



EUROPEAN INVESTMENT BANK

**European Fund for Strategic Investments**

**RATIONALES FOR THE DECISIONS TAKEN BY  
THE EFSI INVESTMENT COMMITTEE IN JULY 2018**

**EFSI Investment Committee**  
**12<sup>th</sup> and 13<sup>th</sup> July 2018**

Those attending

<u>Chairman:</u>	Mr.	Wilhelm MOLTERER, Managing Director
	Ms.	Iliyana TSANOVA, Deputy Managing Director
<u>Members:</u>	Mr.	Gordon BAJNAI
	Mr.	Thierry DEAU
	Ms.	Dalia DUBOVSKA
	Ms.	Vicky D. KEFALAS
	Ms.	Andreja KODRIN
	Mr.	Fabio PAMMOLI
	Ms.	Nieves RODRIGUEZ VARELA
	Mr.	Manfred SCHEPERS
<u>Experts:</u>	Mr.	Marcus SCHLUECHTER, Advisor to the Managing Director
	Mr.	Juan Jose FEBLES, Advisor to the Deputy Managing Director
<u>EFSI Secretariat:</u>	Ms.	Emilie BOIS-WILLAERT, Head of EFSI Secretariat
	Mr.	Renko WOUTERS, Corporate Secretariat Officer

## **Rationales for the decisions taken by the Investment Committee in July 2018**

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in July 2018.

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.

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 July 2018 are as follow:

### **PEARL ENVIRONMENTAL INFRASTRUCTURE FUND** **(France, Regional - EU countries)**

The Investment Committee approved the availability of the EFSI guarantee for the proposal, which targets the development of environmental infrastructure (water, energy and waste management) for both private enterprises and public authorities. The fund's business model is based on deep knowledge on the regulatory environment and expertise in the development and efficient operation of environmental infrastructure, which is often outside of the core competence of the private or public sponsor.

The investments pursued by the fund are typically too small to be supported by mainstream infrastructure investors and expected to yield significant contribution to resource efficiency, Circular Economy and the important Climate Action objective. The Investment Committee noted the high employment impact of the proposal and the overall Excellent score for the Quality and Soundness of the project.

The Investment Committee welcomed the close cooperation of the Bank with CDC already in preparation of the project, the matching financing contribution by both entities into the fund and the potential for direct investments into the underlying environmental infrastructure in case of shortfalls at the individual project level. The Investment Committee agreed to the designation as an Investment Platform in line with the EFSI Regulation.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

### **EUROFIDEME 4 FUND (France, Regional - EU countries, Spain)**

The Investment Committee approved the availability of the EFSI guarantee for the proposal, which supports the ambitious targets of the EU 20-20-20 Renewable Energy Directive, for which an estimated EUR 180bn of additional investments will be required until 2020 in the EU.

The IC welcomed the focus of the fund on greenfield investments, as well as the inclusion of supporting infrastructure such as energy storage and EV charging. These are required to achieve a lasting energy transition, but are not sufficiently supported by mainstream funds and many traditional institutional investors who seek for less risky yield assets. Total generation capacity of the renewable assets supported by the fund is estimated at 900 MW, equivalent to the energy needs of 350,000 households.

The intervention will directly support Climate Action in its entirety.

Given the inclusion of less mature emerging energy storage assets and EV charging infrastructure, resulting in a higher risk level of the proposal compared to mainstream renewable energy funds, EFSI facilitates the participation of EIB at the level required to crowd-in private investment and facilitate the fundraising process.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

### **ANCALA EUROPEAN INFRASTRUCTURE FUND (Regional - EU countries)**

The IC approved the use of the EFSI guarantee for a an equity investment in Ancala European Infrastructure Fund, a generalist infrastructure fund providing equity investments in small to mid-market infrastructure assets in the Energy, Telecoms and Transportation sectors in the EU and EFTA countries.

The operation is eligible under a number of EU and EFSI objectives and addresses a sub-optimal investment situation due to the scarcity of equity funding for small to medium size infrastructure investments. EFSI support is essential for the operation to provide long-term capital for smaller infrastructure business. Hence, the EFSI backed equity investment by EIB will play a significant catalytic role for mobilising additional commitments from other investors and will allow the Fund to reach its target size.

The investments, made by the fund, will contribute to the development of the energy sector in accordance with the Energy Union priorities as well as development of transport infrastructures and development and deployment of information and communication technologies.

The EIB equity type investment is falling under EIB Special Activity risk with a first time client to the Bank.

### **MID EUROPA CEE GROWTH V FUND (Poland, Regional - EU countries, Czech Republic, Romania, Croatia, Slovakia)**

The IC approved the use of the EFSI guarantee for a an equity investment in Mid Europa CEE Growth Fund V, a private equity fund providing capital to SMEs and mid-market growth companies mainly in infrastructure sectors (primarily healthcare) but also in consumer and service sectors (retail, business services, media) in Central and Eastern Europe ("CEE" or the "Region"). Most of the investments will be located in regions eligible under the EU cohesion policy.

The operation addresses clear market failures and sub-optimal investment situations due to the limited availability of long-term equity capital in the CEE region. By supporting the Fund, the Bank will accelerate the deployment of infrastructure-related investments and will contribute to the development of the private equity industry in the CEE region. EFSI support is therefore essential for this operation to provide equity capital to a fund addressing the higher risk equity-financing gap in CEE.

The investment strategy of the fund is to expand the investee companies, majority qualified as SMEs and mid-market companies, organically or through expansion capital. The operation therefore improves the access for SMEs and mid-caps to equity finance and is likely to have a positive effect; creating growth and employment in the region.

The EIB equity type investment is falling under EIB Special Activity risk.

**ARDIAN PRIVATE DEBT FUND (France, UK, Germany, Regional – EU countries, Belgium, Italy, Luxembourg, Netherlands)**

The IC approved the use of the EFSI guarantee for a an equity investment in Ardian Private Debt IV, a private debt fund providing direct lending to mid-market companies across the EU. As such, the operation is in line with the EFSI objective of supporting entities having up to 3,000 employees.

