



EIB support for EU energy objectives

EU policy context

The Bank's activities in the energy sector are balanced in line with key EU policy objectives, and contribute to their achievement. In particular:

- Environmental sustainability – to reduce the negative impact of energy production and consumption on the natural environment, particularly through reduced CO₂ emissions, but also through cleaner energy in general;
- 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, through more internal supplies but also by reducing Europe's dependence on external supplies and the potential impact of the many international risk factors that affect the energy market.

The EIB's policy stance on energy therefore fully reflects the prominence of energy on the European Union's policy agenda. The EU has committed to achieving a 20% reduction of greenhouse gas emissions by 2020 compared to 1990 and 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 has stressed the need for a 20% reduction in energy consumption compared to baseline projections for 2020, in other words to reduce EU's energy intensity.

In addition to those energy objectives the EU has defined targets (120g/km in 2015 and 95g/km in 2020) for reducing CO₂ emissions from passenger cars. In parallel, to reduce the impact of the transport sector, the EU Euro 5 and Euro 6 emission regulations for light vehicles provide for a significant tightening-up of the rules on several pollutant emissions, for diesel and petrol vehicles. This EU framework should lead to the emergence of more fuel efficient and less polluting vehicles.

EIB contribution

Against this background, the Bank has responded to these challenges by integrating energy as a key objective of its corporate operational plan, and has widened the range of financial instruments available. In addition to integrating climate change considerations across all its activities, the Bank has substantially stepped up its energy lending. EIB energy lending targets have increased from EUR 4bn in 2007 to EUR 6.5bn in 2008 and EUR 9.5bn for 2009. The Bank has also set a minimum floor that at least 20% of future energy projects in the EU should cover renewable sectors.

EIB energy lending 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).

While respecting the different objectives of the Bank's external mandates, the EIB is helping developing countries achieve a low-carbon growth path, therefore contributing to overall development objectives.

Recent EIB initiatives in the energy sector

As part of the EIB contribution to the EU Economic Recovery Plan adopted by the Council in 2008 to mitigate the current financial and economic crisis, the EIB has approved an energy and climate change package amounting to EUR 6bn of additional lending in both 2009 and 2010. This includes a European Clean Transport Facility (ECTF) with an envelope of EUR 4bn over the years 2009 and 2010 for additional lending to the automotive industry (original equipment manufacturers and component suppliers) and other transport sectors. ECTF will target significant CO₂ and other pollutant emission reductions in the EU transport industry, through research, development and innovation expenditure, as well as tangible fixed assets in related infrastructure and production facilities. It will strengthen the leading position of Europe in the development of fuel efficient vehicles, helping to reduce the carbon footprint of the transport sector.

Together with the European Commission and other investing European institutions, the EIB is working on the creation of the 2020 European Fund for Energy, Climate Change and Infrastructure ("Marguerite Fund") to finance equity and quasi-equity projects in these areas and support the internal energy market, the integration of renewables and the enhancement of internal security of supply.

The Bank has also stepped up its activities in support of energy efficiency improvements, in particular by working together with the European Commission on joint initiatives such as the Covenant of Mayors, launched in February 2009 targeting public buildings, street lighting and clean public transport solutions, and the European Strategic Energy Technology Plan (SET-Plan), designed to accelerate the development and deployment of cost-effective low-carbon technologies.

Outside the EU, in June 2007 the EIB approved in a multi-annual EUR 3bn facility from own resources for energy sustainability and security of supply lending in Neighbourhood Countries, ACP, South Africa and ALA until end-2013. The EIB also manages Technical Assistance (TA) programmes to support project preparation and operation in the Mediterranean region and ACP. In the Western Balkans, the Bank has committed up to EUR 100 000 in own resources for TA in the field of energy efficiency and renewable energies.

