



**Consultation between
Civil Society Organisations and Members of the
OECD Export Credits Committee**

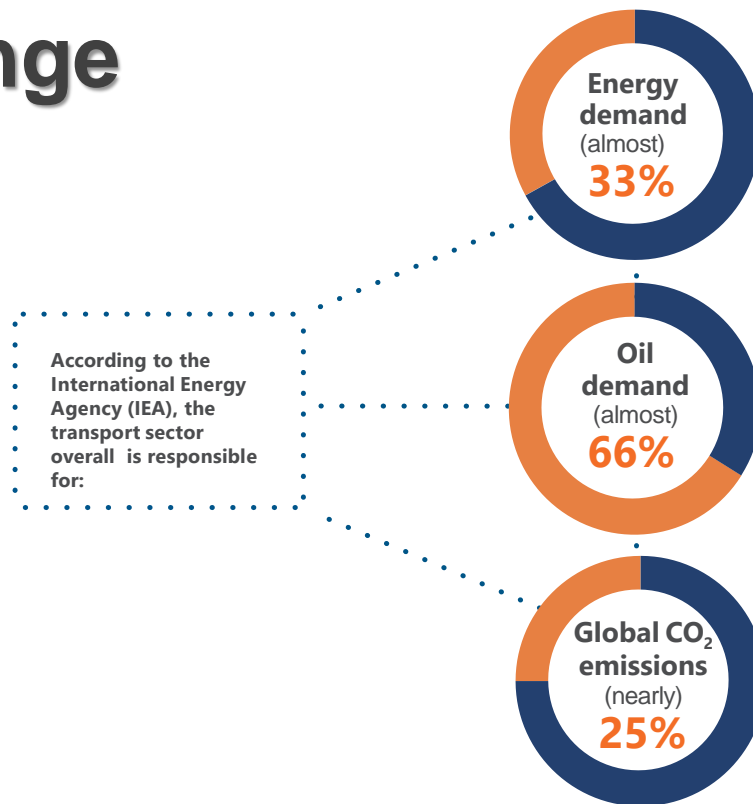
OECD, 21st October 2020

Combating global climate change

**How the Luxembourg Rail Protocol to the Cape Town Convention
will help to battle global climate change**



The Challenge





The Challenge

Air pollution from traffic

The World Health Organization reports

4.2 million premature deaths each year as a result of exposure to ambient (outdoor) air pollution, including from transport sources.

A study in *The Lancet Planetary Health* in April 2019 reveals

4 million

new childhood asthma cases a year can be attributable to NO₂ pollution (from road traffic and fossil fuel combustion), accounting for 13% of cases worldwide.



While some differences between regions, countries and cities can be attributed to data availability, an important outcome of this meta study is the evidence that existing WHO standards are not protective against childhood asthma:

92%

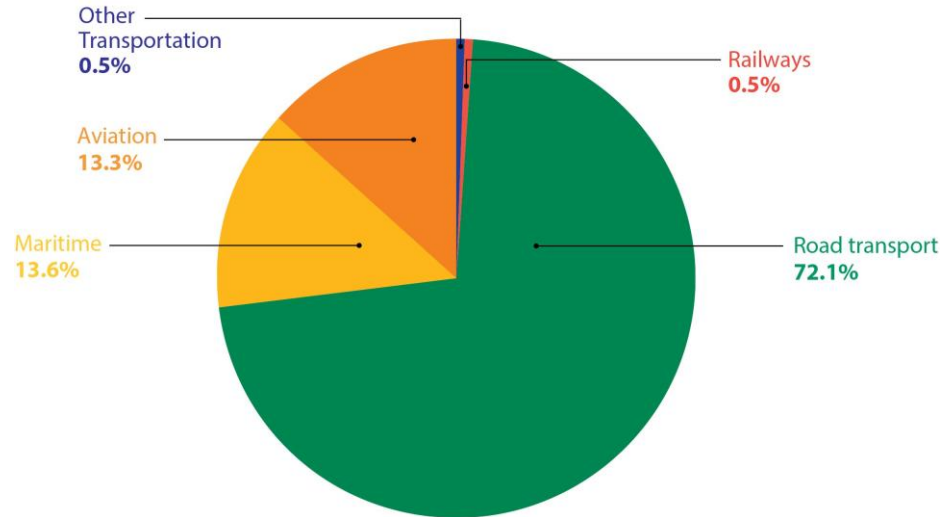
of the childhood asthma incidence attributable to NO₂ exposure was in areas with NO₂ concentrations below the values of the WHO's annual average guidelines.



