

# **EIB and the Energy Sector: Potential Synergies with the MED Programme to Support Energy Efficiency Investments**

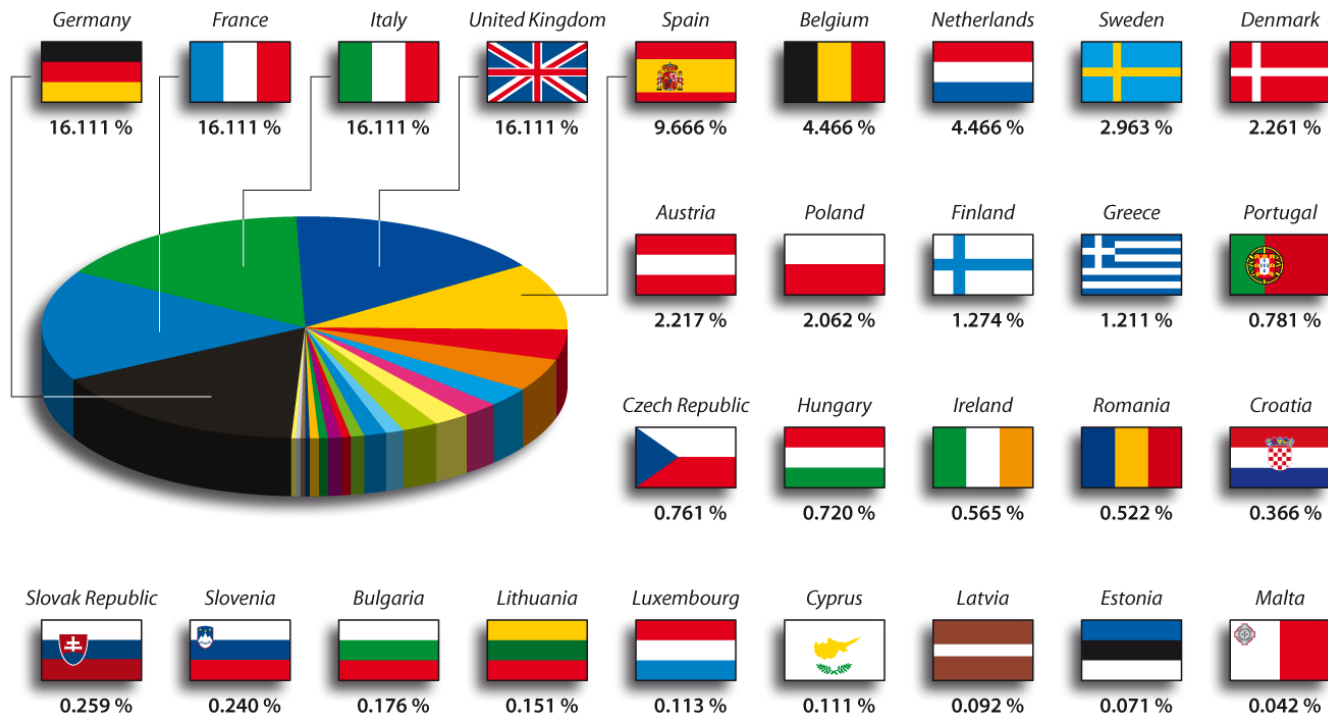
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Projects Directorate  
EUROPEAN INVESTMENT BANK

Brussels, 18 June 2015

# The EU Bank

- European Union's Bank - operational since 1958
- Shareholders: 28 EU Member States
- 90% of lending is within the EU
- Forms part of EIB Group together with EIF.

## Capital Breakdown



# The European Investment Bank

Providing finance and expertise for sound and sustainable investment projects.

