



# Investment Plan for Europe

## Delivering on the European Fund for Strategic Investments (EFSI)

Contribution to Energy Efficiency goals

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# Why an Investment Plan for Europe?

## Investment gap and persisting low growth in Europe

- ❑ **Credit demand:** European companies/projects highly dependent on bank financing.
- ❑ **Credit supply:** Banks' growing capital constraints contribute to a growing demand for risk-mitigation and capital relief solutions across Europe.
- ❑ **Budgetary constraints:** limited public resources (EU and MS) available to support SMEs, requiring efficient use of resources through leveraging and joining forces.
- ❑ **Liquidity supply** to the banking system is generally abundant. However, non-deposit-taking institutions (non-banks) and smaller banks/leasing companies still face challenges as regards long-term funding.
- ❑ **Policy objectives:** the EU has established challenging targets requiring additional efforts to comply with.



### EU Investment Plan

- EU and Member State policy action
- EU budget guarantee
- EIB capacity to mobilise additional investment

# 3 ways to tackle the investment gap

## Investment Plan for Europe



### Mobilise finance for investment

- European Fund for Strategic Investments (EFSI)
- Cooperation with National Promotional Banks



### Support investment in real economy

- European Investment Advisory Hub (EIAH)
- European Investment Project Portal (EIPP)



### Create an investment friendly environment

- Improving the regulatory environment
- Structural reforms

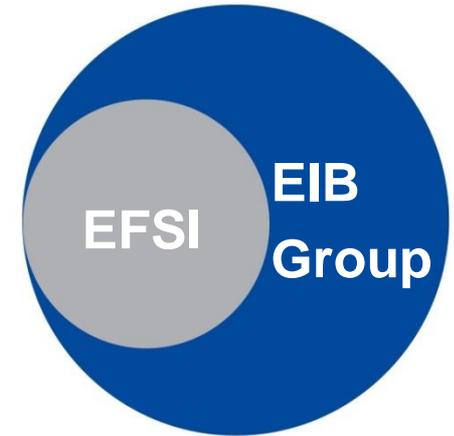


Aim: to mobilise at least EUR 315 billion in investment across the EU.

# EFSI setup and governance

Own Regulation, approved by the EP

**Governance structure with different bodies**



**All EFSI operations are within the EIB Group (EIB&EIF)**

- On the EIB's balance sheet (no separate entity)
- Subject to standard due diligence
- EIB & EIF governing bodies approve operations



**Additional EFSI governance:**

- Steering Board
- Investment Committee, headed-up by
- Managing Director / Deputy Managing



- Operations already started in spring 2015.

# EFSI Objectives - Eligible areas

➔ **The operations concerned shall be consistent with Union policies and support any of the following general objectives:**

**(a) research, development and innovation:** projects that are in line with Horizon 2020, education and training, health, demonstration projects, research infrastructure

**(b) development of the energy sector in accordance with the Energy Union priorities, including security of energy supply, and the 2020, 2030 and 2050 climate and energy frameworks:** renewable energy, energy efficiency and energy savings, development and modernization of energy infrastructure

