EIB Energy Lending Policy Review

Public Consultation

7th December 2012
Welcome and introduction by Philippe de Fontaine Vive Curtaz, Vice-President, European Investment Bank

Presentation of 2006-2007 EIB Energy Lending Policy and key issues for consultation

Open forum for questions and comments

Networking lunch
**Timetable**

- **October 2012:** Launch of the public consultation and publication of information on the EIB website

- **31 December 2012:** Deadline for submission of written comments

- **Summer 2013:** Approval of revised Energy Lending Policy by EIB’s Board of Directors and publication of Consultation Report on EIB website
EIB and the Energy Sector
EIB Lending to the Energy Sector - in Context

Energy sector contribution to Bank and EU priorities:
- Growth and employment: competitive and secure energy
- Environmental sustainability: renewable energy and energy efficiency
- Climate Action
- 20% of EIB lending – debt, equity and EU-EIB risk sharing facilities (RSFF, LGTT)
- Technical assistance in energy sector – ELENA, NER300

Project screening:
Consistency with EU policy objectives and EIB lending priorities
+ Technical and economic viability
+ Assessment of risk and financial viability
+ Compliance with environmental and procurement legislation
+ Attractiveness of EIB as a financial partner
Priorities since 2007:

- Renewable energy – RE
- Energy Efficiency - EE
- Security of energy supply
- RDI
- Outside the EU - External energy security and economic development

significant increase in funding for RE and EE
EIB Energy Lending by Area
2007-2011 Signatures

![Graph showing EIB Energy Lending by Area from 2007 to 2011, with data for inside and outside the EU.](image-url)
EIB Energy Lending by Sector

2007-2011 Signatures

The diagram shows the distribution of EIB energy lending by sector from 2007 to 2011. It categorizes lending into: RE (Renewable Energy), EE (Energy Efficiency), Electricity Grids, Gas Grids, Thermal Power, and Others.

- **2007**: The data for this year is not clearly visible in the image.
- **2008**: The distribution is similar but with slight variations in the amount allocated to each sector.
- **2009**: There is a noticeable increase in lending, with a significant portion allocated to Electricity Grids.
- **2010**: The chart shows a substantial growth, with a larger allocation to RE compared to other sectors.
- **2011**: The distribution remains consistent with previous years, with Gas Grids receiving a notable portion of the funding.

The vertical axis represents EUR billion, while the horizontal axis shows the years from 2007 to 2011.
Cumulative EIB Energy Lending 2007-2011
Breakdown by Area and Sector

EU: EUR 53 bn

- ENERGY NETWORKS: 40%
- THERMAL POWER: 11%
- RE: 34%
- EE: 9%
- OTHERS: 6%

Outside EU: EUR 10 bn

- ENERGY NETWORKS: 34%
- THERMAL POWER: 15%
- RE: 40%
- EE: 10%
- OTHERS: 1%
EU Energy Policies and Markets

Credit: Data courtesy Marc Imhoff of NASA GSFC and Christopher Elvidge of NOAA NGDC. Image by Craig Mayhew and Robert Simmon, NASA GSFC
Progress toward the 20/20/20 targets:
- On course to achieve the Renewable Energy target
- Only half of the Energy Efficiency (EE) target will be achieved
- Greenhouse gases (GHG) reduction on target

Reinforcement of the EE policy

EU energy network policy

Energy Roadmap 2050
Energy Markets
Current Situation and Developments

- **EU: Turbulent period, since the start of the economic crisis**
  - Lower energy demand: overcapacities, declining electricity and gas prices
  - Regulatory uncertainties
  - Low CO2 prices
  - Difficult access to finance in some countries

- **World:**
  - Moderate energy demand growth
  - Good gas prospects
  - Fast expansion of renewable energy
Substantial investment needs: the bulk in RE, EE and networks
Low incentives for investment today

EU Energy Investment Needs, 2010-2020
What role for the EIB?