The Challenge

EU (Convention) —
Share of transport greenhouse gas emissions

Source: EEA (2018)

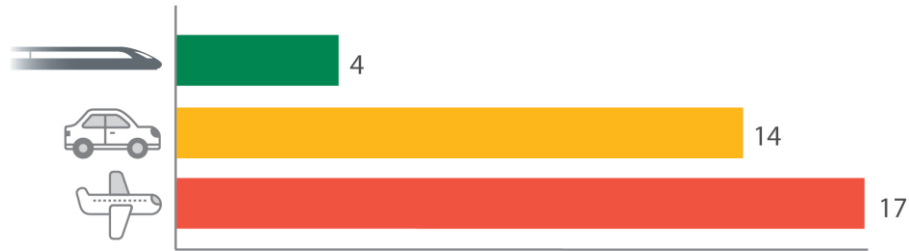


The Solution

CO₂ Emissions

Kilogramms of CO₂ emissions per 100 passenger-kilometres

Source: EEA (2018)



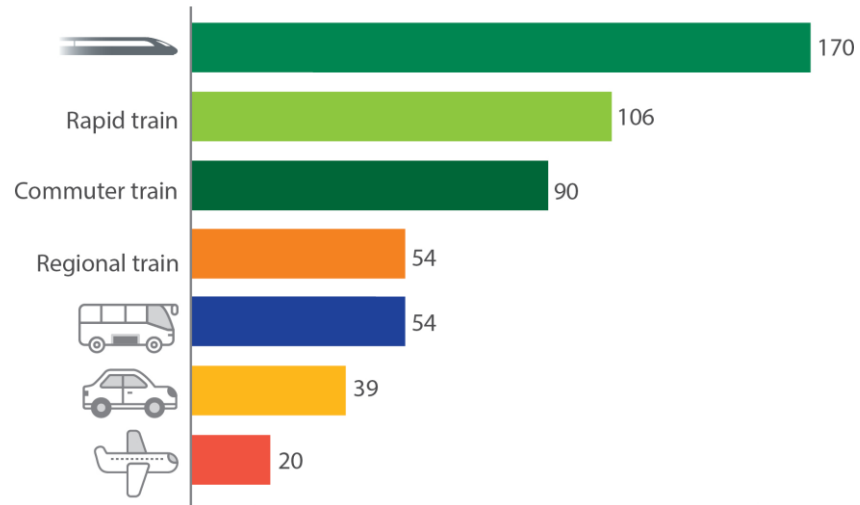


The Solution

Energy Efficiency

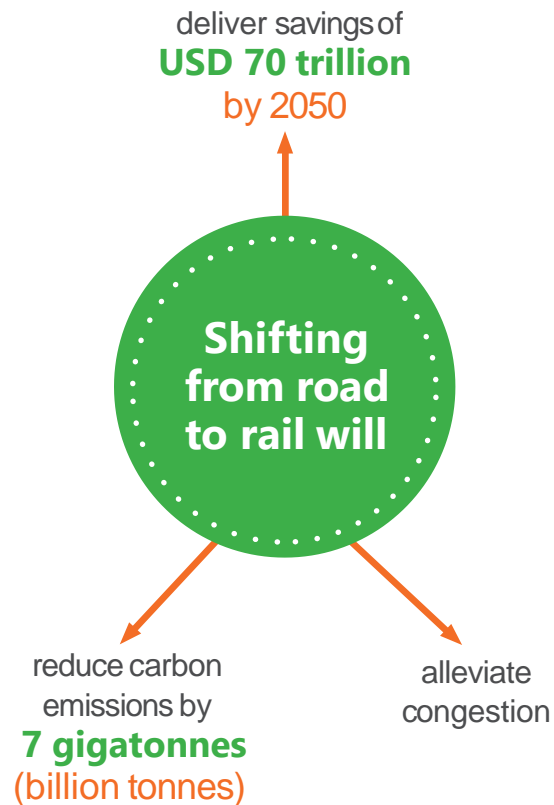
Passenger-kilometres carried per unit of energy (1kwh = 0.086kep)

Source: EEA (2018)





The Solution



Transnet sets new record with 375-wagon train

TRANSNET, South Africa, broke its own record for operating the longest freight train, and set a new world record on October 24 when it ran a 375-wagon manganese train on the 861km Sishen – Saldanha heavy-haul line.