**(c) development of transport infrastructures, and equipment and innovative technologies for transport**

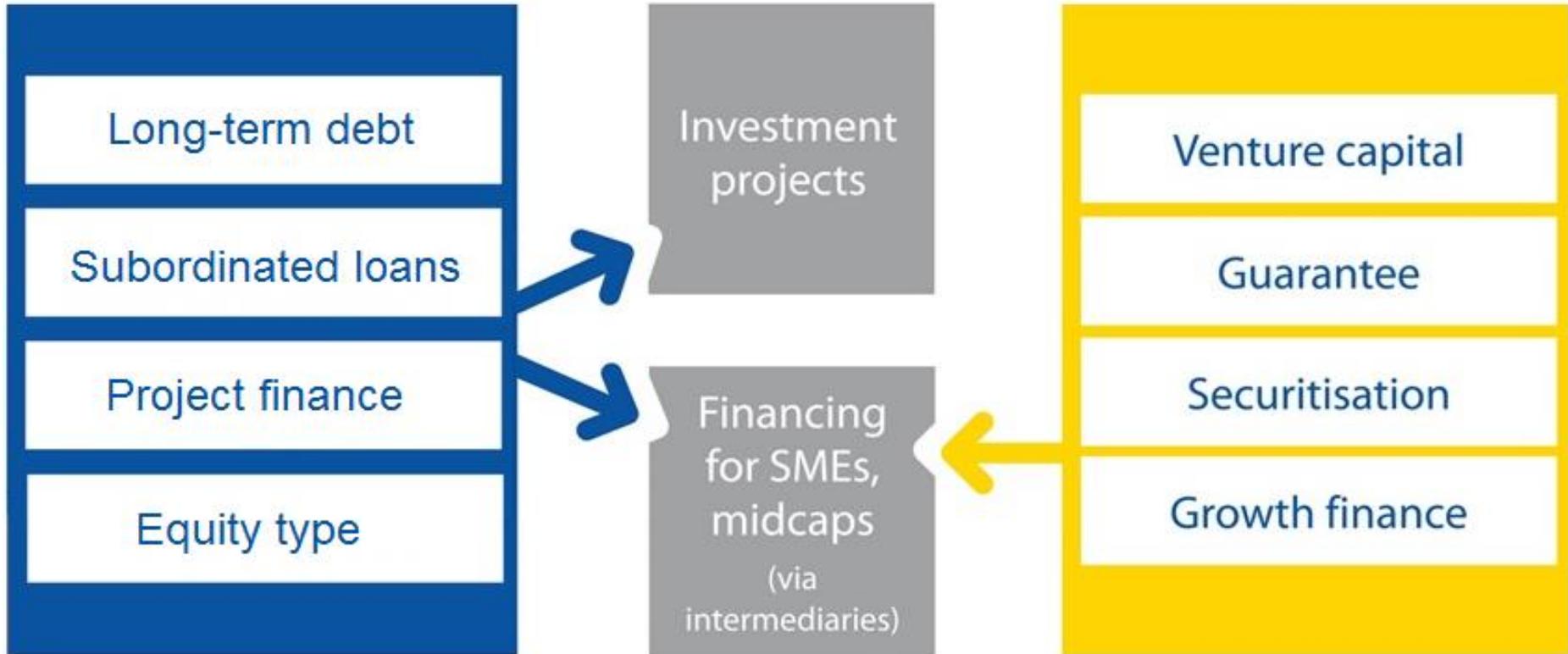
**(d) financial support through the EIF and the EIB to entities having up to 3 000 employees, with a particular focus on SMEs and small mid-cap companies:** *(Financing support through local partner banks and institutions)*

**(e) development and deployment of information and communication technologies:** digital content & services, broadband networks

**(f) environment and resource efficiency**

**(g) human capital, culture and health.**

## The EIB Group is developing various new products



➔ Making better use of scarce public resources, leveraging the effect from grants and subsidies through loans guarantees, enhancing the multiplier effect of investment.

With the aim to explore and attract new promoters and markets (e.g. MidCaps).

