

OPERATIONS EVALUATION

# Ex-post evaluation of the EIB's Energy Lending Criteria, 2013-2017

February 2019



European  
Investment  
Bank

*The EIB bank*



Thematic Evaluation Report

February 2019

## Ex-post evaluation of the EIB's Energy Lending Criteria, 2013-2017

Operations Evaluation, EV

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## Table of Contents

<b>Executive Summary</b> .....	<b>1</b>
<b>Overall Management Response</b> .....	<b>5</b>
<b>1. Introduction</b> .....	<b>7</b>
1.1 Objectives .....	8
1.2 Scope.....	8
1.3 Approach.....	9
1.4 Structure of this report .....	10
<b>2. Design of the ELC</b> .....	<b>12</b>
2.1 Operating environment of the ELC .....	12
2.2 Steps taken in the design of the ELC.....	14
2.3 Comparison of ELC's design with similar documents of EIB peer institutions ...	15
2.4 Categorisation of the ELC as a key document of the EIB.....	17
<b>3. Application of the ELC</b> .....	<b>21</b>
3.1 Use of the ELC by stakeholders .....	21
3.1.1 Use of the ELC by external stakeholders.....	22
3.1.2 Use of the ELC by internal stakeholders.....	23
3.2 Informing stakeholders on the application of the ELC .....	24
<b>4. Prioritising sub-sectors with the highest investment needs</b> .....	<b>28</b>
4.1 Identification of energy sub-sectors with the highest investment needs .....	28
4.2 Contribution of the ELC to EIB's prioritisation of sub-sectors with the highest investment needs.....	30
<b>5. Supporting EU Energy Policy and highest policy priorities</b> .....	<b>32</b>
5.1 Alignment of the ELC with EU Energy Policy, the COP and the 3PA.....	32
5.2 Contribution of ELC to the EIB supporting EU Energy Policy and highest policy priorities .....	34
<b>6. Supporting EIB's quality and soundness standards</b> .....	<b>37</b>
<b>7. Focusing the EIB on areas where it makes the highest financial and technical contribution</b> .....	<b>40</b>
<b>8. Contributing to EIB financing decisions on projects being as transparent as possible</b> .....	<b>43</b>
8.1 Adherence to the EIB Transparency Policy at the time .....	43
8.2 Alignment with other recognised practices .....	45
8.3 Contribution of the public consultation to improving the quality and credibility of the currently applicable ELC.....	47
<b>9. Conclusions and recommendations</b> .....	<b>49</b>
<b>Annexes</b> .....	<b>54</b>
Annex 1 - Rationale for inclusion of the evaluation in EV's Work Programme .....	55

Annex 2 - Reconstructed intervention logic of the ELC .....	56
Annex 3 - Overview of EU Energy Policy .....	63
Annex 4 - Evaluation work plan .....	65
Annex 5 - Limitations and mitigation measures .....	66
Annex 6 - Portfolio review.....	67
Annex 7 - Projects subject to desk review .....	73
Annex 8 - Results of online survey of external stakeholders .....	75
Annex 9 - Aligning the evaluation questions to the structure of this Evaluation .....	78
Annex 10 - Key EIB documents subject to public consultation.....	79
Annex 11 - Comparing EIB's ELC to EIB's Transport Lending Policy .....	80
Annex 12 - Pillar 2 and Pillar 3 analysis for projects outside the EU .....	81
Annex 13 - Bibliography.....	83

## LIST OF BOXES

Box 1 Overview of the content of the ELC document .....	1
Box 2 Key findings relating to the design of the ELC .....	12
Box 3 Contextualising the EIB and its peer group.....	15
Box 4 An example of how the “EIB Action[s]” found within each ELC sub-sector are strategic in nature.....	19
Box 5 The full title of the ELC document.....	20
Box 6 Key findings relating to the application of the ELC .....	21
Box 7 Non-exhaustive list of potential external users of the ELC .....	22
Box 8 Non-exhaustive list of potential internal users of the ELC .....	23
Box 9 An example of an “EIB Action” that ought to have appropriate monitoring indicators .....	24
Box 10 Key findings relating to the ELC’s contribution to the EIB’s prioritisation of sub-sectors with the highest investment needs .....	28
Box 11 Key findings relating to ELC contribution to EIB’s support to EU Energy Policy .....	32
Box 12 The EIB’s Emissions Performance Standard in focus .....	36
Box 13 Key findings relating to ELC’s support of EIB’s quality and soundness standards.....	37
Box 14 Key findings relating to ELC’s contribution to EIB’s support of areas where it makes the highest financial and technical contribution.....	40
Box 15 Key findings relating to ELC’s contribution to making EIB financing decisions on projects with energy components as transparent as possible .....	43

## LIST OF FIGURES

Figure 1 Simplified version of ELC’s intervention logic .....	7
Figure 2 Overview of ELC’s operating environment.....	13
Figure 3 Responses to the internal stakeholder survey question on: Who is the target audience of the ELC?.....	21
Figure 4 Responses to the internal stakeholder survey question on: At which stage(s) in the EIB’s project cycle is the currently applicable version of the ELC applied? .....	24
Figure 5 Classification of data in EIB systems .....	25
Figure 6 Approach for classifying the portfolio by ELC sub-sector .....	26
Figure 7 EIB approved energy financing inside the EU, 2013-2017, by sub-sector (EUR bn) ...	30
Figure 8 The evolution of energy-related eligibilities under PPGs of the EIB’s COP.....	34
Figure 9 Overall ratings under Pillar 1 for inside- and outside-EU projects at appraisal .....	35
Figure 10 Breakdown of justifications for screening out energy projects as per the EIB’s Energy News, by sub-sector .....	35
Figure 11 Ratings for relevant Pillar 2 components for inside-EU projects at appraisal.....	38
Figure 12 Responses to the internal survey question on: To what extent has the ELC been appropriate for selecting projects that are consistent with EIB’s quality and soundness standards? .....	39
Figure 13 Responses to the internal survey question on: Do you consider that the ELC play a role in the assessment of the Pillar 3 of the 3PA or ReM?.....	40
Figure 14 Rating by Pillar 3 component for inside-EU projects at appraisal.....	41
Figure 15 Rating by sub-sector for technical contribution and advice to inside-EU projects at appraisal .....	41
Figure 16 Contributions by type of stakeholder.....	44
Figure 17 Tracing the content of the ELC back to stakeholder contributions: the case of the Issue Matrix’s Topic #18 Renewables Approach .....	48
Figure 18 Overview of the ELC contributions to the Pillars of the 3PA or ReM .....	49
Figure 19 The reconstructed intervention logic for the ELC.....	58
Figure 20 Major developments (non-exhaustive) in EU Energy Policy, 2003-2017 .....	64
Figure 21 Overview of the evaluation’s work plan.....	65
Figure 22 EIB’s energy lending approvals (2013-2017).....	67
Figure 23 EIB’s energy lending approvals within EU-28 (2013-2017) .....	68
Figure 24 EIB’s energy approvals outside EU-28 (2013-2017) .....	69
Figure 25 EIB’s energy investment per financial product (2013-2017).....	69
Figure 26 EU EIB’s energy investment per financial product (2013-2017).....	70
Figure 27 Non-EU EIB’s energy investment per financial product (2013-2017).....	70
Figure 28 Global energy approval amount by sub-sector and product during ELC.....	70
Figure 29 Global energy approval amount by sub-sector (2007-2013) .....	71

Figure 30 Cancelled Investment after approval 2013-2017 .....	72
Figure 31 Responses to external stakeholder survey question: What type of business/organisation/.....	75
Figure 32 Responses to the external survey question on: Where is the business / organisation / institution that you work for located? .....	75
Figure 33 Responses to the external stakeholder survey question on: How transparent was the 2012 Public Consultation on the EIB's ELC in terms of communication, timeline and material provided? .....	76
Figure 34 Responses to the external stakeholder survey question on: How do you assess the consistency of the ELC with EU policy priorities? .....	76
Figure 35 Responses to external stakeholder survey question: In your opinion, which energy sub-sectors have been the ones with the highest investment needs?.....	77
Figure 36 Summary of Pillar 2 ratings for energy projects outside the EU.....	81
Figure 37 Summary of Pillar 3 ratings for energy projects outside the EU.....	81

## LIST OF TABLES

Table 1 The pillars upholding the EIB's 3PA and ReM .....	2
Table 2 Key terms and definitions .....	8
Table 3 List of evaluation questions by Work Package .....	9
Table 4 The pillars upholding the EIB 3PA and ReM.....	13
Table 5 Timeline for the design of the ELC .....	15
Table 6 Comparing the EIB's ELC to similar documents applied by the EIB's peers .....	16
Table 7 Policy and Procedure Framework inspired by Peers institution used for the purpose of this evaluation.....	18
Table 8 EIB approved energy-related financing by sub-sector and geography, during 2007-2013 and 2013-2017 periods.....	27
Table 9 Overview of investment needs cited in the ELC document, by sub-sector.....	29
Table 10 Comparison of the ELC with relevant EU Policy priorities .....	33
Table 11 The consistency, appropriateness and level engagement of the public consultation process for the currently applicable ELC.....	45
Table 12 Public consultation for the ELC and practices of other institutions .....	47
Table 13 The structure of the Issues Matrix.....	48
Table 14 Climate and energy targets for 2020 .....	57
Table 15 The definition and rationale for each of the three aims of EU Energy Policy.....	63
Table 16 Limitations and mitigation measures of the evaluation's approach .....	66
Table 17 Overview of the 60 projects subject to desk review .....	73
Table 18 Aligning the evaluation questions to the structure of this Thematic Evaluation Report	78
Table 19 Key EIB documents subject to public consultation .....	79
Table 20 Comparing the EIB's ELC to the EIB's Transport Lending Policy.....	80

## **ABBREVIATIONS AND ACRONYMS**

<b>3PA</b>	The 3 Pillar Assessment
<b>ACP</b>	Sub-Saharan Africa, Caribbean and Pacific
<b>ALA</b>	Asia and Latin America
<b>ADB</b>	Asian Development Bank
<b>AfDB</b>	African Development Bank
<b>AIIB</b>	Asian Infrastructure Investment Bank
<b>BoD</b>	The EIB's Board of Directors
<b>CHP</b>	Combined Heat and Power
<b>COP</b>	The EIB's Corporate Operational Plan
<b>CSO</b>	Civil Society Organisation
<b>EBRD</b>	European Bank for Reconstruction and Development
<b>EC</b>	European Commission
<b>EC DG CLIMA</b>	European Commission's Directorate-General for Climate Action
<b>EC DG DEVCO</b>	European Commission's Directorate-General for International Cooperation and Development
<b>EC DG ENER</b>	European Commission's Directorate-General for Energy
<b>EC DG NEAR</b>	European Commission's Directorate-General for European Neighbourhood Policy and Enlargement Negotiations
<b>EC DG RTD</b>	European Commission's Directorate-General for Research and Innovation
<b>EFSI</b>	European Fund for Strategic Investments
<b>EIB</b>	European Investment Bank
<b>EIF</b>	European Investment Fund
<b>ELC</b>	The EIB's Energy Lending Criteria
<b>Elena</b>	European Local Energy Assistance
<b>EPS</b>	Emissions Performance Standard
<b>EU</b>	European Union
<b>EU ETS</b>	The European Union's Emissions Trading Scheme
<b>EV</b>	The EIB's Operations Evaluation Division
<b>FEMIP</b>	Facility for Euro-Mediterranean Investment and Partnership
<b>GHG</b>	Greenhouse gases
<b>IDB</b>	Inter-American Development Bank
<b>IDRP</b>	The EIB's Inter-Directorate Review Panel

<b>IFI</b>	International Financial Institution
<b>INCO</b>	The Innovation and Competitiveness Department within PJ
<b>Jaspers</b>	Joint Assistance to Support Projects in European Regions
<b>MC</b>	The EIB's Management Committee
<b>MDB</b>	Multilateral Development Bank
<b>MED</b>	The EIB's Mediterranean partner countries, brought together under FEMIP
<b>NACE</b>	Nomenclature statistique des activités économiques dans la Communauté européenne (the statistical classification of economic activities in the European Community)
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>OPS</b>	The EIB's Operations Directorate
<b>PIN</b>	Preliminary Information Note
<b>PF4EE</b>	Private Finance for Energy Efficiency
<b>PJ</b>	The EIB's Projects Directorate
<b>PV</b>	Photovoltaic
<b>PPG</b>	The EIB's Public Policy Goals as laid down in the COP
<b>RDI</b>	Research, Development and Innovation
<b>RM</b>	The EIB's Risk Management Directorate
<b>ReM</b>	The Results Measurement Framework
<b>SET Plan</b>	Strategic Energy Technology Plan
<b>SG</b>	The EIB's General Secretariat
<b>TA</b>	Technical Assistance
<b>TEN-E</b>	Trans-European Networks for Energy
<b>TFEU</b>	Treaty on the Functioning of the European Union
<b>WBG</b>	World Bank Group
<b>WP</b>	Work Package

## KEY TERMS

<b>3PA</b>	The three pillar framework for assessing the projects to be financed by the EIB. The three pillars comprise: (i) contribution to EU policy, (ii) quality and soundness of the project, and (iii) EIB technical and financial contribution. Each pillar is composed of indicators and sub-indicators.
<b>3PA summary sheet</b>	The document annexed to the EIB Board Report, which summarises the assessment of a project on the basis of the 3PA.
<b>Appraisal</b>	Project appraisal is carried out by the EIB's teams of engineers, economists and financial analysts, in close cooperation with the promoter. Criteria for a typical EIB appraisal are tailored to each project. Results are included in the project report to the Board of Directors for a financing decision.
<b>Appraisal Factsheet</b>	The document that provides the proposal to the MC to endorse the financing proposal and to authorise negotiation. The document provides summary information on the project, the proposed operation and its financing structure, and includes comments from multiple EIB Directorates.
<b>Areas where the EIB has the highest value added</b>	Projects in areas where the EIB scores highly across all Pillars of the 3PA for inside-EU operations and the ReM for outside-EU operations. This key term therefore includes Pillar 3 of the 3PA or the ReM, relating to the EIB's contribution to the project.
<b>Board Report</b>	The document upon which the BoD bases its decision for approving the financing of operations. The document includes the rationale for the operation and covers the most important issues upon which the BoD's decision should be based. It also comprises the financial proposal and other key information on the project. The 3PA or ReM summary sheet for each operation is included in the annexes of each Board Report.
<b>COP</b>	The EIB's rolling three-year Operational Plan which includes orientations of performance and summarises Bank's major priorities and activities for the next three years.
<b>Consultation Meeting</b>	A public consultation meeting organised by the EIB on 7 December 2012 in Brussels. This meeting was open to all interested stakeholders and offered them the opportunity to exchange directly with EIB staff about the Bank's energy sector lending policy and the key issues at stake within the review.
<b>Consultation Report</b>	The document in which the IDRP provides an overview of the public consultation process and its end-result. The Consultation Report explains how the consultation process was conducted.
<b>EFSI</b>	The European Fund for Strategic Investments is an initiative launched jointly by the EIB Group – the EIB and EIF – and the EC to help overcome the investment gap in the EU. EFSI is one of the three pillars of the Investment Plan for Europe, which aims to revive investment in strategic projects around the continent to ensure that money reaches the real economy.
<b>EIB Action(s)</b>	The actions that the Bank anticipated to undertake for each sub-sector covered by the ELC. For the most part, these actions relate to the EIB's development and/or provision of products and services for supporting priority areas within each sub-sector.

<b>ELC</b>	The EIB's Energy Lending Criteria (ELC) are an approach for screening and assessing the energy component of projects when they are being appraised by the EIB. They were developed following a review by the EIB in 2012/13, and were formalised in a document that was made publicly available on 25 July 2013.
<b>Elena</b>	A joint initiative by the EIB and the European Commission under the Horizon 2020 programme. ELENA provides grants for technical assistance focused on the implementation of energy efficiency, distributed renewable energy and urban transport projects and programmes.
<b>EPS</b>	The Emissions Performance Standard (EPS) is the EIB's criterion for ensuring that all energy projects financed by the EIB are in line with Member State commitments to the EU's Energy and Climate Policy. The threshold level for the EPS is 550 gCO <sub>2</sub> /kWh.
<b>EU ETS</b>	The EU Emissions Trading System is a pillar of the EU's Energy and Climate Policy, and is the sole carbon target adopted by all Member States. It is the world's first major carbon market and remains by far the biggest today. It works on the "cap and trade" principle. The overall volume of greenhouse gases that can be emitted for a multi-year phase by the power plants, factories and other companies covered by the system is subject to a cap set at EU level. Within this cap, companies receive or buy emission allowances which they can trade, if they wish to do so.
<b>Highest policy priorities</b>	Higher priority areas, as defined under Pillar 1 of the 3PA for inside-EU operations and Pillar 1 of the ReM for outside-EU operations.
<b>IDRP</b>	The EIB's Inter-Directorate Review Panel was set up in order to review the contributions of external stakeholders. The two main outputs of the IDRP, both of which were made available on the public consultation's dedicated webpage, were the Issues Matrix and the Consultation Report.
<b>Investment needs</b>	For the sake of this evaluation, defined as total or annual investment needed for the period 2010-2020 in order to achieve EU Energy Policy objectives.
<b>Issues Paper</b>	A Call for Public Views (often referred to as a Consultation Paper), which welcomed responses on the EIB's then applicable Energy Sector Lending Policy and the issues raised in the Paper itself. The Issues Paper was published on the EIB's website on 10 October 2012.
<b>Issues Matrix</b>	The document in which the EIB's IDRP responds to external stakeholder contributions made within the context of the public consultation process relating to the ELC. The Issues Matrix was published on the EIB's website on 22 July 2013.
<b>Jaspers</b>	A technical assistance partnership between three partners (European Commission, EIB and EBRD), which provides independent advice to beneficiary countries to help prepare high quality major projects to be co-financed by two EU Structural and Investment Funds (European Regional Development Fund and Cohesion Fund).
<b>PPG</b>	The EIB's Public Policy Goals, set out in the COP, refer to the EIB's decision-making framework for supporting EU decisions and the resulting EU policies.
<b>Quality and soundness standards</b>	Standards as applied under Pillar 2 of the 3PA for inside-EU operations and Pillar 2 of the ReM for outside-EU operations.

<b>Reference Group</b>	A group of representatives from EIB Directorates that have a consultative role during the evaluation process. The group is expected to <i>inter alia</i> : discuss and comment on the evaluation's key deliverables; act as an interface between EV and the EIB Services; and ensure EV has access to all relevant sources of information.
<b>ReM</b>	The Results Measurement framework is the EIB's approach for assessing the value added of outside-EU projects, and the EIB's contribution to them.
<b>SET Plan</b>	The Strategic Energy Technology Plan is the technology pillar of the EU's energy and climate policy.
<b>Sub-sector</b>	Energy Networks, Renewable Energy, Energy Efficiency, RDI in Energy, Fossil Fuel Generation, Hydrocarbon Extraction and Petroleum Refining, and Nuclear Energy are the seven "sub-sectors" described in the ELC document, which fall within the Energy sector.
<b>Sub-sectors with the highest investment needs</b>	The three sub-sectors (Energy Networks, Renewable Energy, Energy Efficiency) that strongly support EU Energy Policy objectives and account for around 90% of the EU's total investment needs for the period ending 2020.
<b>Upstream</b>	Activities undertaken by the EIB prior to the appraisal of a project. Upstream work can either be in the form of: policy support; cooperation with the EC and other entities; technical assistance and/or financial advice; and sector studies. The latter is most pertinent to this evaluation.
<b>Value added</b>	The added value of the EIB engaging in an operation, as measured by the EIB's 3 Pillar Assessment (3PA) for inside-EU operations and the EIB's Results Measurement Framework (ReM) for outside-EU operations.



## EXECUTIVE SUMMARY

This Thematic Evaluation Report relates to the ex-post evaluation of the EIB's Energy Lending Criteria (ELC) for the period 2013-2017. The ELC aim to support the Bank in contributing to EU Energy Policy by setting out: (i) the criteria by which the Bank screens and assesses the energy component of projects; and (ii) priorities the Bank's activities in the energy sector. The ELC document, in which the criteria are formalised, was adopted by the EIB Board of Directors after a public consultation process. The document was subsequently made publicly available on 25 July 2013.

### Box 1 Overview of the content of the ELC document

- The ELC document is structured by energy sub-sector. The sub-sectors covered are: Renewable Energy; Energy Efficiency; Research, Development and Innovation (RDI) in Energy; Fossil Fuel Generation; Hydrocarbon Extraction and Petroleum Refining; Nuclear Energy; and Energy Networks.
- Background information on each sub-sector is provided, in terms of their policy backdrop, markets, investment needs and challenges.
- EIB "Action[s]" for each sub-sector are defined, usually in terms of the Bank's development and/or provision of products and services for supporting underlying priority areas.
- Screening and assessment criteria (or rather working principles) for appraising projects in each sub-sector are also set out.

The evaluation focuses on the ELC and did not address the substantive technical and/or financial issues being faced by the EIB in the energy sector.

In order to review the ELC document on the basis of its stated objectives, the evaluation assessed the extent to which:

- The currently applicable ELC are relevant and effective with respect to the EIB selecting projects that: (i) support EU Energy Policy and the highest policy priorities; (ii) support sub-sectors with the highest investment needs; and (iii) meet the Bank's standards in terms of quality and soundness.
- The EIB transparently consulted stakeholders on the design of the ELC and transparently informed stakeholders on its application.

In doing so, this evaluation has drawn on a variety of data collection activities, including:

a literature review of *inter alia* relevant EU Policy documentation and the ELC document itself; a review of developments in global and EU energy markets for the 2013-2017 period, with a particular focus on investment needs; a portfolio review of the EIB's approved energy-related financing during the 2013-2017 period; a desk review of 60 projects falling within the portfolio, of which 10 were subject to site visits; two online surveys (one for internal stakeholders and one for external stakeholders); and 45 interviews with a variety of internal and external stakeholders. While the ELC covers activities both inside and outside the EU, the geographical scope of this evaluation placed greater emphasis on inside-EU activities, due to time constraints.

The evaluation is timely as its findings, conclusions and recommendations will serve as an input for the EIB's ongoing review of the ELC. The aim of the review is to update the ELC in order to reflect relevant market and policy developments.

**Overall, the evaluation finds that the ELC document has been a major step forward for the Bank**, as it: (i) consolidated various key EIB documentation relating to the energy sector; (ii) improved the clarity of the EIB approach for screening projects with an energy component; and, (iii) drew on a public consultation to review the EIB approach for engaging in the energy sector, thereby enhancing the transparency.

Further details on the findings, conclusions and recommendations deriving from this evaluation are provided hereunder.

### Design of the ELC

**The ELC document is shaped by its operating environment.** The ELC document is subservient to the EIB Statute, the Corporate Operational Plan (COP) and the approaches for assessing added value of projects and EIB's contribution to them. The EIB approaches for assessing added value are the 3 Pillar Assessment (3PA) for inside-EU projects and the Results Measurement framework (ReM) for outside-EU projects.

The ELC were designed as a specific set of screening criteria that would support the assessment of value added through the 3PA and ReM; consequently, the analysis

undertaken in this evaluation is often framed by the ELC contribution to ex-ante assessments, in particular under Pillars 1 and 2 of the 3PA and ReM (see Table 1).

Table 1 The pillars upholding the EIB's 3PA and ReM		
	3PA	ReM
<b>Pillar 1</b>	Contribution to EU policy	Contribution to EIB, EU & national priorities
<b>Pillar 2</b>	Quality and soundness of the project	Quality and soundness of the project
<b>Pillar 3</b>	Contribution of the EIB to the project	EIB Technical & Financial Contribution
<b>Pillar 4</b>	Complementary indicators	n.a.

Source: EV

The scope of the ELC is also influenced by EIB's organisational structure, in particular the assignment and coordination of roles and responsibilities to Bank Directorates engaged in EIB's project appraisal process.

**The ELC document is in line with documents designed by peer institutions in terms of its governance, public consultation process, rationale for review and its target audience.** However, most comparable documents in peer institutions are structured on the basis of principles, while the ELC document is structured according to sub-sectors within which working principles (i.e. not stringent criteria) are set.

**The EIB lacks a standardised process and procedure for designing, categorising and naming its key documents.** The lack of such a framework means that the Bank runs the risk of not naming its key documents appropriately and not following an appropriate process for formulating, consulting upon, approving and updating its key documents.

**The ELC document is a hybrid document, with characteristics akin to both a strategy document and a guidance document.** With regard to the former, the ELC document details market trends and policies, and demonstrates EIB's knowledge of the energy sector. Similarly, by defining "EIB Action[s]", prioritising sub-sectors and areas within each sub-sector, the ELC document indicates EIB's areas of focus within the energy sector.

The ELC document also resembles a guidance document as it seeks to explain to stakeholders how the EIB assesses and prioritises projects. However, since the ELC document was published, the Bank has produced additional internal guidance documents in order to ensure the consistent application of the ELC by internal users. This was deemed an appropriate approach by internal stakeholders as such documents should lay down principles, which can be further elaborated upon internally for operational purposes.

**The hybrid nature of the ELC document contributes to the document's misleading title.** It is imprecise as to whether the ELC document seeks to: (i) prioritise "EIB Action[s]" in the energy sector in a strategic manner; (ii) provide guidance on how the Bank appraises projects with an energy component; or (iii), do both. This lack of clarity is also demonstrated by the misleading and lengthy title of the ELC document, which wrongly infers that the document includes an exhaustive list of criteria which, if respected, should lead to counterparts securing EIB financing for their corresponding projects.

### Application of the ELC

**The ELC document was designed to reach out to the broadest range of stakeholders.** In particular, the document aims to reach out to shareholders, borrowers, promoters, partners, civil society organisations and the wider public.

**Yet the use of the ELC document by external stakeholders is largely limited to Civil Society Organisations (CSOs).** CSOs use the ELC document as a point of reference for reviewing energy-related financing provided by the EIB; this is evidenced for example by a recent CEE Bankwatch Network publication. Other external stakeholders demonstrated a relatively low level of awareness of the ELC document, which was attributed to the technical manner in which the document is drafted, and the lack of ELC-related updates or addendums published by the Bank.

**PJ is the primary internal user of the ELC, and applies the ELC during the upstream and (pre-)appraisal phases of the EIB's project cycle.** As PJ is the Directorate responsible for assessing the economic, environmental social, financial and technical sustainability of projects, as well as their

compliance with EU and EIB sector policies, it is apt that the Directorate's Energy Department takes the lead in applying the ELC. Other EIB Directorates indicated that they rely on PJ's expertise in: (i) the energy sector and (ii) in applying the ELC.

**EIB reporting currently does not relate to the ELC, but instead serves higher-level or broader EIB documents (e.g. the COP, 3PA and ReM).** Monitoring indicators deployed by the Bank are therefore not geared towards tracking the "EIB Action[s]" as defined for each sub-sector within the ELC. Similarly, the lack of 'flags' for each ELC sub-sector on Bank's IT systems means that informing stakeholders on the application of the ELC is challenging and requires: (i) reconstruction of EIB's portfolio of projects with an energy component and (ii) classification of the underlying projects by the ELC sub-sector. The evaluation team did so for the period 2013-2017, and found that 482 projects, with an energy components of at least 20%, were approved by EIB's Board of Directors accounting for EUR 63.42 bn. Of these projects, 391 are situated in the EU (EUR 54.68 bn), and 91 are situated outside the EU (EUR 8.74 bn).

#### **Supporting EU Energy Policy and the highest policy priorities**

**Prioritisation of sub-sectors with the highest investment needs**

The sub-sectors with the highest investment needs, that were identified by the ELC document (i.e. Energy Networks, Renewable Energy and Energy Efficiency), were in line with those identified by the EU. Yet the ELC document does not present investment needs in a fully consistent manner, whether in terms of timeframe, investment amount and sources.

**The ELC document provided an accurate upstream assessment of investment needs in the energy sector.** This contributed to the EIB prioritising energy sub-sectors with the highest investment needs at the portfolio-level, as the assessment served as an input for EIB COPs, the 3PA and the ReM.

**Over the 2013-2017 period, 90% of the EIB's approved energy-related financing was in sub-sectors with the highest investment needs (i.e. Energy Networks, Renewable Energy and Energy Efficiency).** Therefore, the EIB approved energy-related financing was overall proportional to the 90% of total investment needs that the ELC forecasted for the

forementioned sub-sectors. However, it was found that Energy Efficiency is underrepresented in the EIB's portfolio, as despite it being the sub-sector with the highest investment needs, it ranked as the third sub-sector in terms of total EIB approved financing during the 2013-2017 period. It is noted however, that the investments in Energy Efficiency during the period had an overall increasing trend.

#### **Supporting EU Energy Policy and the highest policy priorities**

The ELC document has remained unchanged in the public domain, despite EU Energy Policy reinforcing existing objectives and the EIB producing internal notes that reflect these developments. Therefore, the ELC sub-sectors with the highest investment needs, and the priority areas within them, have remained the same.

**The ELC priority areas were aligned with the EU's Energy Policy priorities that were applicable in 2013, as well as those that have been applicable in the period that followed.** But for policy relating to some sub-sectors (Fossil Fuel Generation, and Hydrocarbon Extraction and Petroleum Refining), the ELC has been more stringent than EU Energy Policy.

**The EIB Emissions Performance Standard (EPS) - due to its utility from a policy, economic and operational standpoint - has been ELC's important contribution to EIB's screening and appraisal of projects.** The EPS is EIB's criterion for ensuring that all energy projects financed by the EIB are in line with Member State commitments to the EU's Energy and Climate Policy. Since its adoption by the EIB, the threshold level for the EPS has been 550 gCO<sub>2</sub>/kWh.

In addition, the introduction of the categorisation of renewable energy technologies into mature and emerging energy has allowed the Bank to support the development of these technologies.

#### **Supporting the EIB's quality and soundness standards**

**The ELC cannot be used as a stand-alone document for EIB's appraisal of projects in terms of their quality and soundness.** In order to assess project's quality and soundness, the ELC has to be read in conjunction with other key EIB documents.

Consequently, it is difficult to attribute the overall positive rating of projects under Pillar 2 of the 3PA methodology (i.e. 89% of the approved projects within the EU scored either “high” or “significant”) to the ELC.

### **Focusing the EIB on areas where it makes the highest financial and technical contribution**

**The ELC document lacks clarity as to whether it plays a role in the assessment of Pillar 3 of the 3PA or ReM.** This evaluation’s Reference Group explained that it was never intended that the ELC document covers Pillar 3 of the 3PA or ReM. However, the ELC document’s reference to “EIB Action[s]”, particularly those relating to the provision of technical assistance and the development of financial instruments, suggests otherwise. This lack of clarity is also reflected in the responses to the internal survey, which demonstrates that EIB staff are fairly evenly split on whether the ELC plays a role in the assessment of Pillar 3. Furthermore, the evaluation found that there was no clear link between the ratings attained by projects under Pillar 3 of the 3PA or ReM and the guidance provided by the ELC document.

### **Contributing to EIB’s financing decisions on projects being as transparent as possible**

**The public consultation relating to the currently applicable ELC was consistent with EIB’s Transparency Policy at the time.** The public consultation relating to the ELC provided all required information to external stakeholders in a timely manner, ensured that the Bank’s Civil Society Division took the lead in handling EIB engagement with Civil Society, and facilitated the participation and engagement of a broad range of external stakeholders, but only inside the EU.

**The public consultation for the ELC was in line with other recognised public consultation practices in terms of its timeliness, duration, target audience, outreach, publicity and feedback.** Yet the public consultation for the ELC differs to other recognised practices in terms of the nature of the process (only one round of consultation on the Issues Paper, i.e. no rounds of consultation on the draft ELC document), the structure of the consultation document (only open-ended questions) and reporting on the consultation process.

## **Recommendations**

In response to the main findings identified by the evaluation, the following five recommendations are put forward:

1. Going forward, the EIB should further develop the processes and procedures for categorising its key documents such as the ELC.
2. The EIB should decide upon the purpose and target audience of the document succeeding the ELC, before determining what type of document it should be.
3. The EIB should report on the application of the document succeeding the ELC in order to keep stakeholders informed. Furthermore, the EIB should provide short updates on significant market and policy developments to supplement the ELC whenever warranted.
4. The document succeeding the ELC should further develop on the types of financial and non-financial contribution that the EIB can bring to supporting projects as well as to the development of the energy sector as a whole.
5. The EIB should strive to enhance the outreach, participation and the traceability of stakeholder contributions within the context of its public consultation relating to the document succeeding the ELC.

## OVERALL MANAGEMENT RESPONSE

The Bank is currently reviewing its energy lending policy. The existing policy from 2013 focused on supporting EU energy and climate targets for 2020. Since 2013, the EU has agreed ambitious targets for horizon 2030 and substantially revised its energy *acquis* to ensure that it is fit to deliver on those targets. Finally, the Commission has recently published a new long-term strategy for the transition toward a low-carbon society by 2050.

In order to improve the effectiveness and relevance of the new policy, it is important to be able to draw on lessons from the past. The Bank therefore welcomes this timely evaluation of the 2013 ELC, which serves as an important input in shaping the new policy.