Largest multilateral lender and borrower in the world:

EUR 77 bn of lending in 2014 – EUR 69 bn in the EU; EUR 8 bn outside the EU  
EUR 62 bn of borrowing in 2014

AAA-rated and strong capital base

Over 420 projects approved in 2014

Key products:

Loans

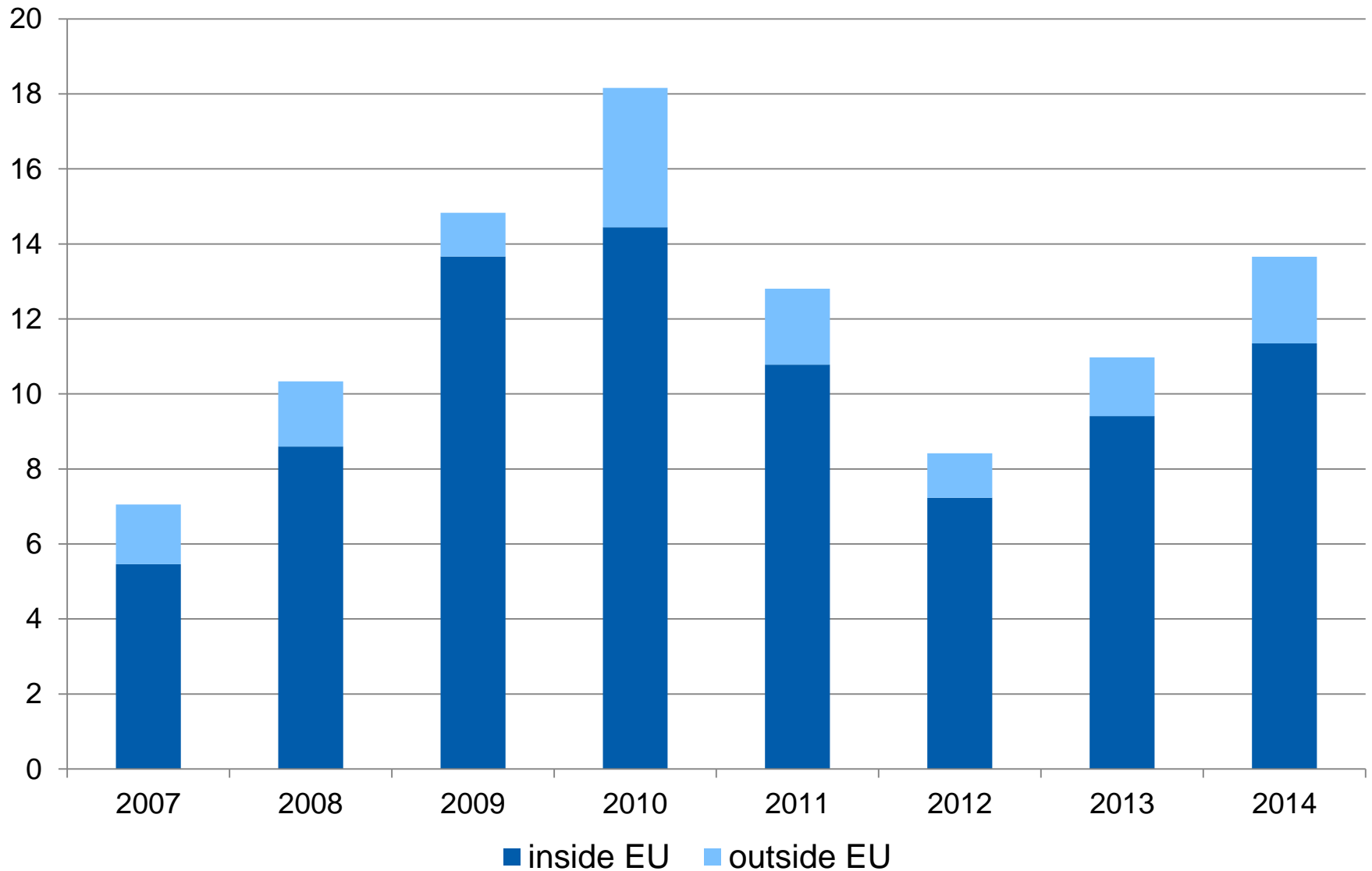
Guarantees

Equity

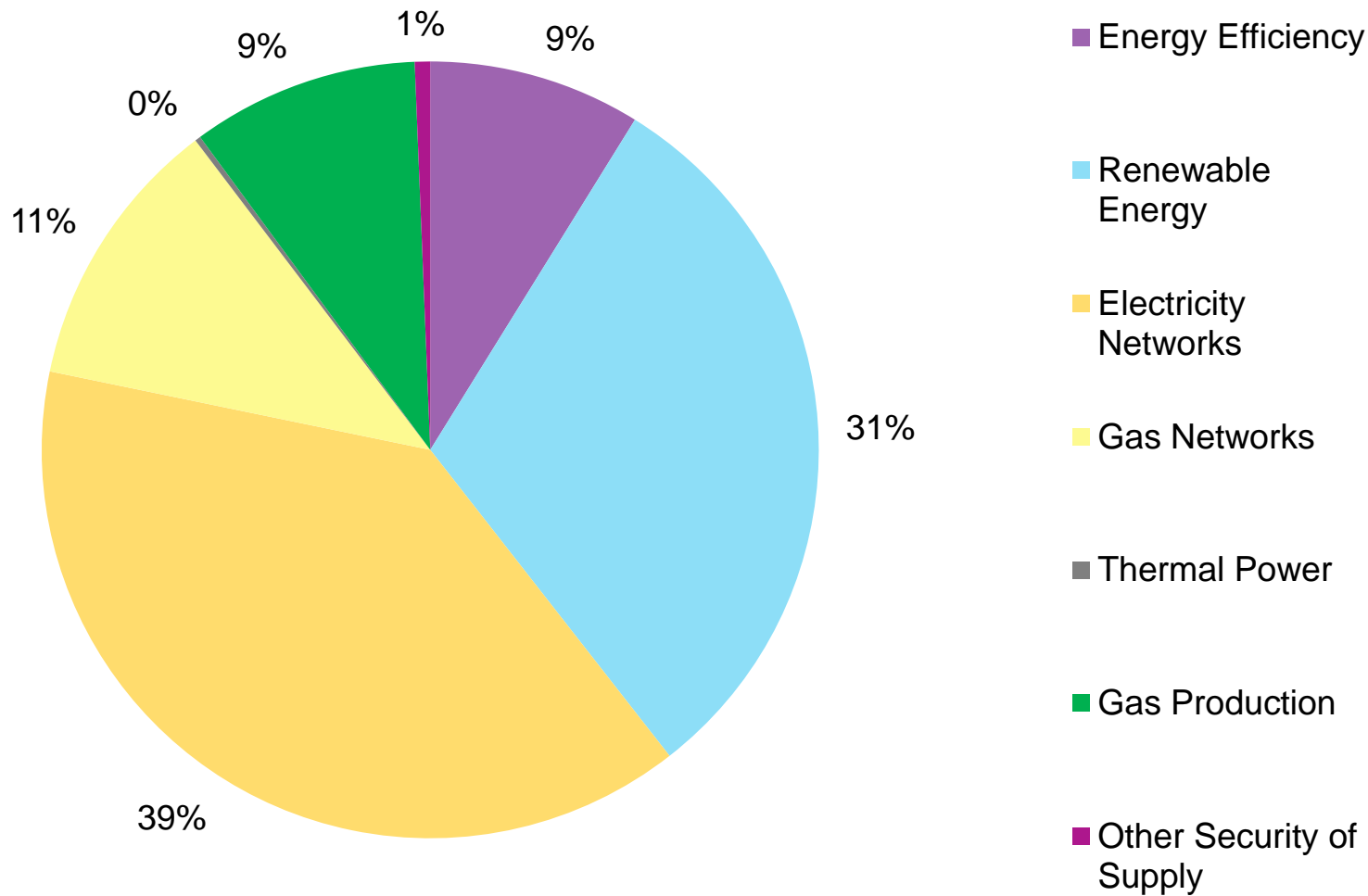
Risk-  
sharing  
facility

Advisory  
services

## EIB Lending to Energy (€ bn)



# 2014 EIB Lending to Energy - 13.5 € bn



# Why Energy Efficiency?

- EU imports 53% of energy needs at an annual cost of around €400 billion (first energy importer in the world)
- Largest single source of energy demand is heating and cooling, which takes the majority of Europe's gas imports
- 1% of energy saved = 2.6% reduction in gas imports

 **ENERGY EFFICIENCY AS EUROPE'S FIRST FUEL**

- When energy saved comes from fossil fuels, energy efficiency contributes to reduce GHG emissions

# Policy Background

- Energy Union : energy efficiency as one of the pillars
- European Council - October 2014 : indicative target at the EU level of at least 27% for improving energy efficiency in 2030
- European Council - October 2014 : target at the EU level of at reduction of 40% GHG emissions by 2030
- EFSI : energy efficiency as one of the sectors singled out in the outcome of the trilogue between Council, Parliament and Commission