In July 2008 the Euro-Mediterranean Heads of State and Government supported the launching of a Mediterranean Solar Plan (MSP) as one of the priority projects of the Union for the Mediterranean. The plan aims to develop all renewable energy sources in the Mediterranean region, with a special focus on wind and solar power. The potential for developing new low-carbon generation facilities in the Mediterranean region is estimated at 20 GW by 2020 and forecast investment needs – including the corresponding electricity networks – are in the order of EUR 80bn. In October 2008, at the Joint Euromed ECOFIN and FEMIP Ministerial Meeting, Ministers invited the Bank to take further steps to support the effective implementation of the MSP. Such a mandate was also backed by the Euro-Mediterranean Ministers for Industry, who at their 7th Conference in Nice tasked the EIB with drawing up an investment plan to develop solar energy in the Mediterranean region.

In addition, the Bank has also actively participated in the development and creation of the Global Energy Efficiency and Renewable Energy Fund (GEEREF), which is being managed by the EIF and will invest globally through regional funds in small and medium-scale EE and RE projects in developing countries and emerging economies.

The Bank is committed to developing the carbon markets to help companies and Member States meet their carbon obligations under the Kyoto Protocol, to support the EU Emissions Trading Scheme and to promote cleaner technologies. In this respect the Bank has established three carbon funds with the EBRD, the World Bank and KfW. Two new funds were launched in 2008 including the "Fonds Capital Carbone Maroc", the first carbon fund in Morocco, and the Post-2012 Carbon Credit Fund, with a group of European public financial institutions, designed to promote the long-term carbon market also post-2012 (after the expiry of the Kyoto Protocol).

In the course of 2009, the Bank will conduct a pilot exercise to measure the carbon footprint of the EIB that results from the projects it finances. Based on existing good practice, it will test the practicality and appropriateness of a number of footprint measures. The findings will be used to prepare a proposal for a comprehensive system of measurement and reporting for implementation in 2010.

Activity in 2008

In 2008, the EIB signed loans totalling more than EUR 8.6bn for projects within the EU-27 under the energy objective. Outside the EU, about EUR 1.6bn went to energy projects in Turkey, the Mediterranean partner countries, the ACP, South Africa, India, Ukraine and Montenegro.

Loans in the renewable energy sector, including renewable energy manufacturing, totalled EUR 2.2bn in 2008.

