

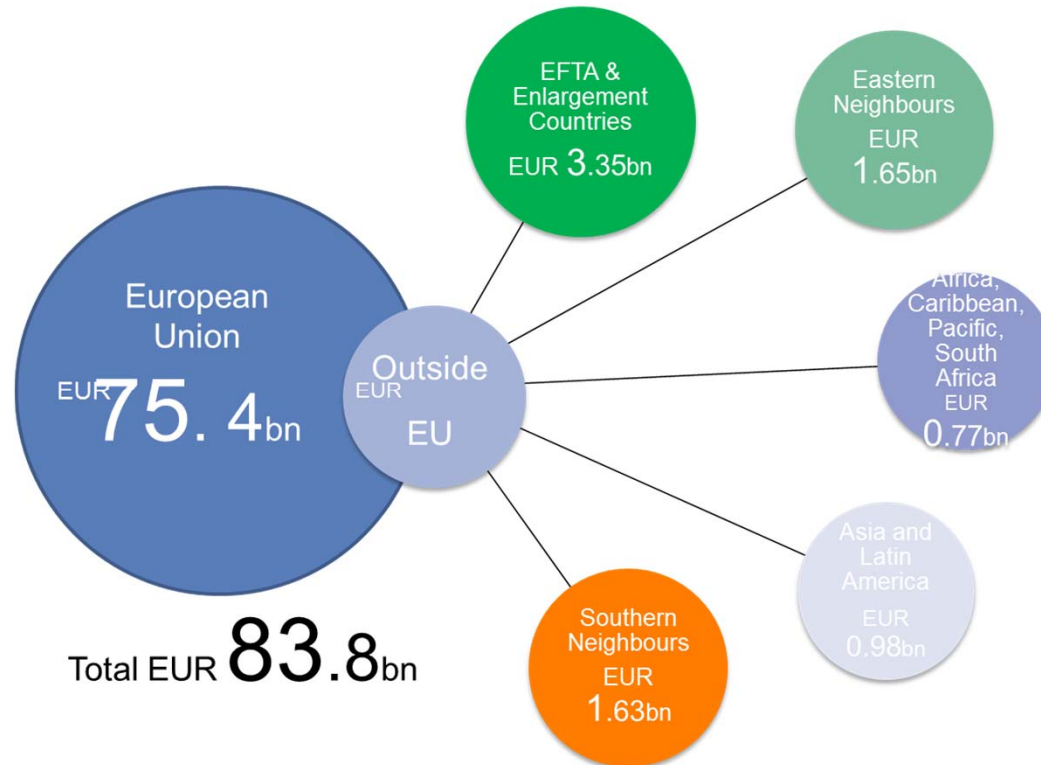
EIB Climate Action Activities After the Paris Agreement

**Martin Brunkhorst
Head of Vienna Office**

**27 April 2017
Sustainable Energy Financing Platform Austria**

EIB in Synthesis

- EIB shareholders are the 28 EU Member States.
- Largest multilateral lender and borrower in the world.
- Around 400 projects annually in more than 160 countries.
- Around 10% of financing is for projects outside the EU.



