

Assessing and supporting railways environmental efficiency

ECO SCORING & PPPs

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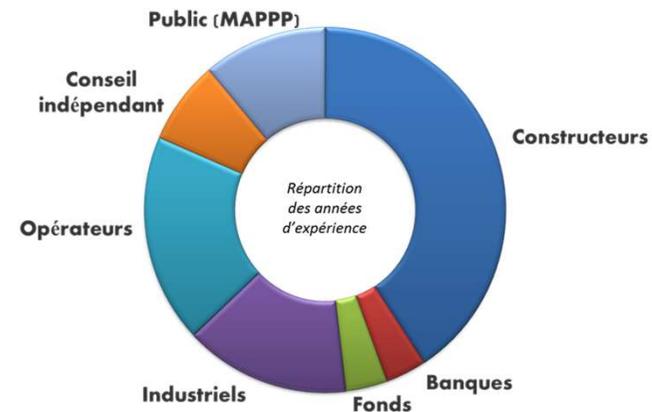
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Introduction

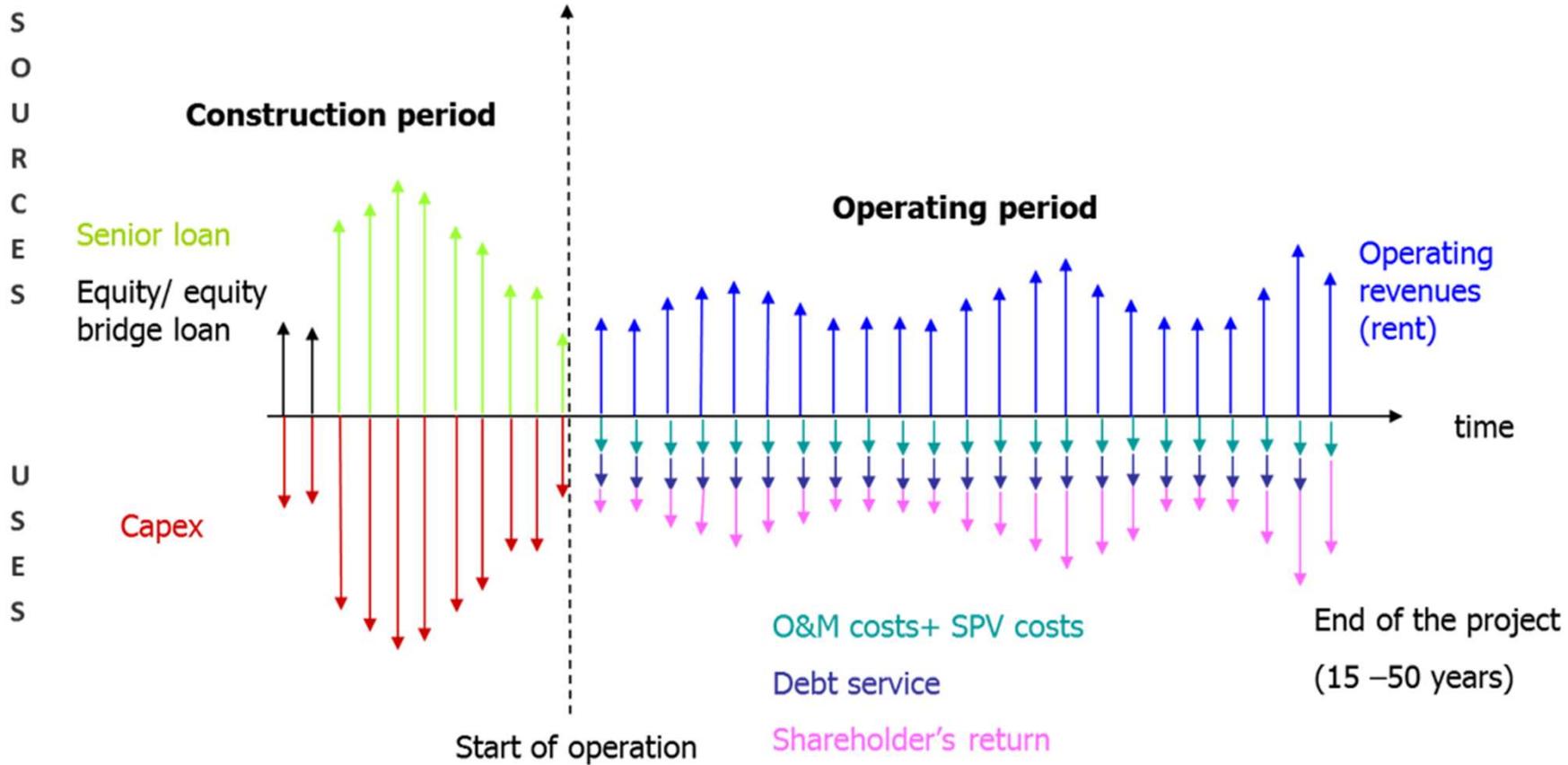
Some history and background.



