

# Completing Europe

## The United States & The Three Seas Initiative



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# Three Seas Initiative (3SI): Key Objectives

## 12 Nation Effort to Accelerate the Development of Cross Border Infrastructure

- Energy, Transport & Digital/Telecom

## Overcome Infrastructural Legacy of Soviet Occupation

- Limited North-South Corridors
- Economic Disaggregation
- \$270B Cross Border Infrastructure Deficit
- \$530B Total Infrastructure Deficit

## Economic Convergence w/ Western Europe

- Overcome Limited Infrastructural Connectivity
- Key Building Block toward a Single European Market & Single European Energy Market

## Leverage the Power of Energy, Transport, & Telecom Networks

- Economic Integration
- Energy Security (including US LNG imports)
- Economic Competitiveness & Prosperity
- Economic Resilience



# Three Seas Initiative (3SI): Key Objectives

## Catalyze/Leverage Commercial Capital

- Three Seas Investment Fund

## Leverage Market Potentials of 3SI Region

- Population: 110M
- Aggregate GDP: \$1.7T (2017)
- Avg GDP Growth Rate of 2.4% till 2030

## Further the Vision of a Europe Whole, Free & Secure

- Political, security, and regulatory integration vs. infrastructural integration

## Strengthen the Transatlantic Community

- An economically prosperous, resilient, and unified Europe is a more capable and reliable transatlantic partner



**Infrastructure:** a foundation stone as important as NATO/EU membership

# Context & History of 3SI

## ● Great Power Competition & Economic Uncertainty

- Russia: Energy Pressure, Trade Embargoes, Military Threat
- China: Malign Investment
- Global Economic Volatility
- Slow Growth European Economy

## ● Evolution of 3SI: Key Events (2014-2019)

- Atlantic Council Report (April 2014): *Completing Europe: From the North-South Corridor to Energy, Transportation, and Telecommunications Union*
- UNGA Summit, September 2015 (convened by Croatia Pres.)
- Dubrovnik Three Seas Summit, August 2016
- Warsaw Summit w/ President Trump, July 2017
- Bucharest Summit, Sept 2018 – w/US SECENERGY, GER FOMIN, EC PRES
- Ljubljana Summit, June 2019 Three Seas Initiative Investment Fund Established



# The United States & 3SI

## Obama Administration

- Supported Three Seas in Principle
- Focused on Specific Energy Projects
- Assistant Secretary Participation in NYC & Dubrovnik 3SI Summits



## Trump Administration

- Robustly Endorsed Three Seas Initiative
  - Counter Malign RUS & PRC Influence
  - Strengthen Resilience/Capability of the Transatlantic Community
  - POTUS proposed 3SI Business Forum
- POTUS/Cabinet Level Engagement
  - POTUS attended 2017 Warsaw Summit/
  - POTUS Letter to 2018 Bucharest Summit
  - SEC Energy attended Sept 2018 Bucharest Summit
  - SEC Energy attended June 2019 Ljubljana Summit
- Key US Interagency Lead: Ambassador Georgette Mosbacher (Chief of Mission, US Embassy Poland)

# President Trump on the Three Seas Initiative



“The Three Seas Initiative will transform and rebuild the entire region and ensure that your infrastructure, like your commitment to freedom and rule of law, binds you to all of Europe and, indeed, to the West...

Three Seas Summit, Warsaw, 6 July 2017

# President Juncker on the Three Seas Initiative



“An initiative which delivers key projects in energy, transport, digital interconnections. The Three Seas Initiative is a catalyst for the cohesion and convergence of the EU and for the strengthening of the transatlantic link...”