Our Priorities

Environment



EUR
 16.9bn

Infrastructure



EUR
 19.7bn

Innovation



EUR
 13.5bn

SMEs

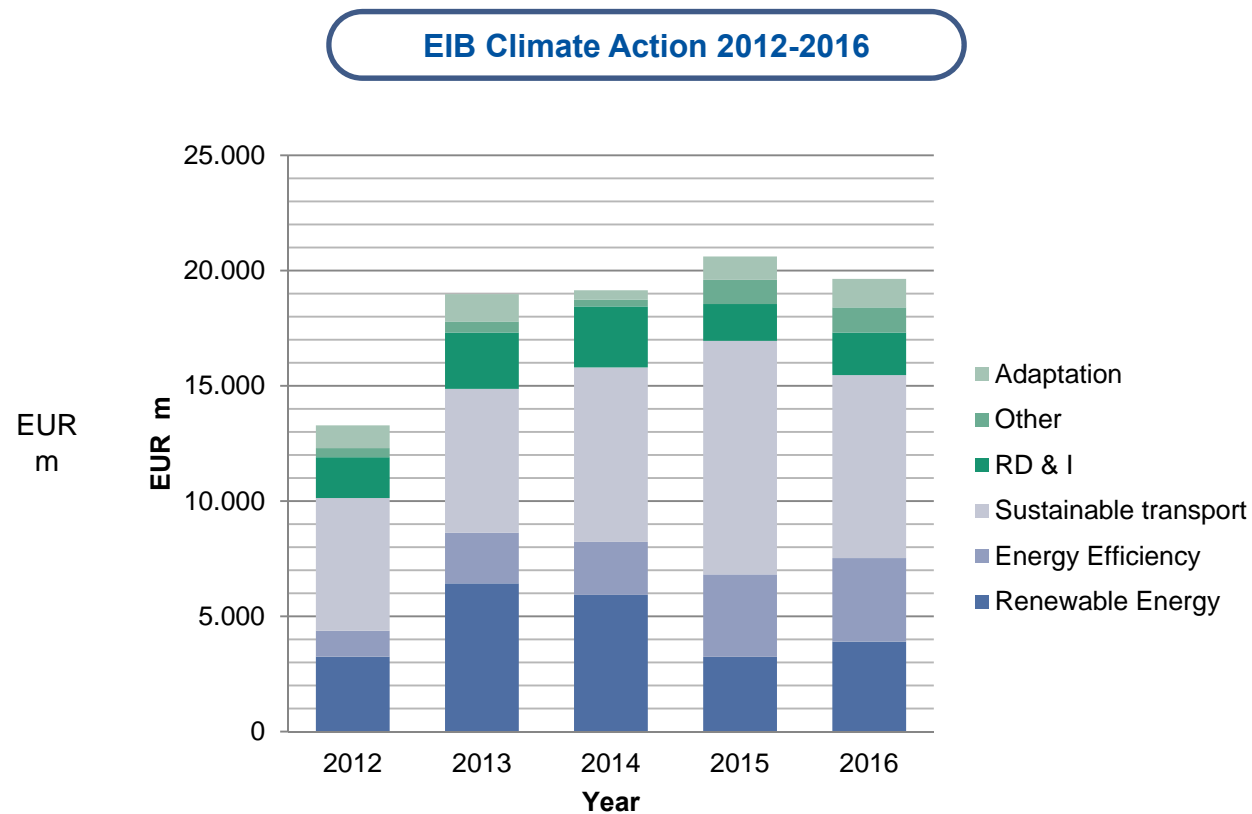


EUR
 33.6bn

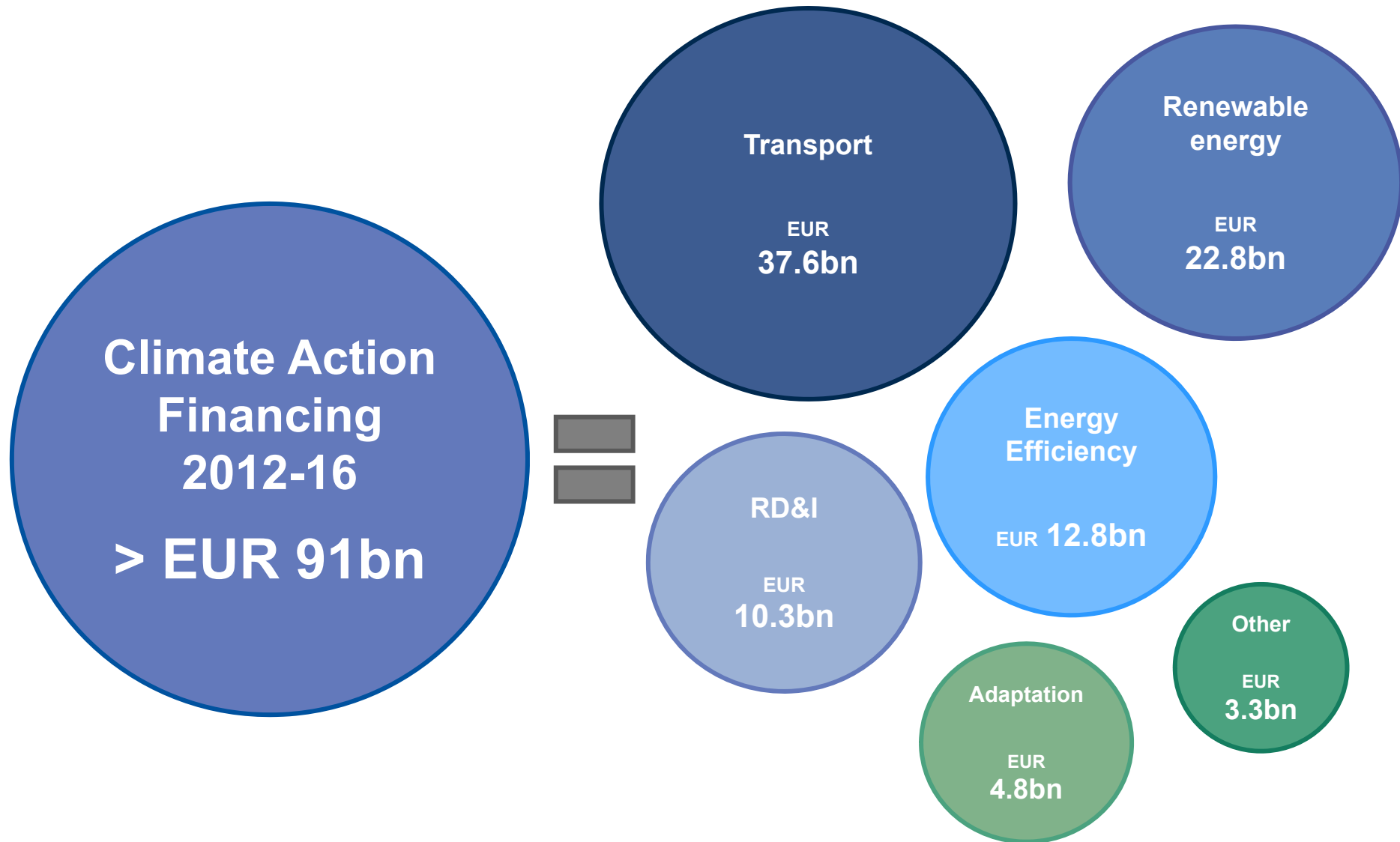
- EIB's financing supports **EU policy** priorities and objectives (climate change, infrastructure, energy, SMEs, regional development, etc.).
- **Climate action** is a horizontal objective, i.e. it is integrated in the other priority objectives.

