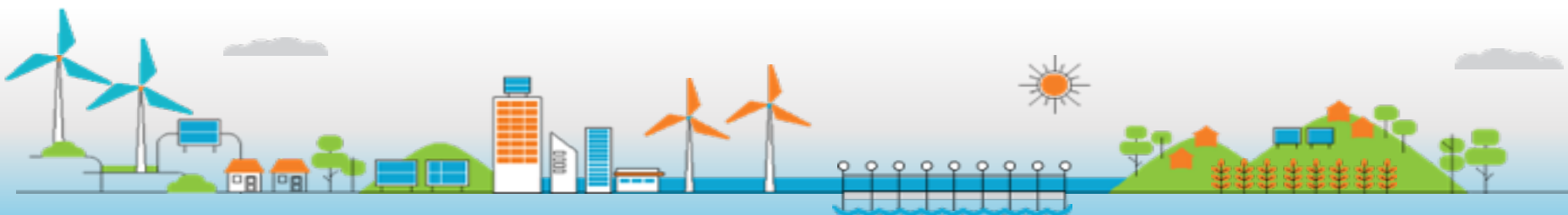


Addressing Climate Change at the EIB

Supporting EU policy and Financing tools



Jean Christophe Laloux
Director General Head of Lending Operations at European Investment Bank (EIB)

Conference
“Roadmap for Carbon Neutrality in 2050: the role of sustainable finance”

8th July 2019

Speaking points

1. Climate Change; a key priority under EIB Sustainable Finance
2. Overview of EU climate policy and EIB climate action (CA)
3. EIB climate finance commitments and track record
4. Beyond 2020: Financing sustainability and sustainability proofing
5. EIB CA lending/borrowing, supported areas and product offer
6. EIB in Portugal: a few showcases of sustainable finance
7. Concluding remarks

Sustainable Finance is at the heart of the European Investment Bank (EIB) Group and shapes our activities and investment decisions

- “**Sustainability in everything we do** – this is our aim when we finance projects in innovation and skills, infrastructure, small and medium-sized enterprises, the environment, **climate action** and regional cohesion.
- We carry out **due diligence to ensure that projects meet environmental and social criteria**, and that they deliver the desired long-term economic benefits.
- The **funds raised in the capital markets through green and sustainable bonds** are used for specific projects that make a substantial contribution to sustainable development.”

2018 EIB's Sustainability Report:

<https://www.eib.org/fr/publications/sustainability-report-2018>

EIB Group policy priorities (2018)

Public Policy Goals (PPGs)