The Bank welcomes the conclusions of the report, in particular recognising the 2013 ELC as a major step forward across three dimensions. It highlights the value of the Bank in prioritising sub-sectors with high investment needs, recognizing in particular the signalling effect of the emissions performance standard, and the Bank's support towards emerging technologies.

The report also contains a number of recommendations that will improve the new policy. The Bank has been able to shape the new policy in light of feedback received during this evaluation process, and will continue to work on the new policy's design to reflect these recommendations whenever possible.



# 1. INTRODUCTION

This Thematic Evaluation Report relates to the **Ex-post evaluation of the EIB Energy Lending Criteria, 2013-2017**. The EIB Energy Lending Criteria (ELC) aim to support the Bank in contributing to EU Energy Policy<sup>1</sup> by setting out: (i) the criteria by which the Bank screens and assesses the energy component of projects; and (ii) the priorities for the Bank’s activities in the energy sector. The document in which the criteria are formalised was made publicly available on 25 July 2013<sup>2</sup> and was developed following the EIB’s review of its Energy Sector Lending Policy in 2012/13.

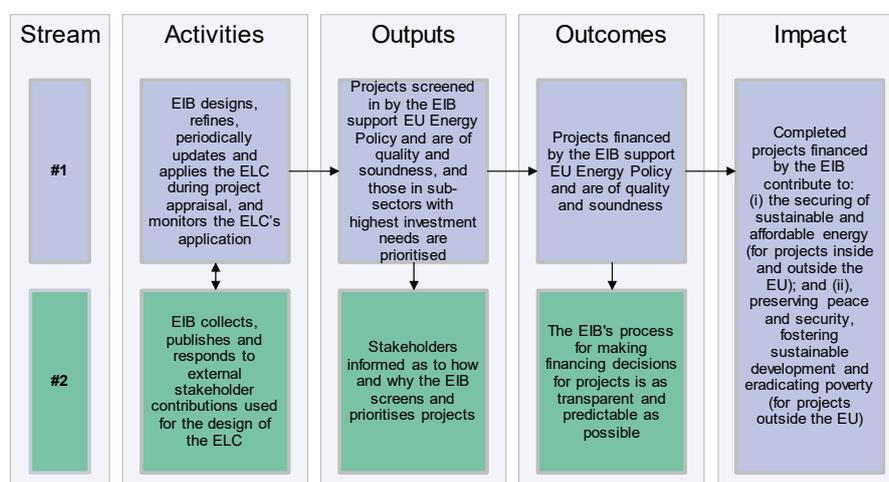
The application of the ELC is the responsibility of the EIB as a whole, yet the Energy Department within the EIB’s Projects (PJ) Directorate is the “owner” of the ELC and, therefore, has taken the lead in designing and periodically updating the ELC. PJ’s Energy Department is currently coordinating a review of the ELC for which this evaluation provides a timely input.

To further clarify the expected effects of the ELC and develop this evaluation’s analytical framework<sup>3</sup>, the evaluation team reconstructed the ELC intervention logic<sup>4</sup>. The simplified version of ELC’s intervention logic is presented in Figure 1, and is broken down into two streams:

- Stream 1 seeks to support the EIB in contributing to (i) EU Energy Policy objectives<sup>5</sup> and (ii), addressing investment needs, by screening in relevant projects that are of quality and soundness; and
- Stream 2 aims to contribute to making the Bank’s financial decision making process as transparent and predictable as possible for all stakeholders.

By increasing the transparency with which the EIB operates, Stream 2 has the potential to contribute to improvements in the quality and credibility of the ELC, particularly during its design. Stream 2 therefore aims to support the achievement of Stream 1’s expected impact, but does not result in an impact of its own.

**Figure 1 Simplified version of ELC’s intervention logic**



Source: EV

<sup>1</sup> The main EU Policy areas to which the ELC should contribute are: Energy and Climate Policy for inside- and/or outside-EU projects; and External Affairs and Development Policy for outside-EU projects only. Yet as EU Energy Policy is the primary area to which the ELC should contribute, this Thematic Evaluation Report will, for the sake of simplicity, only refer to EU Energy Policy.

<sup>2</sup> Available [here](#).

<sup>3</sup> The rationale for including the evaluation within EV’s Work Programme is explained in Annex 1, page 54.

<sup>4</sup> An intervention logic is a schematic representation of how an intervention is expected to, step-by-step, achieve its objectives. A more detailed version of the ELC’s intervention logic, accompanied by explanatory text, is provided in Annex 2, page 58.

<sup>5</sup> An overview of EU Energy Policy is provided in Annex 3, page 67.

In the following sub-sections, this report details the evaluation’s objectives, scope and approach, before answering the evaluation questions. The evaluation also draws conclusions and proposes recommendations for better enabling the EIB to achieve the expected effects of the currently applicable ELC document, and supporting the design of the document succeeding it.

## 1.1 Objectives

The evaluation aims to assess the extent to which<sup>6</sup>:

1. The currently applicable ELC are relevant and effective with respect to the EIB **selecting projects** that:
  - Support EU Energy Policy and the highest policy priorities;
  - Support sub-sectors with the highest investment needs; and
  - Meet the Bank’s standards in terms of quality and soundness.
2. The EIB **transparently consulted** stakeholders on the design of the ELC and **transparently informed** stakeholders on its application.

The assessment undertaken in relation to the evaluation’s two objectives will also lead to the proposal of recommendations for improving the design of the document succeeding the ELC. These recommendations are presented in section 9 (page 49).

In order to fulfil the abovementioned evaluation objectives, the evaluation team – following discussions with the Reference Group<sup>7</sup> - clarified several key terms that are frequently cited in the ELC, but are not clearly defined. The definitions for these key terms are provided in Table 2, and are based upon statements made in the ELC document.

Table 2 Key terms and definitions	
Key term	Definition
<b>Value added</b>	The added value of the EIB engaging in an operation, as measured by the EIB’s 3 Pillar Assessment (3PA) for inside-EU operations and the EIB’s Results Measurement Framework (ReM) for outside-EU operations.
<b>Sub-sectors with the highest investment needs</b>	Means the three sub-sectors (Energy Networks, Renewable Energy, Energy Efficiency <sup>8</sup> ) that strongly support EU Energy Policy objectives and account for around 90% of the EU’s total investment needs for the period ending 2020.
<b>Highest policy priorities</b>	Means higher priority areas, as defined under Pillar 1 of the 3PA for inside-EU operations and Pillar 1 of the ReM for outside-EU operations.
<b>Quality and soundness standards</b>	Means standards as applied under Pillar 2 of the 3PA for inside-EU operations and Pillar 2 of the ReM for outside-EU operations, with a focus on the economic and environmental sustainability of the project.

Source: EV

## 1.2 Scope

The **thematic scope** of this evaluation is EIB’s currently applicable ELC document, published on 25 July 2013. The **institutional scope** is the EIB and other ELC stakeholders, including shareholders, borrowers, promoters, partners and civil society organisations (CSOs). While the ELC covers activities both inside and outside EU, the **geographical scope** of this evaluation

<sup>6</sup> The first objective is aligned with Stream 1 of the ELC’s intervention logic and the second objective is aligned with Stream 2 (see both Streams in Figure 1 on page 5).

<sup>7</sup> A Reference Group for an EV evaluation comprises representatives from EIB Directorates. The Reference Group has a consultative role during the evaluation process and is expected to *inter alia*: discuss and comment on the evaluation’s key deliverables; act as an interface between EV and the EIB Services; and ensure EV has access to all relevant sources of information.

<sup>8</sup> The evaluation’s Reference Group made clear that RDI in Energy was another priority sub-sector although it did not account for a major share of total investment needs. The reference group explained it by the fact that RDI is a priority within each sub-sector and that the PRIMES model does not separate RDI components within each sub-sector.

placed greater emphasis on inside-EU activities, due to time constraints<sup>9</sup>. In terms of the portfolio of projects considered within the context of this evaluation, the **temporal scope** is 25 July 2013 - 31 December 2017. This period has been compared against equivalent activities during the period October 2007 – 24 July 2013. For the sake of this Report, these two periods will be respectively referred to as the 2013-2017 period, and the 2007-2013 period.

The **intended users** of this evaluation are ELC’s internal stakeholders (i.e. the governing bodies and the Services of the EIB) and its array of external stakeholders. Further detail on potential ELC stakeholders is provided in section 3.

### 1.3 Approach

Evaluation questions were formulated on the basis of ELC’s reconstructed intervention logic. These questions focused the evaluation on a limited number of areas; thereby allowing more targeted data collection, analysis and reporting. Table 3 shows how the evaluation questions were grouped across three Work Packages (WP). The first two WPs, on the relevance and effectiveness of the ELC, relate to the first objective of this evaluation. The third WP focuses on the second objective of this evaluation, which relates to the EIB transparently consulting stakeholders for the design of the ELC, and transparently informing stakeholders as to how these criteria have been used to select projects for EIB financing. The findings and conclusions emanating from these three WPs have served as building blocks for this Thematic Evaluation Report.

**Table 3 List of evaluation questions by Work Package**

WP	EQ	Evaluation question
Relevance	1.1	To what extent does the ELC’s design process follow common practice?
	1.2	To what extent was the ELC consistent with and appropriate for selecting projects that: <ul style="list-style-type: none"> <li>• Support EU Energy Policy and the highest policy priorities?</li> <li>• Meet the EIB’s standards in terms of quality and soundness?</li> </ul>
	1.3	To what extent was the ELC consistent with and appropriate for selecting projects that support sub-sectors with the highest investment needs?
Effectiveness	2.1	To what extent have the ELC been used within the EIB’s project cycle?
	2.2	To what extent have the ELC geared the EIB’s portfolio towards: <ul style="list-style-type: none"> <li>• Supporting EU Energy Policy and the highest policy priorities?</li> <li>• Supporting sub-sectors with the highest investment needs?</li> </ul>
	2.3	To what extent have the projects that were subject to screening under the ELC: <ul style="list-style-type: none"> <li>• Supported EU Energy Policy and the highest policy priorities?</li> <li>• Supported sub-sectors with the highest investment needs?</li> <li>• Met the EIB’s standards in terms of quality and soundness?</li> <li>• Been in areas in which the EIB makes the highest financial and technical contribution?</li> </ul>
Transp.	3.1	To what extent did stakeholders contribute to the design and periodical update of the ELC in a transparent manner?
	3.2	To what extent have the ELC been appropriate for transparently informing stakeholders on how the EIB selects projects?

Source: EV

In order to answer the abovementioned questions, this evaluation has drawn on a variety of data collection activities, including:

<sup>9</sup> The portfolio review of energy projects (Annex 6) covers both inside and outside EU activities. In addition, the contributions of stakeholders from outside the EU to the consultation process was reviewed. However, the evaluation did not review the EU policies regarding the Energy sector outside the EU, and how those were considered in EIB’s Mandates such as the External Lending Mandate (ELM) or the Cotonou Investment Facility (CIF), nor the market situations and the priorities investment needs in this sector outside the EU.

- A literature review, which covered *inter alia* the ELC document itself, EU Energy Policy, the public consultation process that supported the design of the ELC, and other relevant evaluations and audits.
- A review of developments in global and EU energy markets for the period 2013-2017, with a particular focus on investment needs.
- A portfolio review of EIB's energy-related financing during the 2007-2013 and 2013-2017 periods (see Annex 6 on page 67). The portfolio covered projects that have been *approved*<sup>10</sup> by the EIB and have an energy component accounting for at least 20% of total approved EIB financing for a project. These screened in projects have been complemented by an analysis of projects screened out by the EIB and recorded within "Energy News" documentation produced by PJ's Energy Department.
- A desk review of the value added of 60 projects falling within the portfolio for the period 2013-2017 (listed in Annex 7 on page 73), of which 10 projects were subject to site visits. These site visits concerned projects situated in Austria, Belgium, the Czech Republic, Denmark, Estonia, France, Germany, the Netherlands, Spain and Sweden.
- An online survey that was distributed to 462 *internal* stakeholders. The survey was subsequently completed by 152 respondents and was partially completed<sup>11</sup> by 39 respondents. Of these 191 responses, 107 were provided by the EIB's Operations Directorate (OPS), 71 by the EIB's Projects Directorate (PJ), and 13 by staff members from other parts of the Bank.
- An online survey that was distributed to 538 *external* stakeholders. The survey was subsequently completed by 22 respondents and was partially completed by 20 respondents. Due to the low number of responses from external stakeholders<sup>12</sup>, there is a low level of statistical confidence in the survey. It has therefore not been used to corroborate findings. Nevertheless, for information purposes, responses to the survey are summarised in Annex 8 on page 75.
- 45 interviews, of which 31 were undertaken with internal stakeholders, 10 with EIB counterparts and 4 with representatives of the EC. Further detail on the stakeholders interviewed is provided in Annex 9 on page **Error! Bookmark not defined.**

Lastly, an overview of the evaluation's work plan is presented in Annex 4 (page 65), and a summary of the evaluation's main limitations, and corresponding mitigation measures, is provided in Annex 5 (page 66).

## 1.4 Structure of this report

The remainder of this report is structured as follows:

- Section 2 assesses the factors that shaped the design of the ELC, how the ELC compares to equivalent documents designed by EIB's peers, and classifies the ELC as a key EIB document.
- Section 3 assesses whether the ELC target audience used the document as expected at the *project-level*. In addition, Section 3 assesses whether the ELC ought to have been applied at the *portfolio-level*.
- Sections 4, 5, 6 and 7 assess what was expected of the ELC, and how the ELC has contributed to projects being screened in or out by the EIB. More specifically, Sections 4, 5, 6 and 7 respectively focus on ELC's contribution to: the EIB prioritising sub-sectors with the highest investment needs; the EIB supporting EU Energy Policy and the highest policy priorities; the application of the Bank's quality and soundness standards; and the EIB's financial and technical contribution to projects.

<sup>10</sup> This evaluation places emphasis on approved operations as the ELC document aims to inform stakeholders as to how the EIB screens and assesses (i.e. appraises) energy projects. Due to the evaluation's focus on approved operations, and the unique time periods covered by this evaluation, it is likely that numbers presented in this report will differ from those presented in other Bank publications.

<sup>11</sup> Partially completed responses means that not all questions within the survey were answered.

<sup>12</sup> The low number of responses may be attributed to: (i) individuals that submitted contributions within the context of the public consultation for the ELC no longer occupying the same role and/or the same responsibilities within the same entity; and (ii), external stakeholders reserving their views for the upcoming public consultation relating to the document succeeding the ELC.

- Section 8 assesses the performance of the public consultation process.
- Section 9 presents the conclusions and recommendations of this evaluation.

Finally, Annex 10 (page 78) indicates where each evaluation question is answered within this Thematic Evaluation Report.

## 2. DESIGN OF THE ELC

In order to assess whether the process by which the ELC was designed was in line with common practice, this section of the Thematic Evaluation Report:

- Positions the ELC amongst other key documents of the Bank;
- Provides an overview of the steps taken in the design of the ELC;
- Assesses the extent to which the process of designing the ELC document were comparable to similar documents designed by the EIB's peers; and
- Categorises the ELC as a key document of the EIB.

A summary of this section's key findings is provided in the box below, and further analysis substantiating these findings is presented in the sub-sections that follow.

### Box 2 Key findings relating to the design of the ELC

- The EIB lacks a standardised process and procedure for designing, categorising and naming its key documents.
- The ELC document is shaped by its operating environment, as the document is subservient to the Statute of the EIB, the Bank's Corporate Operational Plan (COP), and its approaches for assessing the added value of projects and the EIB's financial and technical contribution to them. The scope of the document is also shaped by the EIB's organisational structure.
- When compared to similar documents designed by EIB peers, the ELC is broadly in line in terms of its governance, public consultation process, rationale for review and its target audience.
- While recognising the different types of governance across peer institutions, the comparison with peers indicates that there is no standard practice for categorising documents like the ELC.
- Most peer documents are structured on the basis of principles, while the ELC document is structured according to sub-sectors within which working principles (i.e. not stringent criteria) are set.
- The ELC is therefore a hybrid document, with characteristics akin to both a strategy document and a guidance document. Consequently, the purpose of the ELC document is unclear and the document's title is misleading.
- Lastly, the ELC has been a major step forward for the Bank as the "owner" of the document: (i) consolidated various key EIB documentation relating to the energy sector within the ELC; (ii), drew on a public consultation to review the Bank's approach for engaging in the energy sector, thereby enhancing the EIB's transparency; and (iii), requested the launch of this evaluation, thereby enhancing the accountability of the Bank's activities in the energy sector, with a view to identifying lessons and learning from them accordingly.

### 2.1 Operating environment of the ELC

In order to understand the surrounding circumstances that have shaped the design and application of the ELC, this sub-section positions the ELC amongst other key documents of the Bank, including the Bank's: Statute; Corporate Operational Plan; and approaches for assessing the added value of projects and the EIB's contribution to them.

The **Statute of the EIB**, along with various provisions in the Lisbon Treaty, allow the Bank to provide financing to projects in the following three areas<sup>13</sup>: (i) projects for developing less-developed regions; (ii) projects for modernising or converting undertakings or for developing fresh activities called for by the progressive establishment of the internal market; and (iii), projects of common interest to several Member States. The EIB's Statute remains *broadly unchanged* in the public domain as, in recent years, it has only been updated to accommodate developments relating to: (i) the Bank's capital base; and (ii), the Member States of the EU.

On the basis of the Statute, the EIB develops a **Corporate Operational Plan (COP)**, which is a rolling three-year strategy that is reviewed and *updated on an annual basis*. Each COP *inter alia* details the Bank's Public Policy Goals (PPGs), Lending Programme, and Performance Indicators. The projects financed by the EIB reflect one or more of the Bank's PPGs laid down in the COP, and the EIB finances such projects to the extent that they contribute to the objectives and adhere to the requirements set out in the Bank's Statute. It must be noted that external factors can have a significant effect on the priorities and goals laid down in the COP. For instance, the EIB's capital increase in 2012 led to a 43% increase in the lending targets in the COP for 2013-2015, when compared to the pre-capital increase figures announced in the COP for 2012-2014. Similarly, the

<sup>13</sup> The Statute of the EIB and other Treaty provisions are available [here](#).

Bank's implementation of the European Fund for Strategic Investments (EFSI, launched in 2015) played a major role in the COP for 2015-2017 forecasting that Special Activities would account for as much as 30% of total EIB signatures (compared to ≈6% in previous years).

The EIB's pipeline of projects is largely a reflection of the financing needs of promoters that design and implement projects. In order to facilitate the decision making process of the EIB's governing bodies, the Bank assesses the added value of these projects and the EIB's contribution to them. In doing so, the Bank applies its **3 Pillar Assessment (3PA)** for inside-EU projects<sup>14</sup>, and its **Results Measurement Framework (ReM)** for outside EU projects<sup>15</sup>.

**Table 4 The pillars upholding the EIB 3PA and ReM**

	3PA	ReM
<b>Pillar 1</b>	Contribution to EU policy	Contribution to EIB, EU and national priorities
<b>Pillar 2</b>	Quality and soundness of the project	Quality and soundness of the project
<b>Pillar 3</b>	Contribution of the EIB to the project	EIB Technical and Financial Contribution
<b>Pillar 4</b>	Complementary indicators <sup>16</sup>	n.a.

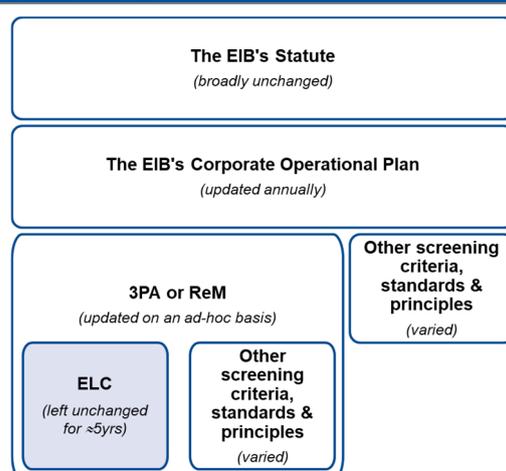
Source: EV

Although the underlying methodologies differ, the pillars upon which they are based are similar and are used to screen and rate projects in order to determine their "value added" (see Table Table 4). External factors that have a bearing on the COP (e.g. EFSI) tend to have a knock-on effect upon the 3PA and ReM, leading to the two methodologies evolving on an *ad-hoc* basis.

The EIB's **ELC** were designed as a specific set of screening criteria that would essentially support the assessment of value added through the 3PA and ReM; *consequently, the analysis undertaken in this evaluation is often framed by the ELC's contribution to ex-ante assessments under, in particular, Pillars 1 and 2 of the 3PA and ReM*<sup>17</sup>. Lastly, the ELC (and similar preceding documents), which guide EIB activities in the energy sector, remain *unchanged* for approximately five years<sup>18</sup> (see Figure 2).

However, the ELC document is not alone in terms of supporting assessments undertaken within the context of the 3PA or ReM, as other screening criteria, standards and principles affect whether a project is screened in or out.

**Figure 2 Overview of ELC's operating environment**



Source: EV

Examples of such criteria, standards and principles include the Bank's: Environmental and Social Principles and Standards<sup>19</sup>; Guide to Procurement<sup>20</sup>; and its Economic Appraisal of Investment Projects<sup>21</sup>. The frequency with which these documents are reviewed and updated *varies*.

<sup>14</sup> See Annex of EIB (2018) EIB operations inside the European Union 2017. Available [here](#).

<sup>15</sup> EIB (2017) The ReM framework methodology. Available [here](#).

<sup>16</sup> Pillar 4 was adopted relatively recently by the EIB. Some of its indicators were initially only applicable to projects financed under EFSI. It has since been applied in its entirety to all inside-EU projects.

<sup>17</sup> See para. 6 on page 2 of the ELC.

<sup>18</sup> The currently applicable ELC was published in 2013 and is undergoing a review during the period 2018/19. Similarly, most of the documents that preceded the currently applicable ELC were adopted in 2007, and were subject to a review in 2012/13.

<sup>19</sup> Available [here](#).

<sup>20</sup> Available [here](#).

<sup>21</sup> Available [here](#).

There are also additional screening criteria, standards and principles that fall beyond the scope of the 3PA and the ReM, which may affect whether a project is screened in or out by the EIB, e.g. the Bank's assessment of an operation's risk on the basis of the EIB risk guidelines. The frequency with which these documents are reviewed and updated also *varies*.

Projects that meet the multiple sets of screening criteria, standards, principles and guidelines are presented individually to the MC who, on a case-by-case basis, submit the financing proposal for each project to the BoD for its authorisation.

This evaluation acknowledges that the design, application and effectiveness of the ELC is limited by the abovementioned documents that frame EIB's activities within the energy sector. Further to this, the evaluation recognises that the scope of the ELC is shaped by the organisational structure of the EIB, in particular the assignment and coordination of roles and responsibilities to Bank Directorates engaged in the EIB's project appraisal process (further detailed in section 3.1.2 on page 23).

## 2.2 Steps taken in the design of the ELC

Prior to the ELC, the EIB's Energy Sector Lending Policy was set out in several internal documents while Briefing Notes or press releases for some of the documents were published, and highlighted the key matters covered by the internal notes.

**For all matters relating to the energy sector, the ELC document consolidated and succeeded the abovementioned internal documents.** By 2011, the abovementioned internal documents had become somewhat outdated as: there had been major developments in global and EU energy markets; Climate Action had risen up the global agenda; and the protracted economic crisis had taken a hold. Over the same period, the EIB had approved its revised Transparency Policy<sup>22</sup> and, due to recent EU policy initiatives, had come under increasing pressure to review its Energy Sector Lending Policy, e.g. in relation to its financing of coal and lignite power generation. In late-2011, the EIB announced that it would launch a review of its Energy Sector Lending Policy in response to these developments, which culminated in the publication of the ELC document on 25 July 2013. An overview of the timeline for the design of the ELC<sup>23</sup> is provided in Table 5 (page 15).

The end-result of the design process was the ELC document, which is a publicly available document that:

- Provides background information on each energy sub-sector, typically in terms of their policy backdrop, markets, investment needs and challenges;
- Describes EIB "Action[s]" usually in terms of the Bank's development and/or provision of products and services for supporting priority areas within each sub-sector; and
- Sets screening and assessment criteria for each sub-sector.

The sub-sectors covered by the ELC are: Energy Networks; Renewable Energy; Energy Efficiency; Research, Development and Innovation (RDI) in Energy; Fossil Fuel Generation; Hydrocarbon Extraction and Petroleum Refining; and Nuclear Energy.

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<sup>22</sup> This 2010 version of the EIB Group's Transparency Policy has since been updated with the 2015 version of the EIB Group Transparency Policy.

<sup>23</sup> Within the context of this evaluation, greater emphasis has been placed on events tied to the public consultation of the ELC (see section 8 on page 39), as there is a clear "audit trail" of the public consultation.

Table 5 Timeline for the design of the ELC	
Date	Event
Autumn-2011	Announcement during annual meeting between the EIB BoD and CSOs that the EIB would launch a review of its Energy Sector Lending Policy
18-Jan-2012	MC approves PJ's proposal for public consultation to take place in late-Autumn 2012
Feb-Sep 2012	Services prepare and MC approves the Issues Paper for the public consultation
10-Oct-2012	EIB launches public consultation on its Energy Sector Lending Policy
Nov-2012	Meetings with institutional stakeholders, including the EC and the European Parliament
7-Dec-2012	Consultation meeting in Brussels
31-Dec-2012	Deadline for written responses to the public consultation
Jan-May 2012	Services prepare the ELC document and the EIB's Inter-Directorate Review Panel prepares responses to stakeholder contributions
24-Jun-2013	Publication of stakeholder contributions
24-Jun-2013	Publication of final draft document
26-Jun-2013	MC approves the draft ELC to be submitted to BoD
22-Jul-2013	Publication of EIB comments to stakeholder contributions
22-Jul-2013	Publication of Consultation Report
23-Jul-2013	BoD adopts the ELC document
25-Jul-2013	Publication of final document

Source: EV

### 2.3 Comparison of ELC's design with similar documents of EIB peer institutions

This evaluation acknowledges that the design of the ELC did not draw inspiration from similar documents formulated by EIB peers. Nevertheless, it was deemed worthwhile to compare the ELC documents with peer equivalents as, by doing so, the evaluation would be able to gauge if the design of the ELC was broadly in line with common practice amongst international financial institutions (IFIs). In addition, the identification of differences between the ELC and equivalent documents designed by peers may inform the EIB as to how it can improve the design of the document succeeding the ELC.

#### Box 3 Contextualising the EIB and its peer group

For the sake of this evaluation, the EIB's peer group comprises: the Asian Development Bank (ADB); the African Development Bank (AfDB); the European Bank for Reconstruction and Development (EBRD); the Asian Infrastructure Investment Bank (AIIB); the Inter-American Development Bank (IDB); and the World Bank Group (WBG)<sup>24</sup>. Differences that exist between the EIB's ELC document and similar documents designed by the EIB's peer institutions are not necessarily negative, as the ELC may nevertheless be fit-for-purpose and apt for the context within which the EIB operates.

For instance, in terms of policy making, the EIB - as the EU's Bank - sets out its approach for financing projects in areas that support the implementation of EU sector policies. Consequently, the EIB does not have a policy setting competence for sectors<sup>25</sup>, but rather a policy setting competence regarding the *financing* of sectors. This is not necessarily the case for the EIB's peer institutions that arguably have a greater degree of freedom in setting their own policy.

Similarly, it must be noted that the EIB and its peers also differ in terms of the geographies in which the majority of their operations take place; approximately 90% of the EIB's financing activities take place in the EU (i.e. in high income or upper-middle-income economies), whereas peers typically undertake most of their activities in low-income or low-middle-income economies<sup>26</sup>.

Table 6 (page 16) compares the ELC to similar peer institutions' documents along the following lines<sup>27</sup>: document typology; document governance; public consultation of the document; design of the document; and the document's monitoring and evaluation framework.

<sup>24</sup> The peer group was identified on the basis of the Multilateral Development Banks (MDBs) listed in a guide produced by the Overseas Development Institute (available [here](#)). All global and regional MDBs were included in the peer group, aside from the Islamic Development Bank and the New Development Bank, which do not have publicly available key documents for the energy sector.

<sup>25</sup> The European Parliament, the Council of the European Union and the European Commission are the three main EU institutions involved in formulating and adopting EU legislation.

<sup>26</sup> World Bank webpage for Country and Lending Groups. Available [here](#).

<sup>27</sup> The AfDB's independent evaluation of Policy and Strategy Making and Implementation inspired the lines of analysis applied within Table 4. The AfDB evaluation is available [here](#).

**Table 6 Comparing the EIB's ELC to similar documents applied by the EIB's peers**

	EIB	ADB	AfDB	AIIB	EBRD	IDB	WBG
<b>Categorisation</b>							
<b>Title</b>	Energy Lending Criteria	Energy Policy	Energy Sector Policy of the AfDB Group	Energy Sector Strategy: Sustainable Energy for Asia	Energy Sector Strategy	Energy Sector Framework Document	Toward a Sustainable Energy Future for All: Directions for the WBG's Energy Sector
<b>Doc. type</b>	Other	Policy	Policy	Strategy	Strategy	Other	Other
<b>Year</b>	2013	2009	2012	2017	2013	2015	2013
<b>Governance</b>							
<b>Owner</b>	PJ's Energy Department	Regional and Sustainable Development Department	Operational Resources & Policies Department	Strategy, Policy & Budget Department	Energy Business Group	Infrastructure & Energy Sector	Energy Unit
<b>Adopted by</b>	EIB BoD	ADB BoD	AfDB BoD	AIIB BoD	EBRD BoD	IDB BoD	WBG BoD
<b>Public consultation</b>							
<b>Rounds</b>	1	1	1	2	2	1	Not specified
<b>Number of responses</b>	87	Not specified	74	Not specified	83	148	Not specified
<b>Number of calendar days to respond</b>	82	Not specified	60	29	Not specified	90	Not specified
<b>Design</b>							
<b>Rationale for review</b>	To respond to EC Green Paper for 2030 and EC Roadmap for 2050	To address the energy challenges faced by developing Asia and to be congruent with their 2020 Strategy	To respond to the review of AfDB's energy operations and the significant changes in the African energy sector since its 1994 Policy	To provide the framework, principles, and operational modalities to guide the Bank's engagement in the energy sector	To respond to new strategic directions set by Capital Resources Review 4; and Bank-wide changes in important policies and procedures	To provide guidance for IDB's activities in the energy sector	To position the WBG and guide its engagement with its client countries in the energy sector
<b>Focus areas</b>	7 sub-sectors	11 principles	9 principles	6 principles	7 pillars	4 principles	6 principles
<b>Stakeholders</b>	EIB, shareholders, borrowers, promoters, partners and civil society organisations	ADB and governments of Developing Member Countries	AfDB, policy makers, energy industries, governments, consumers, supra-national bodies, regional member countries, civil society and MDBs	AIIB, client countries, other development partners	EBRD, private stakeholders, regulatory bodies, governments and donors	IDB, but other stakeholders not clearly specified	WBG, civil society, the public sector and the private sector
<b>Rationale for next review or update</b>	Periodical update in response to major developments in EU Policies, or energy and financial markets	When warranted	In 10 years or earlier if major changes to the energy sector	As the Bank's portfolio develops	In 5 years	In 3 years	Not specified
<b>Monitoring and evaluation</b>							
<b>Results Framework</b>	No	Yes	Yes	Yes	No	No	No
<b>Reporting</b>	Not specified	Bi-ennial reporting on indicators	Not specified	Requires regular reporting	Report on key metrics near the start and at the end of the period covered by the Strategy.	Line of action relating to reporting data and statistics relating to the energy sector	Not specified
<b>Evaluation</b>	Not specified	Builds on Evaluation Department's reports on energy operations	Evaluate against expected outcomes	Builds on evaluations of energy operations of other IFIs. Evaluate data at operational level.	Refers to Evaluation Department's Special Reports and rating of energy sector projects	Builds on Evaluation Office's reports relating to the energy sector	Not specified

Source: EV

**In terms of document categorisation, there is no standard practice across the peer group for categorising such documents.** Two IFIs class their document as a policy (ADB, AfDB), two as a strategy (AIIB, EBRD), and three as another type of document (EIB, IDB, WBG).

**The EIB is in line with its peer group in terms of its governance of the ELC.** Equivalent documents are adopted by the respective institution's Board of Directors, and the owner of the

document is either an entity within the institution that has a policy-making or strategic function (AfDB, AIIB), or is specialised in energy-related operations (EIB, ADB, EBRD, IDB, WBG). In the case of the EIB's ELC, the Energy Department within PJ is the institutional owner of the document.

**The EIB is broadly on a par with its peer group in terms of its public consultation process.**

Aside from the WBG, all institutions indicate that their respective document has undergone either one round of consultation (EIB, ADB, AfDB, IDB), or two rounds (AIIB, EBRD). In the case of the AIIB, it underwent two rounds of consultation<sup>28</sup>, probably because it was formulating its energy sector strategy for the first time. With regard to the EBRD, it took the unique approach of launching a first round of consultation on its preceding Energy Operations Policy, before launching a second round of consultation on its draft Energy Sector Strategy. A more detailed assessment of the design and performance of the public consultation relating to the ELC is provided in section 8 (page 43).