EIB Response: Volume (1)

- EIB has a **25% target** towards climate action relative to its overall financing volume.
- EIB provided **>EUR 91bn** in climate finance over the last 5 years.



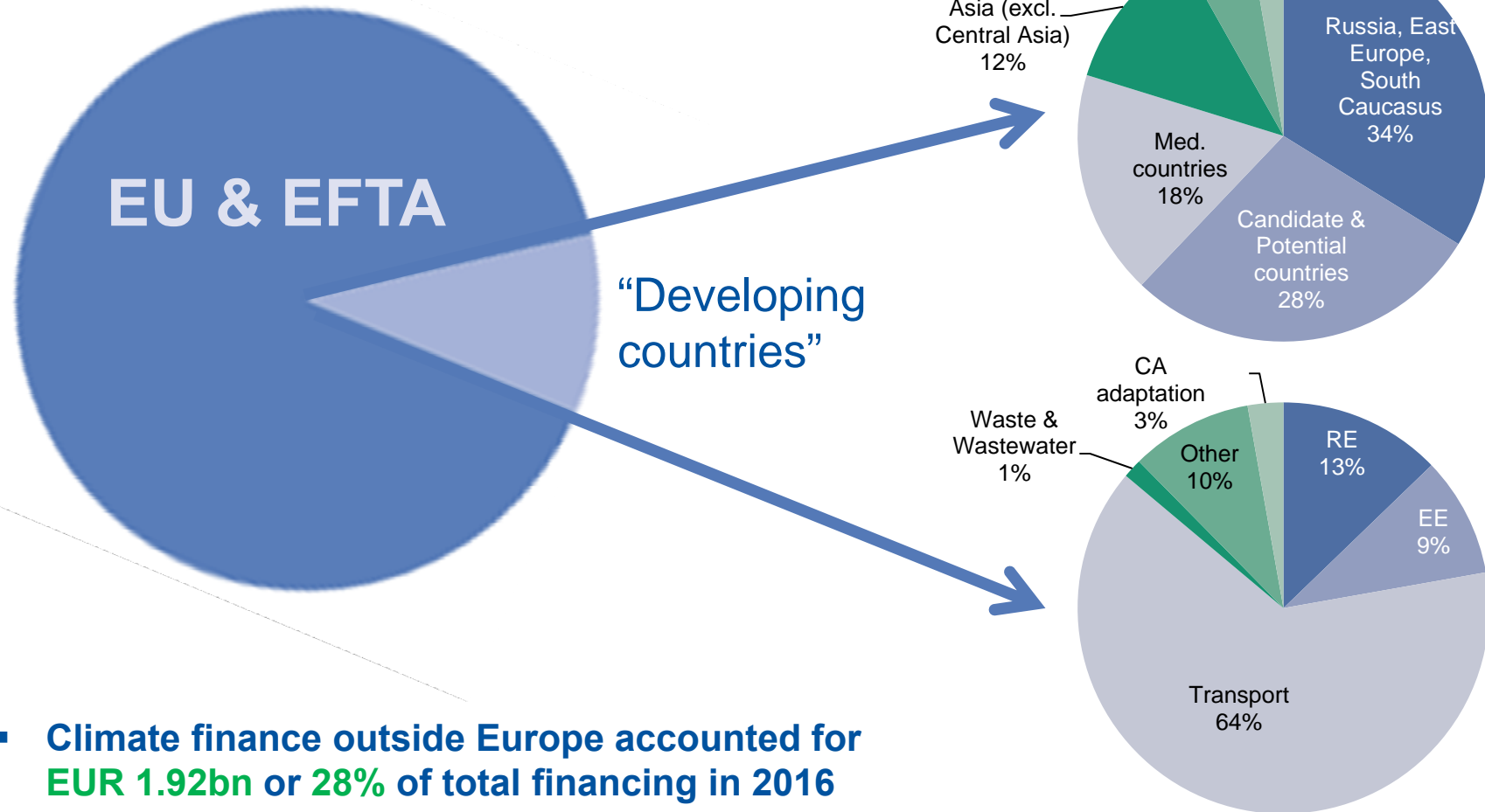
EIB Response: Volume (2)



EIB Response: Volume (3)

