

**The Bank promoting European objectives**

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EIB scales up its support for EU energy objectives**Policy objective**

The Bank's action in the energy sector seeks to contribute to the key policy objectives of the EU:

- sustainability – by promoting renewable energy sources, to reduce both dependence on the outside world and the negative impact of energy production and consumption on the natural environment, particularly through CO₂ emissions;
- competitiveness in energy supply – a key consideration for the economic development of the European Union given the central role played by energy in the modern economy; and
- security of supply – by promoting diversified sources of energy, reducing Europe's dependence on external supplies and the potential impact of the many international risk factors that affect the energy market.

Policy background

The EIB's policy stance on energy therefore fully reflects the prominence of energy in the European Union's policy agenda. The Commission's Energy Green Paper "A European Strategy for Sustainable, Competitive and Secure Energy" (March 2006) was followed by the adoption of an Action Plan at the Brussels European Council of 8/9 March 2007 and a commitment to achieve a 20% reduction in greenhouse gas emissions by 2020 compared to 1990. The European Council also endorsed a binding target of a 20% share of renewable energies in the overall EU energy mix, supplemented by a binding minimum 10% share of biofuels in petrol and diesel for transport. Furthermore, it stressed the need for a 20% reduction in energy consumption compared to baseline projections for 2020.

The EIB's contribution concentrates on five priority areas: renewable energy (RE); energy efficiency (EE); research, development and innovation (RDI) in energy; security and diversification of internal supply (including trans-European energy networks); security of external supply and economic development (concerning Neighbour and Partner Countries).

A reinforced contribution

Against this background, the Bank's Board of Governors (the EU's 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, as well as a new multiannual EUR 3bn facility from own resources for energy sustainability and security of supply lending in Neighbourhood Countries, the ACP countries, South Africa and ALA until end-2013.

In addition, the Governors 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 the EBRD, the World Bank and KfW and launched in September 2007 a second-generation fund with a group of public financial institutions in order to also promote the long-term carbon market post-2012 (after the expiry of the Kyoto Protocol).

Activity in 2007

In 2007, the EIB signed loans totalling more than EUR 5.4bn for projects within the EU-27 (+Iceland) in the energy sector. Outside the EU, about EUR 1.4bn went to energy projects in China, the Mediterranean partner countries, Croatia, the Balkans, Uganda and South Africa.

In 2007, loans for renewable energy projects in the EU reached an all-time record of EUR 1.5bn, while loans for renewable energy outside the EU amounted to EUR 518m. This is significantly more than the level of financing provided for renewable energy projects over the previous five years, which averaged less than EUR 500m per annum, in and outside the EU combined.

Signatures for trans-European energy network projects in 2007 totalled EUR 1.4bn. The EIB is involved in most pan-European priority gas projects and hopes to also step up its involvement in electricity investment.

The Bank's Annual Forum held in Ljubljana in September 2007 focused on the topic "Investing in energy, mastering climate change" and addressed the key issue of Europe's new energy policy.

Case studies

Alto Minho Parques Elolicos (Portugal)

This EUR 162.5m loan concerned the construction and operation of five terrestrial wind farms, with a combined capacity of 240 MWe, in northern Portugal and the installation of associated electricity transmission infrastructure. The project is a response to initiatives taken at the national and EU level, which set a target for Portugal of 39% of total energy consumption to be produced from renewable energy sources by 2010.

The project will make use of a relatively strong local wind resource to generate renewable energy for supply to the public grid, replacing old generation fossil fuel-fired plants, thereby reducing the impact of electricity generation on climate change.

Facilité Haute Qualité Energie Environnement (France)

This project, the first of its type in Europe for the EIB, aims to support, throughout France, the financing of construction projects and refurbishment of public buildings – such as schools and colleges, crèches, administrative buildings, sports and leisure centres, and community centres – in line with energy efficiency and environmental standards that are more stringent than those currently in force.

As part of efforts by the French Ministry for the Environment and Sustainable Development to combat global warming and improve the management of the natural and urban environment, the project will be implemented in partnership with Groupe Caisse d'Epargne, via its branch network and through its subsidiary Crédit Foncier and with the support of the Agence de l'Environnement et de la Maîtrise de l'Energie (ADEME). For each project identified, the Group will propose to the promoters, taking account of the EUR 350m funding from EIB resources, loans tailored to their specific requirements and favourable financial terms.

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

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