EIB Climate Action in the ETC and SEEMED Regions

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EIB Group Representative in Turkey

IEA-EBRD Workshop in Low-carbon Technologies
15 June 2015, Istanbul
Agenda

- Presentation of EIB
- EIB and Climate Action
- EIB in Turkey
Agenda

- Presentation of EIB
Enlargement Countries include:
Candidate Countries: Iceland, the Former Yugoslav Republic of Macedonia, Montenegro, Serbia and Turkey.
Potential Candidate Countries: Albania, Bosnia and Herzegovina, Kosovo.
The European Investment Bank

- Providing finance and expertise for sound and sustainable investment projects. Total assets of EUR 542 billion at the end of 2013
- Largest multilateral lender and borrower in the world
  - Raise our funds on the international capital markets
  - Pass on favourable borrowing conditions to clients
- AAA-rated and strong capital base
- Some 440 projects each year in over 160 countries
- Key products:
  - Loans
  - Guarantees
  - Equity
  - Risk-sharing facility
  - Advisory services
EIB has a special focus on TEN projects and security of energy

Project supported by EIB within EU policy goals

| Sustainable growth and jobs in Europe | ▪ Innovation and skills  
| ▪ Trans-European Networks  
| ▪ Sustainable, competitive and secure energy  
| ▪ Financing smaller businesses |
| Economic and social cohesion | ▪ Special support for economically weaker regions  
| ▪ Helping regions absorb EU funds |
| Environmental sustainability | ▪ Climate action  
| ▪ Sustainable transport |
EIB passes through its low funding costs and long term financings to eligible projects

Eligibility and benefits

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<th>Eligible project</th>
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<td>If cumulative conditions are fulfilled</td>
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<tr>
<td>• <strong>Meets at least one of the EIB’s objectives</strong></td>
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<td>• Is technically sound</td>
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<td>• Is financially viable</td>
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<td>• Shows an acceptable economic return</td>
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<td>• Complies inter alia with environmental protection and procurement regulation</td>
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<table>
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<th>Benefits of EIB financings</th>
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<td>EIB Financings provide to eligible project</td>
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<tr>
<td>• <strong>Large amount</strong> (up to 50% of eligible costs)</td>
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<td>• <strong>Long maturities</strong> (in connection with economic life)</td>
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<td>• <strong>Attractive interest rates</strong> (fix and floating)</td>
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<td>• Catalyst for participation of other banking or financial partners</td>
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<td>• Broad range of currencies</td>
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EIB provides Structured Finance Facilities in addition to Standard Loans

Types of financing provided by EIB

- **Direct Loans**
  - Public Sector

- **Intermediated Loans**
  - Banks

- **(PPP) Project finance with direct project risk**
  - Project SPV

- **Other financial instruments (in partnership with EC)**
  - Equity through Funds

**Standard Loans**
- “Traditional” EIB lending instrument
- Guaranteed basis
- Bulk of EIB’s lending volumes

**Structured Finance Facility (SFF)**
- Established in 2001...
- ... to expand EIB ability to provide financing
- ... to lend to projects with higher risk (PPP’s)
- ... to provide more flexible financing solutions

1such as Project Bond Credit Enhancement (PBCE), subordinated loan or Loan Guarantee for TEN-T projects (LGTT)
Agenda

- EIB and Climate Action
EIB lending to Energy (€ bn)

- Inside EU
- Outside EU
2014 EIB lending to Energy - 13,5 € bn

European Investment Bank Group
Climate Action and Environment Facility
Central Asia

- Funds available: Eur 1,5 billion

- Priorities of investment:
  - Climate change mitigation
  - Protection of Biodiversity
  - Drinking water production/distribution
  - Waste water treatment/sanitation
Sample climate action projects outside EU

**Renewable Energy:**
Lake Turkana Wind Project

- EUR 200m financing structure for the largest wind farm that is currently being developed in Sub-Saharan Africa

**Adaptation:**
Caribbean Development Bank (CDB)

- US$ 65m dedicated lending and technical assistance programme for adaptation activities in the 18 CDB member countries

**Energy Efficiency:**
Banque du Liban

- EUR 50m credit line for the financing of energy efficiency investments carried out by private companies in Lebanon

**Sustainable Transport:**
Egypt Cairo Metro

- EUR 600m loan for extension of the Cairo Metro with 17 km to serve the main transportation corridors of urban greater Cairo
Example fund of funds: GEEREF

- GEEREF is a fund of funds and provides global risk capital to energy efficiency and renewable energy projects in developing countries and economies in transition (African, Caribbean and Pacific region, non-EU Eastern Europe, Latin America and Asia).

