Frequently Asked Questions on the EIB’s Energy Lending Policy

1. General questions and eligibility requirements

1.1. Why does the EIB have a specific lending policy for the energy sector?
In November 2019, the European Investment Bank’s Board of Directors approved its Energy Lending Policy (ELP). As the EU’s financing institution, the ELP is designed to ensure that the Bank’s activities in the energy sector are consistent with and supportive of EU policies and focussed on areas with the greatest investments needs or where EIB can have the highest value added or which have the highest policy priority.

The Energy Lending Policy informs EIB’s stakeholders - shareholders, borrowers, promoters, partners and civil society organisations - as well as the wider public on:

- What types of energy projects are consistent with the Bank’s objectives and eligible for financing;
- How energy projects will be assessed and prioritised by the Bank; and
- How the Bank supports EU energy and climate policy.

At the same time, in November 2019, the EIB’s Board of Directors also approved new commitments for climate action and environmental sustainability. This includes, amongst others, that all new EIB Group operations will be aligned with the principles and goals of the Paris Agreement by the start of 2021.

In November 2020, the EIB’s Board of Directors approved the EIB Group’s Climate Bank Roadmap 2021-2025 (CBR). The CBR is a new five-year plan for the EIB Group, operationalising the Bank’s new commitments. It introduces, amongst others, a new framework for alignment of all EIB operations with the goals of the Paris Agreement (Paris-alignment).

One dimension of this framework implies that that assets created today are consistent with a pathway to a climate-neutral economy, and that new investment should not undermine efforts to achieve the 1.5°C goal. In the case of the energy sector, alignment with this requirement is secured primarily through the adoption of the ELP. Annex 2 of the CBR (Paris Alignment framework – low carbon), Table A – Energy, therefore mirrors the ELP’s eligibility criteria, with a few additional clarifications provided.

1.2. To which EIB activities does the Energy Lending Policy (ELP) apply?

It applies to all EIB financing in the energy sector. This includes operations inside and outside the EU and both direct EIB investment loans to projects and intermediary financing.

1.3. Are there other requirements than the Energy Lending Policy for EIB support?

In addition to the requirements of the ELP, there are other general screening and assessment criteria which apply to all EIB-financed projects.

Annex 2 of the Climate Bank Roadmap (Paris Alignment framework – low carbon), Table A – Energy, mirrors the ELP’s eligibility criteria, but also provides a few additional clarifications. Annex 5 of the Climate Bank Roadmap (Aligned carbon prices) provides a new cost of carbon curve for the economic assessment of projects, updating the one included in ELP.

The EIB Group is currently working to develop counterparty alignment guidelines, as part of its new Paris alignment framework. In the meantime, the EIB Group will continue with its existing approach anchored in an assessment of the relevant corporate decarbonisation plans of high-emitting counterparties as presented in the Board report.

The EIB’s borrowers must be capable of repaying the loan and must provide adequate financial security, satisfy the Bank’s due diligence and documentation standards in order to be formally approved by EIB’s decision-making bodies.

EIB’s general due diligence requirements include criteria set out in the Bank’s Guide to Procurement, Environmental and Social Standards, Carbon Footprint methodology, the Economic Appraisal of projects, and define rules for projects tracked by the Bank as contributing to Climate Action and Environmental Sustainability.

The EIB may also develop or update other sector policies or strategy documents from time to time. Energy investments in projects covered by other sectors (e.g. transport, urban development, manufacturing, RDI...) also will need to meet
any separate requirements defined for these sectors. An example are sustainability requirements for biomass or biofuels used in power or heat generation. It should be noted that the EIB does not lend to certain excluded sectors.
2. Energy Efficiency Projects

Energy efficiency in building renovations

2.1. What are the minimum requirements for energy efficiency improvements in building renovations to be eligible?

To be eligible for EIB financing, any renovation inside the EU needs to be compliant with the EU Energy Performance of Buildings Directive (EPBD). All capital expenditure related to energy efficiency improvement to the building envelope and building systems are eligible if the renovation measures are:

- Compliant with national energy performance standards; and
- In line with the list of eligible measures (see below).

