

Europe's Investment Plan Surges To €500 Billion, But Is It Working?

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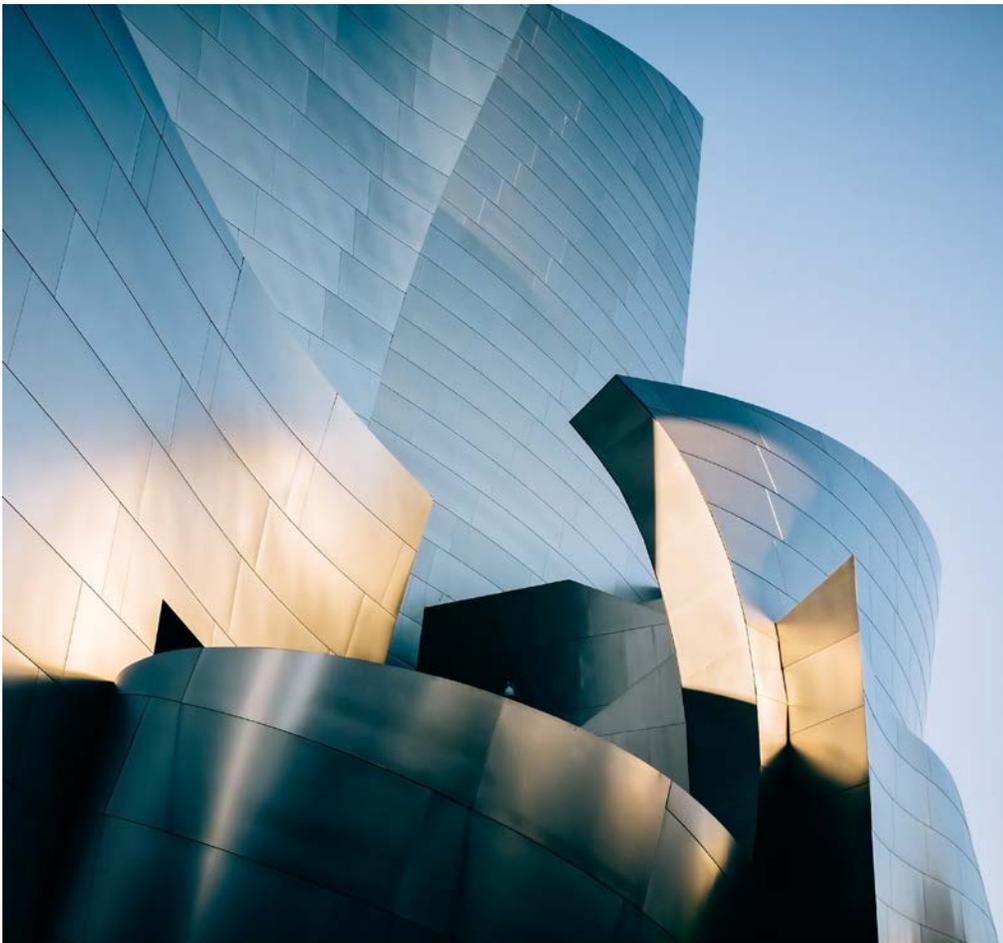
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The Juncker plan was conceived in late 2014 to encourage investment in the real economy in the EU. The plan's goal was threefold: boost job creation and growth, meet the long-term needs of the economy and increase competitiveness, and help strengthen productive capacity and infrastructure. At the time, companies had little appetite to invest and neither did governments, worried about their public finances. To break the logjam, European Commission (EC) President Jean-Claude Juncker outlined the Investment Plan for Europe (IPE) in November 2014 to mobilize €315 billion in public and private investment over 2015-2017. To bolster the IPE, the European Fund for Strategic Investments (EFSI) was launched at the end of 2014 to fulfill the first goal of IPE, more specifically, to mobilize finance for investment, make finance reach the real economy, and improve the investment environment. Now, the EU is considering extending and enlarging the program, happy that the fund is starting to meet its key objectives of stimulating growth and employment. (Watch the related CreditMatters TV segment titled "Juncker Plan Stimulates Growth In The EU But More Is Needed," dated March 20, 2017.)

S&P Global Ratings believes that greater investment is still needed to lift potential growth in all European economies and address deficient demand in countries on the eurozone periphery, even though economic conditions in many EU countries have improved over the past two years. The timing for additional investment spending is still right, but implementation needs to be speeded up before the rise in global and European interest rates pull the attention of investors away from Juncker plan. Indeed, the European Parliament is working on a proposal to enlarge and extend the EFSI, in an effort dubbed EFSI 2.0. The European Parliament's formal vote will take place after negotiations with the Council of the EU, currently foreseen for May to June(1).

