

Linkages between Sustainable Finance and  
Environmental Procedures | Dubrovnik | October 2024  
Session 4. Linkages in Assessments of Transport Projects

# Sustainable financing of major infrastructure programmes

> The Czech HSR case study



# Sustainable and Smart Mobility Strategy

## TRANSPORT SECTOR

- Accounts for **¼ of the EU's GHG emissions** and this figure continues to rise as demand grows
- **Green Deal seeks a 90% reduction** in these emissions by 2050
- **Modal shift needed** to the least carbon-intensive modes of transport
- **Railway** will accelerate the transition towards sustainable mobility
- EU aims to boost long-distance & cross-border passenger rail > **new high-speed railway projects**

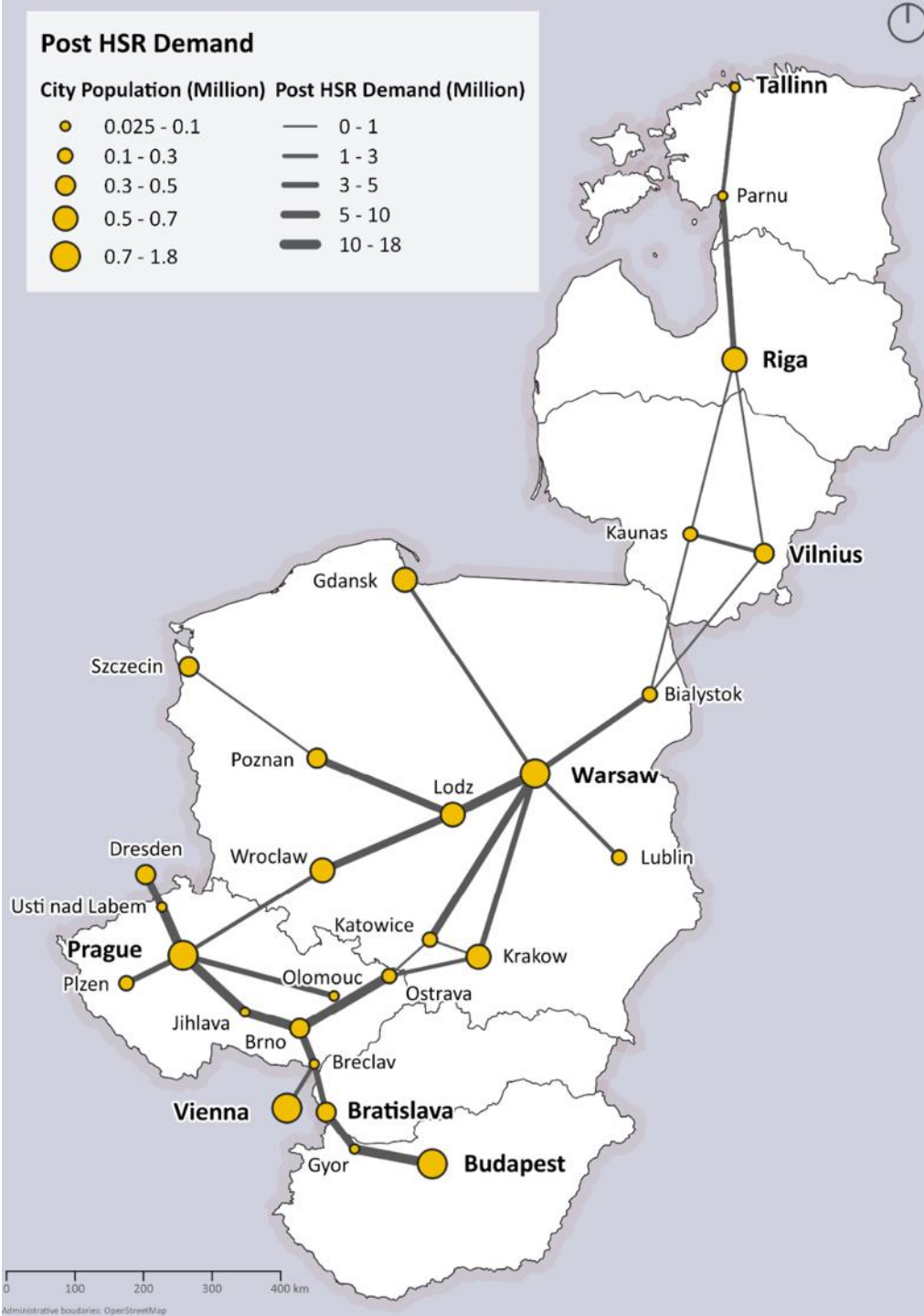
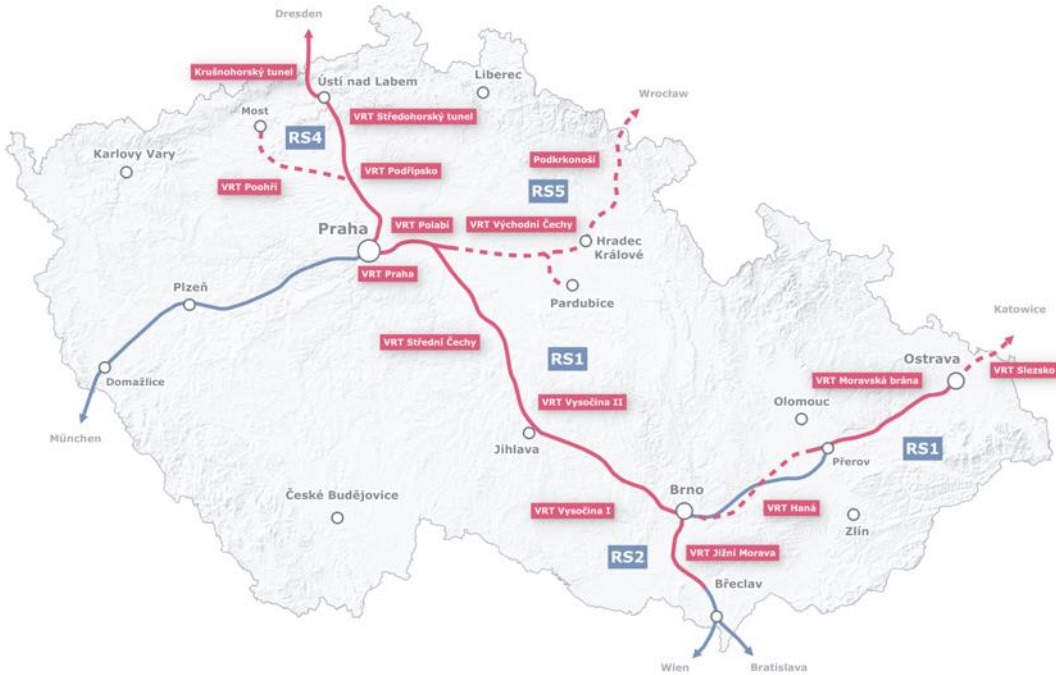
## TRANSPORT PROJECTS

