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European Investment Bank **Shaping sustainable cities**

Most people in the world live in cities. 75% of Europeans live in towns and cities and around 85% of the EU's GDP is generated in urban areas. Greening cities and making them sustainable are at the heart of the EIB's investments in urban areas. Over the last five years (2006-2010), the EIB has provided finance totalling almost EUR 55bn as well as technical assistance to support these goals in several hundred cities.



The European Investment Bank

The EIB is one of the world’s largest multilateral financing institutions. As the bank of the European Union, it uses its special expertise and resources to make a difference to the future of Europe and its partners by supporting sound investments underpinning EU policy objectives. Set up in 1958 under the Treaty of Rome (which established the European Community), the EIB operates as a bank and raises the majority of its resources on the capital markets on favourable terms, which it passes on to its borrowers. The EIB’s shareholders are the Member States of the European Union. The Bank is financially autonomous and does not come under the EU budget.

EIB lending is channelled primarily to projects in the EU Member States. Outside the Union, the Bank contributes to the implementation of EU development aid and cooperation policies under specific regional mandates covering EU Candidate and Potential Candidate Countries in the Enlargement Region; the Mediterranean, Russia and Eastern Neighbours; Central Asia; the African, Caribbean and Pacific (ACP) countries and Republic of South Africa; and Asia and Latin America.



While cities and metropolitan areas are the engines of innovation and economic growth and are where most jobs, businesses and higher education facilities are concentrated, they are also home to major problems of social cohesion and environmental sustainability. Urban living facilitates economies of scale and is intrinsically associated with the benefits of public services such as hospitals, schools and universities, but also with environmental degradation, noise and poor air quality, and problems such as unemployment, social exclusion and pockets of acute deprivation. Moreover, urban areas worldwide are faced with the challenge of climate

change. Europe’s cities account for 80% of our energy use, and 80% of greenhouse gas emissions originate in cities.

Promoting integrated urban development

The EIB’s lending in cities especially focuses on urban renewal and regeneration projects that help shape sustainable communities. By improving areas where the most deprived citizens live and by making better use of scarce land assets in city centres, urban renewal can foster social cohesion. At the same time, urban renewal may reduce the pressure

that otherwise encourages occupation of surrounding vacant land (suburbanisation), thereby limiting urban sprawl and contributing to a more balanced settlement structure. The EIB therefore supports municipal investment to improve and rehabilitate public infrastructure, buildings and facilities, with special attention being given to the protection of the cultural and historical heritage.

Over the last five years, almost half of the EIB’s total financing for the urban sector (EUR 24 billion) has gone to projects involving urban development and regeneration.



In London, JESSICA provides technical and financial expertise for investments in recycling and energy efficiency projects under the London Green Fund.

JESSICA for cities

JESSICA is the acronym for Joint European Support for Sustainable Investment in City Areas, a joint initiative between the European Commission and the EIB in collaboration with the Council of Europe Development Bank. This financial instrument complements the EIB's direct lending and assists with the allocation of EU Structural Fund resources to projects forming part of an integrated plan for sustainable urban development and regeneration. JESSICA enables these resources to be used for financing revenue-generating urban projects through so-called Urban Development Funds. Such investments may take the form of equity, loans or guarantees, and encourage the development of partnerships between municipalities, banks and private investors. The EIB's JESSICA Task Force provides advice on how to best deploy resources, and also offers guidance and support in fund management.



Under ELENA, the EIB is supporting an electric vehicle programme in the Netherlands that will introduce some 5250 electric vehicles and 9550 charging points across several municipalities. Relying 100% on renewable energy, this investment is expected to create aggregated energy savings of some 27 GWh and, after three years of operation, is expected to reduce emissions by a total of 9.90 kt CO₂ eq.

ELENA – European Local ENergy Assistance

This joint EIB-European Commission initiative helps local and regional authorities prepare energy efficiency or renewable energy projects. When it comes to implementation, the problem is not so much availability of finance as lack of know-how or capacity to implement large-scale projects. ELENA aims to encourage authorities to think ambitiously and develop energy efficiency and renewables projects that can be replicated across the EU.

