EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

RATIONALES FOR THE DECISIONS TAKEN BY
THE EFSI INVESTMENT COMMITTEE IN DECEMBER 2020
EFSI Investment Committee
Thursday, 11 December 2020

Those attending

Chairman: 
Mr. W. MOLTERER, Managing Director
Ms I. TSANOVA, Deputy Managing Director

Members:
Mr G. BAJNAI
Mr T. DEAU
Ms D. DUBOVSKE
Ms V.D. KEFALAS
Ms A. KODRIN
Ms N. RODRIGUEZ VARELA
Mr M. SCHEPERS
Mr F. PAMMOLLI

Experts:
Mr J.J. FEBLES, Advisor to the Deputy Managing Director
Mr M. SCHLUECHTER, Advisor to the Managing Director

EFSI Secretariat:
Ms E. BOIS-WILLAERT, Head of EFSI Secretariat
Mr R. WOUTERS, Corporate Secretariat Officer
Rationales for the decisions taken by the Investment Committee in December 2020

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in December 2020.

In accordance with article 7.12 of Regulation (EU) 2017/2396, the rationales for the decisions taken by the Investment Committee to approve the use of the EU guarantee for EIB operations are made publicly available, except for projects subject to a confidentiality agreement between the EIB and the promoters. The publication shall not contain commercially sensitive information.

In line with article 30 of the EFSI Agreement and the Transparency Policy of the Bank, the rationales of the Investment Committee decisions for such projects will be disclosed at a later stage by including them in a list of the rationales of Investment Committee decisions taken throughout the year, which is published, in general, twice a year. This is after the projects have been signed or if these projects are not subject to a confidentiality agreement between the EIB and the promoters anymore.

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The rationales of the Investment Committee to approve the availability of the EU guarantee for the following EIB operations in December 2020 are as follow:

**CLONCREEN WIND FARM (Ireland)**

The Investment Committee approved the use of the EFSI guarantee for supporting the construction and operation of a solar power PV project, one of the first project finance transactions to be based on the newly introduced auction-based RESS support mechanism in Ireland. At full capacity, the project is expected to generate 275 GWh of electricity per annum, equivalent to the energy needs of 114,700 households, and resulting in CO2 savings of 83,600 t/annum, thereby supporting Climate Action in its entirety.

The project is in line with the EFSI objective to the development of the energy sector in accordance with the EU priorities and namely, the expansion of the use or supply of renewable energy.

With EFSI support, the EIB will be the cornerstone lender contributing to a timely financial close of this project, but also provide a signaling effect for the financing of 1.3GW of renewable energy generation capacity that have been awarded under the as yet untested RESS scheme this year. EIB’s expertise in appraising project finance operations in renewable energy across the EU is a key element for other banks and private investors providing financing for the sector.

The operation has a risk profile of Special Activities as per the Bank’s statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

**WINDLANDKRAFT GREEN ENERGY LOAN (Austria)**

The Investment Committee approved the use of the EFSI guarantee for supporting the construction and operation of two onshore wind farms in Austria. At full capacity the project is expected to generate 135.6 GWh of electricity per annum, equivalent to the energy needs of 37,000 households, resulting in CO2 savings of 29,600 t/annum, and to support Climate Action in its entirety.
The project is in line with the EFSI objective to the development of the energy sector in accordance with the EU priorities and namely, the expansion of the use or supply of renewable energy.

With EFSI support, the EIB will be the cornerstone lender allowing for financial close in time to meet the target start of electricity production in early 2023, which is a requirement of the public support scheme for both windfarms. EIB’s expertise in appraising project finance operations in renewable energy across the EU is a key element for other banks and private investors providing financing in the time and scope required for the completion of the project.

The operation has a risk profile of Special Activities as per the Bank’s statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

**EAC VASILIKOS CCGT UNIT 6 (Cyprus)**

The Investment Committee approved the availability of the EFSI guarantee for the proposed financing of a state-of-the-art combined cycle gas turbine (CCGT) power plant Cyprus, which is a Cohesion region in its entirety.

The new generation capacity to be financed will provide base-load electricity generation that is crucial to maintain the security of power supply in the country over the next decade, given the isolated island nature of the country and the mandatory decommissioning of part of the existing generation capacity, which is based on heavy fuel oil. Reliable on-demand generation capacity will also remain indispensable in the medium term to integrate a larger share of intermittent renewable energy into the national energy mix, until energy storage and interconnection alternatives of sufficient scale become available to replace conventional power generation on the island.

At full capacity the proposed CCGT plant will achieve relative CO2 reductions of 77kt per annum, compared to the current national energy mix.

The Investment Committee acknowledged the project to be crucial for the security of the electricity supply and the complementarity with the ongoing LNG terminal project, as an intermediate step towards a cleaner energy supply in Cyprus.

Given the long tenor of the unsecured financing, which is still not available from national or international financiers for Cypriot projects, the financing would not be possible to the extend required without the availability of the EFSI guarantee. The proposal falls under the Special Activities classification of the Bank’s Statute, which is a strong indicator of Additionality as per the EFSI Regulation.