Three Seas Summit, Bucharest, 18 September 2018

# Three Seas Summit, Dubrovnik, 2016



Presidents and their representatives gathered at the First Summit of the 3 Seas Initiative, representing 12 EU member states located between the Adriatic, the Baltic and the Black Seas: Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia

# Three Seas Summit, Warsaw, 2017



Presidents and their representatives gathered at the Second Summit of the 3 Seas Initiative, representing 12 EU member states located between the Adriatic, the Baltic and the Black Seas: Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia



# Three Seas Summit, Bucharest, 2018



3SI Presidents and their representatives from Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia convened for the 3SI Summit and were joined by Germany's Foreign Minister Heiko Maas, European Commission President Jean Claude Juncker & US Secretary of Energy Rick Perry

# Bucharest 3SI Summit, Sept '18 Deliverables

## ● **Endorsement by the United States, Germany & the European Union**

- President Donald Trump's Letter to the 3SI Business Forum
- USG represented by Secretary of Energy Rick Perry
  - Launched the Partnership for Transatlantic Energy Cooperation (P-TEC)
- EU Represented by European Commission President Jean-Claude Juncker
- Germany Represented by Foreign Minister Heiko Maas

## ● **The List of 48 3SI Priority Interconnection Projects**

- 14 Energy Projects
- 10 Digital Projects
- 24 Transportation Projects

## ● **Three Seas Initiative Investment Fund Letter of Intent**

- Signed by Poland, Romania, Latvia, Czech Republic, Croatia, Slovakia
- Led by Bank Gospodarstwa Krajowego (BGK), Poland

## ● **Establishment of the 3SI Network of Chambers of Commerce**

## ● **First Three Seas Business Forum**

# Three Seas Summit, Ljubljana, 2019



Presidents and their representatives gathered at the 4<sup>th</sup> 3SI Summit representing 12 EU member states located between the Adriatic, the Baltic and the Black Seas (Austria, Bulgaria, Croatia, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia ), Germany, the European Commission, and the United States

# Ljubljana Summit, June '19 Deliverables

- **Three Seas Summit, Brdo Castle**

- **Host:** President of Slovenia, Borut Pahor
- **3SI Core Participants:** 9 Presidents, 3 Ministers

- **Strong Endorsement by US, Germany & EU**

- US Secretary of Energy Rick Perry
- President of Germany Frank Walter Steinmeier
- President of the European Commission Jean Claude Juncker

- **2<sup>nd</sup> Three Seas Business Forum**

- **Host:** Government of Slovenia/Foreign Minister Miro Cerar
- **Key Participants:** Presidents, Ministers, Business Exes, Experts
- **Location:** Ljubljana Convention & Business Center

- **Summit & Business Forum Deliverables**

- **Establishment/Launch of 3SI Investment Fund (with EIB endorsement)**
- **Meeting of 3SI Chambers of Commerce Networkd**



# Three Seas Initiative Investment Fund

- **The Fund – The Economic Dimension of the Three Seas Initiative**
  - **Mission:** Investment Vehicle for Financing Key 3SI Infrastructure Projects
  - **Core Sponsors:** National Promotional Banks and Institutions of 3SI Countries
  - **Lead Nation:** Poland and its Development Bank, Bank Gospodarstwa Krajowego (BGK)
- **Fund Structure and Capacity**
  - **Legal Basis:** Operate under European Laws
  - **Operating Concept:** Commercial Basis, managed by Independent fund managers
    - **Investment Strategy & Supervision:** Governed by Core Sponsors
  - **Fund Size (Target):** 3-5B Euros
  - **Contributors:** 3SI Core sponsors, interntl development institutions, institutional investors
  - **Fund Term:** 7-15 Years]
- **Key Benchmarks:**
  - **Letter of Intent:** Signed at the September 2018 3SI Bucharest Summit
    - Poland, Croatia, Czech Republic, Latvia, Poland, Romania & Slovakia
  - **Fund Managers:** Credit Suisse, Amber Fund
  - **Fund Registration/Operating License:** Completed, Luxembourg
  - **Funds Committed to Date:** Approximately 620M Euro (Sept 2019 – POL, ROM, EST)
  - **Fund Opening:** February 2020