OVERVIEW

- After a quick start and some notable results after its second year in operation, the EFSI should be able to meet its initial goal as new products are added and its capacity enlarged.
- Economic conditions in Europe have improved substantially over the past two years, although the picture is mixed across the countries. Higher investment is still needed to lift potential growth in all European economies and address deficient demand in countries on the eurozone periphery.
- We think that more action is needed to foster private-sector financing, which is one aim of the plan. Other challenges, like additionality and geographical coverage, are on the EFSI's radar, for its next version.

EFSI 2.0 would run until 2020 and add €200 billion to the IPE's original €315 billion. The aim is to achieve this through:

- An increase in the EU budget guarantee from €16 billion to €26 billion, and an increase in the European Investment Bank's (EIB) contribution to €7.5 billion (from €5 billion currently).
- Targeting the same multiplier at 1:15 (for every euro invested in a project by EFSI the total amount financed would be €15 including private, member state, EU and EIB Group contributions).

We see three main challenges to the success of the expanded EFSI, namely how to:

- Attract more private investment in the infrastructure and innovation "window" (IIW), by providing a stable regulatory environment and reducing the cost of capital for investors as proposed by the IPE;
- Improve geographic coverage to central and eastern states by relying more on local partnerships; and,
- Invest in projects that would not have happened to the same extent without the EFSI (the so-called additionality principle).

Mixed Results So Far

So far the EFSI seems to be on track: As of end-January 2017, EFSI financing related to approved operations under the EIB Group was set to trigger €168.8 billion of investment or 54% of the €315 billion target amount. Last week Jyrki Katainen, EC vice president for jobs, growth, investment, and competitiveness, told the European Parliament that 190 infrastructure projects, representing over €24 billion of financing capacity, had been approved. In addition, agreements had been concluded with venture capital funds, financial intermediaries, and promotional banks, benefitting over 400,000 SMEs. However, looking closely at the data, only 60% of the EFSI financing approved has been signed (or has achieved financial close) under the IIW. The picture in the SME window is somewhat better with 93% of the projects signed (see table 1). Furthermore, only one-third of the signed projects have been disbursed under the IIW (€4.1 billion) as of end-December 2016, according to EIB. The disbursement of funds would typically signify that project construction had commenced. We expect the rate of disbursement over the next two years to remain the same because it tracks project progress. No comparable data for SMEs were available. We believe the plan will only trigger economic growth once funds are available for disbursement and project construction commences.

TABLE 1

European Fund For Strategic Investments: Portfolio Overview

	Total		Innovation and infrastructure window		SME window	
	Approved	of which signed	Approved	of which signed	Approved	of which signed
No. of operations	444	351	189	121	255	230
EFSI financing amount (bil. €)	31.5	21.9	23.2	14.2	8.3	7.7
Total investment mobilized (bil. €)	168.8	132.1	99	67.8	69.7	64.3
Target total investment mobilized (bil. €)	315	315	232.5	232.5	82.5	82.5
% to target	54	42	43	29	85	78

Data as of Jan. 31, 2017. Source: EIB.

The difference between the amounts of investment mobilized in the IIW and the SMEs windows could be explained by the different characteristics of the two categories.

Investment in SMEs has led to broader outreach to more SMEs and small mid-caps, as well as an acceleration of the rollout of existing EIB initiatives, namely COSME (Competitiveness of Enterprises and Small and Medium-sized Enterprises) and InnovFin (EU Finance for Innovators). COSME offers guarantees to financial institutions and risk capital to private equity investing in SMEs, and Innovfin focuses on research and innovation investments.

To kick-start investment in infrastructure and innovation, the EIB has been developing and started to deploy several new products--including direct equity and quasi-equity products--and now needs time for these changes to become operational. Thus, the majority of signed operations in the IIW portfolio in the first year have been financed with existing EIB instruments, and the multiplier is lower (on average the EFSI multiplier to date is about 13x) than those financed with new EFSI instruments (including direct and quasi-equity). Equity-type operations signed as of the end of January under the IIW amount to €1.08 billion.

