



An association under Swiss law

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MAKING A DIFFERENCE TO THE ENVIRONMENT

The Luxembourg Rail Protocol as an important element in any sustainable development strategy

Buses use on average four times the energy per passenger kilometre (p/km) that trains do. Cars, six times. In terms of CO² emissions, on average, buses produce seven times the emissions, on average, per p/km compared to rail, and cars, eleven times. This is even without looking at the new green electricity which significantly reduces the carbon footprint of railway rolling stock even further. Of course some locomotives run on diesel but a growing proportion of the rail industry runs on electricity, which means that measures to create alternative sources of electricity have a disproportionate benefit to the community in relation to rail transport, compared to all other major forms of mass transportation of both freight and people.

Moreover, new technology is making rolling stock significantly more efficient, travelling at faster speeds with the latest locomotives saving up to 50% on energy usage compared to electric locomotives brought into the market in the early 1990s. New technology has also meant not just faster inter-urban traffic but also has created more cost effective models where major and expensive changes to rail infrastructure may be avoided or reduced. As a result, the aviation industry is gradually abandoning routes of less than 450 km where there is also a high-speed rail alternative.

In terms of noise pollution, the railways today are always not so beneficial judged in terms of external per passenger costs to the environment, compared to buses and

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even aircraft. But this is also about to change. In the EU, the European Commission announced in July 2008 a package of new greening transport initiatives designed to steer transport towards a sustainable future. The European Commission has a target of reducing noise from rolling stock by 50% so that already by 2014 16 million people in the EU will benefit from remarkably less rail noise. Further, track charging will be modified to encourage quieter rolling stock with low noise brake systems.

In the cities, the unceasing growth of traffic, and congestion, is a massive pollution problem. In the developing world economic growth is creating similar pressures. The only viable solution is to move passengers onto electric tram (trolley) and suburban electric rail systems.

All of these measures require further investment in railway equipment, whether by upgrading existing equipment or purchasing new rolling stock. And this requires money. In fact in many cases it simply needs the availability of financing because the cost savings in terms of energy usage, faster delivery, and reduction in external charges, will at least go some way to pay for the new investment.

The Luxembourg Rail Protocol promises to be a major factor in the future in enabling railway operators both in developed and developing countries to find resources to facilitate this new investment. By giving third party banks, financiers and lessors a much stronger security position on rail equipment collateral, through the introduction of an internationally recognised system of securing creditors and registration of their interest, it will make financing more accessible and cheaper at a time when the cost of credit is going up and often it is not available at all. The Protocol applies to all rolling stock from trams to high-speed train sets and will apply to all forms of leasing and other credit.

In the developing world, the dilemma is particularly acute. Often where there are railways, they are being run with very old and inefficient rolling stock causing significant environmental and noise damage with limited prospects of government funding of any replacements and with aid resources being focused primarily on the maintenance and development of the rail infrastructure. Here the Luxembourg Rail Protocol will open up new avenues of finance for rolling stock which will encourage new investment, more rolling stock and in turn leading to more efficient use of existing infrastructure, moving freight and people off the increasingly congested and polluting roads and airways onto the rails.

In summary, the development of the rail sector is an essential element in the world's transformation into a low carbon economy. The upgrading, replacement and expansion of rolling stock will be a critical factor in this as long as there are resources to finance such investment. The Luxembourg Rail Protocol will be one of the keys to unlocking the potential for the railway industry making an important contribution to sustainable development in the 21st Century.