# Where are the potential savings?

- Buildings account for ~ 40% of EU final energy consumption, transport for ~33% and industry for ~26%
- Given low annual new build rate (1.5%), pressure is on building renovation.
- Typical investments:
  - Building envelope and HVAC
  - [Also, street lighting, district heating, urban transport, energy efficiency in industry]



# What are the investment needs?

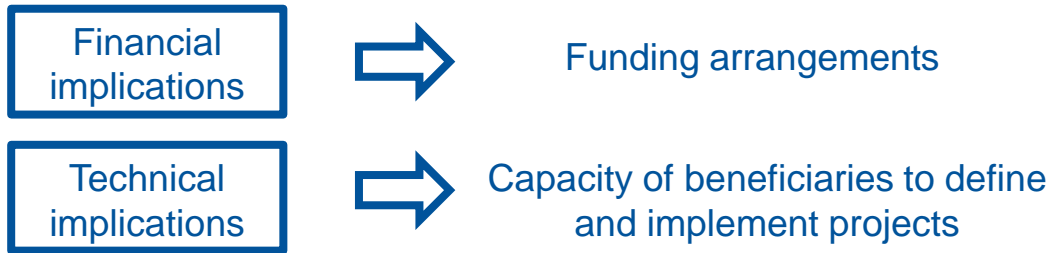
Estimated energy efficiency investments by sector in bn EUR to comply with new 2030 framework of 40% GHG target:

Category	2011-2020	2021-2030 Previous Policy Scenario	2021-2030 40% GHG Target	Difference between GHG40 and Reference scenario
<b>Buildings</b>	656	345	<b>833</b>	489
<b>Out of which Residential</b>	454	261	<b>531</b>	270
<b>Out of which Tertiary</b>	202	83	<b>302</b>	219
<b>Industry</b>	166	222	<b>313</b>	91

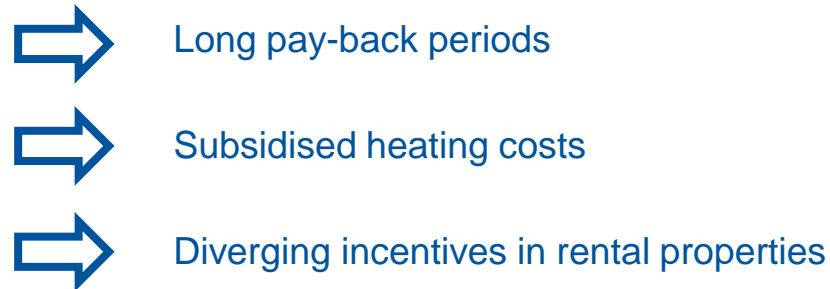
Note – investments in urban transport not included

# What are the barriers?

- FRAGMENTATION OF PROJECTS



- WEAK INCENTIVES



# EIB products

- **Investment loans (direct)** – barriers usually taken care of, plus possible blending
- **Framework loans (intermediated)** – to promote aggregation and crowding in of commercial lending
- **Investment funds (equity)** – to catalyse private investors
- **Technical assistance** – typically upstream, with or without links to operations

# Eligibility of investments

- Classical Cost-Benefit Analysis (CBA) taking into account externalities
- [Rule of 50% when difficult to separate energy efficiency investments from total project cost]
- One simplification to CBA : consistency of cost-optimal levels in thermal rehabilitation of buildings
- Includes support to:
  - existing technologies in new markets (e.g. NZEB)
  - new technologies (e.g. micro CHP)

