the Interinstitutional Agreement. The Commission must forward these annual reports to the Council and European Parliament. The use of funds amounting to a maximum of EUR 230 m may act as a catalyst for the implementation of infrastructure measures and have a multiplier effect of around EUR 15-20 for each euro invested from the EU budget.

However, the EIB must ensure that financing is in fact provided only for those projects which are genuinely in need of funding. It must therefore select projects which are not commercially viable on their own and which consequently require financing to enable them to be implemented. In this light, some criticism might be made of the fact that, in the pilot phase, co-financing in the form of project bonds is to be provided only for projects that have been completed but require refinancing, or for projects on which work is about to start, since considerable financial planning will already have been in place for these projects before the Project Bond Initiative comes into force.

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<sup>1</sup> EIB Papers Volume 13/1 (2008)

The way in which project bonds operate is illustrated in the following diagram:



## AMENDMENTS

The Committee on Industry, Research and Energy calls on the Committee on Budgets, as the committee responsible, to incorporate the following amendments in its report:

### Amendment 1

#### Proposal for a regulation – amending act Recital 10

*Text proposed by the Commission*

(10) The Union support should mitigate the risk inherent in project bonds to the extent that capital market participants are willing to invest in a larger volume infrastructure project bonds than would be possible without Union support.

*Amendment*

(10) The Union support should mitigate the risk inherent in project bonds to the extent that capital market participants are willing to invest in a larger volume infrastructure project bonds than would be possible without Union support. ***Project bonds should be extended to innovation and demonstration projects as well.***

### Amendment 2

#### Proposal for a regulation – amending act Recital 11

*Text proposed by the Commission*

(11) Europe's economic recovery should not be compromised by growing transport congestion, missing energy links and a slowing down of broadband penetration due to infrastructure projects' difficulties in gaining access to long-term private finance or public funding.

*Amendment*

(11) Europe's economic recovery should not be compromised by growing transport congestion, missing energy links, ***outdated energy systems, deficiency in energy supply*** and a slowing down of broadband penetration, ***incapacitation of telecommunication services*** due to infrastructure projects' difficulties in gaining access to long-term private finance or public funding. ***The Project Bonds Initiative in the framework of the EU 2020 partnership agreement shall provide a clear eligibility framework subject to enhanced democratic scrutiny as a proper means for achieving sustainable and countercyclical investments programmes***

*consistent with EU social, climate and environmental objectives, while playing a catalytic role aiming at attracting private capital for long-term project.*

### Amendment 3

#### Proposal for a regulation – amending act Recital 12

*Text proposed by the Commission*

(12) The reassessment of infrastructure investment programmes by Member States in the context of their fiscal austerity and structural reforms will not facilitate the required acceleration of the pace of infrastructure investment. In addition, long-term bank lending for infrastructure projects continues to be insufficient and expensive, calling for alternative and competitive sources of debt financing.

*Amendment*

(12) The reassessment of infrastructure investment programmes by Member States in the context of their fiscal austerity and structural reforms will not facilitate the required acceleration of the pace of infrastructure investment *needed to meet the policy objectives of the Europe 2020 strategy, in particular a shift towards a resource-efficient, low-carbon economy to achieve sustainable growth, as laid down in the Europe 2020 resource efficiency flagship initiative*. In addition, long-term bank lending for infrastructure projects continues to be insufficient and expensive, calling for alternative and competitive sources of debt financing.

### Amendment 4

#### Proposal for a regulation – amending act Recital 14

*Text proposed by the Commission*

(14) Therefore, a pilot phase for the Europe 2020 Project Bond Initiative should be launched during the current financial framework in order to *develop debt capital market financing in the area of infrastructure more generally and to extend the range of* financial instruments *currently available for transport projects*.

*Amendment*

(14) Therefore, a pilot phase for the Europe 2020 Project Bond Initiative should be launched during the current financial framework in order to *ascertain whether and to what extent such risk-sharing* financial instruments *offer additional benefits in the area of infrastructure financing*.