- Advised by the EIB Group, GEEREF was launched in 2008 with funding totaling EUR 112m from the European Union, Germany and Norway.

- To date, GEEREF committed EUR 74m to 7 funds.
- GEEREF is in the process to raise further private capital to leverage the contributions from the sponsors.
EIB provides direct loan to corporates to finance their projects

**Financial structure**

- **EIB**
- **Corporate / on-balance sheet financing**
- **Eligible project**
- **Other funders**
- **Other projects**

**Value-added**

- Long term debt (depending on economic life of assets)
- Large amount (up to 50% of project costs)
- Price competitive
- Pari passu with other senior lenders
- Fixed or floating rate

**Example**

- Financing of the construction of an underground gas storage facility in Bordalona (Lombardy region).
- Providing flexibility and security to the gas system
- EUR 300m (on a total of 600m project costs)
EIB also lends to special purpose vehicles which allows to ring fence projects

Financial structure

- **Promoter**
- **Special Purpose Vehicle**
- **Other projects**
- **Eligible project**

Value-added

- Large amount (up to 50% of eligible costs)
- Price Competitive for long term financing
- Pari passu with senior lenders
- Ring fenced structure to isolate higher risks (e.g. HVDC connection)
- USD-EUR and local currency (if available)

Example

- Financing Gate terminal (‘Gas Access To Europe’), the first independent LNG import terminal in the Netherlands
- Initial annual throughput capacity of 12 billion cubic meters per year
- EIB provided EUR 136m over the EUR 800m total costs
Agenda

- EIB in Turkey
EIB lending to Turkey: a long-standing partnership

- EIB has been lending to Turkey since the mid 1960s; with an overall lending volume exceeding EUR 21 bn over the last decade. Current lending level of +/- EUR 2bn/yr.

- Step change in lending activity since 2005, given the status of Turkey as Candidate Country for EU Accession.

- Turkey ranks first among EIB recipient countries outside the EU.

- EIB Group’s role is to support the country's economic development and assist the country in its pre-accession phase to the EU.

- EIB Group stands for tangible contribution to priority projects that make a difference to the population of Turkey. Lending priorities are set in reflecting the national and EU priorities, in close consultation with the Turkish Treasury and EC.

- EIB Group reacts swiftly, adapts its lending to the changing needs in the country.
EIB lending to Turkey (EUR m)

More than EUR 21 bn in lending during 2004-2014
Sectoral breakdown of EIB Lending to Turkey
EUR 21.4 bn over 2004-2014

- SME & Mid-Cap Lending: 41%
- Transport: 22%
- Energy: 11%
- Knowledge Economy: 7%
- Telecom: 6%
- Industry: 5%
- Urban development: 4%
- Waste, sewerage: 2%
- Forestry: 2%
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- Forestry: 2%
- SME & Mid-Cap Lending: 41%
Financing the Energy Sector in Turkey
2008 – 2014: EUR 2,150m

- Direct Loans
  - Upgrading of national distribution network (TEDAS) EUR 225m
  - Large-scale combined cycle gas-fired plant (SAMSUN) EUR 300m
  - Large-scale hydro and wind power plants (EnerjiSA&Osmaniye) EUR 165m

- Intermediated Loans
  - Small and medium-scale renewable and energy efficiency projects via 8 banking partners EUR 1,435m

- Indirect contribution through Equity Funds
  - EIB is investor in the Crescent Clean Energy Fund for Turkey (CET), targeting renewable energy projects EUR 20m
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