Of which  
**EUR 22.9bn**  
 signed

# EIB Group figures

As 09/03/2017



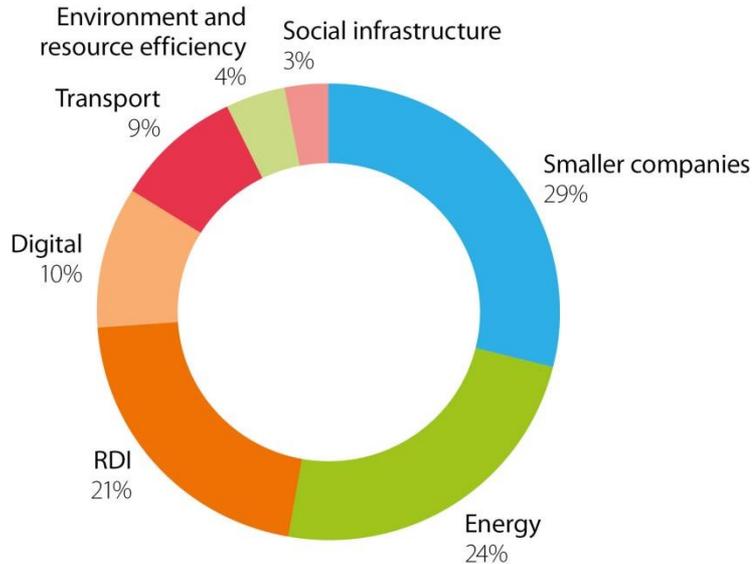
EUR **32.8bn**

EUR **177.7bn**

\* EIB-approved: EUR 24.3 bn  
 EIF-approved: EUR 8.5 bn



## EFSI investment by sector\*\*



## EFSI investment relative to GDP\*\*

Darkers colours signify higher investment



\*\*based on approved operations

The number of smaller companies SME's supported by the EIB Group in 2016 was close to 300.000 and 4.4 million people working in those (jobs sustained)

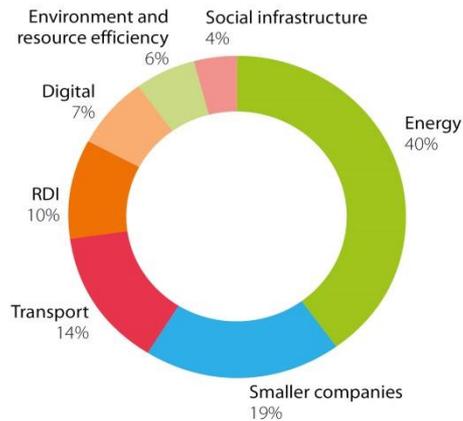
# EFSI implementation: Overview by entity

## Approvals



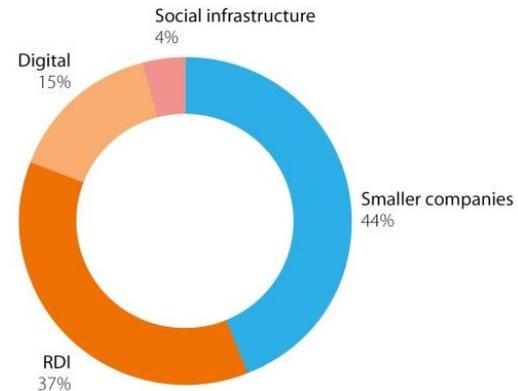
\* Amount blending EFSI with other resources managed by EIF