In 2016, EIB delivered **EUR 19.6bn** to specific **climate action** projects

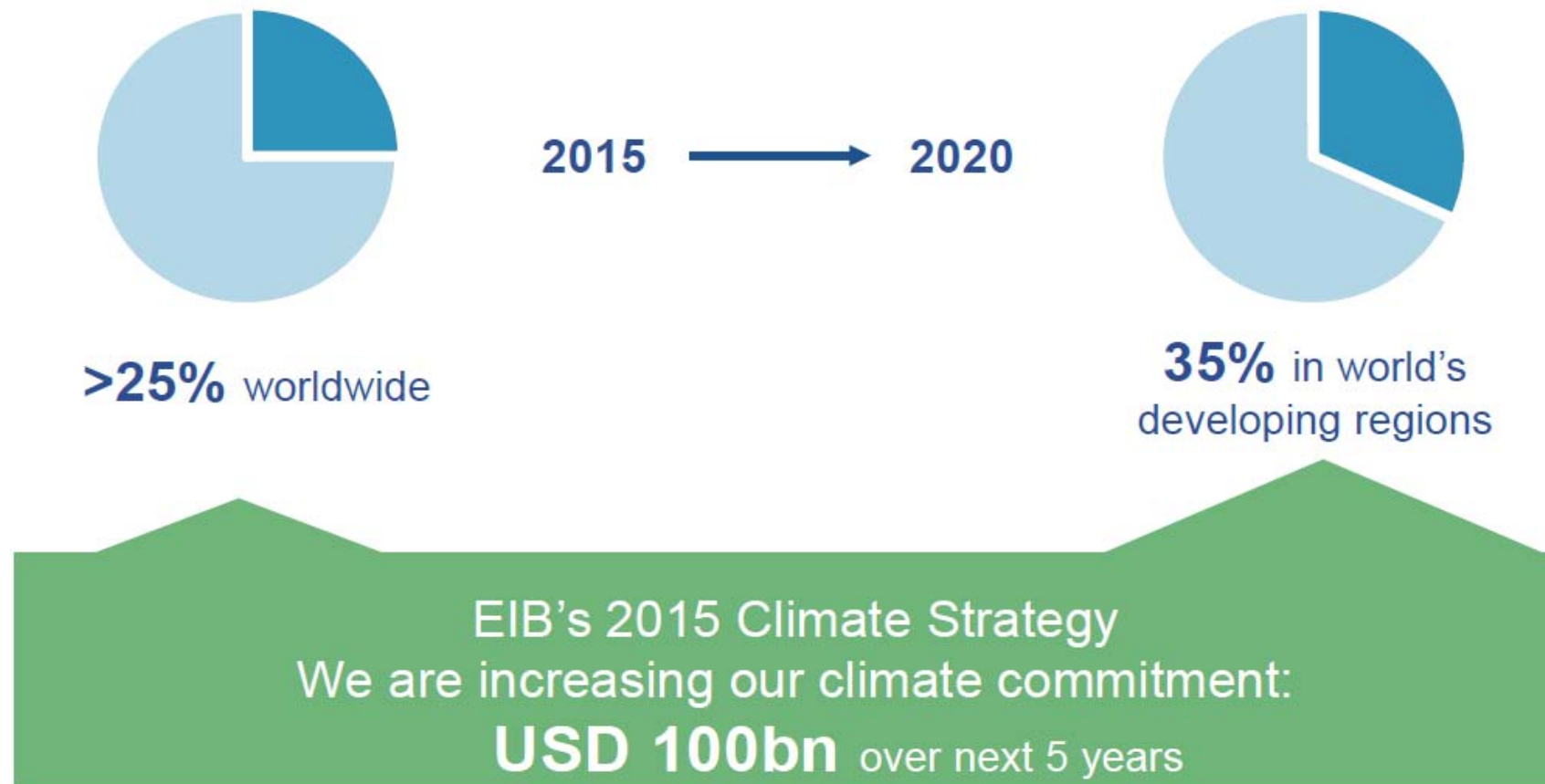
- Exceeded the 25% financing target towards climate action.
- Remained the largest MDB in terms of support to climate action.



- **Climate finance outside Europe accounted for EUR 1.92bn or 28% of total financing in 2016**