- **Railway** is still perceived to be **relatively “easy”** as it is one of the “greenest” transport modes
- **Infrastructure projects are complex** – each project can also partly incl. road, water, energy infrastructure
- **Long preparation** – difficult permitting & land acquisition > **hard to change design & reopen permitting**
- **High CAPEX needs** – CEE countries seek financing in both **domestic & EURO markets**
- **High delivery risks** – over-budget, delayed, climate risks, LC-cost higher > the **delivery strategy matters**

# High-speed railway plans in CEE

Unprecedented investment programs for the next 15 years

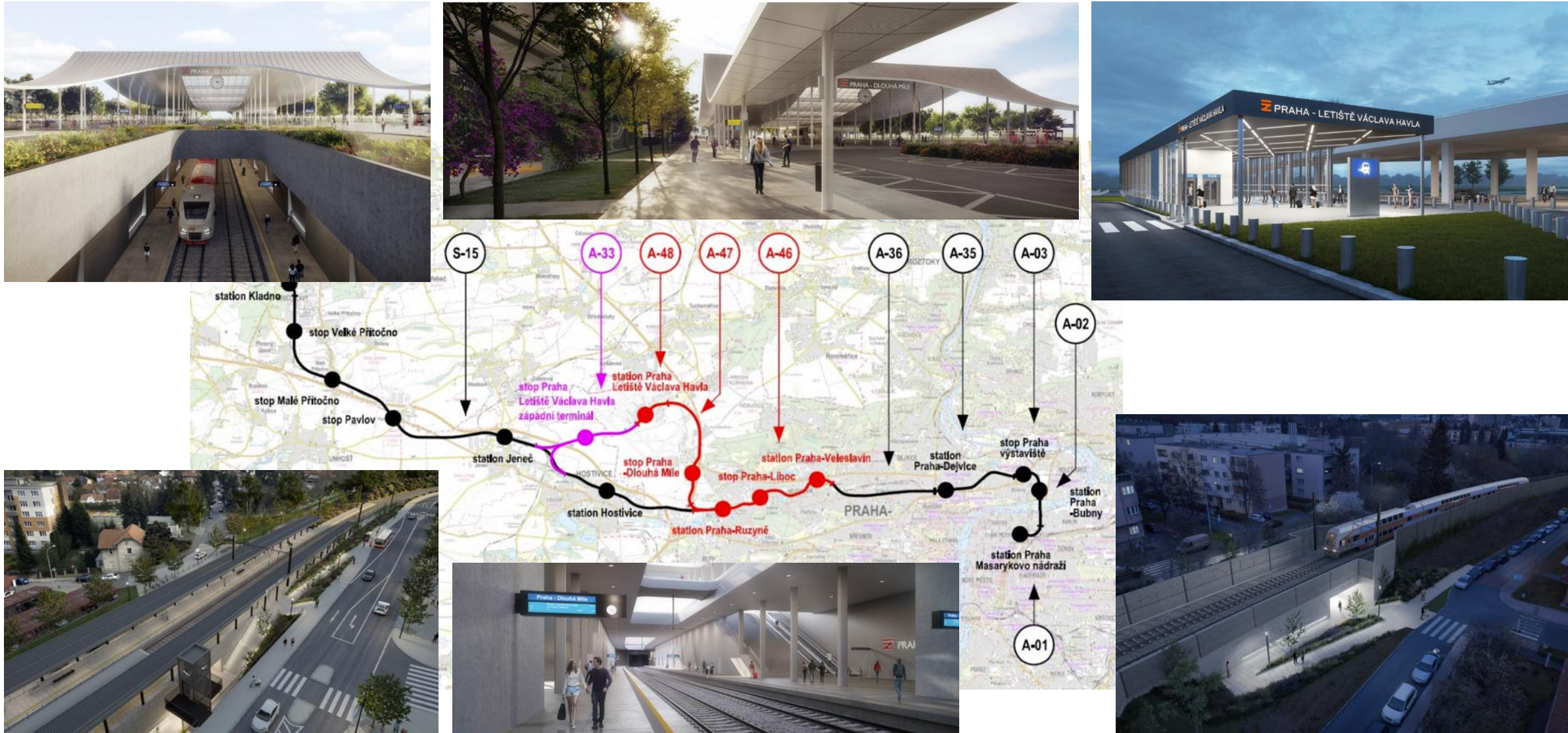
Czech Republic	800 km   €40bn CAPEX
Rail Baltica	870 km
Poland	2 000 km
In CEE Region	3,670 km   €80-150bn CAPEX Est.