**The EIB's rationale for its last review is consistent with most of its peer institutions.**

Four institutions initiated their latest review of their respective document as a response to relevant policy or strategic developments (EIB, ADB, AfDB, EBRD), and two institutions did so in order to provide guidance for their institution to engage in the energy sector (IDB, WBG). Looking ahead, three institutions plan to update their documents when significant developments relating to their engagement in the energy sector arise (EIB, EBRD, AIIB), three institutions set a specific timeframe for the next review (AfDB, EBRD, IDB) and one institution provides no indication as to when their next review will take place (WBG).

**There is no clear trend amongst the ELC and its peer institution equivalents in terms of reporting requirements.** Nevertheless one would expect that the tenets often associated with adequate reporting are upheld, i.e. relevance and materiality, completeness, reliability, comparability, verifiability, timeliness and understandability.

**There is no clear trend in terms of evaluation inputs or requirements relating to the ELC or its peer equivalents.**

Four institutions (ADB, AIIB, EBRD and IDB) build on evaluations undertaken by their respective (or one another's) evaluation functions. The AfDB states that future evaluations should assess against expected outcomes. In the case of the EIB, although the ELC has no specific evaluation requirements, it must be noted that EIB Services requested that EV undertake this evaluation; thereby enhancing the accountability of the Bank's activities in the energy sector, with a view to identifying lessons and learning from them accordingly.

**Looking ahead to the document succeeding the ELC, the EIB could draw inspiration from the structuring and content of equivalent documents produced by other IFIs.** For instance, within the document succeeding the ELC, the EIB could set out:

- Lessons from its experience of financing the energy sector (see EBRD).
- Lessons from peers' experience of financing the energy sector (see ADB, AIIB).
- Principles that guide the institution's intervention in the energy sector (see ADB, AfDB, AIIB, IDB, WBG).
- The position of the document within the context of the Bank's other key documents (see IDB, and section 2.4).
- The approach for implementing the policy/strategy (see ADB, AfDB, EBRD).
- The cross-cutting areas affecting the Bank's activities in the energy sector, such as regional integration, renewable energy, energy efficiency and RDI (see AfDB).
- A results framework (see ADB, AfDB, AIIB).
- A more precise timeframe for updating the document (see AfDB, EBRD, IDB).

## 2.4 Categorisation of the ELC as a key document of the EIB

**The EIB lacks a standardised process and procedure for designing, categorising and naming its key documents.** The lack of such a framework means that the Bank runs the risk of:

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<sup>28</sup> The first round of consultation was on the Issues Note and the second round of consultation was on the draft Energy Sector Strategy.

not naming key documents appropriately; not following an appropriate process for formulating, consulting upon<sup>29</sup>, approving and updating its key documents. This evaluation is therefore limited in its assessment of whether the process for designing the currently applicable ELC was appropriate and in line with Bank standards.

To overcome this limitation, and for analytical purposes, this evaluation has compiled information on the Policy and Procedure Framework applied by peer institutions like the WBG<sup>30</sup> and the IDB<sup>31</sup>. An overview of the Policy and Procedure Framework used for this evaluation is provided in Table 7, and the analysis for categorising the ELC as a key document of the EIB is provided thereafter.

**Table 7 Policy and Procedure Framework inspired by Peers institution used for the purpose of this evaluation**

Document type	Definition	Hierarchy	Level of approval <sup>32</sup>
<b>Policy</b>	A statement of broad substantive <b>policy principles</b> that require, <b>permit or constrain Bank activities</b> to achieve institutional goals.	Highest level document	Board of Governors or Board of Directors
<b>Strategy</b>	A broad expression of Bank operational and knowledge priorities on a theme. Strategies define <b>clear priorities for Bank action and establish goals</b> .	Subservient to a policy	Board of Directors
<b>Directive</b>	A statement of substantive directions, within Management's authority, that require, permit or constrain activities. If accompanied by a Policy, the statement provides substantive details ( <b>methods, criteria and technical information</b> ) on how to implement the Policy. The statement may also address matters not covered by a Policy.	Subservient to a policy (and/or strategy)	Management
<b>Procedure</b>	A statement of procedural <b>instructions, within Management's authority, that are required to be followed</b> to: (a) implement a Policy or a Directive, or both; or (b) carry out a function or task not covered by either. It describes the mechanics of transactions, the documents required to be prepared for a decision-making process, persons or bodies who are authorised to make decisions and participants in the decision-making process.	Subservient to a Directive	Management
<b>Guidance</b>	A statement of information that <b>explains</b> a Policy, [a Strategy], a Directive or a Procedure, or <b>provides other guidance to staff</b> .	Subservient to a Procedure	Management

Source: WBG, IDB, adapted EV

**This evaluation deems that it was appropriate that the ELC document was not classified as a policy** for the following reasons:

- The document is subservient to several other key EIB documents.
- The document's scope is not Bank-wide. Consequently, the document does not lay down high-level principles but, instead, sets working principles at the sub-sector level.
- With the exception of the specific criterion relating to the EPS, the document does not constrain the EIB's activities for achieving its institutional goals.
- In terms of policy making, the EIB - as the EU's Bank - does not have a policy setting competence for sectors<sup>33</sup>, but rather a policy setting competence for *financing* sectors.

<sup>29</sup> The currently applicable EIB Group Transparency Policy is inconsistent in terms of its categorisation of documents as it refers to *inter alia*: policies or practices in relation to encouraging stakeholder input (see para. 2.6); policies or strategies for publication requirements (see para. 4.1); policies for public consultation requirements (see para. 7.10). Available [here](#).

<sup>30</sup> Available [here](#).

<sup>31</sup> The definition of the strategy (which does not exist in the WBG) indicated in Table 7 comes from the IDB and is provided in Annex 4 the AfDB's independent evaluation of Policy and Strategy Making and Implementation. Available [here](#).

<sup>32</sup> An indication of the level of approval required for EIB policies is provided [here](#).

<sup>33</sup> According to the Consultation Report: "stakeholders often ascribe a policy setting competence to the EIB. The Bank's role, however, is to act in support of EU policies and translate these into lending criteria...To

- With regard to the latter, any setting of financing or lending policies for a sector ought to be co-owned by: (i) OPS, which is responsible for investment operations; and (ii), PJ, which is responsible for projects' compliance with EU and EIB sector policies. In the case of the currently applicable ELC, PJ "held the pen" and OPS was represented on the Inter-Directorate Review Panel.

**Despite the ELC not being classified as an EIB Lending Policy, the ELC's characteristics are very similar to that of the EIB Transport Lending Policy.** In order to assess whether the EIB's categorisation of the ELC document is internally consistent with other key EIB documents, this evaluation compared the ELC document against the EIB's Transport Lending Policy, as the latter is the only other key EIB document that: (i) has been subject to a public consultation<sup>34</sup>; and (ii), relates to a specific sector. The comparison demonstrates that the ELC is similar to the Transport Lending Policy in terms of its governance, number of rounds of consultation, design, and its lack of a monitoring and evaluation framework (see Annex 12 on page 80). Nevertheless the ELC is classified as a different type of key EIB document, thereby demonstrating a degree of internal inconsistency in the categorisation of key documents by the Bank and, in this case, those "owned" by PJ.

**The ELC document has some characteristics that are akin to those of a strategy.** By detailing market trends and policies, the Bank demonstrates its knowledge of the sector. Similarly, by defining "EIB Action[s]", prioritising sub-sectors, and prioritising areas within each sub-sector (see adjacent box), the ELC document indicates the Bank's areas of focus within the energy sector.

**Box 4 An example of how the "EIB Action[s]" found within each ELC sub-sector are strategic in nature**

Under paragraph 62 of the ELC, it is stated that the Bank will continue to support, in particular, projects that "contribute to Member States achieving their renewable energy targets, particularly in less developed renewable energy markets in the EU."

Further to this, the document's design drew on a public consultation and was approved by the EIB's Board of Directors (BoD); both of these undertakings are normally applicable for higher level documents, such as a strategy. However, unlike a strategy, the ELC does not establish goals that the EIB should strive to achieve, and monitor and evaluate accordingly. This shortcoming was attributed to goals being set within the Bank's COP, and the setting of any additional goals at the level of the ELC imposing unnecessary additional constraints on the EIB.

**This evaluation deems that the ELC document also bears the characteristics of a guidance document.** Like a guidance document, the ELC document seeks to explain to stakeholders how the EIB assesses and prioritises projects. However, since the publication of the ELC document, the Bank has produced additional internal guidance documents in order to ensure the consistent application of the ELC by internal stakeholders; this was deemed an appropriate approach by internal stakeholders (see quote below). Lastly, unlike most guidance documents, which are typically inward-looking, the ELC also targets external stakeholders.

*"For practical reasons it does not make sense to drill into every single detail in such a document because you cannot further improve or amend things...It makes perfect sense to keep such a public and cast-in-stone document a bit more generic so that you can continue sticking robustly to the principles...Then, if it's about the operational details that you sometimes need in order to have consistency across a Department [of the Bank], this is something that – within the principles – you can define within a next step."*

**The currently applicable ELC document is therefore a hybrid document, which lacks a clear purpose and with a misleading title.** This is evidenced by the ELC having characteristics that resemble both a strategy document and a guidance document, which leads to the document having an unclear purpose, as it is ambiguous as to whether the document seeks to: (i) prioritise

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avoid any misunderstanding...it was therefore decided [by the EIB] to change the name of the resulting document from "EIB Energy Lending Policy" to "EIB Energy Lending Criteria". Available [here](#).

<sup>34</sup> A list of key EIB documents that have been subject to public consultation is provided in Annex 11 on page 81.

“EIB Action[s]” in the energy sector in a strategic manner; (ii) provide guidance on how the Bank appraises projects with an energy component; or (iii), do both.

This lack of clarity is also demonstrated by the misleading and lengthy title of the ELC document (see adjacent box and quote below), which makes three references to the EIB, three references to energy, two references to criteria, and one reference to the EU’s objective of delivering sustainable, secure and competitive energy. In addition, the more commonly used version of the title – “the EIB’s Energy Lending Criteria” – wrongly infers that the document includes an exhaustive list of criteria which, if respected, should lead to counterparts securing EIB financing for their corresponding projects.

**Box 5 The full title of the ELC document**

European Investment Bank  
Energy Lending Criteria  
EIB and Energy: Delivering  
Growth, Security and  
Sustainability -  
EIB’s Screening and Assessment  
Criteria for Energy Projects

### 3. APPLICATION OF THE ELC

The purpose of this section of the Thematic Evaluation Report is to review whether the target audience of the ELC used the document as expected. Consequently, this section:

- Assesses whether the currently applicable ELC have met expectations in terms of how they have been used and by whom;
- Reviews whether the currently applicable ELC have met expectations in terms of when they have been applied along the EIB's project cycle; and
- Assesses whether the application of the ELC ought to have been monitored at the portfolio-level.

A summary of this section's key findings is provided in the box below, and further analysis elaborating on these findings is presented in the sub-sections that follow.

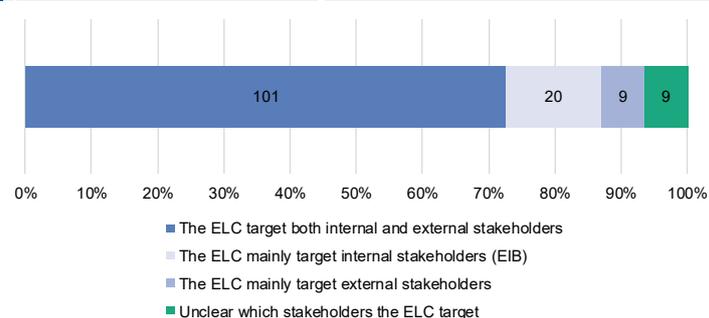
#### Box 6 Key findings relating to the application of the ELC

- The ELC document was designed to reach out to the broadest range of stakeholders.
- With regard to external stakeholders, the technical manner in which the ELC document is drafted, and the lack of ELC-related updates or addendums, contribute to the document limiting its use to mainly CSOs.
- As concerns internal stakeholders, at the *project-level*, the extent to which the ELC has been used depends on the Directorate, the professional experience of the staff member at the EIB, and the sub-sector in which the project that is being appraised relates. The Bank's Projects Directorate (PJ) is the primary internal user of the ELC, and applies the ELC during the upstream and (pre-)appraisal phases of the EIB's project cycle.
- At the *portfolio-level*, EIB reporting currently relates to higher-level or broader EIB documents than the ELC (e.g. the COP, 3PA and ReM). For that reason, monitoring indicators deployed by the Bank are therefore not geared towards tracking the "EIB Action[s]" as defined for each sub-sector within the ELC.
- Informing stakeholders on EIB financing by ELC sub-sector is challenging at the portfolio-level, as projects (and their underlying components) are not flagged by ELC sub-sector on Bank IT systems.
- The EIB's ability to appropriately refine EIB IT systems, and capture Bank project characteristics accordingly, has been further complicated by the cross-cutting nature of some ELC sub-sectors (e.g. Energy Efficiency and RDI in Energy) and the transversal nature of some Public Policy Goals in the COP (e.g. Climate Action).
- The evaluation team manually reconstructed the EIB's portfolio of approved energy-related financing over the 2013–2017 and 2007-2013 periods.
- For the 2013-2017 period, 482 projects were approved by the EIB's Board of Directors for EUR 63.42 bn of energy-related financing. 391 of the approved projects are situated in the EU (EUR 54.68 bn), and 91 are situated outside the EU (EUR 8.74 bn).

#### 3.1 Use of the ELC by stakeholders

The target audience of the ELC is the broadest range of stakeholders. The ELC document states that it targets the EIB's stakeholders, including shareholders, borrowers, promoters, partners, civil society organisations and the wider public. This was confirmed by interviewees, and was reflected in the internal survey results, as 73% of respondents indicated that the ELC document targets both internal and external stakeholders (see Figure 3).

Figure 3 Responses to the internal stakeholder survey question on: Who is the target audience of the ELC?



N (excluding "Do not know / Cannot assess" responses) = 139  
Source: EV, COWI

### 3.1.1 Use of the ELC by external stakeholders

#### Box 7 Non-exhaustive list of potential external users of the ELC

- The EC, in particular its Directorates-General covering Energy (ENER), Climate Action (CLIMA), Research and Innovation (RTD), Neighbourhood Policy and Enlargement Negotiations (NEAR), and International Cooperation and Development (DEVCO)
- EIB counterparts, i.e. its borrowers, promoters and final beneficiaries
- Industry organisations
- Civil Society Organisations (CSOs)
- International Financial Institutions (IFIs), e.g. the EIB's peer institutions as described in section 2.3 (page 17)

**CSOs are the primary external users of the ELC.** General consensus amongst interviewees was that CSOs use the ELC as a point of reference for reviewing energy-related financing provided by the EIB; as evidenced by a recent CEE Bankwatch Network publication<sup>35</sup>. Thus, the ELC has served as a hybrid document for the CSOs, as it indicates the EIB's strategy within the energy sector, while providing guidance on how the Bank screens and assesses projects.

**The majority of interviewees representing either the EC or EIB counterparts were only made aware of the ELC for the first time within the context of this evaluation.** Interviewed EIB counterparts also indicated that they were more familiar with EU Energy Policy than the ELC, but nevertheless acknowledged consistency between the two. This consistency is assessed further in section 5 (page 32).

**External stakeholders' lack of awareness of the ELC partially owes to the technical manner in which the document was drafted, preventing it from being understandable to wider range of stakeholders.** Consequently, interviewed EIB staff indicated that the ELC is not one of the key EIB documents shared with prospective EIB counterparts during the early stages of the EIB project cycle. For instance in the case of intermediated operations related to Energy Efficiency; a "white lists" in which eligibilities are set out in simpler terms are often used by OPS officers in order to ease communication with prospective EIB counterparts.

**The lack of published updates or addendums to the ELC limited the extent to which external stakeholders were made aware of the document, and were kept informed as to the latest developments relating to it.** Many interviewees representing the EC or EIB counterparts were not in their current role when the public consultation for the ELC was undertaken, nor when the currently applicable version of the ELC was published. Thus, the static nature of the ELC document in the public domain contributed to the document not coming to their attention prior to this evaluation. Interviewees also explained how EU Energy Policy and energy markets keep moving, while the ELC document remains unchanged in the public domain; thereby making the document less relevant with time. For instance, one interviewee pointed to the ELC document classing solar photovoltaic (PV) as an emerging renewable energy technology, which perhaps was the case in mid-2013, but is hardly the case now. In response to this, interviewed internal stakeholders explained that the ELC document has been reviewed within internal notes in order to reflect policy and market developments, and clarify the application of the criteria. Yet these internal notes have not been published, and so external stakeholders have not been kept informed of the latest developments relating to the ELC.

**Yet the EC as a whole is clearly aware of the EIB's EPS.** For instance, the EC proposed in 2017 the adoption of a 550gCO<sub>2</sub>/kWh emissions ceiling on additional power plants within the context of its "Clean Energy Package for all Europeans", as mentioned in the article 23 of the EC proposal for a regulation of the European Parliament and of the Council on the internal market for electricity<sup>36</sup>. As per Euractiv<sup>37</sup>: "This limit mirrors a similar policy implemented by the European Investment Bank, which has ceased funding any projects that exceed this carbon cap."

<sup>35</sup> Roggenbuck, A. (2018) Energy DoubleThink: Contradictions at the EU bank in combatting climate change. CEE Bankwatch Network. Available [here](#).

<sup>36</sup> Available here: [https://ec.europa.eu/energy/sites/ener/files/documents/1\\_en\\_act\\_part1\\_v9.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/1_en_act_part1_v9.pdf)

<sup>37</sup> Morgan, S. (2018) EU still divided over curbing power subsidies with CO<sub>2</sub> cap. Euractiv. Available [here](#).

### 3.1.2 Use of the ELC by internal stakeholders

#### Box 8 Non-exhaustive list of potential internal users of the ELC

- The Directorates typically involved in the EIB's project appraisal process, in particular the Projects Directorate (PJ), the Operations Directorate (OPS) and the Risk Management Directorate (RM)
- Two of the EIB's governing bodies: the Management Committee (MC) and the Board of Directors (BoD)

**PJ and, more specifically, its Energy Department is the primary internal user of the ELC.** Approximately 80% of internal survey respondents deemed that the ELC are used as a project screening tool for internal staff (see Figure 3 on page 21). As PJ is the Directorate responsible for assessing the economic, environmental and social, financial and technical sustainability of projects, as well as their compliance with EU and EIB sector policies, it is apt that the Directorate's Energy Department takes the lead in applying the ELC.

When the ELC document was being drafted, PJ's Energy Department comprised two divisions: one was responsible for appraising projects drawing on renewable sources of energy and energy efficiency projects; and the other for appraising energy network projects and projects with non-renewable energy sources. Yet, during the period 2013-2017, PJ's Energy Department has undergone re-organisation and now comprises five divisions: Energy Efficiency and Small-scale Energy projects; Renewable Energy; Electricity Networks; Energy Security; and Energy Transition Programmes. This new organisational structure of PJ means that the divisions broadly reflect the sub-sector structure of the ELC document, aside from the Energy Transition Programmes division, which is primarily responsible for intermediated operations (including Guarantees, Framework Loans, Multi-Beneficiary Intermediated Loans and Funds) relating to the energy sector.

Other parts of PJ that often have an interest in projects with an energy component include:

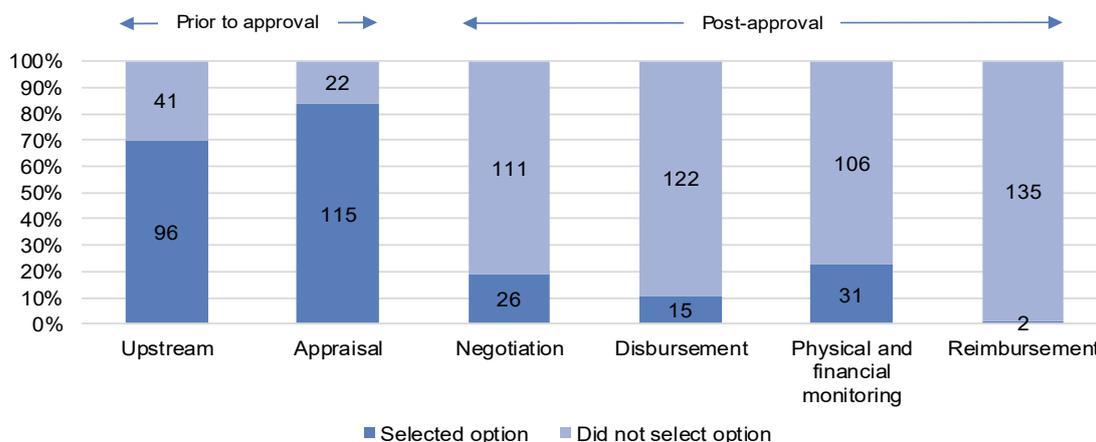
- The Innovation and Competitiveness (INCO) Department, which applies the ELC for RDI in Energy (particularly for energy-related manufacturing), within the context of the Bank's Knowledge Economy Agenda and, most recently, its Innovation Public Policy Goal.
- The Urban Development Division, which is often engaged in energy efficiency projects.

In such cases, either of the two abovementioned parts of PJ take the lead in appraising the project in question, and a representative within PJ's Energy Department typically has a participatory role during project appraisal.

**Interviewees from OPS and Risk Management (RM) indicated that they rely on PJ's expertise in the energy sector and in applying the ELC.** Interviewees from OPS and RM, two Directorates that are systematically engaged in the EIB's project appraisal process, explained that, on occasion, they refer to PJ's policies and guidance in order to gauge whether a project is eligible or not for Bank support. Nevertheless, interviewees explained that PJ is essentially the "guardian" of eligibility in relation to EU Energy Policy, and is the Directorate responsible for undertaking economic, environmental, social, financial and technical assessments for projects. Further to the appraisal of projects by the aforementioned Directorates, two of the EIB's governing bodies - the MC and the BoD - draw upon the outputs of the ELC's application in order to make informed decisions on whether or not to approve a project for EIB financing, and may directly refer to the ELC document if needs be.

**Most internal survey respondents deem that, at the project-level, the ELC is most applicable during the upstream and (pre-)appraisal phases of the EIB's project cycle, and is hardly applicable thereafter** (see Figure 4 on page 24). During the upstream phase, the ELC are used to identify sub-sectors with the highest investment needs, and prioritise accordingly. During the pre-appraisal phase, the ELC are applied in order to support the MC's decision to authorise (or not) the commencement of an appraisal of a project; at this stage, PJ's focus is primarily on the project's contribution to EU Energy Policy (Pillar 1 of the 3PA and ReM). Should a project be authorised by the MC for appraisal, the application of the ELC is then focused on the project's adherence to the Bank's standards in terms of quality and soundness. PJ's assessments are recorded in its Appraisal Report, as well as the Pillar 1 and 2 sections of the project's 3PA or ReM summary sheet.

**Figure 4 Responses to the internal stakeholder survey question on: At which stage(s) in the EIB's project cycle is the currently applicable version of the ELC applied?**



*N* (excluding "Do not know / Cannot assess" responses) = 137

Source: EV

Interviewees indicated that the extent to which PJ officers refer to the ELC at pre-appraisal and appraisal depends to a great extent on the energy sub-sector in which the project that they are assessing relates, and the length of professional experience that the PJ officer has had working at the EIB. If a project is in a priority sub-sector (Energy Networks, Renewable Energy, Energy Efficiency or RDI in Energy), PJ officers are more confident that the project contributes to EU Energy Policy, and so may not explicitly refer to the ELC at pre-appraisal stage. For projects falling within the sub-sectors relating to Fossil Fuel Generation, Hydrocarbon extraction and petroleum refining, and Nuclear Energy, PJ officers are more likely to refer to the ELC at pre-appraisal stage, in order to assess the project's eligibility with respect to EU Energy Policy objectives.

### 3.2 Informing stakeholders on the application of the ELC

This sub-section assess whether the application of the ELC ought to have been monitored at the portfolio-level in order to inform stakeholders accordingly. In doing so, this sub-section:

- Evidences how "EIB Action[s]" infer the need for the EIB to monitor its activities in the energy sector on the basis of priority areas identified within each sub-sector;
- Explains how flags within EIB IT systems have not been refined in order to facilitate reporting to stakeholders on project characteristics relating to the application of the ELC;
- Details the complexity of developing appropriate flags, bearing in mind the cross-cutting nature of some ELC sub-sectors, and the transversal nature of some COP PPGs; and;
- Presents an overview of the portfolio review for this evaluation.

#### Box 9 An example of an "EIB Action" that ought to have appropriate monitoring indicators

Under paragraph 151 of the ELC document, it is stated that:

"In line with market trends and EU policy requirements, the EIB will prioritise its financial support to: transmission projects that contribute to bulk RES integration, support market integration – in particular Projects of Common Interest (PCIs) - and secure reliability of supply across the EU; distribution investment programmes, including roll-outs of smart meters and, more comprehensively, smart grid demonstration projects; electricity storage projects; RDI activities in the upstream manufacturing industry, where needed and commercially feasible."

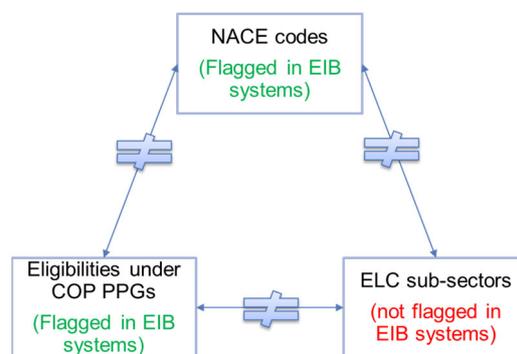
This statement begs the question: How does the EIB monitor its prioritisation of financial support to these various areas falling within the Energy Networks sub-sector?

**EIB reporting currently relates to higher-level or broader EIB documents than the ELC (e.g. the COP, 3PA and ReM).** The EIB has a list of output and outcome indicators for monitoring projects within specific sectors and sub-sectors, which have used to serve reporting that relates

to higher-level documents than the ELC, e.g. the COP, 3PA<sup>38</sup> and ReM<sup>39</sup>. Thus, the indicators deployed do not well-equip the Bank in its tracking of “EIB Action[s]” defined for each sub-sector within the ELC (see adjacent box).

**Informing stakeholders on EIB approved financing by ELC sub-sector is challenging, as projects (and their underlying components) are not flagged by ELC sub-sector on Bank IT systems.** The evaluation found that there is no equivalence between the classification of projects and project components by the EIB and the sub-sector structure of the ELC. As Figure 5 illustrates, the EIB’s internal web-based software to manage the workflow for the Bank’s financing of operations – classifies projects by NACE Codes<sup>40</sup> and Eligibilities under COP PPGs (see Figure 8 on page 34); not by ELC sub-sectors. Therefore, a manual, ex-post classification of projects by ELC sub-sector must be undertaken to report on EIB approved financing by ELC sub-sector.

**Figure 5 Classification of data in EIB systems**



Source: EV

**EIB’s ability to appropriately refine its IT systems, and capture project characteristics accordingly, has been further complicated by the cross-cutting nature of some ELC sub-sectors (i.e. Energy Efficiency, and RDI in Energy) and the transversal nature of some COP PPGs (i.e. Climate Action).** As a sub-sector, Energy Efficiency in many cases cuts across “traditional [sub-]sectoral boundaries”<sup>41</sup>, including those relating to buildings (e.g. schools, universities and hospitals), transport and industry. RDI is another economic activity that does not limit itself to a specific sector; as reflected by PJ’s dedicated Department for RDI (INCO) undertaking joint appraisals with experts from PJ’s Energy Department for RDI in Energy projects.

The cross-cutting nature of these ELC sub-sectors is to some extent reflected in their flagging within the context of the “Transversal” COP PPG relating to Climate Action. However, again, there is no equivalence between *cross-cutting* ELC sub-sectors and the *Transversal* COP PPG of Climate Action; as the Renewable Energy sub-sector, which respects traditional sub-sectoral boundaries within the ELC document, is nevertheless categorised within the Transversal COP PPG for Climate Action. The EU’s High-Level Expert Group on Sustainable Finance has acknowledged these nomenclature issues and has put forward a recommendation relating to the introduction of a common sustainable finance taxonomy to ensure market consistency, starting with climate change<sup>42</sup>.

**For the sake of this evaluation, the abovementioned limitations have to some extent been mitigated by the ex-post reconstruction of EIB’s portfolio of projects with an energy component<sup>43</sup>, followed by the classification of the underlying projects by ELC sub-sector (see Figure 6).** The evaluation team then used the information available within these datasets for the following two periods:

- 1 October 2007 to 24 July 2013, i.e. the 2007-2013 period, which is the period covered by the predecessor to the ELC document; and
- 25 July 2013 to 31 December 2017, i.e. the 2013-2017 period, which is the period covered by the currently applicable ELC document.

<sup>38</sup> EIB (2018) EIB operations inside the European Union 2017. Available [here](#).

<sup>39</sup> EIB (2018) The EIB outside the European Union: Financing with Global Impact. Available [here](#).

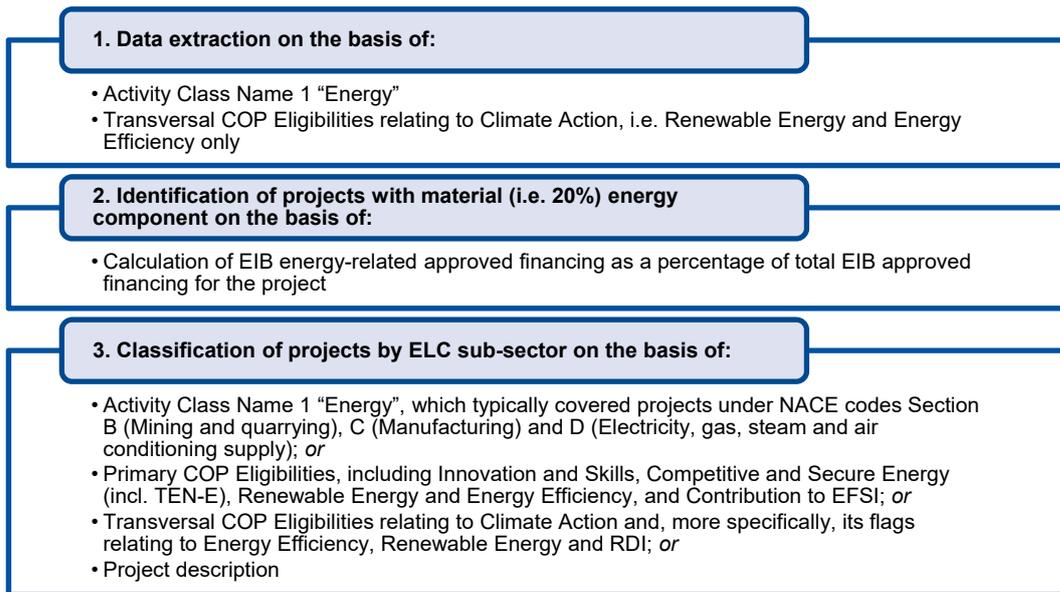
<sup>40</sup> For instance, the NACE code for “Production of Electricity” is so broad that it cannot be automatically assigned to a specific sub-sector.

<sup>41</sup> Paragraph 90 on page 20 of the ELC.

<sup>42</sup> EU High-Level Expert Group on Sustainable Finance (2018) Financing a Sustainable European Economy: Final Report 2018. Available [here](#).

<sup>43</sup> Materiality was set at 20% of total EIB approved financing for a project being energy-related. PJ were consulted on this level of materiality during Reference Group meetings.

**Figure 6 Approach for classifying the portfolio by ELC sub-sector**



Source: EV

A breakdown of EIB approved<sup>44</sup> energy-related financing by ELC sub-sector<sup>45</sup> and geography (inside- or outside-EU) is provided in Table 8 for both periods<sup>46</sup>:

- For the period 2013-2017, 482 projects with an energy component were approved (391 inside-EU and 91 outside-EU) for financing amounting to EUR 63.43 bn (EUR 54.68 bn inside-EU and EUR 8.74 bn outside-EU). Within the EU, 90% of EIB approved energy-related financing was in the three sub-sectors with the highest investment needs.
- For the period 2007-2013, 557 projects with an energy component were approved (443 inside-EU and 114 outside-EU) for financing amounting to EUR 87 bn (EUR 74.6 bn inside-EU and EUR 12.4 outside-EU). Within the EU, 87% of EIB approved energy-related financing was in the three sub-sectors with the highest investment needs.

<sup>44</sup> As previously mentioned, this evaluation places emphasis on approved projects as the ELC document has been designed to support the EIB’s appraisal of projects. Thus, although the evaluation team acknowledges that the results of EIB financing are typically not generated until the disbursement of funds, it must be noted that many external factors – often beyond those screened and assessed on the basis of the ELC – can impact whether funds are disbursed or not.