# 3SI & International Investment Community

- **Growing Europe Roundtable, Davos 22 January 2020**
  - **Hosts:** Financial Times, PZU, Goldman Sachs, Atlantic Council
  - **Keynotes:** Presidents of Poland, Croatia & Latvia and Prime Minister of Estonia
  - **Private Sector Panel:** Goldman Sachs, Bridgewater Associates, Google, PZU



## • **Key Quotes/Assertions from the Panel Discussion:**

- **Gideon Rachman (FT)** on Central Europe: “Possibly the most dynamic part of the European Union.”
- **John Rogers, EVP, Goldman Sachs:** “We are very devoted to this initiative [3SI].”
- **David McCormick, Co-CEO, Bridgewater Associates:** Describing a paradigm shift of slowing growth in developed economies he asked ‘Where is the next move?...This is where Three Seas Initiative comes into play.’
- **Karan Bhatia, VP at Google:** The growth of the digital sector in Central Europe is 2X that of Western Europe (6% vs 3% annual growth).

# Tallinn 3SI Summit 2020: Going Operational!

- **Host President of Estonia, Kersti Kaljulaid**
  - One Tallinn Team: Government & Presidency
  - Inter-government Task Force
  - Highlighting Estonia's Digital Capacities
- **3SI 2020 Summit: Key Issues and Objectives**
  - Sustaining Participation and Support of USG, Germany, EU
  - Formalizing Roles of Key Western Governments
  - Extending the 3SI Infrastructure Vision across of of Central Europe
    - Western Balkans, Ukraine, Moldova
  - Establishing a 3SI Secretariat
- **3SI Investment Fund: Key Issues and Objectives**
  - Going Fully Operational
  - Contributions by All 3SI Member States
  - Initial Investments
  - Contributions from IFI and Key Western Development Banks
- **3<sup>rd</sup> Three Seas Business Forum**
  - Robust Participation by North American & Western Corporate/Financial Leadership
  - Action Plan by 3SI Chambers of Commerce Network

# The Balkans & the Three Seas Initiative

- **Why is the Three Seas Initiative relevant to the Balkans?**
  - **Institutional & Geographic Overlap**
    - Slovenia, Croatia and Bulgaria are 3SI members
    - Berlin Process and European Integration
  - **3SI is a potentially enormous financial undertaking – addressing a \$500B+ cross-border infrastructure deficit across Central Europe**
    - 3SI projects can animate energy, transport and digital projects beyond its boundaries
  - **3SI addresses shared objectives of fostering greater regional collaboration and economic inclusion in Europe**
  - **As a driver of economic growth, 3SI portends positive “spillover” into non-member states in the Western Balkans & Eastern Europe**
- **What can be done regarding 3SI?**
  - **Membership: EU Membership & Three Seas Initiative Investment Fund**
  - **Advocate for a 3SI vision that reaches beyond 3SI member state borders**
  - **Explore how the 3SI Investment Fund can include Central European projects beyond 3SI member state borders into the fund’s project pipeline**



END OF BRIEF

On to 3SI Tallinn 2020!!

Addenda Attached

Guiding Principals for 3SI Success

Sample 3SI Energy Projects

Sample 3SI Transport & Digital Projects

3SI Looking Forward: Potential USG Financial Investment

# GUIDING PRINCIPLES FOR 3SI SUCCESS

- **3SI Must be Led by Central Europe**
  - To succeed 3SI must be led by Central Europeans, not by the US or other outside powers
  - 3SI will be most successful if its leadership core is multi-lateral (ie Poland, Romania, Croatia)
    - Poland is key to 3SI success – Warsaw should lead 3SI in collaboration with others
  - The US, Germany, EC and other Western powers can and should catalyze and support the Initiative, but not be a formal member of 3SI
    - Such membership would dilute the geopolitical essence and distinctness of 3SI
- **Leveraging Private Sector/Commercial Capital is Key to 3SI Success**
  - Private sector capital can help accelerate 3SI
  - 3SI infrastructure fund has the potential to be a new, more effective form of IFDC
- **3SI Infrastructure Fund is the Most Important Driver of 3SI Success or Failure**
  - All 3SI nations must contribute
  - Fund should operate on a commercial terms (for profit) – like US Enterprise Funds
  - 3SI Fund should be the Initiative's institutional face – its front office and phone number
- **2020 Must be the Year 3SI Moves from Rhetoric to Action**
  - Stand up the 3SI Investment Fund
  - 3SI needs invest in some projects in 2019 to demonstrate credibility
- **3SI Must be Guided by a Vision that Embraces Non-EU States**
  - Ukraine, Moldova, Georgia, and the non-EU states of the Western Balkans need to be incorporated into the 3SI Vision
  - 3SI Summits and Business Forums should involve these states