Innovation



€ 13.5bn

Environment



€ 15.2bn

Infrastructure



€ 12.3bn

SMEs



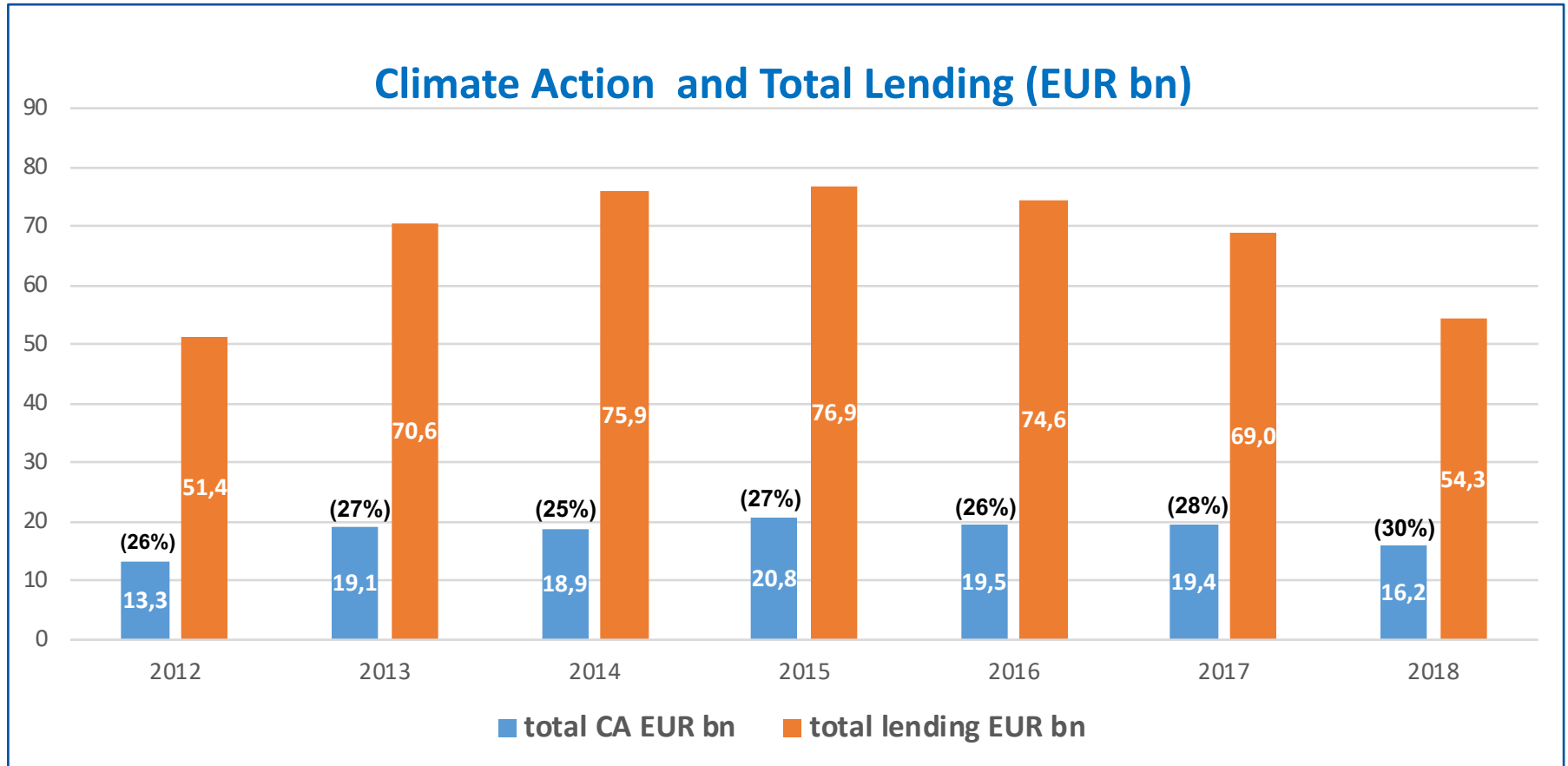
€ 23.3bn

Transversal Objectives

- **Climate Action (CA)**
- **Cohesion**

EIB: a leading IFI for CA lending

- Met CA volume target each year
- EUR 127 bn since 2012, supporting EUR 500bn of CA investment