## Energy Lending Criteria:

<http://www.eib.org/infocentre/publications/all/eib-energy-lending-criteria.htm>

# Bucharest Thermal Rehabilitation

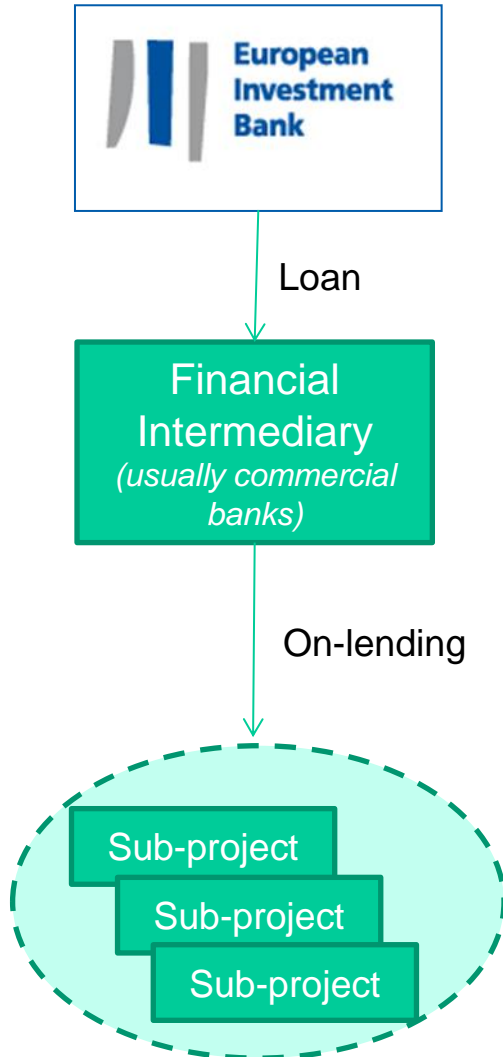
## INVESTMENT LOAN



- ✓ **Loan to Municipalities (sectors)**
- ✓ **In the context of an EE scheme**
- ✓ **Thermal rehabilitation of >1500 residential buildings**
- ✓ **Measures recommended through energy audits**
  - Thermal insulation of the building envelope
  - Replacement of wooden windows
- ✓ **~50% EE achieved (verified ex-post)**

