

Supporting economic recovery efforts where it's most needed • New EIB initiatives catch experts' attention at **the 2010 Carbon Expo** • Multilateral development banks jointly tackle **global recovery and climate change** • **EIB loans for SMEs**: a welcome ray of light in the current economic gloom • EIB supports **open innovation** at High Tech Campus Eindhoven • **The private sector**: leveraging growth for the Mediterranean

Governors acknowledge crucial role played by the EIB in **supporting economic recovery**



The EIB's Board of Governors confirmed the role played by the Bank in helping to weather the crisis with its swift and effective contribution to the EU's economic recovery package. The focus of the Bank's lending activities will continue to be on small and medium-sized enterprises (SMEs), climate change and the regions that have been particularly hard hit by the crisis.



EIB Vice-President P. de Fontaine Vive, President P. Maystadt, Chairman of the Board E. Repše, EIB Secretary General A. Querejeta



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By Sabine Kayser, Communication Department

As Europe's economic rebound takes priority for policymakers throughout the Union, the EIB's Board of Governors looked into the Bank's efforts to support EU recovery. At its annual meeting on 8 June in Luxembourg the Board of Governors, composed of the 27 EU Finance Ministers and assisted by the European Commission as an observer, recognised the unprecedented efforts made by the EIB in 2009. Going forward, the Board indicated that the Bank should focus on those projects that are likely to have the greatest impact on economic recovery and jobs. Since the beginning of the crisis it has not been "business as usual" for the Bank, as it had to do more, better and faster. It achieved a record EUR 79bn in loan signatures in 2009, and lending levels will remain high in 2010, with a target set at EUR 66bn.

"With this lending target the EIB is well on track to exceed the additional EUR 50bn it pledged to deliver in 2009 and 2010 within the framework of the economic support package," EIB President Maystadt said at the Governors' meeting.

Tribute to the EIB's swift and effective response to the crisis

The EIB Governors expressed their gratitude for the Bank's timely and effective response and its substantially increased lending volumes, particularly in support of SMEs, the fight against climate change and the regions that have been particularly hard hit by the crisis. The Bank's response to the crisis was closely coordinated with the other European institutions. The Governors also welcomed the EIB's updated policies on transparency and on offshore financial centres adopted last year.

Support for the Bank's focus on SMEs, climate action and convergence lending

The EIB will continue to focus on its priority lending areas. As larger European corporations are experiencing an improvement in their access to capital, they are not expected to make as much use of EIB funds as they did in 2009. SMEs' access to finance, however, remains difficult. The EIB has therefore decided to continue its increased support for SMEs. It has already delivered more than EUR 20bn of the planned EUR 30bn in additional loans to SMEs that it agreed to provide between 2008 and 2011 under the European Economic Recovery Plan.

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EU finance ministers at the Board of Governors and ECOFIN meeting in Luxembourg



In his remarks to the Board, President Maystadt also highlighted the EIB's role in contributing to the post-Copenhagen agenda by financing activities that support the fight against climate change. In 2009, the Bank lent almost EUR 17bn in loans for projects contributing to the reduction of CO₂ emissions – a 73% increase on the previous year. The EIB's commitment to support renewable energy and energy efficiency in order to help achieve the EU's ambitious climate targets across the Union was particularly welcomed by Finance Ministers.

Lending to economically weaker countries and regions in the EU, which were hit particularly hard by the crisis, also continues to be a priority. In this area lending amounted to EUR 29bn last year – a 36% increase on the previous year.

R&D and innovation efforts welcomed

R&D and innovation is seen as the key to Europe's competitiveness. The knowledge economy received particular attention from the EIB, with EUR 18.2bn in signed loans in 2009 – a year-on-year increase of 50%. This is also a result of the EIB's efforts to respond to the economic crisis by stepping up support for future-oriented investment. Continued funding of R&D and innovation is particularly important in order to bridge the financing gap that is not met by commercial banks.

EU Finance Ministers expressed their desire for the EIB to play a key role in implementing the EU 2020 strategy for smart, sustainable and inclusive growth and jobs currently under discussion. The EIB has established an ad hoc task force with the aim of offering its financial engineering support to this flagship initiative. It is also looking into the best ways of using its capital to support the 2020 strategy.

Initiatives to complement EU grants with EIB lending welcomed

The EIB underlined that it is ready to work even closer with the European Commission and Member States to come up with innovative financing instruments to help overcome the various challenges. Last year saw



The Bank supports renewable and energy efficiency projects to help achieve the EU's ambitious climate goals



R&D and innovation is seen as the key to Europe's competitiveness

the launch of a number of initiatives in cooperation between the EIB and the Commission, such as ELENA (a technical assistance facility for investments in sustainable energy at local level), Marguerite (a pan-European equity fund for infrastructure investments) and the European Progress Microfinance Facility (a new initiative in the field of social policy and entrepreneurship). These are just a few examples of joint initiatives aimed at filling gaps in the market for investment. As the EU's Bank, the EIB stands ready to make use of synergies between its lending and EU grants to achieve greater value added. This is already taking place in a number of areas, in particular in convergence lending, but also in support of climate action and activities outside the EU.

Unlocking activities outside the EU

The Governors welcomed the high quality of the work being undertaken outside the EU and in a separate meeting gave their backing for a common approach on the future of the Bank's external activities. They decided, for instance, to release an extra EUR 2bn for projects to combat climate change in countries outside the EU. According to President

Maystadt this marks "an important step towards meeting the Copenhagen commitments". It also represents a milestone in the external mandate mid-term review process, which comes at a crucial time, with the EU overhauling its external activities by setting up a new External Action Service. Whilst the EIB's core business remains inside the EU, it has an important role to play in terms of supporting climate change projects and development.

Underlining the Bank's unique role

President Maystadt concluded by taking up remarks made by Economic and Monetary Affairs Commissioner Olli Rehn on the EIB's unique role, stating that "as a bank, the EIB should not forget that it is an institution, and as an institution it should not forget that it is a bank". Mr Maystadt explained that as a policy-driven institution it needed to focus its activities on EU priorities, while at the same time as a bank it had to ensure a solid capital basis in order to be able to undertake investment in priority areas in the future. The EIB is ready to deliver on the priorities set for 2010, while maintaining its sound capital base. ■

Supporting

economic recovery efforts where it's most needed

Investment in the EU convergence regions is a focus of the EIB's activities and has been increased as part of the response to the economic crisis. Tailored programmes that cater for Europe's weaker regions and smaller enterprises – the so-called “four Js” – also stepped up their efforts in 2009.

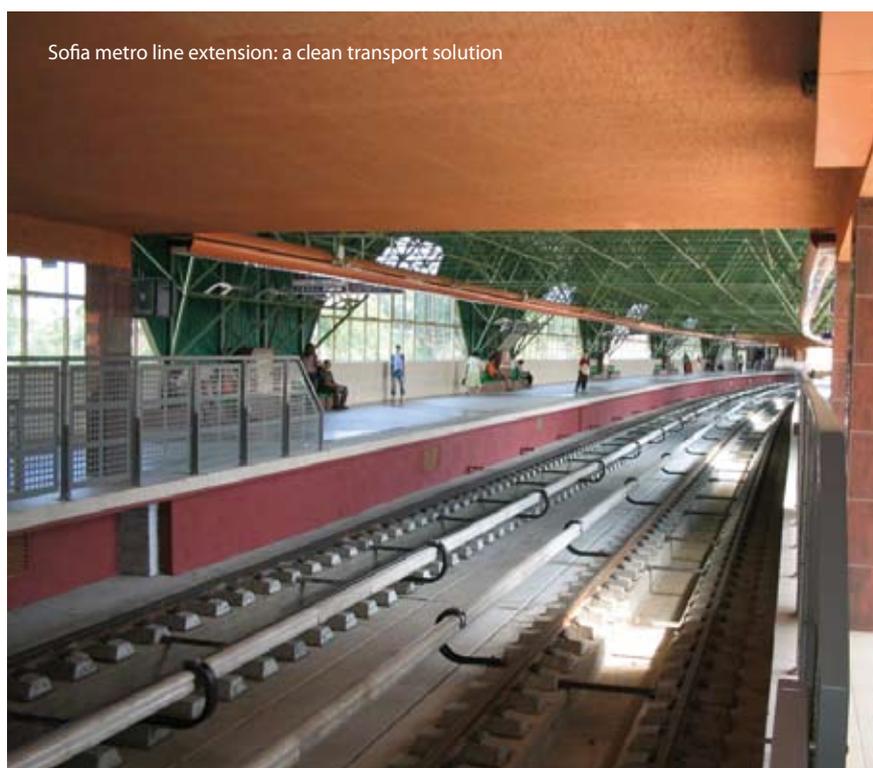
by Sabine Kayser, Communication Department

Four Js support Europe's rebound

In addition to its regional and SME lending, the EIB, in conjunction with the Commission and other partners, supports convergence through programmes that cater for borrowers' special needs with advisory services, financial engineering and customised financial products. These are: JASPERS (Joint Assistance to Support Projects in European Regions), JESSICA (Joint European Support for Sustainable Investment in City Areas), JEREMIE (Joint European Resources for Micro-to-Medium Enterprises) and JASMINE (Joint Action to Support Microfinance Institutions in Europe).