EFSI investment by sector\*

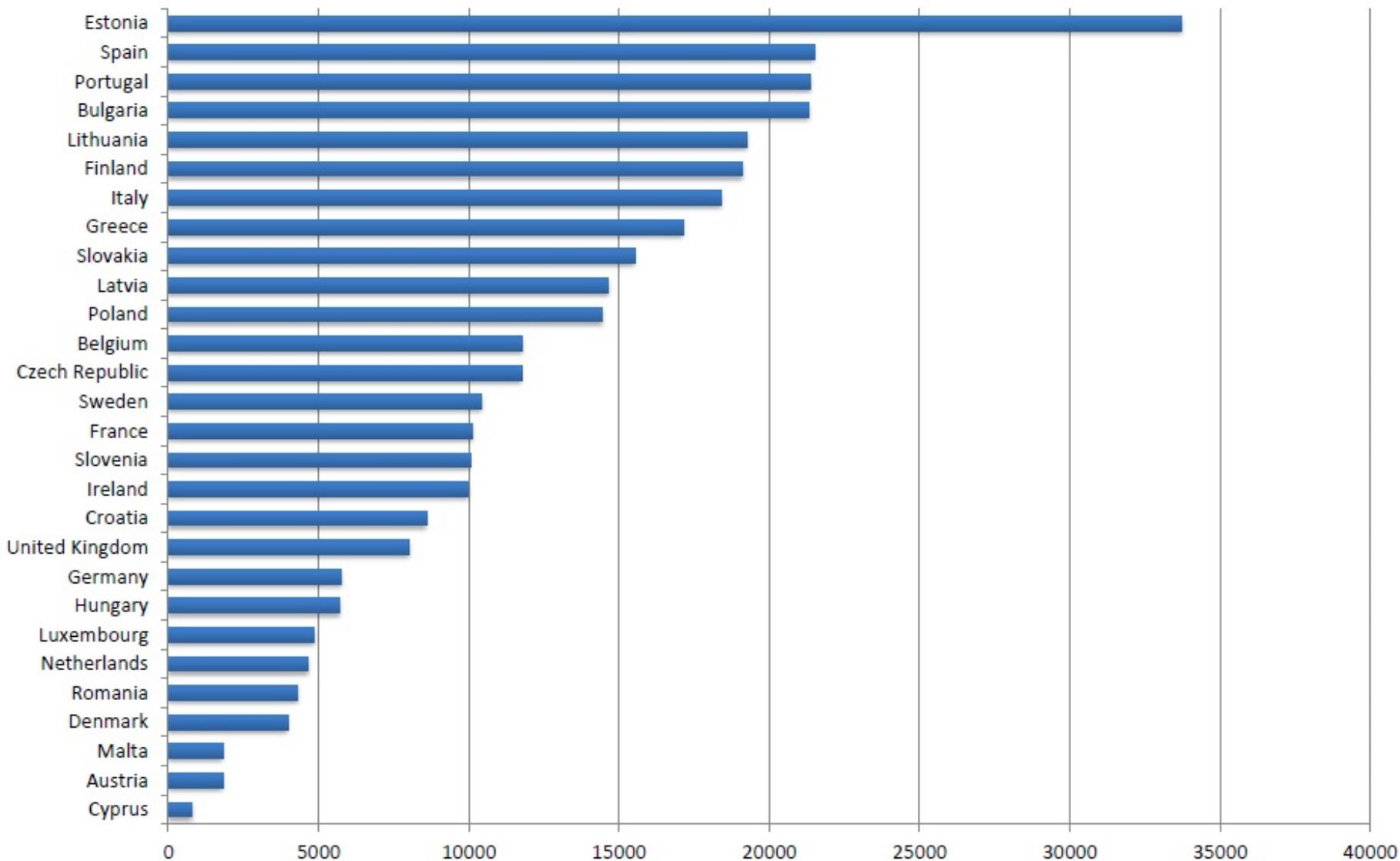


\*based on approved operations

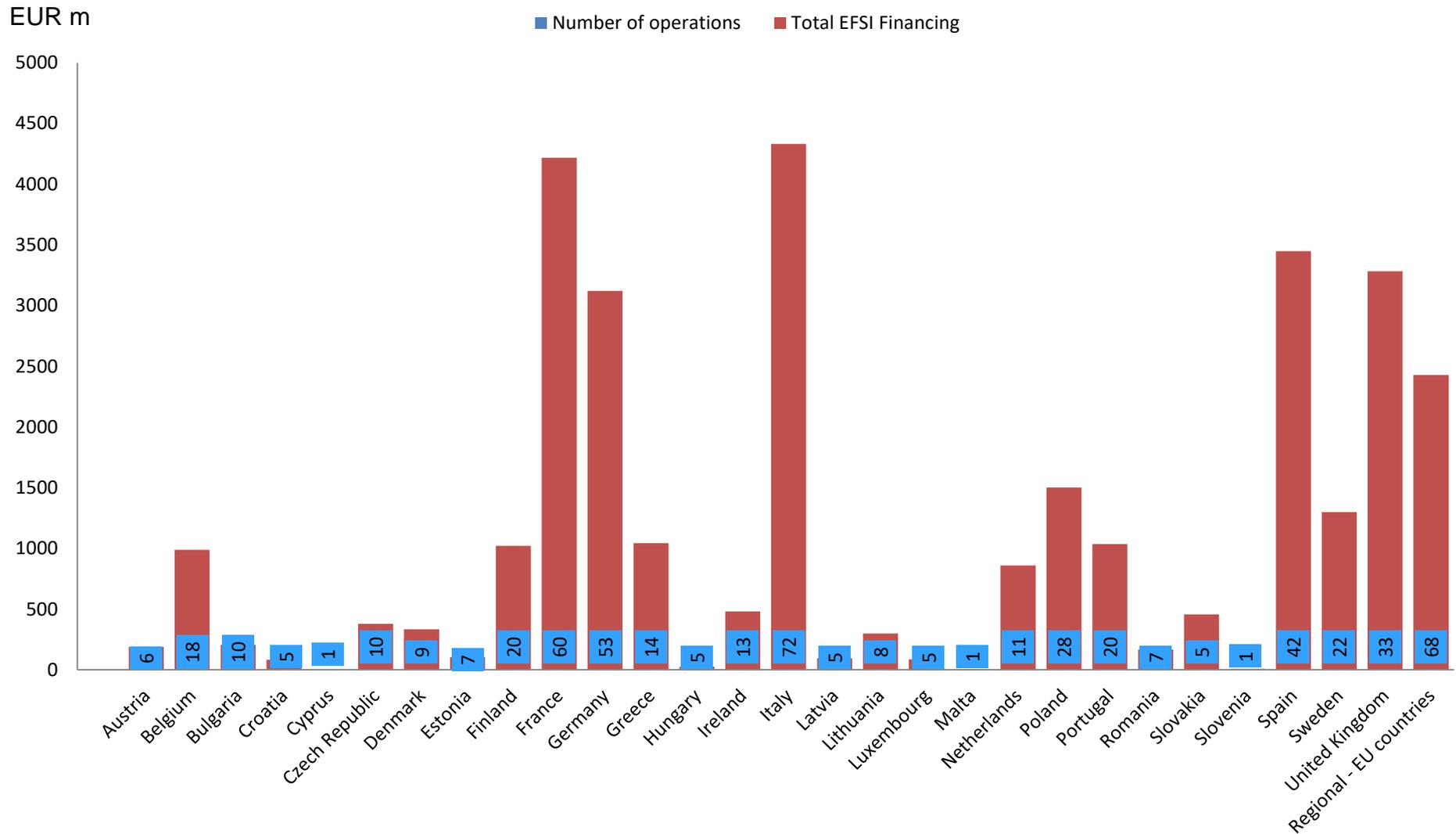
EFSI investment by sector\*\*



# EIB GROUP - Investments related to EFSI approved per EURm of GDP



# EFSI – EIB Group / Operations and Investments per Country



# Why Energy Efficiency?

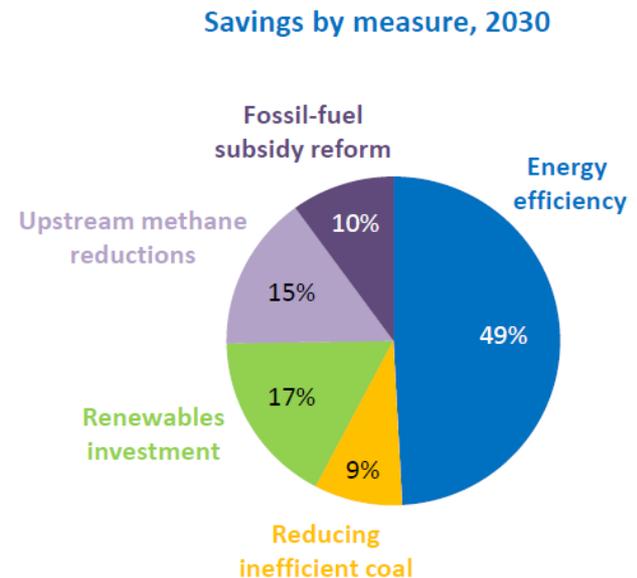