For projects outside the EU, best energy efficiency standards compared to a baseline are required. The EIB accepts certification through the IFC EDGE tool.

2.2. Which Energy Efficiency measures are eligible for EIB financing?

The following measures are eligible in principle, subject to meeting energy efficiency requirements:

- Building envelope: insulation of building envelope; windows and doors; and other building-related measures with impact on thermal performance;
- Building systems: space heating; domestic hot water; ventilation systems; cooling; lighting; building automation and control; connection to energy supplies (grid or storage); and building-integrated renewable energy generation.

2.3. What are the requirements for Energy Audits to be acceptable to the EIB?

Energy Audits need to be carried out in line with EN 16247.

2.4. Can the EIB finance energy efficiency renovations in existing commercial buildings?

Yes, the EIB can finance energy efficiency improvements to existing commercial (office, retail, industrial...) buildings.

2.5. Are there energy efficiency improvements that are not eligible for EIB financing?

The EIB will not finance consumer goods (appliances, white goods...)

2.6. In addition to energy efficiency renovations, which additional renovation costs are eligible for EIB financing?

The EIB can also finance any renovation that is required for the continued safe utilisation of the building, such as structural repairs or climate adaptation investments. Additional renovation costs linked to other public policy goals (education, health care, social housing, etc.) may also be eligible, subject to the specific EIB requirements for these sectors.

Energy efficiency in new buildings

2.7. How does the EIB support energy efficiency in new buildings? What are the requirements?

The EIB can finance new buildings if they meet the requirements of the corresponding policy objectives (for example those associated with education, health, housing or urban regeneration). Only buildings which promote best market standards in energy efficiency, and which exceed the minimum mandated energy requirements, will be considered as energy efficiency investments by the EIB.

Refurbishment of public lighting systems

2.8. Can the EIB support the energy efficiency refurbishment of public lighting systems?

Investments that reduce the energy consumption of existing public lighting systems are eligible as energy efficiency investments for the EIB.

2.9. What are the requirements for EIB support of energy efficiency refurbishments of public lighting systems?

Refurbishment measures need to be supported by an energy audit, carried out in line with EN 16247 or an equivalent standard.
2.10. Can the EIB support the expansion or development of new public lighting systems?
The EIB may finance expansions or new public lighting systems as basic public infrastructure for larger urban development projects. The EIB will not finance such investments as energy efficiency projects however.

Energy efficiency in industrial facilities

2.11. Can the EIB finance industrial energy efficiency projects that result in the expansion of industrial production capacity?
Increase in production capacity is eligible for EIB financing as long as a result of the project GHG emissions do not increase. In other words, any increase in emissions resulting from the increase in capacity needs to be fully offset by emissions savings from the energy efficiency measures on the existing capacity. For existing Energy Intensive Industries EIB will support EE projects that have an economic life running out before 2035 as established in the EIB Climate Bank Roadmap, Annex 2, Table B (Industry).

Energy efficiency in SMEs

2.12. Do the EIB eligibility criteria also apply to energy efficiency projects in SMEs?
The Bank applies the same criteria to all investments, irrespective of the nature or size of the project.
3. Energy Supply Projects

Renewable Energy Projects

3.1. Can the EIB finance any renewable technology projects?
All projects are eligible in principle, if they meet the general eligibility requirements and their GHG emissions are below 250 gCO2eq/kWh(e) for power generation and cogeneration projects.

3.2. How does the EIB determine the economic viability of renewable energy projects?
The EIB’s economic assessment of a renewable energy project depends on the level of maturity of the technology. Mature renewable energy technologies undergo a standard economic test to assess their value for the power system, taking into account the updated social cost of carbon defined in the Climate Bank Roadmap, Annex 5. Technologies at an early stage of deployment and innovative renewable technologies for which costs may be high, the projects are benchmarked against other, similar, projects using the same technology, and may decide not to finance projects with high comparative costs.