28 years in PPP : I have seen PPPs evolve from an instrument serving the public and the private sectors to simply manage payment terms and deadlines towards a financial tool for financiers

15bn€ projects in PPP for Railways : I have seen impact on the sector in PPP (higher risks exposures, lower continuity of public services , margins not in coherences with risks). I have seen strength of the sector under evaluated (low default rate , quality of safety , quality of systems ,etc...)

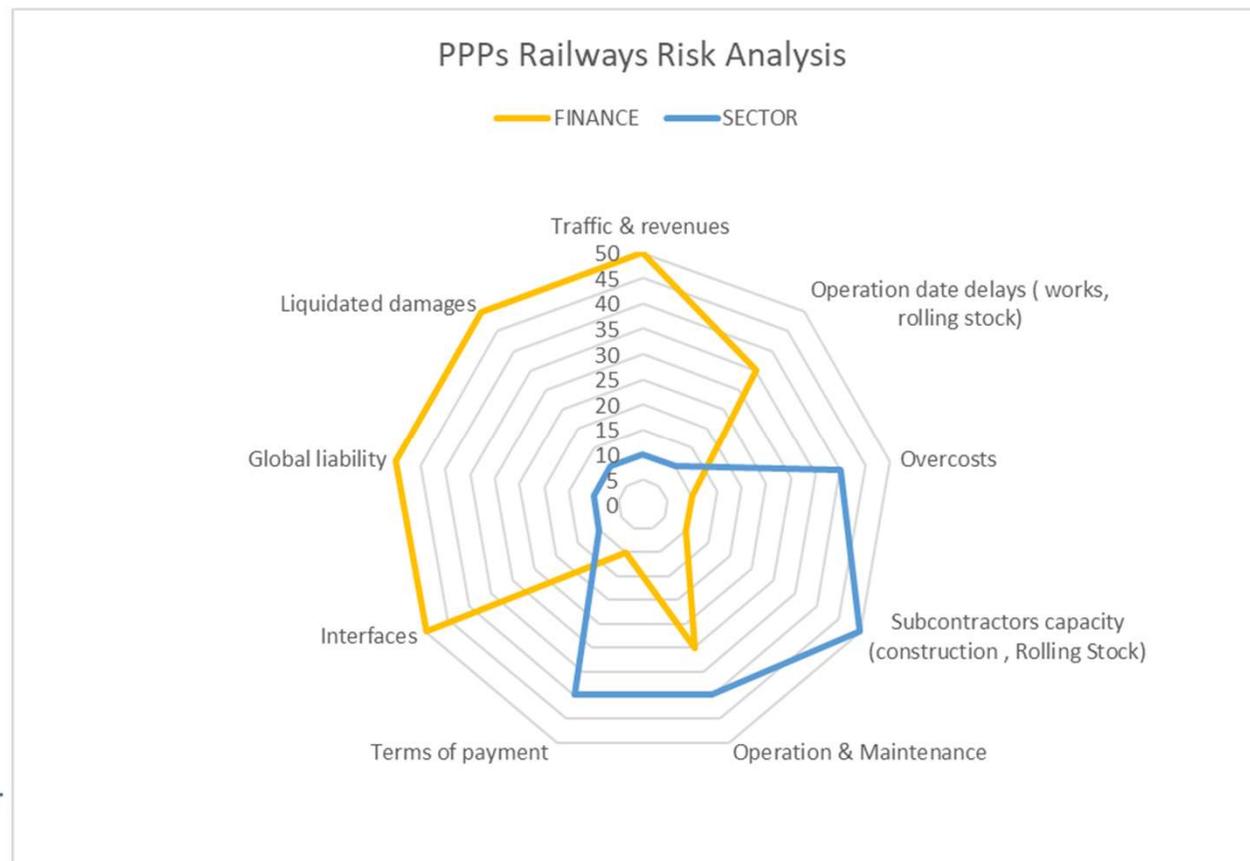
PPP structure reminder



PPPs in Railway today: key items

From the ground :