<sup>45</sup> The sub-sector entitled “Other Energy” includes projects that the evaluation team was unable to independently classify to an ELC sub-sector on the basis of available information.

<sup>46</sup> Further analysis on this evaluation’s portfolio review is provided in Annex 6 on page 67. In general, the comparison of the two periods must be treated with caution as: projects have been flagged differently during the two periods (see Annex 5 on page 66 for further information); and the 2007-2013 period spans 5.8 years, while the 2013-2017 period covers 4.4 years, consequently, when comparing the two periods the evaluation places greater emphasis on relative numbers than absolute numbers.

**Table 8 EIB approved energy-related financing by sub-sector and geography, during 2007-2013 and 2013-2017 periods**

Sub-sector	Inside-EU			Outside-EU			Total		
	Number	EUR bn	%	Number	EUR bn	%	Number	EUR bn	%
<b>2013-2017 period</b>									
Energy Networks	89	23.68	43%	21	2.12	24%	110	25.8	41%
Renewable Energy	86	13.03	24%	48	4.03	46%	134	17.06	27%
Energy Efficiency	169	12.5	23%	13	0.84	10%	182	13.34	21%
RDI in Energy	12	1.37	3%	0	0	0%	12	1.37	2%
Fossil Fuel Generation	3	0.41	1%	2	0.76	9%	5	1.17	2%
Hydrocarbon Extraction and Petroleum Refining	1	1.3	2%	1	0.38	4%	2	1.68	3%
Nuclear Energy	1	0.1	0%	0	0	0%	1	0.1	0%
Other Energy	30	2.29	4%	6	0.61	7%	36	2.9	5%
<b>Total</b>	<b>391</b>	<b>54.68</b>		<b>91</b>	<b>8.74</b>		<b>482</b>	<b>63.42</b>	
<b>2007-2013 period</b>									
Energy Networks	90	28.7	38%	25	3.1	25%	115	31.8	37%
Renewable Energy	182	30.2	40%	65	6.4	52%	247	36.6	42%
Energy Efficiency	54	6.3	8%	5	0.9	7%	59	7.2	8%
RDI in Energy	9	0.2	0%	0	0	0%	9	0.2	0%
Fossil Fuel Generation	29	4.2	6%	10	1.4	11%	39	5.6	6%
Hydrocarbon Extraction and Petroleum Refining	7	2.2	3%	0	0.1	1%	7	2.3	3%
Nuclear Energy	2	0.8	1%	0	0	0%	2	0.8	1%
Other Energy	70	2	3%	9	0.5	4%	79	2.5	3%
<b>Total</b>	<b>443</b>	<b>74.6</b>		<b>114</b>	<b>12.4</b>		<b>557</b>	<b>87</b>	

Source: EV, COWI

In the analysis presented in the following sections of this report, the abovementioned screened in projects have been complemented by an analysis of 82 projects that have been screened out by the EIB and recorded within "Energy News" documentation produced by PJ's Energy Department since 2014.

## 4. PRIORITISING SUB-SECTORS WITH THE HIGHEST INVESTMENT NEEDS

When the currently applicable ELC was published in 2013, the investment environment of the EU was quite different to the one of today. Given the protracted economic downturn of the time, the EIB's shareholders had decided to increase the EIB's capital by EUR 10 bn. In return, the Bank's shareholders expected the EIB to increase its support to projects in the areas of resource efficiency, strategic infrastructure, SMEs and innovation, with a view to having a positive impact on economic growth. Consequently, the EIB was set challenging lending targets for the period 2013-2015<sup>47</sup>.

Against this contextual backdrop, and with a view to design the ELC, the EIB reviewed developments in world and EU energy markets, in order to "ensure that the Bank's activities remain focussed on sectors with the greatest investments needs"<sup>48</sup>. The FAQs relating to the ELC<sup>49</sup> also indicate that the EIB sought to prioritise sub-sectors with the highest investment needs, namely: Energy Networks, Renewable Energy and Energy Efficiency.

The substantial increase in energy investment necessary to achieve EU energy objectives defined the investment needs, which could not be fully addressed by the market due to suboptimal conditions in the priority energy sectors.

This section of the Thematic Evaluation Report therefore:

- Reviews whether the energy sub-sectors with the highest investment needs identified by the ELC document were in line with those identified by the EU; and
- Assesses the extent to which the ELC contributed to prioritising projects with the highest investment needs.

A summary of this section's key findings is provided in the box below, and further analysis substantiating these findings is presented in the sub-sections that follow.

### Box 10 Key findings relating to the ELC's contribution to the EIB's prioritisation of sub-sectors with the highest investment needs

- The sub-sectors with the highest investment needs that were identified by the ELC document were in line with those identified by the EU. Yet the ELC document does not present investment needs in a consistent manner, thereby diminishing the coherence of the document.
- The EIB monitored sub-sector investment needs over the 2013-2017 period, but irregularly updated stakeholders on market developments concerning the ELC.
- EIB approved energy-related financing is primarily shaped by developments in global and EU markets. Nevertheless, the ELC document provided an accurate upstream assessment of the investment needs in the energy sector, which contributed to the EIB prioritising energy sub-sectors with the highest investment needs (i.e. Energy Networks, Renewable Energy and Energy Efficiency) at the *portfolio-level*.
- Over the 2013-2017 period, 90% of the EIB's approved energy-related financing was in sub-sectors with the highest investment needs; and therefore was proportional to the 90% of total investment needs that the ELC forecasted for the three sub-sectors with the highest investment needs.
- Despite Energy Efficiency being the sub-sector with the highest investment needs, the sub-sector ranked third in terms of total EIB approved energy-related financing during the 2013-2017 period.
- The ELC has not supported the EIB in prioritising on a *project-by-project* basis, but the EIB has used the EPS to screen out ineligible projects typically found in "non-priority" sub-sectors.

### 4.1 Identification of energy sub-sectors with the highest investment needs

**The sub-sectors with the highest investment needs that were identified by the ELC document were in line with those identified by the EU.** The majority of the investment needs cited in the ELC document are based on EC studies relating to the achievement of the EU's 20-20-20 targets (see Table 9 on page 29). Most of the EC's estimates – and therefore several of

<sup>47</sup> See paragraph 3 on page 1 of the ELC.

<sup>48</sup> See paragraph 18 on page 4.

<sup>49</sup> Available [here](#).

the EIB's estimates - derive from the EC's PRIMES model<sup>50</sup>. These sources found that the sub-sectors of Energy Networks<sup>51</sup>, Renewable Energy and Energy Efficiency were expected to account for around 90% of total EU investment needs (i.e. EUR 200 bn per year) over the coming years. Further to this, the evaluation's Reference Group made clear that RDI in Energy was the fourth priority sub-sector, despite it not accounting for a major share of total investment needs.

The abovementioned amounts cited in the ELC document relate to pan-European sub-sector investment needs and, therefore, the document does not consider Member State-specific investment needs with a view to the achievement of Member State targets; however, these investment needs and targets are touched upon within the EU Country Pages produced by the EIB's Economics Department.

**The ELC document does not present investment needs in a fully consistent manner.** As summarised in Table 9, the ELC document made no attempt to harmonise its presentation of investment needs across sub-sectors, as:

- *The amount of investment needed* is either presented as an absolute amount, a capped amount, a range, or is not specified at all.
- The *timeframe* is either presented annually up to 2020 or 2030, as a total amount up to 2020, or is not specified whatsoever;
- The *sources cited* - which likely apply different methodologies in defining and calculating investment needs - are either produced by the EC, Ecofys or are not specified at all.

However, this is due to the fact that the data in the ELC have to be compiled from different sources of information which vary for some subsectors and are not always consistent.

Table 9 Overview of investment needs cited in the ELC document, by sub-sector			
Sub-sector	Amount of investment needed	Timeframe	Source cited
Energy Networks	EUR 60 bn	Annual up to 2020	EC: Energy infrastructure investment needs and financing requirements
Renewable Energy	EUR 50 -70 bn	Annually up to 2020	Ecofys: Financing Renewable Energy
Energy Efficiency	Up to EUR 85 bn (EUR 60 bn in buildings)	Annually up to 2020	EC Consultation Paper: Financial support for energy efficiency in buildings
RDI in Energy	EUR 58 - 72 bn	Total up to 2020	EU SET-Plan
Fossil Fuels Generation	Not specified	Not specified	Not specified
Hydrocarbon Extraction and Petroleum Refining	Not specified	Not specified	Not specified
Nuclear Energy	Nuclear decommissioning costs to be EUR 1.4 bn per year until 2025 increasing to EUR 2 bn per year thereafter. Investment costs are expected to be in excess of EUR 100 bn up to 2030	Annually and up to 2030	EC: Energy Roadmap 2050

Source: EV, COWI, Technopolis

**The EIB monitored sub-sector investment needs over the 2013-2017 period, but irregularly updated stakeholders on market developments concerning the ELC.** The literature review undertaken within the context of this evaluation found that the EIB monitored EU estimates on

<sup>50</sup> The PRIMES model is an EU energy system model which simulates energy consumption and the energy supply system. It is a partial equilibrium modelling system that simulates an energy market equilibrium in the European Union and each of its Member States. This includes consistent EU carbon price trajectories.

<sup>51</sup> PRIMES refers only to power networks; other sources had to be used by the EIB for gas networks.

investment needs, and undertook complementary internal studies that typically focused on sub-sector priority areas. Parts of these internal studies were on occasion published, however, they were done so within the context of broader reports<sup>52</sup>, rather than as updates or addendums to the ELC.

#### 4.2 Contribution of the ELC to EIB’s prioritisation of sub-sectors with the highest investment needs

EIB approved energy-related financing is primarily shaped by developments in the global and EU markets. As Figure 7 shows, for projects inside the EU for the 2007-2013 period (i.e. the period preceding the ELC), 87% of EIB approved energy-related

**Figure 7 EIB approved energy financing inside the EU, 2013-2017, by sub-sector (EUR bn)**



Source: EV, COWI

financing was in the three sub-sectors with the highest investment needs (i.e. Energy Networks, Renewable Energy and Energy Efficiency).

For the 2013-2017 period (i.e. the period during which the ELC have been applied), 90% of EIB approved financing related to the sub-sectors with the highest investment needs. Therefore, since the publication of the ELC document, there has only been a slight increase (+3%) in the concentration of EIB approved energy-related financing in sub-sectors with the highest investment needs.

**The ELC document provided an accurate upstream assessment of investment needs in the energy sector, which has contributed to the EIB prioritising energy sub-sectors with the highest investment needs at the portfolio-level.** The review of sub-sector investment needs within the context of the ELC has served as a basis for PJ’s Energy Department’s input for the EIB’s COP, which is the strategic document through which the Bank prioritises projects at the portfolio-level. Following on from this, the EIB has allocated resources (human, financial and material) accordingly. The accuracy of the review, and the EIB’s prioritisation of sub-sectors and allocation of resources that followed, contributed to the Bank focusing 90% of its approved energy-related financing in sub-sectors with the highest investment needs over the period 2013-2017. Therefore, approved Bank financing was proportional to the 90% of total investment needs that the ELC forecasted for the three sub-sectors with the highest investment needs.

**Of the three sub-sectors with the highest investment needs, Energy Efficiency was underrepresented in the EIB’s portfolio for the 2013-2017 period.** Despite having the highest investment needs of all sub-sectors (see Table 9 on page 29), and accounting for a greater share of EIB approved energy-related financing (increase of 15 percentage points period-on-period), Energy Efficiency was placed third in terms of total approved EIB financing during the 2013-2017 period. This can be attributed to the barriers to investment in the sub-sector, particularly those relating to the high number of small investments and their corresponding high transaction costs<sup>53</sup>.

<sup>52</sup> See EIB (2016) Restoring EU Competitiveness. Available [here](#).

<sup>53</sup> See EV’s Evaluation of EIB financing of Climate Action (mitigation) within the EU 2010-2014. Available [here](#).

It is noted however, that the investments in Energy Efficiency during the period had an overall increasing trend.

With regard to the other sub-sectors, Energy Networks has been the pre-eminent sub-sector for both periods, accounting for approximately 40% of EIB approved energy-related financing inside the EU. Renewable Energy remains the second most prominent sub-sector; however, its share of approved energy-related financing has seen a marked decline (decrease by 16 percentage points period-on-period). RDI in Energy has seen a substantial increase in absolute and relative terms (+ EUR 1.35 bn and increase by 3 percentage points period-on-period). In contrast, Fossil Fuel Generation (decrease by 5 percentage points), Hydrocarbon Extraction and Petroleum Refining (decrease by 1 percentage point), and Nuclear Energy (decrease by 1 percentage point) have seen period-on-period declines in their share of EIB approved energy-related financing.

**The ELC has not supported the EIB in prioritising on a project-by-project basis, but the Bank has used the EPS as a criterion to screen out ineligible projects, typically found in “non-priority” sub-sectors.** The ELC document uses the words “priority”, “priorities” and “prioritise” approximately 40 times. This both, dilutes the premise of prioritisation; and overstates the EIB’s ability to prioritise, as the Bank seldom has the opportunity to prioritise one project over another, as it takes a pipeline approach to project selection (i.e. not a portfolio approach). Yet, to some extent, the ELC has supported the ELC’s priority sub-sectors by using the EPS ‘screen out’ ineligible projects that typically relate to non-priority sub-sectors, like Fossil Fuel Generation, or Hydrocarbon Extraction and Petroleum Refining (see section 5.2 on page 34 for further detail).

## 5. SUPPORTING EU ENERGY POLICY AND HIGHEST POLICY PRIORITIES

The EU Policy shapes EIB's COP which, in turn, underpins Pillar 1 of the 3PA and ReM, as well as sector lending policies. As elaborated upon in the previous section of this report, sector lending policies (or the ELC in this case) typically identify investment needs for the sector in question.

In this regard, the application of the ELC: "ensure that the Bank's activities remain relevant [and] consistent with EU policies... or which have the highest policy priority."<sup>54</sup> Further to this, the document states that: "The ELC sets out the screening and assessment criteria used to establish...the priorities for Bank activity in the energy sector (relevance to EU policies and mandates)"<sup>55</sup>. Consequently, this section of the Thematic Evaluation Report:

- Assesses whether the ELC were aligned with EU Energy Policy<sup>56</sup>, the COP and the 3PA;
- Provides an overview of the 3PA and ReM ratings for Pillar 1 for projects covered by this evaluation; and
- Assesses how the ELC typically contributed to the scores attained under Pillar 1 of the 3PA or ReM, by drawing on the internal survey, interviews and a desk review of documentation for 60 projects falling within the portfolio, of which ten were complemented with data from interviews undertaken within the context of site visits.

A summary of this section's key findings is provided in the box below, and further analysis supporting these findings is presented in the sub-sections that follow.

### Box 11 Key findings relating to ELC contribution to EIB's support to EU Energy Policy

- The ELC document has remained unchanged in the public domain, despite EU Energy Policy reinforcing existing objectives and the EIB producing internal notes that reflect these developments.
- The ELC's priority areas were aligned with the EU's Energy Policy priorities that were applicable in 2013, as well as those that have been applicable in the period that followed. But for policy relating to some sub-sectors (Fossil Fuel Generation, and Hydrocarbon Extraction and Petroleum Refining), the ELC has been more stringent than EU Energy Policy (e.g. in fossil fuel), while for other sub-sectors (e.g. RDI in Energy), the ELC has been less precise.
- The identification of Renewable Energy, Energy Efficiency and Energy Networks as priority sub-sectors indicates that the ELC document has been in line with eligibilities under the COP's PPGs over the period 2013-2017.
- Prior to the launch of EFSI, the ELC's priority areas were aligned with the "higher priority areas" under Pillar 1 of the 3PA. But this alignment was reduced following the EFSI-related update to Pillar 1 of the 3PA.
- Most internal survey respondents believe that the ELC has contributed positively to the EIB's portfolio being supportive of EU Energy Policy.
- The ELC's contribution to the EIB's support to EU Energy Policy is most notable when projects are screened out. The majority of projects that have been explicitly screened out by the ELC are found in the Fossil Fuel Generation, and Hydrocarbon Extraction and Petroleum Refining sub-sectors.
- The EIB's Emissions Performance Standard (EPS) has been beneficial to the Bank from a policy, economic and operational standpoint. In this regard, it is arguable that the EIB was ahead of its time, as the EIB began applying the EPS in mid-2013, and the same threshold level is now being considered within the context of the EC's current package on "Clean Energy for all Europeans".

### 5.1 Alignment of the ELC with EU Energy Policy, the COP and the 3PA

**The ELC document has remained unchanged in the public domain, despite EU Energy Policy reinforcing existing objectives and the EIB producing internal notes that reflect these developments.** The drafting and adoption of the ELC was underpinned by policy priorities set out in a number of EU documents, including the 2030 Framework for Climate and Energy<sup>57</sup>, the Energy Roadmap 2050<sup>58</sup> and the key priorities set out in the European Council meeting of 22 May 2013<sup>59</sup>. Yet, since the adoption of the ELC, EU Energy Policy has reinforced existing

<sup>54</sup> See paragraph 18 on page 4.

<sup>55</sup> See paragraph 7 on page 2 of the ELC.

<sup>56</sup> An overview of EU Energy Policy is provided in Annex 3 on page 63.

<sup>57</sup> See paragraph 35 on page 7 of the ELC.

<sup>58</sup> See paragraph 34 on page 7 of the ELC.

<sup>59</sup> See paragraph 36 on page 7 of the ELC.

objectives (see Annex 3 on page 63) and, in response to this, the EIB has produced internal notes that update the ELC in some aspects. However, external stakeholders are not informed of these developments, as these internal documents are not made available in the public domain.

**The ELC priority areas were aligned with the EU’s Energy Policy priorities that were applicable in 2013, as well as those that have been applicable in the period that followed.** At the strategic-level, the drafting of the ELC was guided by the aim of securing “cheap, clean and secure energy”<sup>60</sup>, thereby mirroring the EU’s three-pronged objective of delivering sustainable, secure and competitive energy. Alignment is also demonstrated at the sub-sector level. For instance, with regard to the Energy Efficiency sub-sector, the ELC states that buildings are a key area for EIB financing, and has high potential in terms reducing final energy consumption (higher than energy efficiency gains relating to transport and industry). Thus, Energy Efficiency improvements in buildings are expected to account for a major share of total Energy Efficiency investments in the coming years<sup>61</sup>. The ELC is therefore very much in line with the different policies in this area, in particular the Energy Efficiency Directive and the Energy Performance of Buildings Directive, both of which placed substantial emphasis on the potential of investment in buildings to support the achievement of energy savings across the EU.

**For policy relating to some sub-sectors (Fossil Fuel Generation, and Hydrocarbon Extraction and Petroleum Refining), the ELC was more stringent than EU Energy Policy, while for other sub-sectors (RDI in Energy), the ELC was less precise.** This is to some extent acknowledged in the ELC document, which states that: “the current and, in all likelihood, future EU energy policy does not prohibit the construction of any new fossil fuel fired power stations”<sup>62</sup>. Nevertheless, by adopting the EPS, the EIB essentially ruled out the possibility of financing new coal or lignite fired power stations, and potentially other fossil fuel power stations. In the case of RDI in Energy, the ELC document covers the policy priorities laid down in the SET Plan, and make reference to it.

A summary of the literature review comparing the priorities listed in the ELC document and those laid out in relevant EU Policy is provided in Table 10. The broad alignment that was found has been corroborated by the internal survey, as 90% of respondents deemed the ELC document to be either “consistent” or “somewhat consistent” with EU Policy priorities.

Table 10 Comparison of the ELC with relevant EU Policy priorities <sup>63</sup>			
EU Policy	Year	Ref. in ELC	Comparison
Directive on prospection, exploration and production of hydrocarbons	1994	No	Aligned
Energy Policy for Europe	2007	No	Aligned
SET Plan	2007	Yes	Aligned
Renewable Energy Directive	2009	No	Aligned
CCS Directive	2009	Yes	Aligned
Oil Stock Directive	2009	No	Aligned
Energy Performance of Buildings Directive	2010	Yes	Aligned
Energy 2020 Strategy	2010	No	Aligned
Energy Roadmap 2050	2011	Yes	Aligned
Energy Efficiency Directive	2012	Yes	Aligned
2030 Framework for Climate and Energy	2013	Yes	Aligned
TEN-E Directive	2013	No	Aligned
EU ETS Directive	2013	Yes	Aligned
Energy Security Strategy	2014	n/a	Aligned
A Framework Strategy for a Resilient Energy Union	2015	n/a	Aligned
Integrated SET Plan	2015	n/a	Aligned

Source: COWI, adapted by EV

**The identification of Renewable Energy, Energy Efficiency and Energy Networks as priority sub-sectors indicates that the ELC document has been broadly in line with eligibilities under the COP’s PPGs over the period 2013-2017.** A review of the key energy-related activities

<sup>60</sup> See paragraph 10 on page II of the ELC.

<sup>61</sup> See paragraph 95 on page 21 of the ELC.

<sup>62</sup> Paragraph 108 on page 25 of the ELC.

<sup>63</sup> For the sake of this analysis, policy refers to primary and secondary EU legislation, as well as EC Communications.

supporting the EIB’s PPGs over the period 2013-2017 indicates that the Bank’s objectives have evolved only to a limited extent (see Figure 8). In addition, in more recent COPs, RDI in Energy has come to the fore as there is now a dedicated Research and Innovation eligibility within the COP’s PPGs. Thus, although the ELC document was influenced by the COP of 2013-2015, the document has broadly remained consistent with the EIB’s subsequent COPs.

**Figure 8 The evolution of energy-related eligibilities under PPGs of the EIB’s COP**

COP 2013-2015	COP 2014-2016	COP 2015-2017	COP 2016-2018	COP 2017-2019
<ul style="list-style-type: none"> <li>• Competitive and secure energy</li> <li>• Energy networks including gas</li> <li>• Energy efficiency</li> <li>• Sustainable transport</li> </ul>	<ul style="list-style-type: none"> <li>• Competitive and secure energy</li> <li>• Energy Efficiency</li> <li>• Renewable energy</li> <li>• Energy networks</li> </ul>	<ul style="list-style-type: none"> <li>• Renewable energy and energy efficiency for 2020</li> <li>• Ensuring European security of supply</li> <li>• Energy efficiency transport</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring competitive and secure supply</li> <li>• Energy Efficiency</li> <li>• Decarbonisation</li> <li>• Energy efficiency transport</li> <li>• Research and Innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Ensuring competitive and secure supply</li> <li>• Energy Efficiency</li> <li>• Decarbonisation</li> <li>• Energy efficient, low carbon and cleaner transport</li> <li>• Research and Innovation in Energy</li> </ul>

Source: EIB, adapted by EV, COWI

Prior to the launch of EFSI, ELC’s priority areas were aligned with the “higher priority areas” under Pillar 1 of the 3PA<sup>64</sup>. Under Pillar 1 of the 3PA, and prior to the launch of EFSI, projects were rated more highly if they: supported the EIB’s Transversal PPGs, i.e. Economic and Social Cohesion, and Climate Action; and/or had specific features that would make an exceptional contribution towards the achievement of EU objectives. Such projects were deemed to operate in “higher priority areas”. For the most part, the priority areas indicated in the ELC are in line with those presented in Pillar 1 of the 3PA prior to EFSI.

The alignment of ELC’s priority areas with the “higher priority areas” under Pillar 1 of the 3PA were reduced following the latter’s update in relation to EFSI. As illustrated in Figure 2 (page 13), the ELC has been left unchanged, while the 3PA has been updated on the basis of external factors that have had a bearing on the COP. This was the case upon the launch of EFSI, as all of EFSI’s general objectives<sup>65</sup> were made “higher priority areas” under Pillar 1 of the 3PA<sup>66</sup>. As EFSI’s general objectives pertaining to the energy sector were wide-ranging, higher priority areas within the energy sector under Pillar 1 of the 3PA became broader; thereby reducing their alignment with the ELC’s more granular priority areas.

## 5.2 Contribution of ELC to the EIB supporting EU Energy Policy and highest policy priorities

This sub-section uses the ex-ante overall ratings for Pillar 1 of the 3PA or ReM as a proxy for the EIB’s support to EU Energy Policy and the highest policy priorities. The sub-section then assesses the ELC’s contribution to the ratings by drawing on: findings deriving from the internal survey; and an analysis of the list of projects that were screened out by the EIB after the ELC entered into force.

<sup>64</sup> Higher priority areas receive a higher rating under Pillar 1 of the 3PA, as such projects are deemed to have a higher level of added value. Higher priority areas that are relevant to this evaluation include: Strategic Energy Technologies; Energy Efficiency; Renewable Energy; Energy Projects of Common Interest; development and modernisation of energy infrastructure; and security of energy supply.

<sup>65</sup> See Article 9(2) of the EFSI Regulation. Available [here](#).

<sup>66</sup> Therefore, all eligible projects contributing to EFSI objectives were deemed to fall within a higher priority area.

A total of 221 of the 391 approved projects (57%) inside the EU score either “high” or “significant” under Pillar 1 of the 3PA, and 88 of the 91 approved projects (97%) outside the EU score “high” or “significant” under Pillar 1 of the ReM.

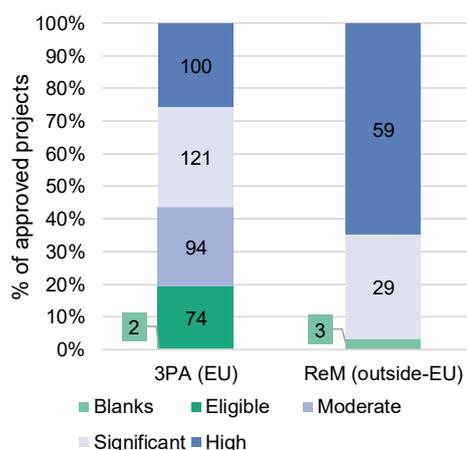
**Most internal survey respondents believe that the ELC has contributed positively to the EIB’s portfolio being supportive of EU Energy Policy.** Approximately 96% of internal survey respondents deemed that the ELC had contributed either “highly positively” or “slightly positively” to the EIB portfolio being supportive of EU Energy Policy.

In particular, survey respondents pointed to the ELC’s contribution in three main areas: (i) solar PV and (ii) offshore wind, which are now on the cusp of becoming economically competitive with best alternative technologies.

**ELC’s contribution to the EIB’s support to EU**

**Energy is notable when projects are screened out.** The majority of projects that have been explicitly screened out by the ELC are found in the Fossil Fuel Generation, and Hydrocarbon Extraction and Petroleum Refining sub-sectors, and have often been screened out on the basis of the EPS (see box 11 on page 33).

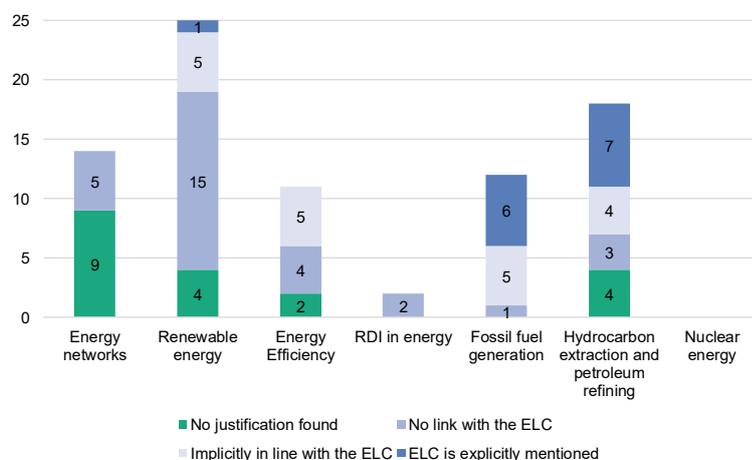
**Figure 9 Overall ratings under Pillar 1 for inside- and outside-EU projects at appraisal**



Source: EV

Figure 10 shows the breakdown of the 82 projects by type of justification and sub-sector, and demonstrates how nearly half of all screened out projects (42%) are either explicitly or implicitly justified by the ELC document. Of the 82 projects that were reported as being screened out over the period 2014-2017<sup>67</sup>:

**Figure 10 Breakdown of justifications for screening out energy projects as per the EIB’s Energy News, by sub-sector**



Source: EV, COWI

- 14 were justified by an explicit link to the ELC. Of these, 13 were found in the Fossil Fuel Generation, and Hydrocarbon Extraction and Petroleum Refining sub-sectors.
- 19 were implicitly justified by the ELC;
- 30 bore no link to the ELC; and
- 19 had no documented justification.

<sup>67</sup> It is noted that additional projects, not captured here, were likely screened out by the Operations Directorate during the initial contact with the EIB counterparts. There is no record of such projects.

## Box 12 The EIB's Emissions Performance Standard in focus

**The Emissions Performance Standard (EPS) is the EIB's criterion for ensuring that all energy projects financed by the EIB are in line with Member State commitments to the EU's Energy and Climate Policy.**

**The threshold level for the EPS is 550 gCO<sub>2</sub>/kWh.** The EPS's threshold is underpinned by the EU Emissions Trading System's (EU ETS) emissions targets. The EU ETS is a pillar of the EU's Energy and Climate Policy, and is the sole carbon target adopted by all Member States. On the basis of the level of emissions allowed under the ETS cap from the power generation sector, the EIB has calculated the average level of emission (g/kWh) per kilowatt hour of electricity generated that is at or below the average level implied by the cap for the sector. The current threshold level for the EPS covers the period 2013-2018 and should be reviewed in the context of the preparation of the document succeeding the ELC.

**The threshold level for the EPS is expected to evolve in line with policy developments.** Hence the threshold level is not explicitly mentioned in the "static" ELC document but instead within a separate document<sup>68</sup>. An update to the EPS's threshold level is expected should the EC's package on "Clean Energy for All Europeans" be adopted.

**The EPS has proven beneficial to the EIB from:**

- **A policy standpoint.** The EPS is technology neutral, transparent and consistent with the EU's aim of delivering sustainable energy. It was also arguably ahead of its time as the EU is now considering including the EPS – at the same level as the current threshold – within the context of the EC package for Clean Energy for All Europeans.
- **An economic standpoint.** The EPS mitigates the risk of the Bank financing projects whose assets might ultimately become "stranded"<sup>69</sup>, and clearly goes beyond what is explained in the document relating to the Economic Appraisal of Investment Projects at the EIB<sup>70</sup>. Therefore, the EPS also serves as a criterion that supports the EIB's quality and soundness standards (assessed further in the following section).
- **An operational standpoint.** In this regard, the EPS has to be put into the context of what already existed at the EIB, i.e. a technology-based criterion that was specifically applied to coal-fired generation projects. Nevertheless, interviewees indicated that the EPS sent a signal to the market as to what the EIB was willing to finance, and is far easier to communicate to counterparts and EIB governing bodies. Further to this, the EPS is unambiguous, enhances objectivity, and can be applied when a project enters the EIB's project pipeline.

Lastly, and as acknowledged in the ELC document, the EIB has provided scope for exceptions to the EPS rule, e.g. for projects within isolated energy systems like small islands where there is no economically viable alternative, or for projects in low income countries outside the EU where the projects in question could have a major positive impact on poverty alleviation and economic development.

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<sup>68</sup> Available [here](#).

<sup>69</sup> The International Energy Agency defines stranded assets as: "those investments which are made but which, at some time prior to the end of their economic life (as assumed at the investment decision point), are no longer able to earn an economic return, as a result of changes in the market and regulatory environment."

<sup>70</sup> Available [here](#).

## 6. SUPPORTING EIB'S QUALITY AND SOUNDNESS STANDARDS

In general, Pillar 2 of the 3PA and ReM seeks to assess the merits of each project in order to ensure that they meet the EIB's standards in terms of:

- The promoter's capability, i.e. the ability of the promoter to deliver the project in a timely, efficient manner, bearing in mind the institutional context and any technical assistance (TA) provided;
- The project's contribution to economic growth (i.e. ensuring the project's economic interest); and
- The sustainability of the project in environmental and social terms.

In this regard, the ELC document attempts to set out: "the screening and assessment criteria used to establish a project's economic and environmental sustainability (soundness)"<sup>71</sup>. Further to this, the ELC document acknowledges that the EIB has general criteria that all projects financed by the Bank must comply with, including those related to procurement<sup>72</sup>, the Environmental and Social Principles and Standards<sup>73</sup>, and the Economic Appraisal of Investment Projects at the EIB<sup>74</sup> (see Figure 2 on page 13).

Consequently, this section of the Thematic Evaluation Report:

- Provides an overview of the 3PA ratings for the relevant components of Pillar 2 for projects covered by this evaluation; and
- Assesses how the ELC typically contributed to the 3PA ratings attained for these components under Pillar 2, by drawing on the internal survey, interviews and a desk review of documentation for 60 projects falling within the portfolio, of which ten were complemented with data from interviews undertaken with EIB staff and EIB counterparts.