The EFSI: A Credit Enhancement Plan

The EFSI is a credit enhancement initiative launched by the EC and EIB at the end of 2014 to support economic growth and investment in the EU, which was still recovering from the financial crisis (see "Europe's Investment Plan: How To Spend €315 Billion In Three Years," published Jan. 15, 2015, on RatingsDirect). Gross fixed capital formation, which averaged 23% of GDP prior to the crisis, has struggled to exceed 20% in recent years. This shortfall is explained largely by a reduction in private--as opposed to public-sector--investment, according to the EC⁽²⁾. The EFSI's aim is to invest in more risky projects than the EIB usually finances given suboptimal investment and market failures. The low interest rate and high liquidity environment of the past eight years should in theory have incentivized investors to finance projects, triggering economic growth. However, private-sector investors have been reluctant to invest in the real economy due to, among other factors, a lack of confidence in the economic recovery and regulatory hurdles (see "EU Infrastructure: Tackling The Funding Deficit To Unlock The Financing Surplus," published on Oct. 14, 2015).

The EFSI's main goal is to reduce the funding gap and to foster private investment in long-term projects. In this, the EFSI has had some success: As of June 2016, 62% of the investments mobilized by the EFSI were private⁽³⁾.

The EFSI aims to inject €315 billion by mid-2018 in key areas that would enable economic growth and support financing needs for small and midsize enterprises (SMEs), as well as support innovation and infrastructure. It is currently relying on €16 billion in guarantees from the EU budget and €5 billion from the EIB, which together are expected to enable EFSI to generate €60.8 billion of additional financing provided by the EIB (an internal multiplier of approximately 3x). This is then expected to generate €315 billion in total investment in the EU within three years, once other financing sources from EU member states, development and commercial banks, as well as private sources are "crowded in" (an external multiplier of approximately 5x). That adds up to the EFSI's 15x multiplier.

EIB projects typically attract about three times as much private investment as it finances through its loans for projects. However, the bank believes that it can significantly increase its multiplier by financing higher-risk tranches, widening the type of investor profiles attracted to deals. It aims to attract larger-scale investments from nontraditional sources of capital, such as pension funds, insurers, and other institutional investors, and so a multiplier of 3x is likely to be a lower bound.

Now's The Time For Additional Investment

Macroeconomic conditions in many European economies have substantially improved since the Juncker Plan was conceived at the end of 2014, primarily because of consumer spending. The rebound in fixed investment, however, is only in its adolescence. GDP growth in the eurozone reached 1.9% in 2015 and 1.7% in 2016 (surpassing the U.S., albeit marginally, last year). In the fourth quarter of last year, eurozone real GDP was 2.4% above the peak in first-quarter 2008. Looking ahead, very solid business surveys at the start of the year are pointing to annual growth above 2% in the first quarter of the year. Purchasing managers indices climbed to a six-year high in February, indicating resilience in the recovery to negative shocks from abroad and various domestic uncertainties. The strength of domestic demand has somewhat insulated the region's economy from external headwinds such as lower demand from emerging economies, the Brexit vote, or the uncertainty about economic policies of the new U.S. administration, including concerns about the possibility of protectionist trade policies.

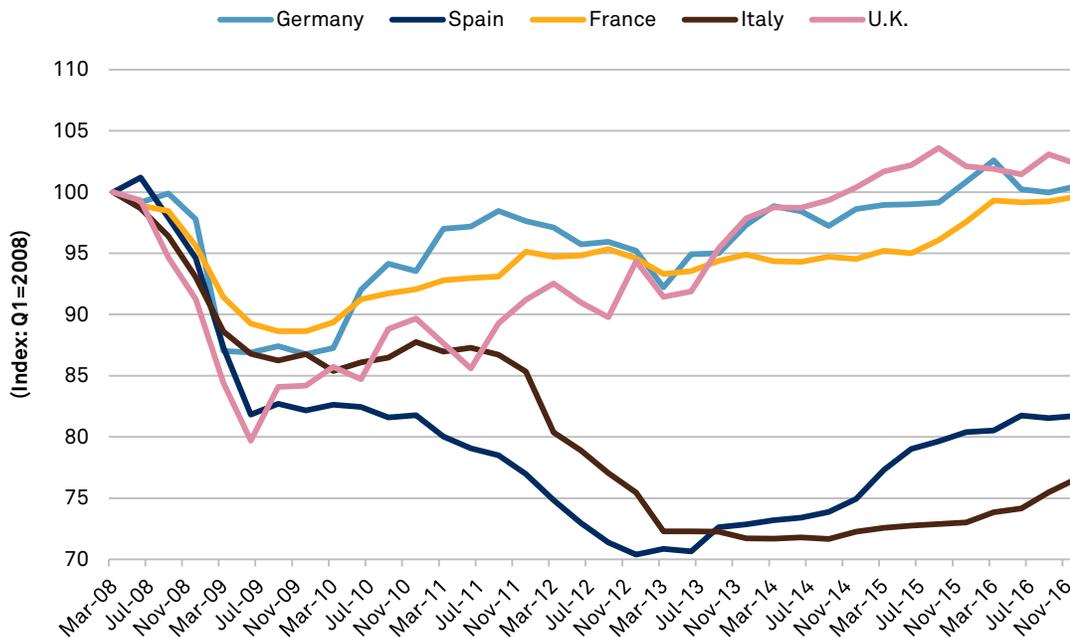
Consumer spending in the eurozone in the last quarter of 2016 surpassed its 2008 peak by 2.5%. Very low energy prices, an improving labor market, and a more neutral fiscal stance supported a rebound in household spending over the last two years. On the corporate side, the recovery has been much more modest, despite stronger financial balance sheets and very favorable credit conditions, with the level of capital expenditure still 11% below its precrisis peak. In the U.K., private consumption in fourth-quarter 2016 was 7% above its precrisis peak in fourth-quarter 2007, with investment still 3% below its peak level.