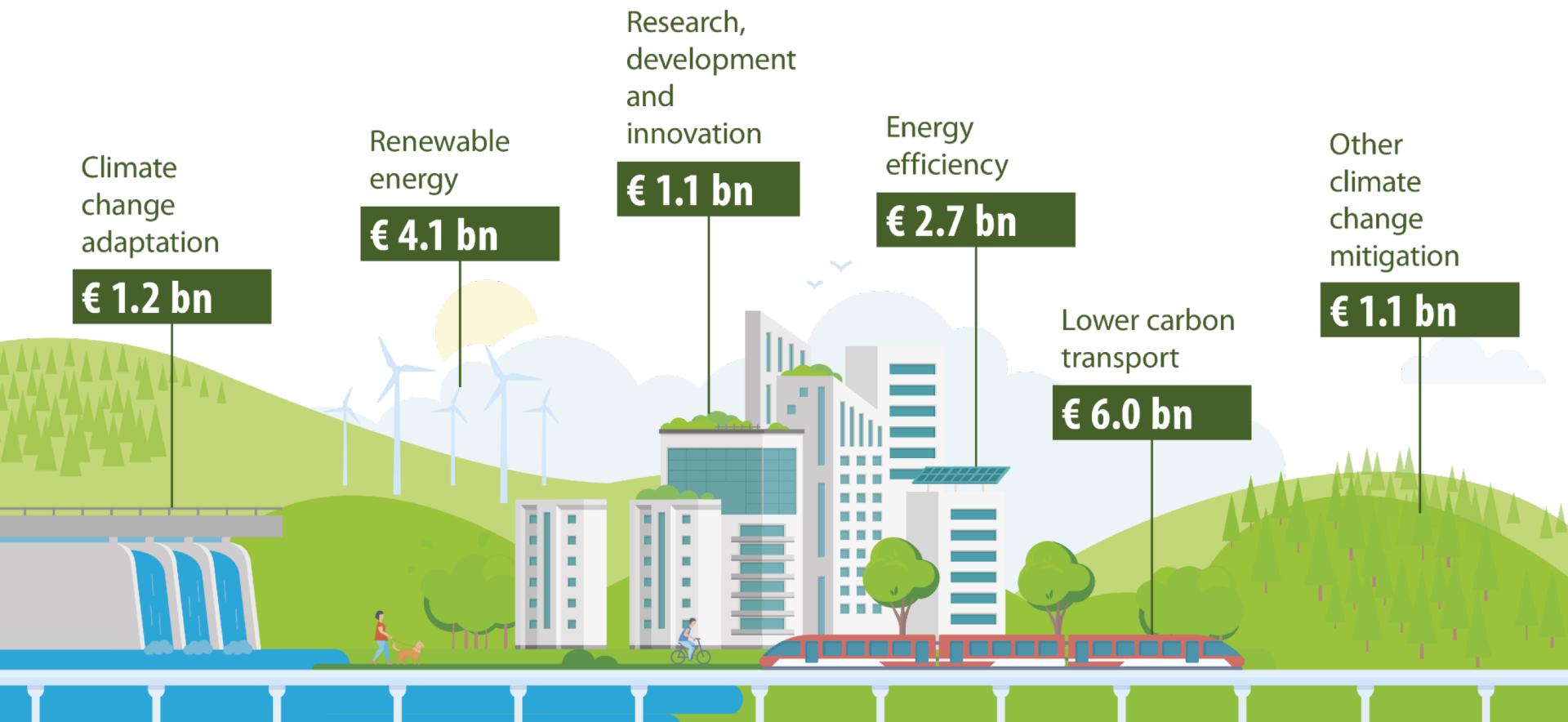


EIB CA figures are externally audited by KPMG

Composition of EIB CA lending in 2018

€ 16.2 billion
