



EUROPEAN INVESTMENT BANK

**European Fund for Strategic Investments**

**RATIONALES FOR THE DECISIONS TAKEN BY  
THE EFSI INVESTMENT COMMITTEE IN NOVEMBER 2019**

**EFSI Investment Committee**  
**11<sup>th</sup> November 2019**

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
	Mr.	Fabio PAMMOLLI
	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

## **Rationales for the decisions taken by the Investment Committee in November 2019**

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in November 2019.

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.

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The rationales of the Investment Committee to approve the availability of the EU guarantee for the following EIB operations in November 2019 are as follow:

### **TTTECH AUTONOMOUS DRIVING RDI (Austria, Spain)**

The IC approved the use of the EFSI guarantee for a proposal supporting RDI activities for the development of advanced driver-assistance systems (ADAS), as well as software based autonomous driving technologies. The outcomes of the project will contribute to the increased penetration of driver-assisted systems and autonomous vehicle technologies that shall improve road safety and protect road users, in addition to reducing traffic jams. The project will enable the borrower to retain its innovative edge and long-term competitiveness in the fast growing market and thereby contribute to Europe's R&D, competitiveness and economic growth helping maintain highly skilled staff engaged in innovation in the EU.

The financing of the project addresses a market failure by supporting RDI activities in new emerging and transformational technologies in the automotive industry. The significant positive knowledge and technology externalities that will be generated are hindered by a high risk in expected returns, in a complex market situation, moreover under a changing regulatory environment that may discourage investment activity. The EIB loan is expected to catalyse investments, contributing to mitigate this suboptimal investment situation. This first time financing provided by the EIB to the borrower with the support of EFSI, classified under the EIB Special Activities category, is expected to result in a quality stamp on the operation, increasing commercial banks' confidence in the promoter's long-term sustainability and its RDI strategy.

### **RESEAU LIAIN - TRES HAUT DEBIT AIN (France)**

The IC approved the use of the EFSI guarantee for a project related to the design, rollout and operation of an open access publicly owned fibre broadband network, mainly based on the very high speed Fibre To The Home (FTTH) technology in the Ain Department, France. The project addresses the “digital divide”, covering the 393 municipalities, helping to provide high-speed connectivity to remote rural and less densely populated areas, which are currently not adequately served. The operation contributes to the “Digital Agenda for Europe”, flagship initiative of the Europe 2020 strategy in reaching the objective of making broadband speeds available to everyone in the EU.

The proposal addresses a number of market failures related to the generation of positive network externalities by enabling more users to benefit from the access to information, digital services and better communications. Digitalization is expected to generate further externalities to other sectors of the economy, supporting innovation and competitiveness, including the productivity of SMEs, and better access to e-services by households. The operation will be classified under the EIB Special Activity risk category, due to the structure of the financing support and the limited budgetary capacity of the French public entities. EIB’s support to a first time borrower shall provide a quality stamp and increase the commercial lenders confidence and financial support for the project. Given the strategic importance of the operation, a loan from the French National Promotional Bank (CDC) is expected, as well as possible national, regional and EU grants for broadband access in rural and less densely populated municipalities.

### **ACTION LOGEMENT – ONV (France)**

The IC approved the use of the EFSI guarantee for a project that comprises the acquisition for renovation, significantly improving their energy efficiency, of around 32,000 existing social housing units. The operation pursues the additional objective of enabling French social housing companies to build around 80,000 new social housing units. The proceeds of the sale will increase their own funds, allowing for additional financial leverage. Approximately 50% of the operation is expected to contribute to EIB’s Climate Action objective, and 59% of the operation is expected to be deployed in Cohesion regions.

