The opinions expressed in this text are exclusively those of the author and do not necessarily represent the views of the Centre for European Policy Studies or any other organization to which he is associated.

First of all I would like to thank the EIB for the opportunity to comment on the lending operations which allows stakeholders to give important feedback. I would however suggest not to use periods with extensive festivities and holidays, such as is the case of December, as it can give a negative signal on the intentions of the bank and the importance it gives to the feedback.

The comments are short and punctual, describing problems I and my associates or clients have faced with EIB operations. Overall, I consider the operations of the EIB very positively.

EIB operations in the energy sector are of crucial importance, in particular in present times, to discriminate between bankable operations and those needing grants. The role of lending, and in particular lending with guarantees by the EU budget will be central to ensure that important energy investments will be undertaken.

I would also stress the need to ensure that EIB lending continues to be provided with lean and primarily banking criteria, avoiding excessively bog down the EIB with bureaucratic and political procedures, while of course respecting EU objectives. The leaner mechanisms of the EIB allow for a natural discrimination between profitable and bankable projects with those needing grants. I also trust that the EIB will set up the necessary rules to avoid as much as possible a mutualisation of risks and a privatization of profits, ensuring to the extent possible that the sharing of risks with the private sector does not go beyond what is necessary to ensure the implementation of a project of public interest.

Specific recommendations:

**ELENA facility**

Instruments like ELENA are without doubt necessary and very welcome, but some improvements are needed.

The share of costs that can be covered by eLENA technical assistance are a percentage of the costs for operations of three years (tenders launched), while some complex investments require a considerable longer implementation period. This creates some contradictory objectives:

- The investment has to be relatively mature, but in this case the TA is often not necessary.
- It is not in line with the objective to promote innovative solutions, which by definition are less mature, less predictable.
- The project needs to be manageable in size, but ELENA encourages large multi-municipality projects.

There is a need to reform the terms to make the assistance more flexible and in line with needs.

**Small projects**

There is a gap in the market for the many smaller energy projects (alone standing, not smaller ELENA style investments now managed by KfW). There is in fact a lack of sufficient specialised funds in member states and at European level looking at small size investments.

Solutions through partner banks or specialized funds should be sought for, leading us to the next point.

**Training**

A much stronger weight has to be put on the ground, training managers of financial institutions in a number of member states to create the necessary skills in complex energy market lending, in particular for energy efficiency projects.

**New solutions for municipal lending**

The EU is trying to address the lack of specialized lending in the area of large infrastructures for the CEF with the project bonds initiative, but this lack of lending occurs at municipal level too. Many cities are unable to finance infrastructures, and cities are at core of the solution to reduce energy consumption and emissions. Cities account directly and indirectly for approximately 75% of emissions, largely due to energy demand for buildings and transport.

There is an urgent need to find the appropriate tools for energy related investments in cities. As with large infrastructures in CEF, investments for cities will have an long term impact on the city. Projects need to be integrated, including a large number of stakeholders and linking grids developing with investments in buildings and in transport. This requires large funding and complex projects.

One potential solution would be similar instruments as the project bonds, a sort of specialised city energy and transport bonds backed by the EU, but issued by a company combining the different operators linked to the project. It is user charges (i.e. the revenues from the combined project) which are used for repayments, not the municipal budget or tax revenues. These are undoubtedly complex operations and such bonds may be hard to sell to the market, but large city energy and transport projects should offer some guarantee for returns in urban areas. Those urban areas are the main economic motors.

**Banking coordination**

The EIB has a very large lending portfolio with a relatively lean structure. With the extended need of EIB style lending facilities and in particular EU budget backed instruments, there is a need to consider how to best deploy and extend the resources the EU has. The EIB should consider focusing in countries where the banking sector is less developed and reach agreements of mutual recognition of procedures with major national banks where there are such, as is the case already to a limited extent for non-EU operations through the blending facilities (ITF, NIF, WBIF, etc). EU budget funds and guarantees could thus be managed by some of the EU public banks or banks with public objectives. This may be of particular importance in the area of energy infrastructures.