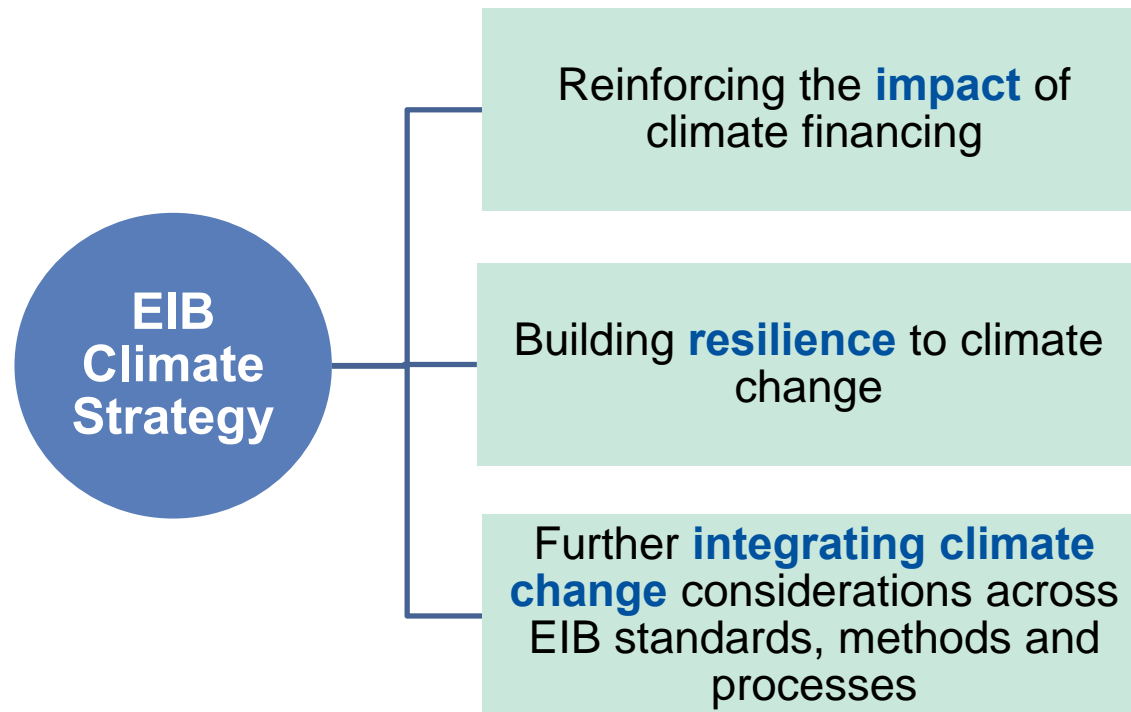
EIB Response: Increased Focus Outside the EU

In the lead up to COP-21, the EIB committed to increase its climate finance for **developing countries** to 35% by 2020.



EIB Response: Climate Strategy

Complementing EIB's volume-driven approach, **EIB's 2015 Climate Strategy** will help implement the Paris Agreement inside and outside the EU by focussing on three key-areas:



Climate in Everything We Do

- The EIB integrates **climate considerations** throughout the methods and processes that we use to assess and monitor all our investment projects. This is what we call mainstreaming.
- As part of the Climate Strategy, the EIB will focus on:
 - Improvements to **mainstreaming tools**.
 - Assessment of **portfolio climate change risks**.
 - **Harmonisation** of standards amongst MDBs and finance.
 - Management of internal footprint.

Key outcomes → Increased quality of all EIB investments through the use of a broader range of climate mitigation and adaptation tools and methodologies.

