



EUROPEAN INVESTMENT BANK

**European Fund for Strategic Investments**

**RATIONALES FOR THE DECISIONS TAKEN BY  
THE EFSI INVESTMENT COMMITTEE IN OCTOBER AND NOVEMBER 2020**

**EFSI Investment  
Committee 6<sup>th</sup> November  
2020**

Those attending

<u>Chairman:</u>	Mr. Wilhelm MOLTERER, Managing Director
	Ms. Iliyana TSANOVA, Deputy Managing Director
<u>Members:</u>	Mr. Gordon BAJNAI
	Mr. Thierry Deau
	Ms. Dalia DUBOVSKA
	Ms. Vicky D. KEFALAS
	Ms. Andreja KODRIN
	Ms. Nieves RODRIGUEZ VARELA
	Mr. Manfred SCHEPERS
<u>Experts:</u>	Mr. Marcus SCHLUECHTER, Advisor to the Managing Director
	Mr. Juan Jose FEBLES, Advisor to the Deputy Managing Director
<u>EFSI Secretariat:</u>	Ms. Emilie BOIS-WILLAERT, Head of EFSI Secretariat
	Mr. Renko WOUTERS, Corporate Secretariat Officer
<u>Excused:</u>	Mr. Fabio PAMMOLLI

## **Rationales for the decisions taken by the Investment Committee in October and November 2020**

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in October and November 2020.

In accordance with article 7.12 of Regulation (EU) 2017/2396, the rationales for the decisions taken by the Investment Committee to approve the use of the EU guarantee for EIB operations are made publicly available, except for projects subject to a confidentiality agreement between the EIB and the promoters. The publication shall not contain commercially sensitive information.

In line with article 30 of the EFSI Agreement and the Transparency Policy of the Bank, the rationales of the Investment Committee decisions for such projects will be disclosed at a later stage by including them in a list of the rationales of Investment Committee decisions taken throughout the year, which is published, in general, twice a year. This is after the projects have been signed or if these projects are not subject to a confidentiality agreement between the EIB and the promoters anymore.

\* \* \* \* \*

The rationales of the Investment Committee to approve the availability of the EU guarantee for the following EIB operations in October and November 2020 are as follow:

### **TERGOOI HILVERSUM HOSPITAL DEVELOPMENT (Netherlands)**

The IC approved the use of the EFSI guarantee for a proposal supporting the construction of a new state-of-the-art regional hospital improving the quality and efficiency of the medical services provided. The promoter is a regional general hospital, constituted as a private not-for-profit foundation. The contribution of this operation is therefore in alignment with the EFSI objective of health and support of innovative health solutions and increases EFSI support towards social infrastructure.

This operation addresses a market failure and sub-optimal investment situation, triggered by the reforms introduced by the Dutch authorities, aiming at enhancing the healthcare sector and healthcare spending. The switch from a budget to a performance based revenue system, the reduction of the availability of a state guarantee fund and the re-designing of the basic insurance packages, have followed in the healthcare institutions obtaining adequate financing from the market becoming increasingly difficult. The operation risks are primarily due to the loan long tenor and the general pressure on the revenues due to the reduced public budget in the healthcare sector, which makes the loan repayment dependent on the performance related revenues of the hospital. Therefore, such a loan could not have been provided at the same terms and conditions by the EIB without the support of the EFSI guarantee. The EIB participation as an anchor investor will confer a strong signal to the market through its seal of approval. This signalling will give confidence to private sector investors as well as a promotional bank co-financing this operation.

The Investment Committee recognised the high energy efficiency of the new hospital, exceeding the national NZEB standards by 30%, and welcomed the resulting 71% Climate Action recognition of the proposal.

The risk profile of the EFSI intervention is Special Activity in line with the EIB's Statute, which is a strong indicator of Additionality in the EFSI Regulation.

### **LUBLIN MEDICAL UNIVERSITY (Poland)**

The IC approved the use of the EFSI guarantee for an operation that concerns the modernisation and extension of the facilities of the university teaching hospitals of the Medical University in Lublin, in the Polish region of Lubelskie Voievodship. The project aims at increasing the quality of health care services delivery, enhancing scientific excellence and improving quality of medical professionals' education, in a region with an historically below the EU average health expenditure capacity. 100% of the investments qualify as supporting less-developed regions and transition regions, and up to 11% of the operation is expected to contribute to the EIB Climate Action objectives.

