Luxembourg, 17 July 2018

EFSI Operation Scoreboard[1]

PROJECT PRESENTATION	
Project name	PROGRAMME LOAN HEATING SECTOR IN POLAND
Promoter or financial intermediary	PUBLIC ENTITY(IES), PRIVATE ENTITY(IES), ACCEPTABLE CORPORATE(S)
Country of implementation	Poland
Summary project description	This operation is structured as a Programme Loan ("PL") that will fund the investments of different Polish utilities operating in the district heating ("DH") sector, including assets in heat generation and/or distribution. The main purpose of the investments is to develop and optimize the heat supply services to better serve the existing and future heating demand in the regions served by the Promoters. The Programme will target construction of generation assets based on biomass, gas and waste, it will reduce CO2 and other pollutants emissions by replacing individual coal-fired heating boilers in residential and public buildings with centralised heat generation and by modernising heat generation assets. The Programme sub-Projects will include installation or upgrade of generation capacity, construction of new distribution networks as well as extension and modernization of the existing ones.

[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 the 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5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol […].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	90.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Development of the energy sector in accordance with the Energy Union priorities	100.00%
Energy efficiency and energy savings (with a focus on reducing demand through demand side management and the refurbishment of buildings)	100.00%

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 four indicators which include:

(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.

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 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

The PL will support promoters active in the district heating sector in Poland. It responds to the EU and EFSI energy policy objectives as regards energy efficiency and energy savings, by improving the environmental impact of district heating in Poland, in particular by reducing the dependency on coal. This PL will therefore make an important contribution to the Climate Change mitigation policies. Additionally, the large majority of Sub-Projects will take place in cohesion regions.

The programme will address a market which was underserved by the EIB prior to EFSI and which presents a number of features justifying EIB's intervention under EFSI. Heating utilities operate under a regulatory framework that specifically defines the rules for calculation of the tariffs paid by end-users and tariffs cannot be immediately adjusted to cover for financial costs. Until now, the vast majority of investment in heat-related installations was financed from the entities' own funds, limiting their capacity to invest in spite of the huge investment needs in the sector. In order to address this investment gap, utilities are now turning to more market-oriented financing solutions based on debt leverage. Commercial banking offers, however, constrained by their risks guidelines, are not adequate to the needs of energy utilities: in particular the tenors offered are not long enough to promote financial sustainability and do not account for the required long payback time and the security demanded by those banks render their offers not convenient.

The EIB, thanks to the support of EFSI, can address this sub-optimal investment situation by supporting the promoters, mostly expected to have non-investment or low-investment grade profiles. Additionally, the EIB loans will be offered as long-term loans and repayment will be mostly based on the revenues generated by the tariffs applied by the utilities. Through the very long tenors offered, the repayment profile of the debt will match the available cash-flows, allowing the acceleration of the investment programmes, which otherwise would have been implemented at a much slower pace. This means that the EIB will assume market risk due to the uncertainty in the evolution of consumption and of the tariffs. The long term features of EIB loans will also lead to a subordinated position of the EIB towards other external lenders in most of the cases.

EIB's involvement in supporting the promoters' funding structures is expected to play a catalytic role, increasing the commercial lenders' confidence in these entities and confirming their own engagement in their financing. The EIB loan will also provide a signaling effect in the market and potentially pave the way for some of the respective borrowers to access capital markets for additional funding.

The Bank will offer the possibility for the promoters to benefit from the support of the European Investment Advisory Hub (EIAH). Said support shall help the promoters to structure their projects more efficiently and to enhance their eligibility for EIB financing.

Set of indicators related to the macroeconomic environment

Poland - Economic environment

Economic Performance

	PL 2016	EU 2016	US 2016	PL 2001-2007
GDP per capita (EUR, PPS)	20,365	29,440	42,615	14,639
GDP growth (%)	2.7	1.9	1.6	4.1
Potential GDP growth (%)	2.7	1.3	2.1	3.8
Output gap (% of potential GDP)	-0.29	-0.75	-0.03	-1.9
Unemployment Rate (%)	5.5	8.2	4.7	16.4
Unemployment Rate (%) - Y/Y change (% points)	-1.4	-0.8	-0.3	-1.2
Bank-interest rates to non-financial corporations (%)	3.7	1.4	1.8	6.3
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.05	-0.21	-1.4	0.47
Investment rate (GFCF as % of GDP) - Total	18.1	19.7	19.6	19.6
Investment rate (GFCF as % of GDP) - Public	3.3	2.7	3.4	3.3
Investment rate (GFCF as % of GDP) - Private	14.7	17.0	16.2	16.3

Energy

	2013	2014	2015	2016	EU (latest available)
Energy consumption from renewables (%)	11.4	11.5	11.8	--	16.7
Energy consumption from renewables - distance to EU 2020 target (%)	3.6	3.5	3.2	--	3.3
Energy dependence (%)	25.6	28.6	--	--	53.5
Primary energy consumption (consumption in 2005 =100)	106.1	101.7	102.7	--	89.3
Energy intensity of the Economy (kg of oil equivalent per 1 000 EUR)	294.2	--	--	--	141.7
Primary energy consumption (Million Tonnes of Oil Equivalent)	93.0	89.2	90.0	--	1,530
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	-3.4	-7.2	-6.4	--	46.6

General Sector Indicators

	2013	2014	2015	2016	EU (latest available)
Value added in Electricity, gas, steam and air conditioning supply (% of total)	--	--	--	--	2.0
Employment in Electricity, gas, steam and air conditioning supply (% of total)	--	--	--	--	0.6

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms
- EU value for "Bank-interest rates to non-financial corporations" 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 at PCR
Start of works	01.01.2018
End of works	31.12.2022
Project investment cost	700.00 MEUR
EIB/EFSI eligible investment mobilised	665.00 MEUR
External EFSI multiplier	2.70
External EIB (non-EFSI) multiplier	
Amount of private financing	415.00 MEUR
Quick start (% of expenditure during 2015-2018)	
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	35.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc)	
Energy efficiencies realised	0.00 MWh/a
Climate Action indicator	100.00% Mitigation - Energy Efficiency (transversal)
Employment during construction - temporary jobs	5,100 person years
Employment during operation - new permanent jobs	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.