Energy Lending Policy

Energy Efficiency and Energy Advisory Division
Projects Directorate
EUROPEAN INVESTMENT BANK

The European Investment Bank

At a glance (*)

The world's largest multilateral lender

Leading provider of climate finance

Governed by the EU Member States

€ 77.2 billion

Financing in 2020

Our investment priorities (*)

INNOVATION

€ 14.4 billion

ENVIRONMENT

€ 16.5 billion

INFRASTRUCTURE

€ 15.7 billion

SMEs

€ 25.5 billion

EU Climate Bank objectives

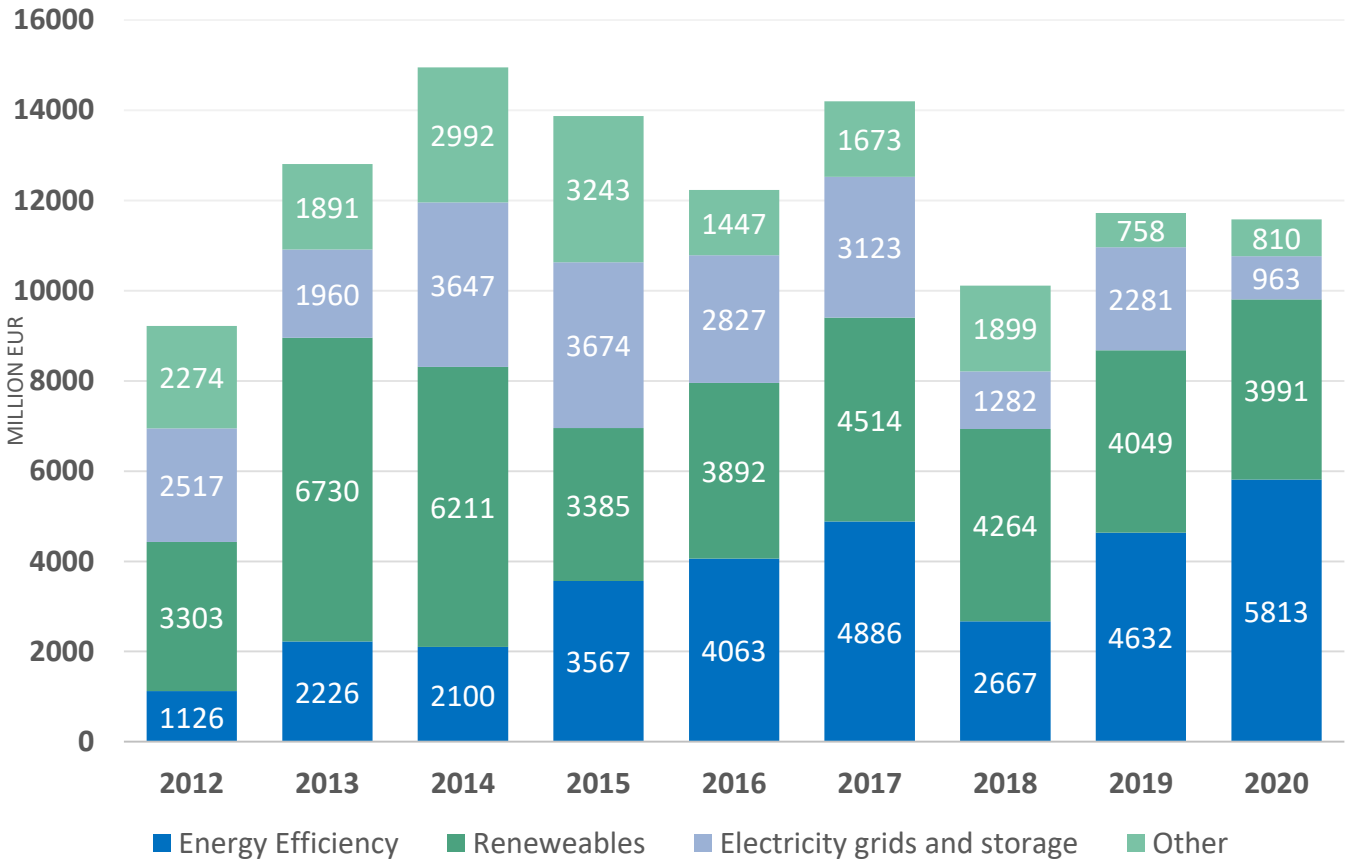
€1 trillion for climate action and the environment unlocked by 2030