A closer look at recent trends unveils a more nuanced picture. The key factor depressing overall investment is capital formation in the housing sector. In France in particular, weakness in this sector goes a long way toward explaining its lackluster economic performance. The revival in the housing market since 2015, thanks to a very accommodative monetary policy, led to a stabilization in residential investment in the eurozone and even to a 3% increase last year. Still, housing investment is about 20% below its precrisis peak. Excluding investment in dwellings, capital spending is 6% below its precrisis peak level.

Moreover, the recovery in investment has been uneven across EU economies. In the U.K. and Germany, the level of nonresidential capital spending has surpassed its precrisis peak, while France reached its precrisis peak by end-2016 (see chart 1). By contrast, both residential and nonresidential investment in Spain and Italy has so far failed to recover to precrisis levels. And while the Spanish economy has managed to reduce the gap thanks to strong growth in business investment in recent years, Italy only started to show signs of improvement last year.

CHART 1

Real Nonresidential Investment In The EU



Source: Eurostat, S&P Global Ratings calculations.

Although these data show a more positive picture, the recovery in investment compared with previous economic cycles has been one of the weakest in the region in the past 30 years.

Weak investment is detrimental to present growth, but endangers future growth as well. That's because capital spending boosts output growth through demand in the short term and supply in the long term. Persisting weak investment is likely to depress productivity growth, which could entrench low equilibrium growth in the long term.

The demand effect depends on where an economy stands in the economic cycle, and it's typically stronger at the low point in the cycle. While most economies in the region were near low points in the cycle in 2014, the slack in the economy has since diminished. Indeed, the output gap--the difference between actual and potential GDP--has narrowed to -1.9% in 2016 from -3.2% of GDP in 2014 (see table 2), but remains negative. The position of EU economies in the cycle differs across countries. Portugal, Italy, Spain, and Greece still have a significant amount of slack in the economy, with their respective output gaps ranging from -3.1% to -13% in 2016 (see table 2). By contrast, Germany's output exceeded potential in 2016, according to OECD estimates. Additional capital spending would therefore be beneficial to the EU's periphery countries to boost output and employment and more quickly close their output gap.

TABLE 2

Output Gap In The EU

(% of potential output)	2007	2014	2016
Eurozone	3.3	-3.2	-1.9
Belgium	3.3	-0.8	-0.5
France	2.5	-2.3	-2.3
Germany	2.6	0.3	1.1
Greece	9.4	-13.5	-13
Italy	2.7	-5.9	-4.2
Netherlands	3.1	-3.4	-1.5
Portugal	1.8	-5.8	-3.1
Spain	5.1	-10	-5.2
U.K.	3.1	-1.3	-0.5