The project generates positive externalities through the provision of health services that benefit society at large and the broader economy. The operation addresses a market failure and a suboptimal investment situation linked to the lack of funding options for investments in medical universities and university hospitals. Public funding available through government or regional budget is not sufficient to cover the investment needs of the promoter and commercial lenders cannot provide financing with maturity, volume and pricing adequate to match the investment's payback horizon. The envisaged EIB financing with a long term loan, with EFSI support, is expected to be key for the operation, providing a quality stamp on the project that is expected to crowd-in new or more favourable debt financing. The project benefitted from financial advisory support and capacity-building advice under the European Investment Advisory Hub, and is expected to benefit from EU grants complementing the Bank's financing.

### **NOUVEL HOPITAL DE LENS (France)**

The IC approved the use of the EFSI guarantee for an operation that consists in the construction and equipping of the New Hospital of Lens, in the Pas-de-Calais department, Hauts-de-France region, to provide medical services to a population of approximately 1 million inhabitants. In the existing hospital to be replaced the units are operating in full capacity, in outdated and dispersed facilities, with limited expansion possibilities, facing difficulties in satisfying the evolving healthcare needs of the population. The new construction will allow for implementing energy, operational and cost efficiency measures, and will be the first full digital hospital (hospital 2.0) adopting leading edge automation technologies and advanced digitalisation concepts, and the first "0-paper" hospital in France. The energy consumption is expected to decrease by some 41% and 26.8% of the operation will count in favour of EIB's Climate Action objectives. The operation will address the objective of supporting less-developed regions and transition regions as 100% of the operation will be deployed in a Cohesion region.

The project addresses market failures in the healthcare sector. The project generates positive externalities through the provision of health services that benefit society at large and the broader economy. The promoter benefits from a limited budgetary flexibility and cannot obtain appropriate financing solutions from commercial banks for the full investment amount, due to its relative small size compared to the significant investment required, as well as its limited creditworthiness. The borrower is thus facing a sub-optimal investment situation where its lack of access to financing prevents it from deploying the investment project under the scale and timeline that would be appropriate. This will be the first operation with the promoter for the EIB, who will be providing long term financing with an unsecured structure. The EIB would not be able to provide such type of financing support during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. Becoming a cornerstone lender to the borrower shall result in a quality stamp on the project that is expected to crowd-in private sector finance, as well as the confirmed financing from the Caisse des Dépôts et Consignations, the French National Promotional Bank.

### **ICICLE WIND FARM (Portugal)**

The IC approved the use of the EFSI guarantee for an operation that supports the design, construction and operation of two new, medium-scale wind farms, expected to benefit some 86,500 households with a total nominal capacity of approximately 125 MW. The project is located in a Cohesion Priority Region, in the west and the north of Portugal. In line with the EFSI objective of the development of the energy sector in accordance with the EU priorities and namely the expansion of the use or supply of renewable energy (RE), this operation will contribute to reducing carbon and air pollution externalities, qualifying 100% to the EIB's Climate Action objective.

The project will generate electricity from renewable energy sources, contributing to the reduction of fossil fuels' energy generation, and thus to environmental and climate objectives. Low-carbon power projects reduce carbon and air pollution externalities, which are unpriced market failures. The operation addresses sub-optimal investment situations related to the renewable energy sector in Portugal, generated by the reluctance of financial investors to enter the market due to economic and regulatory uncertainty, which has led to under-capacity exploitation and the risk of missing the EU RE 2030 targets. The proposed loan will be the first EIB investment in Portugal for a feed in tariff RE scheme under EFSI. It will be extended to a newly created SPV on a non-recourse project financing basis, at a longer tenor than the one usually available via other commercial lenders. The proposed EIB commitment is expected to crowd in private-sector resources to reach a satisfactory catalytic effect. The EIB will also provide its technical expertise in the analysis, structuring and negotiation of the project in order to reach a satisfactory financial close within a short timeline.