## Amendment 5

### Proposal for a regulation -- amending act Recital 14 a (new)

*Text proposed by the Commission*

*Amendment*

***(14a) Nonetheless, it should be borne in mind that project securities can only supplement existing financing models and cannot entirely replace them.***

## Amendment 6

### Proposal for a regulation – amending act Recital 15

*Text proposed by the Commission*

*Amendment*

(15) In order to implement the pilot phase of the Europe 2020 Project Bond Initiative, Decision No 1639/2006/EC and Regulation (EC) No 680/2007 should be amended. This pilot phase aims to support infrastructure projects with commercial potential in the transport, energy and ICT sectors, ***while after 2013 the initiative may be extended to other sectors.***

(15) In order to implement the pilot phase of the Europe 2020 Project Bond Initiative, Decision No 1639/2006/EC and Regulation (EC) No 680/2007 should be amended. This pilot phase aims to support infrastructure projects with commercial potential in the transport, energy and ICT sectors.

## Amendment 7

### Proposal for a regulation – amending act Recital 16

*Text proposed by the Commission*

*Amendment*

(16) In light of the EIB's long-standing expertise and as the major financier of infrastructure projects and given its nature as the EU financial body established by the Treaty, the Commission should involve the EIB in the implementation of this pilot phase. The specific terms and conditions of the co-operation including risk-sharing and remuneration of the EIB, should be laid down in an agreement between the

(16) In light of the EIB's long-standing expertise and as the major financier of infrastructure projects and given its nature as the EU financial body established by the Treaty, the Commission should involve the EIB in the implementation of this pilot phase. ***The EIB should also be increasingly used for innovation projects.*** The specific terms and conditions of the co-operation including risk-sharing and

Commission and the EIB.

remuneration of the EIB, should be laid down in an agreement between the Commission and the EIB *and the rules on the introduction of the loan guarantee instrument laid down in Article 6(1)(d) and the annex to Regulation (EC) No 680/2007 of the European Parliament and of the Council of 20 June 2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks*<sup>1</sup>. The Commission should inform the European Parliament and the Council of the wording of the agreement without delay.

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<sup>1</sup> OJ L 162, 22.6.2007, p. 1.

## Amendment 8

### Proposal for a regulation – amending act Recital 17

#### *Text proposed by the Commission*

(17) The pilot phase of the Europe 2020 Project Bond Initiative should be launched *in preparation of the proposed Connecting Europe Facility. This pilot phase will help to pave the way for the risk-sharing financial instrument under the Connecting Europe Facility.*

#### *Amendment*

(17) The pilot phase of the Europe 2020 Project Bond Initiative *is without prejudice to the decision about the Union's Multiannual Financial Framework (MFF) after 2013 and, in particular, the Commission proposal for the establishment of the Connecting Europe Facility (CEF). The pilot phase should therefore be launched to test whether this risk-sharing financial instrument can offer an added value to be implemented under the proposed Connecting Europe Facility. The decision about the continuation of the Europe 2020 Project Bond Initiative after the end of the pilot phase will only be taken after an independent evaluation of the pilot phase has taken place. The Commission should provide for an exit from the initiative if the predicted market uptake is not satisfactory or when sufficient alternative sources of long-term*



*debt financing become available.*

## **Amendment 9**

### **Proposal for a regulation -- amending act Recital 18**

*Text proposed by the Commission*

(18) The application for support, selection and implementation of all projects *shall* be subject to Union law, in particular with regard to state aid and shall seek to avoid creating or adding to market distortions.

*Amendment*

(18) The application for support, selection and implementation of all projects *should be made on equal conditions for all projects and* be subject to Union law, in particular with regard to state aid and shall seek to avoid creating or adding to market distortions.

## **Amendment 10**

### **Proposal for a regulation -- amending act Recital 20**

*Text proposed by the Commission*

(20) Budgetary funds should be requested by the EIB on the basis of a range of projects, which the EIB would deem suitable and likely to be realised. Any such requests should be made prior to 31 December 2013. Due to the complexity of large infrastructure projects, the actual approval might take place at a later date, but no later than 31 December 2014.

*Amendment*

(20) Budgetary funds should be requested by the EIB on the basis of a range of projects, which the EIB would deem suitable, *in line with the Union's long term policy objectives* and likely to be realised. Any such requests should be made prior to 31 December 2013. Due to the complexity of large infrastructure projects, the actual approval might take place at a later date, but no later than 31 December 2014.