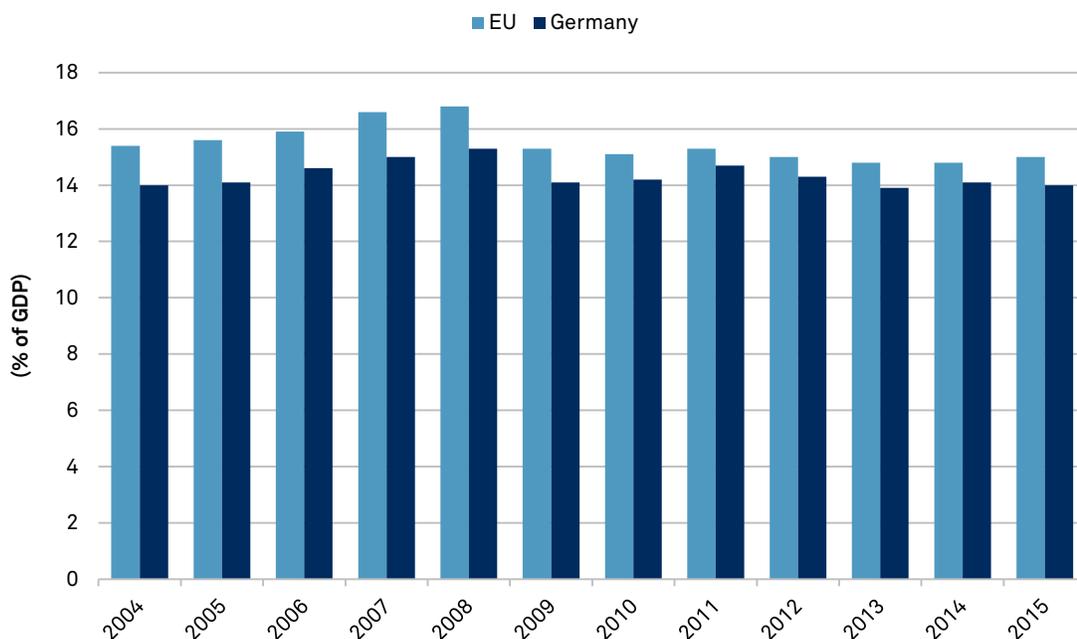
Source: OECD, Economic Outlook N 100, November 2016. Output gap is measured as a deviation of actual GDP from potential output, as a % of potential output.

The situation is different in Germany, as an extra boost to demand may lead to overheating. Nevertheless, we believe there is a strong case for more investment in Germany to raise productivity and lift potential growth.

We note that capital spending has been low in Germany by international comparison. Before the crisis, fixed investment in Germany as a share of GDP was below the eurozone average. This reflected both lower investment in dwellings as well as nonresidential investment (government and business). In 2015, the share of capital spending in GDP in Germany slightly exceeded the average for the eurozone. However, we attribute this entirely to housing investment, which dropped across all major eurozone economies, but rose in Germany. As for nonresidential investment, Germany continues to underperform compared with eurozone peers. In 2016, the share of nonresidential investment in GDP was 14% in Germany compared with 14.9% in the EU (see chart 2). Out of all major eurozone economies, only Italy had a lower share, at 12.4%.

CHART 2

Nonresidential Investment In Germany And The EU



Source: Eurostat.

The underinvestment in infrastructure hurt Germany's previously highly competitive position in international rankings. For example, the deteriorating quality of German roads is reflected in the World Economic Forum's rankings: Germany ranked No. 16 in those terms in 2016, down from No. 4 in 2008. Meanwhile, Germany needs investment in renewable energy systems for electricity and heat supply, and for power grids. The country should also improve its digital infrastructure.

Given Germany's persistently high current account surplus, which reached 8.6% of GDP in 2016, the country arguably does not need external sources to finance additional investment. For many years, Germany has made significant investment abroad (and postcrisis, a large part of this investment occurred outside the eurozone). Germany could reorient part of these resources domestically. Still, we think that the Juncker plan can act as one catalyst triggering needed investment spending in Germany.

In addition, we believe it is crucial to implement an investment plan simultaneously across all EU countries. Our estimates show that boosting spending in one country would have few effects on its own growth and on that of its neighbors. This is because EU economies have strong trade links. On average, 60% of EU exports/imports remain within the union. Therefore a "leakage" through imports reduces the direct impact on the country where the increase in spending takes place, and is diluted across its major trading partners. The coordinated effort across all EU economies, which is one of the aims of the IPE, would lead to a much higher multiplier, according to our estimates (see "Global Infrastructure Investment: Timing Is Everything (And Now Is The Time)," published Jan. 15, 2015).

Irrespective of the cyclical position, we believe stronger investment levels are needed in all eurozone economies to lift growth rates of potential output, which is the level of production that an economy can achieve without generating inflationary pressures.

OECD estimates show that growth of potential output fell significantly in the aftermath of the global economic and financial crisis for most eurozone economies. However, the fall in potential growth is not a new phenomenon, as it has been declining since the late 1990s. The OECD estimates potential growth to average below 1% in the eurozone over 2010-2016, compared with 1.6% in the U.S. Worse, Italy appears to have negative potential growth of -0.1%.

