EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

RATIONALES FOR THE DECISIONS TAKEN BY
THE EFSI INVESTMENT COMMITTEE IN MARCH 2020
EFSI Investment Committee
9th March 2020

Those attending

Chairman: Mr. Wilhelm MOLTERER, Managing Director
Ms. Iliyana TSANOVA, Deputy Managing Director

Members: Mr. Gordon BAJNAI
Mr. Thierry Deau
Ms. Dalia DUBOVSKE
Ms. Vicky D. KEFALAS
Ms. Andreja KODRIN
Mr. Fabio PAMMOLLI
Ms. Nieves RODRIGUEZ VARELA
Mr. Manfred SCHEPERS

Experts: Mr. Marcus SCHLUECHTER, Advisor to the Managing Director
Mr. Juan Jose FEBLES, Advisor to the Deputy Managing Director

EFSI Secretariat: Ms. Emilie BOIS-WILLAERT, Head of EFSI Secretariat
Mr. Renko WOUTERS, Corporate Secretariat Officer
Rationales for the decisions taken by the Investment Committee in March 2020

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in March 2020.

In accordance with article 7.12 of Regulation (EU) 2017/2396, the rationales for the decisions taken by the Investment Committee to approve the use of the EU guarantee for EIB operations are made publicly available, except for projects subject to a confidentiality agreement between the EIB and the promoters. The publication shall not contain commercially sensitive information.

In line with article 30 of the EFSI Agreement and the Transparency Policy of the Bank, the rationales of the Investment Committee decisions for such projects will be disclosed at a later stage by including them in a list of the rationales of Investment Committee decisions taken throughout the year, which is published, in general, twice a year. This is after the projects have been signed or if these projects are not subject to a confidentiality agreement between the EIB and the promoters anymore.

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The rationales of the Investment Committee to approve the availability of the EU guarantee for the following EIB operations in March 2020 are as follow:

**HOLLANDSE KUST NOORD V OFFSHORE WIND FARM (The Netherlands)**

The IC approved the use of the EFSI guarantee for investments that consist in the construction and operation of an offshore wind farm, in the Hollandse Kust Noord wind farm zone, in the Netherlands. The project is expected to produce electricity for the equivalent of 872 000 households. The project is in line with the EFSI objective to the development of the energy sector in accordance with the EU priorities and namely, the expansion of the use or supply of renewable energy. As a renewable energy project, it will contribute to reducing carbon and air pollution externalities, with expected emissions savings of up to 1000 kilotons of CO2 equivalents per year. The operation fully contributes to the Climate Action target of EFSI.

The operation is addressing a gap in terms of availability of affordable and adequate long-term financing for a new off-shore renewable energy project in the Netherlands. The market failures and sub-optimal investment situations are related to the complexity and inherent high risks of the electricity renewable sector, in a context of capital-intensive operations and anticipated low regulatory support levels. The envisaged EIB financing would fall under the Special Activity category. The EIB would not have been able to provide this type of financing support during the period in which the EU guarantee can be used, or not to the same extent or under the same conditions, without EFSI. EIB's capacity to appraise the project risks and provide guidance on appropriate financial structuring and testing bankability, shall provide comfort to private investors and export credit agencies, and thus crowding-in other investors and contributing to a timely financial close.
SUSTAINABLE SECURITIES FUND (Italy)

The IC approved the use of the EFSI guarantee for supporting an equity investment in a fund that will provide debt financing to energy service companies (ESCOs) to implement energy efficiency (EE) projects, and to small-scale decentralised renewable energy (RE) investments. The operation will be fully contributing to the EIB Climate Action objective. The project addresses several major market failures in the EE and RE markets. EE and RE projects reduce carbon and air pollution externalities, and the small-scale RE projects contribute also towards increasing security of energy supply by reducing dependency on energy imports. The targeted sub-projects suffer from relatively high transaction costs, due to their fragmented and relatively small nature, leading into a sub-optimal investment situation. Despite the expected economic benefits, these are not internalized by private investors, and insufficient financing flows are provided by commercial bank finance. Falling under the EIB Special Activities category, the EIB would not be able to provide equity investment in a debt fund, or not to the same extent, without EFSI. The EIB will be a first and cornerstone investor, whose support shall result in a quality stamp on the fund proposal, increasing the investors’ confidence for crowding-in private sector financing. As one of the first investments for the EIB in a debt fund targeting ESCOs, the operation may serve as an example for other fund managers to follow.

Wilhelm MOLTERER
Managing Director