Development of private loan funds contribute to the diversification of alternative financing channels and thus improve access to finance for smaller companies. The project address a sub-optimal investment situations mid-market companies in Europe that still face difficulties in mobilising sufficient financing in their growth path to become large corporates. Through this operation, the EIB supports the development of alternative financing sources and consequently increases the available financing for smaller companies, contributing to their growth and investment potential. This operation directly supports the policy objective of bank disintermediation in Europe as part of the Capital Market Union via the provision of alternative long-term debt, complementing traditional bank finance.

Ardian also shares EIB's commitment to a sustainable future, tracking its investees' ESG performance on a yearly basis, and becoming a signatory of the UN Principles for Responsible Investment in 2009, principles that recognise the importance of ESG matters not only in terms of their impact to returns but also in terms of their effect on society.

The EIB equity type investment is falling under EIB Special Activity risk.

**TIKEHAU DIRECT LENDING FUND (France, Italy, Spain, Regional – EU countries, UK, Netherlands, Belgium, Luxembourg)**

The IC approved the use of the EFSI guarantee for a an equity investment in Tikehau Direct Lending Fund, a private debt fund providing senior debt mezzanine finance to mid-market companies across the EU. As such, the operation is in line with the EFSI objective of supporting SMEs and Mid-caps (defined as companies with less than 3000 employees).

The project addresses a sub-optimal investment situation in the form of a lack of financing offerings and credit availability for selected groups of mid-market companies in the European Union. These mid-market companies still face difficulties in mobilising sufficient financing in their growth path to become large corporates. Development of private loan funds contribute to the diversification of alternative financing channels and thus improve access to finance for smaller companies. This operation is also supporting non-banking debt financing, thus contributing inter alia to the Capital Markets Union.

The EIB investment through EFSI should create a signaling effect to attract potential new private and public investors, including national promotional banks, thus helping the Fund to reach its target size. The EIB involvement also reinforces the Fund Manager's commitment to its environmental, social and governance (ESG) principles through an alignment with EIB policy in this field.

The EIB equity type investment is falling under EIB Special Activity risk.

### **VAEKSTFONDEN EQUITY CO-INVESTMENT PLATFORM (Denmark)**

The Investment Committee approved the use of the EFSI guarantee for the proposal, which will leverage the market access of Vaekstfonden with the risk capacity of EFSI to provide targeted equity support to entities up to 3,000 employees.

The systematic co-investment under the project facilitates the extension of the Danish National Promotional Institution Vaekstfonden's activities beyond its current focus on early stage and small ticket investment to companies in their later stage and growth phases, where there is a pronounced market gap in the Danish private equity market.

The Investment Committee noted the investment mobilised at the level of the final beneficiaries estimated at EUR 1.2bn at full deployment and the expected strong level of crowding-in of institutional investors. It appreciated the focus of the platform on RDI and innovative companies as well as the excellent impact of the proposal in terms of both growth and employment.

The Investment Committee approved the designation of the proposal as an Investment Platform in line with the EFSI Regulation. It welcomed the EIB's first time engagement with Vaekstfonden, further expanding the co-operation under EFSI with National Promotional Institutions across the EU.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

### **EIB-EIF SME FUNDS INVESTMENT FACILITY (EU countries – Regional)**

The Investment Committee approved the proposal for the release of the second tranche of the SME Funds Investment Facility under the IIW, providing indirect equity support to SMEs and small MidCaps throughout the EU, a market segment for which there is still a persisting funding gap in Europe.

The Investment Committee welcomed the close cooperation with the EIF acting as implementation agent of the facility; leveraging its expertise and unparalleled reach in the European Venture Capital market. It also recognized the EIF's commitment to leverage the EFSI intervention from other non-EFSI resources, which has already resulted in aggregated funds' commitments of EUR 2.7bn of financings.

The Investment Committee appreciated the detailed information on the implementation of the first tranche and recognized the frequent cooperation with other NPBs/NPIs for the funds supported so far. This has facilitated the quick and successful implementation of the first tranche, which has utilised the initial EUR250m investment capacity within 8 months after creation of the initiative. The Investment Committee also recognized the strong existing pipeline for the second tranche, which ensures a successful continuation of the initiative's implementation.

At full deployment, the Initiative is forecast to support more than 300 final beneficiaries with an aggregate 75,000 jobs and facilitate the creation of 25,000 new permanent positions. The total investment mobilised is projected at EUR 8.4bn with a resulting multiplier of 16.7x.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

### **KTM MOTORCYCLE RDI (Austria)**

The IC approved the use of the EFSI guarantee for a proposal concerning the research, development and innovation (RDI) for more innovative and cleaner motorcycling, focused on electrification, increased digitalisation and vehicle connectivity. The RDI investments of the company will contribute to increasing the promoter's knowledge and expertise in the field of motorcycles and is expected to bring about environmental benefits, because of the reduction of vehicle weight, fuel consumption and emissions, and safety improvements. The operation contributes to sustain high skilled RDI jobs in Europe and the competitiveness of the motorcycle industry in Europe, together with the EU policy objectives of sustainable transport.

The project will contribute to support the promoter's position and prospects in a very competitive and volatile industry, currently facing a number of emerging technological and socioeconomic challenges, amongst others due to the pressure from low-cost producers from emerging markets. In the absence of the RDI investments supported by the operation, the promoter could face significant challenges in a changing competitive market environment. The motorcycle industry is on the one hand investment and capital intensive and on the other hand characterized by a volatile demand situation. Hence, profit margins in this industry can easily be squeezed in case of declining demand, potentially putting the industry participants' credit profiles under pressure. A constrained financial situation is likely to lead reduced investment levels including curbed down RDI efforts. Given that the results of RDI investments are uncertain and do not create material assets, commercial banks tend to be reluctant to finance RDI investment per se, even more so in the context of a risky industry. Thus, raising debt financing at favourable conditions and with sufficiently long tenors to support increased investment activity is, under such circumstances, significantly more challenging than in a less capital/investment intensive, less cyclical industry characterized by less fierce competitive dynamics. The operation carries therefore specific risk factors, creating a sub-optimal investment situation that could not have been supported by EIB without EFSI contribution.

