EFSI Operation Scoreboard[1]

PROJECT PRESENTATION	
Project name	ENGIE SOLUTIONS DHC NETWORKS
Promoter and financial intermediary	ENGIE
Country of implementation	France
Summary project description	The Project consists of the rehabilitation, extension and development of district heating and cooling (DH&C) networks and heat generation facilities. The proposed Project entails the extension of the network to connect some 1,900 buildings, and the construction of 326 km of new network. An additional 93 MW of biomass capacity and 40 MW of geothermal will be added. Refurbishment and modernisation works are mainly concentrated in CPCU (Paris), with 66 km of network to be replaced in order to decrease losses. The generation components represent ca. 23% of the total Project cost, heating networks 75% (60% extensions, 15% refurbishment) and the remaining 2% are dedicated to the extension of the cooling network in Paris. No fossil fuel related components (i.e. gas boilers) are included in the scope. The investment programme will be implemented by the Business Unit "Villes & Collectivités" of the ENGIE Group, which was created on January 1st 2020 to group the district heating and cooling activities previously carried out by Engie Réseaux, Engie Cofely, CPCU and Climespace. The Programmation Pluriannuelle de l'Énergie being revised at present, for the periods 2019-2023 and 2023-2028 foresees a considerable extension of DH&C in France, with ambitious targets for the average renewable energy sources share in the DH&C networks (60% in 2023 and 65% in 2030). All the networks in the Project scope are operated under concessions.

[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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	High
Cross-cutting objectives	
Climate Action	100.00%
EIB Cohesion Priority Regions / Economic and Social Cohesion	10.00%
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	23.00%
Energy efficiency and energy savings (with a focus on reducing demand through demand side management and the refurbishment of buildings)	77.00%

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 sustainability[2];

(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 heat/cooling generation facilities. It responds to the EU energy policy objectives by improving the environmental impact of district heating in various cities in France. It will therefore be 100% eligible to the EIB's Climate Action objective. Equally the operation will address the objective of supporting less-developed regions and transition regions as up to 10% of the project is expected to be deployed in Cohesion regions. It will thus also contribute to the Union priorities on convergence and social cohesion, helping reduce regional disparities by supporting investment.

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 underfunding in the energy market, especially in relation to the improvement of efficient district heating networks and to the procurement and the use of alternative energy sources. Financing these significant investments requires resources to be sourced through a funding mix of equity and debt, which proves difficult in the current market circumstances stemming from the COVID-19 outbreak. Even under normal circumstances, senior debt financing would not only be constrained in volume, but would result ex-ante in being not sustainable nor convenient from the promoter's creditworthiness standpoint.

The operation is expected to fall under the EIB's Special Activity risk category mainly because the hybrid bond issuance will bear a significant subordination towards all other lenders, which will contribute to strengthen the capital structure of the promoter in light of the significant equity content assigned to it. The EIB will be able to secure via a primary market underwriting a significant amount of riskier, long-term financing in the form of hybrid debt in line with the need of the promoter. It will enhance the creditworthiness of the promoter and therefore contribute to the overall sustainability of such type of developments. 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 increase both market investors' and commercial lenders' confidence in the long-term investment plan and the relevant funding strategy of the promoter. The operation will bear a substantial catalytic effect (mostly relevant for the overall funding plan of the promoter), providing for a significant third-party investors' participation in a transaction that is expected to reopen the Hybrid Bond market in the EU after the COVID-19 outbreak. The strong commitment of the EIB will therefore allow the timely implementation of the investment programme, which otherwise would have been implemented at a much slower pace.

Set of indicators related to the macroeconomic environment

France - Economic environment

Economic Performance

	FR 2018	EU 2018	US 2018	FR 2001-2007
GDP per capita (EUR, PPS)	31,988.40	30,935.11	43,569.11	31,052.71
GDP growth (%)	1.58	1.97	2.86	1.90
Potential GDP growth (%)	1.21	1.60	2.24	1.78
Output gap (% of potential GDP)	0.36	0.62	0.74	1.69
Unemployment Rate (%)	8.90	6.60	3.90	8.50
Unemployment Rate (%) - Y/Y change (% points)	-0.20	-0.60	-0.20	-0.19
Bank-interest rates to non-financial corporations (%)	1.37	1.26	--	3.53
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.03	-0.06	--	0.00
Investment rate (GFCF as % of GDP) - Total	22.92	20.54	20.84	21.76
Investment rate (GFCF as % of GDP) - Public	3.39	2.86	3.31	3.91
Investment rate (GFCF as % of GDP) - Private	19.53	17.68	17.53	17.84

Energy

	2014	2015	2016	2017	EU (latest available)
Energy consumption from renewables (%)	14.77	15.19	15.93	16.30	17.53
Energy consumption from renewables - distance to EU 2020 target (%)	8.23	7.81	7.07	6.70	2.47
Energy dependence (%)	46.10	--	--	--	53.50
Primary energy consumption (consumption in 2005 =100)	90.10	91.90	90.50	--	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)	234.50	239.20	235.40	--	1,542.70
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	14.60	19.30	15.50	--	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)	1.77	1.80	1.86	1.79	1.82
Employment in Electricity, gas, steam and air conditioning supply (% of total employment)	0.48	0.49	0.49	0.46	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 indicators[3]

Key project characteristics	Expected value at PCR
Start of works	01.01.2019
End of works	31.12.2023
Project investment cost [MEUR]	621.50 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	603.90 MEUR
External EFSI multiplier	2.42
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	155.50 MEUR
Quick start (% of expenditure during 2015-2018) [%]	
Co-financing with national promotional banks [MEUR]	0.00 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	23.00% Mitigation - Renewable Energy (transversal) / 77.00% Mitigation - Energy Efficiency (transversal)
Employment during construction - temporary jobs [person years]	2,800 person years
Employment during operation - new permanent jobs [FTE]	81 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.