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Mr Keit Kasemets  
Representation of the European Commission in Estonia

### Issues regarding Rail Baltic CBA

Ref to our: 19.06.2017  
Our: 21.06.2017

Dear Mr Kasemets,

we have great concern regarding the quality of the latest Rail Baltic Cost Benefit Analysis (CBA) made by EY (<http://www.railbaltica.org/cost-benefit-analysis/>). We have also presented questions to the coordinating body, RB Rail AS, and the Estonian Ministry of Economic Affairs and Communication, but have not received any answer so far. A failure to address these issues will lead to a waste of EU funding and national resources in investment expenses, notwithstanding the fact that Rail Baltic is not economically and socio-economically viable.

Therefore, we ask for the European Commission's position on the calculations related to the latest CBA made by EY:

1. The largest issue concerns the truck air pollution rate in motorways (10 €ct/km) that is used in calculation of the socio-economic benefit. The total discounted value obtained from this assumption is 3.3 billion euro, about 20 percent of the total socio-economic impact. According to the referenced source, such an air pollution rate corresponds to EURO I or EURO II trucks. During the time 2026-2055, it would be reasonable to expect EURO VI or better trucks to be used. The emission rate for these trucks is 25 times lower, as shown in the referenced source (0.4 €ct/km). This correction results in a 3 billion euro correction on the undiscounted value of the project.
2. The correction of the long-haul road transport vehicle type reduces the undiscounted socio-economic benefit by 220 million euros
3. The correction of the predicted fuel excise growth decreases the undiscounted socio-economic benefit by 930 million euros in addition.

The references for the previous points are in the attachment.

Furthermore, we are in the opinion that the next two subjects will highlight other issues in the CBA.

4. We notice that direct GHG emissions and other environmental impacts caused by the construction process have not been considered on the socio-economic impact calculations.
5. The cost savings of the rail freight on page 179 (table 77) and on page 75 (table 26) of the CBA show example calculations of terminal to terminal rail freight costs, comparing them with door to door road freight costs. This fails to consider the costs it takes to ship freight from a customer's door to the railway terminal and from the destination railway terminal to the customer's door. Non-accounting of door to terminal and terminal to door costs of rail transport overestimates the benefits i.e. cost savings of the rail freight.

These are only a few of the issues. In addition to these, there are quite number of smaller issues that are have been made available online: <https://goo.gl/hMhaEw>. Behind the link is a Dropbox file where we have commented on the issues as we have noticed in the text of the CBA.

To make the Rail Baltic project viable we would propose:

1. Freight forecast should be adjusted and only realistic socio-economic revenues should be included in CBA.
2. Extensive CAPEX reduction should be implemented. Economic technical alternatives are described in the COWI feasibility study ([http://ec.europa.eu/regional\\_policy/sources/docgener/evaluation/railbaltica/report.PDF](http://ec.europa.eu/regional_policy/sources/docgener/evaluation/railbaltica/report.PDF))

A new revised CBA auditing should be ordered by an independent body not affiliated with the project promoters.

We look forward to hearing from you

With best regards

Priit Humal  
member of the board

Karli Lambot

Illimar Paul

Raul Vibo

Attached

Major mistakes in Rail Baltic CBA made by EY