

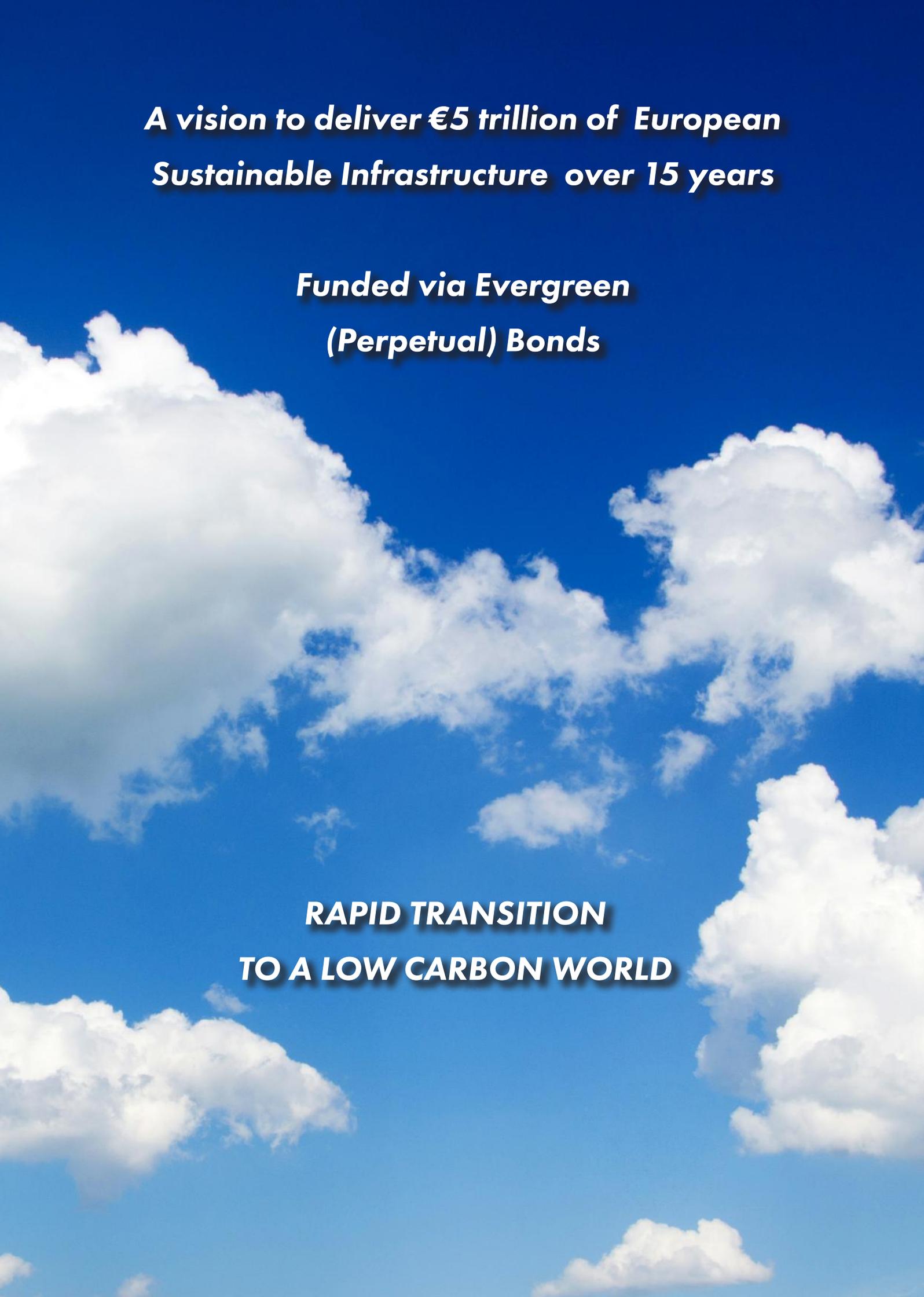
**Evergreen Europe
&
The European Sustainable
Infrastructure Trust
(ESIT)**

Summary Proposal

Nils (Jasper) Zimmermann

November 2016





***A vision to deliver €5 trillion of European
Sustainable Infrastructure over 15 years***

***Funded via Evergreen
(Perpetual) Bonds***

***RAPID TRANSITION
TO A LOW CARBON WORLD***

Summary and Introduction

Europe is at an historic crossroads. Whatever the future of the European Union as an institution, it's clear that European countries need to rapidly create jobs and prosperity to maintain social cohesion and political stability. Europe also needs massive infrastructure renewal to achieve climate safety and energy security.