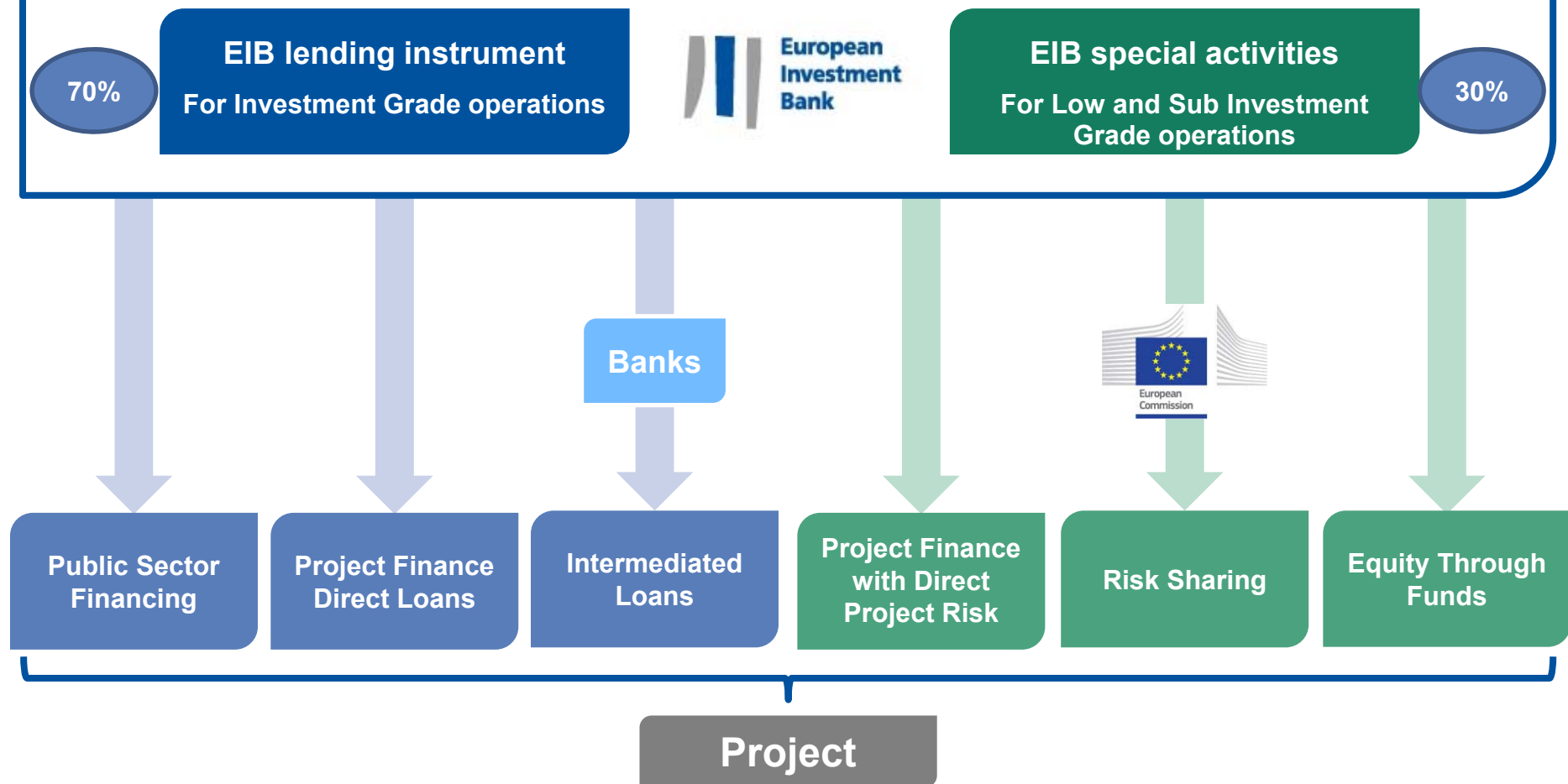
Focus on Financial Impact

- The bulk of the investment needed to address climate change will have to come from the **private sector**.
- The EIB will identify operation types with a particularly **high financial impact** and/or **high mitigation or adaptation gains**, focusing on:
 - **Financial innovation** and mobilisation of private resources.
 - **Capital markets investors**.
 - Blending with **public funds**.
 - Increased pipeline of climate action projects.

Key Outcomes → Deliver climate finance both in volume (at least 25% of EIB finance) and quality (both financial and non-financial impact)

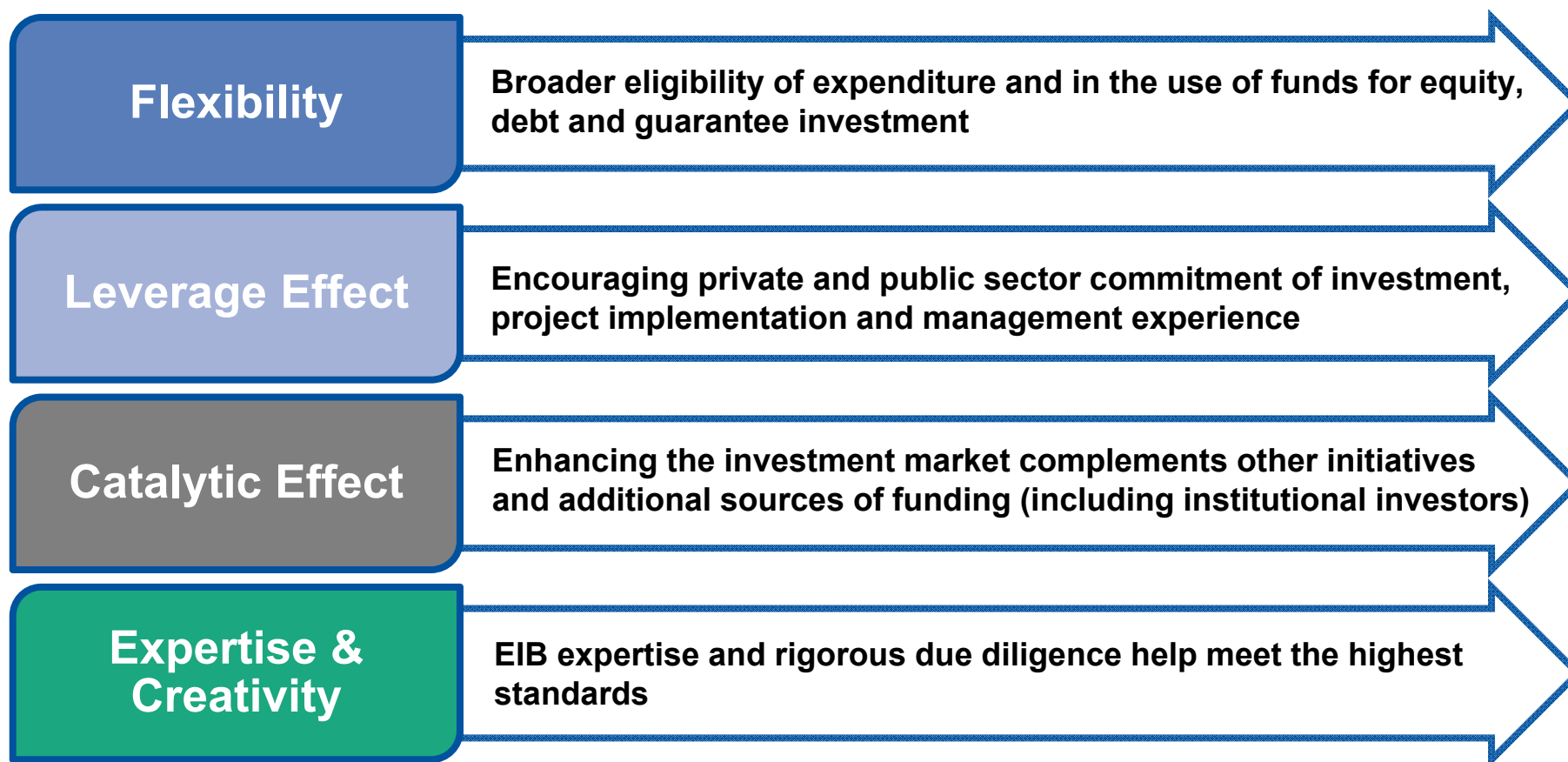
What can the EIB do? – Financing Instruments

