

The European Investment Bank



An autonomous EU institution to finance investment projects :

- Set up in 1958
- the EIB operates as a bank
- The EIB's shareholders are the Member States of the European Union
- A major international borrower = a first-class credit rating (AAA)
- One of the world's largest multilateral financing institutions.

EIB lending mainly targets the EU Member States.

Outside the Union, the Bank contributes to the implementation of EU development aid and cooperation policies by granting loans in some 150 countries, notably :

- the Candidate Countries,
- Neighbour Countries to the South and to the East,
- Asia and Latin America,
- the African, Caribbean and Pacific States (ACP and OCT), and the Republic of South Africa.

EIB loan formats

The European Investment Bank offers various loan formats in support of energy investment, depending on project size and category:

- 1) **individual or framework loans**: aimed at projects or programmes with investment costs of at least **EUR 25 million**, undertaken by both (semi-)public and private sector borrowers. The maximum loan amount is in general up to 50% of the total project cost. The appropriate loan/security structure is defined on a case-by-case basis;
- 2) **credit lines**: aimed at investments of **up to EUR 25 million**, credit lines are arranged with other banks or financial institutions to support – at their own credit risk – smaller projects, typically undertaken by **SMEs** with fewer than 250 employees or local authorities. In the case of **energy RDI, promoters of any size and ownership** are eligible for allocations from credit lines. The maximum amount for allocations is generally up to 50% of the investment cost, but for **energy RDI** and investment in emissions reduction the maximum is **75%**;

3) **Mid-cap loans**: aimed at investments of **up to EUR 50 million**. Mid-cap loans are lines of credit in support of projects undertaken by **intermediate-sized companies** with fewer than 3 000 employees (“mid-caps”). The maximum amount for sub-loans under mid-cap loans is generally up to 50% of the investment cost;

4) a **Risk Sharing Finance Facility (RSFF)** : To meet the requirements of projects or promoters with a high-risk profile, the EIB and the Commission have jointly established RSFF. It provides for credit risk sharing between the Commission and the EIB and enables the Bank to provide loans or guarantees with a low and sub-investment grade risk profile. Direct RSFF loans **start at EUR 7.5m**.

The EIB offers loans with a **fixed, variable or revisable** interest rate.

An advantage of EIB finance is the extended maturities of the loans – in the industrial sector up to 12 years and for energy infrastructure up to 20 years and longer.

Borrowers may further benefit from appropriate grace periods.

EU energy policy and the EIB

The EIB's contribution concentrates on five priority areas:

- **renewable energy;**
- **energy efficiency;**
- **research, development and innovation (RDI) in energy;**
- **security and diversification of internal supply (including trans-European energy networks);**
- **security of external supply and economic development (Neighbour and Partner Countries).**

Within its Corporate Operational Plan (COP) the Bank has established challenging targets to direct, and underscore, its contribution to energy lending:

- **in 2007, a global lending target of EUR 4bn for projects belonging to at least one of the five priority areas;**
- **also in 2007, a minimum lending target of EUR 800m for renewable energy.**

To meet the target 20% RES in 2020 will be a major challenge, and the required investment in renewables may be of the order of **EUR 600-700 billion.**

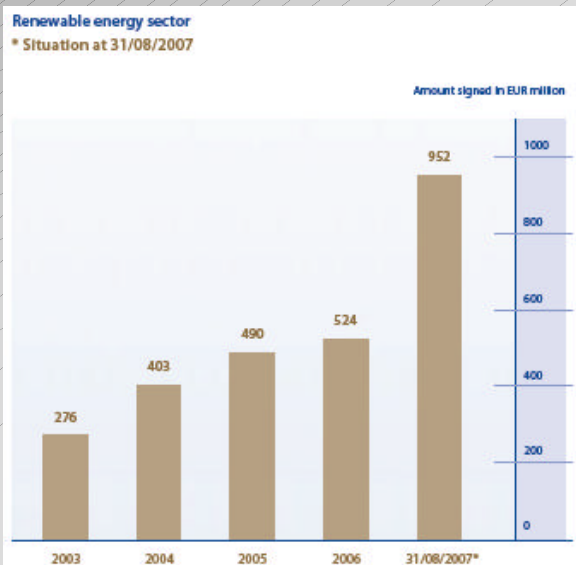
Most of this investment will correspond to renewables used to **produce electricity**, while the part of renewables used for **heating/cooling** and biomass will represent a relatively minor part (**around 20%**).