### **OPEN FIBER ULTRA-BROADBAND DEVELOPMENT PLAN (Italy)**

The IC approved the use of the EFSI guarantee for a proposal that concerns the roll-out of an optical fibre access network (Fibre to the Building/Home) in Italy. The network will provide wholesale open access to enable licensed retail operators to offer ultra-high speed broadband services in black and grey density areas. The project will pass about 9.5m households, representing nearly 40% of all Italian households. Approximately 18% of capex will be realised in Cohesion regions, where the gap of ultra broadband/broadband services is even more acute than the national average. Italy is significantly behind the rest of Europe in the rollout, as close to 80% of Italian population has no access to ultra-broadband lines.

The project is expected to have a substantial positive impact on employment in terms of jobs supported within the intervention area and jobs directly created during the buildout phase. In line with the objective of the EU Digital Single Market and the EU Digital Agenda, the proposed operation responds to the EFSI objective of deploying high-speed telecommunication infrastructure. The operation provides positive network externalities by enabling more users to benefit from the access to information, digital services and better communications; and by supporting different sectors of the economy through innovation and competitiveness contributing to the enhanced productivity of SMEs.

Commercial lenders are constrained in their capacity to provide the volume of affordable financing necessary for the project to be economically viable, in particular when considering the long-term maturities and the underlying risks. The EIB will be able to

provide a sizeable long-term loan falling under the EIB Special Activity risk category thanks to the EFSI guarantee. This financing will therefore have a strong catalytic effect on private financiers and will provide a quality stamp and potentially facilitate access to capital markets of the project and increase the commercial lenders confidence and financial support for the project. Given the strategic importance of the project, an involvement of the Italian Promotional Bank (CDP) through the EFSI EIB-CDP Large Infrastructure Investment Platform is highly likely. Advisory support has been provided by EIB in order to design the complex and unique features of the project entailing a hybrid structure between a corporate loan and a no-recourse project finance transaction. The EIB advice on the structure appears instrumental for the successful closing of the financing by crowding-in financiers, and consequently for the timing implementation of the initiative.

### **ITALIAN URBAN DEVELOPMENT FUNDS PROGRAMME (Italy)**

The IC approved the use of the EFSI guarantee for a programme loan for urban development projects in three Cohesion regions of Italy - Campania, Sicily and Sardinia. The programme builds on the positive experience of Jessica initiative in the period 2007-2013. The borrowers will be specialised Urban Development Funds (UDFs), which will be managed by experienced financial institutions.

The operation will contribute to the EFSI objective of supporting the development of the energy sector in accordance with the Energy Union priorities, through the expansion of the use or supply of RE, EE and energy savings, as well as environment and resource efficiency, and through sustainable urban and rural development. Additionally, this operation in line with the EFSI objective of supporting less developed and transition regions.

The IC welcomes the innovative financing structure, which will use reflows from financial instruments, funded by the European Structural and Investment Funds (ESIF) under 2007-2013 framework. Therefore, the operation allows the managing authorities to establish a mechanism, which combines former ESIF resources and EFSI, integrating both in a complementary manner.

The operation has a high-risk profile and is expected to be classified under the EIB Special Activities category, in particular due to the risk profile of the underlying assets and the complexity of the proposed de-linked structure of the transaction.

### **FIERA MILANO EXHIBITION CENTRE (Italy)**

The IC approved the use of the EFSI guarantee for a proposal concerning the upgrading and modernization of the promoter's exhibition and congress sites. The works include the digitalisation for optimised logistics and flows of users, safety and security improvements, sustainability and innovation (solar PV panels, replacement of traditional lighting systems, improvement of thermal insulations, etc.) and other operational efficiency measures. The promoter is a non-profit foundation with the mission of fostering and promoting growth, through the organisation of exhibitions and events in Italy and abroad. Beyond the direct benefits of the investments, trade fairs and exhibitions play a crucial role in boosting the regional and national EU economies, matching demand and supply of goods and services, thus fostering the creation of relationships among the different companies and actors operating in a given sector. The project will therefore contribute to economic, social and cultural development, innovation and urban and territorial development. This is extended to a wide range of companies, notably regional and national SMEs, backbone of the Italian economy, for which trade fairs are key to promote business, as well as companies providing services to the fair sector.

EFSI financing addresses a gap of long-term financing currently unavailable on the market for similar investments and duration. There is a sub-optimal investment situation across the sector, especially in the area of digitalization and smart innovation. Some of those components require a rather short timeframe for an accelerated implementation. This includes the risks inherent to the fair sector with high uncertainty, cyclicity and seasonality of demand, and the strong European and global competition. Falling under the EIB's Special Activities risk category, the operation has required the support of the EFSI guarantee, given the borrower's risk profile and sizeable investment plan. EIB EFSI backed financing will therefore send a positive signal to crowding-in other investors and reinforcing the borrower's investment strategy. The operation is the first one for the EIB in the Italian trade and exhibition industry, and has required the Bank's active involvement in the structural and financial planning of the project.

### **GVM – MEDICAL CARE (Italy, France)**

The IC approved the use of the EFSI guarantee for a proposal concerning the investment plan for hospital infrastructure and applied medical research in selected facilities mainly in Italy and also France. The purpose of the project is to improve and expand the overall infrastructure standards, equipment outfitting and service efficiency for staff and patients' safety and comfort. About 33% of the project will be implemented in the Cohesion regions of Southern Italy. The project will help accelerating the modernisation of the healthcare infrastructure and medical equipment in Europe, as a large share of the advanced medical equipment and devices will be sourced from European suppliers. Therefore, also contributing to the European medical equipment industry. In addition, the project will also create new employment opportunities of highly qualified labour force in the two countries.

