



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

<b>PROJECT PRESENTATION</b>	
<b><u>Project name</u></b>	BLACK SEA GAS CONNECTION
<b><u>Promoter or financial intermediary</u></b>	SOCIETATEA NATIONALA DE TRANSPORT GAZE NATURALE TRANSGAZ SA
<b><u>Country of implementation</u></b>	Romania
<b><u>Summary project description</u></b>	<p>The Project consists of the construction of a new natural gas transmission pipeline from the Black Sea shore to the interconnection point with National Transmission System at Podisor. The new pipeline will link the gas sources available at the Black Sea shore and the natural gas transmission corridor Bulgaria–Romania–Hungary–Austria (BRUA) connecting the gas transmission systems of South-East Europe and Central and Western Europe. The Project includes a 308 km transmission pipeline (32.5 km of DN1200 and 275.6 km of DN1000 pipeline at a pressure of 63 bar) with the associated facilities (valve stations, pig launching station and interconnection with the existing transmission lines and the Podisor compressor station).</p> <p>The National Gas Transmission Company, “TRANSGAZ” S.A., is the sole operator of the Romanian National Gas Transmission System and providing the following services:</p> <ul style="list-style-type: none"> <li>• Domestic gas transmission – regulated monopoly activity with tariffs set based on a “revenue-cap” methodology issued by the Romanian Energy Regulatory Authority;</li> <li>• International gas transmission – unregulated activity performed by means of dedicated pipelines, with tariffs set according to the commercial contracts concluded between the parties;</li> <li>• Gas dispatching and gas transmission research and design.</li> </ul> <p>Transgaz operates over 13,350 km of main transmission pipelines and connections for gas supply, of which 553 km of pipelines for the international transmission of gas. Major discoveries of offshore gas resources in the Black Sea entail an ambitious investment program of infrastructure extension and will result in a substantial increase in transmission volumes.</p> <p>The Project, which is one of strategic national interest, will link the Romanian</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 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 [...].

	<p>gas network to new off-shore gas sources in the Black Sea and via BRUA will enable off-shore producers to sell gas to other European countries. A significant part of Transgaz's 10-year investment plan is expected to be implemented between 2018 and 2020 and having access to long-term financing from the EIB is vital for accelerating implementation of the Project.</p>
--	--

## PROJECT PILLAR ASSESSMENT

### Pillar 1

Contribution to EU policy		High
Cross-cutting objectives		
EIB Cohesion Priority Regions / Economic and Social Cohesion		100.00%
EFSI		
Contribution to EFSI		100.00%
EFSI: Development of the energy sector in accordance with the Energy Union priorities		100.00%
Development and modernization of energy infrastructure (in particular interconnections, smart grids at distribution level, energy storage and synchronisation of networks)		100.00%

### 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 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<sup>2</sup>;
- (iv) "Employment" i.e. the project's direct employment effect.

### 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 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 developing the energy infrastructure in accordance with the Energy Union priorities the operation aims at increasing the security of supply in the EU. The operation contributes to the financing of a new gas pipeline, which would connect the Romanian Black Sea coast with the Romanian section of the BRUA (Bulgaria, Romania, Hungary, Austria) gas pipeline. The investments will be located in Romania which is eligible under the EU Cohesion Policy. Hence, the operation will also address the EFSI objective of supporting less-developed and transition regions. As such it will contribute to the Union priorities on convergence and social cohesion by supporting employment and economic activity in the region.

Thanks to EFSI, under this operation the EIB continues its support to Transgaz, the Romanian natural gas transmission system operator. In addition to increasing security of gas supply, the project will also help to optimise the operation of the Romanian and the EU gas transmission system. The Project is considered the second phase of the construction of the Romanian section of BRUA. The first phase of BRUA was also possible thanks to EFSI support.

The operation addresses clear market failures and sub-optimal investment situation faced by companies in the energy sector. The EFSI support enables the EIB to bridge the long-term funding gap of Transgaz, helping the promoter in the deployment of national critical infrastructure. The operation will enhance the security of gas supply in Romania and will also facilitate the connection of Romania and other EU countries to a domestic source of energy.

The operation is expected to fall under the EIB's Special Activities category taking in account the required tenor and subordination of the EIB financing. This operation could not have been financed under the same conditions without the EFSI guarantee.

The EIB financing under EFSI provides a strong signal to the market and additional comfort to other lenders, crowding them into the current and future investment plans of Transgaz.

The operation also features, inter alia, the involvement of a pool of commercial banks alongside the EIB. EIB advisory shall support the financing structure of the operation and facilitate the Strategic Environmental Assessment, required for all projects being part of the 10-year Plan developed in line with the requirements of the 2009/73EC Directive concerning common rules for the internal market in natural gas.

## Set of indicators related to the macroeconomic environment

### Romania - Economic environment

#### Economic Performance

	RO 2017	EU 2017	US 2017	RO 2001-2007
GDP per capita (EUR, PPS)	18,236	29,900	43,098	13,743
GDP growth (%)	4.8	2.0	1.5	5.6
Potential GDP growth (%)	4.1	1.7	2.2	4.4
Output gap (% of potential GDP)	1.2	-0.19	-0.03	3.3
Unemployment Rate (%)	4.6	7.3	4.1	7.3
Unemployment Rate (%) - Y/Y change (% points)	-0.8	-0.9	-0.6	-0.24
Bank-interest rates to non-financial corporations (%)	4.9	1.3	2.4	10.3
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	1.5	-0.04	0.4	--
Investment rate (GFCF as % of GDP) - Total	22.6	20.1	19.7	24.7
Investment rate (GFCF as % of GDP) - Public	2.8	2.7	3.2	3.8
Investment rate (GFCF as % of GDP) - Private	19.8	17.3	16.5	21.0

#### Energy

	2013	2014	2015	2016	EU (latest available)
Energy consumption from renewables (%)	23.9	24.8	24.8	--	16.7
Energy consumption from renewables - distance to EU 2020 target (%)	0.1	-0.8	-0.8	--	3.3
Energy dependence (%)	18.5	17.0	--	--	53.5
Primary energy consumption (consumption in 2005 =100)	84.3	83.4	85.2	--	89.3
Energy intensity of the Economy (kg of oil equivalent per 1 000 EUR)	335.5	--	--	--	141.7
Primary energy consumption (Million Tonnes of Oil Equivalent)	31.0	30.6	31.3	--	1,530
Primary energy consumption (Million Tonnes of Oil Equivalent) - distance to EU 2020 target	-12.0	-12.4	-11.7	--	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<sup>3</sup>**

#### **Key project characteristics**

	Expected at PCR
Start of works	01.10.2018
End of works	30.06.2021
Project investment cost	360.00 MEUR
EIB/EFSD eligible investment mobilised	350.00 MEUR
External EFSD multiplier	2.33
External EIB (non-EFSD) multiplier	
Amount of private financing	150.00 MEUR
Quick start (% of expenditure during 2015-2018)	
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	0.00 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	
Employment during construction - temporary jobs	2,880 person years
Employment during operation - new permanent jobs	15 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/EFSD eligible investment mobilized might derive from the fluctuation of the underlying exchange rate.