It's about transferring the know-how

JASPERS helps beneficiaries in the new EU Member States prepare project applications for grant financing under the Structural Funds. This facility is available especially for projects that involve the upgrading of transport networks and environmental improvement, as well as investments that enhance energy efficiency and the use of renewable energy. More recently, it also covers urban transport, as well as health and R&D. In 2009, JASPERS helped to accelerate the absorption of EU funds by assisting over 130 projects, working on specific assignments. On average more than 7 out of 10 convergence projects approved by the Commission last year received JASPERS support. It is about transferring the necessary know-how by drawing on the EIB's extensive expertise, as well as that of its partners the Commission, the EBRD and KfW. With the help of experts working in Luxembourg, Warsaw, Bucharest and Vienna, eligible projects



Sofia metro line extension: a clean transport solution

have been able to tap funds more quickly and effectively. With JASPERS support, the time from the filing of an application to approval of projects by the Commission has been reduced from an average of 366 to 233 days. One of the projects that received JASPERS support in 2009 was the Sofia Metro line extension, which provides a key north-south link through the Bulgarian capital and connects the metro to the national rail hub. The project offers a clean transport solution to the challenges posed by the increasing congestion of car traffic. More than 1.2 million passengers use the main two city metro lines every day. They are expected to benefit from time savings, improved safety and the reduction in pollution for the whole of the city. The JASPERS team was able to provide crucial advice on the structuring of the project, as well as clarify questions from the Commission, review key documents submitted and help to determine the timing of the application process.

JESSICA is designed to help regions that are eligible for EU Structural Funds assistance to make use of financial instruments to support tailored investments in urban development. It does so by providing expert advice on how to best use these resources and by offering to actually manage the funds. The JESSICA mechanism enables resources from the Structural Funds to be reused to finance successive revenue-generating urban projects through so-called Urban Development Funds (UDFs). Such investments may take the form of equity, loans or guarantees, and encourage the development of partnerships between municipalities, banks and private investors. In 2009 a reinforced team of experts, ranging from urban development planners to financial engineers, provided their know-how to draw up a total of 21 studies to evaluate the potential of urban areas in terms of how they can best use UDFs to reach their set objectives, such as upgrading energy efficiency in buildings or improving urban transport. This represented a 50% increase in the number of evaluation studies carried out. In addition, 15 Memoranda of Understanding were signed with Bulgaria, Cyprus, Greece, Portugal and a number of regions. They were the first since the setting up of JESSICA in 2007 and provided tailored road maps, giving a clear direction to each urban development project. In 2009 eight Holding Fund

agreements totalling more than EUR 900m were also concluded, under which the EIB was commissioned to manage these funds on behalf of the Managing Authorities. To facilitate further action in this area a networking platform was launched in 2009 for the exchange of know-how and good practices relating to JESSICA in particular and financial engineering instruments in the field of urban development in general. For example, in Lithuania JESSICA is supporting investments to improve the energy efficiency of multi-family housing blocks. As one of the largest and most advanced operations to date, a EUR 227m Holding Fund was set up, which is managed by the EIB on behalf of the Lithuanian authorities. The advice and support given by the EIB's JESSICA team also helps in tailoring financial products to make better use of Commission support for projects.

Providing much-needed finance to small, medium and micro-enterprises

The EIB is directly involved in JASPERS and JESSICA, which complement its efforts to provide increased lending to convergence regions. The other two Js, JEREMIE and JASMINE, fall within the remit of the EIB's subsidiary, the European Investment Fund (EIF), as they provide venture capital funds and guarantees for SMEs and microfinance respectively. These two programmes have combined with the significant increase in the Bank's finance for SMEs to mitigate the negative effects of the crisis on credit availability.

JEREMIE promotes SME access to finance and financial engineering products in regions across the EU. Under this initiative, national and regional authorities can make use of the money made available by the European Regional Development Fund in the form of equity, loans and guarantees. In 2009, JEREMIE continued to successfully set up further Holding Funds, offered its services to ten EU Member States and regions, and developed strong relationships by ensuring a presence in the markets in question. This helped it to build up its knowledge of the specific dynamics and needs of the local markets and extended the EIF's reach, promoting the full range of services and instruments it has to offer. In

Latvia for instance, the EIF agreed a JEREMIE Holding Fund investment of EUR 20m in a venture capital fund and an investment of EUR 14.7m in a technology-focused seed and start-up fund.

Launched in 2009, **JASMINE** is a pilot initiative that targets the development of microfinance in order to help support growth and employment. On the one hand, the EIF gives financial support by providing microfinance institutions with funding from the EIB's resources. On the other, it coordinates a technical assistance facility funded by the European Commission. In fact this assistance translates into thorough evaluation and rating exercises undertaken by specialised microfinance experts. Building on the strengths and weaknesses observed in the assessment or rating reports, tailor-made training is provided to the staff of the respective microfinance institutions in order to best respond to their needs. Over the past year JASMINE has prepared the ground for increased microfinance provision to beneficiaries across eight EU countries. This is an important step towards better financial and social inclusion of micro-entrepreneurs and micro-enterprises, which otherwise face serious obstacles in obtaining funding. One example is Hungary, where selected financial intermediaries have been assessed by a specialised microfinance rating agency. This enables them to receive targeted training, bringing them up to speed and ensuring that they are well-equipped to pass on relevant microcredit lines. ■

New EIB initiatives catch experts' attention at the 2010 Carbon Expo

The EIB took the opportunity to present its recent carbon finance and climate change initiatives at a major carbon-trade event that brought together the experts in this field.

by Viviana Siclari, Communication Department

As in previous years, the EIB took an active part in Carbon Expo, which was held in Cologne from 26 to 28 May. Organised by the International Emissions Trading Association (IETA), the World Bank and Koelnmesse, Carbon Expo provides a major global platform for those involved in the carbon market. As such, it offers excellent opportunities to exchange information and network with carbon and emissions trading experts from all over the world.

In line with its commitment to support initiatives that promote the carbon markets,

the EIB has taken part in Carbon Expo since 2005. Always at the forefront in discussing carbon finance, policy making and implementation, the EIB delegation at Carbon Expo took an active role in discussing future cooperation and financing opportunities with other financial institutions and potential project promoters.

Visitors' attention was drawn to the Bank's activities in the field of carbon finance and climate change mitigation and adaptation in general via an EIB stand, which provided explanations and targeted information ma-



Discussing future cooperation and financing opportunities



terial, as well as direct contact with some of the EIB's carbon specialists throughout the Carbon Expo.

"The current climate policy context has leveraged the role of Carbon Expo as one of the most important platforms for presenting the EIB's carbon finance initiatives to fighting climate change effectively", said Christopher Knowles, Head of the Bank's Climate Change and Environment Division.

Some of the latest EIB initiatives caught the attention of experts and visitors at the stand. In particular, the Interact Climate Change Fund (ICCF), a new investment matching facility developed by the EIB in cooperation with the French development agency (AFD) and the Association of European Development Finance Institutions (EDFI). ICCF will invest in private sector climate change projects in African, Caribbean and Pacific countries, and Latin America as from the end of 2010.

Next year's Carbon Expo will take place in Barcelona from 25 to 27 May. ■



The Interact Climate Change Fund (ICCF) will invest in projects in ACP countries and Latin America

Multilateral development banks jointly tackle global recovery and climate change

Meeting at the European Investment Bank on 9 April, the world's leading multilateral development banks (MDBs) and the International Monetary Fund agreed that the Copenhagen Accord provides an opportunity for action to finance measures to combat climate change and discussed the efforts they are making to support sustainable global growth.

by Nick Antonovics, Communication Department



Heads of multilateral development banks work together to tackle global challenges

The participants agreed that enhanced cooperation among development banks played an important role in preventing a wider systemic crisis following the collapse of Lehman Brothers in September 2008, but they concluded that the global economy remains fragile and that they will need to continue to play an anti-cyclical role in 2010.