Climate Action investments

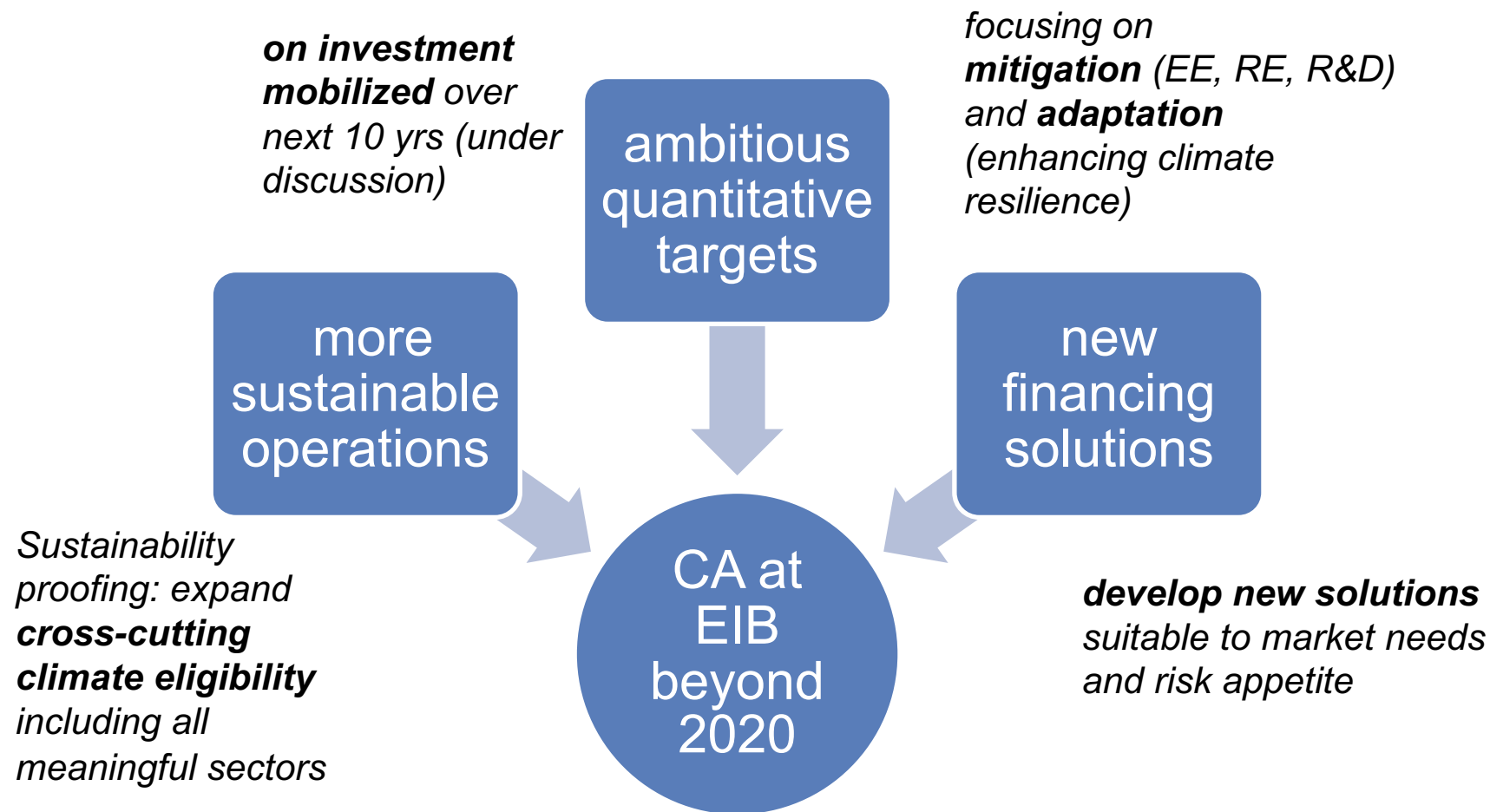
- over **29%** of all EIB financing
- 25% minimum commitment