### Box 13 Key findings relating to ELC's support of EIB's quality and soundness standards

- The ratings achieved by projects inside the EU under relevant components of Pillar 2 (i.e. economic interest and sustainability) cannot be fully attributed to the ELC as the interplay between the ELC document and other EIB screening criteria, standards and principles is not fully clear.
- The EPS, due to its utility from both an economic and sustainability standpoint, has been the ELC's primary contribution to the EIB's appraisal of the quality and soundness of projects.
- The ELC cannot be used as a stand-alone document for the EIB's appraisal of projects in terms of their quality and soundness, as in order to assess a project's quality and soundness, the ELC would have to be read in conjunction with other key EIB documents.

<sup>71</sup> See paragraph 7 on page 2 of the ELC.

<sup>72</sup> Available [here](#).

<sup>73</sup> Available [here](#).

<sup>74</sup> Available [here](#).

A total of 347 of the 391 approved projects inside the EU (89%) score either “high” or “significant” as per the 3PA methodology. More specifically, and as Figure 11 shows: with regard to the economic interest component of Pillar 2, 296 of projects inside the EU (76%) score either “excellent” or “good”; and for the sustainability component of Pillar 2, 282 of projects inside the EU (72%) are rated either “excellent” or “good”.

**The ratings achieved by projects inside the EU under relevant components of Pillar 2 cannot be fully attributed to the ELC as the interplay between the document and other EIB screening criteria, principles and standards is not fully clear.** This lack of clarity primarily owes to the EIB’s approach for assessing the economic interest and sustainability of projects only being presented in general terms in the ELC document, and further detail being made publicly available in other documents.

Further to this, the ELC is not fully consistent in the way it refers to other key EIB guiding documents. For instance:

- Six sub-sectors (Renewable Energy, Energy Efficiency, Fossil Fuel Generation, Nuclear Energy, Energy Networks) make reference to the EIB’s document for the Economic Appraisal of Investment Projects and/or the requirements or methods delineated in the document;
- Two sub-sectors (Renewable Energy in relation to geothermal energy, and Nuclear Energy) make reference to Environmental and Social Principles and Standards and/or the requirements or methods delineated in the document; and
- Only one sub-sector makes reference to the assessment of promoter capabilities (Nuclear Energy).

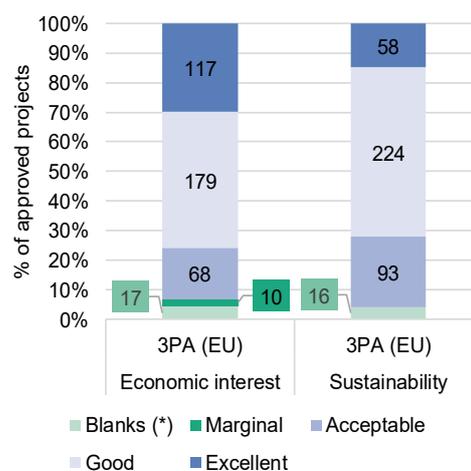
**The EPS, due to its utility from both an economic and sustainability standpoint, has been ELC’s primary contribution to EIB’s appraisal of the quality and soundness of projects.** As explained in section 5.2 (page 34), the EPS goes beyond what is explained in the document relating to the Economic Appraisal of Investment Projects at the EIB<sup>75</sup>, as it specifies a threshold level 550 gCO<sub>2</sub>/kWh for expected project-related emissions. From an economic standpoint, it mitigates the risk of the Bank financing projects whose assets might ultimately become “stranded”. From a sustainability standpoint, it supports the EU’s aim of delivering sustainable energy.

With respect to the Renewable Energy, the ELC has divided commercially proven technologies into two categories – mature and emerging – with a separate economic rationale for each:

- Mature technologies include onshore wind farms, hydropower, conventional geothermal and biomass, and the cost for these was not expected to decline significantly. The EIB, by carefully assessing the costs and benefits, continued to support economically justified mature renewable energy projects.
- Emerging technologies (e.g. solar PV and offshore wind farms) were not competitive on a cost basis, however the EIB financed those that have a prospect of becoming cost competitive within a reasonable timeframe.

This approach allowed the Bank to support projects which have over the period become cost competitive fulfilling the rationale and intention of the ELC. The Bank has played an instrumental role in supporting offshore wind farms technology and development projects in some Member States.

**Figure 11 Ratings for relevant Pillar 2 components for inside-EU projects at appraisal**

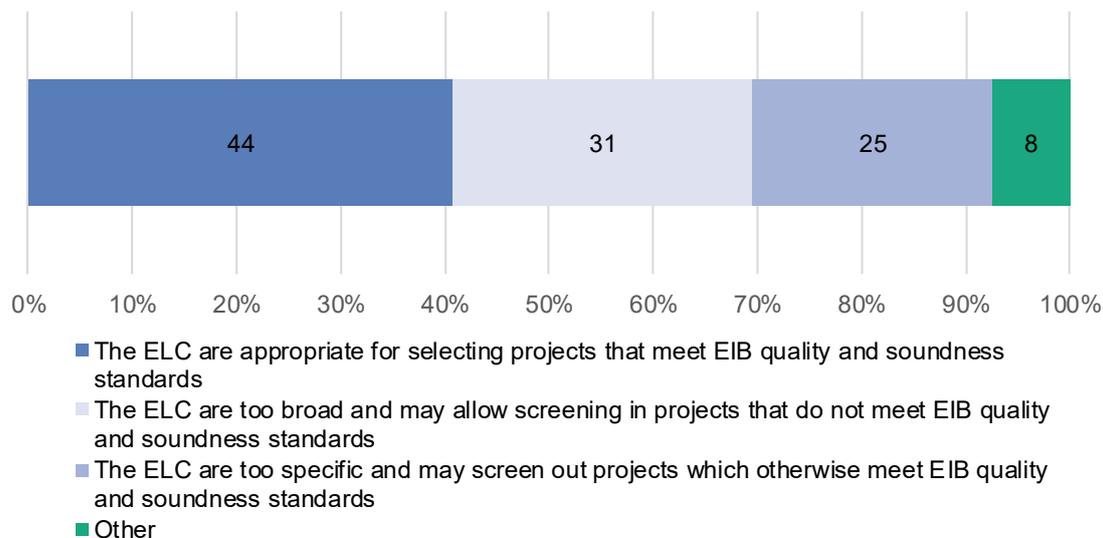


Source: EV

<sup>75</sup> Available [here](#).

**The ELC cannot be used as a stand-alone document for EIB’s appraisal of projects in terms of their quality and soundness.** Although responses to the internal survey (see Figure 12) are fairly evenly split as to whether the ELC was appropriate (or not) for selecting projects, interviewees indicated that the Bank’s quality and soundness standards are far too detailed for the ELC to provide any meaningful contribution. When seeking information relating to the appraisal of energy projects in terms of their quality and soundness, stakeholders would have to read the ELC in conjunction with other key EIB documentation. Therefore, the ELC document is not exhaustive in terms of setting out: “the screening and assessment criteria used to establish a project’s economic and environmental sustainability (soundness)”.

**Figure 12 Responses to the internal survey question on: To what extent has the ELC been appropriate for selecting projects that are consistent with EIB’s quality and soundness standards?**

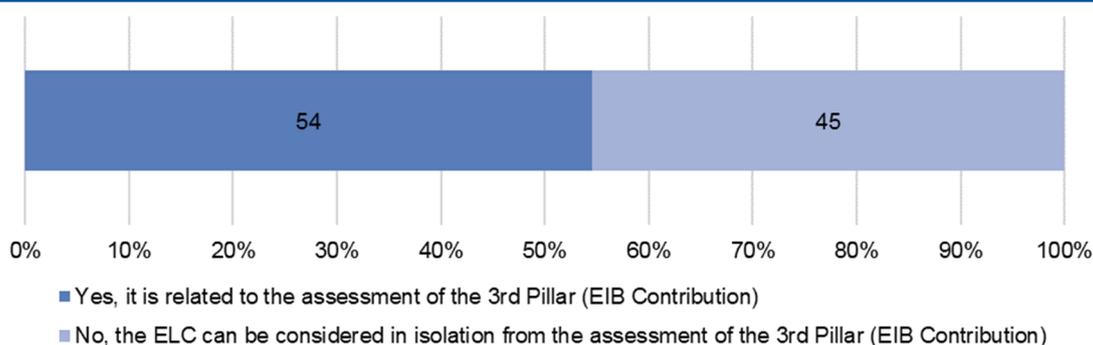


*N (excluding “Do not know / Cannot assess” responses) = 108*  
*Source: EV, COWI*

## 7. FOCUSING THE EIB ON AREAS WHERE IT MAKES THE HIGHEST FINANCIAL AND TECHNICAL CONTRIBUTION

In general, Pillar 3 of the 3PA and ReM seeks to answer the question of the extent to which the EIB has made a financial and/or technical contribution to the project. This evaluation's Reference Group explained that it was never intended that the ELC document covers Pillar 3. However, the ELC document reference to "EIB Action[s]", particularly those relating to the provision of TA and the development of financial instruments, suggests otherwise. This lack of clarity is also reflected in the responses to the internal survey, which demonstrates that EIB staff are fairly evenly split on whether the ELC plays a role in the assessment of Pillar 3 (see Figure 13).

**Figure 13 Responses to the internal survey question on: Do you consider that the ELC play a role in the assessment of the Pillar 3 of the 3PA or ReM?**



*N (excluding "Do not know / Cannot assess" responses) = 99*

*Source: EV, COWI*

Consequently, this section of the Thematic Evaluation Report:

- Provides an overview of project ratings under Pillar 3 of the 3PA; and
- Assesses how the ELC typically contributed to the 3PA ratings attained for Pillar 3, by drawing on interviews, and a desk review of documentation for 60 projects falling within the portfolio, of which ten were complemented with data from interviews undertaken within the context of site visits.

A summary of this section's key findings is provided in the box below, and further analysis elaborating upon these findings is presented thereafter.

### **Box 14 Key findings relating to ELC's contribution to EIB's support of areas where it makes the highest financial and technical contribution**

- Despite the increase in the EIB's advisory activities, the Bank's primary contribution to projects with an energy component has been financial.
- Technical contribution and advice was rated higher for energy efficiency and renewable energy projects, compared to projects in other ELC sub-sectors.
- No clear link was found between project ratings under Pillar 3 of the 3PA or ReM and guidance provided by the ELC.

**Despite the increase in EIB's advisory activities, the Bank's primary contribution to projects with an energy component has been financial.** The EIB's offer of "Lending, Blending and Advising" is reflected in the components of Pillar 3 of the 3PA: financial contribution<sup>76</sup>, financial facilitation<sup>77</sup>, and technical contribution and advice<sup>78</sup>.

<sup>76</sup> Financial contribution means the improvement of the counterpart's financing terms versus alternative sources of finance, e.g. in terms of preferable pricing, longer maturity profiles, or matching the maturity profile to the economic life of the underlying project.

<sup>77</sup> Financial facilitation means the increase in efficiency of other stakeholder support due to the EIB, e.g. through the signalling effect generated by the Bank's rigorous due diligence process.

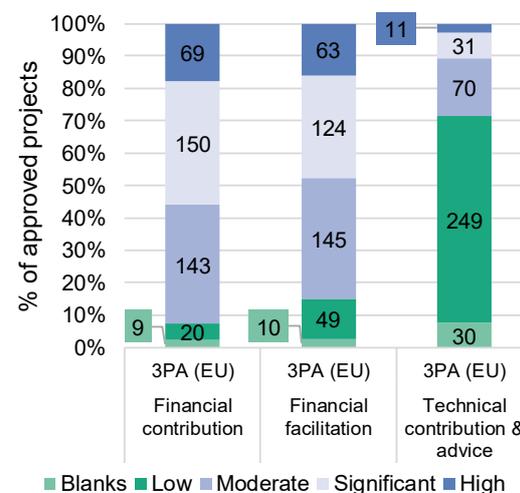
<sup>78</sup> Technical contribution and advice means financial or technical advice provided by the EIB in order to improve the quality of projects and lower the risks associated with them.

As illustrated in Figure 14, the score of “high” or “significant” was attained for: 219 of the 391 projects inside-EU for the financial contribution component (56%); 187 of the projects under financial facilitation (48%); and just 42 of the projects under technical contribution and advice (11%).

EIB counterparts interviewed during site visits confirmed this finding as they explained how the financing they received from the EIB was preferable (typically in terms of pricing and maturity profile) to what they could have otherwise obtained on the market. Interviewees also indicated an appetite to secure financing from the Bank in the future to support their investment plans.

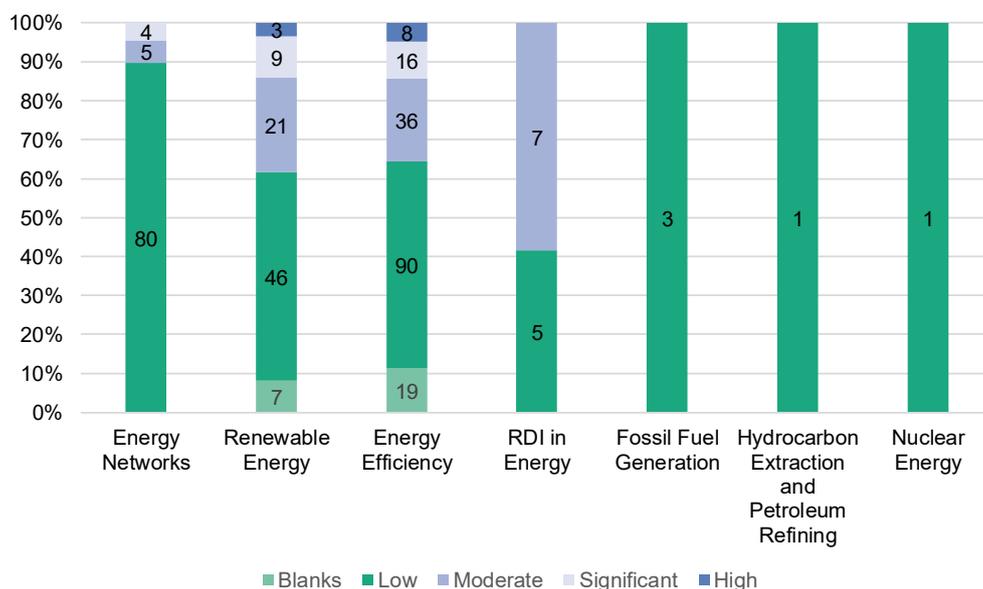
**Technical contribution and advice was rated higher for energy efficiency and renewable energy projects, compared to projects in other sub-sectors.** As illustrated in Figure 15, projects scoring either “high” or “significant” are for the most part related to the Renewable Energy and Energy Efficiency sub-sectors. For several projects subject to a desk review, this was evidenced by the technical input provided by Jaspers<sup>79</sup> or Elena<sup>80</sup>, which were identified by the ELC document as the main facilities through which the EIB supports the development and implementation of energy projects inside the EU.

**Figure 14 Rating by Pillar 3 component for inside-EU projects at appraisal**



Source: EV

**Figure 15 Rating by sub-sector for technical contribution and advice to inside-EU projects at appraisal**



Source: EV, COWI

<sup>79</sup> Joint Assistance to Support Projects in European Regions (Jaspers) is a TA partnership between EC, EIB and EBRD, which provides independent advice to beneficiary countries to help prepare high quality major projects to be financed by either the European Regional Development Fund or the Cohesion Fund.

<sup>80</sup> European Local Energy Assistance (Elena) is a joint initiative by the EIB and the EC, which provides grants for TA relating to the implementation of energy efficiency, distributed renewable energy and urban transport projects and programmes.

**No clear link was found between project scoring under Pillar 3 of the 3PA or ReM and guidance provided by the ELC.** This finding is based on a desk review of a sub-set of projects falling under the portfolio covered by this evaluation, which found that no explicit or implicit reference to the ELC was made in this regard. This was corroborated with the views collected during interviews with appraisal team members, as the financial components of Pillar 3 were deemed to be the responsibility of OPS, and therefore lie beyond the scope of the ELC. Similarly, interviewees indicated that the ability of the Bank to provide financial advice to EIB counterparts or provide a technical contribution to their respective projects very much depends on the maturity of the project's design; a factor beyond the control of the ELC.

## 8. CONTRIBUTING TO EIB FINANCING DECISIONS ON PROJECTS BEING AS TRANSPARENT AS POSSIBLE

As per its Transparency Policy, the EIB's approach to transparency and stakeholder engagement is driven by three guiding principles: openness; ensuring trust and safeguarding sensitive information; and a willingness to listen and engage. The EIB does so by *inter alia* undertaking public consultations, which enable external stakeholders to participate in the preparation and review of policy documents, contributing to their improved quality and credibility.

As indicated in Table 5 (page 15), on 10 October 2012, the EIB launched a public consultation with the aim of reviewing its lending activities in the energy sector. The public consultation was closed on 31 December 2012. The public consultation, including the external stakeholder contributions that emanated from it, served as one of the inputs in the design of the currently applicable ELC document.

This section of the Thematic Evaluation Report aims to assess whether:

- The public consultation process was consistent with the EIB's Transparency Policy of the time<sup>81</sup>;
- The public consultation process was consistent with other recognised practices; and
- The public consultation process was appropriate for improving the quality and credibility of the currently applicable ELC.

A summary of this section's key findings is provided in the box below, and further analysis supporting these findings is presented thereafter.

### Box 15 Key findings relating to ELC's contribution to making EIB financing decisions on projects with energy components as transparent as possible

- The public consultation relating to the currently applicable ELC was consistent with the EIB's Transparency Policy at the time, both in terms of facilitating the participation and engagement of a broad range of external stakeholders, providing information to external stakeholders (for the most part) in a timely manner, and ensuring that the Bank's Civil Society Division took the lead in handling EIB engagement with Civil Society.
- The public consultation for the ELC was in line with the other recognised practices in terms of timeliness, duration, target audience, outreach and publicity, and feedback.
- Yet the public consultation for the ELC differs to other recognised practices in terms of the nature of the process (only one round of consultation on the Issues Paper, i.e. no rounds of consultation on the draft ELC document) and the structure of the consultation document (only open-ended questions).

### 8.1 Adherence to the EIB Transparency Policy at the time

As provided in the principles embedded in the EIB Transparency Policy at the time, the key purpose of stakeholder engagement is to ensure that stakeholders are heard and that the EIB responds adequately to their concerns (Part A, section 6). In addition, the EIB Transparency Policy (Part A, section 7) requires public consultations to take a participatory approach, allowing external stakeholders and EIB staff to partake in the preparation and review of key documents, with a view to improving their quality and credibility.

**The Bank facilitated the participation and engagement of a broad range of external stakeholders in the public consultation relating the ELC.** Although achieving a high-level of outreach via the public consultation is not an aim in itself, the approach applied by the EIB in undertaking the public consultation sought to be as inclusive as possible. In order to do so, the EIB communicated with external stakeholders via various channels, including:

- A dedicated webpage<sup>82</sup>, which sought to make relevant information and documentation publicly available in a timely manner;

<sup>81</sup> The EIB Transparency Policy of 2 February 2010 is the Policy that applied at the time of the public consultation relating to the currently applicable ELC; however, it is not the currently applicable version of the EIB Transparency Policy.

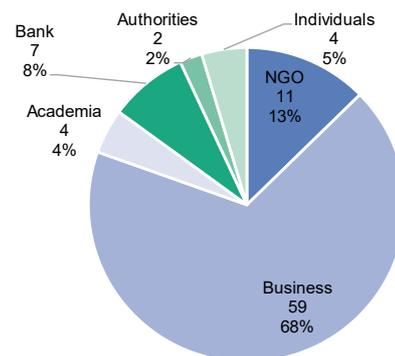
<sup>82</sup> Available [here](#).

- A direct e-mail list that reminded over 350 external stakeholders to participate and engage in the public consultation, and notified them of updates on the dedicated webpage; and
- A Consultation Meeting in Brussels<sup>83</sup> attended by 100 participants<sup>84</sup>, who had the opportunity to exchange directly with EIB staff on the Bank's activities in the energy sector and the key issues at stake.

87 written contributions were received from external stakeholders for the public consultation relating to the ELC; more than two times higher than those received for the EIB's public consultation relating to the Transport Lending Policy (a comparable document), despite the Transport Lending Policy's consultation lasting approximately five times longer (see Annex 12 on page 80 for further detail).

As shown in Figure 16, most contributions came from businesses (59), followed by NGOs (11). In terms of the geographies covered by the contributors, only one was based outside the EU.

**Figure 16 Contributions by type of stakeholder**



An Inter-Directorate Review Panel (IDRP) was set up in order to review the contributions of external stakeholders. The two main outputs of the IDRP, both of which were made available on the public consultation's dedicated webpage, were: the Issues Matrix, in which the EIB responded to stakeholder contributions; and the Consultation Report, which provided an overview of the public consultation process and its end-result.

In spite of the IDRP effectively delivering upon its expected outputs, EIB staff noted that engaging in the IDRP is a resource-intensive and time-consuming exercise. Internal interviewees noted that increased interaction from Directorates typically involved in the EIB's project appraisal process (OPS, PJ and RM) would have enhanced the design of the ELC document.

Source: EV, COWI

**The public consultation relating to the ELC provided relevant information to external stakeholders, for the most part, in a timely and transparent manner.** As summarised in Table 11 (page 45), at all stages in the public consultation process, all *requirements* relating to relevant documentation and minimum time spans were respected:

- A consultation document (i.e. the Issues Paper) was prepared and constituted the background for the launch of the consultation. The consultation was open for 58 working days (82 calendar days), exceeding the requirement of at least 45 working days, as per the 2010 EIB Transparency Policy.
- A public workshop or information meeting (i.e. the Consultation Meeting) was undertaken in addition to the web-based consultation, and was timely as it occurred three weeks prior to the end of the consultation. Some external stakeholder contributions have been provided in a context outside of the public consultation (e.g. during bi-lateral meetings).
- The IDRP examined and evaluated the contributions of stakeholders, and the Consultation Report was published. The report provides extensive responses to the contributions. The content of the responses are also reflected in the ELC.
- The final draft ELC document was published on the EIB website more than 15 days prior to its consideration, and ultimate adoption, by the EIB's BoD.

However, the Consultation Report and the Inter-Directorate Review Panel's (IDRP) responses to stakeholders' contributions (within the Issues Matrix) were published on 22 July 2013, i.e. one month after the publication of the final draft ELC document, but just one day prior to its adoption

<sup>83</sup> Available [here](#).

<sup>84</sup> According to the Consultation Report, among the 100 participants were representatives from: enterprises, business and industry associations (56); non-governmental organisations (17); EU, national and regional authorities (15); academia (5); financial institutions and banks (5); and media (2).

by the EIB's Board of Directors. Thus, stakeholders that wished to see how their contribution had been reflected in the final draft of the ELC document were unable to draw on the Issues Matrix when doing so<sup>85</sup>.

**EIB's Civil Society Division handled the Bank's engagement with Civil Society in relation to the public consultation for the currently applicable ELC.** The EIB Transparency Policy at the time required that the Civil Society Division handled Bank engagement with Civil Society (Part B, section 5). In the context of the public consultation on the ELC, the Civil Society Division was the key implementing body; and therefore launched and managed the public consultation process. Nevertheless, within the context of the IDRP, the Civil Society Division drew on Bank-wide expertise where applicable, e.g. in designing the Issues Paper, and responding to stakeholder contributions within the context of the Issues Matrix.

**Table 11 The consistency, appropriateness and level engagement of the public consultation process for the currently applicable ELC**

Information provided	Date of publication	Timeliness	Level of engagement
<b>Dedicated webpage</b>			
Issues Paper – Call for Public views, other relevant strategic documents, and relevant EU Policy and legislative documents	10-Oct-12	Timely (by requirement)	Resulted in 87 written responses
Publication of stakeholder contributions	24-Jun-13	Timely (no requirement)	n/a
Publication of final draft of ELC document	24-Jun-13	Timely (by requirement)	n/a
Publication of EIB comments to stakeholder contributions in Issues Matrix	22-Jul-13	Not timely (no requirement)	Comments drafted by the EIB's Inter-Directorate Review Panel
Publication of Consultation Report	22-Jul-13	Not timely (no requirement)	Report drafted by the EIB's Inter-Directorate Review Panel
Adoption of ELC document by EIB's BoD	23-Jul-13	n/a	n/a
<b>Direct e-mail list</b>			
Reminders and notifications	n/a	n/a	Over 350 stakeholders contacted
<b>Consultation meeting in Brussels</b>			
The presentation for the meeting was made available online	7-Dec-12	Timely (no requirement)	100 participants

Source: EV

## 8.2 Alignment with other recognised practices

As indicated in Table 6 (page 16), the EIB is broadly on a par with its peer group in terms of the public consultation process it undertook in relation to the design of the ELC document. This section delves further by detailing the public consultation process for the ELC with other European recognised practices, in order to gauge whether the EIB's approach is broadly in line with common practice.

Table 12 (page 47) compares the public consultation of the ELC to other recognised practices along the following lines: timeliness, process, consultation document, duration, target audience, outreach and feedback. The other recognised practices for public consultation to which the ELC's public consultation is compared:

- Are detailed in the EC's Impact Assessment Guidelines<sup>86</sup> (2009);

<sup>85</sup> The EIB Transparency Policy that was in force at the time of the public consultation did not require that these documents should be published with a certain advance before the Board decision. However, such requirement has been included in the current EIB Transparency Policy adopted in 2015, which indicates: "After completion of the consultation and at least 15 working days prior to approval by the corresponding governing body, the final draft policy will be published on the EIB website, together with a draft Consultation Report, the stakeholder submissions and the Bank's reasoned comments on their contributions".

<sup>86</sup> SEC (2009) 92. Available [here](#).

- Are applied within the context of the design of the EBRD's Energy Sector Strategy (2012-2013)<sup>87</sup>; and
- Are detailed in the EU's Better Regulation Guidelines<sup>88</sup> (2015), which is mentioned for reference purposes only, as it was adopted after the public consultation of the ELC.

**The comparison shows that the public consultation for the ELC was in line with the other recognised practices in terms of timeliness, duration, target audience, outreach and publicity, and feedback.** Like other recognised practices, the public consultation for the ELC:

- Was launched early in the process;
- Targeted a broad range of stakeholders;
- Sought to optimise outreach by publishing information on a dedicated webpage, sending e-mails directly to key stakeholders, and hosting a workshop; and
- Provided feedback in the form of documents that summarised the consultation process and responded to issues raised during the consultation.

Finally, the public consultation process for the ELC was fully in line with the EIB Transparency Policy at the time (the 58 working days exceeded the minimum of 45 working days). The total duration was similar or higher than those applied or stipulated in other recognised practices. For instance, the duration of the public consultation process at EC-level is 8 weeks (as specified in the 2009 Impact Assessment Guidelines) and 12 weeks (as stipulated in the 2015 Better Regulation Guidelines).

**Yet the public consultation for the ELC differs to other recognised practices in terms of the nature of the process and the structure of the consultation document.** As concerns the nature of the process, the other recognised practices adopt an approach with multiple steps or rounds of consultation; whereas the ELC public consultation only allowed for one round of consultation on the Issues Paper. The number of rounds of consultation typically depends on the significance of the document and the objectives of the consultation. For instance, if a draft final document is consulted upon during the first round of consultation, then one round of consultation may suffice. Yet if a Consultation or Issues Paper is consulted upon during the first round of consultation, then a subsequent draft final document could be consulted upon during a second round.

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<sup>87</sup> The EBRD's public consultation is relevant as the EBRD's Energy Strategy was adopted in 2013, as was the ELC. In March 2018, the EBRD Evaluation Department published a Thematic Evaluation, which reviewed the EBRD's Energy Sector Strategy. Available [here](#).

<sup>88</sup> SWD (2017) 350. Available [here](#).

**Table 12 Public consultation for the ELC and practices of other institutions**

	<b>Public consultation for the ELC (2012/13)</b>	<b>EC's Impact Assessment Guidelines (2009)</b>	<b>EBRD, Energy Sector Strategy (2012/13)</b>	<b>EC's Better Regulation Guidelines (2015)</b>
<b>Timeliness</b>	Early, providing sufficient time to take stakeholder contributions into account in the final ELC document	Relatively early in the planning process of the Impact Assessment	Early in the process, pre-consultation before drafting the strategy	Early in the process
<b>Nature of the process</b>	One round of public consultation <sup>89</sup>	Dynamic process, several steps may be needed	Two rounds of consultation	Dynamic process, several steps may be needed
<b>Consultation document</b>	Issues Paper with open-ended questions	Relevant documents & questionnaire (closed and open-ended questions)	Not found online	Relevant documents and questionnaire (closed and open-ended questions)
<b>Duration</b>	12 weeks	8 weeks	8.5 weeks	12 weeks
<b>Target audience</b>	Various stakeholders, including civil society organisations	Targeted stakeholders and general public, including citizens	A wide range of stakeholders	Targeted stakeholders and general public, including citizens
<b>Outreach and publicity</b>	Published online, direct e-mails to key stakeholders (350), a workshop (100 participants)	Published online, stakeholder meetings	Actively contacting stakeholders (1,000 contacted), four public meetings (total of 121 participants)	Published online & adequate awareness-raising publicity (including consultation meetings)
<b>Feedback</b>	Issues Matrix and the Consultation Report outlining the process	A consultation report outlining the process, main results and how the responses were taken into account	A report on the Invitation to comment (summary of public comments received and staff responses)	A synopsis report providing overall results (including findings from other consultation activities)

Source: EV, EC, EBRD

With regard to the structure of the consultation document, the one used for the public consultation for the ELC only used open-ended questions, whereas those issued by the EC often pose open and closed-ended questions. On the one hand, the approach for the Issues Paper provides greater scope for potential contributions but, on the other hand, it makes the review of the contributions challenging and time consuming as they are less structured. Furthermore, the open-ended approach makes a systematic comparison of responses complicated, and provides fewer opportunities for aggregating contributions by stakeholder type. In spite of this, it should be noted that the Issues Matrix presented a comprehensive overview of the contributions received.

### 8.3 Contribution of the public consultation to improving the quality and credibility of the currently applicable ELC

The evaluation found that the public consultation process, which allowed stakeholders views to be taken into consideration, replied to and reflected in the ELC contributed to improve the quality and the credibility of the ELC. The main vehicle through which external stakeholder contributions relating to the public consultation for the ELC were aggregated, classified and responded to by the IDRP was the Issues Matrix. The responses provided by the IDRP in the Issues Matrix (whose structure is presented in Table 13) ought to have been reflected in the ELC document.

<sup>89</sup> The EIB's consultation page mentions a possibility of two round consultation, however it was not observed in practice. See: [here](#)

**Table 13 The structure of the Issues Matrix**

Topic Number and Title	Summary of stakeholder comments	External stakeholder	Review Panel's Response
The Issues Matrix covers 75 topics, including contributions to the 33 specific questions put forward in the Issues Paper	The relevant contributions are summarised for each topic	A list is provided of all stakeholders that provided a contribution to each topic	The Issues Matrix provides a response to the summary of stakeholder comments for each topic

Source: EV

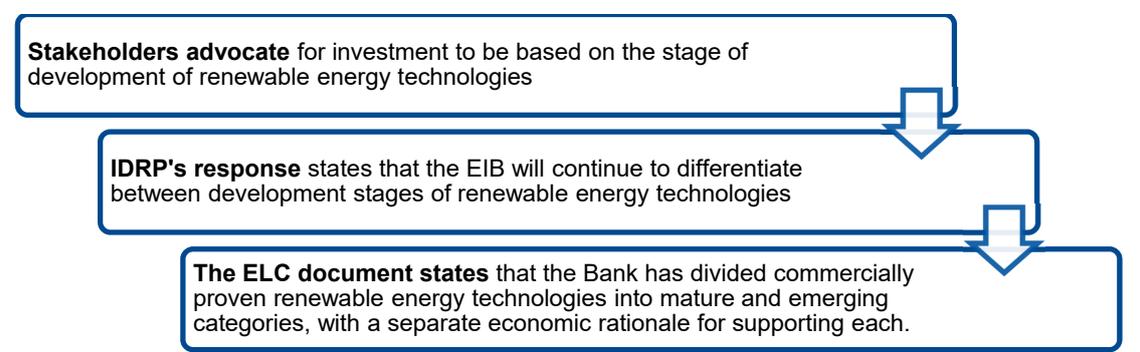
In order to assess the extent to which contributions were taken into consideration, this evaluation analysed contributions from seven stakeholders in relation to five topics<sup>90</sup> covered by the Issues Matrix. This analysis entailed an assessment of: (i) the extent to which the contribution from each stakeholder is reflected in the summary of the Issues Matrix; (ii) whether the stakeholder has been appropriately categorised in the Issues Matrix under the topic to which a contribution was made; (iii) the extent to which the Review Panel's reply in the Issues Matrix responded to the contribution provided; and (iv), whether replies in the Issues Matrix were fully reflected in the design of the ELC.

**In most cases (71.5%<sup>91</sup>), the Issues Matrix fully captured the contributions from stakeholders**, in some cases contributions were partially captured (21.5%), and in two cases (7%) contributions were omitted. With regard to the omitted contributions, it was found that they were either too high-level (e.g. general policy recommendations), very specific (e.g. referring to eligibility criteria), and/or related to sensitive matters (e.g. promoting energy efficiency in coal plants).