Risk is holding back private investment

The solution to this is for creditors to have a legal framework that enables them to:

> Enforce their rights and security in the financed assets

> Repossess these assets on debtor non- payment or insolvency no matter where the assets are located, and independent of state guarantees.

Three other factors holding back private investment:

- > No cross border common rules
- > Absence of unique global identification for railway rolling stock
- > Lack of any public registry to record security interests in railway rolling stock



The Luxembourg Rail Protocol delivers private sector financing for railway rolling stock

The Luxembourg Rail Protocol is a new international treaty due to come into force in 2021, which creates a worldwide legal framework to protect private sector investment in railway rolling stock. It will establish an international registry to record security interests, accessible 24/7 online, and facilitate the registrar allocating a unique vehicle identifier for any item of rolling stock worldwide under a new unique rail vehicle identification system (URVIS).

As such, the Luxembourg Rail Protocol is a 'package of solutions' designed in cooperation with the rail industry and the finance community for a new era of railway expansion.



The Luxembourg Rail Protocol will reduce the cost of both international and domestic private finance:

- > More credit will be available – from both foreign and domestic lenders – leading to a more competitive lending environment and thus to lower lender margins.*
- > Lower risks will mean that banks will have lower capital allocation requirements, which will lead to lower margins charged to borrowers.*
- > The lower risks involved thanks to the Luxembourg Rail Protocol will mean that lower rewards are required by creditors, allowing them to reduce costs for borrowers.*
- > Due to lower risks, we hope that there will also be lower export credit agency financing costs and conditions.*
- > Documentation will be easier and faster to produce – reducing transaction costs.*



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Because it removes the major hurdles to private sector investment in a key part of the rail industry, when adopted, the Luxembourg Rail Protocol will attract more private investors (such as banks, pension funds, insurance companies, and private equity funds) to the rail transportation sector.

The availability of cheaper, more abundant, and more accessible funding for railway rolling stock will enable the expansion of railway networks and the purchase of railway rolling stock of all kinds – from high-speed trains, to freight and passenger trains, to metros, light rail, trams, and even cableways, gantries and cranes on rails.

In this way, the Luxembourg Rail Protocol will make a significant, direct contribution towards creating a rail-oriented, climate-friendly future.



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The Luxembourg Rail Protocol is a protocol to a well-established international treaty, the Cape Town Convention on International Interests in Mobile Equipment. At its core is a strong, common international legal framework and two supporting structures:

- 1) The introduction of a unique rail vehicle identification system (URVIS) that will:**
 - > be critical for registering creditor security interests in rail equipment
 - > make it easy to track the location and status of rolling stock in real time
 - > support customized maintenance programmes
 - > let governments more effectively monitor the cross-border operation and inter- operability of railway equipment running on regional or continental rail networks
- 2) The establishment of the world's first international public registry of security interests in railway rolling stock. This will be accessible online 24/7 for financiers to register their interests in financed equipment and check for potential prior claims.**





The Luxembourg Rail Protocol – a vital tool in the battle against climate change

- > The international community has acknowledged that rail is the backbone of sustainable, climate-friendly transport.
- > Due to the lack of sufficient public resources, rehabilitation and expansion of the railways is only possible with private sector support.

- > Rail-based transportation networks protect the environment and spur sustainable development.
- > By enabling and encouraging vastly expanded private sector funding for railway rolling stock, the Luxembourg Rail Protocol will contribute towards the growth of a much larger and more dynamic rail sector on every continent, which will be particularly significant in those countries and regions currently under-served by rail.
- > By supporting a modal shift from high-carbon, greenhouse-gas-emitting forms of transport to railways, the Luxembourg Rail Protocol will make a significant contribution to combating global climate change.
- > And by providing more security to Export Credit Agencies where the debtor or lessee is in a contracting state, the Protocol will help ECAs play a critical role





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www.railworkinggroup.org