EIB Products supporting sustainable operations

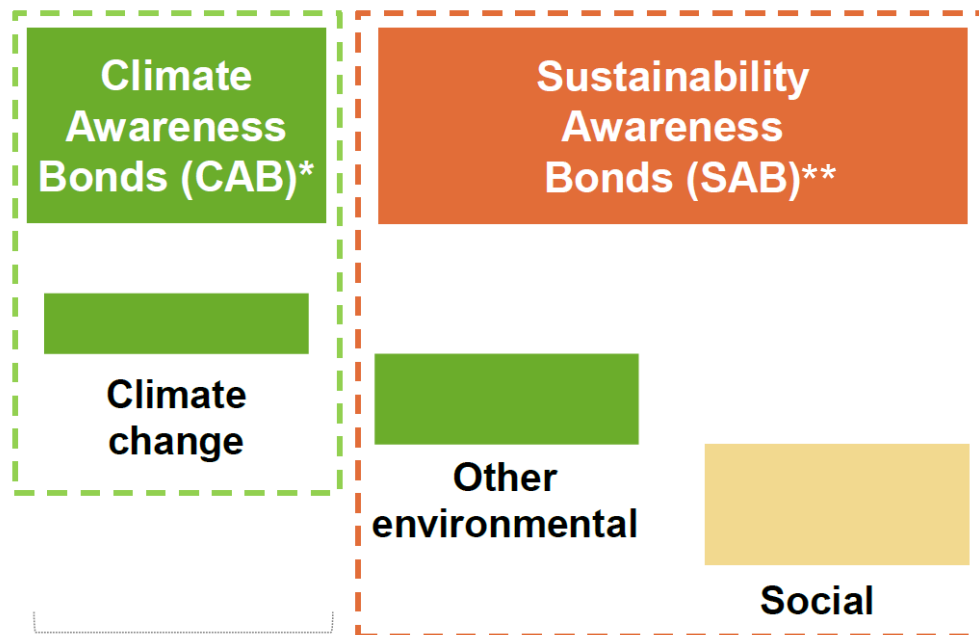
- **Current:**
 - Dedicated Multi-Beneficiary Intermediated Loans / L4SMEs
 - Investment Loans (inc. “Green Loans”)
 - Corporate hybrid bonds for selected issuers
 - Programme/Framework Loans (targeting CA/EE)
 - Project finance (RE)
 - Venture debt (under EFSI & Innovfin)
 - Infrastructure equity funds (under EFSI)
 - Venture capital funds (via EIF)
 - Climate Action focused funds (layered equity, debt funds, FoF)
 - Financial instruments/mandates (e.g. PF4EE, Innovfin Energy Demo Projects, NCFF)
- **Future - examples:**
 - Securitization opportunities based on “green mortgages”
 - Innovation Fund (grants from EC)
 - Supporting the Enhanced European Innovation Council (EIC) pilot
 - “Climate Bank” concept
- **CA dedicated project Advisory**

EIB CA ambitions post 2020



EIB sustainable borrowing: mobilization with debt instruments

As of end-June 2019, EIB remains the largest issuer of Green Bonds with **EUR 24.9bn** raised across 13 currencies, of which the EUR equivalent of 4.0bn raised in 2018.



EIB launched its first Sustainability Awareness Bond (SAB) on 6 September 2018 EUR 500m 0.375% due 15 May 2026

SUSTAINABILITY IMPACT

* focus primarily on climate change mitigation with RE and EE

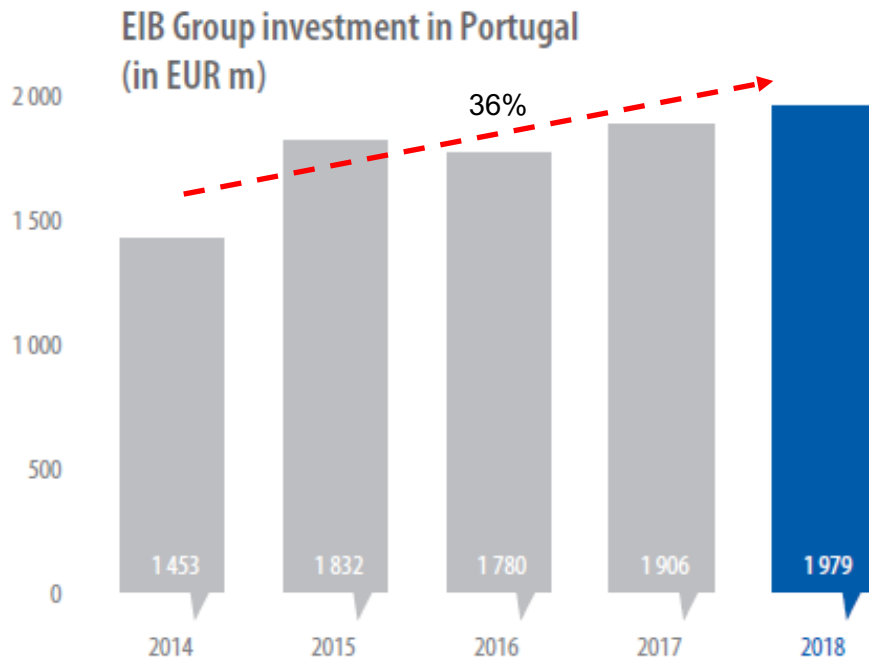
** starting with support to water-related activities: water supply, sanitation, flood protection

