

EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
Project name	MADEIRA ELECTRICITY NETWORK MODERNISATION
Promoter and financial intermediary	EEM - EMPRESA DE ELECTRICIDADE DA MADEIRA SA
Country of implementation	Portugal
Summary project description	<p>The proposed Project is a multi-component investment consisting of part of the Promoter's investment plans to modernise and develop the electricity supply service in the region covered, accommodating as well further renewable generation penetration, in line with regional and national targets.</p> <p>The Programme includes the installation of a total of 21 MW of battery capacity to store excess intermittent RES production on the islands, the refurbishment and upgrade of the 1953 Serra de Água Hydro Power Plant (HPP), increasing its capacity from 5.2 MW to 16 MW, and small refurbishments in other HPPs. The Project also includes the construction of new assets in low, medium and high voltage networks (up to 60 kV), the refurbishment and upgrade of IT, communications and public lighting assets and the installation of ca. 80,000 smart meters.</p> <p>The Promoter is Electricidade da Madeira, the vertically integrated and sole energy utility in the Autonomous Region of Madeira, a public company fully regulated by ERSE, the national regulatory authority for the energy sector in Portugal. In 2019, the Promoter supplied 808 GWh to ca. 140,000 users, owning 17 small generation plants with a total capacity of 286 MW.</p> <p>In 2019, the renewable energy share in generation in the Region was 24% (down from 30% in 2018 due to low hydrology) and this is expected to increase to ca. 50% by 2023 (with the help of the hydro refurbishments included in the Programme and privately developed wind and PV projects throughout the islands).</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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	Significant
Cross-cutting objectives	
EIB Cohesion Priority Regions / Economic and Social Cohesion	100.00%
Climate Action	41.00%
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	21.00%
Energy efficiency and energy savings (with a focus on reducing demand through demand side management and the refurbishment of buildings)	2.00%
Development and modernization of energy infrastructure (in particular interconnections, smart grids at distribution level, energy storage and synchronisation of networks)	24.00%
Other development of the energy sector in accordance with the Energy Union priorities	53.00%

Pillar 2

Quality and soundness of the project	Excellent
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".

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 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.

Pillar 4 - Complementary indicators

Additionality

The operation is in line with the EFSI objective of supporting the development of the energy sector in accordance with the Energy Union priorities, in particular through the development and modernization of energy infrastructure and the expansion of the use or supply of renewable energy. The operation will contribute to a significant step forward in the Madeira Archipelago Region's efforts to update the existing infrastructure, which is key to efficiently use renewable energy sources and achieve the expected 2030 target of 50% in renewable energy utilisation. As such, the project will be 41% eligible for the EIB's Climate Action objective. Equally, it will address the objective of supporting less-developed regions and transition regions as 100% of the operation will be deployed in a Cohesion region. The operation will thus also contribute to the Union priorities on convergence and social cohesion, helping reduce regional disparities by supporting investment.

The Project contributes to the integration of low-carbon generation sources and thus reduces carbon and air pollution externalities. The Project contributes as well to maintaining or increasing quality and security of electricity supply. The operation will address several market failures deriving from (i) the size of the served market, (ii) the relevant geographic positioning, (iii) the regulated status of the promoter, and (iv) expected decrease of financial backing from the public authorities. This context makes it unlikely for the promoter to access alternative long-term financing sources, such as the capital markets, and to obtain the needed financing at sustainable terms. The EIB financing will therefore bridge the sub-optimal investment situation originating from the lack of financing matching the economic life of strategic projects, facilitating the timely implementation of the project.

The loan is expected to fall under the EIB Special Activities category, particularly in the light of its unsecured nature and the long tenor proposed, which would subordinate the EIB financing towards other lenders. 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.

The financing provided by the EIB provides a quality stamp on the project and the long term sustainability of the promoter's financing plan. The significant catalytic effect materialises in the crowding-in of private financing from commercial banks and from the promoter's own resources.

It will be one of the first operations to be financed by the Bank under EFSI in a Portuguese outermost region.

Set of indicators related to the macroeconomic environment

Portugal - Economic environment

Economic Performance

	PT 2018	EU 2018	US 2018	PT 2001-2007
GDP per capita (EUR, PPS)	23,782.76	30,935.11	43,569.11	23,148.81
GDP growth (%)	2.13	1.97	2.86	1.20
Potential GDP growth (%)	1.58	1.60	2.24	1.44
Output gap (% of potential GDP)	1.22	0.62	0.74	-0.01
Unemployment Rate (%)	6.60	6.60	3.90	7.80
Unemployment Rate (%) - Y/Y change (% points)	-1.30	-0.60	-0.20	0.56
Bank-interest rates to non-financial corporations (%)	2.33	1.26	--	4.56
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	0.80	-0.06	--	-0.05
Investment rate (GFCF as % of GDP) - Total	17.05	20.54	20.84	24.06
Investment rate (GFCF as % of GDP) - Public	1.97	2.86	3.31	4.16
Investment rate (GFCF as % of GDP) - Private	15.09	17.68	17.53	19.90

Energy

	2014	2015	2016	2017	EU (latest available)
Energy consumption from renewables (%)	26.99	28.03	28.42	28.12	17.53
Energy consumption from renewables - distance to EU 2020 target (%)	4.01	2.97	2.58	2.89	2.47
Energy dependence (%)	71.60	--	--	--	53.50
Primary energy consumption (consumption in 2005 =100)	83.00	87.10	88.90	--	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)	20.60	21.70	22.10	--	1,542.70
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	-1.90	-0.80	-0.40	--	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)	2.50	2.90	2.85	2.46	1.82
Employment in Electricity, gas, steam and air conditioning supply (% of total employment)	0.17	0.19	0.18	0.18	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	01.01.2019
End of works	31.12.2023
Project investment cost [MEUR]	142.10 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	133.40 MEUR
External EFSI multiplier	2.96
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	34.08 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]	7.50 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc) [MEUR]	
Energy efficiencies realised [MWh/a]	1,840.00 MWh/a
Climate Action indicator	39.00% Mitigation - Renewable Energy (transversal) / 2.00% Mitigation - Energy Efficiency (transversal)
Employment during construction - temporary jobs [person years]	1,440 person years
Employment during operation - new permanent jobs [FTE]	0 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.