Whether a given technology is considered to be at an early stage of deployment or innovative is continually assessed and updated by the EIB.

3.3. What are the requirements for biomass energy projects to be considered as renewable energy projects?

3.4. What are the requirements for hydro projects to be eligible for EIB financing?
In addition to the requirement for projects to meet the 250 gCO2eq/kWh(e) threshold, the EIB has published detailed Environmental, Climate and Social Guidelines on Hydropower Development, which set out the EIB’s objectives for investments in hydropower projects, establishing sector-specific standards and criteria, which promoters should meet.

3.5. If a process uses energy backed by Guarantees of Origin from renewable sources, will the EIB consider this energy renewable? For example, will a synthetic fuel produced in a Power-to-X facility be considered fully renewable if the electricity used comes from the grid but is 100% backed by Guarantees of Origin?
For projects that source energy from the electricity (or gas) grid the EIB will accept verified Guarantees of Origin as acceptable to demonstrate the renewable nature of the energy used. The quoted example would be eligible as a renewable project.

Application of the 250 gCO2eq/kWh(e) eligibility threshold for power generation

3.6. How are specific emissions of power plants are calculated to determine if a project meets the Emission Standard of 250 gCO2 per kWh of electricity generated?
Another document explains the application of the 250 gCO2eq/kWh(e) emission standard for power generation. Please see [insert Link]

Hydrogen and Low carbon gas production

3.7. What are the EIB eligibility requirements for biogas and biofuel production facilities?
The EIB align its requirements with the sustainability criteria of the recast Renewable Energy Directive (RED-II: 2018/2001/EU) in its consideration of emissions values and eligibility of renewable fuel production.

3.8. What are the requirements for EIB financing of hydrogen production facilities?
The EIB supports the production of low carbon gases including hydrogen. It will support investments for the production of hydrogen in line with the technical screening criteria of the EU Taxonomy, whose criteria (including thresholds on carbon emissions) will be transposed into EU legislation through Delegated Regulation.

Heating and cooling

3.9. Does the 250 gCO2eq/kWh(e) threshold apply to heat-only boilers?
No, the threshold only applies to power generation and co/tri-generation projects.
3.10. Can the EIB finance heat projects?
Concerning heating and cooling, the Bank can support the following types of projects (see Annex 2, Table A: Energy of the CBR):

- Heating and cooling technologies using electricity, renewable or low-carbon fuels and/or combined cooling/heating and power (CCHP, CHP) plants (criteria for power generation apply in addition including, in particular, compliance with 250 gCO2e/kWh(e) emissions threshold).
- Gas boilers and micro CHP for buildings complying with minimum energy efficiency criteria, defined as A-rated or with efficiency of 90% or better.
- Peak/reserve boilers operating on natural gas (or oil, if gas is not available), as a necessary component of a renewable energy plant (e.g. biomass or concentrated solar power, CSP), or a DH/DC system that is supported by the EIB (see criteria for energy networks).
- Any boiler operating on natural gas (or oil, if gas is not available) when it is a necessary component of a supported industrial activity (see criteria for energy networks).
- Other non-boiler technologies to produce heat using natural gas (or oil, where gas is not available) when it is a necessary component of a supported industrial or agricultural activity.

In addition, efficient gas-fired small boilers applicable for buildings or SMEs will be eligible where in line with the EU Eco-Design Directive, or appropriate standards outside the EU. Highly efficient gas-fired boilers or heating systems for buildings or SMEs are also eligible, if they are component of an eligible energy efficiency renovation.

Heat generation in district heating systems is subject to the same principles, but additionally requires that the district heating and cooling system also meet eligibility requirements. Please refer to the specific eligibility requirements for district heating and cooling networks below.