In economic terms, the project benefits will arise from improving the access to and the quality of clinical care services, and therefore increasing the health status of the population. This enhanced quality of life will contribute to a positive impact on social integration and economic productivity. The operation addresses market failures in the public healthcare financing and delivery system that lead to regional gaps in the supply of medical care services in the Italian and French healthcare systems. Specifically, the project will enhance contracting opportunities for the public sector with a high degree of flexibility, without long-term commitments and capital expenditure for the public purse under fiscal constraints and the quick availability of services. For the Italian market, this is particularly important to cover the existing service gap in the regions of Southern Italy, and address the inefficiencies created by large-scale patient migration. Administration costs, travel and time lost at work for patients seeking treatment out of region will be substantially decreased by offering quality services close to the place of residence and thereby create additional financial and social benefits. The operation is expected to fall under the EIB Special Activity risk category. The signalling effect of the EIB/EFSI participation is significant because it allows the promoter to raise additional financing to allow project implementation. Cassa Depositi e Prestiti (CDP), the Italian National Promotional Bank, may also finance part of the investment plan alongside the EIB.

### **X-ELIO LORCA SOLAR PV FARM (Spain)**

The IC approved the use of the EFSI guarantee for a proposal concerning the financing of a new solar photovoltaic plant, as well as the ancillary infrastructure for the interconnection to the grid, located in the municipality of Lorca, in the Cohesion region of Murcia, South Eastern Spain. The project contributes to Climate Action objectives and helping Spain in achieving its objective of generating 20% of primary energy using renewable sources by 2020, in line with its nationally binding EU targets under the Renewable Energy Directive.

This project addresses a suboptimal investment situation in the renewable energy sector

in Spain after the subsequent reform of the regulatory framework, and will also help in the development of a project finance structure based on a power purchase agreement scheme (PPA). In Spain, the PPA market is still incipient and combined with a Project Finance loan has so far been implemented in very limited scope. The high investment needs in Spain in order to meet the EU target for the deployment of renewable energy, in conjunction with the halt in the installation of new renewable energy power plants in the last few years, makes the timely deployment of the projects on renewable energies essential. The lack of financial support from public sources and the exposure of the project to electricity price risk, prevents similar projects from securing suitable sources of financing, creating thus a funding gap, which in turn also discourages equity investors from entering into the market. Hence, the availability of long term non-recourse debt financing by EIB with EFSI will be crucial to bridge the mentioned gap, thus ensuring the project viability. The level of risk of this project is considered to be in the high end of what normally constitute an acceptable risk by the EIB and could not have been offered without EFSI support. Thanks to this support, the EIB's participation will also contribute in mobilizing private sector investment, not only for this project, but as a catalyser for other renewable energy investments. Finally, the signaling effect of the EIB would support the evolution of the Spanish renewable energy market model from a subsidy-dependent to a purely market based one, including the use of more developed technologies and a wider range of promoters, that could be replicated in other European markets.

### **TALASOL SOLAR PV PLANT (Spain)**

The IC approved the use of the EFSI guarantee for a proposal concerning the construction of a greenfield solar photovoltaic (PV) power plant located in the Cohesion region of Extremadura (South Western Spain), including the overhead grid connection line and the related transforming substation. The operation contributes to the Climate Action target of EFSI, and will contribute to the achievements of the Spanish 2020 targets for reducing CO2 emissions, requiring accelerated investments for additional renewable energy capacity to become operational in the upcoming years. The project is fully implemented in a cohesion region.

For the expansion of the use or supply of renewable energy, the operation is addressing a gap in the affordable long-term finance for renewable energy generation in Spain. The project would be one of the first greenfield renewable energy projects to be financed in Spain following a wide-sector reform implemented in 2014 and amongst the first solar PV projects to be developed on a merchant basis and without any form of government support. This represents a major shift in the financing of renewable energy assets in Spain and accompanies the evolution of the renewable energy market towards a more market-based approach. The operation shall therefore tackle market failures and sub-optimal investment situations related to the complexity and high risks in the electricity sector, combined with ongoing regulatory reforms and insufficient investment in the required timeframe. The availability of long-term debt financing from the EIB will largely determine the project's ultimate viability, as currently alternative sources of suitable financing are scarce. In this sense, EIB will act as a cornerstone financier in this project. Overall, the operation is expected to serve as a catalyst for private financing and investment for this and other potential subsequent operations. The operation would thus support the evolution of the Spanish renewable energy market model from one dependent on public subsidies on investment to one based on competition, more developed technologies and wider range of promoters.

### **OULUN ENERGIA CHP PLANT (Finland)**

The IC approved the use of the EFSI guarantee for a proposal concerning the construction of a new Combined Heat and Power (CHP) biomass-fired plant, producing electricity, heat and steam, to replace an existing less efficient plant with higher

emissions. The size of the new plant is designed to supply around half of the heat injected into the district heating network of the city of Oulun, in North Finland. The new plant will increase the use of forest biomass (70%), residential residual waste (15%) and peat (15%) as fuel sources. All fuel is planned to be locally sourced and therefore a positive employment impact in the region is expected. The project will ensure reliable heat supply, increase domestic generation of heat and electricity from renewables and diversify the power sector in the country overall. In line with the EFSI objective of the development of the energy sector, in accordance with the Energy Union priorities and in particular the expansion of the use or supply of renewable energy, the operation will support EFSI's Climate Action target, as the deployment of modern CHP technology based on renewable fuel, replacing a less efficient existing plant with higher emissions will bring significant reduction in CO<sub>2</sub> emissions and decreased pollution.