The Evergreen Europe Initiative, through the proposed **European Sustainable Infrastructure Trust**, has the potential to deliver on all of these goals, at a pace and scale fast and large enough to restore popular faith in the European economy. And it is designed to do so entirely on the basis of money raised from private investors, without spending any tax revenues.

The Evergreen Europe Initiative:

- Evergreen Europe's purpose is to identify and catalyse a funding pathway to a Europe characterised by abundant, cheap, low-carbon energy supplies and resilient, regenerative infrastructure.
- Evergreen Europe is the stakeholder engagement and advocacy body for the proposed European Sustainable Infrastructure Trust (ESIT), an infrastructure investment agency owned by participating European governments, and a new class of sovereign-backed, euro-denominated AAA-rated evergreen bonds called Euroconsols, which ESIT would issue to raise circa €5 trillion over 15 years to invest in the renewal of European Infrastructure.
- Nils 'Jasper' Zimmermann, a public policy expert and journalist, is the founder of Evergreen Europe and designer of ESIT and Euroconsols.
- [BIGCrowd.net](https://www.bigcrowd.net) and its founder, Steve Podmore, are among the initiative's key early supporters.
- Evergreen's approach is to explore the viability of ESIT and Euroconsol bonds by engaging stakeholders in detailed technical discussions about the design of these financial instruments - or potential alternatives to them. Discussants include experts from academia, finance, government, industry, NGOs, and think tanks.
- Subject to the results of these explorations, the aim will be to raise an initial €10m so that Evergreen Europe can do what is necessary to get ESIT and Euroconsols accepted, structured, and launched.
- To register your support, please email hello@evergreeneurope.org with your contact information and a short paragraph introducing yourself.

The European Sustainable Infrastructure Trust (ESIT) is a proposed financial vehicle through which signatory countries would invest €5 trillion in new infrastructure, funded by issuance of euro-denominated 'Euroconsol Bonds,' to:

- **Stimulate Europe's regional economies** by funding the construction of €300 to €500 billion of new low-carbon infrastructure each year for at least 15 years, creating millions of jobs in modern industries all over Europe.
- **Achieve energy security** by providing abundant, low-cost clean energy to industry and consumers.
- **Enhance climate security** by scaling up and speeding up the de-carbonisation of Europe's infrastructure in key sectors, including urban renewal, power generation, transportation, heating/cooling, agriculture, and heavy industry.
- **Improve geopolitical security** by reducing Europe's reliance on imports of fossil energy from unstable regions.
- **Modernise Europe's infrastructure and technical capabilities**, by driving investment into ten major categories of sustainable infrastructure and regenerative technologies.
- **Strengthen Europe's competitiveness** by developing new clean-tech industries, and driving technology exports to the rest of the world.
- **Strengthen Europe's cohesion** by tying together participating European countries in a common energy and transport market.
- **Build global capacity** - by massively scaling up clean-tech infrastructure and thereby driving down its price, Evergreen Europe will help drive progress on the UN's 17 global Sustainable Development Goals (SDGs).