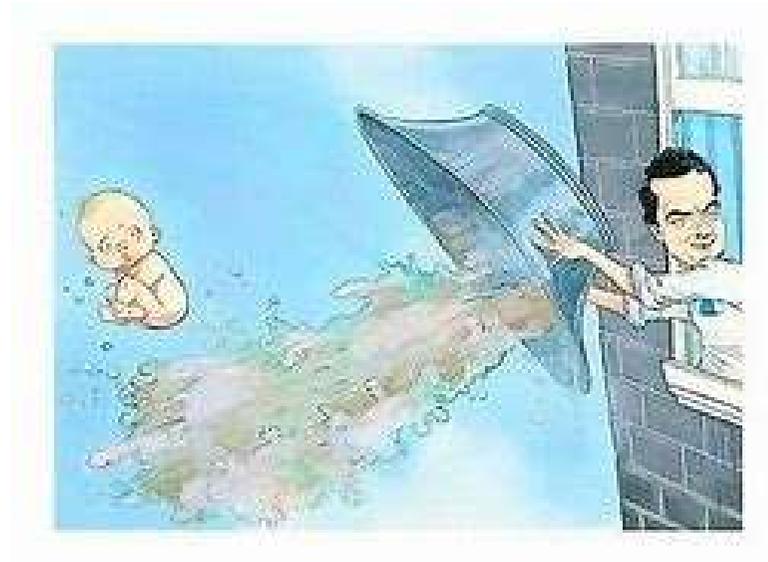
- ❑ FINANCE and SECTOR have different interests in PPPs
- ❑ SECTOR has not as many experts in PPP than FINANCE



What is wrong with PPPs ?

Despite their proven benefit PPPs fail to be promoted :

- TOO COMPLEXE
- TOO EXPENSIVE
- TOO RIGID
- TOO CAPITALISTIC



YET STRONG APPETITE FROM FINANCIERS FOR RAILWAY !!!

Limited financial instruments available

- ❑ Apart from PPP there are limited instruments to get in one contract
 - Access to skills not available in-house
 - Promote innovation through competition
 - Guarantee costs and planning
 - Manage interfaces and contractors risks over longterm period
 - And get immediate access to long term financing in line with products (up to 40 - 50 years)

- ❑ Limited financial instruments to get the best from Sector strength
 - Leasing
 - Corporate financing
 - Green bonds

Be proactive : Going beyond green bonds towards an asset class

Needs & strength of the sector

- Green bonds are becoming very successful and namely for railways
- In terms of benefits the green side of the sector gives access to long term low costs financing because green factor is easily identified and because bonds are tradable on the market.
- Yet green bonds value only part of the strength of the sector and do not bring a global answer to sector needs . Could we create a dedicated asset class for railway ?

NEEDS	STRENGTH	VALUED IN PPP
Downpaiement facility, known Terms of Paiement	Default rate very low	NO
Long term fixed financing	Degratation long term rate very low	NO
Contractual flexibility	High interoperability rate	NO
Technical innovation & evolution	High market size	NO
Limited debt consolidation	Limited key sectors indicators (homologation, safety, duration)	YES
Limited risk exposure	Green products	YES
Public service continuity (incl Safety)	High societal impact factor (jobs, education , growth, know-how)	NO

How would ECO Scoring help in PPPS

- Based on the strength of the sector it would be easy to isolate key criteria in a « financial norm » of the sector – could be derived from ISO 26000 or others existing ones (GRI guidelines G4).
- All Railways actors speaking same language makes it more easy to impose itself to financial market and get the benefit of it .
- ECO Scoring makes it possible to promote strong differentiators for Railway in PPPs financial documents such as
 - Terms of payments in line with sector needs
 - Homologated ad hoc Contractual structure
 - Balanced share of risks

which exists in other sectors (Real Estate , Motorways , etc...)

- ECO Scoring by bringing standards to finance would shorten the PPP time for competition and to operation, and would limit negotiation period and costs

ECO Scoring: stronger together

Conclusion

- Railway sector is not yet enough united to face financial market
- Railway sector would benefit from leading the creation of its own asset class
- Eco scoring can make the link between technical expertise and financial tools
- Eco scoring needs to create a common data base or gather expertise for the benefit of all.



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