The operation is addressing a gap in the affordable long-term finance for renewable energy generation in Finland. The operation tackles market failures and sub-optimal investment situations related to the complexity and high risk in the local electricity sector, combined with ongoing regulatory reforms and insufficient investments in the required timeframe. EIB will act as a cornerstone financier in this project, in particular taking into account that the envisaged EFSI supported financing will be an unsecured loan, which will present a longer tenor than other lenders, creating a further structural subordination. EIB's participation in the financing also provides an important signal to private lenders and thus crowds in the necessary remaining financing for the project. At the same time, the operation overall is also exemplary in the sense that it signals to similar utility companies that EFSI support can help them unlock their investment plans in renewable energy.

### **PORI ENERGIA BIOMASS POWER PLANT (Finland)**

The IC approved the use of the EFSI guarantee for a proposal concerning the construction of a new Combined Heat and Power (CHP) biomass-fired plant, producing electricity, heat and steam, to replace an existing less efficient plant with higher emissions. The project will be the main heat source of the local district heating system of the city of Pori, in South Western Finland, providing heating to approximately 90% of its population. The project provides additional RES (renewable energy sources) capacity to the Finnish energy sector by using forest biomass (80%) and peat (20%) as fuel sources. All fuel is planned to be locally sourced and therefore a positive employment impact in the region is expected. The project will ensure reliable heat supply, increase domestic generation of heat and electricity from renewables and diversify the power sector in the country overall. In line with the EFSI objective of the development of the energy sector in accordance with the Energy Union priorities and in particular the expansion of the use or supply of renewable energy, the operation will support EFSI's Climate Action target, as the deployment of modern CHP technology based on renewable fuel, replacing a less efficient existing plant with higher emissions will bring significant reduction in CO<sub>2</sub> emissions and decreased pollution.

The operation is addressing a gap in the affordable long-term finance for renewable energy generation in Finland. The operation tackles market failures and sub-optimal investment situations related to the complexity and high risk in the local electricity sector, combined with ongoing regulatory reforms and insufficient investments in the required timeframe. EIB will act as a cornerstone financier in this project, in particular taking into account that the envisaged EFSI supported financing will be an unsecured loan, which will present a longer tenor than other lenders, creating a further structural subordination. EIB's participation in the financing also provides an important signal to private lenders and thus crowds in the necessary remaining financing for the project. At the same time, the operation overall is also exemplary in the sense that it signals to similar utility companies that EFSI support can help them unlock their investment plans in renewable

energy.

### **HEATING SECTOR IN POLAND PROGRAMME LOAN (Poland)**

The IC approved the use of the EFSI guarantee for a programme loan public and private local utility companies, operating in the district heating sector. The Programme will target construction of generation assets based on biomass, gas and waste and it will reduce CO<sub>2</sub> 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 IC approved the use of EFSI guarantee for the proposed pilot project under the Programme Loan, a loan to ECA SA, owned by the city of Opole and E.ON for heating and energy efficiency upgrade.

Poland's district heating network (one of the largest in Europe) needs significant investments to increase in new co-generation capacity, reduce dependency on coal, and promote energy efficient distribution. Hence, the proposed operation addresses a sub-optimal investment situation when it comes to financing much-needed investments by small and mid-size utility providers in Poland.

The project is in line with the EU and EFSI energy policy objectives of 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 Climate Change mitigation policies. Additionally, the majority of Sub-Projects will take place in cohesion regions.

In addition, the EIB will offer the support of the European Investment Advisory Hub to the potential promoters in order to help them structure their projects to facilitate financial close and accelerate implementation.

### **BRNO WATER SYSTEM (Czech Republic)**

The IC approved the use of the EFSI guarantee for a proposal concerning the reconstruction and upgrade of the sludge treatment line of the Brno municipality's (Czech Republic) main waste water treatment plant. The project shall support the city's key mission of providing drinking water and sewage and water cleaning services to its inhabitants and surrounding region. In line with the EFSI objective of support of environment and resource efficiency as well as the objective to support less developed regions, this operation will promote circular economy through the improvement of the water quality and the further secondary use of waste treatment, and improve the general health of the population via the enhanced control of the food chain. As the project is located in Brno, which is the capital of the South Moravia Region, a cohesion region (as a "less developed" region), it will contribute to the Union priorities on convergence and social cohesion. In addition, the operation will support EFSI's Climate Action target.

The project's positive externalities cannot be monetized by the market and the risk-return balance makes it difficult for private investors to intervene without the support of public funding institutions. Therefore the borrower is facing a sub-optimal investment situation, as access to financing available to support this project is not readily available and prevents it from deploying its investments under the scale and timeline that would be appropriate. The envisaged EIB financing under EFSI will be an unsecured loan, which will present a longer tenor than other lenders, creating a further structural subordination. This long-term financing support is expected to result in a quality stamp on the project that shall help crowding-in private sector financing, by increasing the social and commercial lenders confidence in the operation and confirm their own engagement in the financing. This first EIB operation with the promoter will allow the Bank to provide support

to the Czech environment and resource efficiency sector.

### **SGI - GAS NETWORK DEVELOPMENT (Italy)**

The IC approved the use of the EFSI guarantee for a loan to Società Gasdotti Italia S.p.A. ("SGI" or the "Company"), a gas transmission operator, operating in Central and Southern Italy. This is the second transaction with SGI, supported under EFSI. Both operations provide finance for ten-year investment programme on the Company, aiming at increasing the security of supply, improving the integration of gas storage sites with the national gas transport network and enhancing flexibility and safety of gas supply operations in Central and Southern Italy.

The operation is in line with the EFSI objectives of (i) developing the energy infrastructure in accordance with the Energy Union priorities and (ii) supporting entities having up to 3,000 employees. The operation will contribute to the Union priorities on convergence and social cohesion, as most of the investments are located in Molise and Abruzzo, regions eligible under the EU Cohesion Policy.