Supporting energy efficiency

The EU has undertaken to reduce greenhouse gas emissions by 20% compared to 1990 levels and to include a 20% share of renewable energies in the overall EU energy mix, with a binding minimum of 10% of fuels from renewable sources in transport by 2020. Improving energy efficiency has the most potential with immediate impact to help the EU comply with its commitments. In addition, many cities and regions have joined the Covenant of

Mayors initiative – supported by the EIB – to go beyond those targets.

The Bank's financing in urban areas is therefore increasingly directed towards investments in improving energy efficiency and developing renewable energy sources, notably in buildings, urban transport (such as hybrid and electric vehicles or improved freight logistics) and local infrastructure, with smart grids, street and traffic lighting, to name but a few. The aim is to promote high standards of energy efficiency and maximise energy savings.

EIB public transport financing:

- The EIB has helped to finance **27** metros, **5** urban railways, **33** tramways, **52** railways and **17** high-speed railways over the last five years.
- **134** public transport projects have received EIB financing over the last five years.
- **€32bn** is the total lending for public transport over the last five years.
- Around **10%** of EIB lending goes to public transport projects.
- **5%** of EU citizens use an EIB-financed public mode of transport every day.



In Helsinki, the EIB is providing a substantial amount of finance to support a strategic shift that two major infrastructure projects will bring to the region's transport system as from 2015.

Promoting clean transport

The EIB places a strong emphasis on supporting public transport in urban areas and strives for the most efficient, economic and sustainable way of satisfying transport demand. This requires a mix of transport solutions, covering all modes. The Bank prioritises investment in the modes of transport that are most promising in terms of reducing greenhouse gas emissions per transport unit. By promoting a shift from private to public transport and by investing in sustainable transport, projects aim to improve

air quality and reduce noise pollution. They also help to tackle climate change by enhancing energy efficiency and limiting greenhouse gas emissions. Special attention is also paid to transport safety.

The Bank's support ranges from the construction, extension or rehabilitation of public transport infrastructure (such as railway, light rail, metro and tramway systems and rolling stock) to the promotion of cycling and pedestrian networks, as well as electromobility. Moreover, the EIB promotes the development of cleaner and safer vehicles by increasingly focusing its lending to the automotive

industry on research and development for energy-efficient and low-emission solutions that can be applied to buses or street cleaning or refuse disposal vehicles, for example.

As urban public transport projects are only rarely financially self-supporting and usually face substantial operating deficits, the EIB uses its financial and technical experience to help meet their specific needs. Between 2006 and 2010, the EIB invested over EUR 26bn in sustainable transport projects – roughly half of the total investment in the urban sector during that period.



A variety of financing instruments

The EIB tailors its financing to the specific needs of the borrower and the project, in line with sound banking practice and procedures. Borrowers can be both public and private, from within or outside the EU. The EIB's traditional financing instruments are medium and long-term loans, with fixed or variable interest rates, in euros or other currencies. For projects of at least EUR 25m, the EIB provides individual loans covering up to 50% of the investment cost. The remaining share and the working capital have to be provided from other sources. For projects of less than EUR 25m, the EIB provides indirect lending through intermediated loans to partner banks (so-called credit lines).

The EIB can also finance research, development and innovation projects – an area that often involves greater risk and where it is therefore more difficult to obtain funding – by using the Risk-Sharing Finance Facility (RSFF). This joint initiative of the EIB and the European Commission is aimed at private companies or public institutions with a higher than average risk profile.

EIB financing may be accompanied by EU grants to finance investment promoting the reduction of energy consumption, as well as technical assistance to help improve the quality and sustainability of urban investment projects and ensure that they comply with EU policies and standards throughout the project cycle. This technical assistance can range from overall feasibility studies to more specific studies on project components and tailored solutions for specific implementation issues.



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In Tunisia, the EIB has helped to finance the clean-up of a coastal area near the city of Sfax but has also provided technical assistance to support the management of the decontamination process as well as essential urban planning expertise.



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ISBN 978-92-861-1434-2



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