The participants welcomed the undertaking by the developed countries, as part of the Copenhagen Accord, to provide additional fast-track financing for developing countries of USD 30bn over the period 2010-12 and the pledge to mobilise USD 100bn by 2020 to achieve the deep cuts in global emissions needed to keep the increase in global temperatures below 2°C.

They reaffirmed their readiness to provide technical support for the UN process and recognised the importance of a legally binding post-2012 international agreement on climate change being concluded as soon as possible.

It was the first time the bi-annual meeting had been held at EIB headquarters in Luxembourg. Taking part alongside EIB President Philippe Maystadt were: African Development Bank President Donald Kabukura, Asian Development Bank President Haruhiko Kuroda, European Bank for Reconstruction and Development President Thomas Mirow, Inter-American Development Bank Vice President Roberto Vellutini, International Finance Corporation Executive Vice President and CEO Lars Thunell and International Monetary Fund Deputy Managing Director Murillo Portugal.

The heads of MDBs meeting is a forum for the main international financial institutions to share views and set common objectives on key challenges such as climate change. It is held twice a year. The next meeting is due to take place in October 2010. ■

EIB loans for SMEs: a welcome ray of light in the current economic gloom

In 2009, the EIB made EUR 12.7bn available in credit lines to intermediary banks for on-lending to small businesses, an increase of 55% compared with the year before. The Bank reached out to more than 50 000 SMEs across the EU. We focus on five SME success stories to take stock of the situation.

by Fatima Benabdelaziz Tair, Communication Department

In 2009, the EIB's new SME policy was implemented on a large scale and the rapid growth continued with a 55% increase in signatures of intermediated loans for SMEs, following on from a 43% rise the year before. With loans totalling EUR 20.8bn signed with intermediary banks during 2008 and 2009, the EIB is well on its way to meeting the target of lending EUR 30bn to SMEs between 2008 and 2011 laid down in the European Economic Recovery Plan, which was adopted by the Heads of State or Government in December 2008. In 2008 the EIB had already made its "Loans for SMEs" product simpler and more transparent in order to facilitate lending to SMEs through its partner banks.

In France, Laboratoires Prodene Klint, an innovative SME, was the first European company to benefit from these new loans for SMEs. This company, which has 230 employees and is based in the Marne Valley,



received a EUR 180 000 loan from BNP Paribas to buy some equipment for developing a skin disinfectant for use in medical (in the prevention of nosocomial infections) and industrial environments. With a production site near Annecy for its cosmetics division and two production sites in the Paris area for its skin hygiene and disinfection division, Laboratoires Prodene Klint is rapidly growing. It operates internationally, via subsidiaries in Germany, North America and the Maghreb region and via a network of special partners in the rest of the world.

In France, the EIB's partners are the Banques Populaires, Caisses d'Epargne, Crédit Agricole, Crédit Mutuel, Crédit Industriel et Commercial, Crédit Coopératif, Société Générale and Oseo Financement. Through these banks, French SMEs received EUR 950m from the EIB in 2009.

Investing in innovation is crucial to a company's success

In Italy, the 100 year old family-owned Cartiera dell'Adda, located near Lecco and producing packaging paper and cardboard, received a EUR 2.5m EIB loan in 2009 inter-



Cartiera seen from the sky

mediated by Mediocreval S.p.A. The company, which employs 58 and is one of the leading technically advanced SMEs in its sector, used the EIB loan to purchase new equipment to increase production capacity by 20% with the same level of fixed costs, improve product quality and add a new higher value added paper product to its portfolio. The new equipment has opened up new markets for the company, potentially expanding Cartiera's sales by 40% and increasing its profitability by 70%. Despite the economic downturn, which has severely affected the sector, the promoter has managed to maintain its sales with no negative impact on employment.

The increase in production capacity has resulted in a higher level of outsourcing, which in turn is supporting other SMEs in related sectors such as paper-cutting. The CEO has no doubt that technical innovation is the key to the continuity and development of the company, especially in the current financial and economic downturn, and commented that "Mediocreval understood the company's technical competencies and managerial ability and was willing to offer financial support, which is scarce in the present economic climate and without which the planned investments and tech-

nological innovations of 2009 would not have been possible".

Recruiting despite the crisis

Still in Italy, Trafileria A. Mauri e figli S.p.A. of Lecco, another family-owned company, with 98 employees, operating in the field of cold steel processing, mainly for the automotive sector, also received a EUR 4m EIB loan for SMEs intermediated by Mediocreval in 2007. The loan helped it to invest in new machinery and expand its warehouse from 800 m² to 3 200 m² (plus an external area of 1 500 m²) in the town of Casalecchio Di Reno, near Bologna, in the north of Italy.

The investment strengthened the company's presence in the Emilia-Romagna region market and enhanced its commercial potential. The CEO of the company recognised the crucial role of this loan during an economic downturn: "Thanks to this investment, it was possible to increase the volume sold in Emilia-Romagna. We also increased our labour force in the warehouse from five to seven despite the downturn, which severely affected the entire metal-working industry during 2009 as well as our particular sector."

In Italy, the EIB works with over 20 banking partner groups to finance SMEs. EUR 4 000m financed 25 000 SMEs over the period 2008 to 2009, and new loans for SMEs for EUR 2 500m were signed in 2009.

In Portugal, the company T2D New Concept received a EUR 800 000 EIB loan intermediated by Caixa Geral de Depósitos (a long-standing partner of the EIB for SME financing) for the construction of facilities at Marinha Grande, for the acquisition of equipment (milling machines, etc.) and for major investment in hardware and software. Marinha Grande is a city in the centre of Portugal, where an important and innovative cluster of moulds industry firms is located. T2D New Concept aims to be a pioneer in Portugal in its core business of manufacturing small runs of plastic and metal items. To achieve that goal, it uses the "rapid manufacturing" process, which enables significant reductions in price and delivery times because there is no need to design and manufacture specific production tools. In terms of employment, this project finance

has definitely been a success, as it created 21 jobs. In the last two years, the EIB has allocated more than EUR 450m per annum to SME projects in Portugal through eight intermediary banks: Caixa Geral de Depósitos, Banco Português de Investimento, Banco Espírito Santo, Millennium bcp, Banco Santander Totta, Montepio Geral, Banco Popular Portugal and BBVA.

Enlargement countries also on board

Further east, in Turkey, Doganer Alci received a EUR 6m loan from the intermediary bank TSKB (Turkish Industrial Development Bank) in 2008 for a EUR 8.5m project to finance the expansion of the company. EUR 2m of the loan was disbursed from EIB funds for investment in the company's new plasterboard facility. This project was financed under the SME Development Global Loan signed in Luxembourg on July 2007.

Thanks to this investment, 32 jobs have been created and the plasterboard facility now has an annual production capacity of 12 million m². The company's CEO Durak Dogan shared his enthusiasm: "We are very grateful to TSKB, which has supported us and our country's economy in its capacity as intermediary, and also to the EIB, which provided the funds." TSKB has indeed been playing a significant role in the development of Turkey over the last fifty years by supporting, in collaboration with the EIB, a great number of Turkish infrastructure projects. In 2009 alone, the bank provided EUR 1 510m for SMEs in Turkey. ■



In 2009, the EIB made EUR 12.7bn available to SMEs

EIB supports open innovation at High Tech Campus Eindhoven

The RSFF provides long-term financing to stimulate research, development and innovation.



“The brainiest square kilometre in the Netherlands” is how Rick Harwig, former Chief Technology Officer at Philips headquarters in Eindhoven, fondly refers to his creation the High Tech Campus. The campus is home to 7 000 researchers, developers and entrepreneurs, working in an open innovation framework, which means collaborating on ideas and projects as well as sharing the risks and rewards.

by Cees Post, Communication Department

“A complete ecosystem of people who contribute in one form or another”, adds Harwig, “but not a closed ecosystem, because universities, research institutions, contract research organisations, and small and medium-sized enterprises around the world are also part of the scientific network.”