The EIB has an **extensive range of instruments** to finance public and private sectors at investment and sub-investment grades of risk to its disposal.



What can the EIB do? – Innovative Products

In addition to the more traditional financing products, EIB offers a number of **innovative climate finance products** coupled with technical and financial advice to engage the private sector to achieve:



How to Best Engage the Private Sector?

1

Do not crowd out other sources of funding
(public and private!)

2

Enable the private sector to do things that it
otherwise would not be able to do

3

Focus on leveraging public funds to engage
the private sector

4

BUT: do not re-invent the wheel
→ many mechanisms already exist!

Instruments and Examples

Indirect Lending

- Austrian Energy Efficiency Framework Loan (2013)
- Private Finance for Energy Efficiency (PF4EE)
- CS Risk Sharing Energy Efficiency Global Loan (2009)

Direct Lending

- Gemeinschaftskraftwerk Inn (2015)
- Energy Park Bruck (EFSI 2016)
- Hydro and Wind Power Styria (2017)

Funds and Platforms

- European Energy Efficiency Fund (EEEEF)

Innovative Products Examples

European Energy Efficiency Fund



- The **European Energy Efficiency Fund** (EEEF) is managed by Deutsche Bank (www.eeef.eu) aims to provide market-based financing for commercially viable public energy efficiency (70%) and renewable energy projects (30%) within the European Union.
- Total size → **EUR 265m** (EUR 125m EERP, EUR 75m EIB, EUR 60m CDP and EUR 5m DB).
- **Beneficiaries** → Local & regional Public authorities, but PPPs are possible.
- Financing in form of loans, guarantees, forfeiting schemes (to finance ESCO projects).
- **Technical Assistance** (grant) is available to structure projects.

EEEF offers a layered risk/return structure for investors with a fixed commitment of EU budget funds

Private Finance for Energy Efficiency (PF4EE)

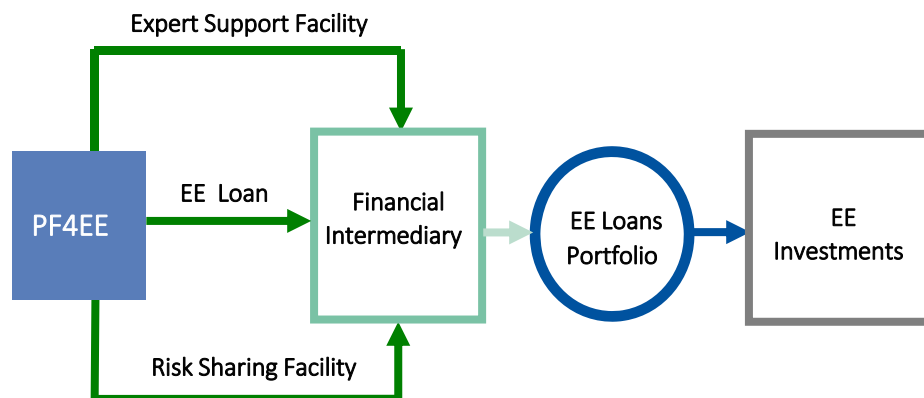
Rationale - Address sub-optimal levels of investment in EE.

- Make EE lending a more sustainable activity across European FIs.
- Increase the availability of debt financing to EE investments.
- Support member states in the implementation of National Energy Efficiency Action Plans (NEEAPs).

Beyond financial intermediary's current practice

- Free of charge experts and advisory support to develop tools and expertise in EE lending.
- Risk mitigation by means of cash collateral (max 16% of total portfolio) securing up to 80% of each individual Loss.
- Long tenor EE tailor-made EIB loan to cover up to 75% of the total investments cost.

Innovative Aspects – Full delegation model and packaged approach



- Full delegation model where EIB is managing cash collateral on behalf of the EC (no credit risk for EIB).
- Higher leverage effect based on the first loss coverage on a portfolio basis.
- 80% of net loss coverage on a loan by loan basis.
- Packaged approach with EIB long term loan and consultancy services.