EIB presence in Portugal – Activity in 2018

EUR 2bn
signed:
26
operations

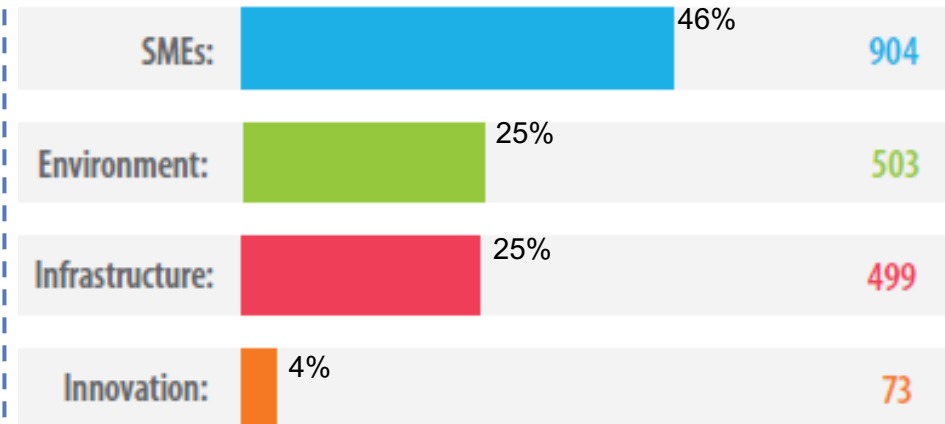
- **3rd** EU country with largest contribution of EIB financing in % of GDP (1% in 2018)
- **7th** EU country with largest EIB financing volume

- **EUR 1 522m** from the **EIB**: SMEs, infrastructure, climate action and innovation.
- **EUR 457m** from the **EIF**, the EIB Group subsidiary dedicated to supporting SMEs and microfinance.
- More than 3 950 SME and mid-cap beneficiaries in Portugal, supporting over 153 000 jobs



TOTAL EIB GROUP INVESTMENT in Portugal in 2018 (in EUR m):

1 979 million



Over the last two decades, EIB has supported a steady flow of operations in Portugal contributing to CA:

- RE (hydro and wind power)
- Urban renewal
- Water supply and sanitation
- Agricultural irrigation
- Energy efficiency programs

Supporting CA operations in Portugal: show case I

WINDFLOAT INNOVFIN EDP

Signature Date: October 2018

First Iberian Floating Offshore Wind

- 15 Years, EUR 60m, EIB investment loan loan under InnovFin EDP, blended with grant funding from the EC (NER 300) and the Portuguese government (*).
- Design and installation of a 25 MW floating windfarm 20 km off coast of Portugal, 85-100 water depth.
- 3 floating substructures each one with a wind turbine of the 8.4 MW.
- Project viability is underpinned by a 20 year Feed in Tariff.
- Experienced promoter's consortium inc. EDPR, Repsol & Engie.
- Major part of the project is built in Iberia, using the naval and steel industries of both Spain and Portugal.

(* [19/10/2018 press release](#))



Climate Action

The Project contributes to the general objective of Climate Change, with a focus on marine energy.



Demonstrate

If successful, the project will “pave the way” for the floating offshore technology which will allow the use of maritime sites not feasible today.



De-risk

Key Project for de-risking the technology, which will be replicated in other parts of Europe (France, UK).

Supporting CA operations in Portugal: show case II

1st Signature Date: October 2016

LISBON URBAN RENEWAL HOUSING CLIMATE FL

- 30 years, EUR 250m, EIB Framework Loan.
- Co-financing a strategic multi-annual investment plan (2016-2020) of the City of Lisbon (*).
- The operation includes flood alleviation and prevention, urban regeneration infrastructure, and social housing, the latter comprising new housing and repairs in existing stock.