The operation addresses a sub-optimal investment situation faced by smaller companies in the energy sector, which are seen as inherently risky by commercial banks and have difficulties to find financing at adequate terms. EFSI support enables the EIB to bridge the SGI's long-term funding gap. The operation is expected to fall under the Special Activities category taking in account the required longer tenure and subordination of the EIB financing to other co-financiers and the complexities of the investment project.

### **TAURON HYBRID BOND NETWORK 2018 - 2022 PROGRAMME (Poland)**

The Investment Committee approved the availability of the EFSI guarantee for the proposal, which is expected to be the first ever PLN denominated Hybrid Bond. The financing will directly support important investments into the Polish electricity distribution network, both for extensions and modernisation of existing infrastructure, to better cater for the integration of intermittent renewable energy generation capacity. All of the investments will be made in Cohesion Regions and are expected to support 4,700 person years of temporary employment. The Investment Committee highlighted the Excellent score for the Quality and Soundness of the project.

The Investment Committee welcomed the provision of a Hybrid Bond with EFSI support, expected to be the first such instrument denominated in PLN. It debated the merit of setting a first pricing reference for such instrument in the market and acknowledged the wider support of the project for the objectives of the Capital Markets Union. The features of this innovative product and its deep subordination versus senior creditors are apt to conserve the credit capacity of the promoter and crowd-in third party financing from private investors. This facilitates additional financing beyond the scope of the current project, which is required for the implementation of the company's ambitious investment programme into the Polish electricity network infrastructure.

The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation.

### **AEROPORT DE LA GUADELOUPE (France)**

The IC approved the use of the EFSI guarantee for a proposal supporting the investments in the Pointe-à-Pitre/Le Raizet International Airport (PTP), on the island of Grande-Terre in Guadeloupe, one of the French Outermost Regions located in the lesser Caribbean Islands. The project aims at accommodating future growth in traffic, alleviating current congestion and improving safety and security performance. Together with several smaller islands attached to Guadeloupe mainland, Guadeloupe suffers from increased isolation and insularity features: distance from the metropolis and isolation from mainland France.

This implies a full dependence from the island towards air transport. The airport is therefore a true support of territorial continuity. For local population, air transport is the sole mean of transport towards the rest of the world. The operation supports the objective of cohesion.

The operation addresses the market failure related to the external costs imposed on users due to airport congestion and contributes to supersede this congestion by providing additional airport capacity. Moreover, the project significantly contributes to the internationalisation efforts of the enterprises comprised on Guadeloupe as Pointe-à-Pitre International Airport plays a pivotal role in enabling domestic companies to further expand across European and international markets. The operation addresses a sub-optimal investment situation as Pointe-à-Pitre International Airport has experienced constrained access to long-term financing, with commercial banks unable to fully match the funding requirements of their investment plans. EIB financing with EFSI support would fill this investment gap and allow the crowding-in of other banks to complement the financing on this project for short or medium term financing. In addition to this support, the operation may benefit from funding from EU grants and possibly from the Agence Française de Développement.

### **VENICE AIRPORT DEVELOPMENT PLAN (Italy)**

The IC approved the use of the EFSI guarantee for a proposal concerning the improvement works at the Venice Marco Polo International Airport, in Italy, aimed at increasing its capacity to accommodate future growth in traffic, alleviating current congestion and improving safety and security performance. The airport is one of the TEN-T core network airports and is included in both the Baltic-Adriatic and the Mediterranean corridors. At the same time, the operation supports policy objectives in relation to the European Safety Initiative.

The project provides additional airport capacity to accommodate future traffic growth. Without which there would be congestion, imposing external costs across users, thereby generating a market failure. Moreover, the project significantly contributes to the internationalisation efforts of the enterprises comprised in the airport catchment area, as the airport plays a pivotal role in enabling such domestic companies to thrive across European and international markets. The operation addresses a sub-optimal investment situation, as the Italian regional airports have historically experienced constrained access to long-term financing. Commercial banks have shown unable to fully match the funding requirements of the airports' investment plans, and local capital markets are not sufficiently developed to provide alternative funding sources to such small-scale companies. The EIB/EFSI support would bridge the long-term funding gap faced and, through the EIB signaling effect, unlock additional funding from the market, which shall provide comfort and a strong signal to commercial lenders and possibly bond investors to offer complementary funding in support of the promoter's current and future investment plans. The EIB will not take part in any financing other than the underlying projects. The EIB support to the project with the EFSI guarantee would therefore enable the acceleration and implementation of the promoter's investment plan.

### **NETZ ELBE SPREE ROLLING STOCK PPP (Germany)**

The IC approved the use of the EFSI guarantee for a loan to finance the purchase of new rolling stock to provide regional rail services in Berlin and the three surrounding federal states Mecklenburg-Vorpommern, Brandenburg and Sachsen-Anhalt.

EFSI support will allow the Bank to participate in this operation and offer a long tenor that is aligned with the economic life of the assets being financed. The presented transaction represents an innovative way of rolling stock financing in Germany, based on a

leasing/structured finance solution instead of the more traditional way of providing finance directly to the procuring authorities, i.e. the Public Transport Authorities.

The operation is in line with the EU objectives of sustainable urban mobility, targeting accessibility, reduction of greenhouse gas emissions, energy consumption and accidents. The project will also improve the quality of transport in the federal states around Berlin, which are transition regions as per EU's Cohesion Policy.

The financing of this project would support the EU liberalization policies in the German regional passenger rail market. EIB's participation in the funding structure would increase the competitiveness of the private bidders against the state owned incumbent and thus actively stimulating competition.

### **CLEAN URBAN TRANSPORT PROGRAMME LOAN SPAIN (Spain)**

The IC approved the use of the EFSI guarantee for a programme loan to finance fleet renewal for public bus transport, construction of associated infrastructure (software, IT systems and charging and refueling stations), and modernisation of existing depots for the vehicles. The promoters and individual borrowers under this Programme Loan would be eligible public sector entities and public, private or mixed-owned companies operating transport services under a public service contract in urban areas.