50 % of total financing to climate action and the environment by 2025

2020 fully aligned with the Paris agreement by the end of the year

(*) Including the European Investment Fund

Energy Lending 2012 to 2020

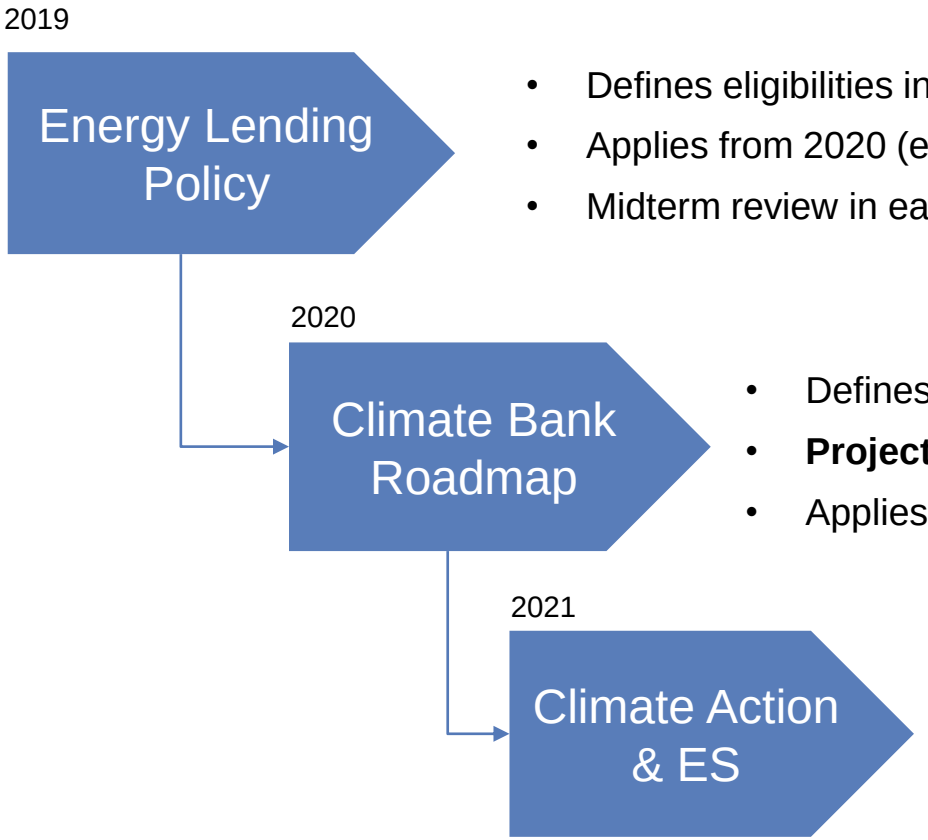


of which outside EU:	6,732	4,449	3,650	2,517	2,383	1,479	930

2021 Operational Plan

Climate Action and Environmental Sustainability: 35%
Economic and Social Cohesion and Convergence: 30%

Climate Bank Roadmap



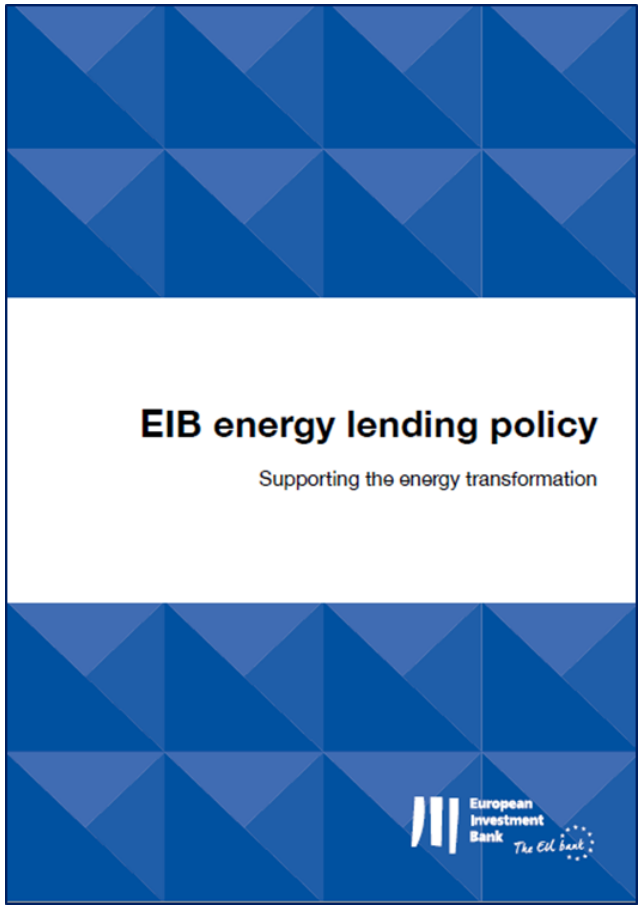
- Defines eligibilities in the Energy sector
- Applies from 2020 (end 2021 for some fossil fuel projects)
- Midterm review in early 2022

