Investment climate: A driving force to develop a sustainable energy future

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European Investment Bank
Brussels, 13 December 2011
EIB lending in energy

- **Security of Supply (EU)**: 30%
- **Security of Supply (Non-EU)**: 10%
- **Energy Efficiency**: 13%
- **RES**: 33%
- **TEN-E**: 14%

**BEUR**

- **2006**: OUTSIDE EU 2, INSIDE EU 2
- **2007**: OUTSIDE EU 4, INSIDE EU 6
- **2008**: OUTSIDE EU 6, INSIDE EU 10
- **2009**: OUTSIDE EU 10, INSIDE EU 20
- **2010**: OUTSIDE EU 15, INSIDE EU 30

**Yearly Lending Trends**

- 2006: BEUR 4
- 2007: BEUR 8
- 2008: BEUR 16
- 2009: BEUR 30
- 2010: BEUR 45
- EU Eastern Neighbours (Moldova, Ukraine, Armenia, Azerbaijan, Georgia, Russia, Belarus*)
  - Eastern Neighbourhood Mandate 2007-2013: **EUR 3.85bn**
  - Eastern Partner Facility: **EUR 1.5bn**

- Central Asia (Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan)
  - Asia Mandate

- Climate Change Mandate (**EUR 2bn**)
- Energy Security & Sustainability Facility

(*) subject to future Council Agreement
EIB support to EE & RE projects:
- Direct investment loans for EE & RE projects
- Credit lines to financial intermediaries
- Technical assistance / investment grants

Examples of investment loans in energy sector:
- Rivne-Kyiv High Voltage Line (Ukraine)
- High Voltage Transmission Lines (Georgia)
- OGK-5 Power Plant Modernization (Russia)
- Enguri and Vardnili hydropower plants rehabilitation (Georgia)
- Tajik Power Rehabilitation (Tajikistan)
- Zaporizhzhia-Kakhovska High Voltage Line (Ukraine)

Examples of credit lines to banks (including EE & RE projects):
- Societe Generale SME and energy & environment (Georgia, Moldova)
- Forumbank SME and energy & environment (Ukraine)
- Procredit Bank SME and energy & environment (Armenia, Georgia, Moldova)
1. Lending: 2.3 BEUR in 2010; 50% EE in buildings.
   1. Framework Loans
   2. Global Loans
   3. Structured Programme Loans
2. JESSICA (Joint European Support for Sustainable Investments in City Areas)
3. ELENA (European Local Energy Assistance)
EIB activities in EE: Chieti Province

European Commission
ELENA funds

European Investment Bank

Bank
Loan

Province (PIU)
Coordination, TA management

ESC O
Project
Implementation

Consultant

Loan
Development

Project

Project

Project

80 MEUR investments
EIB activities in EE: Bucharest

• Bucharest S6 district.
• Implementation: municipality.
• 270 buildings with 23,000 app.
• 50% average energy savings.
• Investment costs of 140 MEUR.
• Financing:
  – EU funds: 50%
  – Municipality: 50%
  – EIB loan: 70 MEUR
Urban areas are responsible for 70% of energy consumption in EU.
Buildings sector is the main energy consumer in EU.

$CO_2$ emissions in Brussels

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- Buildings sector is the main energy consumer in EU.
EIB activities in EE: ELENA

- **Covenant of Mayors.**
  - Bringing together cities.
  - Going beyond 20% emission reduction.
  - Preparing a Sustainable Energy Action Plan (SEAP)

- **ELENA** – European Local Energy Assistance.
  - Funds provided by DG ENERGY.
  - Managed by EIB.
  - Only Public Bodies from IEE countries can apply.
EIB activities in EE: ELENA

**ELENA**
(Project Development Services)

Support to Final Beneficiaries with:

- Refine Feasibility studies
- Business Plans
- Technical studies (energy audits)
- Procurement/tendering/contracting
- Additional technical staff
- Financial structuring

**INVESTMENT PROGRAMME**

- **EE and RES investments** in public and private buildings, including social housing and street and traffic lighting
- **DH networks**
- **Decentralised CHP**
- **Urban transport** to support increased energy efficiency and integration of renewable energy sources
- **Local energy infrastructure** to support developments in these sectors
EIB activities in EE: ELENA

- Grants to prepare investment programmes covering up to 90% of eligible costs.
- Sector: buildings, transport, urban infrastructure.
- 3 years to implement the programme.
- Minimum leverage factor of 20 (to be verified at the end of the financing period).
- Replication potential (innovative solutions, minimum project size of 50 MEUR).

- **Results:** 27 MEUR of TA leveraging 1.9 BEUR of investments.
EIB activities in EE: ELENA
35 cities of the region have joined Covenant of Mayors, e.g.:

- Tsakhkadzor (Armenia),
- Tbilisi (Georgia),
- Orhei (Moldova),
- Lviv (Ukraine) – Covenant’s regional office launched September 2011.
Eastern Partnership Countries

Most promising sectors:

- Buildings,
- District Heating,
- Urban Transport.

Barriers:

- Limited information,
- Lack of technical capacity,
- Limited borrowing capacity,
- Low financial profitability of EE and RE projects (low energy prices),
- Weak support frameworks.
Eastern Partnership Countries

- **Objective:**
  - Analysing feasibility of setting up a TA facility in support of municipal EE and RE projects in EPCs.

- **Scope:**
  - Rough market overview.
  - Analysis of project pipeline.
  - Detailed analysis of pilot projects and their needs.
  - Proposal for structuring a facility
    - Size
    - Scope
    - Delivery model
    - Targeted projects
    - Combining TA + financing

- **Schedule:**
  - Kick-off January 2012.
  - Workshop presenting results (June-July 2012).
Summary

- Large EE and RE investment programmes in urban areas are needed to meet energy and climate change goals.
- The EE potential in EPCs is huge.
- Many EPC cities have already joined Covenant of Mayors.
- A TA facility like ELENA alone may not be sufficient to leverage significant investments in EPCs.
- A combination of TA, financing and grants is needed to untap the potential.
Thank you for your attention

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