



Briefing Note

The Bank promoting European objectives

Luxembourg, 05 June 2007

EIB reinforced contribution to EU Energy Policy

EIB Energy Policy

Energy has become a key item on the European Union policy agenda and for the European Investment Bank (EIB), the Bank promoting European objectives, which has made "sustainable, competitive and secure energy" one of its priority objectives in its Corporate Operational Plan for 2007-2009. In line with EU policy orientations, five areas have been defined for EIB lending: renewable energy (RE); energy efficiency (EE); research, development and innovation (RDI) in energy; security and diversification of internal supply (including trans-European energy networks); and of external supply (Neighbour and Partner Countries).

EIB Energy Policy also sets some specific targets within the European Union:

- a global annual amount in the order of EUR 4bn for projects belonging to a least one of the five priority areas described below;
- an annual sub-target of EUR 600m-800m for renewable energy projects and a relative target of 50 % of EIB lending to electricity generation associated with RE technologies.

New Policy Background

The Brussels European Council of 8 / 9 March 2007 adopted an Action Plan for energy policy 2007-2009 and committed the EU to achieve at least a 20 % reduction of greenhouse gas emissions by 2020 compared to 1990. The European Council also endorsed a binding target of a 20 % share of renewable energies in overall EU energy consumption by 2020, supplemented by a binding minimum target of 10 % for the share of biofuels in the petrol and diesel consumption for transport. Furthermore the European Council stressed the need to increase energy efficiency in the EU so as to achieve the objective of saving 20 % of energy consumption compared to projections for 2020. As a result the Bank has decided to reinforce its contribution in energy to better support the new objectives.

A Reinforced contribution

Against this background, the Bank's Board of Governors, EU Economy and Finance ministers, endorsed in June 2007 a number of measures to reinforce the EIB's contribution to EU renewable energy and energy efficiency, including a new multiannual EUR 3 billion facility from own resources for energy sustainability and security of supply lending in Neighbourhood Countries, ACP, South Africa and ALA until end 2013.

In addition, the Governors have endorsed a set of screening criteria for the financing of coal/lignite power stations, in order to ensure that the use of carbon-intensive fuels is still compatible with the overall targets for emissions.

The Bank has also established carbon funds with EBRD, the World Bank and KfW, and it is developing a 2nd generation fund in order to promote the long term carbon market also post 2012 (after the expiry of the Kyoto Protocol).

Renewable energy

- considering current EIB annual sub-target of EUR 600m-800m for renewable energy projects and a relative target of 50 % of EIB lending to electricity generation associated with RE technologies as a minimum;
- increasing the possible share of EIB financing up to 75 % of the cost of RE projects notably for emerging RE technologies;
- developing financial instruments specifically for the RE sector, including framework facilities for smaller-scale investments, and increasingly using structured finance (SFF/RSFF) and equity funds;

- Updating and streamlining the Bank's selection criteria for both mature and emerging RE technologies in line with the new EU objectives in the area.

Energy efficiency

- Introduction of energy efficiency considerations in all projects financed by the bank, with the aim of promoting the adopting of the most energy-efficient solutions;
- Increase the customary share of EIB financing up to 75 % of total cost for projects resulting in a reduction of energy consumption by at least 20 %;
- Expand the financing of energy efficiency projects, particularly concerning projects by the public sector and small and medium-sized enterprises, as well as buildings and Combined Heat and Power projects);
- Explore synergies with other EIB initiatives such as JESSICA, JASPERS and JEREMIE;
- Continue to support the modernization of existing power generation and transmission networks, together with other investments promoting the rational use of energy and increased energy efficiency in transport and industry.

In addition, for the other three areas the objectives endorsed in November 2006 are the following:

Research, development and innovation

- Support the European Technology Platforms devoted to energy and research infrastructures. Through tailored financing instruments, the EIB is able to finance high-risk research, development and innovation promoters who may previously not have had access to EIB finance;
- Support RDI in carbon capture & storage (CCS) and demonstration plants, as well as large European research infrastructures in the energy sector.

Diversification and security of internal supply

- Support projects contributing to diversification at EU level, notably:
 - Trans-European Energy Network projects;
 - electricity and gas grids;
 - gas/oil storage facilities;
 - power stations.
- Increase selectivity for financing coal/lignite fired electricity generation projects, while future national energy plans are being developed and endorsed at EU level, and taking into consideration the security of energy supply.