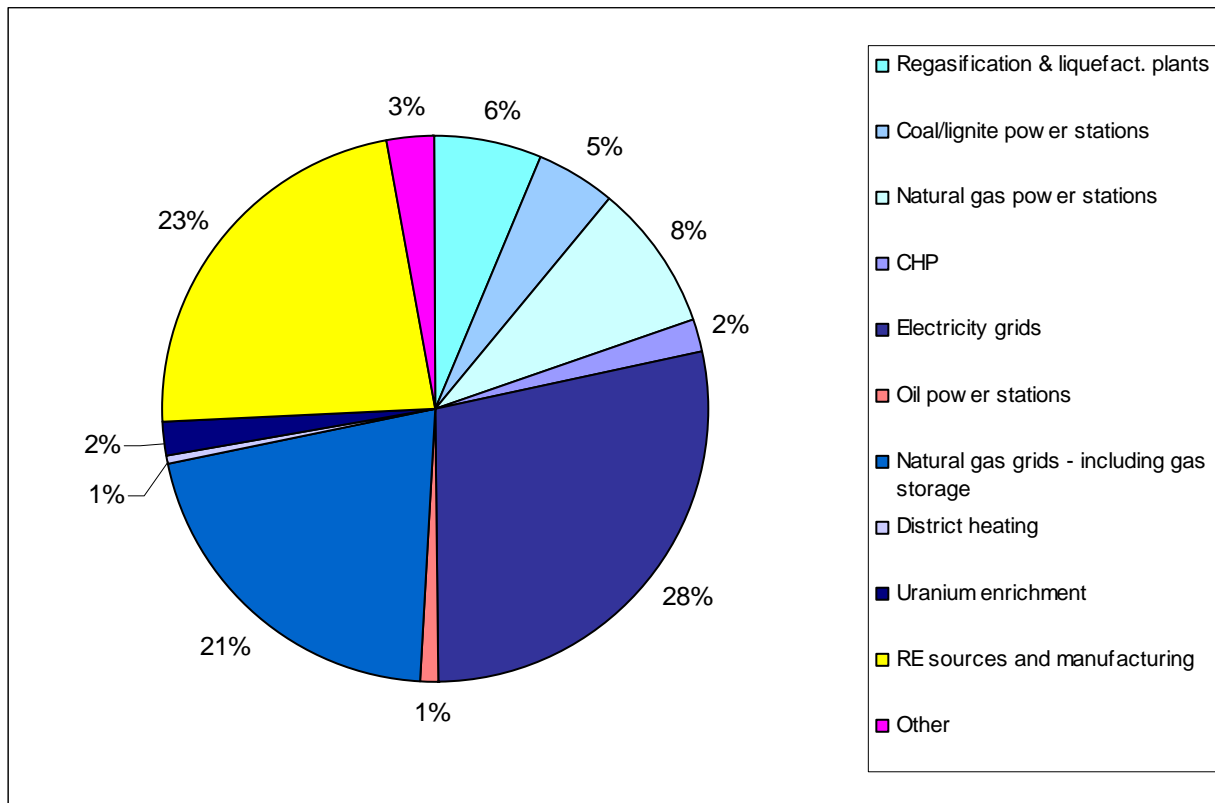
A large amount of EIB lending in the energy sector went to electricity grids (28%) and natural gas transport and storage infrastructures (21%). Signatures for Trans-European Energy Network projects in 2008 totalled EUR 2.9bn, of which EUR 1.4bn for gas transport infrastructure contributing to the diversification and security of the EU's energy supply. The EIB is involved in most pan-European priority gas projects and hopes to step up its involvement, in particular in electricity investment.

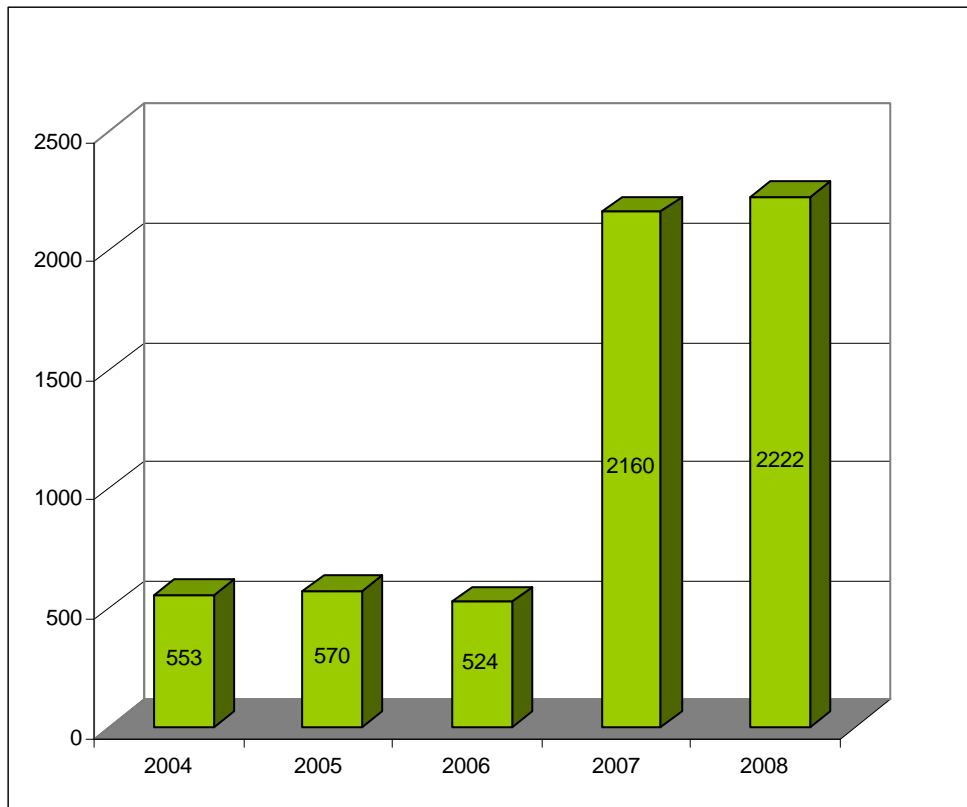
Other projects in the energy sector included natural gas-fired power stations (8%), CHP (2%) and district heating (1%), while other fossil fuel power stations totalled 1%.