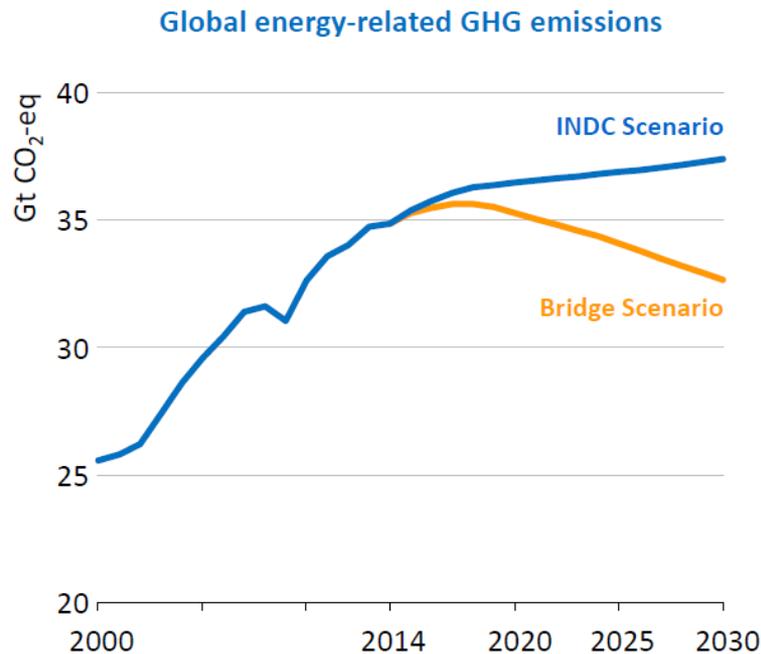
- EU imports 53% of energy needs at an annual cost of around EUR 400 billion (first energy importer in the world).
- Largest single source of energy demand is heating and cooling, which takes the majority of Europe's gas imports.
- 1% of energy saved = 2.6% reduction in gas imports.