**LIMBURGS ENERGIE FONDS 2 (Netherlands)**

The Investment Committee approved the proposed investment into the Limburg Energy Fund (LEF), a financial instrument set up by the Dutch province of Limburg to support investments by local entities, predominantly SMES, in the fields of renewable energy, energy efficiency and circular economy.

The IC also approved the designation of the proposal as an Investment Platform in line with the EFSI Regulation.

This is the second investment into the LEF, following a pilot intervention in 2017. As before, the EFSI financing leverages the equity contribution provided by the province, allowing an increase in the scale of the LEF in terms of number of underlying projects, size of the underlying investments and range of instruments available.
The Investment Committee acknowledged the achievements of the LEF to date, and welcomed it as an example of a successful regional initiative providing concrete investment support on the ground, with 100% Climate Action recognition in its entirety. It highlighted the Excellent score of the proposal for the Quality and Soundness of the proposal.

Access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

COPARION EQUITY FUND II (Germany)

The Investment Committee approved the use of the EFSI guarantee for an investment into a public co-investment fund led by KfW Capital providing growth capital to innovative companies based in Germany.

The IC also approved the designation of the proposal as an Investment Platform in line with the EFSI Regulation.

The proposal will leverage the financing capacity of the ERP Sondervermoegen managed by the German Ministry for Economic Affairs and the close cooperation of KfW Capital with private sector co-investors active in Germany, which will provide matching investments at the level of the underlying investee companies.

Despite existing initiatives by both regional and national authorities, there is a persisting scarcity of venture capital especially for innovative companies that have grown past the funding capacity of founders, families and friends, but are as yet too small to receive sufficient capital support from mainstream equity investors.

The operation has a risk profile of Special Activities as per the Bank’s statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

BBVA RS COVID19 RESPONSE FOR SMES & MID-CAPS (Spain)

The Investment Committee approved the use of the EFSI guarantee for the proposed risk participation in existing corporate loans of BBVA.

The credit capacity provided by the intervention facilitates lending capacity towards increased access to finance for eligible entities with less than 3,000 employees, with a contractual minimum requirement to support new eligible financing of at least 2x the amount of the EFSI intervention. It is complemented by a non-EFSI guarantee tranche of equal size and additional new eligible portfolio requirement.

The proposal is part of EIB Group’s effort to provide much-needed financing for small and medium size entities who are severely affected to the economic fallout of the Covid-19 crisis, using established products for rapid deployment via partner banks throughout the EU.

At full deployment, the new eligible lending portfolio of EUR 600m is expected to benefit 3,500 small companies and support more than 94,000 jobs, of which at least 20% in Cohesion areas.

Access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

The risk profile of the EFSI intervention is Special Activity in line with the EIB’s Statute,
which is a strong indicator of Additionality in the EFSI Regulation.

**BPI CLIMATE MIDCAP RISK SHARING PLATFORM (France)**

The Investment Committee approved the availability of the EFSI guarantee for the proposed risk sharing operation, which increases the capacity of the national promotional bank BPIF to extend its financing activities towards entities with up to 3,000 employees, with special focus on Climate Action and Environmental Sustainability investments by to MidCaps.

The proposal is in line with the EFSI objective of increased access to finance for entities having up to 3,000 employees in Art. 3(b) of the Regulation and supports in its entirety the Climate Action target.

The Investment Committee acknowledged the High score for the contribution to EU policy and EIB technical and financial contribution of the proposal. It welcomed the focus proposal on investments fostering Climate Action and Environmental Sustainability. The Investment Committee recognised the close cooperation with the NPB as exemplified by the full delegation of origination, due diligence and monitoring of the risk-shared portfolio to BPIF.

The Investment Committee also approved the designation of the proposal as an Investment Platform under EFSI.

**URBASER WASTE MANAGEMENT RDI AND CLEAN FLEET (Spain, Sweden, Denmark, France, Finland, Italy)**

The IC approved the use of the EFSI guarantee for an operation that concerns the investment programme of one of the main private waste treatment operators in Spain and a key European player. The project is focused in the development of innovative waste treatment and waste valorisation processes, the upgrading of existing material recovery and mechanical biological treatment plants, and the procurement of an eco and climate friendly collection truck fleet. The project contributes to achieving compliance with the EU regulation per the Waste Framework and Landfill Directives and the Circular Economy package, and is in line with the EFSI objective of supporting projects and infrastructures in the field of environmental protection and management. The project is also a steppingstone towards the implementation of the Spanish National Waste Management Plan and the España Circular 2030 strategy. As such, 69% of the operation is expected to contribute to EIB’s Climate Action objective. The operation will equally contribute to the EFSI objective of supporting research, development and innovation. The operation will also partly address the objective of supporting cohesion regions.