3.11. Can you provide examples of eligible fossil fuel abatement options for heating?
Abatement options for fossil heat-only generation include co-utilisation of fossil fuels with majority renewable energy use, the capture and storage of a large share of greenhouse gas emissions, efficient cogeneration of heat and power (subject to meeting the 250g CO2eq/kWh(e) eligibility threshold for power generation), or any other technology which results in significant reductions in GHG emissions. Abatement eligibility will be assessed by EIB on a case-by-case basis.

3.12. Can the EIB finance air conditioning or other space cooling systems?
Heating and cooling technologies using electricity, renewable or low-carbon fuels and/or combined cooling / heat and power (CCHP, CHP) plants are eligible for EIB financing. If proposed as part of a new building, cooling systems need to be included in the Energy Performance Certificate in EU. Outside EU, cooling systems shall be based on best available technology in line with the certification requirements, or equivalent, as required by the EIB.

The replacement of cooling in existing buildings is eligible, if they are part of an energy efficiency project and comply with the criteria for energy efficiency renovation in buildings.

Other questions

3.13. Self-consumption: do the criteria apply only to projects that participate in the electricity market or also to power or heat generation at industrial sites for self-consumption?
The ELP’s eligibility criteria apply to all projects whose main purpose is the generation of power or heat, regardless of their location or off-takers.

3.14. Can the EIB finance the decommissioning of power plants?
The EIB does not finance the decommissioning of any power plants on a standalone basis. Some decommissioning expenses may be eligible if they are justified as part of another eligible project, such as a repowering project, or a wider urban regeneration project.
3.15. Can the EIB finance Carbon Capture and Storage retrofits to existing coal, oil or gas plants?

Yes, Carbon Capture and Storage retrofits are eligible for EIB financing, providing they enable the power plant to meet the Bank’s emission standard of 250 gCO2eq/kWh(e).
4. Innovation and Energy R&D support

4.1. What types of energy innovation projects are eligible for EIB financing?
The EIB will support R&D projects in alignment with EU priorities, as defined in the EU SET plan.

4.2. The lending criteria specify that EIB will support the development of hydrogen turbines. Why the limitation to hydrogen turbines? Does this exclude research in hydrogen engine or other low carbon gas technologies?
R&D on hydrogen turbines and engines, or any other technology eligible under the SET plan, are also eligible in principle for EIB financing.

4.3. For commercial demonstration projects, there is a requirement that technologies “should have been demonstrated at scale and be about to enter into commercialisation, i.e. Technology Readiness Level 7 or 8.” Are there particular definition that EIB uses for TRL 7 and 8? Which indicators are required for demonstration?
This refers to the Horizon 2020 Technological Readiness Level definitions. The exact indicators, and the conditions under which these need to be met, are determined on a case-by-case basis, depending on technology, scale and other factors.
5. Enabling Infrastructure

Electricity Networks

5.1. Are there limitations on the eligibility of electricity network investments for EIB financing?
The EIB cannot finance new electricity infrastructure or its refurbishment, if it is dedicated to the direct and exclusive connection of a power plant that is itself ineligible for EIB financing (e.g. unabated fossil fuel-fired power plants).

Gas networks

5.2. Can the EIB finance gas projects identified as EU Projects of Common Interest (PCI)?
The EIB can only finance gas PCI projects that were included in the 4th EU PCI list, provided they have EU co-financing and Board approval for their financing is obtained before the end of 2021.

5.3. Can the EIB finance any other new fossil fuel projects?
The EIB can only finance non-PCI fossil fuel projects that were already approved for appraisal by the EIB prior to the date of the new ELP (14 November 2019) and they obtain Board approval for financing before the end of 2021.

5.4. Do eligible fossil fuel projects need to be completed/commissioned by the end of 2021?
No, the 2021 deadline applies to the approval of financing of the project by the EIB’s Board of Directors.