- Defines Paris alignment (PA) framework for all sectors
- **Projects eligible under the ELP are "supported"**
- Applies to operations with PIN approval from 2021

- New (interim) CA&ES criteria to apply to all appraisals from 2021 onwards
(not covered by this workshop, still work in progress)

-> The Energy Lending Policy defines Paris-alignment in the Energy sector

Energy Lending Policy



- Phasing-out fossil fuels
- Focusing on energy efficiency and decarbonisation
- Engagement with Member States and clients

Energy Lending Policy to support EU policy

Unlocking energy efficiency

Decarbonising energy supply

Supporting innovative technologies and new types of energy infrastructure

Securing the enabling infrastructure

Unlocking energy efficiency

Key priorities:

- Energy efficiency first principle
- In principle all EE activities are Paris aligned – very few exceptions (e.g. buildings for storage or production of fossil fuels)
- Financing up to 75% of costs of energy efficiency projects
- Focus on building rehabilitation and SMEs
  - New Initiative for Building Renovation (EIB-R) in the context of the EU Renovation Wave
  - Development of new sources, e.g. mortgage-based lending
  - Tailored support to remove technical and financial barriers

EE eligibility criteria

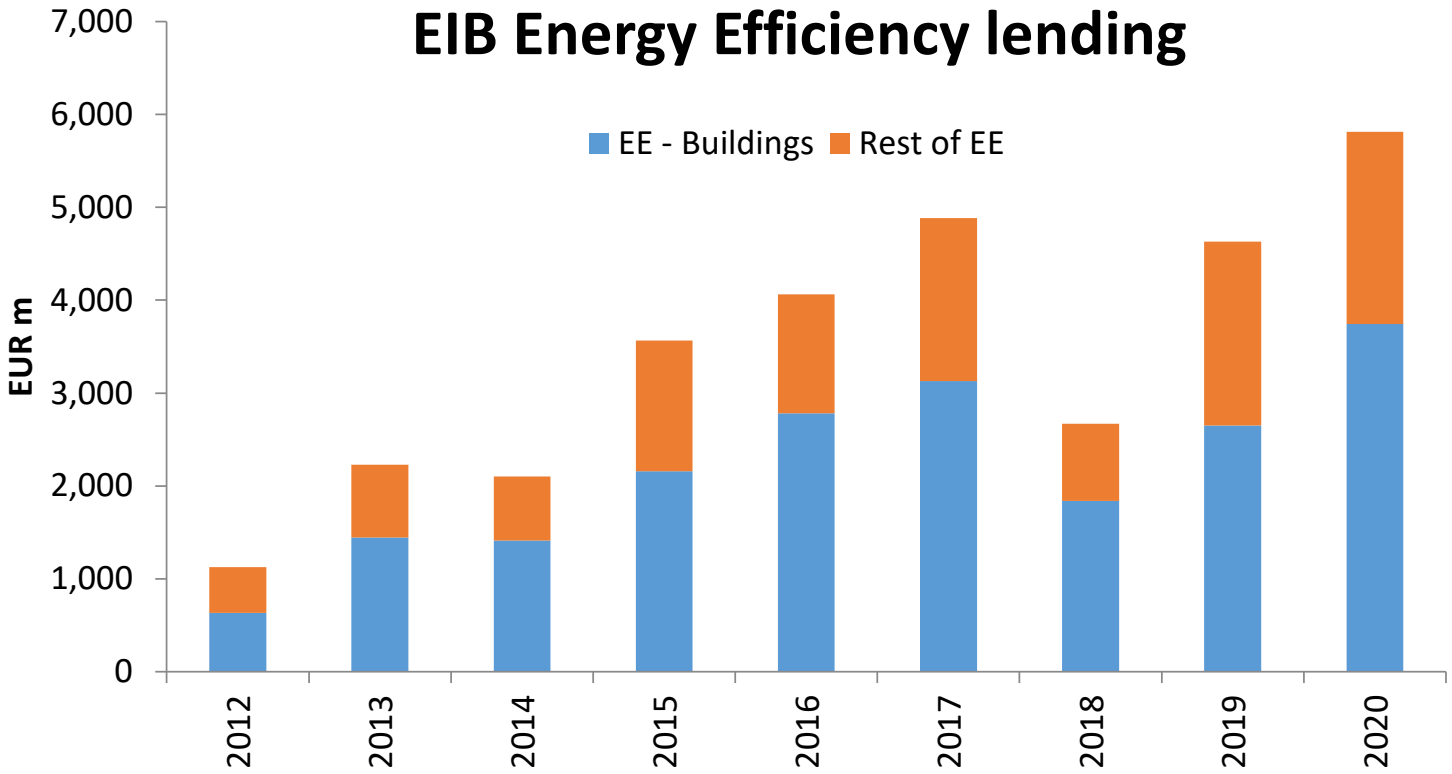
In principle, the Bank can support the following types of projects:

- Renovation projects which **improve the energy performance of existing buildings,** compliant with **national energy performance standards (In line with the cost optimum levels, as per the EPBD)**
- The expected energy savings can be estimated through an **energy audit**, comparison between the energy performance certificate before and after the works, or any other transparent method
- For new constructions, buildings **exceeding minimum regulatory building requirements**, promoting best market practice and contributing to wider public policy goals such as urban regeneration, education, public research or the provision of healthcare services;
- **Investments motivated by energy efficiency** in public lighting, industrial facilities and SMEs.

EE Lending to Buildings

Key priorities:

- Around 65% of Energy Efficiency lending dedicated to Buildings

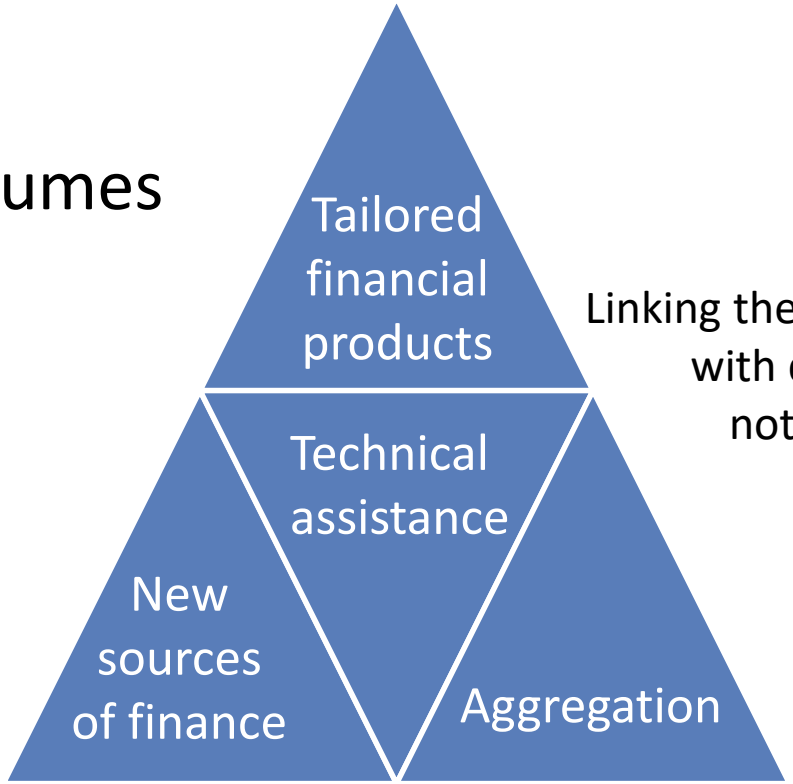


Initiative for Building Renovation (EIB-R)

Objective:

Increase visibility

to increase EE volumes



Linking the financial products with dedicated TA, notably ELENA

Mortgage-based lending or securitisation

Aggregation into portfolios

Buildings: Paris-alignment

Paris aligned (PA):

- All building renovation projects are PA, as long as they comply with national energy standards transposing the Energy Performance of Buildings Directive (EPBD).
- All new buildings are PA, as long as they comply with national energy standards defined by the EPBD.