 In the short term, EE is the only available solution to the energy trilemma: competitiveness, security of supply and decarbonization.



# Why Energy Efficiency?

EE around 50% of the needed CO<sub>2</sub> reduction worldwide (circa 75% in the EU) – IEA “bridge scenario” to meet 2°C pathway.



# The potential for EE investments

- EUR 1.1 trillion of EE investments needed to comply with new 2030 framework of 40% GHG target (75% in buildings).
- Buildings account for ~40% of EU final energy consumption. Given low annual new build rate (1.5%). Even if NZEB standards are adopted, 50 years to renovate the existing building stock.

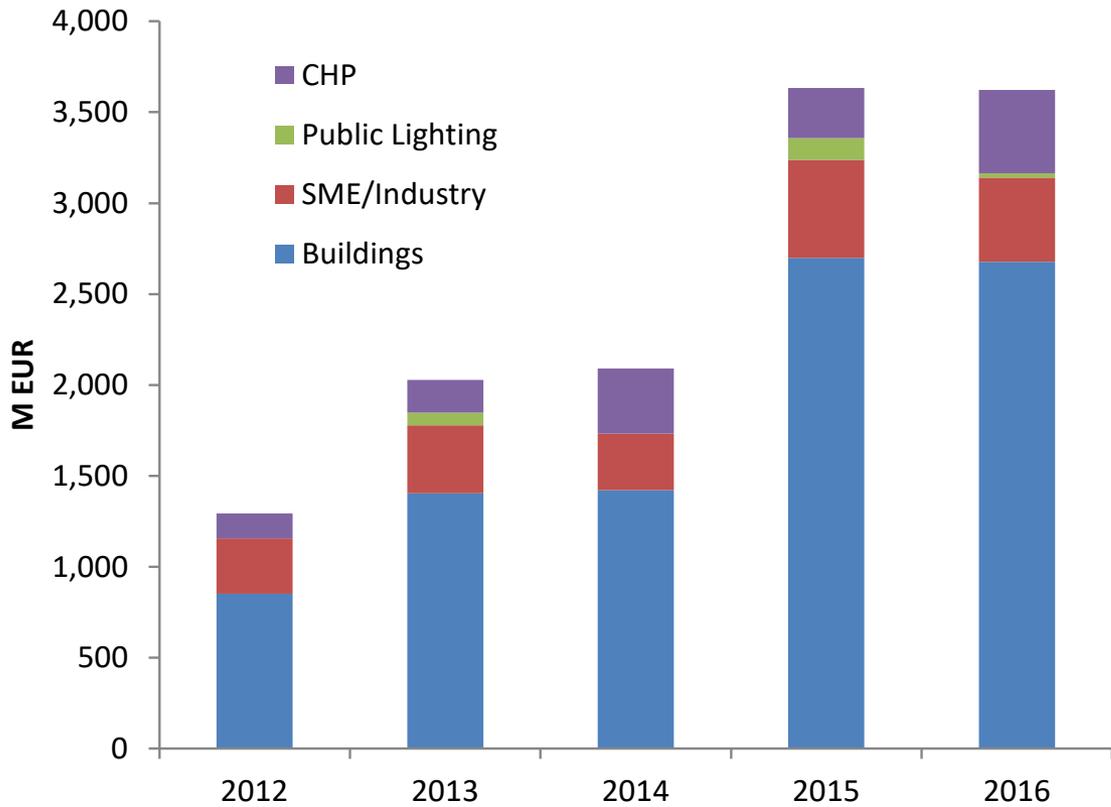
	EUR tm	EUR tm	EUR tm	EUR tm
Category	2011-2020	2021-2030 Previous Policy Scenario	2021-2030 40% GHG Target	Difference between GHG40 and Reference scenario
<b>Buildings</b>	656	345	<b>833</b>	489
<b>Out of which Residential</b>	454	261	<b>531</b>	270
<b>Out of which Tertiary</b>	202	83	<b>302</b>	219
<b>Industry</b>	166	222	<b>313</b>	91