InnovFin - Energy Demo Projects

- InnovFin – EU Finance for Innovators - joint initiative of the EIB Group and the European Commission under Horizon 2020, the EU framework for research and innovation 2014-2020.
- Target – Innovative first-of-a-kind demonstration projects in the fields of **renewable energy, sustainable hydrogen and fuel cells**.
- Goal – Help bridge the gap from demonstration to commercialisation.
- EIB benefits:
 - Offers longer tenors and beneficial pricing;
 - Provides a quality stamp and positive signaling effect;
 - Does not offer other banking services such as FX, swaps etc. (no competition with the company's main banks);
 - Pursues a long-term lending strategy and does not sell its exposures to third parties.

Indicative Term Sheet

Instrument	loans/guarantees
Loan size	min EUR 7.5m – max EUR 75m
Tenor	up to 15 years
Covenants & security	transaction-specific

Engaging Institutional Investors

EIB CABs – Strategy and Key Features



Financial Impact

- **First green bond:** EIB was the first issuer to introduce labeled green bond in 2007
- **Scale:** Largest Green Bond issuer to date (EUR 14.2bn)* and largest SSA Green Bond issuer 2016 ytd (EUR 2.9bn)*
- **Liquidity:** Largest Green Bond in EUR (3bn), liquid size in USD (1.5bn) and GBP (1.8bn)
- **Green Bond curve in EUR:** three references in 4-, 8-, and 11-yr tenors
- **Exposure to EIB credit not projects:** CABs pari passu with other EIB bonds (Triple A)
- **No premium charged** - priced like other EIB bonds of same size & maturity
- **No refinancing:** Project allocations are made only once upon disbursement

*As of 7 April 2016

Transparency and Accountability

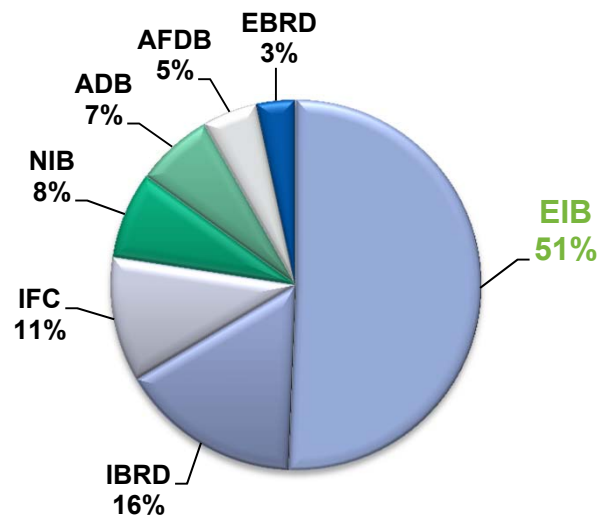
- **Aligned with Green Bond Principles:** clear reporting on alignment
- **Clear sector focus:** Projects in **Renewable Energy** and **Energy Efficiency**
- **Quality:** Project due diligence expertise, applying high EU standards
- **Transparency:** Detailed reporting on use of proceeds (Newsletter/Sustainability Report)
- **Verification / audit:** external audit of reporting on use of proceeds
- **Reporting project impact + linking bonds to projects:** Both launched in 2015

EIB CABs - Issuance



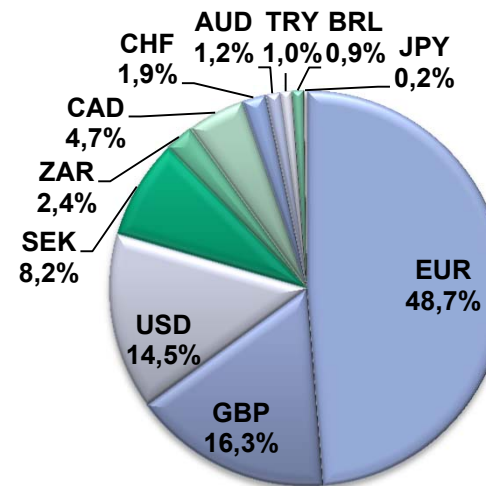
- 2016 → Continued strong supply of CABs: EUR 3.3bn raised via 10 transactions in USD, EUR, GBP, CAD, SEK and TRY ytd*
- 2015 → Volume EUR 4.0bn, first SSA CAB in CAD (CAD 500m)
- 2014 → First EIB CABs in USD (USD 1bn), GBP (GBP 1bn), CHF and JPY (Samurai format)
- EUR CAB due 11/2019 → Largest outstanding Green Bond in the market (at EUR 3bn)
- Building the Green Bond curve in EUR → EUR 3bn (Nov 2019); EUR 1.5bn (Nov 2023); EUR 1.25bn (Nov 2026)

Outstanding environmental bonds issued by MDBs (size > USD 100m)*



*Source: Crédit Agricole CIB; as of 12 August 2016

EIB CAB issuance by currency**



**As of 9 September 2016

More Information (please click on the pictures)