***Energy Efficiency eligibility from the ELP**:*

- ***Renovation projects**: All capital expenditure related to energy efficiency improvement. Project promoters must ensure that their renovation measures are compliant with national energy performance standards*
- ***New buildings**:*

  (i) *the energy performance of the building must exceed minimum regulatory requirements with the aim of achieving best market standards; and*

  (ii) *the building contributes to increasing the stock of housing or wider public policy goals such as urban regeneration, education, public research or the provision of healthcare services.*

The climate action contribution of EE projects in buildings will be aligned to the taxonomy

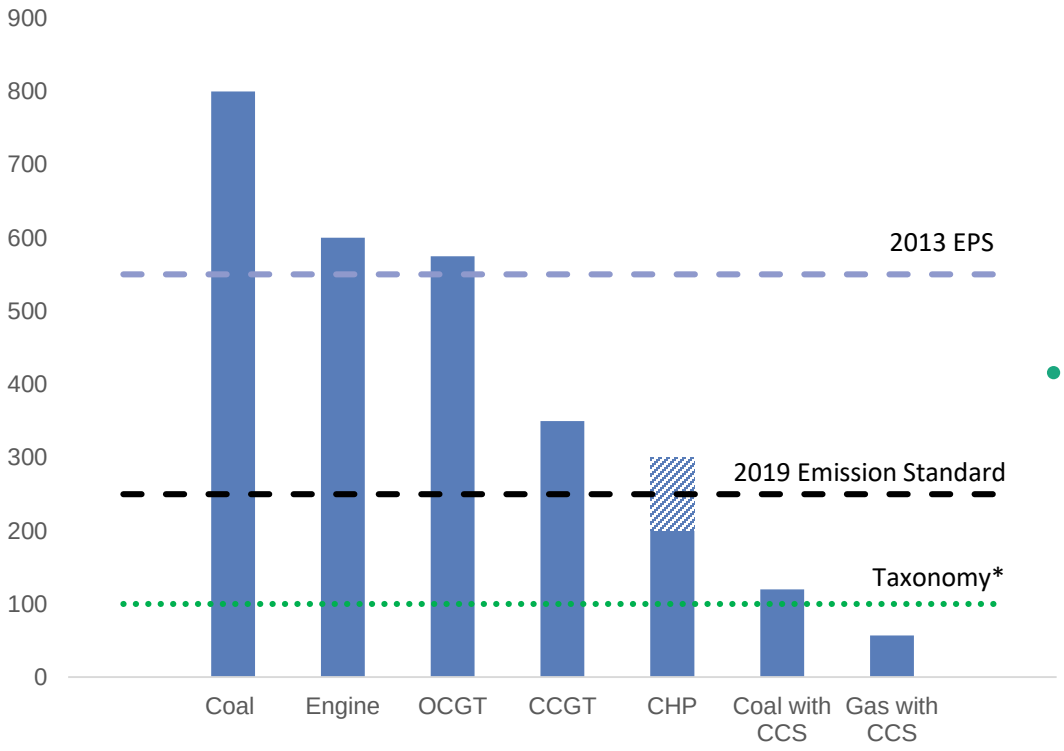
Decarbonising energy supply

Key priorities:

- All low carbon technologies are eligible
- Financing up to 75% of costs for “high policy value” projects and where EIB’s involvement accelerates project implementation
  - Support market integration of renewables or other high priorities of RED II
  - Technologies at early stage of deployment
- Low carbon gases (production and distribution) are eligible
    - Biomethane
    - Green Hydrogen

250 gCO_2/kWh Emission Standard for power generation

EIB EPS compared to different generation technologies (gCO_2/kWh of electricity)



* The TEG WG proposal is based on lifecycle approach

Emission standard:

- Applies to all power technologies, including:
  - Renewables
  - CCS
  - CHP
- For gas-fired power plants, can be met on average over the economic lifetime if:
  - Natural gas is blended with low carbon gas (with contractual evidence)
  - Fitted with CCS

District Heating (and Cooling)

- **(New) Criteria for District Heating networks and heat plants:**
  - ✓ The New DH/DC system meets the definition of efficient DH/DC as per EU Energy Efficiency Directive **and** the project does not increase GHG emissions
  - ✓ Rehabilitation of existing DH – Some flexibility (decarbonisation plan)
  - ✓ Heating generation from electricity, renewable or low-carbon fuels and/or CHP plants (meeting the 250g limit). Not from coal, peat, oil or non-organic waste.

  - **To note, also eligible:**
    - Gas boilers and micro CHP for buildings complying with minimum EE criteria
    - Peak/reserve boilers operating on natural gas (or oil, if gas not available), necessary to ensure **SoS** in the DH system
    - Boilers operating on natural gas (or oil, if gas not available) necessary for a supported industrial activity, meeting certain EE criteria

Thank you for your attention