Benefits of open innovation

One of these smaller firms located at the High Tech Campus Eindhoven is priv-ID, a Philips’ spin-off, specialising in privacy-compliant storage of biometric information, for example on electronic smart card health passports. The company is still young and

hopes to break even in 2011. Alty van Luijt, who is part of the management of priv-ID’s small team, explains the benefits of open innovation: “Start-ups cannot have essential functions like legal services, accountancy, and patent registration in-house. But all of these are available on campus. Here talent and the relevant services are at hand – software specialists, office space, you name it.”

Sharing expertise, service and infrastructure

Vital elements in the campus ecosystem are the Philips’ laboratories, which the company has opened up for others to use. The on-campus organisation MiPlaza (Mi-

croSystems Plaza), part of Philips Research, offers its expertise, service and infrastructure, making it possible for third parties to carry out high-tech research in the most efficient way. Holst Centre, also located on campus, is a client of MiPlaza’s. One of the areas in which it carries out R&D is wireless autonomous sensor devices. When used in the health sector, these devices help measure patient data via patches on the body, without cables, allowing for permanent monitoring that is comfortable. “The crux is to achieve innovation together and in an organised way – that is not a luxury, it is a necessity,” says Jaap Lombaers, who heads the Holst Centre.

Risks

But what about the risks? After all R&D is inevitably a matter of trial and error. “It is a long-term and high-risk game,” explains Rick Harwig. “For Philips, the return on the net cost every year is about fivefold. So it is extremely profitable, but we fail 90% of the time. That means that you have to prepare yourself for failure. For that you need risk management and you need special financial partners who are willing to take that risk.”

EIB funds Philips’ open innovation approach

This is where the EIB’s funding comes in. Supporting Philips’ open innovation approach, the EIB has recently lent EUR 200m to Philips to stimulate research and development focused on new medical devices such as image-guided intervention and therapy, home healthcare, and clinical decision support systems. This subordinated loan is part of the EIB’s Risk Sharing Finance Facil-

ity, which was set up to stimulate research, development and innovation in European companies by providing long-term strategic financing. A EUR 2bn capital cushion, co-funded by the EIB and the European Com-

mission through the EU's 7th Research & Development Framework Programme (FP7), makes it possible for the EIB to lend some EUR 10bn for high risk, high reward investment over the period 2007-2013. The Facil-

ity is a success story. The three years during which it has been available as a financing instrument have seen a very rapid take-up: from loans worth EUR 0.5bn in 2007 to 1bn in 2008 and almost 3bn in 2009. ■

The Greater **Dijon** tramway

– a tangible commitment to public transport in France

The Greater Dijon tramway is a key project designed to meet the daily travel requirements of the inhabitants of the Communauté d'agglomération and to achieve its social and economic development objectives. Signed on 25 March 2010, the EUR 100m finance contract will be for the construction of the first two tramway lines in the city of Dijon.

by Anne-Cécile Auguin, Communication Department

The EIB's commitment for this project will ultimately amount to EUR 200m out of an estimated total investment cost of EUR 400-450m.

The EIB loan in support of the Dijon tramway carries on the tradition of the Bank's priority operations in France. In 2009 alone, over EUR 1bn was earmarked for the upgrading of public transport. The EIB has provided loans for urban transport projects in Lyon, Bordeaux and Paris (to extend the tramway in the east of the capital from Porte d'Ivry to Porte de la Chapelle).

Improving the quality of people's daily lives in Greater Dijon

The loan provided by the EIB will thus enable Greater Dijon to provide public transport infrastructure that can meet the travel



F. Rebsamen, Mayor of Dijon and Chairman of the Greater Dijon area, and EIB Vice-President P. de Fontaine Vive at the signing ceremony

requirements of more than 250 000 inhabitants, including numerous students and those travelling to and from work, on a sus-

tainable basis and also contribute to the economic development of the Communauté d'agglomération.





A loan to be deployed for three specific measures, to be completed by January 2013, involving:

- the construction of the first two tramway lines in Dijon (A and B), serving 34 stations over a total distance of 18 km;
- the acquisition of 32 tramcars;
- the construction of two park and ride facilities.

These new lines will provide a frequent, efficient service to the SNCF/TGV station (regional and high-speed trains), the main residential and business areas in the suburbs (Quetigny and Chenôve), the University of Burgundy campus, the Grésilles and Toison d'Or districts and the new Valmy commercial centre.

The ultimate "green" transport system

In a conurbation aiming to become a European benchmark for environmental excellence, the light rail tramway is essential as the ultimate "green" mode of transport. As it will be electrically powered, it will not generate any greenhouse gases. It will glide along the rails and no energy will be wasted as a result of friction of the wheels on the road surface. The tramway will certainly help to make the city greener as grass will be planted along 75% of its route, which will be lined with 2 100 trees.

Greater Dijon has also undertaken to use "green" water to look after the tramway's

green areas. Essentially, this will involve recovering rainwater and using it to water the grass that will cover around 15 km of the tramway track.

A driver of employment and cooperation

With 2 200 jobs to be generated by the construction site for three years, the Greater Dijon tramway will provide a much-needed fillip for the local economy, especially important at a time of financial crisis.

In cooperation with the Burgundy Regional Council and in association with the Government, the Job Centre network and business federations, Greater Dijon has signed the "partnership charter for quality jobs and training in connection with the tramway operation". Lasting three years, this charter will specifically serve to create jobs and promote vocational skills, priority being given to integrating people who have real difficulties with the world of employment. ■

Bringing together education and environmental sustainability in Castilla-La Mancha

Two EIB-financed flagship projects have helped one of Europe's poorest regions to take the lead in climate-friendly projects and developing sustainable buildings, as well as in supporting education and raising environmental awareness.

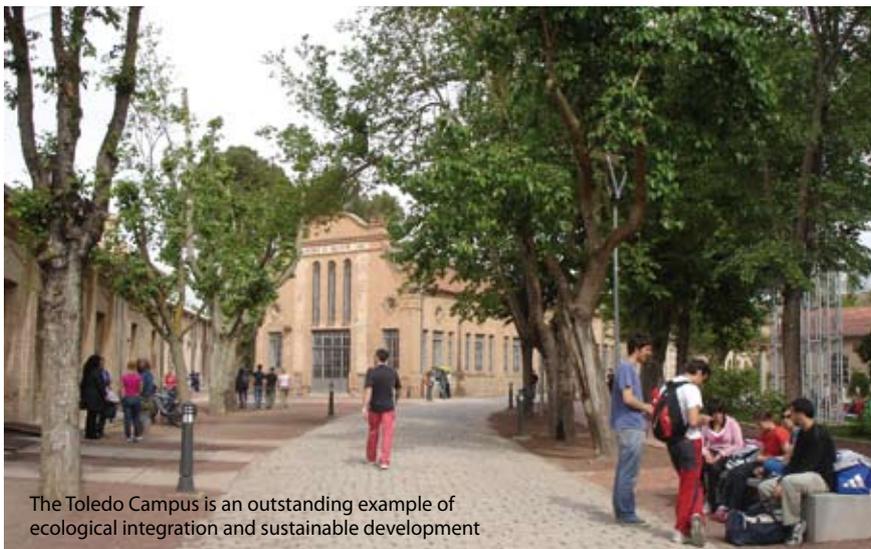
by Luisa Ferreira, Projects Directorate and Angel Ferrero, Department for Operations in Spain

Located at the heart of Spain, Castilla-La Mancha consists of the provinces of Albacete, Ciudad Real, Cuenca, Guadalajara and Toledo, the region's capital. It is the country's third-largest region, representing some 15.7% of the total national territory and covering an area of

79 461 km². However, with a population of just over two million, it is a sparsely populated area. Despite recent improvements, Castilla-La Mancha remains a disadvantaged region, with a per capita GDP of around 78% of the EU average. During the last decade the EIB has helped to finance projects in different sectors, ranging from roads, water infrastructure, education, health and environmental protection to SMEs.

Thanks to targeted investments and favourable climatic conditions, Castilla-La Mancha has become a leading region for renewable energy. It is home to one of the largest photovoltaic power plants in the world, as well as one of the biggest producers of wind power in Spain. Two EIB-financed flagship projects in the region – the recently inaugurated Ars Natura Centre in Cuenca and the Toledo University Campus – reaffirm the EIB's strong commitment to helping to reduce CO₂ emissions and fight climate change, while contributing to regional development and education.