5.5. How does the EIB determine the eligibility of gas infrastructure for low-carbon or renewable gas integration?
It is important to note that the EIB will continue to support gas infrastructure, but only in support of decarbonisation. Indeed, we will support gas network investments that are imminently planned to transport low carbon gases, including the rehabilitation and adaptation of existing gas infrastructures when it is part of this goal.

The ELP states that the EIB can finance “gas network projects that are planned to transport low carbon gases, including the rehabilitation and adaptation of existing gas infrastructures when it is part of this goal”. The Bank will need to confirm that any gas infrastructure financed (new, extensions, repurposing or retrofitting networks) has a clear role to transport or store sustainable low-carbon/renewable gases in full or increasing quantities.

This would need to be justified, in particular by fulfilling all the below criteria:
- Relevant technical documentation or studies in this respect;
- Credible projections for future low-carbon/renewable gas volumes uptake, in line with section 5.7;
- Evidence of overall GHG emissions savings (including no increase of transmitted or distributed natural gas volumes) because of the project.

Connections to new sources of low-carbon/renewable gas production sites are eligible for EIB financing.

5.6. Are “hydrogen-ready” gas networks eligible for EIB financing?
Many gas networks are currently capable of transporting a share of hydrogen mixed with natural or renewable gas without the need for modifications/upgrades, and higher shares of hydrogen transport could be accommodated with relatively low cost investments in certain elements of the gas system. “Hydrogen-readiness” by itself is not a sufficient condition for EIB eligibility. The EIB will support gas network infrastructure only if planned for the transport of low-carbon gases, based on a credible demonstration of future volume uptake, in line with section 5.7 and providing that the project can also fulfil the requirements outlined in section 5.5.

5.7. How can future low-carbon/renewable gas uptake be demonstrated?
The EIB will require evidence of contractual commitments of low-carbon/renewable gas supply/demand (e.g. capacity bookings) and/or evidence of investments in projects to produce low-carbon/renewable gases, physically connected to the gas infrastructure financed. Note that the EIB will not accept Guarantees of Origin as sufficient; actual physical flows need to be demonstrated to the satisfaction of the Bank.
5.8. Are gas smart meters eligible for EIB financing?
Yes, providing that such meters are intended to reduce natural gas consumption. This reduction needs to be credibly demonstrated via relevant studies, pilot programmes or past experience.

5.9. Are gas smart grid investments such as network automation or digitalisation eligible for EIB financing?
No, only gas smart meters for final customers are potentially eligible, see above.

District Heating and Cooling Systems

5.10. Under what conditions are District Heating Networks eligible for EIB financing?
EIB distinguishes between heat production infrastructure (see below), and district heating and cooling network infrastructure. The eligibility of district heating or cooling network infrastructure investments (i.e. pipes and substations) will depend on whether the project concerns the refurbishment of existing infrastructure, or a new greenfield investment.

Refurbishment of existing district heating and cooling networks is eligible (see Annex 2, Table A: Energy of the CBR), if:
- The DH/DC system meets the definition of efficient DH/DC in the EU Energy Efficiency Directive (2012/27/EU), using at least 50% renewable energy or 50% waste heat or 75% cogenerated heat or 50% of a combination of such energy and heat; or
- There is a viable decarbonisation plan for the DH/DC system that can meet the definition of efficiency, and the project does not increase GHG emissions from the system on an annual basis.

New DH/DC networks or substantial extensions of existing DH/DC networks are eligible if:
- They meet the criteria for efficient DH/DC defined in the EU Energy Efficiency Directive; and
- There is no increase in absolute GHG emissions from coal, peat, oil or non-organic waste on an annual basis.

5.11. Are there restrictions on fuels or technologies for the financing of heat production for district heating systems?
Construction or refurbishment of a heat production facility for district heating or cooling is eligible, if the DH/DC network itself is eligible for financing (see above), and if this energy production facility uses either
- Renewable energy, low carbon fuel, waste heat;
- Combined heating/cooling and power with GHG emissions that do not exceed 250 gCO2eq/kWh(e);
- Natural gas boilers or fuel oil (if there is no natural gas available), needed to meet peak demand or reserve capacity only; or
- A combination thereof.

