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ANNEX

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to the

Proposal for a Council Decision

**on the position to be taken on behalf of the European Union regarding the Sector
Understanding on Export Credits for Civil Aircraft**

ANNEX

EU proposal for a Common Line according to Article 28 ff. ASU – repayment deferral

1. Reference number: EU [•]/2020
2. Name of importing country: Multiple
3. Description of transaction: Official support for new Aircraft and Spare Engines
4. Common Line proposal: temporary addition of two alternative repayment profiles in Clause 13 a) of the ASU
5. Nationality and names of known bidders: N/A
6. Tender/bid period closing date: N/A
7. Other information:

Background:

The EU is proposing a temporary Common Line effective immediately to address the short-term liquidity issues facing operators and buyers of new aircraft and engines in the light of the current and developing COVID-19 crisis. It is clear that most if not all airlines are facing severe reductions in income and even in the post-Covid recovery period will have much more fragile liquidity positions as they deal with the financial aftermath of the crisis and may face reduced demand for some time to come.

The proposed Common Line aims to alleviate the potential impact of the financial impact of the crisis on national manufacturers, by making it possible for Participants to offer financing terms that adhere to the principles of the Aircraft Sector Understanding, while addressing the specific short-term liquidity impact currently being observed.

- General terms

The proposal aims to address this issue by temporarily allowing purchasers to defer repayment of principal for 12 or 18 months while enabling manufacturers to receive payment for new aircraft and engines delivering in the next 12 months.

- Environmental bonus rationale

Due to exceptional circumstances, buyers and borrowers are experiencing extremely tight funding positions given the sharp drop of demand. In this context, buyers and borrowers are eligible for an additional 6 months deferral. In return, they are encouraged to adopt best practices in terms of greenhouse gas emissions monitoring and reduction measures.

Subject to global risk analysis of the transaction made by each export credit agency ('ECA'), the first instalment of principal begins no later than 18 months after the starting point of credit and instalments of interest begins no later than three months - or no later than six months subject to a prior notification - after the starting point of credit, if a monitoring and a reduction or offset plan ("greenhouse gas emissions plan") is made publicly available on a yearly basis and includes:

- i. a monitoring of the greenhouse gas emissions either using a recognized and acceptable methodology
and
- ii. a quantitative target for greenhouse gas emissions and disclosure of measures already in place or to be implemented to reduce or offset greenhouse gas emissions.

If a greenhouse gas emissions plan is not yet already in place and publicly available, the buyers or borrowers could still be eligible to the additional 6 months extension described above, if they explicitly commit, at the time of filing the request, to adopt and ensure the appropriate disclosure of such a plan in a reasonable timeframe during the 12 months of the alternative repayment profile.

If the buyer or borrower does not disclose such a report or plan during the 12 months of the alternative repayment profile, the general terms apply and the first instalment of principal shall be made no later than 12 months after the starting point of credit.

Proposal:

It is proposed that for a period of 12 months an alternative repayment profile is made available to Participants under Clause 13 a) of the ASU: *Repayment of Principal and Interest* by means of a Common Line. The additional repayment profile available to Participant would be defined as follows:

13 a) The Participants shall apply a profile of repayment of principal and payment of interest as specified in sub-paragraph 1), 2), 3) or 4) below.

1) ...As drafted in ASU

2) ...As drafted in ASU

3) Subject to a Prior Notification, repayment of principal and interest combined shall be made in equal instalments:

a) instalments shall be made no less frequently than every three months and:

i) the first instalment of principal shall be made no later than 12 months after the starting point of credit. For the avoidance of doubt, principal payments normally due within the first 12 months under 1) or 2), will be applied pro-rata across the instalments of principal to be made under 3).

ii) or alternatively, and, if the buyer or borrower

– publicly discloses a yearly report including a greenhouse gas emissions monitoring and a plan to reduce or offset these emissions (“greenhouse gas emissions plan”);

or

– officially commits at the time of filing the request, to adopt and ensure an appropriate disclosure of such a plan in a reasonable timeframe during the 12 months of the alternative repayment profile under 3 a)i, above;

The first instalment of principal shall be made no later than 18 months after the starting point of credit. For the avoidance of doubt, principal payments normally due within the first 18 months under 1) or 2), will be applied pro-rata across the instalments of principal to be made under 3).

If the buyer or borrower does not disclose such a report or plan during the 12 months of the alternative repayment profile, the first instalment of principal shall be made no later than 12 months after the starting point of credit.

b) instalments of interest shall be made no less frequently than every three months and the first instalment shall be made no later than 3 months after the starting point of credit.