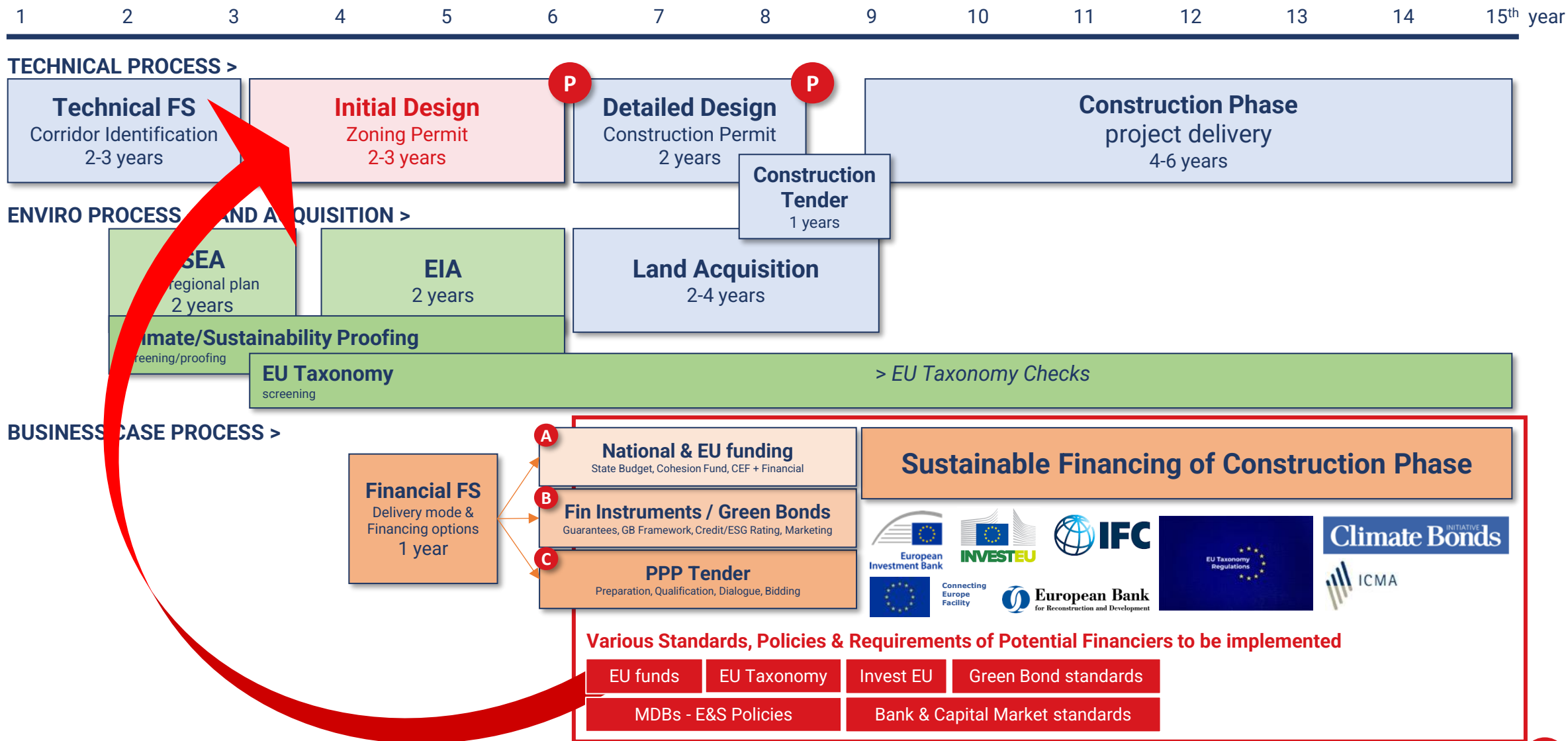


# PRAK: Prague railway link to the Airport & Kladno

Total line: 40 km | Considered PPP project only 10-15 km with €1.2bn CAPEX



# Infrastructure projects takes long-time to deliver



# EU Sustainable Finance Strategy

*Sizable amount of capital is required > the ultimate goal is to **attract private capital***

“The EU Sustainable Finance aims to **support companies and the financial sector** in the transition to a climate-neutral & sustainable economy,  
> **by encouraging private funding** of sustainable projects.”