## **Amendment 11**

### **Proposal for a regulation – amending act Article 1 - point 2 - point a Decision No 1639/2006/EC Article 31 - paragraph 2 - subparagraph 3**

*Text proposed by the Commission*

Alternatively, the Union may make a financial contribution to the EIB to the

*Amendment*

Alternatively, the Union may make a financial contribution to the EIB *during*

provisioning and capital allocation for loans or guarantees to be issued by the EIB on its own resources under the risk-sharing instrument for project bonds referred to in paragraphs 2a to 2d.

*the pilot phase in 2012 and 2013* to the provisioning and capital allocation for loans or guarantees to be issued by the EIB on its own resources under the risk-sharing instrument for project bonds referred to in paragraphs 2a to 2d."

## **Amendment 12**

**Proposal for a regulation – amending act**  
**Article 1 – paragraph 1 – point 2 – point (b)**  
**Decision No 1639/2006/EC**  
**Article 31 – paragraph 2a**

*Text proposed by the Commission*

*Amendment*

2a. takes the form of a loan or a guarantee granted by the EIB in favour of financing provided to projects in the field of ICT and broadband;

2a. takes the form of a loan or a guarantee granted by the EIB in favour of financing provided to projects *of common European interest* in the field of ICT and broadband;

*Justification*

*For subsidiarity reasons only projects of common interest should be covered.*

## **Amendment 13**

**Proposal for a regulation – amending act**  
**Article 1 - point 2 - point b**  
Decision No 1639/2006/EC  
Article 31 - paragraph 2a - point c a (new)

*Text proposed by the Commission*

*Amendment*

*(ca) is used to support investments which do not receive adequate financing from the market;*

## **Amendment 14**

**Proposal for a regulation – amending act**  
**Article 1 - point 2 - point b**  
Decision No 1639/2006/EC  
Article 31 - paragraph 2a - point c b (new)

*Text proposed by the Commission*

*Amendment*

*(cb) is complementary to financing by*

*Member States or private investors;*

#### **Amendment 15**

**Proposal for a regulation – amending act**

**Article 1 - point 2 - point b**

Decision No 1639/2006/EC

Article 31 - paragraph 2a - point c c (new)

*Text proposed by the Commission*

*Amendment*

*(cc) does not distort competition in the internal market;*

#### **Amendment 16**

**Proposal for a regulation – amending act**

**Article 1 - point 2 - point b**

Decision No 1639/2006/EC

Article 31 - paragraph 2a - point c d (new)

*Text proposed by the Commission*

*Amendment*

*(cd) is used only for projects which generate added value for the Union, which means that projects should be implemented at European level only where this is justified by the scope and effects of the project's implementation, and the objectives of the project can be better achieved at Union level than at national level.*

#### **Amendment 17**

**Proposal for a regulation – amending act**

**Article 1 - point 2 - point b**

Decision No 1639/2006/EC

Article 31 - paragraph 2b

*Text proposed by the Commission*

*Amendment*

2b. The Union exposure to the risk sharing instrument for project bonds, including management fees and other eligible costs,

2b. The Union exposure to the risk sharing instrument for project bonds, including management fees and other eligible costs,

shall be strictly limited to the amount of the Union contribution to the risk-sharing instrument for project bonds and there shall be no further liability on the general budget of the Union. The residual risk inherent in all operations shall be borne by the EIB.

shall be strictly limited to the amount of the Union contribution to the risk-sharing instrument for project bonds and there shall be no further liability on the general budget of the Union. The residual risk inherent in all operations shall be borne by the EIB.

***The precise definition of the rules shall be laid down in accordance with the rules on the introduction of the loan guarantee instrument laid down in Article 6(1)(d) and the annex of Regulation (EC) No 680/2007.***

***The Commission shall inform the European Parliament and the Council of the wording of the agreement referred to in the first subparagraph without delay.***

## **Amendment 18**

### **Proposal for a regulation – amending act**

#### **Article 1 - point 2 - point b**

Decision No 1639/2006/EC

Article 31 - paragraph 2c

#### *Text proposed by the Commission*

2c. The detailed terms and conditions for implementing the risk-sharing instrument for project bonds, including its monitoring and control, shall be laid down in a delegation agreement between the Commission and the EIB.

