

## EFSI Operation Scoreboard<sup>1</sup>

<b>PROJECT PRESENTATION</b>	
<b>Project name</b>	SOLAS SUSTAINABLE ENERGY FUND
<b>Promoter and financial intermediary</b>	SOLAS CAPITAL AG
<b>Country of implementation</b>	Regional - EU countries
<b>Summary project description</b>	<p>The proposal is for the Bank to invest under EFSI an equity ticket in the Solas Sustainable Energy Fund (the "Fund"), an energy efficiency debt fund domiciled in Ireland.</p> <p>The Fund will provide debt financing to energy service companies ("ESCOs") to implement energy efficiency ("EE") and small-scale decentralised renewable energy ("RE") investments. Debt will be provided in the form of framework agreements, which will be collateralised by receivables from fixed cash flow EE and small-scale RE projects satisfying pre-agreed credit risk criteria.</p> <p>The Fund offers an innovative proposition to ESCOs: a financing solution supporting ESCO expansion providing upfront clarity on financing of conforming assets whilst having limited impact on the ESCO's core process of implementing EE and small-scale RE projects. As a result, smaller ESCOs will gain access to debt financing of the EE and small-scale RE projects, which they previously did not have. For larger ESCOs, the Fund will offer off-balance sheet financing structures resulting in lower cost of financing. With this, the operation would contribute to the EU 2020 and 2030 EE and RE objectives by supporting investments in EE and small-scale RE.</p> <p>The Fund will focus on projects in the EU, primarily in Ireland, Germany and the Iberian Peninsula, France and Benelux. Up to 20% commitments can potentially be invested in OECD countries outside of EU.</p> <p>The EIB has also facilitated the Fund's cooperation with Private Finance for Energy Efficiency ("PF4EE"), a joint guarantee instrument of the European Commission and the EIB aiming to promote EE financing by financial institutions. This would be the first equity-type operation to be supported by PF4EE.</p>

<sup>1</sup> 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 [...].

The Investment Advisor has already obtained in principle commitments by the Ireland Strategic Investment Fund and a German pension fund. Whilst the Fund has identified a number of other potential first-close investors to reach its minimum first close size, some of them have expressed that they are awaiting EIB's approval for pursuing an investment in the Fund.

With this, the EIB is expected to have a strong catalytic effect, and the Fund and EIB's investment increase institutional investors' engagement in EE and small-scale RE as a new asset class. A successful launch could see other initiatives in this area gain traction too, which will positively benefit further EE and small-scale RE project development.

The operation will be amongst EIB's first investments in an Ireland-domiciled fund, and EIB's presence will not only provide a seal of approval to the Fund itself, but will also contribute to a higher recognition of Ireland as suitable host for fund operations post Brexit.

## PROJECT PILLAR ASSESSMENT

### Pillar 1

Contribution to EU policy		High
<b>Cross-cutting objectives</b>		
Climate Action		100.00%
<b>EFSI</b>		
Contribution to EFSI		100.00%
EFSI: Development of the energy sector in accordance with the Energy Union priorities		
Expansion of the use or supply of renewable energy		7.50%
Energy efficiency and energy savings (with a focus on reducing demand through demand side management and the refurbishment of buildings)		92.50%

### 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<sup>2</sup>;
- (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		Significant
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.

<sup>2</sup> 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 development of the energy sector in accordance with the EU priorities and namely, energy efficiency and energy savings, the innovative debt fund operation will provide debt finance to energy service companies to implement energy efficiency and small-scale decentralised renewable energy investments. This will increase the efficiency of energy use and integrating RE in the built environment. The operation will be fully contributing to the EIB Climate Action objective.

The project addresses several major market failures in the energy efficiency market. EE and small-scale RE projects reduce carbon and air pollution externalities. This is a social benefit which is not internalized by private investors. Equally EE and small-scale RE projects contribute towards increasing security of energy supply by reducing dependency on energy imports. Also, EE projects suffer from relatively high transaction cost, due to their fragmented nature and in many cases are also hampered by split incentives (e.g. between tenants and landlords). Overall these market failures are typically not internalised in the investment rationale of private financiers. Consequently, this leads to a sub-optimal investment situation where insufficient financing flows to EE and small-scale RE projects. Specifically ESCOs have generally no or limited access to commercial bank finance.