But private capital is still primarily looking for a **sound business case ...**

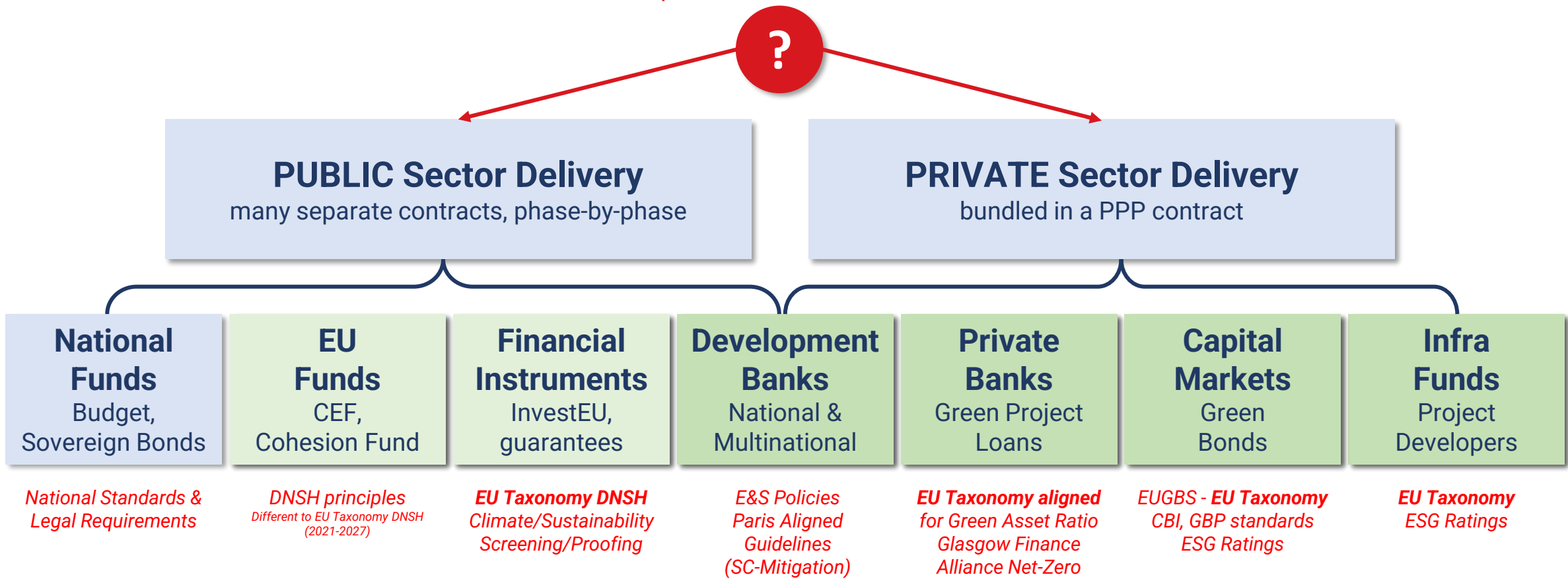
- > **affective allocation of capital > return – liquidity – risk profile**
- > **access to finance & insurance**
- > **skills & competences** of delivery partners
- > **ESG risk assessment / sustainability & resilience** is an important, but just an **additional risk-mitigation tool**



# Delivery & Financing options to be considered

## State/Public Investor dilemma

options to be considered



# Project definition issue

*Infrastructure projects are complex*

## EU Taxonomy – Infrastructure for Rail Transport (6.14)

> **Electrified railway infrastructure is fully aligned! Easy!?**

But railway infrastructure projects also include more activities:

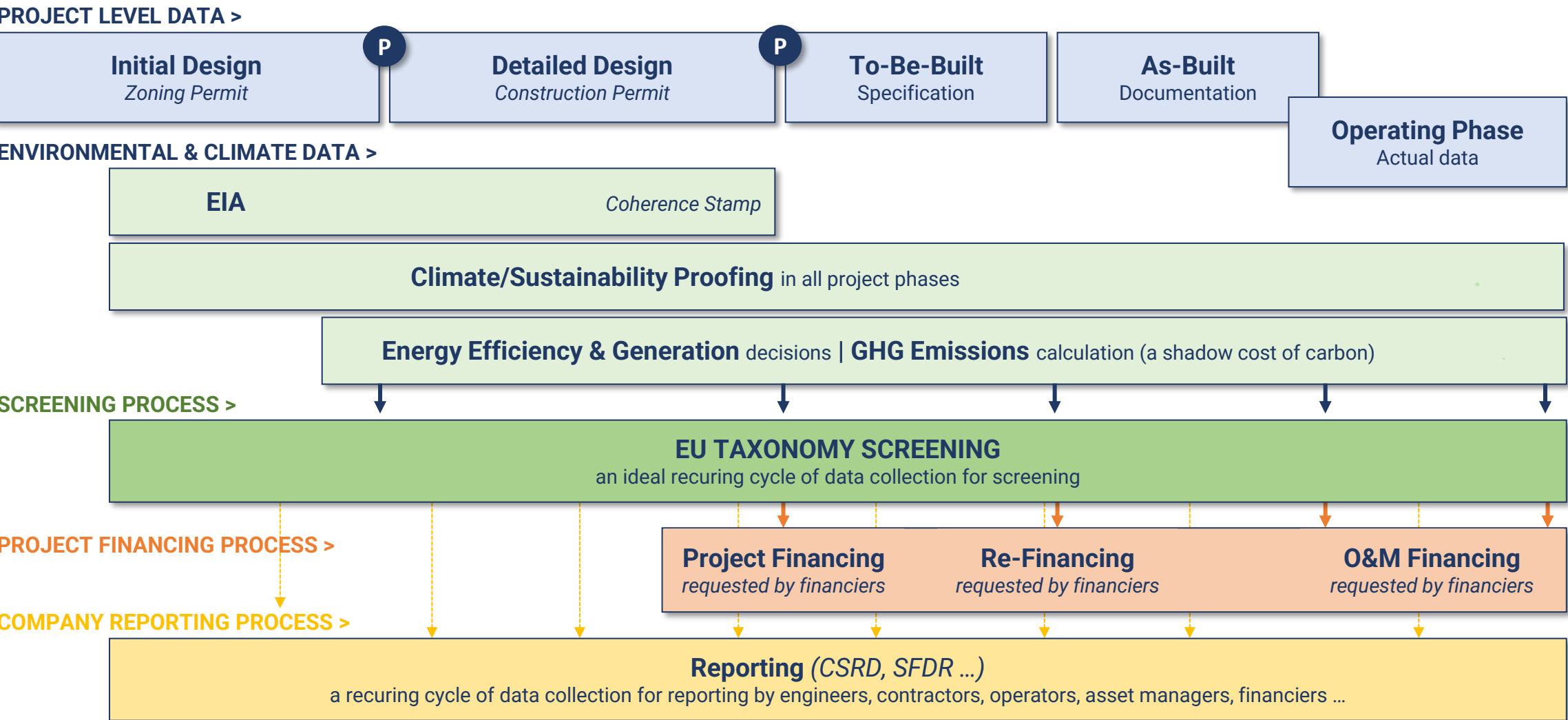
- new buildings (section 7.1)
- renovation of existing buildings (section 7.2)
- energy infrastructure (chapter 4 - Energy)
  - ✓ heat pumps (section 7.6)
  - ✓ solar installations (section 7.6, possibly 4.1)
  - ✓ energy control technology for buildings (section 7.5)
  - ✓ electricity charging stations (section 7.4)
- car parks (section 6.15)
- cycle paths (section 6.13)
- roads, access roads, crossings & over-passes





# Information availability for the EU Taxonomy screening

Actual information are not available at the same time



# Issues observed

- **Sustainability decision:** Taxonomy alignment must be decided by investors based on their corporate & financing strategies
- **Timing of decision matters:** involvement in early design stages is better as projects may be adjusted
- **GHG emissions calculation:** many standards leading to many different results > **unification needed**
- **Full life-cycle** assessment incl. **demolition plans:** LC 50-100 years further extended by upgrades
- **Recycling:** 70-90% achievable? High durability vs reuse, new materials not long-term tested
- **Different requirements:** national legislation vs. EU Directive 2002/49/E vs. MDBs  
*There can be differences hard to over-come by design change (noise limits, land purchase, resettlement)  
Social assessment/requirements might be beyond national legislations.*
- **MDBs' E&S Policies** (EIB vs EBRD): partly differ; plus **InvestEU** involvement is needed
- **MDBs vs commercial banks:** any common ground at the moment?
- Current ready to build projects might not fit requirements – **transition period needed**

# Recommendation re: Infrastructure development

- **EU Taxonomy is an essential unification tool** – not only a statement, also a compliance proof
- It is easier to draft by a table, but it is **harder to deliver in real world**
- **Let industry absorb**, adjust and develop **new practices, standards, processes, materials ...**
- It must be **practically applicable**, step-by-step > **allow for “settling-in”**
- **Unite policies** & requirements between financiers (CEF, EIB, EBRD, InvestEU)  
> *MDBs (EIB, EBRD, InvestEU) vs. private capital (commercial banks, capital markets)*
- Regulation and financial institutions can adapt faster, but **infrastructure sector must embrace**
- **Importance of engineers & contractors!** They must understand and implement sustainability requirements into projects, otherwise **there might not be sustainable projects to finance!**
- **Do not kill sustainability** by over-complicated regulation > **do not lose industry!!**



# Thank you for the discussion

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