Promoting Sustainable Energy

EIB Energy Lending Policy: Supporting the Energy Transformation

EUROSAI Conference

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April 7, 2020
The EIB: capital breakdown

Statement of subscription to the Capital of the Bank as at 01/03/2020, after asymmetrical capital increase

(In EUR)

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount (EUR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>46,722,369,149</td>
</tr>
<tr>
<td>France</td>
<td>46,722,369,149</td>
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<tr>
<td>Italy</td>
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<tr>
<td>Spain</td>
<td>28,033,421,847</td>
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<td>Netherlands</td>
<td>12,951,115,777</td>
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<td>Belgium</td>
<td>12,951,115,777</td>
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<td>Poland</td>
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<td>Sweden</td>
<td>8,591,781,713</td>
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<td>Denmark</td>
<td>6,557,521,657</td>
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<td>Austria</td>
<td>6,428,994,386</td>
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<td>Finland</td>
<td>3,693,702,498</td>
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<td>Greece</td>
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<td>Portugal</td>
<td>2,263,904,037</td>
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<td>Czech...</td>
<td>2,206,922,328</td>
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<td>Hungary</td>
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<td>Ireland</td>
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<td>Romania</td>
<td>1,639,379,073</td>
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<td>Croatia</td>
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<td>Slovakia</td>
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<td>Slovenia</td>
<td>697,455,090</td>
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<td>Bulgaria</td>
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<td>Lithuania</td>
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<td>Luxembourg</td>
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<td>Cyprus</td>
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<td>Latvia</td>
<td>267,076,094</td>
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<td>Estonia</td>
<td>206,248,240</td>
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<tr>
<td>Malta</td>
<td>122,381,664</td>
</tr>
</tbody>
</table>
Investment supported

(€ billion)

169 231 245 230 280 250 230 280

- EIB Group signatures
- Total investment supported

* Change of methodology after 2014
Priorities: 2019 data

EIB Cross-cutting objectives: Climate Action and Cohesion
EIB Group financing in 2019 by region

- **European Union**: €63.4 bn
- **Outside EU**: €8.8 bn
  - **EFTA & Enlargement Countries**: €1.4 bn
  - **Eastern Neighbours**: €1.35 bn
  - **Africa, Caribbean, and the Pacific**: €1.4 bn
  - **Asia and Latin America**: €2.2 bn
  - **Southern Neighbours**: €2.45 bn
EIB Climate Action – the picture so far

• Global target that >25% of total EIB lending goes towards Climate Action – a policy priority

• EIB assesses, reports and is externally audited on the GHG emissions - carbon footprint - of its investment projects

• September 2015 - EIB Board approved the EIB Climate Strategy:
  

• EIB committed at COP21 to USD 100bn of climate financing worldwide during 2016 – 2020 and aiming to increase to 35% climate finance in developing countries – delivering on climate finance
Climate action investments: € 19.3 billion in 2019

- **CLIMATE CHANGE ADAPTATION**: € 0.8 billion
- **RENEWABLE ENERGY**: € 3.9 billion
- **RESEARCH, DEVELOPMENT AND INNOVATION**: € 1.0 billion
- **ENERGY EFFICIENCY**: € 4.6 billion
- **LOWER CARBON TRANSPORT**: € 7.6 billion
- **OTHER CLIMATE CHANGE MITIGATION**: € 1.4 billion
Increased Climate Ambition: the EU Climate Bank

• Growing sustainable finance from billions to trillions. By working with our public and private partners the **EIB Group will help unlock at least EUR 1 trillion of investment for climate action & environmental sustainability (CA&ES) in the critical decade 2021-30.** This will include a marked increase in support for climate adaptation and resilience.

• Increasing EIB’s own financing for climate action and environmental sustainability (CA&ES). **EIB to be more ambitious and reach 50% for CA&ES by 2025.**

• **Aligning all the EIB Group’s financing activities with the principles and goals of the Paris agreement by the end of 2020.**
Evolution of the green bond market

- EIB issued the world’s first green bond in 2007
- Green Bond volumes triple in 2014 and the first iteration of the Green Bond Principles is published
- 2017 issuance boom with corporates and SSA from Europe
- 2016 issuance was boosted by Asian issuers

Issuance in USD bn
*Source: BNEF as of 01 November 2019
EIB keeps breaking new ground in the Green Bond market
EU Taxonomy for Sustainable Finance

A list of economic activities considered environmentally sustainable for investment purposes

- Substantially contribute to at least one of the six environmental objectives as defined in the proposed legislation
- Do no significant harm to any of the other five environmental objectives as defined in the proposed legislation
- Comply with minimum safeguards

I. Climate change mitigation
II. Climate change adaptation
III. Sustainable use and protection of water and marine resources
IV. Transition to a circular economy, waste prevention and recycling
V. Pollution prevention and control
VI. Protection of healthy ecosystems