We believe that financial conditions in Europe remain favorable. The ECB's monetary policy continues to be accommodative, and the Bank of England came up with a new set of easing measures following the Brexit vote. Yet it may well be that the global interest rate cycle has turned. Since late 2016, long-term sovereign bond yields have started to increase owing to a global pickup in inflation and growth prospects. While fluctuations, particularly in European yields, have made the headlines in reaction to political concerns, the big picture remains that bond yields are still at very low levels by historical standards, and compared with their 2014 levels. Ten-year German government bond yields were 0.4% in February 2017, down sharply from 1.2% on average in 2014. Even in Italy, where the recent increase in yields has been sharp, interest rates are still lower than three years ago: They're currently at 2.4% compared with 2.9% on average in 2014. From this perspective, the timing for additional investment spending is still right, but implementation needs to proceed at a much faster pace given that global and European interest rates may start to climb upward.

How To Speed Up Investment In Infrastructure

Why is long-term investment in the IIW under EFSI lagging behind, with only €67.8 billion of investment mobilized related to signed operations as of the end of January 2017? Long-term and large-scale investment is dependent on institutional investors with long-term liabilities, such as insurance companies and pension funds. Institutional appetite for infrastructure project debt has so far mostly focused on 1) operational availability-based projects where market, regulatory and political risks are limited, and 2) social infrastructure (hospitals, schools, and housing).

Meanwhile, projects in construction and/or those that rely on demand from users to generate revenues and are therefore exposed to general market risk, have been less well supported. This could change over time as investors continue to hunt for yields typically found only in riskier projects.

Although we believe there is significant and growing institutional investor appetite for infrastructure debt in a low interest rate environment, more incentives may be required to motivate this kind of step change in private-sector financing. For example, investors seeking higher-yielding assets may find themselves restricted to senior tranche positions in economically viable projects under the EFSI program.

The EC has also recognized that bundling of projects is also likely to speed up investment. The EFSI has already established 21 financing platforms covering infrastructure and innovation projects as

well as SME financing. These platforms, which pool together smaller projects, will be further expanded to support and blend structural funds and EFSI for smaller-scale assets such as energy efficiency projects (see "Bundling: A Growing Trend As Stakeholders Look To Unlock The Potential Of The Infrastructure Asset Class," published on Jan. 31, 2017).

Greater regulatory predictability should be a key goal. Investors consider regulatory change a major risk, and this damages investment flows. For example, in southern Europe, after repeated retroactive cuts to renewables subsidies, investors remain very wary about investing in renewable energy. The Council of the EU has underlined that consistent price signals are important for a market-based and efficient allocation of investment in energy markets⁽⁴⁾. Any public intervention should aim to minimize regulatory distortions and address misaligned incentives. It added that instruments to support the transition to the low-carbon economy need to be designed to ensure environmental, social, and fiscal sustainability over time.

Regulatory risk aside, the cost of capital is also a major concern for banks and insurance companies. As highlighted by AFME (the Association for Financial Markets in Europe)⁽⁵⁾ reduced capital requirements for investors in infrastructure corporates (such as airports or train operators) would remove a clear barrier to infrastructure financing. Investment in infrastructure corporates currently represents four times as much volume in terms of total investment than infrastructure funded through project finance. Some efforts have already been made in this direction but more needs to be done⁽⁵⁾:

- Last year, capital requirements for insurers investing in the infrastructure project asset class were reduced (see "Prudential Rules For Private Infrastructure Capital Take Two Steps Forward But Have Yet To Reach The End Of The Road," published on Nov. 30, 2016).
- Similarly, the EC proposed to lower credit risk capital requirements for banks' exposures to infrastructure as part of the review of current banking legislation in November 2016 (see "Basel III Regulations Spark Innovation As Project Finance Banks Try To Stay In The Game," Jan. 31 2017).

Tackling Additionality

Concerns have been raised by a number of commentators, think tanks, and the European Parliament itself about the additionality of EFSI-financed projects. Because of the plan's short time frame, the projects financed so far are mostly in more developed member states, which can rely on strong administrative capacity and, according to some, tend to be those that could have been financed without EFSI.

The EFSI defines additionality as financing that addresses market failures or suboptimal investment, or projects that could not have been carried out to same extent or in the same time frame without EFSI.

Indeed, the EFSI portfolio one year after launch, excluding multicountry operations, is highly concentrated (92%) in the EU-15, and underserves (8%) in the EU-13. Moreover three states, the U.K., Italy, and Spain concentrate 63% of all IIW financing while for the SME window Italy, France, and Germany received 36% of total EFSI support⁽³⁾.

One reason for the lack of geographic distribution is competition from European Structural and Investment Funds (ESIF). In addition, smaller countries have less capacity to structure and originate bankable projects. The size of the projects is smaller and markets are not as deep.