# Framework Loans for EE&RE projects

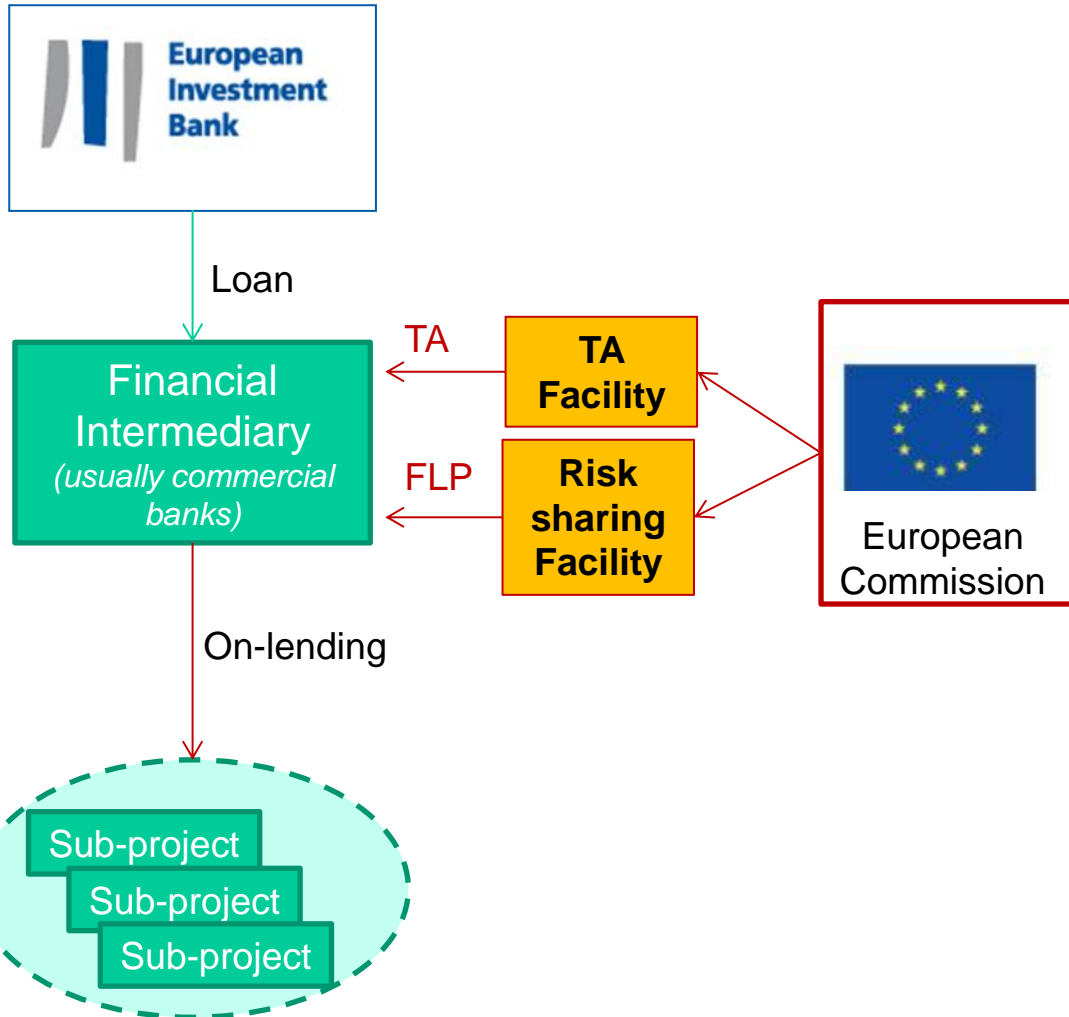
## INTERMEDIATED LOAN



- ✓ Investment cost <50 MEUR
- ✓ Financial intermediary to perform the due diligence of projects
- ✓ Advantages for promoters:
  - Allows the financing of **smaller projects**, not necessarily part of a scheme
  - Faster (delegated) approval process
  - Reduced monitoring requirements

# Private Finance for EE (PF4EE)

## INTERMEDIATED LOAN



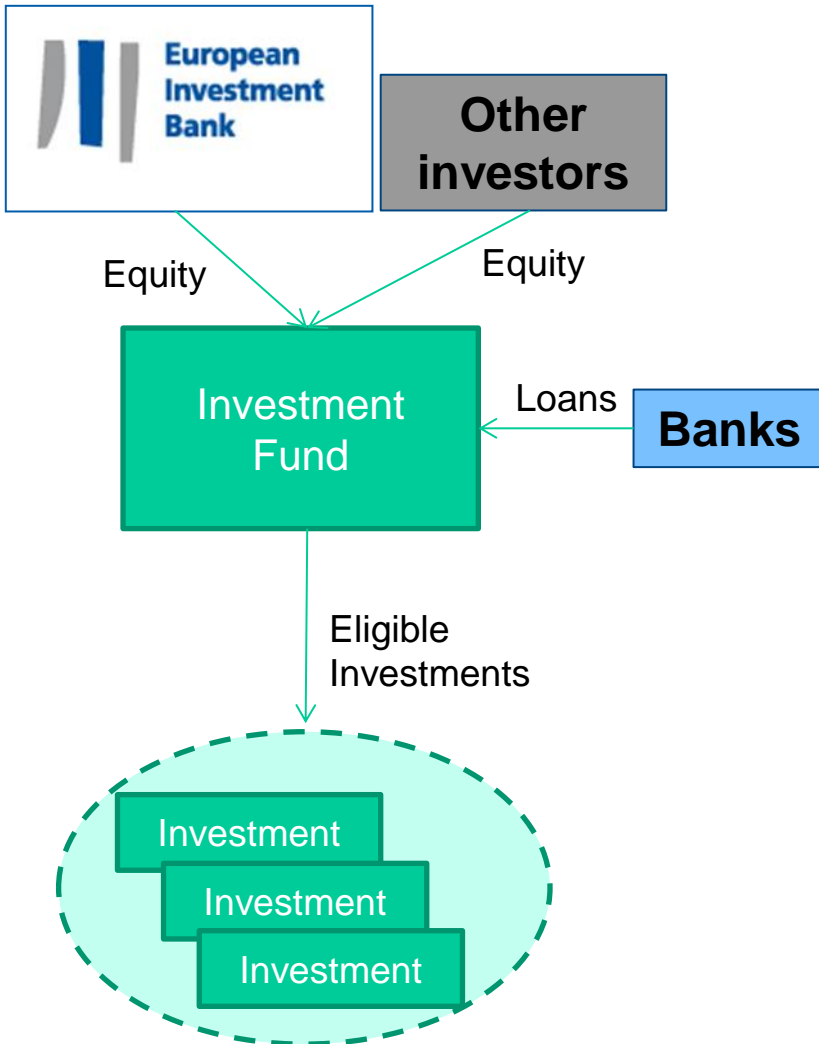
TA = Technical Assistance  
 FLP = First Loss Protection

- ✓ **EE investments (sub-projects)**
- ✓ **EU-28 (one FI per country)**
- ✓ **Beneficiaries:**
  - Public bodies
  - Private promoters
  - Individuals
  - SMEs...

