



**COUNCIL OF
THE EUROPEAN UNION**



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Council approves project bond pilot phase

The Council today¹ adopted a regulation launching the 2012-2013 pilot phase of the EU project bonds initiative aimed at mobilising up to EUR 4.5 billion in private sector financing for key strategic infrastructure projects ([PE-CONS 27/12](#)).

Adoption of the regulation follows an agreement reached with the European Parliament on 22 May; accordingly, the Council accepted all amendments voted by the Parliament at first reading.

Project bonds are private debt issued by the sponsor(s) of a project, either a private company or a special purpose vehicle (SPV) created by one or more companies to finance a specific project. The EU project bonds instrument will provide credit enhancement for projects in order to make it easier for their sponsors to attract private financing.

When raising financing through a project bond, the company or SPV issues senior and subordinated tranches of debt. By creating a subordinated tranche, which takes first losses, the credit standing of the senior debt is enhanced because it carries less risk. This will attract more investors. The European Investment Bank will take up the subordinated debt, whereby funds from the EU budget will be used to cover part of the EIB's risk.

¹ The decision was taken without discussion at a meeting of the Economic and Financial Affairs Council.

P R E S S

The initiative will be entirely financed by the EU budget via redeployment within the envelopes of existing programmes in 2012 and 2013. Under the regulation, up to EUR 200 million in 2012-2013 will be allocated for transport projects, up to EUR 10 million for energy and up to EUR 20 million for ICT and broadband projects.

If successful, the pilot phase will be followed by an operational phase during 2014-2020 under the EU's "Connecting Europe" facility for transport, energy and ICTs. The European Council in June agreed that "provided that the interim report and evaluation of the pilot phase are positive, the volume of such financial instruments could be developed further in all countries in the future, including in support to the Connecting Europe Facility."