The University of Castilla-La Mancha's Toledo Campus is located at the former Royal Arms Factory, built in 1760 by the famous architect Francesco Sabatini, who also designed the Royal Palace in Madrid. Following its renovation, the building is now considered a model for urban architecture, with its city garden, tree-lined boulevards and neo-classical and neo-Mudéjar buildings. In view of the success of the first operation, which was financed in 2003, the EIB decided to make a further contribution to the renovation of the campus. The Toledo Campus, proudly referred to as a "campus bioclimático", is an outstanding example of ecological integration and sustainable development. It is self-sufficient in terms of energy and wastewater treatment, with its own wastewater treatment plant as well as a co-generation plant. Furthermore, all the renovated buildings are designed to rely on geothermal energy for heating and cooling, which makes up 30% of all energy needs. Some of the buildings are also equipped with photovoltaic panels and solar energy panels for water heating, as well as water heat pumps. The campus also has a small hydroelectric power station and benefits from district heating. It thus provides a perfect setting for research into environmental sustainability, which is part of the focus of the Toledo Campus.



The Toledo Campus is an outstanding example of ecological integration and sustainable development

One of the largest of its kind, the Ars Natura Centre was built to teach citizens, especially children, how to protect the natural heritage and to raise awareness of environmental conservation issues. The centre was financed through a blending of EU Structural Fund resources with EIB loans and regional contributions. With an area of over 60 000 m², the Ars Natura site overlooks the historical city of Cuenca. The surrounding gardens include more than 400 species of trees and plants, representing the natural wealth and environmental heritage of Castilla-La Mancha. The centre was built to create a symbiotic relationship with the city and can be seen as a bridge between the urban and natural environments. The location of the building offers a spectacu-

lar view of Cuenca, and in turn the centre can be seen from most parts of the city. The building itself is an example of cutting-edge construction technology, with minimal impact on the environment. For example, the double-skin facades are bioclimatic and buffer the temperature changes between the inside and the outside. The Ars Natura Centre is nothing like a traditional museum. It allows visitors to explore various interactive exhibits that make it fun to learn about the rich natural heritage of the region but also to find out how to use natural resources in an efficient and responsible manner. The centre is expected to attract students from all over Spain and become a major draw for tourists, contributing to the dynamic development of the city. ■



The Ars Natura Centre was built to teach citizens to protect the natural heritage

Giving a boost to UK wind power

– the new Saudi Arabia of wind energy

The fact that the United Kingdom is the windiest country in Europe is not that hard to believe. You do not need to visit the Western Isles of Scotland or windswept beaches of Wales to appreciate this; often the Docklands of east London can feel a bracing chill blown in from the North Sea. However, the belief that in our lifetime the North Sea will become the ‘Saudi Arabia of wind energy’, once restricted to a handful of wind professionals, has since emerged as part of a clear policy commitment of all main parties in the recent UK general election.

by Richard Willis, Communication Department

Since the first wind farm in the UK was built at Delabole in 1991, onshore wind energy has established itself as a mature, clean energy-generating technology. The European Investment Bank has played a significant role in providing both direct financing to wind farms, as well as in helping to upgrade electricity distribution from wind farms to cities and in providing key infrastructure for future offshore developments. Additional corporate and SME loans have also been provided for research and development in the sector and component manufacturing facilities. Seven dedicated loans totalling nearly EUR 1.5bn have been provided to onshore and offshore UK wind farm projects in the last eight years.

The EIB has disbursed over EUR 1bn to the offshore wind sector since 2002, supporting EUR 2.4bn of capital expenditure. Five of these projects represent 38% of the global installed capacity. In 2009 the Bank approved over EUR 2bn for new offshore wind

farms. The UK and Germany account for over 70% of offshore wind projects currently planned or under construction and will be the two principal markets for offshore wind power in the coming years, with Belgium, the Netherlands and Denmark also attracting investment.

Renewable energies are critical in helping the UK reduce greenhouse gas emissions

The first EIB involvement in developing UK-based wind farms started in 2002 with a EUR 156m loan to utility company Scottish and Southern Energy. Earlier this year the company signed an additional loan for EUR 448m to help finance the construction of six new wind farms in Scotland. The recently approved schemes show the diverse contribution of EIB-funded initiatives. In the Firth of Clyde over 200 jobs will be created

in Europe’s single biggest wind farm, where 152 turbines will be capable of providing enough electricity for 279 000 homes. Over half of the total project cost will benefit Scottish companies, with the promoter actively encouraging local companies to tender not only for construction and supply work, but also for catering and providing accommodation. The site occupies nearly 50 km² of farmland, consisting mainly of grassland used for sheep grazing and commercial forestry. Just over 1% of this land will be used for the turbines themselves. Whilst at Achany in Sutherland, 16 turbines were assembled in only 10 weeks.

The UK offshore wind sector is expanding as the North Sea oil and gas industry declines. It is providing many new highly-skilled and well-paid technical jobs, typically located in coastal areas that depend on tourism and other services for the bulk of their income. Onshore wind is bringing new skilled technical roles to rural areas, and many onshore projects provide considerable financial support to local communities, as well as increasingly through sports sponsorship.

The accelerated deployment of renewable energy technologies is a key element of the UK’s energy strategy and is critical in helping the UK reduce greenhouse gas emissions over the long term, ensuring security of supply by greater diversity in fuel sources and meeting its EU obligation to supply 15% of total UK energy needs from renewable sources by 2020.

To meet these challenges, more than 30% of the UK’s electricity will have to be supplied

from renewables by 2020, up from about 5.5% today. It is estimated that meeting the 15% renewable energy target could require about 20 GW onshore wind and 25 GW offshore wind generation capacity compared with 3 GW and 1 GW respectively today. To achieve this, long-term regulatory and financial frameworks have been developed to support expansion of renewable electricity generation and increase investment in the sector.

In October 2009, the EIB provided half of a GBP 1.4bn initiative to ensure the continued development of onshore wind farms in spite of the economic crisis. The UK Renewable Programme is a Framework Loan for financing small, medium and some 17 large onshore wind projects, corresponding to a total capacity of 1.4 GW. The programme is sponsored by the British Government's Department of Energy and

Climate Change, with individual schemes being financed through Royal Bank of Scotland, Lloyds Banking Group and BNP Paribas Fortis.

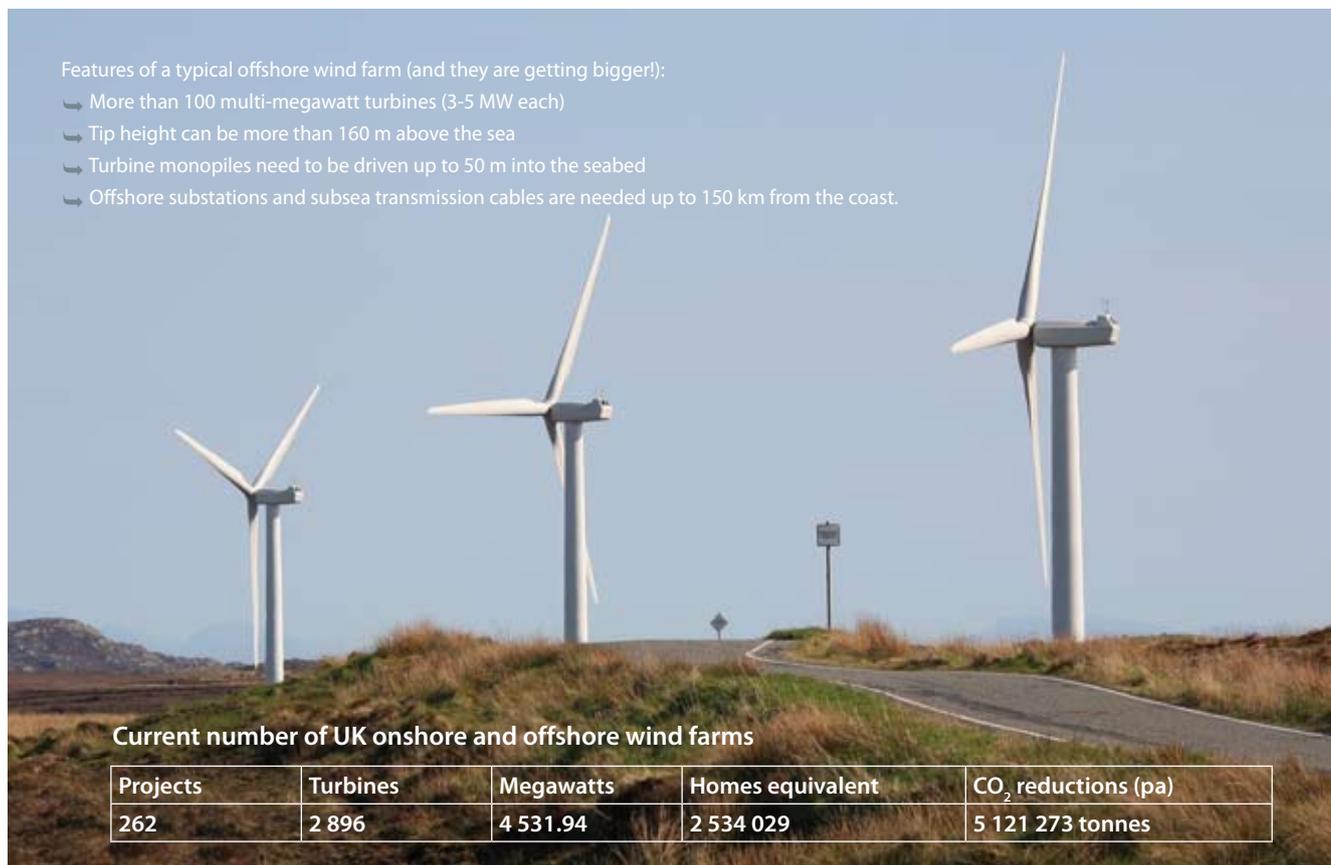
A modern 2.5 MW turbine will make 230 million cups of tea