The operation is in line with the EU and EFSI objective for the development of transport infrastructure, equipment and innovative technologies for transport through smart and sustainable urban mobility projects. The project will contribute to reduced pollution and noise, as well as low-carbon transport. In addition, the investments will have the capacity to improve the quality of public transport service, thus helping to reduce reliance on private cars and maintain and/or increase public transport share.

The EFSI supported operation addresses a sub-optimal investment situation in the transport sector, due to (i) constrained municipal finances, leading to reduced investments; and (ii) unwillingness of the market to provide finance at adequate terms to public transport operators due to their weak credit profile and unavailability of municipal guarantees to secure the loans.

Some of the projects are expected to be located in Convergence Regions, thus enhancing cohesion across the European Union. The promoters could benefit from technical and/or financial support, provided by the European Investment Advisory Hub (EIAH) for the preparation and implementation of projects. The operation will essentially target new clients for the Bank, but repeat clients will not be excluded.

### **RENEWABLE ENERGY RISK SHARING FRANCE II (France)**

The Investment Committee approved the use of the EFSI guarantee for the EUR300m guarantee component of the project, which together with an EIB own-risk funding tranche is expected to mobilise more than EUR 1.7bn of EFSI eligible investments into new renewable energy generation capacity via local intermediary banks. Given its focus the entirety of the catalysed investment will support Climate Action, which has become all the more important given the recent increase of the renewable energy target for the EU to 32% by 2030, as agreed by the European Parliament, Commission and Council.

The Investment Committee acknowledged the need to systematically support medium-sized investments into renewable energy projects via local partner banks, which combines the risk capacity of EFSI with the deep local market knowledge of the intermediaries. It welcomed the widening of the group of partner banks over the previous operation and noted the high expected multiplier of the proposal, as well as the Excellent

rating on the overall strategic intent and investment quality of the project.

At full deployment the renewable energy capacity financed with the proposal is expected to provide 1,840GWh per annum, which is equivalent to the energy requirements of more than 380,000 households.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

### **CIE AUTOMOTIVE RDI & CONVERGENCE** **(Spain, Czech Republic, France, Slovakia, Romania, Portugal, Lithuania)**

The IC approved the use of the EFSI guarantee for a proposal concerning investments in research, development and innovation of products and advanced manufacturing processes for the automotive sector, as well as the enhancement of the promoter's manufacturing footprint in cohesion regions. The project will contribute to increasing the promoter's innovation capabilities and thus support its position and prospects in a very competitive and volatile industry, which can be considered as one of the key industries in Europe and which is currently faced with a number of emerging technological and socioeconomic challenges.

The project will contribute to close the RDI investment gap existing between Spain (1.22% of Spain's GDP) and other EU countries (2.03% of average EU GDP) and will help to achieve EU cohesion policy objectives to strengthen the EU's economic, social and territorial cohesion. The RDI investments of the company also fall within the scope of the Horizon 2020 priority thematic areas of "Leadership in Enabling and Industrial Technologies" and "Smart, Green and Integrated Transport", through the support of more efficient and lighter vehicles, therefore contributing to the reduction of pollution.

The operation addresses the market failure, faced by RDI intensive private promoters who need to have access to alternative sources of financing to implement their RDI programmes. Given that the results of RDI investments are uncertain and do not create material assets, commercial banks are reluctant to finance RDI investments per se and only include them as part of bigger investment programmes. EIB's participation in the project is furthermore expected to have a strong signaling effect and to crowd-in other lenders.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

### **ALPHA BANK ROMANIA LOAN FOR SMES AND MID-CAPS (Romania)**

The Investment Committee approved the availability of the EFSI guarantee for the proposal, which increases the access to finance for entities up to 3,000 employees. SMEs and Mid-Caps are a key driver of economic growth, innovation, employment and social integration in Romania. At the same time, the sector's investment and growth prospects are constrained by inadequate financing opportunities.

With EFSI support, the EIB will be able to provide long-term funding to a local partner bank, who is a new financial intermediary for the EIB, with the contractual obligation to create a new eligible portfolio of loans to SMEs and Mid-Caps of at least 2x the EFSI intervention. As 95% of the EFSI financing is expected to directly support beneficiaries in cohesion regions, the operation will also contribute to the Union priorities on convergence and economic and social cohesion.

The operation will be structured as a loan substitute, implemented through EIB's participation in a covered bond series, issued by Alpha Bank Romania, and will be the first operation of its kind in Romania. The proposed operation will subsequently contribute

to the development of local capital markets and will introduce a cost-efficient instrument of long term funding for mortgages. The EIB's stamp-of-approval is expected to provide high signalling effects to other private and public investors, including to two other IFIs (EBRD and IFC) also acting as anchor investors, and will enable Alpha Bank Romania to reach the capital markets and diversify its funding sources.

### **VIPA ENERGY EFFICIENCY INVESTMENT PLATFORM SFSB (Lithuania)**

The IC approved the use of the EFSI guarantee for a proposal concerning the creation of an Investment Platform in Lithuania, by VIPA, a first-time borrower and national promotional institution, focusing on energy efficiency modernization projects in the area of public and industrial buildings, street lighting and green transportation. The Platform will allow VIPA to continue and extend the support to these projects, carried out by SMEs, Mid-Caps and Public Sector entities, which was previously mostly done with the support of programs backed by structural EU funds.

The Platform will address an important funding gap for energy efficiency modernization projects in Lithuania, a cohesion country, and which is estimated to be at EUR 11bn and to be still growing. The investment Platform is further designed to tackle the sub-optimal investment situation that VIPA, as well as its potential final beneficiaries, are facing as they have a constrained access to financing from the commercial market.