#### *Amendment*

2c. The detailed terms and conditions for implementing the risk-sharing instrument for project bonds, including its monitoring and control, shall be laid down in a delegation agreement between the Commission and the EIB ***and disclosed to the European Parliament and the Council . Risk assessment by the EIB shall be guaranteed in accordance with the Banking Directives.***

## **Amendment 19**

### **Proposal for a regulation – amending act**

#### **Article 1 – point 2 – point b**

Decision No 1639/2006/EC

Article 31 – paragraph 2d a (new)

**2da (new) The Commission shall, in coordination with the EIB, submit annual reports to the European Parliament containing a breakdown by project of the utilisation of the amounts referred to in paragraph 2d. The report shall also contain information regarding the performance of the risk-sharing instrument for project bonds and recommendations regarding ways of enhancing its effectiveness. By the end of the pilot phase a consultation of directly involved stakeholders shall be undertaken.**

Amendment 20

**Proposal for a regulation – amending act**

**Article 2 - point 1**

Regulation (EC) No 680/2007

Article 2 - point 14 - introductory part

*Text proposed by the Commission*

14. 'risk-sharing instrument for project bonds' means a credit enhancement provided to projects of common interest. The risk-sharing instrument for project bonds covers the debt service risk of a project and mitigates the credit-risk of bond holders. It is used only **for projects whose financial viability is based on project revenues.**

*Amendment*

14. 'risk-sharing instrument for project bonds' means a credit enhancement provided to projects of common interest. The risk-sharing instrument for project bonds covers the debt service risk of a project and mitigates the credit-risk of bond holders. It is used only:

**Amendment 21**

**Proposal for a regulation – amending act**

**Article 2 - point 1**

Regulation (EC) No 680/2007

Article 2 - point 14 - point a (new)

*Text proposed by the Commission*

*Amendment*

**(a) for projects whose financial viability is based on project revenues;**

## **Amendment 22**

### **Proposal for a regulation – amending act**

#### **Article 2 - point 1**

Regulation (EC) No 680/2007

Article 2 - point 14 - point b (new)

*Text proposed by the Commission*

*Amendment*

***(b) to support investments which do not receive adequate financing from the market;***

## **Amendment 23**

### **Proposal for a regulation – amending act**

#### **Article 2 - point 1**

Regulation (EC) No 680/2007

Article 2 - point 14 - point c (new)

*Text proposed by the Commission*

*Amendment*

***(c) as a complementary tool to financing by Member States or private investors;***

## **Amendment 24**

### **Proposal for a regulation – amending act**

#### **Article 2 - point 1**

Regulation (EC) No 680/2007

Article 2 - point 14 - point d (new)

*Text proposed by the Commission*

*Amendment*

***(d) without distorting competition in the internal market;***

## **Amendment 25**

### **Proposal for a regulation – amending act**

#### **Article 2 - point 1**

Regulation (EC) No 680/2007

Article 2 - point 14 - point e (new)

*Text proposed by the Commission*

*Amendment*

*(e) for projects which generate added value for the Union, which means that projects should be implemented at European level only where this is justified by the scope and effects of the project's implementation and the objectives of the project can be better achieved at Union level than at national level;*

## **Amendment 26**

**Proposal for a regulation – amending act**

**Article 2 - point 1**

Regulation (EC) No 680/2007

Article 2 - point 15

*Text proposed by the Commission*

*Amendment*

*15. 'Credit enhancement' means the use of an EIB loan or an EIB guarantee to improve the credit quality of the project debt.*

*deleted*

## **Amendment 27**

**Proposal for a regulation – amending act**

**Article 2 - point 3 - point b**

Regulation (EC) No 680/2007

Article 6 - paragraph 1 - point g

*Text proposed by the Commission*

*Amendment*

(g) a financial contribution to the EIB to the provisioning and capital allocation for loans or guarantees to be issued by the EIB on its own resources under the risk-sharing instrument for project bonds in the field of TEN-T and TEN-E. The Union exposure to the risk sharing instrument, including management fees and other eligible costs, shall be strictly limited to the amount of the Union contribution to the risk-sharing instrument for project bonds and there shall