External energy security and economic development

- Support a pan-European Energy Community with neighbouring countries;
- Enhance security of energy in the EU;
- Develop the pipeline of climate change projects;
- Improve access to modern sources of energy by the population;
- Support modern and efficient uses of energy and sustainable energy solutions in developing countries.

Facility for Energy Sustainability and Security of Supply

The EIB has established a multiannual EUR 3 billion facility to support projects (approved individually by its Board of Directors) that contribute to energy sustainability and security of EU energy supply in Neighbourhood Countries¹, ACP, South Africa and ALA until end 2013. The facility would be used essentially when the Bank does not need the support of the EC guarantee to mitigate sovereign or political risk to protect its own credit standing (i.e. in investment grade countries or when appropriate security can be provided). In contrast, the resources under the external lending mandate would be used when the support of the Community Guarantee is needed to mitigate sovereign or political risks (mostly in lower rated countries) or to support projects in other sectors.

The proposed facility would thereby help to optimise the use of the relatively scarce resources that benefit from the Community Guarantee while enhancing the profile of the EU action addressing climate change and security of supply. Main types of projects eligible for this facility are renewable energy, energy efficiency, carbon capture, transportation and storage and projects contributing substantially to security of EU energy

¹ In the terminology concerning the external relations of the EU, the eligible Neighbourhood Countries are Algeria, Armenia, Azerbaijan, Egypt, Georgia, Israel, Jordan, Lebanon, Moldova, Morocco, the Palestinian Authority, Syria, Tunisia and Ukraine.

supply. A mid-term review of the facility is foreseen by 2010.

Activity in 2006

In 2006, the EIB signed loans totalling nearly EUR 3bn for projects within the EU in the energy sector. Outside the EU, about EUR 1bn went to energy projects in Turkey, the Mediterranean and ACP partner countries.

In 2006, renewable energy projects signed in the EU totalled EUR 456m, bringing the total amount for EIB financed renewable energy projects in the last 5 years to over EUR 2.2bn.

Signatures for Trans-European Energy Network projects in 2006 totalled EUR 321m. The signature pipeline for the first quarter of 2007 is strong and the EIB is well on-line for the annual target of investment of EUR 0.5-1bn in these pan-European energy projects.

A Commission review of the funding of Trans-European Energy Networks in 2006 praised the work of the EIB in supporting the Community financing of pan-European energy projects to date. Updated guidelines on the Trans-European Energy Networks by the Commission in September 2006 included 42 projects identified as "Trans-European Network projects of European interest". The EIB is involved in most pan-European priority gas projects and hopes to increase involvement in particular in electricity investment in the future.

Case Studies

ANDASOL Solar Thermal Power (Spain)

The project is the first large scale application of a concentrating solar thermal power generation plant in the EU. The plant will be developed in a wide valley north of the Sierra Nevada, some 60 km south-east of Granada in Spain. The area benefits from relatively high annual average solar radiation, availability of groundwater for cooling and ready access to the high voltage electricity grid. The project is based on a new generation of parabolic solar technology.

The project promotes EU energy policy by the use of indigenous renewable energy and contributing to national and EU efforts to combat climate change. It is also expected to demonstrate a new generation of concentrating solar power (CSP) technology, including several components that justify support under the EIB's Innovation 2010 Initiative.

Turkey-Greece Gas Interconnector

Signed in February 2006, the EIB's EUR 22m loan to the Public Gas Corporation of Greece (DEPA) has facilitated the construction and operation of an 85 km-long gas transmission pipeline that will link the Greek and Turkish national gas systems between Komotini in Greece and Kipi at the Greek/Turkish border.

Designated a priority Trans-European Energy Network project of common European interest, its purpose is to import natural gas from Turkey and other sources, to improve the security of Greece's supplies, and to provide capacity for the potential future transit of gas to neighbouring countries.

For further information on the EIB, visit its website www.eib.org.

Press Contacts: Press Office, press@eib.org, Tel: +352 43 79 21 00; Fax: +352 43 79 21 99
General Questions: EIB Infodesk, info@eib.org; Tel: +352 43 79 31 00; Fax: +352 43 79 31 99