Investors are also reluctant to invest in countries with no longstanding proven regulatory framework for infrastructure contracts or in markets where they lack expertise. The main focus for lenders is cost recovery and, for long-term contracts, the capacity to adjust tariffs to inflation.

To address the geographic issue, EFSI plans to create greater synergies with NPBs (national promotional banks). The role of NPBs is to provide a local entry point for project promoters seeking support for potential EFSI projects, and encourage the combination of EFSI and Structural Funds. What's more, the current EFSI regulation also emphasizes the role of NPBs as possible cofinanciers for EFSI operations. According to the EFSI Evaluation report⁽³⁾, 34% of EFSI operations as of June 2016 involved NPB co-financing.

We believe that greater synergies with local partners including NPBs will give a boost to investment in underserved countries as these institutions are close to local markets. Investors are ready to target new countries that have traditionally been outside their comfort zone. According to a survey conducted by the law firm Freshfields Bruckhaus Deringer⁽⁶⁾, 21% of respondents expect Central and Eastern Europe to provide their greatest deal flow during the next 10 years in infrastructure and energy. This places the region third in terms of expected deal flow, behind only the U.K. and Germany.

TABLE 3

Selected Projects Rated By S&P Global Ratings In Central And Eastern Europe

Rating Date	Companies or Projects	Countries	Description	Rating/Outlook
Nov-2013	Granvia a.s.	Slovak Republic	ProjectCo is the concessionaire for the project to design, build, finance, operate, and manage four sections of the R1 expressway in the southwest of Slovakia.	A-/Stable
Apr-2006	M6 Duna Autopalya Koncesszios Zartkoruen Mukodo Reszvenytarsasag	Hungary	M6 Duna holds a 22-year concession (that can be extended for a further 11 years) to design, finance, build, operate, and maintain the second section of the M6 motorway--the 58 kilometer stretch from Erdi-teto to Dunajvaros.	AA/Stable

Data as of March 16, 2017.

Geographical distribution aside, EFSI operations seem to have different characteristics than the EIB's business as usual operations. EFSI operations are more complex, typically smaller than average, and attract borrowers that are often working with the EIB for the first time (75%)⁽⁷⁾. This proportion is higher than all other EIB activity.

However, according to a study conducted by CAN Europe (Climate Action Network Europe) in the case of public-private partnerships (PPPs) for motorway in Western Europe, the additionality of the project is only the risky nature of the financial instrument used⁽⁸⁾.

More transparency about the concept of additionality is needed. To that end, under EFSI 2.0, the EIB would make a scoreboard publically available, and explain how projects are selected, which should help project promoters understand the process.

EFSI: A Longer Arm For Investment

Two years after its launch, the EFSI can claim some notable successes, and the plan is now on the brink of being enlarged and extended. It's still too early for us to comprehensively assess the plan, especially considering the IIW's slow start. We view this initiative by the EIB as an enhancement to its existing functions: it allows the bank to take risky positions and add more leverage to its investments while having its overall risk profile preserved, thanks to the EU guarantee.

Through this plan, EIB is reaching new clients and providing funds to smaller and more complex operations. We think that a clear regulatory framework, relief in the cost of capital, and a greater number of investment platforms would foster further private investment and help the plan to reach its ambitious aims.

More Clarity On Eurostat Rules For PPP Balance Sheet Treatment

The EIB states that to date, 16 operations have been approved under the EFSI through a PPP structure (public private partnership), of which eight operations have been signed with €1.5 billion of EIB financing under the EFSI (representing 10% of the total EIB signed amount under EFSI to date). The investment mobilized by these signed operations was estimated at €3.7 billion.

PPP is a useful tool for EFSI to attain its objectives in the infrastructure window to enhance the mobilization of private capital. It ensures that governments have the right tools to prioritize the right projects--ones that are economically viable and attract private investors--rather than political projects.

Many stakeholders have commented about the complexity of the rules regarding the statistical treatment of PPPs, creating uncertainty that has led to delays and difficulties for project implementation. To address this issue, EPEC (the European PPP Expertise Centre) and Eurostat recently developed a practical guide, published in September 2016, that clarifies rules about the treatment of on-balance-sheet and off-balance-sheet PPPs. The guide, viewed positively by investors, should provide more incentives to government to engage in PPPs.

Rules governing the balance sheet treatment of PPPs for EU states nevertheless act as a disincentive for highly indebted governments to go down this route. That's because large PPPs, which stay on the balance sheet, could easily tip governments over the 3% threshold of annual government deficit to GDP, according to the Maastricht criteria.