# Energy Efficiency: eligibility overview

Sector	Main Eligibility rule	Alternative Eligibility rule
New construction	NZEB (EPBD)	EU recommendation 2016/1318 and analysis of the Government NZEB Working Group's proposal
Building refurbishment	Cost-optimal level (EPBD)	Ad-hoc gap analysis of the national regulation
CHP	High-efficient cogeneration (EED and Decisions 2011/877/EU and 2008/952/EC)	
Public lighting	Cost-effective investments identified by an energy audit	
Industrial facilities and SMEs	Eligible measures defined on the basis of either an energy audit or white certificate scheme. 50% rule.	List of measures set up by the EIB. 50% rule.
District heating/District cooling	Viable long-term least-cost solution including environmental externalities	

# EIB lending to Energy Efficiency

## EE Lending Breakdown per year



Overall EE-lending increased by 3x since 2012. 75% of EE-lending volume to Buildings.

# EIB and EFSI contribution to EE

- EIB is **increasingly involved** in Energy Efficiency (EE) finance. 2016 marked again a record year for **EE lending** by the EIB with **EUR 3.6 billion** (same level as in 2015). EIB lending for energy efficiency has more than tripled in the last five years.
- **EFSI** is also making an **important contribution** to the transition to a low carbon economy. It currently stands at around **33% of EFSI financing contributing to climate action**. That is **EUR 7.91 bn** out of **EUR 24.3 bn** of EFSI financing approved under the Infrastructure and Innovation window.
- **Advisory and technical assistance** play an important role, e.g. through **ELENA** (with EUR 80 m grant resulting in EUR 3.5-4 bn associated capex since 2010). ELENA is considered a useful tool going forward for both EE and innovative mobility, in both public and private sector.
- **Support in this sector is linked to demand**. Some countries have already reached their EU 2020 climate objectives, and have adjusted the focus of investment accordingly.

# Typical EIB financial products for EE projects

- **Investment loans (direct)** – barriers usually are taken care of, plus possible blending.
- **Framework loans (intermediated)** – to promote aggregation and crowding in of commercial lending.
- **Investment funds (equity)** – to catalyse private investors.
- **Advisory services** – typically upstream, with or without link to EIB loans.

# SEM Energies POSIT-IF Ile de France

## Energy efficiency refurbishment in residential buildings, France

EFSI Financing amount:

**100m**

EFSI related investment:

**200m**

**Barrier:** Fragmentation



**Solution:** Aggregation

**Financing backs:**

Energy efficient refurbishment in residential buildings (Ile-de-France: ca 75% of the buildings are condominiums or social housing apartments) require consensual investment decisions.

**Barrier:** There is a market failure between what the commercial banks offer and what the individual owners required.

**Solution:** To provide aggregate financing for condominiums – EFSI allowed the semi-public company Energies POSIT'IF to offer financing directly to the owners. The repayment is supported by the energy efficiency gains (40 - 70 % reduction of overall energy consumption of the buildings).

# Smart Meters - Project Spark

## Installation of smart gas and electricity meters, UK

### Financing backs:

- Installation of smart meters, that allow for remote readings and real-time consumption information
- Increased energy savings.

### Barrier:

- First operation of its kind: new asset class. Investments of this type and size have so far not been banked.
- Low market liquidity and risk of end-users switching to a new energy supplier.