[\(*\) 24/10/2016 press release](#)

EUR 250 m



LISBOA
C Â M A R A M U N I C I P A L



Climate Action

Investment in drainage will contribute to climate adaptation, thanks to the reduction in the frequency and the magnitude of floods in Lisbon in the context of an increase in extreme rainfall events; investment in rehabilitation of existing housing stock will contribute to climate mitigation, thanks to energy efficiency measures.

Supporting CA operations in Portugal: show case III

1st Signature Date: July 2018

TAMEGA IBERDROLA HYDROPOWER AND STORAGE

- 15 years, EUR 650m, EIB Investment Loan to Iberdrola S.A..
- Construction of 3 new large dams and 3 hydropower plants with a total capacity of 1,158 MW in the Douro River Basin in northern Portugal. (*).
- The project increases hydropower generation, energy storage capacity and peak capacity in the Iberian Peninsula, including in cohesion regions. It will contribute to security of electricity supply by providing system flexibility and system services in the joint Portuguese-Spanish electricity market.



The Project contributes significantly to the Bank's CA objective with relevant yearly CO₂ emissions savings, estimated at 163 thousand tonnes, prorated according to the EIB lending amount signed in that year, as a proportion of project cost.

[*\(*\) 23/7/2018 press release*](#)

Supporting CA operations in Portugal: show case IV

ENERGY AND ENVIRONMENTAL SUSTAINABILITY

- 12 years, EUR 55m, EFSI supported EIB Investment Loan to SONAE MC SGPS S.A..
- Co-financing of SONAE's multi-regional investment programme in the following areas: (i) Energy; (ii) Water; (iii) Food waste reduction and recovery; and (iv) environmental performance. (*).
- The project aims, through implementation of different measures, at reducing the environmental footprint of Sonae MC supermarkets in Portugal by increasing its sustainability.
- Measures include: energy management; dynamic consumption; adiabatic cooling; refrigeration improvements; refrigeration replacement; lighting; heating, ventilation and air conditioning; photovoltaic panels; water management; and food waste management.

[\(*\) 22/1/2019 press release](#)

Signature Date: December 2018



The Project will have a positive impacts on the environment by supporting energy efficiency and use of renewable energy, the promotion of the use of electric vehicles and water and waste management (with related savings), thus contributing to the EU climate action objectives.

Supporting CA operations in Portugal: show case V

EIB Infra Funds

Investment in 2 country-focused funds and 8 Pan-European funds for a total of EUR 260m in 17 projects; of which, **EUR 121m RE energy projects.**

EIB funds with investments in Portuguese projects	# Funds	Total number of investments in projects	Invested amount (in EUR m)
Portuguese funds	2	6	33.7
Pan-European funds	8	11	226.7
Total	10	17	260.4

Success story



- **Haitong Infrastructure Fund:** EUR 96m Portuguese private equity fund set up in 2007, managed by Haitong Capital.
- In 2008, the Fund, alongside Magnum Capital Partners, acquired a 80% stake in **Iberwind**, a leading player in the Portuguese renewable energy market (16% market share). Iberwind operates 31 wind farms producing 685 MW (3% of total electricity produced in Portugal).
- Successful exit: In 2015, the Fund sold Iberwind to a consortium formed by Cheung Kong Infrastructure Holdings Limit and Power Assets Holdings Limited. The Fund **realized a return of 2.0x (multiple of capital contributed – MOC) and an IRR of 13.5%.**



Concluding remarks

Climate action and environmental sustainability are among EIB's top priorities.

- **Trusted CA partner**
 - Solid track record in CA finance
 - Recognized appraisal methodologies
 - Financial innovation on borrowing and lending side
- **Mainstreamer of CA policy** into active support of climate change mitigation and adaptation operations
- **Actively engaged in further strengthening contribution to climate change and broader sustainability policy discussions**, notably in the context of the upcoming MFF 2021-2027.

Thank you!

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