A Greener EFSI 2.0 Could (Only Partly) Help Meet The Need For Investment In Sustainable Energy

The EC's proposed EFSI 2.0 regulation requires investing in projects in line with EU's long-term climate goals set out in the Paris agreement (COP21). However The EFSI provides significant support (15% of its energy financing) for fossil fuels, in particular for gas infrastructure, according to CAN Europe⁽⁸⁾. In the transport sector, 68% of EFSI support benefits high-carbon projects (motorways and airports), with a strong focus on motorways via PPPs, in particular in four western member states (Germany, the Netherlands, France, and the U.K.).

This type of investment could ultimately prove suboptimal given emissions targets, as we highlighted in the article "The Paris Agreement: A New Dawn For Tackling Climate Change, Or More Of The Same?" published on Jan. 18, 2016: "Many players in the commodities sector could become increasingly cautious about investments in high-cost, high-carbon projects, as these are the ones that are most vulnerable to stranding if carbon policies become more restrictive or to resulting softer demand. Producers' ongoing double-digit percentage point declines in investment levels, in response to the collapse in commodity prices, may not reverse as significantly, even if prices recover over the next few years."

In the proposal to extend the EFSI, it had been suggested that 40% of IIW projects should contribute to climate action in line with the COP21 objectives, though this is still subject to debate.

This should appeal to investors interested in sustainable and green finance, especially the renewable energy sector. The key bottlenecks to investment in the sector in Europe have been changes in policy and subsidies, which have created considerable uncertainty.

TABLE 4

S&P Global Ratings European Project Finance Renewables Ratings

Rating Date	Companies or Projects	Countries	Subsector	Rating/Outlook
May-2006	Alte Liebe 1 Ltd.	Germany	Wind	CCC-/Negative
Jun-2008	Breeze Finance S.A.	France and Germany	Wind	B-/Stable
Jul-2007	CRC Breeze Finance S.A.	France and Germany	Wind	B-/Stable
Jun-2016	Vela Energy S.A.	Spain	Solar	BBB/Stable
Sep-2015	Solaben Luxembourg S.A.	Spain	Solar	BBB/Stable
Feb-2016	Windmw GmbH	Germany	Wind	BBB-/Stable

Data as of March 16, 2017.

The authors would like to acknowledge the contribution of Sarah Limbach to this commentary.

Endnotes

⁽¹⁾"Proposal for a Regulation Of The European Parliament And Of The Council amending Regulations (EU) No 1316/2013 and (EU) 2015/1017 as regards the extension of the duration of the European Fund for Strategic Investments as well as the introduction of technical enhancements for that Fund and the European Investment Advisory Hub," Sept. 14, 2016.

⁽²⁾"Public Consultation on the Capital Markets Union Mid-term review," European Commission, Jan. 20, 2017.

⁽³⁾"Evaluation of the functioning of the European Fund for Strategic Investments (EFSI)," Operations Evaluation Division, European Investment Bank, September 2016.

⁽⁴⁾"Conclusions on tackling bottlenecks to investment identified under the Third Pillar of the Investment Plan," press release, Council of the EU, Dec. 6, 2016.

⁽⁵⁾"AFME welcomes Council conclusions on tackling bottlenecks to investments," press release, Association for Financial Markets in Europe, Dec. 6, 2016.

⁽⁶⁾"Outlook for Energy and infrastructure 2017 Europe: key investment trends," Freshfields Bruckaus Deringer LLP, January 2017.

⁽⁷⁾"The EIB Group Operational Plan 2017-2019," European Investment Bank, Jan. 24, 2017.

⁽⁸⁾"EFSI 2.0: Make it climate proof, additional and transparent," Climate Action Network Europe, October 2016.

Related Criteria And Research

- Bundling: A Growing Trend As Stakeholders Look To Unlock The Potential Of The Infrastructure Asset Class, Jan. 31, 2017
- Basel III Regulations Spark Innovation As Project Finance Banks Try To Stay In The Game, Jan. 31, 2017
- Prudential Rules For Private Infrastructure Capital Take Two Steps Forward But Have Yet To Reach The End Of The Road, Nov. 30, 2016
- The Paris Agreement: A New Dawn For Tackling Climate Change, Or More Of The Same? Jan. 18, 2016
- Europe's Investment Plan: How To Spend €315 Billion In Three Years, Jan. 15, 2015
- Global Infrastructure Investment: Timing Is Everything (And Now Is The Time), Jan. 15, 2015
- EU Infrastructure: Tackling The Funding Deficit To Unlock The Financing Surplus, Oct. 14, 2015

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