However, despite the large pipeline of potential projects, challenges for such ambitious expansion of the sector remain. Onshore wind projects are mostly located in remote areas far from cities, therefore requiring additional investment to upgrade electricity grids and solve the connection bottleneck. The EIB is increasingly involved in this area to help drive wind energy forward and support the development of a long-term sustainable energy source.

A recent UK Government and industry joint study calculated that using only part of available wind resources, Britain could be a net exporter of electricity by 2050, with 145 000 new jobs in the sector and generating nearly GBP 30bn of tax receipts. The same study also pointed out that a modern 2.5 MW turbine will make 230 million cups of tea, the same as meeting the annual needs of 1 400 households. Given that at present there are 2 896 onshore and offshore turbines across and around the UK, they are capable of producing an estimated 4 531 MW of electricity, or filling 417 billion teacups. So let's see how the exciting new industry develops. ■

Features of a typical offshore wind farm (and they are getting bigger!):

- ↳ More than 100 multi-megawatt turbines (3-5 MW each)
- ↳ Tip height can be more than 160 m above the sea
- ↳ Turbine monopiles need to be driven up to 50 m into the seabed
- ↳ Offshore substations and subsea transmission cables are needed up to 150 km from the coast.



Current number of UK onshore and offshore wind farms

Projects	Turbines	Megawatts	Homes equivalent	CO ₂ reductions (pa)
262	2 896	4 531.94	2 534 029	5 121 273 tonnes

More than an attractive financing partner – a Turkish business view



Interview with Dr Bahadır Kaleagasi,
representative of TUSIAD, the Turkish industrialists'
and business association, in Brussels

How is the EIB seen by Turkish business?

Turkey is a rapidly emerging country. This year, even in the aftermath of the crisis, we still expect to see growth of around 6%. Moreover, there is vast potential for investment – from renewable energy and environmental projects to energy transit and trans-European networks – which are important given Turkey's geostrategic position as a gateway to the Middle East. Given this potential for investment, for us the EIB is an attractive financing partner. It is a bank, but it is also seen as a driving force behind Turkey's integration into the EU and for Turkey's global competitiveness.

Turkish business has always played an important part in the country's relations with the EU and its customs union dates back to the 1960s. However, it is not just about the free movement of industrial goods: it is also a matter of Turkey adopting the EU's commercial policy and all the economic legislation, from competition law to standards and certification, which in effect makes Turkey a European business environment to operate in.

How have EIB investments in Turkey helped to accelerate the adoption of standards?

The EU is an important global economic player and leads the way in projecting its standards and promoting transnational projects. As part of that process the EIB is acting as a standard-setter in Turkey. Thanks

to the efforts of the EIB, on both a large and small scale (more than half of the finance provided by the EIB in Turkey goes to SMEs), Turkey has improved the procedures for preparing projects, monitoring their implementation and evaluating their results. This is of course most apparent when you look at highly visible projects such as the Bosphorus tunnel, the pan-European corridor, or large onshore renewable energy farms in Osmaniye.

An important outcome of this is that the Environmental Impact Assessment process has become a Turkish standard. The EIA process is something that has benefited our country tremendously and is now standard practice thanks to the EIB.

In what way has EIB lending contributed to Turkey's EU membership bid?

In Turkey, the EIB is seen not only as a source of finance but also as a political and institutional driving force in the EU accession process. It also plays an important role in terms of public relations. It helps people in Turkey to understand that Europe is the project of the 21st century, with its investment in modern technologies, R&D and SMEs – all of which are directly related to the daily lives of the people.

In this respect the EIB is probably the most visible part of Turkey's EU accession process, not only for business people, but also for parts of the administration, local politicians and civil society organisations. More and

more people from various circles of public and private life are getting to know about the EIB and this is what is most perceived as a tangible aspect of the EU. This is the daily life of the people. If you can integrate the EU here, you will have successful communication. The concrete projects realised with the support of the EIB in Turkey speak for themselves. ■



EIB projects in Turkey
- a visible part of the EU accession process



The private sector:

leveraging growth for the Mediterranean

The 10th FEMIP ministerial meeting was held on 18 May 2010 in Brussels, jointly with the third ECOFIN ministerial meeting of the Union for the Mediterranean. This meeting provided an opportunity to take stock of the work done in 2009 and identify the major orientations of FEMIP for the period 2010-2012.

by Meral El-Zein, Europe's Neighbour and Partner Countries Department

Since it was created in 2002, FEMIP, the EIB's financial arm in the Mediterranean, has demonstrated its ability to act as the preferred financial partner of the Mediterranean partner countries¹. Over the past seven years, it has provided more than EUR 10bn worth of finance and helped to create 1 900 small and medium-sized enterprises (SMEs) and 25 000 jobs in the Mediterranean region.

Meeting in Brussels, the Euro-Mediterranean Finance Ministers emphasised the even more crucial role that FEMIP has to play in the current economic crisis. They approved FEMIP's strategy and operational objectives and highlighted two key sectors: SMEs and renewable energy.

Approval of FEMIP's three-year strategy

Even though they did not undergo a recession themselves, the Mediterranean partner countries did experience a slowdown in their economies because of the global crisis. The full-blown recession in the developed countries had harmful effects on the partner countries, leading to a contraction of capital and trade flows, a reduction in the number of tourists, an increase in financing costs and a decline in workers' remittances to the Mediterranean partner countries.

In this climate of economic uncertainty, FEMIP's contribution has become vital to continue to promote the influx of investment and to stimulate the development of the region's emerging economies. The min-

isters therefore expressed strong support for the orientations contained in FEMIP's operational plan for the period 2010-2012, which outlines the Bank's objectives in the Mediterranean and the instruments for attaining those objectives. The plan provides for a strong commitment by FEMIP to the Union for the Mediterranean's priority objectives. In 2009, 80% of the financing operations agreed were related to the priorities put forward in the July 2008 Paris Declaration and the Conclusions of the Foreign Ministers meeting held in Marseille in November 2008.

Providing the SMEs with the resources they need for their development

The growth of the private sector is a long-standing concern of FEMIP. In order to support the development of this sector, FEMIP provides private enterprises with long-term loans as well as private equity and technical assistance. Following on from its action

¹ Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria and Tunisia.



in the private sector, FEMIP financed, via its Trust Fund, a study on the Mediterranean Business Development Initiative (MBDI). Identified as one of the six priorities of the Union for the Mediterranean, this initiative is intended to promote the development of the private sector in the Mediterranean partner countries by facilitating access to finance for micro, small and medium-sized enterprises (MSMEs).

The conclusions of the FEMIP study were presented to the ministers, who discussed the details of setting up a framework to provide Mediterranean MSMEs with a range of financial instruments and technical assistance activities. The EIB will see to it that proposals are submitted for the practical implementation of the MBDI, via coordina-

tion on a voluntary basis between FEMIP, the European Commission and the parties concerned.

Promoting the Solar Plan by means of appropriate finance

The ministers also approved the conclusions of the FEMIP Conference on energy held on 10 May in Valencia. This Conference focused on the financing of the Mediterranean Solar Plan, which is also one of the Union for the Mediterranean's six priority initiatives. The Solar Plan is aimed at increasing the use of renewable energy and improving the energy efficiency of the Mediterranean region.

