



The EIB supports EU energy objectives

The EIB's activities in the energy sector support the achievement of key EU objectives:

- 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 and increasing the share of internal supplies in the overall energy provision.

The EU's "Action Plan for Energy and Climate Change" adopted in April 2009 sets out the Union's strategic approach to achieving the above objectives. The Plan includes a series of legislative and policy proposals to combat climate change, promote renewable energy and energy efficiency and ensure the security of Europe's energy sources beyond 2020. In this framework, the EU has committed to achieving a 20% reduction of greenhouse gas emissions by 2020¹ compared to 1990 levels 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.

Against this background, the EIB has made energy one of its key objectives and substantially stepped up its energy financing: the Bank's lending for this objective has consistently increased over the years and reached the amounts of EUR 10.2bn in 2008 and EUR 14.8bn in 2009.

The Bank concentrates its energy lending on a number of priority areas: renewable energy (RE); energy efficiency (EE); energy research, development and innovation (RDI); and security and diversification of supply (including trans-European energy networks). The EIB's energy lending seeks at the same time to be environmentally sustainable both inside and outside the EU and to contribute to the security of the Union's energy supply. The Bank has integrated climate change considerations across all its activities. It strongly supports cleaner energy sources and energy efficient projects.

In 2009, the Bank lent EUR 4.2bn for renewable energy (RE) projects (EUR 2.2bn in 2008). Since 2005, EIB loans for RE projects have increased from 43% to 70% of the Bank's total power generation lending. Moreover, although the Bank normally finances up to a maximum of 50% of a project's investment costs, it may lend higher percentages (up to 75%) for RE projects and projects making a significant contribution to energy efficiency.

The Bank's role in supporting RE development has been widely recognised, as witnessed by the awards the EIB received in 2009 in particular as "Renewable Lender of the Year"², "Best Finance House Renewables Europe"³ and "Multilateral of the Year"⁴. Specific projects financed by the Bank also received awards from major specialist magazines and publishers⁵.

In addition, EIB lending for energy efficiency (EE) projects has also doubled from 2008 levels to reach EUR 1.5bn in 2009. It was complemented by a series of initiatives taken by the Bank in cooperation with other institutions, including the European Commission, to support EE through technical assistance for project preparation.

¹ Following the adoption of a new climate change agreement reached at the 15th Conference of the Parties (COP) to the Kyoto Protocol in Copenhagen in December 2009, emission targets beyond 2020 as well as further key outstanding issues concerning the post-Kyoto regime will probably be decided in the course of 2010 by the Conference Parties.

² Prize awarded by Euromoney and Ernst & Young.

³ Prize awarded by Environmental Finance magazine.

⁴ Prize awarded by PFI (Project Finance International)

⁵ In particular: Osmaniye wind farm – "Onshore Wind Farm Deal of the Year" awarded by Euromoney; Belwind – "Best Power Deal of the Year" awarded by Environmental Finance magazine and PFI



Electricity supply networks and natural gas transport and storage infrastructure continue to benefit from EIB lending, thus contributing to the diversification and security of the energy provisioning of the EU. In 2009, a large share of EIB lending in the energy sector went to electricity grids (34%) and natural gas transport infrastructure (11%). The Bank has reduced its financing to the sectors of hydrocarbons production, which since 2005 represent less than 1% of EIB loans in the field of energy. Moreover, in the refineries sector the Bank's financing concentrates on EE and conversion projects, excluding all capacity expansion in the European Union. The Bank has also adopted a more selective approach to financing carbon-intensive electricity generation. Only coal/lignite power stations that replace existing plants, use the best available technology and are carbon capture ready, and result in a decrease of at least 20% in the carbon intensity of power generation, may be financed through EIB lending.

Recent developments

The EIB has been working closely with the European Commission to accelerate the move of the EU towards a low-carbon economy, in particular in the framework of the *European Strategic Energy Technology Plan* (SET-Plan), designed to accelerate the deployment of cost-effective low-carbon technologies. In this context, the Bank is also increasingly focusing on new technologies such as carbon capture and storage and has been working with the Commission to support mechanisms for demonstration programmes.

The EIB has also stepped up its activities in support of EE and RE programmes developed by local and regional authorities (e.g. Poitou-Charentes region, Barcelona and Milan provinces, Paris), in particular in the framework of the *Covenant of Mayors* initiative. This was launched in February 2009 and targets public buildings, street lighting and clean public transport solutions. The Bank contributes to this initiative through increased lending to urban environment projects developing EE and RE potential and the management of a project development facility (*ELENA* – European Local Energy Assistance). With a EUR 15m budget managed by the EIB, ELENA supports the preparation of large sustainable energy investment programmes in cities and regions, which may also be eligible for EIB co-financing.

Outside the EU, the EIB has since 2007 been running a multi-annual *EUR 3bn facility* from own resources for energy sustainability and security of supply lending in Neighbourhood Countries, ACPs (African, Caribbean and Pacific countries), South Africa and ALA (Asia and Latin America). The facility will be available until end-2013.

