



GIE Response to Commission's Public Consultation on the "Europe 2020 Project Bond Initiative"

Introduction

GIE welcomes the proposals from the European Commission in the Communication on "Energy Infrastructure Priorities for 2020-2030 – A Blueprint for integrated European energy network", to develop new European tools aiming to simplify and accelerate permitting process and to give a more stable framework for investment in energy infrastructure through improved cost allocation and optimisation of financing sources. In this regards, GIE also welcomes the EC's public consultation on Project Bonds Initiative for energy infrastructure projects and hereby takes the opportunity to answer to the questions from an energy infrastructure operators' view.

What is GIE?

Gas Infrastructure Europe (GIE) is an association representing the sole interest of the infrastructure industry in the natural gas business such as Transmission System Operators, Storage System Operators and LNG Terminal Operators. GIE has currently 66 members in 26 European countries.

One of the objectives of GIE is to voice the views of its members vis-à-vis the European Commission, the regulators and other stakeholders. Its mission is to actively contribute to the construction of a single, sustainable and competitive gas market in Europe underpinned by a stable and predictable regulatory framework as well as by a sound investment climate.

GIE Answers to the Public Consultation's Questionnaire

Is the chosen mechanism likely to attract private sector institutional investors to the sectors of transport, energy and ICT in particular?

GIE is committed to achieving a well-functioning integrated gas energy market, through the development of infrastructures that will guarantee a robust and well-meshed network. However, when implementing large infrastructure projects, GIE members have experienced difficulties in obtaining enough commitments in the booking of capacities to take final investment decisions. This is postponing the development of energy infrastructure and causing slower market integration.

GIE recalls that a sound investment climate, together with a stable regulatory framework, providing the appropriate incentives for investment, constitutes the prerequisite for the development of new gas infrastructure, and considers that projects bonds should not be treated as a remedy for the lack of investment climate and regulatory framework.

GIE believes that the creation of bond mechanism as described in the consultation paper will diversify sources of financing for energy infrastructure projects. Thus, it may help because it enlarges financing sources by offering tools that might attract private sector institutional investors; however there is also the potential that the project bonds initiative will reduce investment in capital markets



to the detriment of infrastructure investments. Nevertheless, it is difficult for GIE to have a profound opinion on the real interest of these investors in energy infrastructure projects bonds, and at the end on the efficiency of this mechanism.

The bond mechanism appears to be tailored for big import projects which involve the set up of a specific project company. For other energy infrastructure projects and in particular projects increasing interconnection capacity inside the European market, which are usually developed by infrastructure operators on their own without creating any dedicated project company, it is not clear how project bonds could enhance investment opportunities. We believe that the EIB should be looking at ways to help finance all types of infrastructure projects.

In addition, projects bonds are made available for projects respecting eligibility criteria: they must be economically and technically sound and cost-effective and have a real prospect of financial viability. GIE approves of the aim to help the financing of sound projects. However, projects in line with long term energy policy goals such as projects due to security of supply reasons may not respect all these eligibility criteria. This should be taken into account in the project bond programme scheme.

Which impact would the Initiative have on financing costs and on maturities?

GIE would like to recall that ways to ease the financing and the development of energy infrastructure should not be limited to project finance but should take into consideration the need for long term commitments and the importance of a sound investment climate and stable regulatory framework. To enlighten these issues, GIE attaches to this document its answer to the European Commission's DG ENER financing questionnaire (Annex 1).