One coal/lignite power station was signed on the basis of the Bank's new screening criteria for this type of project endorsed in 2008 in order to ensure that where coal-based generation is a low economic cost solution, high energy efficiency standards and environmental safeguards are applied. Finally, one project was signed for the replacement of an obsolete uranium enrichment facility in France. The Bank did not finance any oil or gas field development projects in 2008.

EIB energy lending in 2008

Sectoral breakdown (including RE manufacturing)



EIB lending for renewable energy sources and manufacturing (2004-2008)**Case Studies***Solar Rooves-Alternative Energy (Germany and Spain)*

This EUR 77m loan concerned the installation of up to 35 medium-sized, grid-connected photovoltaic plants, most of them mounted on the flat rooves of logistics centres located in Germany and Spain, totalling around 30 MW. The rationale of the project was driven by a programme approach, aiming at achieving cost reductions by applying standardised equipment. The project development was primarily driven by an SME (an experienced roof construction company) and co-funded through a closed equity fund. The PV plants benefit from attractive tariff regulations in both countries. The project is contributing to the deployment of one of the priority technologies identified in the European Strategic Energy Technology Plan, which is reflected in the Bank's priority renewable energy lending objectives. The project constitutes an efficient contribution to the development of PV as a viable source of energy in the longer term and supports national and European targets for renewable energy generation. It thereby also contributes to environmental and energy security objectives. Environmentally, the project will displace around 15 kt CO₂ emissions per year.

Dong UK Renewables (United Kingdom)

In 2008, the Bank provided EUR 250m for the development and operation of an offshore wind farm with a total capacity of 172 MW in the United Kingdom. The wind farm will be built on Gunfleet Sands, approximately 7 km off the coast at Clacton-on-Sea, Essex, United Kingdom. It will generate electricity for supply to the public grid. The project is located in an area with good wind resource conditions thus allowing it to achieve a high load factor. The quality of the wind measurement data is good, with 5 years of on-site data.

Enerjisa Hydropower (Turkey)

The project comprises eight hydropower plants (total capacity of around 955 MW) with associated reservoirs and/or weirs, located in South-Eastern Turkey. The EUR 135m EIB loan covers all phases of the investment, including studies, design, civil works for access roads, construction of dams, and power plant operation. The plants will be connected to the existing power transmission system of Turkey via high-voltage (154 kV) overhead lines. The lines and substations are not part of the project, but will be built and financed by the national transmission system operator (TSO). The power plants will be installed in a cascading arrangement in which four plants will be installed on the Seyhan River (Adana region), whilst the remaining four will be situated on the Ceyhan River (Kahramanmaras region). Both rivers flow into the Mediterranean Sea without crossing international borders.

Exim Bank of India Framework Loan (India)

This operation consists of a EUR 150m financing facility to Exim Bank of India, a policy bank wholly owned by the Government of India. The EIB framework loan will support a series of investments that contribute principally to the mitigation of climate change (through projects in the renewable energy and energy efficiency sectors, which would account for some two thirds of the whole facility) or to the EU's presence in India (through FDI or transfers of technology and know-how from Europe), the two objectives set for the ALA mandate. It will support the EU-India Strategic Partnership, which among other things provides for cooperation in mitigating climate change.

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

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