With the aim of promoting enterprises' and households' investments in the areas of EE and RE, the EIB has set up a South East Europe Energy Efficiency Fund (SE4F) in cooperation with other financial institutions and the European Commission. This new fund will invest in Albania, Bosnia-Herzegovina, Croatia, the Former Yugoslav Republic of Macedonia, Kosovo (under UNSCR 1244), Montenegro, Serbia and Turkey. The Fund's initial focus is expected to be on investments in EE projects in residential housing and projects by small and medium-sized enterprises while a pipeline of RE projects, such as small-scale hydro-electric power, is built up. The Fund has an initial size of EUR 95m, which should increase to EUR 400m over the course of four to five years by attracting additional funds from public and private investors.

The EIB has also actively participated in the creation of the *Mediterranean Solar Plan* (MSP). It supports the MSP through a large range of instruments including loans, equity and quasi-equity and has a coordinating role on the financial aspects of the Plan. The Bank also provides technical assistance for the development of EE and RE projects, notably in FEMIP countries⁶.

In addition, the Bank has contributed to setting up the *Global Energy Efficiency and Renewable Energy Fund* (GEEREF), which is being managed by the EIB Group. GEEREF invests globally through regional funds in EE and RE projects in developing countries and economies in transition. It aims to accelerate the transfer, development and use of environmentally sound technologies for the world's poorer regions. The Fund has so far invested in Southern African and Asian funds.

⁶ Algeria, Egypt, Gaza/West Bank, Israel, Jordan, Lebanon, Morocco, Syria and Tunisia.



The Bank is committed to developing the carbon markets to help companies and Member States meet their EU and international emission reduction obligations and to promote cleaner technologies. In this respect, it has established six *carbon funds* with major financial institutions such as the EBRD, the World Bank and KfW. Launched in May 2009, the EIB-KfW Carbon Programme II is the second “tranche” of a programme established by the EIB and KfW for the purchase of carbon emission credits, which covers both pre-2012 and post-2012 carbon credits.

Committed to further improving the climate-friendly performance of its activities, the EIB has conducted a pilot exercise to assess both its *own corporate carbon footprint* and that of the projects it finances. The objective of the latter exercise is to develop a methodology that allows the Bank to report on the impact of its activities on climate change and eventually to make better informed financing decisions. The findings will be used to prepare a proposal for a comprehensive system of measurement and reporting for implementation in 2010. Moreover, the EIB has approved a climate change performance indicator within its Corporate Operational Plan (COP) to assess the contribution of the projects the Bank finances to climate change mitigation and adaptation. The Bank has been applying this new indicator since 1 January 2010.

Some examples of projects financed in 2009:

Belgium: the EIB supported the construction and operation of the first phase of a 330 MW offshore wind farm situated on the Bligh Bank in the North Sea, 46 km off the coast of Belgium, with a loan of EUR 300m. Belwind will be Europe’s largest offshore wind farm and contribute to achieving the Belgian government’s target of a 6% share of electricity generated from renewable energy sources. The construction of the wind farm is expected to be completed by early 2011. The project also received an award as “Best Power Deal of the Year 2009” by Environmental Finance magazine and PFI (Project Finance International).

France: a EUR 200m framework loan supported investments in solar photovoltaic (PV) energy generation across the French region of Poitou-Charentes. The operation is contributing to a regional plan to install around 65MW of solar PV capacity on public, industrial and commercial buildings and in the agriculture field between 2009 and 2012.

Ireland: EUR 300m went to EirGrid for a high-voltage direct current (HVDC) cable link between Ireland and Great Britain. The anticipated project capacity is in the range of 450-650 MW for a cable route length of 256 km, 185 km of which undersea. The project will enhance the security of the electricity supply and support the development of electricity generation from renewable sources as well as facilitating competition by connecting the Irish electricity market with the rest of Europe.

Vanuatu: The EIB has provided EUR 4.3m to support the construction of a 2.75MW wind farm on the island of Efate, Vanuatu. The wind farm, which is hoped to become a benchmark for other islands in the region, is being built by Unelco Vanuatu Ltd, part of the GDF-Suez Group. It comprises 10 identical new 55-metre high wind turbines designed to be winched to the ground when required for maintenance or to avoid wind damage in the event of a tropical cyclone. The project marks an important step in diversifying sources of electricity supply and reducing dependence on expensive fossil-fuel imports. Moreover, particular attention has been paid to ensuring that no environmentally protected zones or areas of cultural significance are affected by the project, and to minimising any risk of bird strikes by the wind turbines.

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

Press contacts:

Press Office Secretariat

E-mail: press@eib.org; Tel.: (+352) 43 79 – 21000; Fax: (+352) 43 79 – 61000

General questions:

EIB Infodesk

E-mail: info@eib.org; Tel.: (+352) 43 79 – 22000; Fax: (+352) 43 79 – 62000