- EIB expects to align CAB/SAB with the taxonomy when it is approved
- Non-taxonomy-aligned investments may remain eligible for EIB support if they Do No Significant Harm
ELP in a nutshell

• Phasing-out fossil fuels

• Focusing on energy efficiency and decarbonisation

• Engagement with Member States and clients
EIB lending to the energy sector

- ca. EUR 13bn per year (2014-2018)
- Energy represented 18 % of EFSI lending
- ca. 85% of energy lending inside EU
- Driven by EU energy policy
- Focus on RE, EE and networks
- Increase of EE over last years
Phasing out fossil fuels

• EIB will phase out energy projects that depend on fossil fuels

• Transition measures by end 2021
  • Projects already under appraisal
  • Gas projects in the 4th list of PCIs

• EIB will continue to support
  • Low carbon gases (hydrogen, biogas, and gas networks planned for that)
  • Power generation below 250 gCO$_2$/ kWh
Unlocking energy efficiency

Key priorities:

• Energy efficiency first principle
• Financing up to 75% of costs
• Focus on building rehabilitation
  • New European Initiative for Building Renovation
  • Development of new sources, e.g. mortgage-based lending
ELENA General Rules

• Technical Assistance facility: managed by EIB; funded by EU budget (H2020 programme)
• Project development support for energy efficiency; local renewables; clean urban transport
• Ex: energy audits, tender preparation, financial advice etc.
• Market replication focus (min. investment EUR 30 m)
• Grant covers up to 90% of costs related to project development support
• Budget allocation: first come, first served principle; in range of EUR 30m – 50m per year
• Obligation of investment implementation - leverage factor required:
  • 20 for sustainable energy projects
  • 10 for residential buildings and urban transport
• In case the leverage not achieved: grant may be clawed back
• Final beneficiary (applicant) doesn't have to be the one who is implementing the investment
**ELENA Results**

- More than 100 projects completed/ongoing with ELENA grants totalling EUR 181 million
- Foreseen supported investments around EUR 6.6 billion; expected energy savings 4,245 GWh, RES generation 1,191 GWh, 1.6m tCO2 emission reduction
- Examples projects supported:
  - EE Public and residential buildings, in street lighting, development of DH networks, installation of roof PV plants
  - Clean urban transport: electric busses, ferries, vehicles
  - Partners: local/regional/national authorities, public entities, energy agencies, banks, non-profit organisations etc.
  - New, innovative approaches: Energy Performance Contracting, One Stop Shops
- Average leverage factor: 36
Decarbonising energy supply

Key priorities:

• All low carbon technologies are eligible

• Financing up to 75% of costs for high policy value projects

• Support market integration of renewables

• Technologies at early stage of deployment

• Low carbon gases
Securing the enabling infrastructure

**Power**
- Project of Common Interest (PCIs), transmission
- Distribution (renewables integration, flexibility)

**Gas**
- Gas PCIs from the 4th list until 2021
- Network projects planned to transport low carbon gases

**DH**
- Rehabilitation and expansion of district heating networks under certain conditions
Supporting innovative technologies and new types of energy infrastructure

• Close alignment with Strategic Energy technologies (SET plan)
  • Corporate or national RDI programmes, including demonstration of innovative technologies and innovative manufacturing processes
  • All technologies are eligible, including renewables, carbon capture and storage, nuclear fission and fusion

• New types of energy infrastructure:
  • Batteries, demand response, electrification of transport
  • Energy communities, microgrids, small isolated systems
  • Increased automation, digitalisation and “smart” networks
Energy Transition Package (ETP)

• ETP provides support to 10 MS (EE LT LV PL CZ SK HU RO BG HR) with higher needs: up to 75% financing for all energy projects

• ETP will support Integrated development strategies in coal and carbon-intensive regions

• EIB will work with the EC on the Just Transition Initiative

• EIB will support to National Energy and Climate Plans
Engagement with MS around the National Energy and Climate Plans

• Strengthen dialogue with governments

• Energy Finance Workshops
Outside EU: same lending policy applies

- The same lending policy applies outside the EU (phasing out of lending to fossil fuel)
- The EIB will support to universal access electricity (SDG7)
- Regional Focus on Neighborhood and Sub-Saharan Africa, and other regions in accordance with the Bank’s mandates
- Outside EU activities part of broader discussions on the EU NDICI*, EIB’s proposal for a European Bank for Sustainable Development (EBSO)

The EIB will support projects that reinforce the Nationally Determined Contributions (NDCs)

* NDICI: Neighbourhood Development and International Cooperation Instrument
Thank you!

More information at: www.eib.org


EIB Climate Awareness Bonds: https://www.eib.org/attachments/fi/0-cab-presentation_website.pdf