**In most cases, stakeholders were listed appropriately as contributors to topics in the Issues Matrix.** However, the analysis concluded that Topic #47 (Fossil Fuel General) was an exception to this, as there was a lack of a clear link between the questions raised in the Issues Paper and topics covered by the Issues Matrix; thereby reducing the traceability of contributions. Lastly, there were some cases in which stakeholders provided a contribution for a specific topic, but were not listed accordingly within the Issues Matrix.

**The IDRP provided well-explained responses to the contributions provided, and the content of the replies is reflected in the design of the ELC.** Of the 75 topics covered by the Issues Matrix, the responses to: 29 topics (39%) explained what the ELC would provide for; 32 topics (43%) referred to existing EIB procedures, decisions and other EIB documents (see the example provided in Figure 17); and 14 topics (19%) recognised the relevance of the contribution but did not state that explicit action would be taken in the design of the ELC.

**Figure 17 Tracing the content of the ELC back to stakeholder contributions: the case of the Issue Matrix's Topic #18 Renewables Approach**



Source: EV

<sup>90</sup> The five topics were: Topic #5 Horizontal Policy Objectives, Topic #18 Renewable Approach, Topic #30 Energy Efficiency criteria - Electricity; Topic #43 Networks Energy Storage; and Topic #47 Fossil fuels - General.

<sup>91</sup> Calculations are based on the contributions from seven stakeholders in relation to five topics.

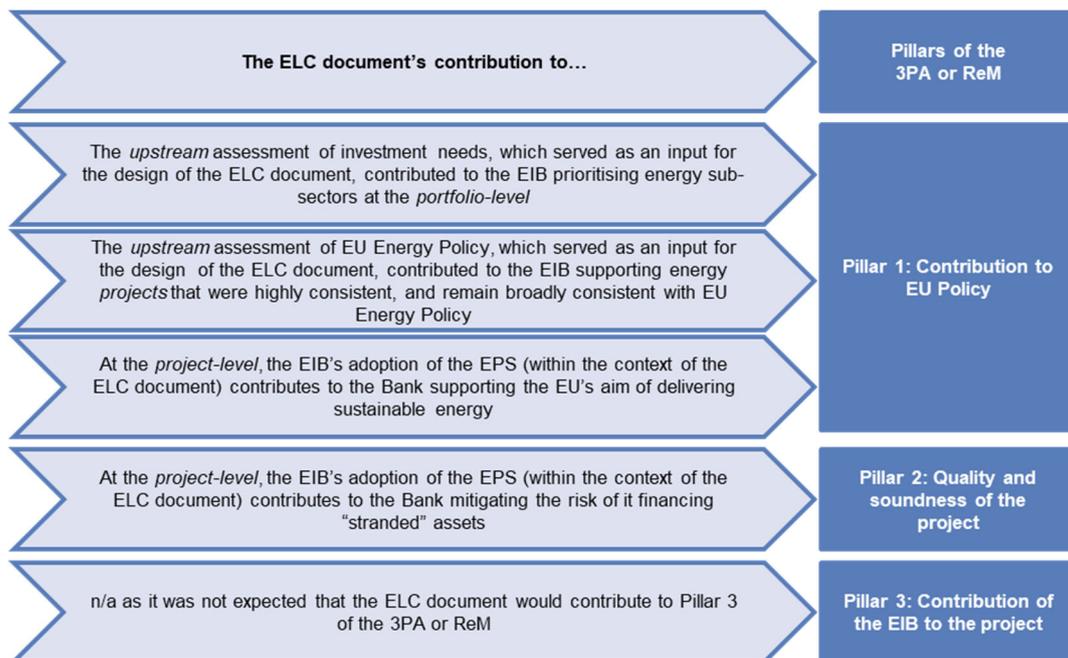
## 9. CONCLUSIONS AND RECOMMENDATIONS

This evaluation has found that the ELC was a major step forward for the Bank in terms of:

- Consolidating and reviewing various key EIB documentation relating to the energy sector;
- Improving the clarity of EIB's approach for screening projects with an energy component in terms of their contribution to EU Energy Policy and assessing them in terms of their quality and soundness from an economic and sustainability standpoint;
- Enhancing the Bank's transparency, as it was the first time that the EIB's activities in the energy sector had been subject to a public consultation process.

The evaluation also found that the ELC document has contributed to Pillars 1 and 2 of the 3PA or ReM by using its upstream assessment of investment needs and EU Energy Policy in order to support the Bank in: (i) prioritising sub-sectors with the highest investment needs at the portfolio-level and (ii) supporting projects that are consistent with EU Energy Policy. In addition, EIB's adoption of the EPS, within the context of the ELC document, has helped the Bank support the EU's aim of delivering sustainable energy, while mitigating the risk of the Bank supporting projects whose assets might ultimately become stranded. Lastly, through the EPS, the EIB has improved the way in which it communicates its approach towards assessing project-related CO<sub>2</sub> emissions, and has sent a clear signal to the market in this regard. In addition, the ELC has helped the Bank to support the development of emerging technologies in the renewable energy sub-sector.

**Figure 18 Overview of the ELC contributions to the Pillars of the 3PA or ReM**



Source: EV

The evaluation also found that the ELC wrongly gives the impression that EIB prioritises on a project-by-project basis during the project appraisal. Instead, the evaluation found that the Bank actually prioritises upstream, on the basis of its assessment of investment needs (or for achieving EU Energy Policy objectives). This assessment subsequently feeds into the design of the EIB's COP and, in turn, the 3PA or ReM. On this basis, the Bank allocates resources to priority areas accordingly.

Further to this, the evaluation has identified five main issues that, if addressed, should improve the operational performance of the EIB and, more specifically, the design and performance of the document succeeding the ELC. Consequently, this evaluation puts forward five recommendations. The first recommendation seeks to address a Bank-wide issue (i.e. the issue is not ELC-specific). The second recommendation, relating to the classification of the document

succeeding the ELC, will have a knock-on effect on the third recommendation about reporting of the ELC application. The fourth recommendation relates to the inclusion of financial and non-financial contribution of the EIB (i.e. Pillar 3 of 3PA and ReM). Lastly, the final recommendation puts forward suggestions for improving the upcoming public consultation for the document succeeding the ELC.

**Recommendation 1. Going forward, the EIB should further develop the processes and procedures for categorising its key documents such as the ELC.**

The evaluation found that there is a lack of clarity as to the nature of the ELC document (i.e. strategy, guidance or hybrid). This reflects the limitations of the current processes and procedures for designing, categorising and naming EIB key documents.

**Management Response**    **Agreed**

The ELC has two broad purposes. Firstly, it indicates high-level principles applied by the Bank in screening projects. Secondly, it illustrates the type of support the Bank can provide – through lending, blending or advising – which may have particular impact of value for energy subsectors. Thus, the nature of the ELC is clear.

Regarding the naming conventions, the Bank will assess and develop guidance to ensure forward-looking simplification and further consistency for the naming of key documents.

**Recommendation 2. The EIB should decide upon the purpose and target audience of the document succeeding the ELC, before determining what type of document it should be.**

The evaluation found that the currently applicable ELC document is a hybrid document, with a misleading title. This is evidenced by the ELC having characteristics that resemble both a strategy and a guidance document. This, in turn, leads to uncertainty as regards whether the document seeks to: (i) prioritise “EIB Action[s]” in the energy sector in a strategic manner; (ii) provide guidance on how the Bank appraises projects with an energy component; or (iii) do both.

**Management Response**    **Agreed**

The Bank has drafted the Consultation Document for the new energy lending policy with this recommendation in mind. It includes clear guidance for the reader on the purpose of the review, and in particular how the review fits alongside the hierarchy of other Bank plans and policies. Moreover, the Bank has also reflected on the target audience, covering a wide range of clients, industry actors, think tanks and non-governmental organisations.

**Recommendation 3. The Bank should report on the application of the document succeeding the ELC in order to keep stakeholders informed. Furthermore, the Bank should provide short updates on significant market and policy developments to supplement the ELC whenever warranted.**

EIB reporting currently relates to higher-level and broader EIB documents than the ELC (e.g. the COP, 3PA and ReM) and draws upon a list of output and outcome indicators deployed by the Bank. However, these indicators do not well-equip the Bank in its tracking of “EIB Action[s]” defined for each sub-sector within the ELC document. Similarly, informing stakeholders on EIB approved financing by ELC sub-sector is challenging at the portfolio-level, as underlying projects and project components are not flagged by ELC sub-sector on Bank IT systems.

Furthermore, the EIB should ensure that any significant market and policy changes having potential consequences on the ELC application are communicated to external stakeholders through regular reporting updates.

**Management Response**    **Agreed**

The Bank is committed to transparency and makes available extensive information on its energy activities on its website ([here](#)), develops thematic reports ([here](#)), as well as full access to its project

portal ([here](#)). In addition, each new energy sector lending policy takes stock of the previous edition.

In response to this Recommendation, the existing reporting applied in the context of the annual COP exercise will be further elaborated to highlight energy sector activity, drawing the link with wider public policy goals. This will provide interested parties with a clear picture of EIB lending activities in the energy sector, including any updates to Bank's energy lending policy. Furthermore, the Bank will reflect upon the possibility to make available EIB energy-related presentations on its website.

**Recommendation 4.** The document succeeding the ELC should further develop on the types of the financial and non-financial contributions that the EIB can bring to supporting projects as well as to the development of the energy sector as a whole.

The ELC document outlines areas of priority for the EIB to develop the energy sector. However, it does not sufficiently address the types of finance and approaches which could be used to support the development of the sector. Moreover, while financial and non-financial contribution (i.e. Pillar 3 of 3PA and ReM) is not formally included in the scope of the ELC, it is referred to throughout the document. It would be advisable to formally include it in the document succeeding the ELC in order to provide examples at the sub-sector level, of the types of financial and/or non-financial inputs (e.g. TA, risk sharing) that the Bank can provide.

#### Management Response Partially Agreed

The Bank agrees that the new energy lending policy will need to illustrate different types of financial and non-financial contribution that the EIB can bring and how the Bank – through lending, blending and advising – can contribute to deliver most effectively on EU policy targets.

However, the Bank consider that the suggestion to “formally include” Pillar 3 in the ELC successor document, as suggested in the Evaluation Conclusions, might give rise to misinterpretation as the energy lending policy is not the place to develop the detailed metrics of Pillar 3. Such metrics may be reviewed separately in the context of the wider debate on additionality and its measurement – going beyond Pillar 3 – and documentation. The new energy lending policy will therefore not include a formal, systematic review of Pillar 3.

**Recommendation 5.** The Bank should strive to enhance the outreach, participation and the traceability of stakeholder contributions within the context of its public consultation relating to the document succeeding the ELC.

The public consultation relating to the currently applicable ELC was consistent with the EIB's Transparency Policy at the time, and was broadly in line with other recognised practices. Looking ahead to the forthcoming public consultation relating to the document succeeding the ELC, the Bank is required to apply its currently applicable Transparency Policy. Further to this, the EIB should:

- Explore ways how to increase the stakeholder participation in the public consultation process
- Improve the traceability of stakeholder contributions (e.g. by using a dedicated platform for managing the public consultation process)
- Enhance outreach by engaging more stakeholders from outside the EU (e.g. by livestreaming consultation meetings).

#### Management Response Agreed

The EIB public consultation will be web-based and open to all interested stakeholders.

The Bank will carefully review the mailing list to ensure coverage of all main clients, civil society organisations, energy associations, public policy think tanks, regional organisations, public bodies to enhance as much as possible the outreach of the public consultation in terms of participation. The Bank will hold a single public event in Brussels.

The Bank will consider the advantages and shortcomings of different instruments that could be used to pursue the recommendation's objectives of enhancing outreach, participation and traceability (e.g. platforms, live streaming, etc.).

The choice of instrument will have to ensure, inter alia, open and frank exchanges, the equal treatment of stakeholders (including from the accessibility and usability perspectives) as well as cost-efficiency.



## ANNEXES

Annex 1 - Rationale for inclusion of the evaluation in EV's Work Programme

Annex 2 - Reconstructed intervention logic of the ELC

Annex 3 - Overview of EU Energy Policy

Annex 4 - Evaluation work plan

Annex 5 - Limitations and mitigation measures

Annex 6 - Portfolio review

Annex 7 - 60 projects subject to desk review

Annex 8 - Results of the online survey of external stakeholders

Annex 9 - Aligning the evaluation questions to the structure of this Thematic Evaluation Report

Annex 10 - Key EIB documents subject to public consultation

Annex 11 - Comparing the EIB's ELC to the EIB's Transport Lending Policy

Annex 12 - Pillar 2 and Pillar 3 analysis for projects outside the EU

Annex 13 - Bibliography

## Annex 1 - Rationale for inclusion of the evaluation in EV's Work Programme

EV's Work Programme of 2016-2018<sup>92</sup> had envisaged beginning an evaluation of the EIB's activities in the energy sector in 2017/18. EV subsequently agreed to address a request from the EIB's Projects Directorate (PJ) to start this Ex-post evaluation of the EIB's ELC, 2013-2017; thereby coinciding with PJ's formal review of the ELC, which will seek to reflect developments relating to EU Energy Policy and the global energy market<sup>93</sup>.

A review of the ELC is also timely as the document should be periodically updated. The last review, which took place in 2012/13, took the following steps:

- An **initial review** of key policy and energy market developments, investment needs, and the preparation of a public consultation document. This step was undertaken by PJ.
- An **internal consultation**, which covered the priorities of the Bank, as well as the screening and eligibility criteria. This step engaged all relevant EIB Directorates.
- An **external consultation** that was based on a Call for Public Views<sup>94</sup>. The external process was led by the EIB's General Secretariat Directorate (SG).
- **The compilation of the final ELC document**, which drew on the three prior stages. In addition, a synthesis of the answers to the consultation was prepared, and responded to external comments. This step was led by PJ.

The ongoing review of the ELC will take similar steps, **and will also draw on this evaluation**. By doing so, stakeholders with an interest in this evaluation will have a view as to whether the ELC achieved its objectives during the period 2013-2017.

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<sup>92</sup> EV (2016) Activity report 2014-2015 and Work programme 2016-2018. Available [here](#).

<sup>93</sup> The Thematic Evaluation Report notes that the EIB's ELC are also shaped by: developments in world and EU energy markets; developments in EU policy relating to external affairs and development; Member State policy (to a lesser extent than EU policy); and the Bank's Corporate Operational Plan.

<sup>94</sup> Available [here](#). [Accessed on 13 March 2018].

## Annex 2 - Reconstructed intervention logic of the ELC

Prior to this evaluation, the ELC did not have an explicit intervention logic and it was not entirely clear as to the causal pathways leading to its expected outcomes and impacts. Consequently, the ELC's intervention logic has been re-constructed ex-post by the evaluation team, which has drawn on: the stated objectives within the ELC document; comments on the Approach Paper received from the Reference Group; and discussions held with the Reference Group during the evaluation's Launch Meeting of 16 April 2018, and the Approach Meeting of 20 June 2018.

The reconstructed intervention logic for the ELC helps the evaluation to clarify: the objectives and expected effects of the ELC; the assumptions and uncertainties relating to the ELC's results chain; the conditions for the ELC's success; and the success criteria. As such, the ELC's intervention logic facilitates the formulation of questions against which the ELC are evaluated.

As illustrated in Figure 19 (page 58), the reconstructed intervention logic is divided into two streams. Stream 1 relates to contributing to the achievement of EU Energy Policy objectives<sup>95</sup>, and Stream 2 relates to the ELC's contribution to making the EIB's financial decision making process as transparent and predictable as possible<sup>96</sup>.

### Stream 1: Contributing to the achievement of EU Energy Policy objectives

*Expected impact: What is Stream 1 of the ELC expected to contribute to?*

As the current version of the EIB's ELC were adopted in 2013, the document bears the hallmarks of the EC's Communication on an Energy Policy for Europe<sup>97,98</sup>, which has the following three objectives for its Internal Energy Market:

- Competitiveness (or affordability) – as the EU is becoming increasingly exposed to the effects of price volatility on international energy markets and the consequences of the progressive concentration of hydrocarbons reserves. In response to this, boosting investment, particularly in energy efficiency and renewable energy, should create jobs, and promote innovation and the knowledge-based economy. A competitive Internal Energy Market would lead to reductions in the cost of energy for citizens and companies. As energy is a significant cost component in many economic activities, lowering the cost of energy should contribute to economic growth; an objective that features in the title of the ELC document.
- Security of supply – as (i) there are political and economic risks associated with the EU's increasing dependence on imported hydrocarbons, (ii) the mechanisms to ensure Member State solidarity in the event of an energy crisis were not in place, and (iii), EU electricity demand is rising. There is a degree of overlap between the security of supply and competitiveness objectives, as security of supply entails securing energy at affordable prices.
- Sustainability – as energy production and consumption account for approximately 80% of the EU's GHG emissions, and the EU has committed to reducing EU and worldwide GHG emissions to a level that would limit the global temperature increase to 2°C above pre-industrial levels. In order to achieve this, it is vital that economic instruments, like the emissions trading mechanism, work effectively. In addition, transmission system operators must have an interest in promoting connection by renewable, combined heat

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<sup>95</sup> Stream 1 of the intervention logic is aligned with the first objective of this evaluation, relating to the relevance and effectiveness of the ELC for selecting projects.

<sup>96</sup> Stream 2 of the intervention logic is aligned with the second objective of this evaluation, relating to the relevance and effectiveness of the ELC for transparently consulting and informing stakeholders as to how the ELC were designed, and are used to select projects for EIB financing.

<sup>97</sup> EC (2007) Communication on an Energy Policy for Europe, COM (2007) 1 final. Available [here](#).

<sup>98</sup> The eligibility guidelines for the energy sector that entered into force in October 2007, had already taken into consideration the EC's Communication on "An energy policy for Europe". Nevertheless, the currently applicable ELC also does so, as inferred by the sub-title of the ELC document: "EIB and Energy: Delivering Growth, Security and Sustainability".

and power generation, micro-generation, stimulating innovation and encouraging smaller companies and individuals to consider non-conventional supply.

The Energy Policy for Europe put forward by the EC in January 2007, and subsequently adopted by the European Council, also lays down targets for the EU to achieve by 2020; with a view to reducing EU GHG emissions, developing renewable energy resources and improving energy efficiency<sup>99</sup>. These targets are also known as the “20-20-20” targets. They are interrelated and mutually supportive, and were re-iterated in the EC’s Europe 2020 strategy for smart, sustainable and inclusive growth<sup>100,101</sup>. An overview of the 20-20-20 targets is provided in Table 13.

<b>Table 14 Climate and energy targets for 2020</b>		
<b>Indicator</b>	<b>Baseline</b>	<b>2020 target</b>
<b>GHG emissions</b>	1990 levels	Reducing by at least 20% compared to baseline
<b>Renewable energy in final energy consumption</b>	n.a.	Share of 20%
<b>Energy efficiency</b>	Hypothetical business-as-usual projection for energy consumption in 2020, using 2005 as the base year	Increasing by 20% compared to baseline

Source: EC; Eurostat<sup>102</sup>; adapted by EV

The ultimate goal of the ELC is for completed projects located inside and/or outside the EU that are financed by the EIB to contribute to the achievement of the abovementioned EU Energy and Climate Policy objectives (competitiveness, security of supply and sustainability)<sup>103</sup>. For projects financed by the EIB that are solely located outside the EU, the ELC also aim to contribute to the preservation of peace and security (in line with EU External Affairs Policy), and foster sustainable development, particularly in relation to eradicating poverty (in line with EU Development Policy)<sup>104</sup>.

#### *Assumption(s)*

In transitioning from the ELC’s expected outcomes to its expected impact, it is assumed that projects financed by the EIB are completed and operational.

<sup>99</sup> Climate change and energy are closely interlinked, as the production and consumption of energy generated from fossil fuels substantially contribute to global warming

<sup>100</sup> EC (2010) Communication Europe 2020: A strategy for smart, sustainable and inclusive growth, COM(2010) 2020 final. Available [here](#).

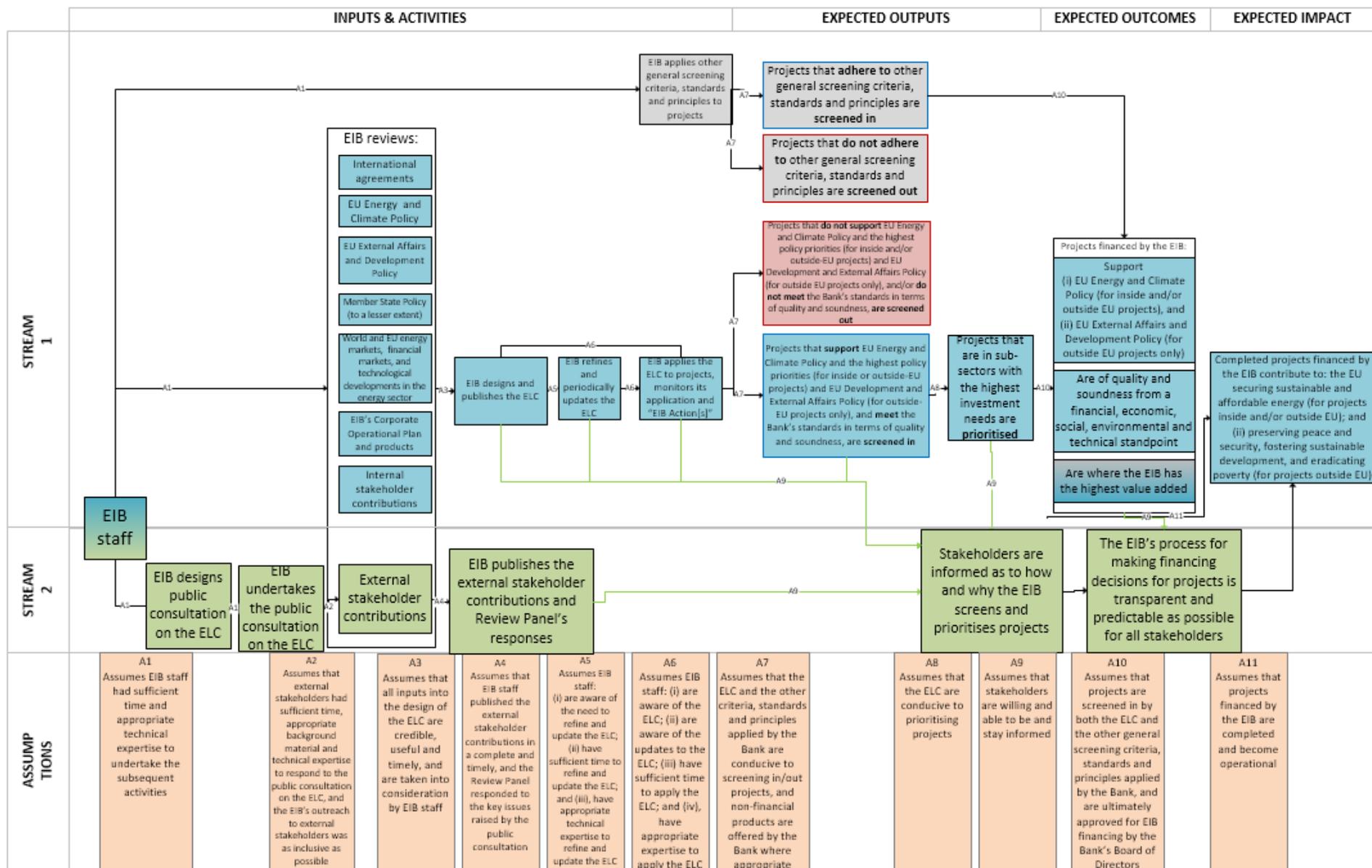
<sup>101</sup> It must be noted that the indicators are at EU-level. As such, it is possible (and likely) that some Member States will achieve their respective 2020 targets, while others will not.

<sup>102</sup> Eurostat (2017) Europe 2020 indicators – climate change and energy, Statistics Explained. Available [here](#). [Accessed on 9 March 2018].

<sup>103</sup> See paragraph 17 on page 4 of the ELC.

<sup>104</sup> See paragraph 9 on page II of the ELC.

Figure 19 The reconstructed intervention logic for the ELC



Source: EV

### *Expected outcomes: What is Stream 1 of the ELC expected to achieve?*

In order to contribute to the achievement of EU Energy Policy objectives, projects financed by the EIB should be relevant, and of quality and soundness<sup>105</sup> from a financial, economic, social environmental and technical standpoint<sup>106</sup>.

In addition, the ELC states that projects financed by the EIB should be in areas where the EIB can have the highest value added<sup>107</sup>. However, as the ELC only concerns themselves with Pillars 1 (Contribution to EU Policy) and 2 (Quality and soundness of the project) of the EIB's 3 Pillar Assessment (3PA) guidelines, Pillar 3 (Contribution of the EIB to the project) will fall *within the scope* of the evaluation at the project-level, but *beyond the scope* of the evaluation at the thematic-level.

#### *Assumption(s)*

In transitioning from the ELC's expected outputs to outcomes, it is assumed that projects that are screened in and prioritised by the ELC also respect other general screening criteria, standards and principles applied by the EIB. These other criteria, standards and principles fall within the peripheral scope of the evaluation, as they will be described but not evaluated (illustrated by grey shading of their corresponding boxes in Figure 8 on page 58). Examples of such criteria include the Bank's: credit and equity risk guidelines; the economic appraisal of investment projects; guide to procurement; and environmental and social principles and standards.

Lastly, it is assumed that projects that are screened in by the ELC, as well as other general screening criteria, standards and principles, are ultimately approved for EIB financing by the EIB's Board of Directors.

### *Expected outputs: What is Stream 1 of the ELC expected to deliver?*

The EIB's application of the ELC is expected to enable the Bank to:

- **Screen out**<sup>108</sup> projects that **do not support** EU Energy Policy and/or **do not meet** the Bank's standards in terms of quality and soundness; and
- **Screen in**<sup>109</sup> projects that **support** EU Energy Policy and the highest policy priorities<sup>110</sup>, and **meet** the Bank's standards in terms of quality and soundness<sup>111</sup>.

In the case of the latter, projects that are in sub-sectors with the highest investment needs<sup>112</sup> should be **prioritised**<sup>113</sup>. However, it has been indicated that, in most cases, a form of upstream screening occurs before the drafting of the Preliminary Information Note (PIN). In addition, the Reference Group has indicated that the degree to which the EIB is willing and able to prioritise projects is dependent on several factors that are external to the ELC, namely:

- The breadth of the EIB's pipeline of projects;
- The business model of the EIB that is (i) founded on its AAA credit rating and (ii), accommodates projects being presented on a first-come, first-served basis, and at very different stages of the project cycle;
- The volume targets indicated in the Bank's COP;
- The other general screening criteria, standards and principles applied by the Bank; and
- The use of the 3PA or ReM sheets by the governing bodies to approve projects.

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<sup>105</sup> See paragraph 6 on page 2 of the ELC.

<sup>106</sup> The various perspectives referred to derive from the appraisal phase within the EIB's project cycle. Available [here](#).

<sup>107</sup> See paragraph 6 on page I and paragraph 18 on page 4.

<sup>108</sup> See paragraph 29 on page V of the ELC, and paragraph 112 on page 26.

<sup>109</sup> See paragraph 8 on page II of the ELC.

<sup>110</sup> See paragraph 6 on page I of the ELC.

<sup>111</sup> See paragraph 6 on page 2 of the ELC.

<sup>112</sup> These priority sub-sectors account for around 90% of EU investment needs and are sectors that strongly support EU Energy Policy objectives. See paragraph 10 on page II of the ELC.

<sup>113</sup> See paragraph 7 and 8 on page II of the ELC. There are approximately 40 references to the word "priority", "priorities" or "prioritisation" in the ELC document.

If this is the case, then there is potentially a divergence between what is communicated in the ELC, and the operational reality of the Bank. The evaluation will explore this further.

#### *Assumption(s)*

In order to transition from ELC-related activities undertaken by the EIB to expected outputs, it is assumed that the ELC are conducive to screening projects. In order to screen projects effectively:

- The criteria should be no more restrictive than is necessary to identify eligible projects;
- All relevant inclusion criteria should be met in order for a project to be eligible for EIB financing; and
- A project meeting one or more of the exclusion criteria should not be eligible for EIB financing.

It has been indicated that, in general, the ELC are not exhaustive as they have been further developed within internal operational guidelines where applicable. These internal guidelines typically aim to provide build on the ELC, and increase the consistency in the approach taken by the Bank when screening projects.

Further to this, it is assumed that non-financial products offered by the Bank are offered, where appropriate, for improving projects that would have been:

- Screened in regardless of the provision of the non-financial product; and
- Screened out if they had not benefitted from the non-financial product.

Lastly, it is assumed that after projects are screened in, they are prioritised on the basis of a framework that supports financial decision making.

#### *What inputs are available to undertake activities under Stream 1 of the ELC?*

The technical expertise of EIB staff for designing, publishing, updating, applying and monitoring the ELC should draw on:

- The relevant international agreements of the time, e.g. the Kyoto Protocol and the Copenhagen Accord in the case of climate change-related agreements.
- EU policies in energy, climate change, and external affairs and development<sup>114</sup>.
- Certain areas of energy policy that are decided upon by individual Member States<sup>115</sup>.
- Developments in global and EU energy and financial markets<sup>116</sup>.
- The EIB's COPs during the period covered by this evaluation<sup>117</sup>, and the Bank's financial and non-financial products<sup>118</sup>.
- Internal stakeholder contributions, which drew on an internal consultation that covered the priorities and products of the Bank, as well as its screening and eligibility criteria. This input engaged all relevant EIB Directorates.
- External stakeholder contributions<sup>119</sup>, which was based on a public consultation<sup>120</sup>. The external process was led by SG/CR/CS.

In addition, the EIB should draw on its staff's technical expertise in order to monitor (i) the application of the ELC and (ii), the "EIB Action[s]" referred to in each sub-sector covered by the ELC.

#### *Assumption(s)*

In transitioning from the ELC's inputs to activities, various assumptions are made in relation to EIB staff:

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<sup>114</sup> See paragraph 9 on page II of the ELC.

<sup>115</sup> Idem.

<sup>116</sup> Paragraph 8 on page II of the ELC.

<sup>117</sup> See paragraph 6 on page 2 of the ELC. The EIB's COP has been particularly affected by two external factors, namely: the Growth and Employment Facility, and the European Fund for Strategic Investments (EFSI).

<sup>118</sup> See paragraph 11 on page 3.

<sup>119</sup> See paragraph 7 on page II of the ELC.

<sup>120</sup> Available [here](#). [Accessed on 13 March 2018].

- Being aware of the currently applicable ELC (including any periodical updates<sup>121</sup>); and
- Having sufficient time and expertise to design, publish, periodically update<sup>122</sup>, apply and monitor the application of the ELC.

Further to this, it is assumed that the EIB reviews all of the aforementioned inputs in order to design the ELC, and all of the inputs are credible, useful and timely.

## **Stream 2: Contributing to making EIB financing decisions on projects as transparent and predictable as possible**

Stream 2 is instrumental in that it contributes to Stream 1's expected impact, but does not result in an impact of its own. Therefore, Stream 2's final expected effect relates to its expected outcome of making the EIB's financial decision making process as transparent and predictable as possible for all stakeholders.

### *Expected outcome: What is Stream 2 of the ELC expected to achieve?*

*"Transparency/predictability – while it is in investors'... interests to maintain confidentiality of sensitive information, regulatory objectives and practices should be made as transparent as possible so as to increase the predictability of outcomes." OECD<sup>123</sup>*

The ELC should allow stakeholders to understand the EIB's financing decisions on projects. In order to do so, the EIB should be:

- As transparent as possible in terms of how the ELC are designed and periodically updated. A lack of transparency would arguably shield the EIB from accountability in terms of how it uses the ELC to select projects for financing.
- As predictable as possible in terms of how the ELC are applied. A lack of predictability would be unfavourable to, in particular, prospective EIB counterparts allocating resources with the hope of securing EIB financing for their projects.

In doing so, the ELC should adhere to the EIB Group's Transparency Policy<sup>124</sup>, which *inter alia* lays down guiding principles in the areas of: stakeholder engagement in general; stakeholder engagement in projects; and public consultation.

### *Expected outputs: What is Stream 2 of the ELC expected to deliver?*

In order that stakeholders find the EIB's decision making process transparent and predictable, the EIB should inform them as to how and why the Bank screens and prioritises projects with a view to supporting EU Energy Policy. This evaluation anticipates that the Bank, at the level of the portfolio, may do so:

- Upstream, i.e. when the ELC document was designed, published and periodically updated; and
- In the form of annual or biennial reporting on the EIB's support to EU Energy Policy<sup>125</sup>.

While, on a project-by-project basis, the EIB may do so by informing stakeholders as to when projects are approved by the EIB's BoD, and contracts have subsequently been signed and, in turn, amounts disbursed. Projects that have been screened out by the Bank are not listed on the EIB's website for commercial reasons.

<sup>121</sup> The Reference Group has indicated that periodical updates relate to formal reviews of the ELC, not specific operational guidelines and approaches developed for internal use only.