The targeted projects in the Investment Platform are expected to bring significant positive contributions to the enhancement of the life quality of local communities and to increased environmental protection. Yet, they present a higher-than-average risk profile because of their long implementation periods and limited expected returns and remain therefore unattractive to commercial lenders. Without EIB's involvement with EFSI support, crowding-in the participation of other lenders, such projects would have to be scaled down or delayed.

The European Investment Advisory Hub (EIAH) will in parallel support VIPA with structuring the current and future pipeline of projects, developing new types of projects into viable maturity with solutions and products that were not previously available on the Lithuanian market.

### **WALBRZYCH URBAN REVITALIZATION (Poland)**

The IC approved the use of the EFSI guarantee for a proposal supporting a multi-scheme investment programme focused on the revitalization of urban areas and on the renovation of social infrastructure / public space in Walbrzych, a city located in a cohesion region, which is exposed to social, budgetary and economic challenges stemming from its post-industrial history. The operation will help the city of Walbrzych to carry out its 2018-2024 investment programme aimed at promoting economic growth and improving the quality of life of the residents and will address Walbrzych's sub-optimal investment situation.

The city of Walbrzych is financially constrained due to a long period of economic decline, while at the same time it needed to increase investments to finance its development, and meet its socio-economic challenges. The borrower cannot ensure financing on acceptable conditions on the commercial market, while EU grants available for this project constitute less than 2% of the total investment costs.

The long tenor of the EIB loan will match the economic life of the underlying investments and allow the city of Walbrzych to maintain a sustainable level of debt service and will improve both the City's risk profile and the affordability of the investments for the citizens. Moreover, due to its subordinated element, EIB financing will provide comfort to other financiers with a catalytic effect.

The project will support EFSI objectives regarding “integrated territorial development” and “sustainable urban and rural development” and has a risk profile of Special Activities as per the Bank’s statute, which is a strong indicator for Additionality in line with the EFSI Regulation, and would not have been provided to the same extent by the EIB without EFSI support.

### **CORREOS INTEGRATED INNOVATION INITIATIVE (Spain)**

The Investment Committee approved the availability of the EFSI guarantee for a proposal supporting the implementation of the Strategic Plan of Correos, the incumbent postal operator in Spain, with a special focus on investments related to IT systems, parcel sorting equipment modernisation and energy efficiency improvement.

The operation is in line with the EFSI objective of research, development and innovation and will also contribute to climate action objectives, while broadening the reach and quality of postal services and leading to productivity gains for companies and citizens. The project will have a strong social impact through the creation of up to 190 additional direct jobs at operation stage and of close to 1,170 FTE’s during the implementation of the project.

The project presents high additionality as it provides long-term financing to a new counterpart and will match the economic life of the underlying investments. The market is currently failing to offer such long term financing to the promoter, which is needed to allow for a successful implementation of the project. EIB involvement is further expected to have a strong signalling effect and to crowd-in private investors.

The operation has a risk profile of Special Activities as per the Bank’s statute, which is a strong indicator for Additionality in line with the EFSI Regulation, and would not have been provided to the same extent by the EIB without EFSI support.

### **HEALTHCARE COOPERATION GROUP BAHIA (France)**

The Investment Committee approved the availability of the EFSI guarantee for a proposal that will bring together the healthcare activities of a private not for profit foundation and a public military hospital into a new hospital platform. The project aims to respond to the changing needs of a growing population by providing integrated medical services of higher quality while improving cost efficiency.

The project addresses the EFSI objective of innovative health solutions and will also contribute to climate action objectives through energy efficiency measures. The project is fully in line with the Bank’s objective of improving the access and the quality of healthcare services for the European population and is implemented in a context, where due to budgetary restraints, public funding available for healthcare investments in France has been reduced over the last years.

The operation addresses a specific sub-optimal investment situation, faced by the promoter, in which appropriate financing from commercial banks is not available without a substantial involvement of the EIB with EFSI support, due to the small size of the counterpart, its bespoke legal structure as a healthcare cooperation group and the important volume of investments.

The EIB participation as an anchor investor is expected to confer a signalling effect that will give confidence to and crowd-in NPBs and private sector investors. It will also allow the operation to obtain the required financing, enhance the project’s financing profile and increase the feasibility of the investments.

The operation has a risk profile of Special Activities as per the Bank’s statute, which is a

strong indicator for Additionality in line with the EFSI Regulation.

### **SEE LENDING PLATFORM (Regional – EU countries)**

The IC approved the use of the EFSI guarantee for the proposed participation in a layered fund providing growth and development financing to entities with up to 3,000 employees in the SEE region. At least 92% of the investments will be contractually committed to be made in Member States, all of which in Cohesion Regions. Investments into neighbouring accession and pre-accession countries are limited to 8%, and do not count towards the EFSI multiplier and Investment Mobilised figures.

The fund aims to provide medium term growth financing to eligible SMEs and Mid-Caps, for which commercial bank financing is often constrained throughout the region. Over the lifetime of the fund, it is expected that the investee companies will create employment for 2,500 persons.

The IC welcomed the joint EIB Group intervention with EIB complementing the already approved but conditional EIF participation; together they are deemed instrumental to crowd-in other public and private investors towards a viable fund size and facilitate timely commencement of investment activities. The IC noted the lower external multiplier of the proposal, which is due to the debt rather than equity instruments provided by the fund and the exclusion of the permissible non-EU content from the EFSI multiplier calculation. It also noted the High rating of the 3rd Pillar which is driven by the strong Financial Facilitation of the intervention towards a successful closing of the fund proposal.

Despite the welcome stabilisation of the economic environment in Europe access to finance for SMEs and Midcap remains constrained, both quantitatively and qualitatively in terms of available terms, tenors and collateral requirements, and its continued support therefore a self-standing purpose of the EFSI in line with Article 3 (b) of the Regulation.

The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation.

Wilhelm MOLTERER  
Managing Director