### **PLT RENEWABLES GREEN ENERGY LOAN (Italy)**

The IC approved the use of the EFSI guarantee for an operation that concerns the design, construction and operation of four new, small to medium-scale wind farms, with a total nominal capacity of up to 112 MW, in the Italian cohesion priority regions of Italy (Puglia, Basilicata and Calabria). As a renewable energy project, 100% of the operation is expected to contribute to EIB's Climate Action objective. Equally, the operation will address the objective of supporting less-developed regions and transition regions, as 100% of the operation will be deployed in Cohesion regions.

The operation addresses market failures and sub-optimal investment situations related to the complexity and high risks in the electricity sector leading to insufficient investments within the required timeframe. High level of investment is needed in Italy so that the EU targets for the deployment of renewable energies (RE) by 2030 can be met. By providing long-term debt financing the EIB will help to fulfil the existing market gap, as alternative sources of suitable financing are scarce and the operation actively supports the transition towards market-based solutions to finance the development and integration of new intermittent renewable capacity into the power market. The operation will present a long tenor with debt service fully dependent on the project's cash flow generation capacity. This would be the first operation of the EIB with the promoter and its first direct lending under a project financing scheme in the RE sector in Italy. The EIB is expected to provide technical experience in analysing and structuring the financing of this complex non-recourse project in the wind sector. The EIB's participation is expected to crowd-in private sector financing, and the National Promotional Bank, Cassa Depositi e Prestiti, is considering participating in the financing of the project.

### **EOLMED FLOATING OFFSHORE PORT LA NOUVELLE (France)**

The IC approved the use of the EFSI guarantee for an operation that concerns the design, installation, operation and maintenance of a 30MW floating offshore wind farm 16 km off

the coast of Occitanie, in France. Floating offshore wind farms constitute a nascent sector. The technology is considered at pre-commercial phase although some pilot and demonstration projects are operating. As such, the project will help to address another EFSI objective, research, development and innovation, specifically the development of demonstration projects and programmes, as well as deployment of related infrastructures, technologies and processes, and will contribute 100% the Climate Action target of the EIB. Equally, the operation will address the objective of supporting less-developed regions and transition regions, as the operation will be fully deployed in a Cohesion region.

Zero-carbon power projects reduce negative carbon and air pollution externalities. Innovative zero-carbon technologies increase learning-by-doing and thus, drive down costs over time - a positive externality. Market failures reveal the inability of a market to allocate resources efficiently. This leads to an investment gap that justifies public intervention. The floating offshore wind segment remains a relatively young sector and the operation presents a very high level of complexity in a context of a capital-intensive operation, as there is a strong and direct link between technical performance and the financial return of the operation. The availability of large and affordable long-term debt financing from the EIB, thanks to EFSI, will contribute to the operation's viability. The EIB's capacity to appraise the project risks and provide inputs on appropriate financial structuring will contribute to the crowding-in of other lenders into the financing structure and to a timely financial close. The French state ADEME (Agence de l'Environnement et de la Maîtrise de l'Energie) is also contributing to the project through subsidies and repayable advances. This will be the second operation supporting a floating off-shore wind farm under EFSI, and the first for the promoter.

#### **FONDS TOURISME COTE D AZUR (France)**

The Investment Committee approved the use of the EFSI guarantee for the proposed intervention leveraging a debt fund providing long-term subordinated financing for investments by private and public entities active in the tourism sector in the Cote d'Azur region, which has been deeply impacted by the COVID crisis.

The IC also approved the designation of the proposal as an Investment Platform in line with the EFSI Regulation.

The proposal will leverage the financing capacity of the main sponsor Caisse d'Epargne Cote d'Azur, as well as the Metropole Nice and the Nice Chamber of Commerce. Both BPI and CDC are expected to provide direct financing at the level of the underlying investee companies.

The proposal targets a persisting gap in the availability of capital especially for small and local tourism entities, which need long-term financing to update their facilities and transform their business models to more sustainable forms of tourism, in line with national and European policies. This situation has been greatly exacerbated by the COVID-19 pandemic.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

#### **FRANCE INVESTISSEMENT TOURISME 2 (France)**

The Investment Committee approved the use of the EFSI guarantee for a participation in a public investment fund led by BPIFrance, supporting equity and quasi-equity financing for investments by SMEs and Midcaps active in the French tourism sector, which has been deeply impacted by the COVID crisis.

The IC also approved the designation of the proposal as an Investment Platform in line with the EFSI Regulation.