How It Works

Euroconsol Bonds are the cheapest possible way of financing new infrastructure

The proposed mechanism for funding a rapid transition to a resilient, low-carbon Europe is as follows:

- Euroconsol Bonds, or 'Euroconsols,' will be issued annually and sold to institutional investors in large-denomination tranches (e.g. €0.1 bn, €0.5 bn, €1 bn) by ESIT, a new public-private partnership institution owned by participating European countries (not by the European Union).
- Those countries will jointly and severally guarantee interest payments on all the Euroconsols sold to investors by ESIT. This contingent sovereign liability means Euroconsols will be a form of multi-sovereign AAA-rated Eurobond, and nearly risk-free. If Germany participates, Euroconsols will be even safer than German Bunds.
- ESIT will use the money raised from bond sales to fund €300B - €500 billion of investment annually in low-carbon sustainable infrastructure, over some 15 years, by running competitive-bid infrastructure provision markets in some 10 different asset categories.
- The resulting infrastructure portfolio will be owned by ESIT in trust for participating countries. The infrastructure will be built, operated, and maintained by private companies under contract to ESIT.
- Euroconsols will be a precision instrument for channeling funds raised from institutional investors directly into growth-enhancing real-economy infrastructure projects - unlike the blunt, indirect, unpopular and rather ineffective tool of central bank quantitative easing (QE).
- Euroconsols will be evergreen bonds (a.k.a. 'perpetual bonds'). These bonds will have fixed 'coupons,' or annual interest due calculated as a percentage of their face value - but they will have no fixed maturity date.
- The type of evergreen bonds proposed here is similar in design to UK government bonds called 'Consolidated Annuities' or 'Consols,' first issued by the British Government in 1751, which remained in circulation until 2015. Like British Consols, Euroconsols can be retired at any time by cash redemption, at the issuer's sole discretion.
- Bond-holders will be able to freely buy and sell Euroconsol bonds in secondary markets. The large circulating volumes and AAA rating of Euroconsols will make them highly liquid investments.
- ESIT will rely on competitive-bid markets and - crucially - payment-on-delivery contract terms to ensure that infrastructure developers as well as operations and maintenance providers are incentivised to bid honestly. This will minimise the cost overruns that often characterise publicly funded infrastructure projects.

How It Works

- Contractors will obtain development-phase financing from ordinary risk-capital sources, i.e. banks or investor syndicates. Those companies and investors, and not ESIT, will carry all financial risks of contractor non-performance.
- ESIT's stream of outgoing payments will need to cover just three classes of expenditure:
 1. Euroconsol coupon payments,
 2. Maintenance & operations costs of ESIT's infrastructure portfolio, and
 3. Asset depreciation & replacement costs.

Any net revenues in excess of the annual outgoings for these three categories of costs will compose ESIT's operating profits, which can be re-invested in further projects, or - less likely - used to repurchase and retire old Euroconsols.

- ESIT's revenue stream will derive from ESIT's portfolio of assets. The bulk of ESIT revenues will consist of revenues from energy sales. Given an appropriate asset portfolio, those revenues will be easily large enough to cover the three classes of expenditure outlined above. For that reason, it is highly unlikely that ESIT's beneficial owners (participating governments) will ever need to cover any part of the annual interest payments due on ESIT's pool of outstanding Euroconsols, as per the contingent liability agreement.
- Because ESIT bonds will be evergreen, the bond principal need never be repaid. ESIT's capital expenditures on the infrastructure it buys can therefore be treated as sunk costs. As a result, clean energy generated from ESIT's portfolio of renewable energy assets can be sold cheaply. That's why ESIT is an instrument for making Europe's energy supply cheaper as well as cleaner and more secure. ESIT and Euroconsols are specially designed to ensure that there will be no energy price spike in Europe's transition to a low-carbon future.
- ESIT will have an independent and transparent governance structure. It will work closely with European agencies and jurisdictions to develop regional low-carbon infrastructure investment plans and identify suitable infrastructure projects, such as wind farms, solar parks, and fast-recharging networks for electric vehicles.
- ESIT will provide neutral, fair and transparent bidding processes. Its investments will aim at achieving 'additionality,' i.e. 'crowding-in' of additional investments that take advantage of newly available infrastructure.
- ESIT will prioritise investments in regions committed to ensuring a safe and orderly transition to a low-carbon future for employees and organisations currently invested in high-carbon industries.
- On successful implementation, ESIT will encourage other jurisdictions - e.g. China, NAFTA, MENA - to replicate its mechanisms, in order to help accelerate progress on the global low-carbon transition through large-scale funding of resilient, regenerative technologies and sustainable infrastructure.