

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
Project name	HVC DISTRICT HEATING NETWORK EXPANSION
Promoter and financial intermediary	NV HVC
Country of implementation	Netherlands
Summary project description	<p>The project will support a five-year investment programme as part of the promoter's heating business investment plan to develop and expand more sustainable district heating (DH) networks and heat generation capacity in several locations in the Netherlands.</p> <p>The promoter is HVC, a municipality-owned waste management and energy company and the largest non-commercial waste collector in the Netherlands. The promoter provides waste management and energy services to municipalities and water boards, which constitute part of HVC's shareholding.</p> <p>In the DH sector, the promoter owns and operates DH services and supplies heat to more than 14,000 households and 50 businesses, representing ca. 18,000 home-equivalent connections, in five municipalities, covering about 3.6% DH connections in the Netherlands. In 2019, the promoter's heat generation assets produced ca. 415 GWh/year in 2019, of which more than 65% was renewable heat, which was supplied to its DH network assets (at an estimated 211 GWh/year), to Chemours industrial plant (located nearby HVC's DH network in Dordrecht) and to one water board. HVC has also recently been active in producing and supplying geothermal heat to greenhouses in the Westland area, operating 20 MWth geothermal heat capacity since 2019.</p> <p>The main purpose of the investments is to further develop the promoter's sustainable heat supply services to support the transition away from gas heating at the municipality levels. The project will reduce greenhouse gases and other local air pollutants emissions, by replacing individual natural gas fired heating sources in residential and commercial buildings as well as in horticulture greenhouses with more sustainable, centralised heat generation and by adding new renewable heat generation. The project will include the extension of two DH networks (21% of total costs)</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

as well as implementation of three new geothermal heat sources and associated heat distribution networks (79% of total costs).

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
Climate Action	97.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Development of the energy sector in accordance with the Energy Union priorities	100.00%
Expansion of the use or supply of renewable energy	51.00%
Energy efficiency and energy savings (with a focus on reducing demand through demand side management and the refurbishment of buildings)	49.00%

Pillar 2

Quality and soundness of the project	Good
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of up to four indicators, as relevant, among which:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ('ERR'), which considers the project's socioeconomic costs and benefits, including its spillover effects;
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;
- (iii) "Sustainability" i.e. environmental and social sustainability²;
- (iv) "Employment" i.e. the project's direct employment effect;
- (v) "Increasing access to finance and improving financing conditions including for final beneficiaries".

Pillar 3

EIB Technical and financial contribution to the project	Moderate
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through up to three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor);
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments;
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer - provided in-house by the EIB or in the form of assignments to external consultants - to facilitate the preparation or implementation of a project.

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 - Complementary indicators

Additionality

In line with the EFSI objective of developing the energy sector in accordance with the Energy Union priorities, the proposed operation will support the promoter's investments in energy efficiency and renewable energy, in particular district heating and cooling networks and optimization of renewable heat/cooling generation facilities. It responds to the EU energy policy objectives by supporting the introduction of district heating in the Netherlands in replacement of natural gas heating systems. Therefore 97% of the operation will be eligible for the EIB's Climate Action objective.

Through saving demand for electricity and heat, energy efficiency projects reduce carbon externalities, as well in most cases air pollution and other negative externalities. The proposed operation addresses the sub-optimal investment situation related to the infrastructure gap and substantial lack of funding capacity in the local energy market in the Netherlands, whereby local municipalities are called to plan the energy transition towards greener, more efficient district heating networks in order to progressively dismiss fossil fuels heating. The significant local investments required for the energy transition are often financed by national promotional banks. In this specific case, the promoter relies heavily on a guarantee scheme from its public shareholders, which is now under pressure due to the additional resources required for this project. It is also difficult to replace with alternative, riskier financing schemes in the light of the non-profit nature of the promoter.

The operation is expected to fall under the EIB's Special Activity risk category mainly because the proposed financing is offered on unsecured basis, making it subordinated to the existing lenders, at a significantly longer tenor than the one envisaged from other unsecured lenders. The technology shift introduced is also adding a higher risk in terms of project implementation. The EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI.

EIB's involvement is expected to attract local commercial lenders' interest in the long-term investment plan of the promoter, whose funding plan is nowadays focussed on public funding availability. Notably, two National Promotional Banks operating in the Netherlands, BNG Bank and NWB Bank, are currently the main financiers of the promoter. It is foreseen that at least one of them will also be co-financier in this operation. The EIB loan under EFSI is therefore highly complementary and will allow the promoter to make the funding more sustainable due to the longer tenor proposed.

It will be the EIB's first direct investment loan in the district heating sector in the Netherlands.

Set of indicators related to the macroeconomic environment

Netherlands - Economic environment

Economic Performance

	NL 2018	EU 2018	US 2018	NL 2001-2007
GDP per capita (EUR, PPS)	39,650.24	30,935.11	43,569.11	38,443.32
GDP growth (%)	2.67	1.97	2.86	2.00
Potential GDP growth (%)	1.80	1.60	2.24	2.09
Output gap (% of potential GDP)	1.08	0.62	0.74	-0.52
Unemployment Rate (%)	3.60	6.60	3.90	4.70
Unemployment Rate (%) - Y/Y change (% points)	-0.80	-0.60	-0.20	0.09
Bank-interest rates to non-financial corporations (%)	1.01	1.26	--	3.82
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.19	-0.06	--	-0.06
Investment rate (GFCF as % of GDP) - Total	20.94	20.54	20.84	21.27
Investment rate (GFCF as % of GDP) - Public	3.40	2.86	3.31	3.96
Investment rate (GFCF as % of GDP) - Private	17.55	17.68	17.53	17.30

Energy

	2014	2015	2016	2017	EU (latest available)
Energy consumption from renewables (%)	5.49	5.74	5.94	6.60	17.53
Energy consumption from renewables - distance to EU 2020 target (%)	8.51	8.26	8.06	7.40	2.47
Energy dependence (%)	33.80	--	--	--	53.50
Primary energy consumption (consumption in 2005 =100)	90.70	93.60	94.20	--	90.00
Energy intensity of the Economy (kg of oil equivalent per 1 000 EUR)	--	--	--	--	141.83
Primary energy consumption (Million Tonnes of Oil Equivalent)	62.40	64.40	64.80	--	1,542.70
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	1.70	3.70	4.10	--	59.70

General Sector Indicators

	2014	2015	2016	2017	EU (latest available)
Value added in Electricity, gas, steam and air conditioning supply (% of total VA)	1.22	1.26	1.23	1.06	1.82
Employment in Electricity, gas, steam and air conditioning supply (% of total employment)	0.30	0.31	0.30	0.30	0.54

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms

- EU value for "Bank-interest rates to non-financial cooperations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007

- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics	Expected value at PCR
Start of works	01.01.2020
End of works	31.10.2024
Project investment cost [MEUR]	223.70 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	214.30 MEUR
External EFSI multiplier	4.29
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	30.00 MEUR
Quick start (% of expenditure during 2015-2018) [%]	
Co-financing with national promotional banks [MEUR]	50.00 MEUR
Co-financing with structural funds (ESIF) [MEUR]	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc) [MEUR]	
Energy efficiencies realised [MWh/a]	0.00 MWh/a
Climate Action indicator	51.00% Mitigation - Renewable Energy (transversal) / 46.00% Mitigation - Energy Efficiency (transversal)
Employment during construction - temporary jobs [person years]	425 person years
Employment during operation - new permanent jobs [FTE]	15 FTE

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report. If applicable, a difference between the amount of Project investment costs and EIB/EFSI eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.