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Európska investičná banka
Evropska investicijska banka
Euroopan investointipankki
Europeiska investeringsbanken

Greece

To the attention of

Luxembourg, 30th June 2015

SG/AS/JASPERS/2015 – 504/AA/RG/jw

Subject: ELENA application dated on December 2014 and your letter protocol number 39745/34 dated on April 6th 2015

Dear

We confirm that the project component mix proposed by your team, which includes support to the preparation of modernisation of street lighting, lake transportation and some 7 km of an ultra-light tram, is in-line with the type of projects that can be, in principle, supported by the ELENA program. We also have appreciated your capacities as an experienced promoter of transport and energy infrastructure projects and therefore had accepted the ELENA pre-application and application to which we have dedicated resources since August 2013.

Our working methodology has been agreed between the EIB (the "Bank") and the European Commission and is in place since the establishment of ELENA. When an application is received our technical and financial teams study the information in order to ensure eligibility and compliance with the ELENA main objectives:

- a) Support the local and regional authorities by grants to contribute to the "20-20-20" Initiative, and (i) mobilise local stakeholders, including local banks, towards integrated European Union (ii) wide large-scale actions leading to broader utilisation of innovative technologies, processes, products, policies or practices and facilitate their market uptake.
- b) Aim at developing the potential of local and regional authorities to accelerate their investments in the fields of greenhouse gas emission reduction, energy efficiency and renewable energy sources. Its objective is to increase experience in developing Investment Programmes, facilitate the financing and overcome barriers that hinder this type of investment.
- c) Aim at developing the Investment Programmes, with a minimum Leverage Factor of 20, within the three years following the signature of the ELENA contract.

In addition, when the application includes innovative projects related to "urban transport" we evaluate those projects against the Bank's Transport Lending Policy.

As a result of our technical and administrative dialogue, the final version of the ELENA application was received in December 2014. It contained what we believe are the key elements in which we should base our reasoned technical decision on the feasibility and the sustainability of the project.

The final application proposes an ELENA project where 75% of the ELENA financing should be dedicated to the preparation of an ultra-light tram. Taking into account that share, our technical services have invested their time into the analysis of the feasibility and sustainability of that urban transport component.

Please state our references in all future correspondence

At the strategic level, the fact that your city is not part of the "Covenant of the Mayors" initiative, with all the associated responsibilities (namely the Sustainable Energy Action Plan) and the fact that your city lacks a Sustainable Urban Mobility Plan (SUMP) including, amongst other points, a long term vision and a clear implementation plan and a balanced and integrated development of all modes of transport, makes it difficult for the Bank to issue a reasoned opinion on the future sustainability of the urban transport component of the project.

At the project level our technical opinion is that there are potentially other innovative ways of servicing the existing demand for public transport and solving the city mobility problems that the one presented to us. In particular;

- (i) the reasoning behind the selection of an ultra-light tram to solve the mobility problems described in the application looks fragile –notably, the economic case (costs and benefits) appears weak- ,
- (ii) The demand forecast of 15.000-18.000 passengers per day translates to some 750-900 passengers/hour/direction (10 hours operation) which can be easily accommodated by a bus line (up to 2.000 passengers/hour/direction). This is far from international guidelines on the recommended ridership required for sustainable and cost-effective light rail operations (>3.000 passengers/hours/direction),
- (iii) the environmental impacts associated with the proposed solution should be considered at a system level concerning direct emissions associated with the light tram (infrastructure and vehicle construction and operation) and wider electricity generation used to power the system. The present Greek electricity generation mix is coal 45%, natural gas 27%, oil 13%, hydro 11%, and wind 4%.

Furthermore, based on previous experiences in the implementation of urban transport projects, the Bank's technical services have evaluated the risks associated to the implementation plan; the potential delays from relevant administrative processes, i.e. preparation, public consultation and approval of the Environmental Impact Assessment or time dedicated to administrative decision-making and have concluded that those risks have not been properly identified and mitigated what raises concerns on deliverability in the ELENA time period.

The application mentions the financial stance of the Epirus Region; however project financing, either from private funds, European regional development funds or from international financing institutions, is yet to be secured, that being confirmed by some recent interchanges on the issue.

At this point, with the information available, we are of the opinion that an additional meeting either in Luxembourg or in Ioannina may not bring any substantial additional elements to the discussion. Based on the above mentioned key issues we conclude that the urban transport component of your proposal has a major risk of not materializing in a sustainable form in the next three years (which is a pre-condition for receiving an ELENA grant) and therefore we confirm our previous decision not to further process the ELENA application.

We thank you for your interest in the ELENA program and for all your efforts during the preparation of the application. We remain at your disposal in case you would like further progress with an adapted project scope, e.g. development, at a larger regional scale, of the other components mentioned in your application: smart grid for road lighting and lake transportation.

Yours sincerely,

EUROPEAN INVESTMENT BANK

Director of JASPERS

Head of Energy and Solid Waste Division