## ➤ Debt or equity funds investing in

- ESCOs
- EE&RE projects

## ➤ Catalytic effect to mobilise private investors





# European Energy Efficiency Fund

- Fund targeting sustainable energy projects proposed by public authorities in the EU
- **Fund 265 MEUR; TA Facility 20 MEUR**
- **Managed by Deutsche Bank ([www.eeef.eu](http://www.eeef.eu) )**
- **Financing in form of equity, loans, guarantees...**

## EXAMPLE in Région Rhône-Alpes:



**Project: Société Publique Locale Efficacité énergétique (SPL)**



Country:	France
Sector:	Energy efficiency measures, public buildings upgrades
Type of Investment:	Senior Debt
Total project size (€ m):	approx. 25
eeef investment size (€ m):	5
Financial close:	3 April 2014
Maturity:	5 years
Status:	Implementation Phase

# How to find projects financed by the EIB?

➤ On EIB website: <http://www.eib.org>

The screenshot shows the EIB website interface. The navigation menu at the top includes 'About', 'Products', 'Projects', 'Investor Relations', and 'News'. The 'Projects' menu item is circled in red and labeled with a '1'. On the left sidebar, under 'Project Cycle', 'Projects to be Financed' and 'Projects Financed' are circled in red and labeled with a '2'. The main content area shows filters for 'Italy', 'European Union', and 'Finance contracts signed'. A 'Filter' section contains dropdown menus for years (2013, 2015) and a category 'Energy', which is circled in red and labeled with a '3'. A 'Search' button is located below the filters. Below the filters is a table with the following data:

Name	Signature date	Signed Amount
BPER ENERGIA RINNOVABILE FL	12/03/2015	50,000,000
ENI EDISON SECURITY OF SUPPLY	05/01/2015	200,000,000
ENERGY EFFICIENCY ITALY FL	22/12/2014	11,250,000

Some key words:

-FL = Framework Loan

-Fund

**TECHNICAL ASSISTANCE**

- **Joint Assistance to Support Projects in European Regions**
- EC-EIB-EBRD cooperation since 2006, with over 100 staff in 4 locations (Luxembourg, Vienna, Warsaw and Bucharest)
- Objective is to ensure high quality project applications with a view to rapid approval by the EC in all sectors benefiting from ESI funds
- Beneficiaries: Managing Authorities and project promoters (typically national, regional or even local authorities and other public bodies)

<http://www.jaspers-europa-info.org/>

<http://www.jaspersnetwork.org/>

## TECHNICAL ASSISTANCE

- EC-EIB cooperation to support **local and regional authorities** to reach 20-20-20 targets
- **Grant** facility (Project Development Assistance)
- Eligible investments: **EE**, RE, clean transport
- **Budget**: variable, but around 20 mEUR / year
- Market replication focus
- Minimum investment leverage required (x20)
- Supported projects/programmes around EUR 3.7 billion

# Synergies with MED Programme?

- **Upstream:** MED programme may help develop planning framework for the definition and preparation of the projects
- **Project preparation:** common area with technical assistance provided by EIB – dissemination of best practices and mutual reliance
- **Project funding:** EIB can co-finance projects if eligibility criteria is satisfied → dissemination of EIB eligibility criteria
- **Other?** To be discussed!

# Conclusions

- Energy efficiency is a priority for the EIB
- Huge investment needs and market failures – need for coordinated approach of policy makers, MBDs (EIB), and possibly other actors (like National Promotional Banks)
- Common space with MED Programme in the development of suitable projects at the local level
- Coordination needed in particular to ensure eligibility of projects for EIB co-financing

# THANK YOU!

## Any questions?

For more information...

- <http://www.eib.org>
- EIB offices in:  
Athens, Belgrade, Lisbon,  
Madrid, Paris, Rome