- c) *alternatively, instalments of principal and interest may be made every six months with the first instalment of principal beginning no later than 12 months or no later than 18 months under a.ii. after the starting point of credit and instalments of interest beginning no later than six months after the starting point of credit. In this case, a surcharge of 15% to the minimum premium rates calculated in accordance with Appendix II shall apply.*
 - d) *in the case of a floating rate transaction, the principal amortising profile shall be set for the entire term, no more than five business days prior to the disbursement date, based on the floating or swap rate at that time.*
- 4) *Subject to a Prior Notification, repayment of principal shall be made in equal instalments with interest payable on declining balances:*
- a) *instalments of principal shall be made no less frequently than every three months and:*
 - i) *the first instalment shall be made no later than 12 months after the starting point of credit. For the avoidance of doubt, principal payments normally due within the first 12 months under 1) or 2), will be applied pro-rata across the instalments of principal to be made under 4).*
 - ii) *or alternatively, if the buyer or borrower:*
 - *publicly discloses a yearly report including a greenhouse gas emissions monitoring and a plan to reduce or offset these emissions;*
 - or*
 - *officially commits at the time of filing the request, to adopt and ensure an appropriate disclosure of such a plan in a reasonable timeframe during the 12 months of the alternative repayment profile under 4 a)i, above;*
- The first instalment of principal shall be made no later than 18 months after the starting point of credit. For the avoidance of doubt, principal payments normally due within the first 18 months under 1) or 2), will be applied pro-rata across the instalments of principal to be made under 4).*
- If the buyer or borrower does not disclose such a report or plan during the 12 months of the alternative repayment profile, the first instalment of principal shall be made no later than 18 months after the starting point of credit.*
- b) *instalments of interest shall be made no less frequently than every three months and the first instalment shall be made no later than 3 months after the starting point of credit.*
 - c) *alternatively, instalments of principal and interest may be made every six months with the first instalment of principal beginning no later than 12 months or no later than 18 months under a.ii. after the starting point of credit and instalments of interest beginning no later than six months after the starting point of credit. In this case, a surcharge of 15% to the minimum premium rates calculated in accordance with Appendix II shall apply.*

Scope:

It is proposed that the Common Line:

- i) will apply for twelve months from 1 November 2020;*
- ii) will apply only to new aircraft as defined in Articles 8 a) (1), and support for spare engines and spare parts as set out in Articles 20 a), b) and c) of the ASU;*
- iii) will not apply to aircraft not used for revenue generating operations either through the carriage of passengers or freight or through operating leasing;*
- iv) will apply only to new business as defined in ii) above where official support is provided within the period in which the Common Line is in effect;*
- v) will apply only to aircraft and engines as defined under ii) ordered under Purchase Agreements that were executed on or before 11 March 2020;*
- vi) flexibilities shall be permitted for interim financing arrangements (as defined in Article 8 b)) only when delivery and interim financing arrangement occur during the period in which the Common Line is in effect;*
- vii) will be available to all buyers or borrowers subject to a cash flow impact analysis being provided to the Participant demonstrating to it a rationale as to why the Common Line is required;*
- viii) will be applicable to delayed delivery so long as actual delivery occurs no later than 90 days after the effective end date of the Common Line ; and*
- ix) will not affect application of any other ASU term, which shall continue to apply.*

For the avoidance of doubt, the application of the proposed Common Line does not alter a Participants ability to agree any actions to minimise loss in accordance with Clause 7 of the ASU.

Delayed delivery:

Where a Participant has issued a commitment to provide official support for a delivery in accordance with the proposed Common Line and said delivery is delayed beyond the effective end date of the Common Line, Participant will be permitted to honour the terms of that original commitment so long as actual delivery occurs no later than 90 days after the effective end date of the Common Line.

A Participant intending to extend the availability period of the Common Line terms in the event of a delayed delivery will explain the rationale for agreeing the extension in the Post-Issue notification.

Delivery between 1 November 2020 and Date of Common Line Acceptance

Buyers or borrowers that take delivery of an aircraft with an official support in between the 1 November 2020 and the date of the Common Line acceptance, will be entitled to have the terms of the official support transaction amended so that the Common Line terms apply, subject always to the agreement of the participating ECAs in supporting the transaction and payment of additional premium as per the paragraph below.

Minimum premium rates:

The ASU premium rate rules as defined in Appendix II shall continue to apply to any transactions supported under the Common Line. Refinancing in accordance with the proposal described above will have the effect of increasing the average weighted life of a transaction and therefore Participants charging premium on an upfront basis rather than as a margin over the life of the loan will be compensated through charging a higher premium rate should it chose to apply the terms proposed under the Common Line.

Risk Classification:

For buyer or borrowers whose ASU risk classification was accepted on or before 11 March 2020, an update to the Risk Classification should be proposed following the regular procedure described in Appendix II of the ASU in order to apply the terms of this Common Line.

Notifications:

Use of the proposed Common Line by Participants will be notified under the Prior Notification procedure defined in the ASU for information only.