Figures in billion EUR/y

- Energy efficiency 85
- Renewables 50
- Electricity and gas networks 60
- Fossil-fuel power 15
- Nuclear 8
- Others 5

Source: EIB analysis based on EC estimates
Renewable Energy
2007 Existing Policy

• Distinction between mature and emerging technologies
  • Mature: can be economically competitive
  • Emerging: contribute to future cost declines

• EIB finances renewables in all sectors
  • Intermediated loans important for small projects
Renewable Energy
Developments since 2007

- **Investment Uncertainty**
  - Electricity ahead of expectations
  - Heating & Cooling

- **Divergent cost decline trends**
  - Rapid decline in PV investment cost
  - Offshore wind costs more erratic
Energy Efficiency
2007 Existing Policy

- **Investment contribute significantly to EE**
  - Savings cover 50% investment cost
  - 20% increase in energy efficiency
  - Other specific criteria

- **EIB Financing**
  - Buildings
  - CHP – District heating
Energy Efficiency
Developments since 2007

- **Challenge of meeting 2020 targets**
  - Reinforced EU policy contribution
  - large potential buildings

- **Targeted Instruments**
Energy Networks
Existing 2007 Policy

- TEN-E projects of common interest support:
  - internal energy market
  - sustainable development
  - security of energy supplies
  - Integration of the isolated systems

- Non TEN-E electricity and gas networks (both T&D) support:
  - integration of renewable energy sources
  - network modernisation - including smart meters
  - incremental demand
  - network quality and reliability
Energy Networks
Developments since 2007

- **Electricity**
  - Increasing importance of electricity grids in meeting EU policy objectives
  - Modernisation and smartening of electricity grids
  - High penetration of renewable energy sources, rise of distributed energy

- **Natural gas**
  - Increased import dependency
  - Role of gas as transition fuel towards a low carbon economy

- **Projects of Common Interest and Connecting Europe Facility**
  - For approval in 2013
Fossil Fuels and Nuclear Energy
Fossil Fuels and Nuclear Energy
Existing 2007 Policy

- **Fossil fuel power generation:**
  - cost effectiveness taking into account environmental externalities, in particular CO2
  - consistency with EU 2020 targets
  - restrictive criteria for coal and lignite fired power plants

- **Nuclear power generation:**
  - right of individual Member State to determine energy mix
  - EIB involvement requires positive opinion from the EC
Fossil Fuels and Nuclear Energy
Developments since 2007

- **Energy Roadmap 2050**
  - Decarbonisation routes

- **EU Emission Trading System**

- **Shale gas**
  - Worldwide impact of changes in US gas market; uncertain EU developments

- **CCS**
  - Slow progress, demonstration on a commercial scale still lacking

- **Nuclear energy**
  - Fukushima accident
Innovation – RDI in Energy
Existing 2007 Policy

- **Objectives**
  - Research and Innovation essential to meet EU energy objectives
  - RDI activities aim to contribute to reduce cost

- **Policy framework:**
  EU Strategic Energy Technology (SET) Plan, Energy Roadmap 2050

- **RDI loans for energy 2007-2011: EUR 2.8 bn**
  - Entire innovation cycle
  - energy related research activities in various sectors

- **Critical limiting factors**
  - highly complex products and technologies
  - unproven markets,
  - scoping of intangible assets
Innovation – RDI in Energy
Developments since 2007

- **EIB instruments: Financial and non-financial**
  - Risk sharing financing facility (RSFF) of EC/EIB (guarantee mechanism)
  - Expert (technical and financial) advice, e.g. NER300,

- **Bank’s approach to RDI: technology neutral**

- **Eligibility for EIB financing**
  - Meeting EU energy objectives
  - Contribute to EU’s wider competiveness goals
  - Value added
  - Synchronised with EU Research Agendas, Industrial Initiative of SET-Plan

- **Researcher & technical staff cost**
Thank you