5.12. When can heat be considered cogenerated?
All useful heat produced by a Combined Heat and Power plant is cogenerated in principle, with some caveats. The following are not considered cogenerated heat:
- Heat produced in heat-only boilers (even if on the same site as the CHP plant); and
- Non-CHP useful heat, such as steam extraction from boilers upstream a steam turbine or in systems with supplementary firing of heat recovery boilers.

In simple terms, cogenerated heat is extracted after generating electricity.

5.13. When is a heating project considered a District Heating (DH) or an energy efficiency project?
In certain cases, such as two or three buildings connected to a boiler house or the internal heat network on the territory of a single industrial facility, it is not always obvious whether a network should be considered a district heating system. A heating network is considered to include a distinct network of transportation and distribution pipes of heat or cooling, and if the heat is delivered to at least two independent third party off takers.
Energy efficiency in fossil fuel infrastructure

5.14. Can the EIB finance energy efficiency measures related to fossil fuel infrastructure, such as gas production facilities or refineries?

No, investment in facilities dedicated to the exploration, production, refining, transmission, distribution or storage of oil, including energy efficiency measures, are ineligible for EIB financing.

5.15. Can the EIB finance projects that reduce gas flaring or methane venting from coalmines?

No, these projects are part of facilities dedicated to the production of fossil fuels, which are themselves not eligible for EIB financing.
6. Other questions

Eligibility of promoters

6.1. Will the EIB continue to support projects by project promoters whose main activity is not aligned with the EIB ELP, such as oil production or coal mining companies?

The EIB Group is currently working to develop counterparty alignment guidelines, as part of its new Paris alignment framework. In the meantime, the EIB Group will continue with its existing approach anchored in an assessment of the relevant corporate decarbonisation plans of high-emitting counterparties as presented in the Board report.

Multi-component projects

6.2. Is EIB financing possible for multi-component projects that include both eligible and ineligible investments?

If the investments are clearly distinct sub-projects that are justified and independent from other investments, then the EIB will limit the scope of the project to eligible investments. Non-eligible investments will be excluded from the EIB project scope, unless critical to the technical operation of an otherwise eligible project and only a very minor part of the project.

Examples of the latter include back-up diesel generators in case of a power outage (e.g. in a hospital or office building); or peak or auxiliary gas boilers with low expected usage (e.g. for preheating the heat exchange medium in a concentrated solar power plant; or a-in a district heating system). Such investments may be included in the project scope, but will be ineligible for EIB financing, and will require other sources of funding.

In general, the EIB reserves the right to refuse support to any project that is not aligned with the Bank’s mission and policies.

6.3. In case of a commercial power generation project consisting of several discrete components (e.g. a gas plant with onsite PV, combined with a virtual power plant based on energy savings from demand side response), would eligibility apply to the project as a whole, or to individual components?

If project components are able to operate independently (such as the example provided), and especially in the case of purely commercial constructs, each discrete component will be assessed separately, and only eligible components can be financed by the EIB.

Conflicting eligibility goals

6.4. If a project has potentially conflicting eligibilities under multiple priority areas of the Energy Lending Policy, how is its eligibility determined?

If a project is potentially eligible under multiple sections of the ELP, it needs to meet all relevant eligibility requirements. As an example, a highly efficient fuel oil-fired boiler, which is part of a building energy renovation project, would thus potentially be eligible under Annex I of the ELP (covering Energy Efficiency investments). However, the EIB cannot finance any form of coal- or oil-fired power or heat generation under Annex II of the ELP (covering Energy Supply investments), and thus the boiler is ineligible.

Similarly, an energy efficiency investment in a natural gas production facility, such as reduction and reuse of flared gas, may meet the requirements of an Energy Efficiency investment, but will be ineligible, as EIB cannot finance natural gas production.