<sup>122</sup> See paragraph 8 on page II of the ELC.

<sup>123</sup> OECD (2009) Guidelines for Recipient Country Investment Policies relating to National Security: Recommendation adopted by the OECD Council on 25 May 2009. Available [here](#).

<sup>124</sup> EIB Group (2015) European Investment Bank Group Transparency Policy. Available [here](#).

<sup>125</sup> During the Approach Meeting of 20 June 2018, it was explained that the EIB currently only reports externally on its four primary public policy goals: innovation; SMEs and MidCap finance, Infrastructure and the Environment. Therefore, as it stands, there is little to no scope to report on the EIB's financing of projects with an energy component.

### *Assumption(s)*

The EIB's primary mode of communication on (i) the ELC, (ii) individual projects and (iii), the Bank's support to EU Energy Policy as a whole, is the EIB website. Therefore, in order that stakeholders are and stay informed, it is assumed that stakeholders are willing and able to access the EIB's website and are notified of internet postings in a timely manner.

### *What inputs are available to undertake activities relating to Stream 2 of the ELC?*

EIB staff expertise is used to consult and inform<sup>126</sup> stakeholders on the design, publication, updating and monitoring of the ELC and "EIB Action[s]".

One of the inputs for EIB staff's design of the ELC is external stakeholder contributions, which was the outcome of the public consultation undertaken by the EIB<sup>127</sup>. Relevant documentation that was made publicly available in the context of this consultation included:

- The Issues Paper – Call for Public Views, which welcomed responses on the EIB's then applicable Energy Sector Lending Policy and the issues raised in the Paper itself;
- The agenda for the Consultation Meeting in Brussels;
- The 87 written responses to the Issues Paper;
- The EIB Review Panel's Responses to the issues raised by the written responses;
- The Consultation Report, which explains how the consultation process was conducted; and
- The final version of the ELC document, as approved by the EIB's BoD.

During the Approach Meeting it was indicated that some external stakeholder contributions had been provided in a context outside of the abovementioned public consultation, e.g. during bi-lateral meetings. However, the "audit trail" for these external stakeholder meetings is not as documented and so is difficult to trace. Hence, the evaluation team has decided to focus its analysis on external stakeholder contributions made via the public consultation.

### *Assumption(s)*

It is assumed that the EIB had sufficient time and appropriate technical expertise to design and implement the public consultation on the ELC. In addition, it is assumed that external stakeholders had sufficient time and appropriate background material and technical expertise to respond to the public consultation on the ELC in a credible, useful and timely manner.

Lastly, and although ensuring the utmost outreach via the public consultation is not necessarily an aim in itself, it is assumed that the approach applied by the EIB in undertaking the public consultation was as inclusive as possible.

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<sup>126</sup> Green arrows in in Figure 8 indicate information flows.

<sup>127</sup> The timeline for the EIB's public consultation on the EIB's Energy Lending Criteria is available [here](#), along with all relevant documentation.

### Annex 3 - Overview of EU Energy Policy

The founding Treaties of the EU did not include a specific provision on EU intervention in the field of energy. Yet, with Article 194, the Treaty on the Functioning of the European Union<sup>128</sup> (TFEU) introduced a legal basis for the field of energy<sup>129</sup>.

In 2007, the EC's Communication on an Energy Policy for Europe<sup>130</sup> put forward the aim of delivering sustainable, secure and competitive energy. The risks underpinning this three-pronged objective are explained in Table 15, along with a definition for each of the EC's three corresponding aims. The same Communication laid down targets for the EU to achieve by 2020; with a view to turning the EU into a low-carbon economy based on renewable energy sources and energy efficiency<sup>131</sup>. They are interrelated and mutually supportive, were re-iterated in the EC's Europe 2020 strategy for smart, sustainable and inclusive growth<sup>132</sup>, and are listed below:

- Reducing greenhouse gas (GHG) emissions by at least 20% compared to 1990 levels.
- Increasing the share of renewable energy in final energy consumption to 20%; and
- Moving towards a 20% increase in energy efficiency compared to 2005 levels.

**Table 15 The definition and rationale for each of the three aims of EU Energy Policy**

Definition of the aim	Rationale
<b>Energy sustainability</b>	
The achievement of supply- and demand-side energy efficiencies and the development of energy supply from renewable and other low-carbon sources	Risks posed by global temperatures increasing by more than 2°C above pre-industrial levels
<b>Energy security</b>	
The effective management of primary energy supply from domestic and external sources, reliability of energy infrastructure, and the ability of energy providers to meet current and future demand	Risks posed by (i) the EU's increasing dependence on imported hydrocarbons, the lack of mechanisms to ensure Member State solidarity in the event of an energy crisis and (iii), rising EU electricity demand
<b>Energy competitiveness</b>	
The accessibility and affordability of energy supply across the population	Risks posed by the affordability of energy supply across the EU, as its population is becoming increasingly exposed to the effects of price volatility on international energy markets and the consequences of the progressive concentration of hydrocarbon reserves

Source: EV, World Energy Council<sup>133</sup>

The drafting and adoption of the ELC was underpinned by policy priorities set out in a number of EU documents, including: the 2030 Framework for Climate and Energy<sup>134</sup>, the Energy Roadmap 2050<sup>135</sup>; and the key priorities set out in the European Council meeting of 22 May 2013<sup>136</sup>. As illustrated in Figure 20 (page 64), since the adoption of the ELC in mid-2013, EU Energy Policy has evolved considerably.

<sup>128</sup> The Treaty of the Functioning of the European Union. Available [here](#).

<sup>129</sup> Further to the Lisbon Treaty, the Treaty establishing the European Atomic Energy Community (Euratom Treaty) serves as the legal basis for most EU actions in the field of nuclear energy. Source: Stoerring, D. (2017) Energy Policy: General Principles, Fact Sheets on the European Union. Available [here](#).

<sup>130</sup> EC (2007) Communication on an Energy Policy for Europe, COM(2007) 1 final. Available [here](#).

<sup>131</sup> Climate change and energy are closely interlinked, as the production and consumption of energy generated from fossil fuels substantially contribute to global warming

<sup>132</sup> EC (2010) Communication Europe 2020: A strategy for smart, sustainable and inclusive growth, COM(2010) 2020 final. Available [here](#).

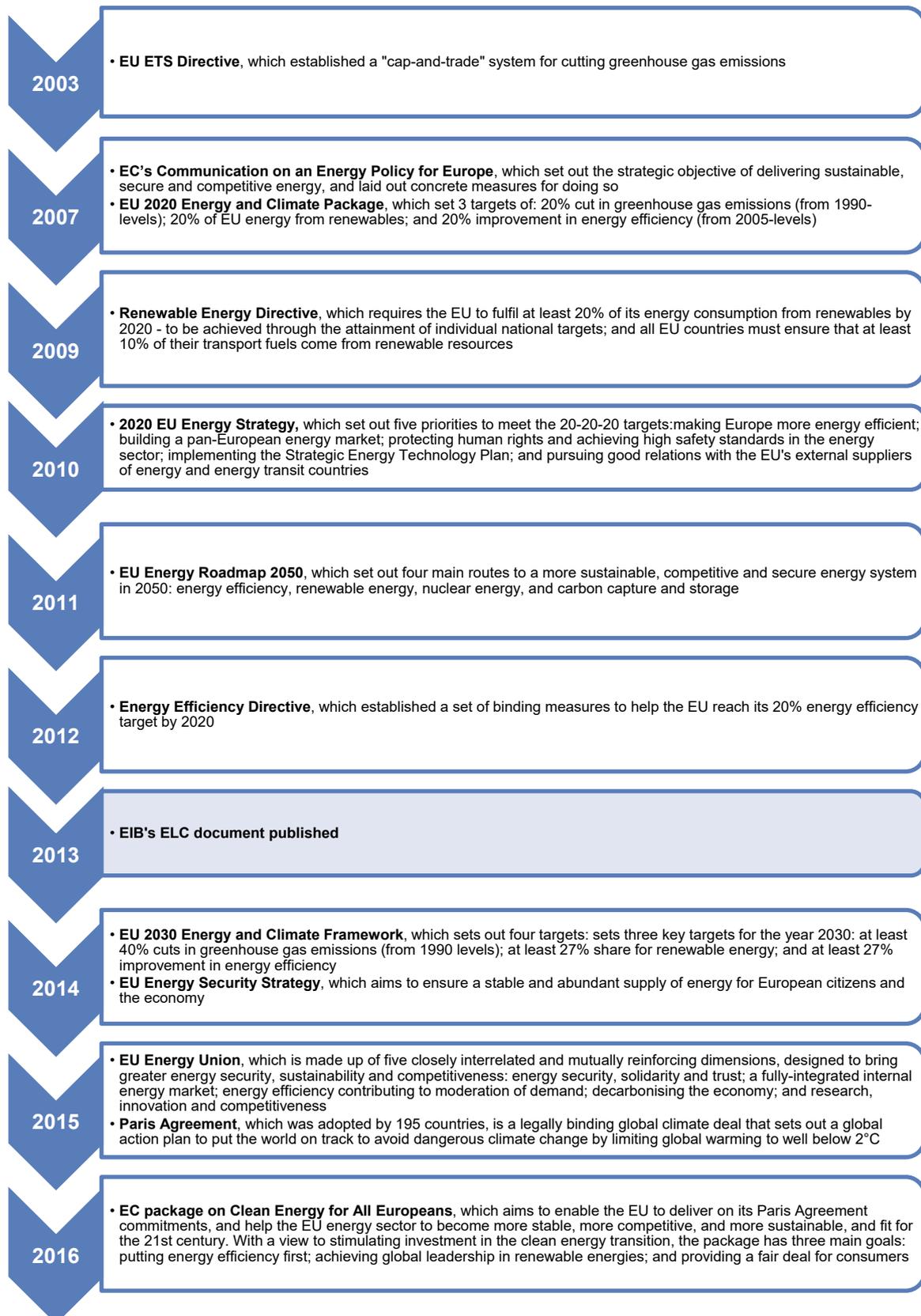
<sup>133</sup> The definitions of each aim derive from the World Energy Council's definitions for: Environmental Sustainability; Energy Security; and Energy Equity. These three aims are synonymous with the three aims put forward by the EC. See World Energy Council & Oliver Wyman (2017) World Energy Trilemma Index 2017: Monitoring the Sustainability of National Energy Systems, p.9. Available [here](#).

<sup>134</sup> See paragraph 35 on page 7 of the ELC.

<sup>135</sup> See paragraph 34 on page 7 of the ELC.

<sup>136</sup> See paragraph 36 on page 7 of the ELC.

**Figure 20 Major developments (non-exhaustive) in EU Energy Policy, 2003-2017**

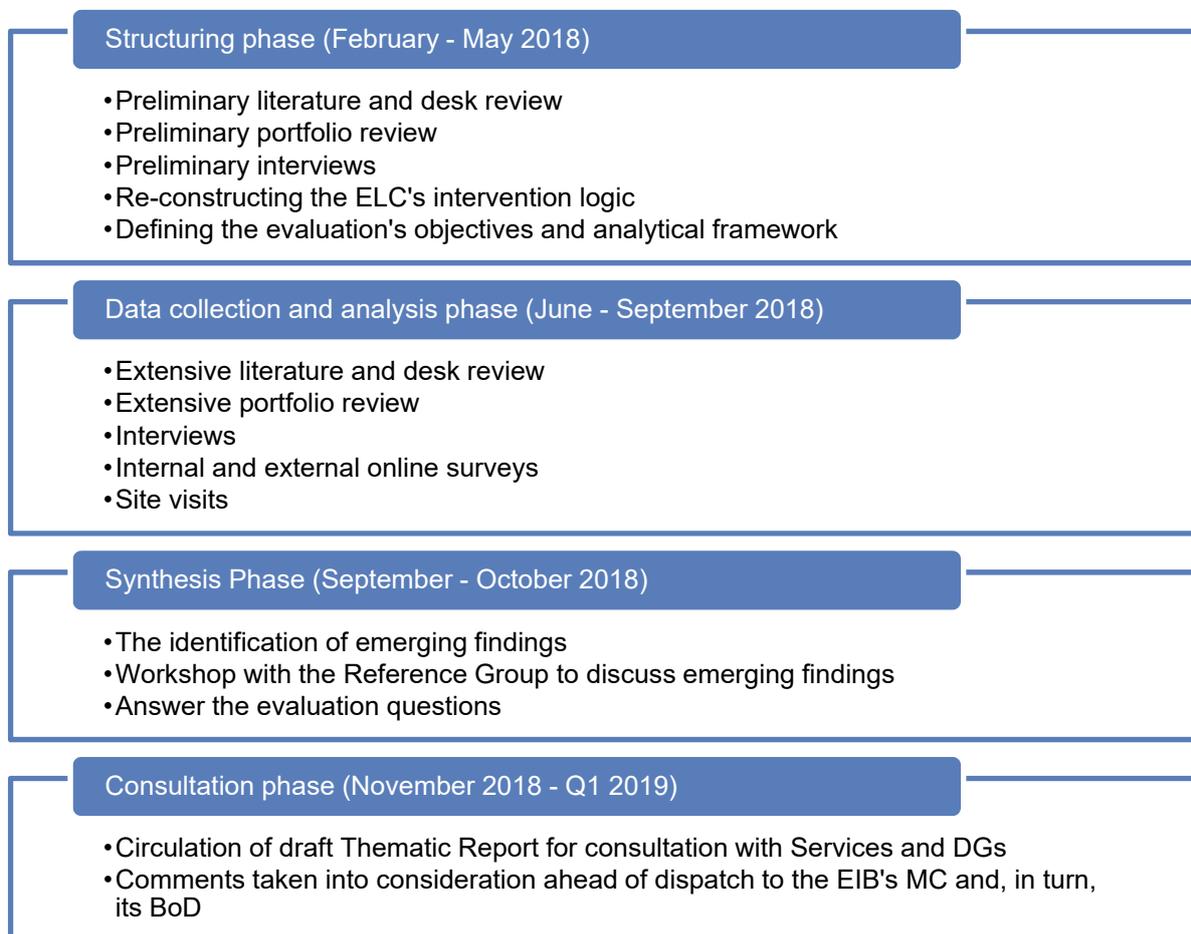


Source: EV, COWI

## Annex 4 - Evaluation work plan

An overview of the approach used to undertake this evaluation is provided in Figure 7.

**Figure 21 Overview of the evaluation's work plan**



Source: EV

## Annex 5 - Limitations and mitigation measures

An overview of the limitations of this evaluation’s approach is provided in Table 16, alongside the corresponding mitigation measures applied.

<b>Table 16 Limitations and mitigation measures of the evaluation’s approach</b>	
<b>Limitation</b>	<b>Mitigation measure</b>
The way in which the ELC document has been drafted leaves room for interpretation as to activities that are permitted (i.e. screened in) or excluded (i.e. screened out) by the Bank. This hindered the textual analysis of the ELC’s consistency with EU and EIB policy priorities.	The evaluation team triangulated desk research with data from the interviews and the surveys in order to ensure the accuracy of findings in this regard.
The ELC document does not provide a clear definition for “investment needs”.	For the sake of this evaluation, “investment needs” have been defined as: total or annual investment needed for the period 2010-2020 in order to achieve EU Energy Policy objectives.
ELC sub-sectors are not aligned with NACE codes nor the EIB’s eligibilities under COP PPGs. As a result, the sub-sectors covered by the ELC are not easily identifiable in EIB systems.	The evaluation team reconstructed the EIB’s portfolio of projects with a material energy component and classified the underlying projects by ELC sub-sector (see 3.2 on page 24 for further information). The material energy component was assumed to be at least 20% of the total approved EIB financing amount for a project.
The classification of projects falling under the 2007-2013 period was particularly challenging as it did not have a flag for eligibilities under relevant “Transversal” COP PPGs (i.e. Climate Action).	The evaluation team classified the portfolio by ELC sub-sector solely on the basis of flags relating to Activity Class 1 “Energy”.
There is incomplete data for projects that have been screened out.	The evaluation team drew on a register of 82 projects screened-out by PJ’s Energy Directorate during the period 2014-2017.
Despite extending the deadline for the external survey on several occasions, and sending reminders to external stakeholders in order to encourage their participation within the context of the online survey, just 22 completed responses and 20 partially completed responses were received. This limited the ability of the evaluation to answer questions 3.1 and 3.2 (see Table 3 on page 9).	This Thematic Evaluation Report places little emphasis on the online survey of external stakeholders, and places greater weight on the survey responses received from internal stakeholders. In addition, the evaluation sought to compensate for the low number of survey responses from external stakeholders by incorporating the views expressed during interviews with representatives of either the EC or EIB counterparts.
The analysis of the Issues Matrix <sup>137</sup> is based on a sub-set of issues identified on the basis of the public consultation (covering five topics and seven contributors). Therefore, the results may not be representative for all topics and all contributions.	In formulating the sub-set of issues, attention was paid to ensure that: (i) the issues selected spanned different areas of content that form the basis of the ELC; and (ii), the selected contributors represented different types of stakeholders.

Source: EV

<sup>137</sup> The Issues Matrix is the document in which the EIB’s IDRP responds to external stakeholder contributions made within the context of the public consultation process relating to the ELC. The Issues Matrix was published on the EIB’s website on 22 July 2013.

## Annex 6 - Portfolio review

During the period 2013-2017, the EIB has approved global energy financing of around EUR 63 bn to finance 482 projects that had an energy component of at least 20% of total EIB approved financing. Of this amount, EUR 60.5 bn have been classified in the seven ELC sub-sectors whereas EUR 2.9 bn were assigned to 'other energy' category, where it was problematic to identify the ELC sub-sector from the available information.

**Figure 22 EIB's energy lending approvals (2013-2017)**



Source: EV, COWI

Annually, the EIB has approved financing of approximately EUR 12-14 bn for financing energy projects. More than 90% of EIB's global energy lending has been approved within energy networks, renewable energy and energy efficiency sub-sectors. Energy networks account for the largest share (43%), followed by renewable energy (29%), and energy efficiency (22%).

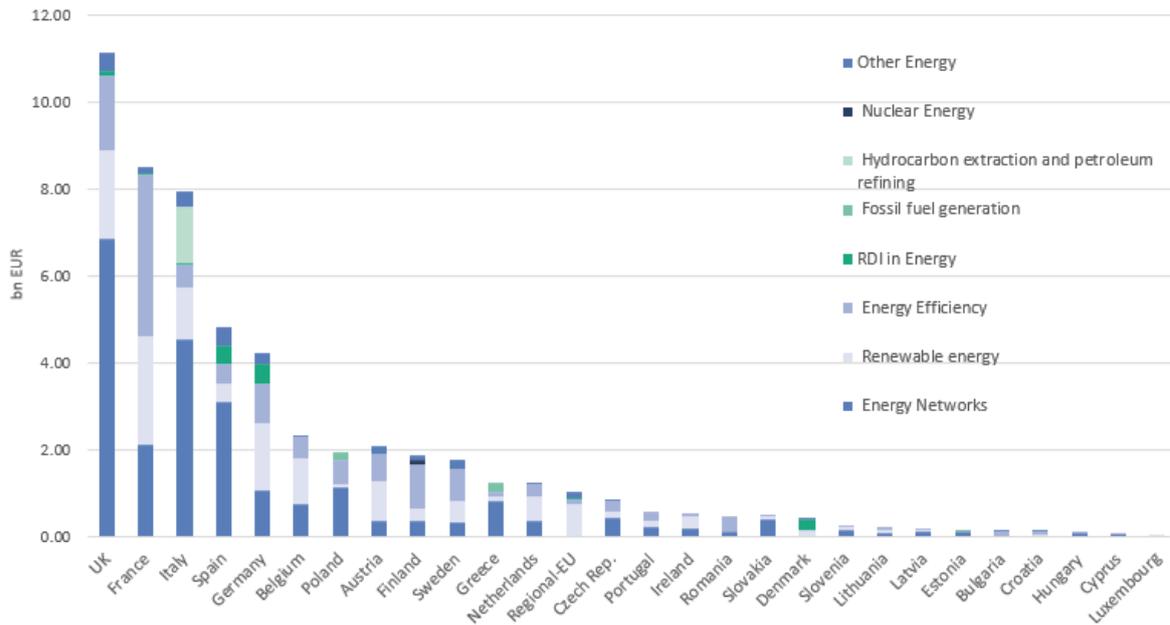
The majority of the operations have been in the EU-28 (387), followed by the African, Caribbean and Pacific countries (29), Asia (15), the Mediterranean countries (14) and Latin America (12). The largest number of operations were within the energy efficiency sub-sector (182), followed by renewable energy (134), energy networks (110), research, development and innovation (12), fossil fuel generation (5).

### EIB's energy lending in the EU-28

During the period 2013-2017, the EIB has allocated around EUR 55 bn to finance operations with an energy component within the European Union. This represents around 86% of the Bank's global lending volume to projects with an energy component during this time period. Above one third of those energy operations (during the period 2015-2017) are documented as supporting the European Fund for Strategic Investments (EFSI), which aims to overcome market failures by addressing market gaps and mobilising private investment in the EU-28.

The UK has received the largest amount of EIB's energy financing within the EU-28 with approximately EUR 11 bn, followed by France (EUR 8.5 bn), Italy (EUR 8 bn), Spain (EUR 4.8 bn) and Germany (EUR 4.2 bn). At the bottom of the table are Malta without any operations, followed by Luxembourg (EUR 0.04 bn), Cyprus (EUR 0.06 bn), Hungary (EUR 0.09 bn) and Estonia (EUR 0.14 bn).

**Figure 23 EIB's energy lending approvals within EU-28 (2013-2017)**



Source: EV, COWI

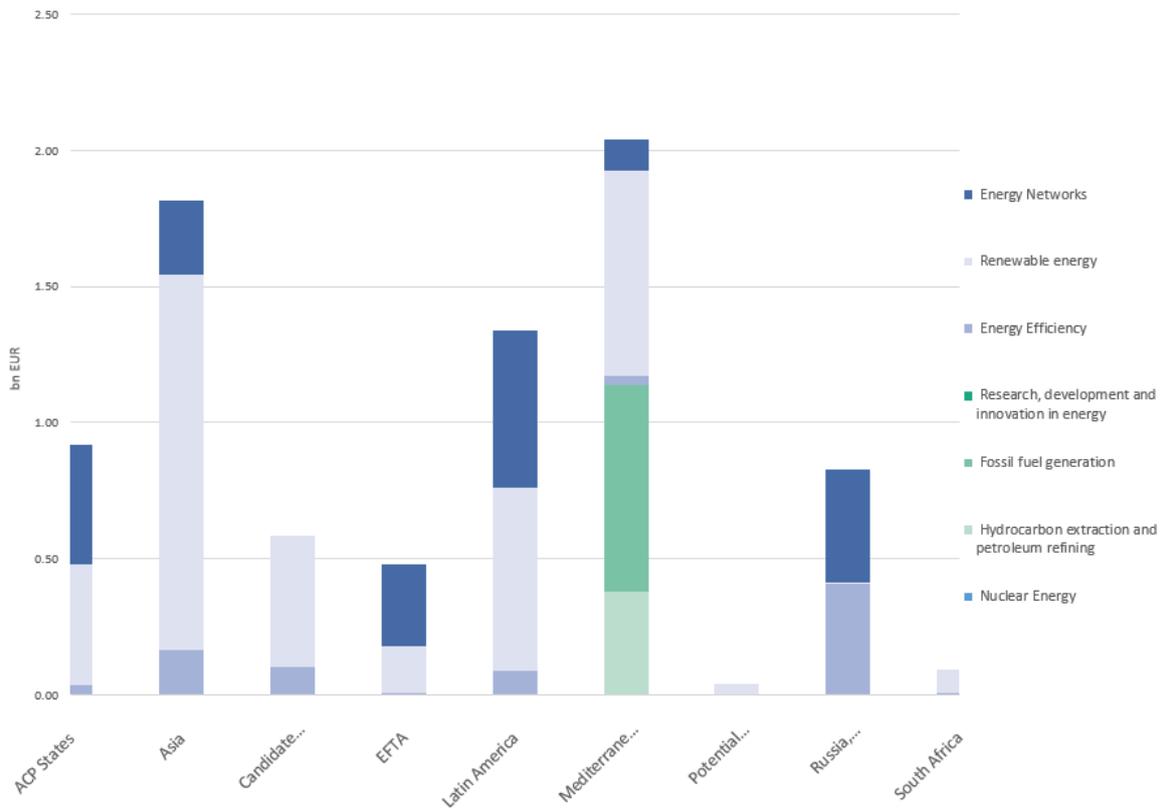
### EIB's energy lending outside EU

During the period 2013-2017, the EIB has approved around EUR 8.7 bn to finance operations with an energy component outside of the European Union. This represents around 14% of the overall global energy lending volume during this time period. This share of energy lending appears slightly larger, when compared with the overall EIB lending outside of the EU-28 countries, which is typically around 10% for other sectors.

The sub-sectoral ranking outside of the EU-28 per invested amount is different than the EIB portfolio in the EU-28. Specifically, 46% of the investment has been within renewable energy with EUR 4 bn, followed by energy networks with EUR 2.1 bn (24%), energy efficiency with EUR 0.84 bn. (10%), fossil fuels with EUR 0.76 bn.(9%), and hydrocarbon extraction and petroleum refining operations accounting to EUR 0.38 bn (4%). No nuclear energy or research and development operations were funded outside of the EU.

The largest amount of financing has been allocated to the Mediterranean countries with EUR 2 bn. (24%), followed by Asia (EUR 1.85 bn, 21% including Central Asia), Latin America at 1.35 bn. (15%), the African, Caribbean and Pacific States accounting 1.17 bn (13%) and Russia, Eastern Europe and South. Caucasus with 1.09 bn (12%).

**Figure 24 EIB's energy approvals outside EU-28 (2013-2017)**

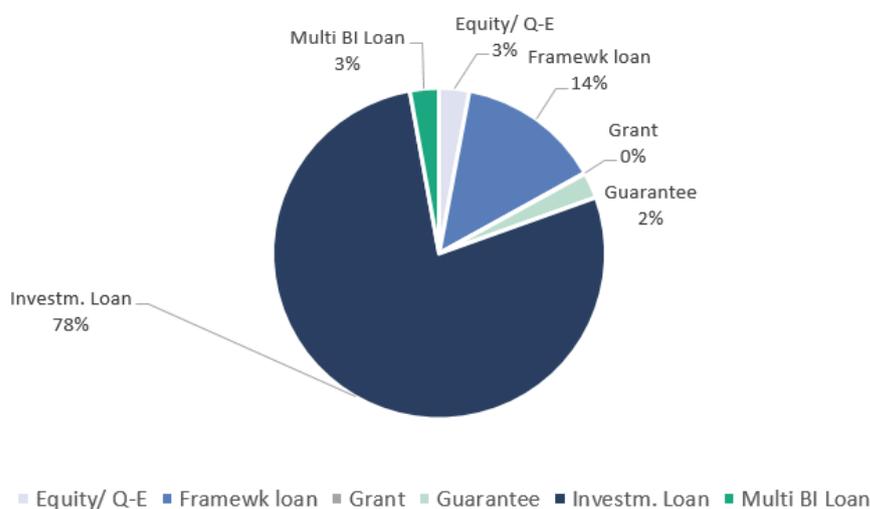


Source: EV, COWI

### Energy lending by financial product

In the period 2013-17, the largest share of energy financing in the ELC sub-sectors was approved through investment loans (322 operations, EUR 47.76 bn) and framework loans (72 operations, EUR 8.23 bn). There were 46 equity operations (EUR 1.66 bn), 28 Multi BI Loans (EUR 1.53 bn), 12 guarantees (EUR 1.30 bn) and 2 grants (EUR 0.04 bn).

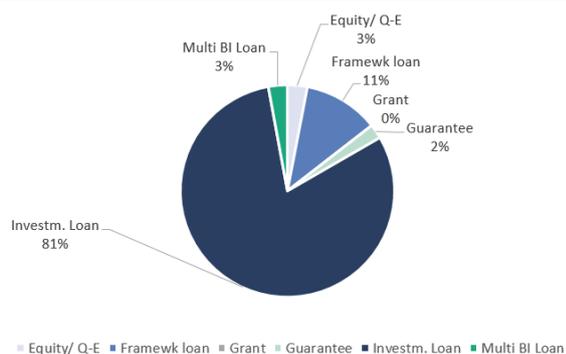
**Figure 25 EIB's energy investment per financial product (2013-2017)**



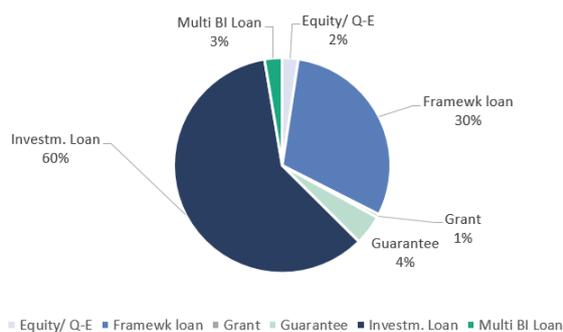
Source: EV, COWI

Energy approval per sub-sector and per financial products is shown in Figure 28. The majority of investments in the energy networks sub-sector are investment loans, while a great variety of instruments are used in the energy efficiency and renewable energy sub-sectors, including equity, framework and multi-beneficiary intermediated loans (MBIL). Small loans are needed to meet investment needs in these sub-sectors (rather than large investments in energy network infrastructure) and, as such, they benefit from the instruments that combine a number of projects under a single operation.

**Figure 26 EU EIB's energy investment per financial product (2013-2017)**



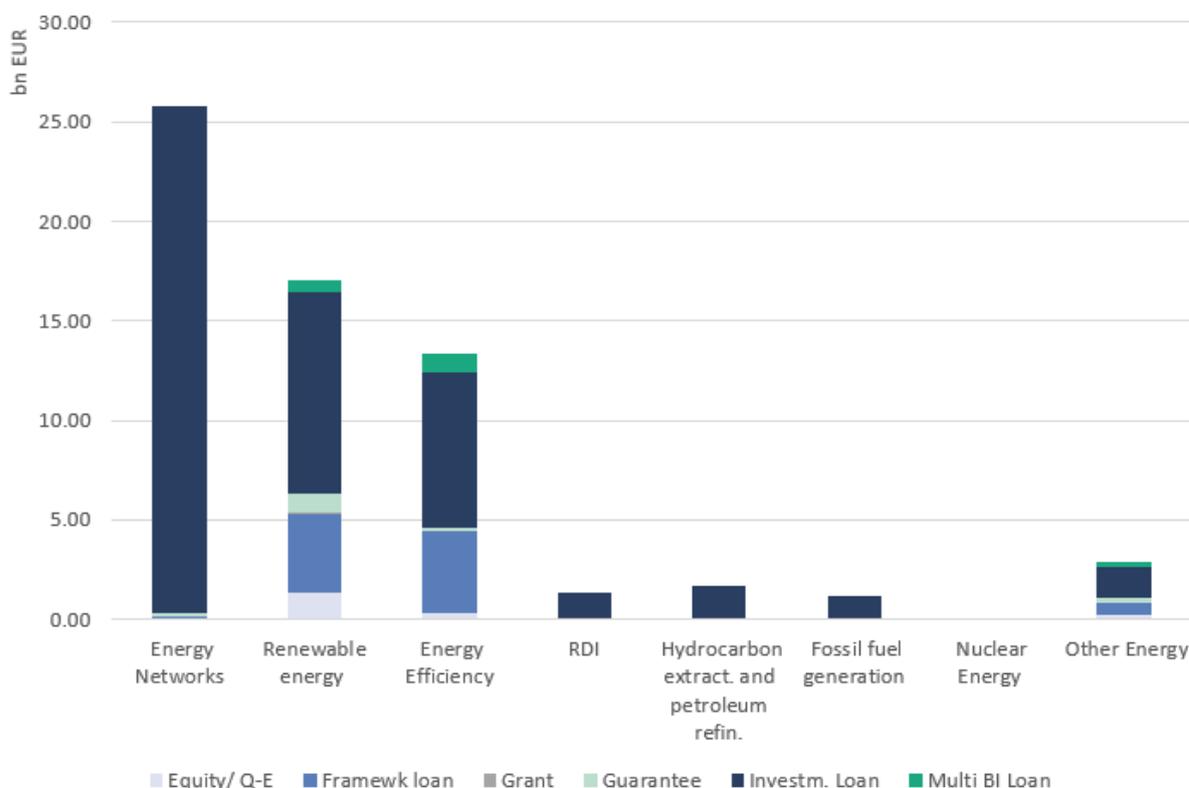
**Figure 27 Non-EU EIB's energy investment per financial product (2013-2017)**



Source: EV, COWI

It appears that all operations with equities and multi BI loans were in the renewable energy and energy efficiency sub-sectors. The majority of the framework loans also fall under those two sub-sectors. Renewable energy was the only sub-sector covering all of the EIB's financial instruments.