Following the request made in Valencia and reiterated at the FEMIP ministerial meeting,

the EIB will have to present concrete proposals that would make it possible to mobilise additional finance, in collaboration with the other partner institutions operating in the region.

Need for sustained reform

The ECOFIN meeting of the Union for the Mediterranean stressed that structural reform remains essential to counter the negative effects of the current economic crisis and prevent future crises, as well as to exploit to the full the Mediterranean region's potential for economic growth. The ministers drew attention to the need to eliminate economic and institutional rigidities in the Mediterranean countries in order to improve productivity and employment.

The ministers also referred to the four priority areas on which the reforms must focus: improvement of the business environment, particularly for micro, small and medium-sized enterprises, in order to facilitate investment and create jobs; liberalisation of trade in order to achieve an open economy; improvement of the operation of public institutions and systems of governance; and, finally, consolidation of macroeconomic stability. ■

7th FEMIP Conference A knowledge-based economy



The promotion of research, development and innovation (RDI) is essential to enable the Mediterranean partner countries to adjust effectively to rapid changes in the global economy.

The 7th FEMIP Conference, which was held in Tunis on 15 and 16 March 2010, was devoted to this discussion of the place of RDI in the economies of the Mediterranean partner countries. This event brought together nearly 450 participants, including political decision-makers, academics and representatives of the private and public sectors, international financial institutions and civil society.

The Conference drew attention to the need to set up a "Euro-Mediterranean innovation area". The strategy that will be adopted to establish this area will have to examine the role of RDI in the Mediterranean partner countries and focus on strengthening innovative initiatives, particularly those concerning small and medium-sized enterprises. This area must be based on an attractive financial and legal framework that encourages research.

The Tunis meeting provided an opportunity to reiterate the importance of sharing knowledge at the regional level, which will only be able to be achieved if national and transnational centres of excellence are developed in different sectors of the economy.

The participants also highlighted the need to pursue and strengthen cooperation between European institutions and the Mediterranean partner countries. This North/South partnership will be consolidated within the strategic framework defined by the Union for the Mediterranean.

The conclusions of the Conference were approved at FEMIP's 10th ministerial meeting.

Working towards a
"Euro-Mediterranean innovation area"



First EIB loan helps Georgia upgrade its electricity network



Rebuilding transmission line pylons

This flagship project – a first for the EIB in the Southern Caucasus region – will improve the quality and security of Georgia’s energy supplies, as well as help exploit the country’s potential for exporting and transmitting electricity in the region, notably from renewable sources.

by Markus Pfeffer, Europe’s Neighbour and Partner Countries Department

Located between the Caspian and Black Seas, the Republic of Georgia occupies an important geostrategic position as an energy conduit in the region. However, its importance in terms of energy does not rely solely on its role as a transit country. With its high mountains (the highest is Mt. Shkhara, at 5 068 m) and fast-flowing rivers (there are some 26 000 rivers with a total length of about 60 000 km), it also offers significant potential for the generation of hydropower, only about 20% of which is currently being exploited. As part of Georgia’s energy strategy, which involves the privatisation of more than 80 greenfield sites for hydropower development, the project, which will enable electricity to be exported to Turkey, is expected to have a signalling effect in attracting private investors.

The project will link the power supply systems of the Southern Caucasus countries with Turkey and Europe. It comprises the construction of a 246 km-long 500 kV backbone link within Georgia, a 700 MW back-to-back converter

station near the Turkish border and a 165 km-long 400 kV interconnection to the Turkish electricity grid. As such, the project forms part of the Black Sea Electricity Ring (including Russia, Ukraine, Romania, Bulgaria, Turkey and Georgia), a scheme of common EU interest, which aims to promote interoperability, operational reliability and dependability of electricity connections.

The project will also provide the much-needed stabilisation of the backbone electricity network within Georgia, which started back in the late 1980s but was not completed owing to the lack of funding and political support in the aftermath of the collapse of the Soviet Union. It will help improve the reliability of domestic power supply systems, reduce transmission losses

and make the region independent of single-supply sources.

By reducing transmission losses and facilitating exports of hydropower to Turkey, the project is expected to contribute to the reduction of greenhouse gas emissions and other harmful airborne pollutants from fossil-fuel power generation.

Through intensive cooperation with its co-financiers and the Georgian authorities, the EIB contributed to the application of best practice with regard to the environmental impact assessment and public consultation. This helped to identify and led to agreement on a routing of the transmission line that minimises environmental damage in biologically sensitive areas.

Signed in late March, the project was prepared with the support of technical assistance financed from a grant totalling EUR 8m provided by the EU’s Neighbourhood Investment Facility (NIF). The EIB’s EUR 80m loan is augmented with contributions from the EBRD (EUR 80m loan) and KfW (EUR 75m loan blended with a EUR 25m grant). ■

“Promoting the development of infrastructure is one of the cornerstones of our strategy to attract foreign direct investment. The EIB has been and will continue to be an important partner for Georgia in accomplishing that strategy.”

Dimitri Gvindadze, Georgia’s Deputy Minister of Finance

Vanuatu

welcomes EIB wind farm investment

The EIB has provided a long-term loan of EUR 4.3 million (VUV 650 million) to support the construction of a 2.75 MW wind farm on the island of Efate, 12 km west of the capital, Port Vila. The project is the first wind farm to be built in the Vanuatu archipelago and is designed to help meet the country's growing energy needs. It is hoped that it will serve as a model for other Pacific island countries facing specific energy constraints typical of remote islands.

By Fatima Benabdelaziz Tair, Communication Department



Wind turbines at Devil's Point

The EIB signed the finance contract for Devil's Point Wind Farm, which is the first wind farm project financed by the Bank in the Pacific region, in September 2009. The project, comprising ten 55-metre high demountable wind turbines, is fully in line with the policy of the European Union and the EIB to encourage the use of renewable energy and to address the impact of climate change resulting from fossil fuel use. In Vanuatu, five other EU-funded projects using renewable energy are already being implemented in Port Olry, Malekuka, Ambae, Futuna and Sola.

The wind farm on the island of Efate undoubtedly marks an important first step in diversifying sources of electricity supply and reducing dependence on expensive fossil-fuel imports in the region – all the more so as the population is growing rapidly (estimated at 3.6% annually) and the rate of electrification is relatively low (electricity is currently supplied to fewer than 25% of households country-wide).

A reliable promoter on track

The wind farm was built by a well-established French-based energy group, Unelco Vanuatu Ltd, a subsidiary of GDF-Suez

Group. The latter has been the sole electricity utility in the country for more than 60 years, providing a level of service that constitutes best practice in the region in terms of reliability. This new wind farm is only one part of Unelco's strategy to develop renewable energy production, which also includes biofuels and solar energy. Coconut oil has already been successfully employed at one of the promoter's power stations and a rural electrification programme using diesel generators fuelled by coconut oil produced locally has been implemented with the financial support of the European Commission.

The wind farm was commissioned at the end of 2008 and has since supplied over 6.1 GWh to the Port Vila grid (i.e. 8% of its total generated power for the same period). The wind turbines are controlled from Tagabé power station, some 10 km east of the site, via an optical fibre link. Maintenance of the wind farm is being carried out by the promoter under the supervision of the wind turbine supplier for an initial period of two years, during which time the promoter's staff are receiving training from the supplier on site as well as on similar wind farms in New Caledonia.

Identifying the right location

In May 2005, a wind measurement station was installed on an elevated piece of land 500 m inland from the coast at Kawene, on Devil's Point. The site is exposed to the dominant winds, which blow strongly during at least six months of the year. After encouraging results from the wind measurement campaign, a test turbine was installed in May 2007. The subsequent performance of this demonstration unit confirmed the viability of the site, and a decision was taken

to install a first phase of ten similar units on the site during 2008. Today, eleven identical wind turbines are operational, each with a unit capacity of 275 kWe, giving a total capacity of 3.025 MW. This is enough to provide power to over 4 500 inhabitants out of a total population of some 46 000 people in the Port Vila area.

A second phase of ten additional units is at the planning stage and is expected to be implemented to extend the existing wind farm, bringing the total capacity to 4.400 MW. Another potential site is being monitored in the White Sands area (South Efate).