(g) a financial contribution to the EIB to the provisioning and capital allocation for loans or guarantees to be issued by the EIB on its own resources under the risk-sharing instrument for project bonds in the field of TEN-T and TEN-E. The Union exposure to the risk sharing instrument, including management fees and other eligible costs, shall be strictly limited to the amount of the Union contribution to the risk-sharing instrument for project bonds and there shall

be no further liability on the general budget of the Union. The residual risk inherent in all operations shall be borne by the EIB. The detailed terms and conditions for implementing the risk-sharing instrument for project bonds, including its monitoring and control, shall be laid down in a delegation agreement between the Commission and the EIB. In 2012 and 2013, an amount of up to EUR 210 million, of which up to EUR 200 million for transport projects and up to EUR 10 million for energy projects, may be redeployed for the risk-sharing instrument for project bonds in accordance with the procedure referred to in Article 15(2) from the TEN-T (LGTT) and TEN-E budget lines, respectively. The risk-sharing instrument for project bonds may reuse any revenues received within the investment period for new loans and guarantees.

be no further liability on the general budget of the Union. The residual risk inherent in all operations shall be borne by the EIB. The detailed terms and conditions for implementing the risk-sharing instrument for project bonds, including its monitoring and control, shall be laid down in a delegation agreement between the Commission and the EIB ***and disclosed to the European Parliament and the Council***. In 2012 and 2013, an amount of up to EUR 210 million, of which up to EUR 200 million for transport projects and up to EUR 10 million for energy projects, may be redeployed for the risk-sharing instrument for project bonds in accordance with the procedure referred to in Article 15(2) from the TEN-T (LGTT) and TEN-E budget lines, respectively.

***The precise definition of the rules shall be laid down in accordance with the rules on the introduction of the loan guarantee instrument laid down in Article 6(1)(d) and the annex to Regulation (EC) No 680/2007. The Commission shall inform the European Parliament and the Council of the wording of these rules without delay.***

The risk-sharing instrument for project bonds may reuse any revenues received within the investment period for new loans and guarantees.

## **Amendment 28**

### **Proposal for a regulation – amending act Article 2 a (new)**

*Text proposed by the Commission*

*Amendment*

#### ***Article 2a***

***The Commission shall report to the European Parliament and the Council***



*each year on the implementation reports submitted by the EIB, in accordance with point 49 of the Interinstitutional Agreement of 17 May 2006.*

## PROCEDURE

<b>Title</b>	Amendment of Decision No 1639/2006/EC establishing a Competitiveness and Innovation Framework Programme (2007-2013) and of Regulation (EC) No 680/2007 laying down general rules for the granting of Community financial aid in the field of the trans-European transport and energy networks
<b>References</b>	COM(2011)0659 – C7-0372/2011 – 2011/0301(COD)
<b>Committee responsible</b> Date announced in plenary	BUDG 17.11.2011
<b>Committee(s) asked for opinion(s)</b> Date announced in plenary	ITRE 17.11.2011
<b>Rapporteur(s)</b> Date appointed	Werner Langen 14.12.2011
<b>Discussed in committee</b>	28.2.2012
<b>Date adopted</b>	21.3.2012
<b>Result of final vote</b>	+: 55 -: 0 0: 1
<b>Members present for the final vote</b>	Gabriele Albertini, Josefa Andrés Barea, Jean-Pierre Audy, Zigmantas Balčytis, Jan Březina, Reinhard Bütikofer, Maria Da Graça Carvalho, Giles Chichester, Jürgen Creutzmann, Christian Ehler, Vicky Ford, Gaston Franco, Adam Gierek, Norbert Glante, András Gyürk, Fiona Hall, Jacky Hénin, Romana Jordan, Krišjānis Kariņš, Lena Kolarska-Bobińska, Béla Kovács, Bogdan Kazimierz Marcinkiewicz, Marisa Matias, Judith A. Merkies, Angelika Niebler, Jaroslav Paška, Vittorio Prodi, Miloslav Ransdorf, Herbert Reul, Michèle Rivasi, Jens Rohde, Paul Rübig, Amalia Sartori, Salvador Sedó i Alabart, Francisco Sosa Wagner, Britta Thomsen, Patrizia Toia, Evžen Tošenovský, Ioannis A. Tsoukalas, Claude Turmes, Marita Ulvskog, Vladimir Urutchev, Kathleen Van Brempt, Alejo Vidal-Quadras, Henri Weber
<b>Substitute(s) present for the final vote</b>	António Fernando Correia de Campos, Jolanta Emilia Hibner, Yannick Jadot, Seán Kelly, Bernd Lange, Werner Langen, Alajos Mészáros, Mario Pirillo, Alyn Smith, Hannu Takkula, Silvia-Adriana Ţicău