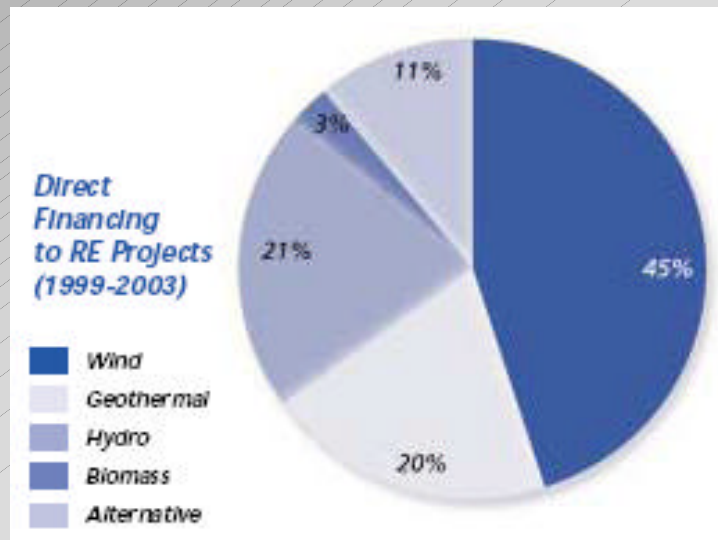
EIB support for renewable energy investment

Renewable energy projects fall into two groups, both of which are supported by the Bank:

- **mature technologies** are those that are already used commercially, such as onshore wind farms, hydropower, **geothermal** and solid biomass;
- **emerging technologies** are those in an early implementation phase, such as photovoltaics, solar thermal and second generation biofuel production technologies.

Stronger EIB support for renewable energy





Examples in geothermal energy include:

KENYA

•Extension of the Olkaria II geothermal power plant

EIB lends EUR 32.5 million to Kenya Electricity Generating Company Ltd. (KenGen).

Project : Installation of a 35 MW steam turbine in addition to the existing 70 MW generation capacity (The Bank has already supported the construction of the first geothermal power plant in the 1980s as well as the Olkaria II plant, commissioned in 2003).

Consortium : Mitsubishi Heavy Industries and Mitsubishi Corp

•Construction of a new geothermal power station with associated electricity transmission lines and sub-stations in Nairobi (Kenya)

ICELAND

- **Expansion of Hellisheidi geothermal power plant** (signature date : 16/07/2007).

Amount Project = EUR 280 million. EIB part =146,000,000 €

Beneficiary: Orkuveita Reykjavíkur (Reykjavik Energy (RE)).

- **Construction and operation of new power generation and transmission facilities in south-west of country to supply Nordural's aluminium plant with renewable energy** (signature date:12/11/2004)

Amount:157,000,000

Loans to finance the construction and operation of two geothermal electricity generation and transmission facilities in the southwest of Iceland by the companies: Landsvirkjun (EUR 50m), Reykjavik Energy (EUR 77m) and Hitaveita Sudurnesja (EUR 30m). The project consists of the development of two geothermal fields and the construction of two new geothermal cogeneration plants of 80MWe/266MWth and 100MWe

• **Nesjavellir**

- **Construction of geothermal power station in Nesjavellir, east of Reykjavik** (Signature date: 02/06/1998)

Amount:31,883,566

- **Expansion of geothermal power station in Nesjavellir** (Signature date: 26/06/2000)

Amount:21,301,705

- **Expansion of geothermal cogeneration plant in Nesjavellir, near Reykjavik** (Signature date: 18/02/2004)

Amount:24,000,000

ITALY

•*ENEL Produzione S.p.A.*

The project concerns a portfolio of renewable and conventional energy investments comprising both refurbishment and new investment at **around 20 geothermal power plants**, 10 small-scale hydroelectric plants, further repowering at two existing oil-fired power plants into gas-fired CCGT units, as well as mandatory investments for environmental improvements of flue gas abatement systems at four existing power stations.

Proposed EIB finance: Up to EUR 450 million.

Total cost: Up to EUR 927 million

Signed - 26/06/2007.

Contacts **For financing operations:**

Christopher Knowles

Environment, Energy and Advisory Division

Directorate for Operations in the European Union
and Candidate Countries

Tel (+352) 43 79 73 06 – Fax (+352) 43 79 72 92

Email : c.knowles@eib.org

European Investment Bank

100, boulevard Konrad Adenauer

L-2950 Luxembourg

3 (+352) 43 79 1 – 5 (+352) 43 77 04

www.eib.org