# Sample 3SI Energy Projects

## ● Gas Interconnector Poland-Lithuania

- **Proposing Country:** Poland
- **Participating Countries:** Lithuania, Latvia, Estonia
- **Approximate Cost:** €558M
- **Key Facts:** 534km; 2.3 BCM/yr (expandable to 4.5 BCM/yr)



## ● Bulgaria-Romania-Hungary-Austria Gas Transmission Pipeline

- **Proposing Country:** Romania
- **Participating Counties:** Bulgaria, Hungary, Austria
- **Approximate Cost:** €479M
- **Key Facts:** 1383 km; 1.75BCM/yr (Expandabel to 4.4BCM/yr)

## ● Floating LNG Terminal, Krk Island, Croatia

- **Proposing Country:** Croatia
- **Participating Counties:** Hungary, Slovakia
- **Approximate Cost:** €250M (floating terminal/facility)
- **Key Facts:** 1.5BCM/yr min, Pipeline to Hungary



# Sample 3SI Transport & Digital Projects

## ● Rail-2-Sea Modernization & Development

- **Proposing Country:** Romania
- **Participating Countries:** Poland, Slovakia
- **Approximate Cost:** TBD/Multiple Segments
- **Key Facts:** Civilian-Military Use Rail Network from Gdansk to Constanta

## ● Via Carpathia

- **Proposing Countries:** Hungary, Poland, Romania
- **Participating Countries:** Bulgaria, Lithuania, Slovakia
- **Approximate Cost:** TBD/Multiple Segments
- **Key Facts:** Highway network from Klaipeda to Thessaloniki

## ● 3SI Digital Highway

- **Proposing Country:** Poland
- **Participating Countries:** Austria, Hungary, Bulgaria, Croatia, Czech Republic, Romania, Slovakia, Slovenia
- **Approximate Cost:** TBD



# 3SI Looking Forward: USG Financial Investment -- Three Seas Infrastructure Enterprise Fund --

## ● **Proposal: Three Seas Infrastructure Enterprise Fund**

### ● **Fund Leverages \$1B USG Investment to Invest in Commercially Viable 3SI Projects**

- USG Investment of \$1B would be 1/60<sup>th</sup> of \$60B USIFDC established by the BUILD Act
- Fund could also be joined by other governments (ie Germany, others)

### ● **Key Objective:** Leverage Private Sector Capital

### ● **Operating Principals:** Independent Fund Management/Commercial Principles

### ● **Less Risk due to 3SI Regional Economic Profile**

- \$1.1T GDP
- Strong Growth: 2.4% Average out to 2030
- Documented Infrastructural Deficit: \$530B National and Regional Deficit

**Objective:  
Catalyze  
Commercial  
Capital**

## ● **Modeled after USG Enterprise Funds (SEED Act 1989)**

### ● **USG Investment:** \$1.2B in Enterprise Funds (1990-2012)

- Jumpstarted commercial enterprises in Poland, Baltic States, Hungary, Romania...

### ● **Positive Return to USG!:** Generated \$1.7B in net proceeds

### ● **Successfully Leveraged Private Sector Capital:** \$6.9B of non-USG capital (debt, equity capital and co-investment)

## ● **Strategic Geopolitical & Financial Return**

- Promote Growth in Region Featuring Some of America's Closest Allies
- Counter Maligned Russian and Chinese Pressure/Influence
- Strong Prospect of Positive Return to the US Treasury