The operation will generate positive externalities in the form of environmental and public health protection. Furthermore, the economic life of waste infrastructure is significantly longer than the tenor of loans that are typically available from commercial banks, thereby contributing to addressing a financial market failure. In addition, the operation addresses a sub-optimal investment situation, as the scarcity of financing at conditions similar to those offered by the EIB prevents companies in the sector from deploying investment plans at the scale and timeline that would be appropriate. The operation falls under the Special Activity category of the EIB and the EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. The EIB will be providing long-term financing which is expected to result in a quality stamp on the project. This shall help crowding-in financing from the public and private sector in the current financial context, characterised by major uncertainties caused by the Coronavirus outbreak.
DIGITAL INTEGRATED TEXTILE MANUFACTURING (Belgium)

The IC approved the use of the EFSI guarantee for an operation that concerns a EUR 100m loan of up to 10 years to support the promoter’s research, development and innovation (RDI) programme and related capital expenditures in its facilities in Belgium, focusing on digitally integrated textile manufacturing - ranging from digitalising internal processes to supply chain management, and on increased customization and higher value added products. The project also includes investments in environmental sustainability and climate change. The proposal is in line with the EFSI objective of supporting research, development and innovation (RDI), and thereby contribute to Europe’s RDI, competitiveness and economic growth helping maintain highly skilled staff engaged in RDI activities in Europe.

The project addresses market failures related to insufficient investments in RDI despite positive externalities. The positive externalities are linked to knowledge and technology spillovers arising from investments in RDI and their operational implementation. Moreover, a high degree of collaboration with industrial partners, universities, research centres and customers adds even further positive spillover effects to the wider industry. EIB’s support to the project addresses a sub-optimal investment situation linked to the lack of long-term capital to finance inherently risky private sector RDI, further aggravated by the global harsh competitive environment of the textile markets. The operation falls under the EIB Special Activities, and the EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. The envisaged financing is expected to result in a quality stamp on the RDI programme, providing comfort and a positive signalling effect to the market on the soundness of the company’s strategy. This will enable the borrower to attract additional long-term financing from private investors and other banking lenders in the current financial context, characterised by major uncertainties caused by the Coronavirus outbreak.

PORTUGAL WATER DISTRIBUTION OPTIMIZATION – NORTH (Portugal)

The IC approved the use of the EFSI guarantee for a project that will support the expansion, renewal and rehabilitation of the infrastructure and equipment for water distribution and wastewater treatment in eight municipalities, in the interior north region of Portugal. In line with the EFSI objective of supporting environment and resource efficiency, the project will support the improvement of the quality of the water supplied to end users, the quality of effluents discharged in the environment, as well as operational efficiency, notably through the reduction of the level of water losses and economies of scale. Up to 50% of the operation is expected to contribute to the Climate Action objective of the EIB. The operation will fully address the objective of supporting less-developed regions and transition regions.

The project will contribute to addressing a number of market failures. More specifically, investments are expected to generate positive externalities in the form of improved public health, environmental benefits (e.g. reduced pollution of surface and underground water) and increased resilience to climate change (e.g. increased water security through a more rational use of water resources). The proposed operation will also address the market failure regarding the provision of funding in the size and tenors needed to carry out the investment backlog of projects to provide water-essential services at affordable prices for the population. The EIB long-term financing to a first time promoter is expected to be classified under the EIB Special Activities category, in particular taking into account that the envisaged EIB financing with EFSI support will be an unsecured project financing, which will present a longer tenor than other lenders creating a further structural subordination. As such, the EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. The financing provided by the EIB provides a quality stamp on the
project and the long term sustainability of the promoter’s financing plan. The operation is expected to benefit from ESIF grants.

**WROCLAW TRAMWAY (Poland)**

The IC approved the use of the EFSI guarantee for an operation that consists in the acquisition of new units to replace obsolete trams, and the modernisation of the units that are currently in operation and need a large overhaul – in the city of Wroclaw, in Poland. The new trams will improve services and will be equipped with energy efficiency systems such as recover braking energy. The modernisation will include upgrading of the tram boogie, energy recovery systems, modern passenger information systems and air conditioning. The project also includes the renewal of four rectifier stations that are used for the power supply of the tram system. The project will be implemented fully in a Cohesion region, and 100% of the project will contribute to the EIB Climate Action objective.

The project will help to address market failures, as it supports the shift of traffic to more sustainable transport modes and reduces related negative transport externalities. It also supports the strengthening of the EU’s economic, social and territorial cohesion. The borrower has been facing a suboptimal investment situation that has delayed the renewal of its rolling stock for years, due to insufficient availability of external funding. The operation is expected to fall under the EIB Special Activities category. The requested long tenor of the EIB financing will strengthen the promoter’s financial profile providing long-term visibility on its debt structure. The EIB would not be able to provide such type of financial support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. This will result in a quality stamp on the project that is expected to crowd-in private sector lenders. The EIB financing is expected to increase the commercial lenders’ confidence in the operation and confirm their own engagement in the financing of some other projects in the future. The EIB financing will also allow to leverage the ESIF and national grants provided to the operation. The operation will be the first for the EIB with the promoter.

Wilhelm MOLTERER
Managing Director