Cyclone-proof wind turbines: the island solution

Wind turbines that are able to operate in cyclone-prone areas are increasingly being installed on small, isolated islands that seek improved energy independence. Vanuatu experienced more cyclones than any other Pacific island country during the decade from 1990 to 2000. Turbines have thus been carefully selected based on the same model of wind turbine in operation on five wind farms in neighbouring New Caledonia. Their design has proved to be reliable under tropical conditions, includ-

ing surviving Cyclone Erica in March 2003 with minimal damage.

In the event of a cyclone alert the turbines, which are half the weight of ordinary turbines and have two blades instead of three, are lowered and tethered to the ground in a horizontal position using a system of cables and winches. As the interconnection to the electricity grid is secured by underground cables, the risk of damage to the wind farm during a cyclone is greatly reduced.

An environmentally and socially friendly project

Apart from a change in the visual appearance of the local landscape (which is unavoidable), the environmental impact of the wind farm is relatively small. Particular attention has been taken to ensure that no environmentally protected zones or areas of cultural significance are affected by the project. In addition, a noise study was carried out by an independent expert to ensure that the acoustic impact of the wind turbines would not cause any undue nuisance to the closest human neighbours.

The project has been positive in terms of employment, with an estimated 12 staff-years

of temporary employment created during construction and two permanent new jobs on Vanuatu, as well as periodic employment for the local labour force during the scheduled maintenance of the wind turbines. It has also had a positive effect overall on the environmental image of the country, which is likely to support efforts to promote the island as a tourist destination.

Last but not least, the Utilities Regulatory Agency in Vanuatu, which is an independent body established by law, has just launched an Electricity Tariff Review which will, among other things, explicitly address the passing-on to consumers of the cost savings generated by the wind farm. ■



The EIB team inspects the Vanuatu wind farm

Climate Awareness Bonds find favour in Japan

This year a new and growing source of demand for the EIB's Climate Awareness Bonds was uncovered in Japan. The proceeds of these bonds are exclusively earmarked for the Bank's lending projects in the fields of renewable energy and energy efficiency, both key means of mitigating the effects of climate change.

by Peter Munro, Head of Investor Relations, Capital Markets Department

“ Like Japan, the EU has taken a leading role in tackling climate change. Once again, investors benefit from the EIB's combination of triple-A credit quality and transparent use of proceeds in favour of climate change mitigation, ” EIB President Philippe Maystadt

said, explaining the appeal of such bonds for investors in Japan, on the occasion of the latest issue.

The first issue of Climate Awareness Bonds in Japan took place in February 2010. The demand for the bonds was driven by Japa-

nese retail investors, and so a local 'Uridashi' format was used. Lead managed by HSBC, the issuance was tailored to specific investor needs, reflected in the use of four different tranches across three currencies – Australian dollars, Brazilian real and South African rand – markets which carry the added appeal of offering relatively high yield potential for investors. EUR 157.5m equivalent was raised in total.

Hot on the heels of this initial issuance in Japan, further Climate Awareness Bond issuance was concluded in Japan in May, this time led by Daiwa. The amount raised (equivalent to around EUR 300m) was roughly double the size of the first issuance earlier in the year. Again the demand came

Investing in sustainable energy projects, like the Solucar Solar thermal power plant in Spain and the Belwind offshore wind farm in Belgium



from retail investors in Australian dollars and South African rand.

"In the past several decades, our modes of living have changed substantially. Modernisation and industrialisation have led to increases in the use of fossil fuel, generating environmental pollution and climate change. It is clear that renewable energy has become increasingly important, leading to natural resources being used without exhaustion, as well as reduction of CO₂. The Climate Awareness Bonds issued by the EIB, which plays a leading role in this area, are an innovative scheme, and give investors the chance to contribute to projects related to renewable energy and energy efficiency by investing in these bonds with a very high creditworthiness," the President and CEO of Daiwa Securities Group said at the launch of the latest issues, encapsulating the thinking that has driven the appeal and momentum of Climate Awareness Bonds in Japan.

Since the first Climate Awareness Bond was launched in 2007, the Bank has raised

a total equivalent to over EUR 1bn through the sale of such instruments internationally. The first such bond, a EUR 600m issue,

The Climate Awareness Bonds involve an innovative scheme, with very high creditworthiness, and give investors the chance to contribute to renewable energy and energy efficiency projects.

was a pioneering issue for the market, notably in terms of the dedicated use of proceeds, its size and also the pan-European distribution. It was followed by two issues in Swedish krona for a total amount of SEK 2.25bn (EUR 214m) in November 2009. In the first five months of this year alone, the first such transactions in Japan have contributed an equivalent of over EUR 450m.

The Bank's reporting on the use of the proceeds is transparent, giving investors cer-

tainty as to the precise use of their money. Funds raised with the first bond had been completely disbursed by the end of 2008 to 14 projects across six European countries. From the more recent bonds issued in Swedish krona, EUR 50m had already been disbursed by the end of 2009.

Climate Awareness Bonds, with such a dedicated use of the proceeds, are made possible by the EIB's large and often innovative role as a lender in these sectors. Financing sustainable, competitive and secure energy is one of the core objectives of the EIB. The Bank has set a target that at least 20% of its energy projects in the EU should involve renewables. In 2009 it provided approximately EUR 4bn in financing for renewable energy projects. It also extended energy efficiency investments to a level of EUR 1.5bn in 2009 alone. Outside the EU, the EIB intends to further increase its support for renewable energy and energy efficiency. ■

Senior Cadre appointments



Bruno Rossignol has been appointed Deputy Director of the Communication Department with effect from 15 June 2010. He will be in charge of the editorial team and events.

Before joining the Bank, Mr Rossignol, a French national, was Head of Media Relations at Clearstream, a leading international securities central depository and trade arm of Deutsche Boerse Group based in Luxembourg.

Prior to this, he was Director of Corporate Communications at Exane BNP Paribas, a brokerage firm, headquartered in Paris. Previously, he was Chief Press Officer at Euronext, the pan-European stock

exchange resulting from the merger of the Amsterdam, Brussels, Lisbon and Paris exchanges, as well as personal adviser to its chairman. Mr Rossignol started his professional career as a journalist for Agence France Presse, where he worked for ten years, notably as Head of economic reporting in Washington DC covering the IMF, the World Bank, the Federal Reserve and the US Treasury.

A graduate of Paris-based Institut d'Etudes Politiques (Sciences Po), Mr Rossignol holds a master's degree (Diplôme d'Etudes Approfondies) in contemporary history. ■

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Egypt

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Istanbul

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Kenya

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Morocco

☎ (+212) 5 37 56 54 60 – ☎ (+212) 5 37 56 53 93

Pacific

☎ (+61-2) 82 11 05 36 – ☎ (+61-2) 82 11 05 38

Senegal

☎ (+221) 338 89 43 00 – ☎ (+221) 338 42 97 12

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Please consult the Bank's website for the updated list of existing offices and their contact details.

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Dates for the diary...

- **22/10/2010** – Regional forum on "Green Growth for Turkey". Istanbul – Turkey
- **26/11/2010** – Regional forum on "Energy and Transport Diversity". Warsaw – Poland
- **4-11/12/2010** – United Nations Climate Change Conference. Cancún – Mexico

Details at www.eib.org/events

New EIB publications



February 2010

- Plan and manage a science park in the Mediterranean - Guidebook for decision-makers

March 2010

- Guide for procurement of services, supplies and works by the EIB for its own account
- Economic and Financial Reports
- The European Investment Bank in the Republic of South Africa (RSA)
- The EIB and Renewable Energy
- The European Investment Bank and energy efficiency
- FEMIP Financing operations in Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria, Tunisia

April 2010

- What is the EIB Group?

May 2010

- EIB Information – Special edition 2010 – Partnering with the world
- France and its regions – projects financed by the EIB
- Diversity 2008-2009 Progress Report
- Rules of Procedure

June 2010

- Annual Report 2009 – Activity and Corporate Responsibility Report
- Annual Report 2009 – Financial Report
- Annual Report 2009 – Statistical Report
- Investment Facility – Annual Report 2009
- FEMIP 2009 Annual Report
- Audit Committee Annual Reports for the year 2009
- JASPERS Annual Report 2009
- Technical Assistance for Project Preparation - JASPERS
- EU-Africa Infrastructure Trust Fund - Annual Report 2009
- Subsidies Committee Annual Report 2009

Brochures are available in various languages according to audience and business requirements. They can be downloaded free of charge at www.eib.org/publications.

