

EIB SUPPORT TO RENEWABLE ENERGY AND ENERGY EFFICIENCY

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Outline

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2. The EIB energy strategy
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1. Background

- EU energy objectives require a fast deployment of low-carbon technologies, including energy efficiency
- Costs of low-carbon technologies are high now, but expected to decline rapidly
- Substantial energy investments in the medium term (2020):
 - Renovate existing power stations and electricity grids
 - Renewable energy investments around EUR 600-800 bn
 - Potential investments in EE probably larger than for RE
- Cost decline will reduce investment needs in the long term
- Policy uncertainties can impede the realisation of these investments

2. The EIB energy strategy

- EIB has a strong expertise in energy
- Support of sustainable, competitive and secure energy is priority objective in EIB Corporate Plan
- Lending targets for 2008 (increasing in 2009-2010):
 - Energy lending: 6.5 bn EUR
 - RE lending: minimum 900 M EUR in the EU,
 - RE lending over 1.5 bn EUR inside and outside the EU in 2007

3.1. Renewable energy: Issues

- Key: a clear and stable market expansion support, linked to long-term objectives
- R&D support, notably for emerging technologies
- Obstacles related to regulatory and administrative procedures
- Electricity grid capacity and generation flexibility (e.g. pumping stations) to handle RE variability
- Tight renewable energy supply markets due to fast expansion, such as for wind and photovoltaic

3.2. Renewable energy: Issues for the financial sector

- Equity and funding needs expanding fast
- Small and medium sized projects
- Financing often based on project finance techniques
- Financial intermediaries' capacity to assess project risks
- Specific instruments for the public sector, PPPs
- Innovative enterprises often undercapitalised

3.3. Renewable energy: EIB actions

- Increase lending targets for renewable energy
- Adapt our lending criteria: mature and emerging RE
- Keep strong technical, economic and financial expertise
- Financing up to 75% of project cost
- Develop a battery of instruments, covering all levels of risk up to equity type risks
- Instruments for small projects (frameworks, dedicated credit lines, etc)
- Carbon funds
- Joint instruments between EIB and European Commission also support RE (e.g. RSFF for RDI projects, Jaspers, Jessica and Jeremie)

4.1. Energy efficiency (EE): Issues

- EE often part of other investments or cannot be physically separated from other objectives (production increase, quality, etc.)
- EE investments generally small
- Substantial barriers to develop the EE potential:
 - Access to information
 - Adoption of new technologies or solutions: inertia, training needs, etc
 - Hidden costs
 - Ownership (e.g. housing collectives, property rental)
 - Access to financing e.g. low incomes

4.2. Energy efficiency (EE): Issues for the financial sector

- Unclear market potential, except for some sub-sectors, notably CHP
- Often very small projects
- Subsidies often play a role in developing EE potential, by overcoming barriers or long pay backs (e.g. for building envelopes)
- Difficulties to develop specific financial instruments: Identification of the energy efficiency “revenues”
- In some cases risks are difficult to assess
- Often it is necessary to combine financing with advisory services
- Specific instruments for the public sector, PPPs

4.3. Energy efficiency: EIB actions

- Better define EE projects to focus activities in this area
- Further develop expertise
- Mainstream EE considerations in all projects
- Financing up to 75% of project costs
- Develop specific financial instruments, notably for small projects and combining technical assistance/advice with EC grants e.g. KIDS Energy Efficiency Facility in Bulgaria, Energy Efficiency Finance Facility in Candidate and Potential Candidate Countries
- Develop innovative instruments, notably risk sharing instruments
- Partnerships with institutions related to EE, such as EE agencies or Energy Services Companies –ESCO-
- Jaspers, Jessica and Jeremie supporting EE

5. Conclusions

- ✓ Low-carbon technologies are expanding fast in the EU and worldwide
- ✓ Investing in these technologies in the medium term will bring substantial benefits in the long term: cheap, clean energy and business opportunities
- ✓ Financing for low-carbon technologies will be available, if policy and regulatory frameworks are clear and stable
- ✓ The financial sector is developing specific instruments for these projects to facilitate financing