



www.railworkinggroup.org

Baarerstrasse 96, PO Box 7262, 6302 Zug, Switzerland
Tel: +41 (0)41 760 28 88; email: info@railworkinggroup.org

✂ [RailWorkingGrp](#)
 [LinkedIn](#)

Why Rail Baltica Needs The Luxembourg Rail Protocol

The Luxembourg Protocol to the Cape Town Convention is a new global legal system for the recognition and prioritisation of security interests held by creditors lending on, or leasing, all types of railway equipment. This security will be registered in a new international registry, in Luxembourg, which will be searchable by the public 24/7. The Protocol entered into force on 8 March 2024.

Rail Baltica is one of the most important greenfield infrastructure projects in the world. It will serve both passenger and freight traffic and will link 5 European nations: Latvia, Lithuania, Estonia, Poland and – indirectly – Finland. The Protocol and Rail Baltica are arguably tailor made for one another. As Rail Baltica requires new rolling stock (both in terms of sustainability credentials and type of rail gauge) which must continually traverse national borders, the full benefits of the Protocol would be realised.

Indeed, adoption of the Protocol will bring various benefits for the project by:

1. introducing the International Registry, which for the first time will allow registration of security interests in railway rolling stock in a public register that can be accessed on a global basis. Thus, structuring of security will no longer require layers of national security interests, which, in turn, will simplify financing and leasing transactions and reduce transaction costs
2. introducing a new global unique numbering system for rolling stock, giving increased security to lenders and lessors, as well as giving the ability for manufacturers, operators, insurers, maintainers and financiers to track the location and status of the equipment, wherever it is, thereby making the railways safer and maintenance more efficient
3. increasing the availability, and reducing the cost, of private finance for railway equipment, as lenders and lessors take into account lower capital costs, lower risk and lower transactional costs as well as helping to attract new sources of debt and equity for procurement programmes

The Rail Working Group is a not-for-profit association constituted under Swiss law
representing a broad cross section of the global railway community.

For a complete list of our members and more about us, please visit our website at www.railworkinggroup.org

EU Transparency Register ID: 958065448312-61.



4. stimulating demand for new rolling stock both domestically and in export markets, as well as directly benefiting local manufacturers through encouraging standardisation
5. removing the need for the state financing of rolling stock procurement, releasing needed re-equipment programmes from EU, regional and national-level budgetary constraints and creating resources for other priorities
6. facilitating public and private operators delegating or subcontracting parts of their operations and leasing out their rolling stock, where this will be more efficient, and opening the way for independent finance for joint ventures.
7. underwriting operating leases throughout the TEN-T corridor, thereby
 - a. opening up new markets for local manufacturers and lessors where customers will not have the resources to buy
 - b. giving operators more flexibility in how they utilise and finance rolling stock
 - c. allowing a genuine transfer of risk to the private sector; and
 - d. through allocating higher residual value assumptions and lower rents for standard rolling stock, creating an economic dynamic for more efficient manufacturing of rail equipment.

Rail Baltica is a leading project in the European transport sector, with the potential to transform the region into a multimodal logistics hub, as well as markedly improving the lives of business commuters and tourists. The adoption of the Protocol by all participating nations will motivate other EU Member States to do the same, thereby leading to lessors and financiers being protected where rolling stock crosses borders, as their international interests will be universally recognized. This will also assist the EU to achieve its broader goals of shifting passenger and freight transportation onto the rails and creating a Single European Rail Area and a European market for rail services.

The Protocol will

- make rolling stock financing easier and less bureaucratic for operators
- provide new, needed, security for financiers, particularly important when financed assets cross borders
- relieve EU and national government budgets as the private sector provides the resources for equipment procurement and takes over various obsolescence, maintenance and operating risks

The costs of the new system will be minimal. The advantages and opportunities will be tremendous.

For more on the Luxembourg Rail Protocol, visit www.railworkinggroup.org, or contact us at info@railworkinggroup.org. Keep up to date with all the latest developments via the Rail Working Group's [LinkedIn group page](#).