The operation will be an equity investment in a debt fund and as such falls under EIB Special Activities. The riskiness of the equity investment is driven mainly by the innovative strategy in a subsector relatively unknown to investors as well as the first time characteristics of the investment advisor team. 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 EIB is expected to be a first close investor in the Fund structure. This will result in a quality stamp on the Fund proposal that is expected to crowd-in private sector financing. EIB financing is expected to increase the investors' confidence in the Fund proposal. The EIB involvement is also likely to have an indirect crowding-in effect. The operation may serve as an example for other fund managers to follow. Equally, the Ireland Strategic Investment Fund, an Irish National Promotional Institution, has expressed an in principle commitment to the Fund.

It is envisaged that the Fund's underlying lending contracts will benefit from a guarantee support provided by the Private Finance for Energy Efficiency financial instrument of the European Union which is deployed by the European Investment Bank. This will allow to further mitigate the counterparty risk of the Fund's lending activity and thus help to crowd in investors into the Fund.

This will be the first operation for the EIB with the promoter. Equally this will be the first ever investment for the EIB in a debt fund targeting ESCOs.

## Set of indicators related to the macroeconomic environment

### Regional - EU countries - Economic environment

#### Economic Performance

	EU 2018	EU 2018	US 2018	EU 2001-2007
GDP per capita (EUR, PPS)	30,935.11	30,935.11	43,569.11	29,363.37
GDP growth (%)	1.96	1.96	2.85	2.27
Potential GDP growth (%)	1.60	1.60	2.23	2.10
Output gap (% of potential GDP)	0.61	0.61	0.74	0.93
Unemployment Rate (%)	6.60	6.60	3.90	8.55
Unemployment Rate (%) - Y/Y change (% points)	-0.60	-0.60	-0.20	-0.25
Bank-interest rates to non-financial corporations (%)	1.26	1.26	--	3.90
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.06	-0.06	--	-0.02
Investment rate (GFCF as % of GDP) - Total	20.54	20.54	20.84	21.38
Investment rate (GFCF as % of GDP) - Public	2.85	2.85	3.30	3.05
Investment rate (GFCF as % of GDP) - Private	17.68	17.68	17.53	18.33

#### Energy

	2014	2015	2016	2017	EU (latest available)
Energy consumption from renewables (%)	16.19	16.71	17.02	17.52	17.52
Energy consumption from renewables - distance to EU 2020 target (%)	3.81	3.28	2.97	2.47	2.47
Energy dependence (%)	53.50	--	--	--	53.50
Primary energy consumption (consumption in 2005 =100)	88.10	89.40	90.00	--	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)	1,508.60	1,531.90	1,542.70	--	1,542.70
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	25.60	48.90	59.70	--	59.70

#### Environment and Climate

	2014	2015	2016	2017	EU (latest available)
GHG emissions level (emissions in 1990=100)	77.39	77.88	--	--	77.88
Employment in the environmental goods and services sector	4,197,000.00	4,401,000.00	4,451,000.00	--	4,451,000.00
Resource productivity (Euro per kilogram, chain linked volumes (2010))	1.95	2.01	2.07	--	2.07
GHG emissions in non-ETS sectors (base year=100)	85.80	87.30	88.50	89.20	89.20
GHG emissions in non-ETS sectors, distance to EU 2020 target	-4.90	-3.40	-2.20	-1.50	-1.50
Value added in the environmental goods and services sector (% of total VA)	2.22	2.26	2.27	--	2.27
Employment in the environmental goods and services sector (% of total employment)	21.99	22.81	22.74	--	22.74

## General Sector Indicators

	2014	2015	2016	2017	EU (latest available)
Value added in Construction (% of total VA)	5.28	5.27	5.26	5.36	5.36
Employment in Construction (% of total employment)	6.36	6.34	6.32	6.32	6.32

- 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<sup>3</sup>

Key project characteristics	Expected value at PCR
Start of works	01.01.2020
End of works	01.07.2024
Project investment cost [MEUR]	160.00 MEUR
EIB/EFSI eligible investment mobilised [MEUR]	182.67 MEUR
External EFSI multiplier	6.09
External EIB (non-EFSI) multiplier	
Amount of private financing [MEUR]	110.00 MEUR
Quick start (% of expenditure during 2015-2018) [%]	
Co-financing with national promotional banks [MEUR]	20.00 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]	214,110.00 MWh/a
Climate Action indicator	7.50% Mitigation - Renewable Energy (transversal) / 92.50% Mitigation - Energy Efficiency (transversal)
Employment during construction - temporary jobs [person years]	600 person years
Employment during operation - new permanent jobs [FTE]	50 FTE

<sup>3</sup> 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.