### Solution:

- Provide long term loans and continuity of support during the critical initial phase of the programme to create market “precedent”.

EFSI Financing amount:

**478m**

EFSI related  
investment:

**1378m**



# Logements Intermédiaires

## Development and construction of affordable apartments, France

### Financing backs:

- Construction of 13.000 affordable rental apartments.

### Barrier:

- Major shortage of rental housing at affordable rents in larger cities and dynamic border areas in France.

### Solution:

- Develop innovative legal and financial financing structure (private-public cooperation) that permits to crowd-in private financing in the “regulated” rental housing sector.

EFSI Financing amount:

**500m**

EFSI related investment:

**1553m**

# Needs and challenges of EE investments

- Poor **information** for promoters.
- High transaction costs: **fragmentation**. EE project are combinations of multiple small size sub-projects.
- Long pay-back. The returns on EE are typically not immediate.
- Low / lack of knowledge of alternative sources of funding.
- Public authorities lack of **technical capacity**, incentives offering, and financial options for off-balance sheet financing to implement EE programmes.
- Energy **subsidised tariffs** in some countries, reducing incentives to invest in EE.
- **Split incentives** (e.g. tenants gain from lower bills while landlords pay for investment).
- **Risk aversion** of the banks, **capital constraints** due to regulatory requirements.
- Poor incentives for local banks to expand into a relatively new area of lending.
- Since crisis, the **tenors** of the loans have **reduced** to half on average. Long term tenors not easily available in the markets.
- Need of an enabling legislation. EU harmonized (cost optimal levels).

## Huge investment needs and real potential to consume energy more efficiently

### Rules – Risk – Execution:

- Enabling legislation - Alleviating regulatory barriers. Establishing predictable and stable legislation, clear local approvals and permitting rules, harmonized design and technical requirements, etc.
- Need of a mix of incentives and obligations.
- Aggregation (intermediated lending, investment Funds, etc.).
- Early Stage Finance – early financial support for relieving the persistent gap from project technical design to feasibility studies and implementation.
- Request for Eurostat recognition for special accounting (off-balance sheet) on EPC contracts of the public sector.
- Diversifying financing options – risk mitigation instruments, offering a broader range of financing options; combined, direct and intermediated operations.
- Enhanced combination of ESIF and financial instruments.
- Provision of Technical Assistance: PF4EE, ELENA and high-involvement in direct operations (NZEBS).

# Opportunities for promoters/investors

- EFSI is **demand driven**, and will provide support for projects everywhere in the EU.
- There are **no geographical nor sectoral quotas**. Projects will be considered based on their individual merits.

## Eligible counterparts

Corporates of all sizes

Utilities and public sector entities (non-sovereign)

SMEs (up to 250 employees) or midcaps (up to 3 000)

National Promotional Banks or other banks for intermediation

Dedicated Investment Platforms

## Contact

EIB Group directly via InfoDesk or relevant Operations Department  
[www.eib.org](http://www.eib.org)  
[www.eif.org](http://www.eif.org)

# More than just finance - investment support



Access point

Delivery channels

## Existing advisory programmes and activities

- Project support throughout the project cycle
- Support to Financial instruments
- Enhance access to finance

## Additional advisory and technical assistance

- New investment support also in areas relevant to the scope of EFSI (could be delivered by EIB advisory or operational teams)
- Identification of needs as they arise

## EIAH's partner institutions' expertise

- Network of institutions incl. EIB Group, European Commission, National Promotional Banks, etc.
- Integrated collaboration model

SUPPLY

# EFSI contribution to EU investments

- EFSI is on track, governance and approval processes working well.
- New markets. Enlarged sector and promoter scope.
- Catalyzing effect. Contribution to mobilise investments.
- Around 3 in 4 clients benefitting from EFSI IIW are new counterparts to the EIB.
- Private financing: around 2/3 of EFSI co-financing coming from private sector.
- The overwhelming majority of operations fall under the EIB Special Activity risk category at the time of signature (in line with EFSI Regulation).
- EFSI has allowed for EIB new product offering, and providing for alternative financing sources. Contribution to diversification and risk mitigation instruments.

Thank you!