**Figure 28 Global energy approval amount by sub-sector and product during ELC**



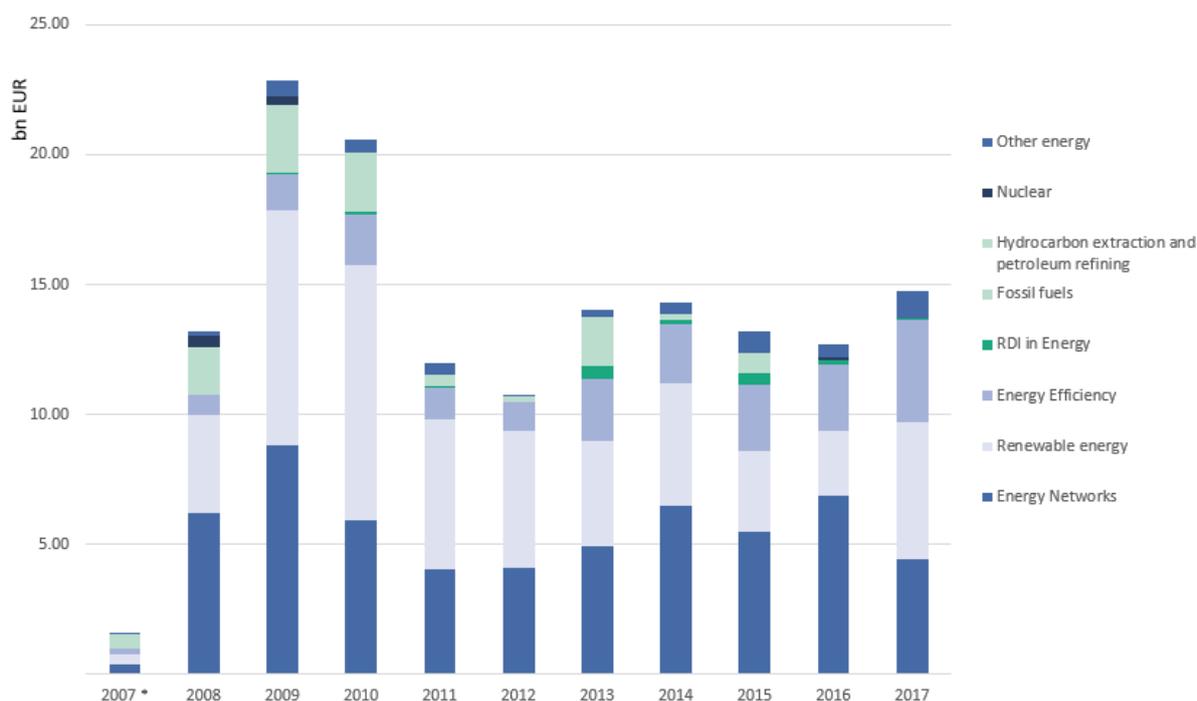
Source: EV, COWI

## Comparison with EIB's energy lending from the previous period (2007-2013)

The comparison of the 'current' portfolio with the 'previous' portfolio (2007-2013) indicates increased investment into sectors with the highest investment needs collectively (i.e. energy efficiency, renewable energy, energy networks and RDI).

- First, the proportion allocated to Energy Efficiency has doubled from the 2007-13 to the 2013-17 period, its proportion in the portfolio increasing from 8% to 21%.
- Second, the proportion of investment in energy networks has increased somewhat, while renewable energy decreased from 42% to 27%.

**Figure 29 Global energy approval amount by sub-sector (2007-2013)**



Source: EV, COWI

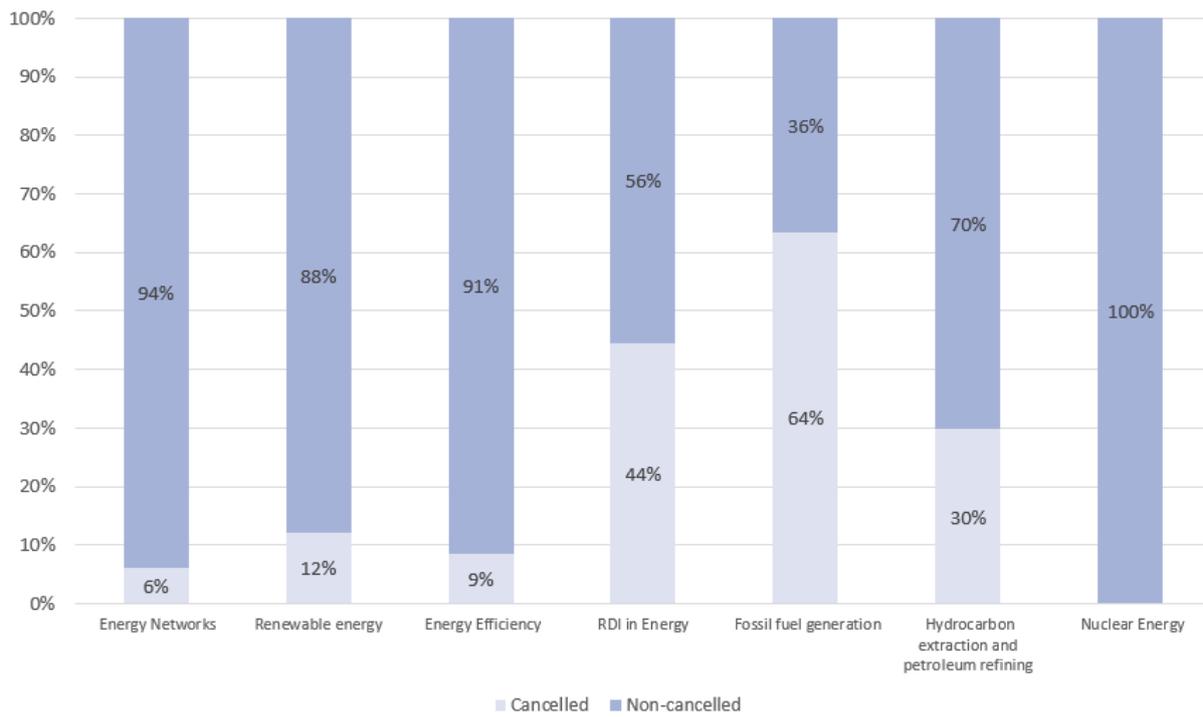
These findings also hold at the EU level, where over the years an increasing share of investments have gone to the renewable energy, energy efficiency and energy networks sectors.

## Cancelled investment after approval (2007-2013)

Around 11% (EUR 6.7 bn) of the approved operations have been cancelled or withdrawn in the 2013-17 period. As shown in Figure 30, 64% of the value of approved investments in the fossil fuel generation sub-sector and 30% of hydrocarbon extraction and petroleum refining investments approved have been cancelled.

These cancellations are related to changes in three operations investing in fossil fuel generation and only one operation in hydrocarbon extraction (but do not necessarily involve the cancellation of the project). There were no cancelled or withdrawn operations in the nuclear sub-sector, where only one operation was approved in the period. However, notably, a high proportion of RDI investments were also cancelled (involving changes in three operations), corresponding to 44% of the approved amount.

Figure 30 Cancelled Investment after approval 2013-2017



Source: EV, COWI

## Annex 7 - Projects subject to desk review

The purpose of this sub-set of the portfolio for the 2013-2017 period is not to draw conclusions on the portfolio as a whole by using inferential statistics, but rather to:

- Be illustrative, by providing in-depth narratives that complement (or counter) the quantitative data of the portfolio;
- Be extensive, covering as many ELC sub-sectors, geographical areas and financial instruments as possible (bearing in mind the time constraints of the evaluation);
- Provide specific examples, whereby a project has had a unique experience that is of particular interest to the evaluation's questions; and
- Be cumulative, by bringing together findings from a number of projects to answer the evaluation's questions.

The 60 projects that have been included within the sub-set have at least reached approval stage in the EIB's project cycle, and vary in terms of:

- Geographies, as they cover all EU Member States and the EIB's main regions of operation outside of the EU (ACP, ALA, MED, Candidate Countries);
- The EIB financial products that they are supported by, whether it be an Investment Loan, Equity or Quasi-Equity, a Multi-Beneficiary Intermediated Loan, a guarantee, or a Framework Loan; and
- The ELC subsector to which they relate.

A breakdown of the 60 projects by geography, ELC sub-sector and financial product is provided in Table 17.

Table 17 Overview of the 60 projects subject to desk review						
	Investment Loan	Equity or Quasi-Equity	Framework Loan	Guarantee	Multi-Beneficiary Intermediated Loan	Total
<b>Inside-EU</b>	37	5	3	3	2	50
<i>Energy Efficiency</i>	5	1	3	1	2	12
<i>Energy Networks</i>	15					15
<i>Fossil Fuel Generation</i>	4					4
<i>Hydrocarbon Extraction and Petroleum Refining</i>	2					2
<i>Nuclear Energy</i>	1					1
<i>RDI in Energy</i>	4	1				5
<i>Renewable Energy</i>	6	3		2		11
<b>Outside-EU</b>	6	2	2			10
<i>Energy Efficiency</i>			1			1
<i>Energy Networks</i>	1					1
<i>Fossil Fuel Generation</i>	1					1
<i>Hydrocarbon Extraction and Petroleum Refining</i>	1					1
<i>Renewable Energy</i>	3	2	1			6
<b>Total</b>	<b>43</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>2</b>	<b>60</b>

Source: EV, COWI

Of the 60 projects:

- 50 projects were subject to a desk review of project documentation; and
- 10 projects were subject to a desk review of project documentation, site visits, and interviews with the relevant OPS and PJ officers, as well as representatives of the relevant EIB counterpart(s).

Due to the time constraints of this evaluation, the projects selected for site visits were located in EU Member States. Further to this, and in order to have sufficient available information for each project, the following criteria have been applied:

- Exclude projects that are not yet completed<sup>138</sup>, as little would be gained from observing incomplete projects during site visits;
- Include no more than one project located in a given Member State, in order to have a geographically diverse view on EU energy and financial markets; and
- Attempt to reflect the distribution of operations by financial product and ELC sub-sector

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<sup>138</sup> The definition of completion depends on the type of EIB financial product that the project is supported by, as: investment loans require a Project Completion Report; Framework Loans should be fully disbursed; Multi-Beneficiary Intermediated Loans should be at least 50% disbursed; and funds (i.e. equity) should be partially/fully disbursed.

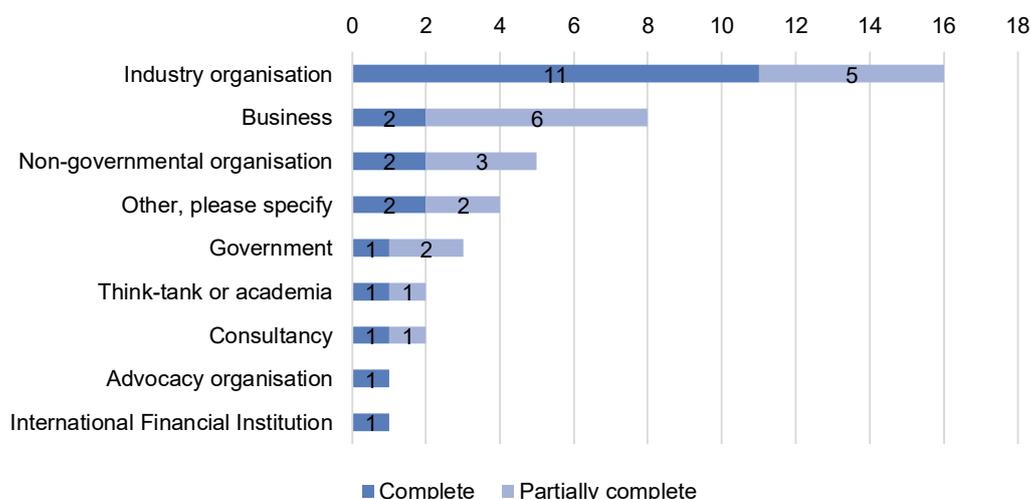
## Annex 8 - Results of online survey of external stakeholders

Due to the low number of responses, the online survey of external stakeholders could not be used to triangulate the findings emanating from this evaluation; however for illustrative purposes, information on the typology of respondents to the online survey, and the results of the survey itself, is provided in this Annex.

### Typology of respondents to the online survey of external stakeholders

The evaluation team carried out an online survey of external stakeholders in relation to the currently applicable ELC document. 538 stakeholders were invited to participate in the survey, of which: 22 completed the survey (4.1%); and 20 partially completed the survey (3.7%). As illustrated in Figure 31, most answers were provided by industry organisations and businesses.

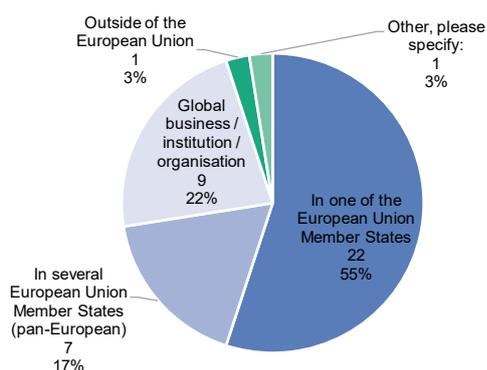
**Figure 31 Responses to external stakeholder survey question: What type of business/organisation/institution are you a part of?**



Source: EV, COWI

As illustrated in Figure 32, most respondents to the survey of external stakeholders (55%) work for entities situated in one of the EU's Member States. Only one respondent indicated that the entity he/she works for is located outside the EU; however, 9 respondents indicated that they represent a global organisation. The vast majority of respondents indicated that they are familiar with the ELC, ranging from being aware of it to very familiar.

**Figure 32 Responses to the external survey question on: Where is the business / organisation / institution that you work for located?**



Source: EV, COWI

The Renewable Energy sub-sector was the pre-eminent sector that respondents to the online survey of external stakeholders are engaged in (45% of all respondents), followed by Energy Efficiency (36%) and Energy Networks (33%)<sup>139</sup>.

Lastly, approximately half of all respondents that they were either “very familiar” or “familiar” with the ELC document.

<sup>139</sup> Respondents to the external survey can be involved in more than one energy sub-sector, hence values exceeded 100%.

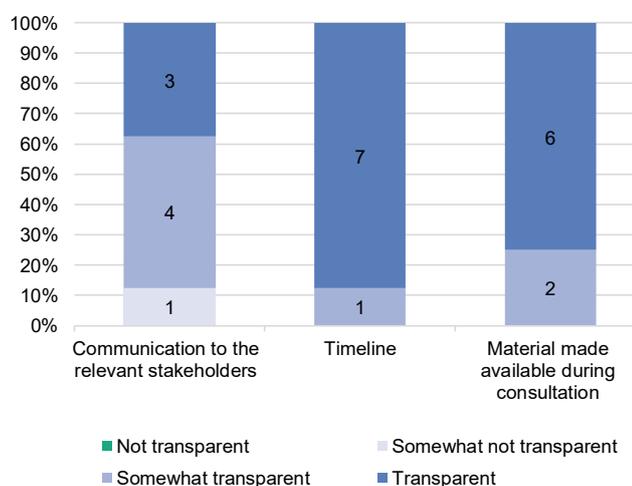
## Results of the online survey of external stakeholders

In relation to the *transparency* of the public consultation process that supported the design of the ELC document, almost all respondents thought that the corresponding communication, timeline and material provided were either “transparent” or “somewhat transparent” (see Figure 33). Only one respondent stated that the public consultation was “somewhat not transparent” from a communication standpoint in terms of: “...who makes the specific internal decisions about the content of the document...”.

Regarding the *purpose of the ELC*, the majority of respondents stated that the ELC should be both a screening tool for the EIB staff and a document that informs external stakeholders as to which projects are eligible for EIB financing.

As concerns the *consistency of the ELC with EU policy priorities*, as shown in Figure 34, most respondents stated that the ELC are overall consistent with EU policy priorities. However, for the sub-sectors relating to Fossil Fuels Generation, and Hydrocarbon Extraction and Petroleum Refining, responses were more evenly split in terms of (in)consistency with EU policy priorities.

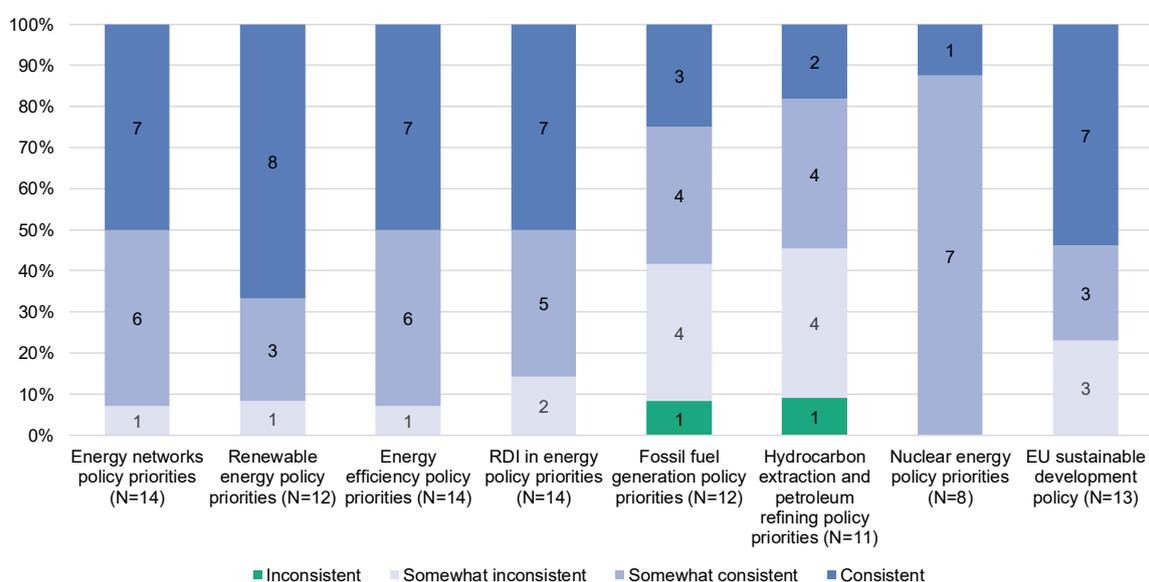
**Figure 33 Responses to the external stakeholder survey question on: How transparent was the 2012 Public Consultation on the EIB's ELC in terms of communication, timeline and material provided?**



N (excluding “Do not know / Cannot assess” responses) = 8

Source: EV, COWI

**Figure 34 Responses to the external stakeholder survey question on: How do you assess the consistency of the ELC with EU policy priorities?**

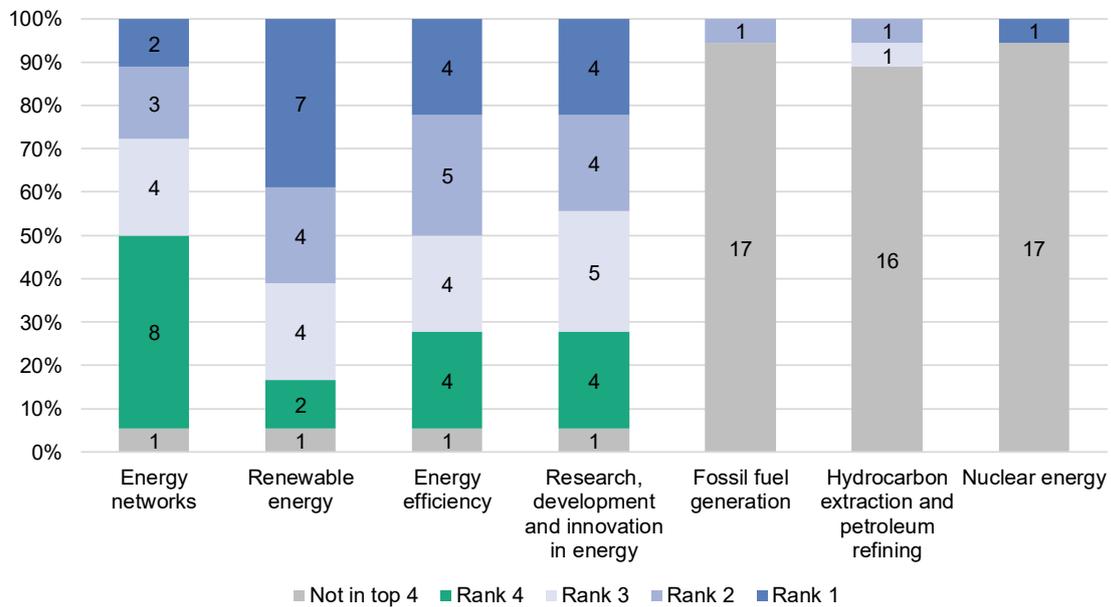


Source: EV

In relation to the *clarity of the ELC* in outlining other EIB criteria, standards and principles, most respondents stated that the ELC were either “clear” or “somewhat clear”, but a relatively high number of the respondents stated that they either do not know or cannot assess this point. Among the answers provided, one respondent suggested that: “the ELC is of a rather general character and lacks important detail, for example, recently, the EIB has been developing hydro-power lending guidelines/criteria...”

Lastly, with regard to energy sub-sectors with the highest investment needs, almost all respondents identified Energy Networks, Renewable Energy, Energy Efficiency and RDI in Energy as the priority sub-sectors. However, respondents recognised that the ELC could be improved by clearly identifying the sub-sectors with the highest investment needs.

**Figure 35 Responses to external stakeholder survey question: In your opinion, which energy sub-sectors have been the ones with the highest investment needs?**



*N (excluding "Do not know / Cannot assess" responses) = 18*

*Source: EV, COWI*

## Annex 9 - Aligning the evaluation questions to the structure of this Evaluation

Table 3 provides an overview as to where the answers to each evaluation question may be found in this Thematic Evaluation Report.

**Table 18 Aligning the evaluation questions to the structure of this Thematic Evaluation Report**

WP	EQ	Evaluation question	Section of this Thematic Evaluation Report
Relevance	1.1	To what extent does the ELC's design process follow common practice?	2. Design of the ELC
	1.2	To what extent was the ELC consistent with and appropriate for selecting projects that:	See sections for sub-questions below
	1.2.1	<i>Support EU Energy Policy and the highest policy priorities?</i>	<i>5. Supporting EU Energy Policy and highest policy priorities</i>
	1.2.2	<i>Meet the EIB's standards in terms of quality and soundness?</i>	<i>6. Supporting EIB's quality and soundness standards</i>
	1.3	To what extent was the ELC consistent with and appropriate for selecting projects that support sub-sectors with the highest investment needs?	4. Prioritising sub-sectors with the highest investment needs
Effectiveness	2.1	To what extent have the ELC been used within the EIB's project cycle?	3. Application of the ELC
	2.2	To what extent have the ELC geared the EIB's portfolio towards:	See sections for sub-questions below
	2.2.1	<i>Supporting EU Energy Policy and the highest policy priorities?</i>	<i>5. Supporting EU Energy Policy and highest policy priorities</i>
	2.2.2	<i>Supporting sub-sectors with the highest investment needs?</i>	<i>4. Prioritising sub-sectors with the highest investment needs</i>
	2.3	To what extent have the projects that were subject to screening under the ELC:	See sections for sub-questions below
	2.3.1	<i>Supported EU Energy Policy and the highest policy priorities?</i>	<i>5. Supporting EU Energy Policy and highest policy priorities</i>
	2.3.2	<i>Supported sub-sectors with the highest investment needs?</i>	<i>4. Prioritising sub-sectors with the highest investment needs</i>
	2.3.3	<i>Met the EIB's standards in terms of quality and soundness?</i>	<i>6. Supporting EIB's quality and soundness standards</i>
	2.3.4	<i>Been in areas in which the EIB makes the highest financial and technical contribution?</i>	<i>7. Focusing the EIB on areas where it makes the highest financial and technical contribution</i>
Transparency	3.1	To what extent did stakeholders contribute to the design and periodical update of the ELC in a transparent manner?	8. Contributing to EIB financing decisions on projects being as transparent as possible
	3.2	To what extent have the ELC been appropriate for transparently informing stakeholders on how the EIB selects projects?	3. Application of the ELC

Source: EV

## Annex 10 - Key EIB documents subject to public consultation

Table 19 Key EIB documents subject to public consultation		
Year of consultation	Public consultation on	Title (and sub-title) adopted by EIB BoD
2007	Anti-Fraud Policy	EIB Anti-Fraud Policy <i>(Policy on preventing and deterring prohibited conduct in European Investment Bank activities)</i>
2008	Environmental and Social Principles and Standards	The EIB Environmental and Social Principles and Standards
2009	EIB's Transparency Policy	The EIB Group Transparency Policy
2009	EIB's Complaints Mechanism Policy	EIB Complaints Mechanism – Principles, Terms of Reference and Rules of Procedure
2010	EIB's Transport Lending Policy	EIB Transport Lending Policy
2013	EIB's Energy Lending Criteria	EIB Energy Lending Criteria <i>(EIB and Energy: Delivering growth, security and sustainability - EIB's Screening and Assessment Criteria for Energy Projects)</i>
2015	EIB's Transparency Policy	EIB Group Transparency Policy
2015	EIB approach to supporting climate action	EIB Climate Strategy <i>(Mobilising finance for the transition to a low-carbon and climate-resilient economy)</i>
2017	The EIB Group Complaints Mechanism Policy	The EIB Group Complaints Mechanism <i>(at the time of writing, the document had not been adopted by the EIB BoD)</i>

Source: EIB<sup>140</sup>, adapted by EV

<sup>140</sup> EIB Consultations webpage. Available [here](#).

## Annex 11 - Comparing EIB's ELC to EIB's Transport Lending Policy

Table 20 Comparing the EIB's ELC to the EIB's Transport Lending Policy		
	Energy Lending Criteria	Transport Lending Policy
<b>Categorisation</b>		
Type of document	Other	Policy
Year	2013	2011
<b>Governance</b>		
Owner	PJ's Energy Dept.	PJ's Mobility Department
Adopted by	EIB BoD	EIB BoD
<b>Public consultation</b>		
Rounds	1	1
Number of responses	87	40
Number of days to respond	83	451
<b>Design</b>		
Rationale for review	To respond to EC Green Paper for 2030 and EC Roadmap for 2050	To respond to the Copenhagen summit, the revisions to TEN-Transport Policy and the EU White Paper for Transport
Objectives	<ul style="list-style-type: none"> <li>To select projects that: support EU Energy Policy and the highest policy priorities; support sub-sectors with the highest investment needs; and meet the Bank's standards in terms of quality and soundness.</li> <li>To transparently consult and inform stakeholders as to how the ELC were designed and have been used to select projects for EIB financing.</li> </ul>	To inform the EIB's stakeholders on: <ul style="list-style-type: none"> <li>What types of transport projects are consistent with the Bank's objectives; and</li> <li>How transport projects will be assessed and prioritised by the Bank.</li> </ul>
Approach	EIB staff reviewed: international agreements; EU Policies; Member State Policies (to a lesser extent); world and EU energy markets; financial markets; technological developments in the energy sector; the EIB's COPs; the Bank's financial and non-financial products; internal stakeholder contributions; and external stakeholder contributions.	EIB staff reviewed: international agreements; EU Policies; world and EU transport markets; technological developments in the transport sector; the EIB's COPs; internal stakeholder contributions; and external stakeholder contributions.
Focus areas	7 sub-sectors	3 sub-sectors
Content of the focus areas	<ul style="list-style-type: none"> <li>Provides background information on each energy sub-sector supported by the EIB, typically in terms of the sector's policy backdrop, markets, investment needs and challenges.</li> <li>Describes "EIB Action[s]" for each sub-sector, usually in terms of the products and services being offered or developed by the Bank.</li> <li>Sets screening and assessment criteria for each sub-sector.</li> </ul>	Sets specific selection criteria for each sub-sector in terms of: <ul style="list-style-type: none"> <li>Consistency with EU objectives; and</li> <li>Specific considerations relating to the inherent quality of the individual project</li> </ul>
Rationale for next review or update	Major developments in EU Policies, or energy and financial markets	Developments in EU Policy
<b>Monitoring and evaluation</b>		
Results Framework	No	No

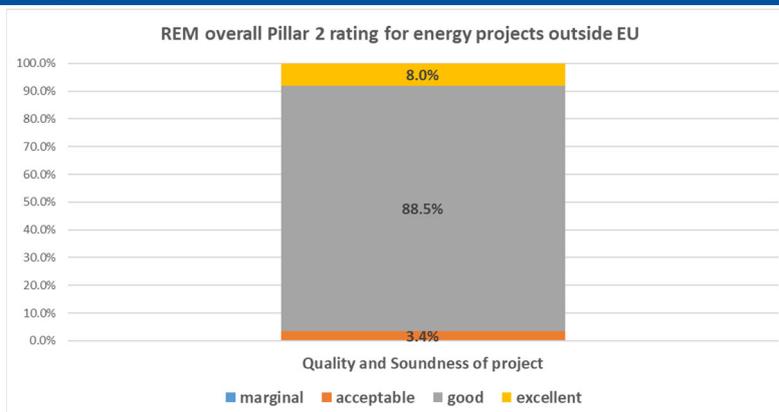
## Annex 12 - Pillar 2 and Pillar 3 analysis for projects outside the EU

In order to evaluate the quality and soundness of energy projects outside the EU, an analysis of Pillar 2 ratings under the Results Measurement Framework (ReM) was carried out as part of the evaluation. The results presented in Figure 36, show that more than 96% of the projects were rated as either good or excellent in terms of project quality and soundness.

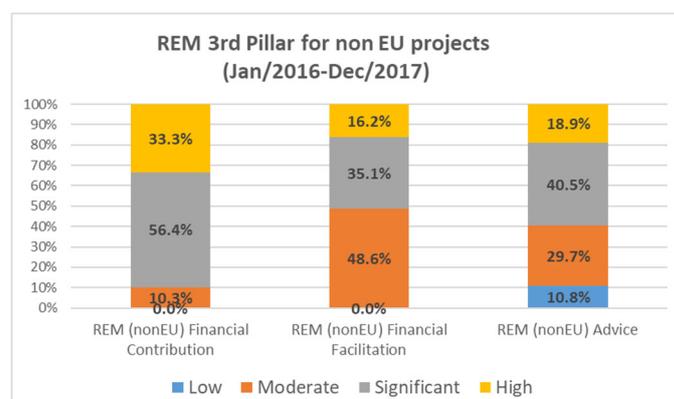
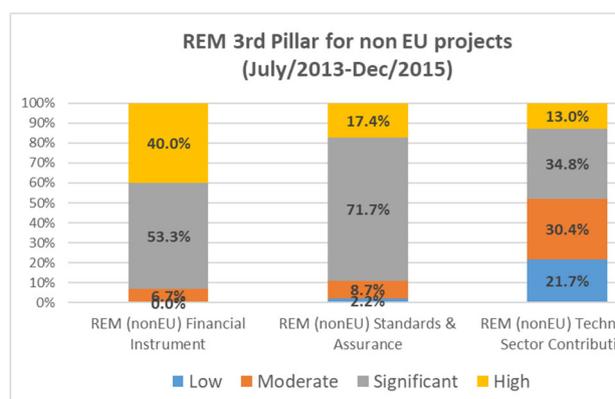
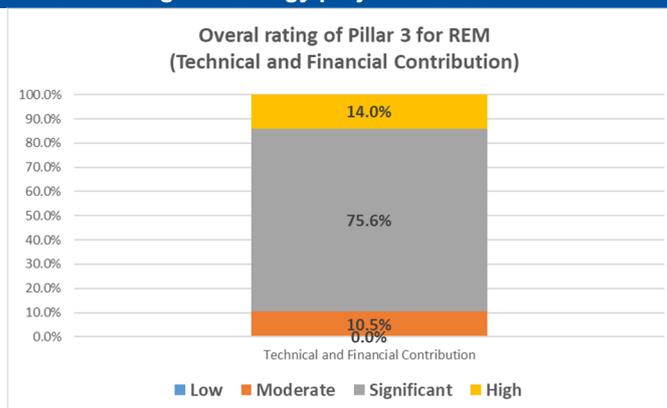
Similar to Pillar 2, an analysis of Pillar 3 ratings under ReM was carried out as part of the evaluation. Both, the overall Pillar 3 rating, as well as the ratings of the underlying indicators were analyzed.

As the components of ReM's Pillar 3 changed during the period of the ELC application<sup>141</sup>, the analysis was undertaken separately for projects approved between: (a) July/2013 to end/2015 and (b) January 2016 to end/2017. The results presented in Figure 37, show that overall almost 90% of the projects were rated either high or significant in terms of EIB contribution. Analysis of the more detailed indicators shows that the EIB mainly provides financial support, as in terms of technical contribution/advice for around 50% of project the rating is moderate or low.

**Figure 36 Summary of Pillar 2 ratings for energy projects outside the EU.**



**Figure 37 Summary of Pillar 3 ratings for energy projects outside the EU.**



<sup>141</sup> EIB's Technical and Financial Contribution under Pillar 3 of ReM included prior to 2016 the following indicators: (a) Financial Instrument, (b) Technical and Sector Contribution and (c) Standards and Assurance; whereas as of 2016 these were changed to : (a) Financial Contribution, (b) Financial Facilitation and (c) Advice.



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**OPERATIONS EVALUATION**

# Ex-post evaluation of the EIB's Energy Lending Criteria, 2013-2017

February 2019



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