The proposal will leverage the financing capacity of BPI and CDC and allow for crowding-in of private sector investments.

The proposal targets a persisting gap in the availability of capital especially for small and local tourism entities, which need long-term capital to update their facilities and transform their business to more sustainable forms of tourism, in line with national and European policy. This situation has been greatly exacerbated by the COVID-19 pandemic.

At least 25% of the underlying investments are expected to directly benefit Cohesion regions.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

### **WACHSTUMSFONDS BAYERN 2 (Germany)**

The Investment Committee approved the use of the EFSI guarantee for an investment into a public co-investment fund led by LfA Förderbank Bayern, providing growth capital to innovative companies based in or with close ties to the federal state of Bavaria.

The IC also approved the designation of the proposal as an Investment Platform in line with the EFSI Regulation.

The proposal will leverage the financing capacity of the federal state of Bavaria and the close cooperation of the fund manager to private sector co-investors active in Bavaria, which will provide matching investments at the level of the underlying investee companies.

Despite existing initiatives by both regional and national authorities, there is a persisting scarcity of venture capital especially for innovative companies that have grown past the funding capacity of founders, families and friends, but are as yet too small to receive sufficient capital support from mainstream equity investors.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

### **HVC DISTRICT HEATING NETWORK EXPANSION (Netherlands)**

The Investment Committee approved the availability of the EFSI guarantee for the proposal, which supports investments into district heating infrastructure projects based on renewable energy sources in the Dutch provinces Noord-Holland, Zuid-Holland, Flevoland and Friesland. The proposal supports an ambitious investment programme by a not-for-profit entity owned by 46 municipalities and water authorities in its catchment area. The proposal responds to the persisting scarcity of capital for the development and construction of renewable energy district heating assets.

97% of the underlying investment directly support Climate Action; at full deployment the underlying investments at project level are expected to yield annual CO2 reductions of 62,000 T/annum.

The Investment Committee welcomed the focus on district heating projects based on renewable energy sources, which are an underused opportunity to reduce greenhouse

gas emissions of both residential and commercial properties. It noted the Significant contribution of the project for EU Policy targets and the Excellent score on the Growth criterion for renewable energy projects that are economically and financially viable.

The operation has a risk profile of Special Activities as per the Bank's statute, which is a strong indicator for Additionality in line with the EFSI Regulation.

### **MEGALIS BRETAGNE TRES HAUT DEBIT (France)**

The IC approved the use of the EFSI guarantee for an operation that relates to the design and rollout of a publicly owned open access high-speed telecommunication infrastructure in the municipalities of Bretagne, in France. The network is expected to cover nearly 426 000 households in rural and less-densely populated areas where private operators are not present with very high-speed broadband services due to lack of commercial interest. The resulting step change in broadband infrastructure will lead to significantly better broadband services, as well as competitive end user prices reflecting the open access model of the network, which will in turn lead to higher take-up rates of very high capacity network services in the region. The project is in line with the EFSI objective of developing and deploying information and communication technologies, contributing to the "Digital Agenda for Europe" flagship initiative of the Europe 2020 strategy in reaching the objective of making broadband speeds of over 30 Mbps available to everyone, and over 100 Mbps to 50% of the population, in the EU. The project will have a substantial positive impact on employment in terms of jobs supported within their intervention area and jobs directly created during the implementation phase.

The operation addresses the failure to invest in very high capacity networks digital infrastructure as a result of the historical market power of the incumbent for basic broadband, as this is further exacerbated in the relevant rural areas. The project also addresses failures in the financial market caused by the fact that the economic lifetime of digital infrastructure exceeds the tenor of loans that are typically available on domestic capital markets and from commercial banks. As such, the promoter would find itself in a sub-optimal investment situation, as it would not be in a position to invest heavily in such infrastructure with its own resources, which would in turn limit or slow-down the geographic reach of the project. The EIB would not be able to provide such type of financing support, or not to the same extent, without EFSI. The EIB financing will have a good catalytic effect on the operation, with crowding in of commercial lenders, adding a quality stamp on the technical and financial viability of the project. This will be the first direct operation for the EIB with the promoter, and would be the third financing to a public syndicate in the broadband sector in France, under EFSI.

Wilhelm MOLTERER  
Managing Director