

*[Free translation into English]*

## **Luxembourg Protocol: Opportunities for the Railway System in Colombia**

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On March 8, 2024, the Luxembourg Rail Protocol (the “Luxembourg Protocol”) to the Cape Town Convention on International Interests in Mobile Equipment (the “Cape Town Convention”) entered into force.

Currently ratified by Luxembourg, Gabon, Sweden, and Spain, the Luxembourg Protocol has the potential to transform the financing and management of railway rolling stock globally by creating a clear and uniform legal framework that reduces risks and costs for creditors.

The Cape Town Convention was established to mitigate the risks arising from the absence of a uniform system regulating international interests in high-value assets such as aircraft, trains, satellites, and equipment for mining, agriculture, and construction.

The primary goal of the Cape Town Convention is to improve access to credit by enhancing legal certainty for creditors, through a stable and consistent international regime for the financing of these types of assets.

To this end, the Cape Town Convention establishes (i) the creation and recognition of international interests in these assets, (ii) clear priority rules in favor of creditors holding such international interests, and (iii) mechanisms to facilitate the enforcement of international interests and the recovery of assets, through specific protocols for each category of protected assets.

The Luxembourg Protocol extends the protections of the Cape Town Convention to the railway sector, covering all types of equipment that move on, above, or below a permanent railway track, including high-speed trains, light rail trains, locomotives, freight cars, trams, and metros.

As a result, any lessor, financier, or seller under a conditional sale agreement of railway rolling stock can benefit from the protection provided by the Luxembourg Protocol if the debtor is located in a state that is a party to the protocol.

This positively impacts the financing of railway rolling stock by reducing risks and increasing predictability for creditors, which can, in turn, lower financing costs for operators.

This is particularly important for developing economies such as Colombia, which is already a party to the Cape Town Convention and its aircraft protocol. The benefits of the Luxembourg Protocol could facilitate the modernization and expansion of the country's railway system. This would improve connectivity and efficiency in freight and passenger transport, fostering economic development and competitiveness.

From a sustainability perspective, increased use of rail transport would also significantly contribute to reducing pollutant emissions and alleviating road congestion.

Therefore, Colombia's accession to the Luxembourg Protocol could be a strategic step to boost economic, social, and environmental development in the country through a more efficient and sustainable railway system. Moreover, considering that the revival of rail transport is one of the current government's priorities, Colombia's accession to the Luxembourg Protocol would be a catalyst for achieving this goal in the medium term.