The operation addresses the market failures of insufficient investments into construction of new social housing in France, as well as the improvement of energy efficiency rated refurbishment of social housing, particularly in high demand areas for which there are long waiting lists. The decline in public financial support to the housing sector due to fiscal constraints cannot be fully compensated by the private sector. Despite the obvious need for long-term financing, financing on acceptable terms is not easy to obtain and the sector faces a sub-optimal investment situation. The operation is expected to fall under EIB special activities, and 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. The EIB’s quality stamp shall crowd-in additional private sector financing. The EIB has also provided the first time borrower with technical advice that included the promoter’s increased share of the housing units to be refurbished with improved energy efficiency.

### **PORTUGAL SOLID WASTE INVESTMENT PLAN (Portugal)**

The IC approved the use of the EFSI guarantee for a proposal supporting the promoter’s investment programme in solid waste infrastructure across Portugal, a Cohesion Country, mostly in less developed regions. The project aims at modernizing the promoter’s waste

treatment facilities and increasing its recycling capacity. The project contributes to achieving compliance with the EU regulation as per the Waste Framework and Landfill Directives and the Circular Economy package and Portugal's National Plan on Urban Waste Management. 55% of the operation is expected to contribute to EIB's Climate Action objective.

The operation will support investments in waste infrastructure, which generate positive externalities in the form of environmental protection, public health and renewable energy generation. The economic life of waste infrastructure is significantly longer than the tenor of loans that are typically available from commercial banks, thereby facing the borrower a sub-optimal investment situation, preventing it from deploying its investment plan at the scale and timeline that would be appropriate. The operation falls under the Special Activity category of the EIB, in particular taking into account the long tenor and the absence of a State guarantee. 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. The EIB's quality stamp on the project shall help crowding-in complementary financing from other sources. The operation is expected to benefit from ESIF grants.

### **KCM LEAD ZINC CAPACITY EXPANSION (Bulgaria)**

The Investment Committee approved the use of the EFSI guarantee for a proposal that will support investments into the production facilities of KCM group, a MidCap company of great economic but also social importance for its home region, and the only supplier of refined zinc and lead based on the Balkan peninsular. The investments replace and upgrade existing production facilities, using the borrower's proprietary process technology.

The investment programme will not only increase the production capacity of the borrower, thereby reducing production costs and safeguarding employment in a Cohesion region, but also increase the recycling capacity in the production process to up to 35%, which compares very favorably to international peers. This increased circularity improves the resource efficiency of the borrower, both in terms of raw materials and energy consumption, and improves the environmental footprint of the production.

Given the resulting reduction in Green House Gases and an expected CO2 savings of 13,000t per annum, 27% of the investment will directly benefit Climate Action.

The Investment Committee noted the Good score for the Quality and Soundness of the project and the important contribution to environmental protection and resource efficiency, for an activity with a traditionally large environmental footprint.

The proposed EIB financing with EFSI support will match and complement financing from private financiers and EBRD, catalyzing the start of project implementation in early 2020.

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.

### **EIB-CDC PLATFORM - CLEAN BUSES (France)**

The IC approved the use of the EFSI guarantee for a proposal structured under an Investment Platform with the French National Promotional Institution (NPBI) Caisse des Dépôts et Consignations (CDC), for Zero Emissions Bus Fleet renewal and the related charging infrastructure. The operation will support the purchase of e-buses and their associated infrastructure by public local authorities, with small and medium-sized cities

targeted as a priority. The project shall contribute to a significant reduction of CO<sub>2</sub> emissions, noise and other pollutant agents, in particular in city centres. The operation qualifies 100% under the EIB's Climate Action objective and 20% is expected to be deployed in Cohesion regions.

The Investment Platform addresses a number of market failures and sub-optimal investment situations related to development of low emission mobility in France, with a special focus on small and average-sized cities. Electric buses are competitive with diesel ones on a total cost of ownership basis, yet the barrier of high upfront cost is expected to persist into the next decade, as a result of which large bus fleets may not be quickly enough replaced by clean buses. The positive environmental externalities (reduction of transport emissions) generated by the underlying projects cannot be monetised by the market and the risk-return balance makes it difficult for private investors to intervene without the support of public institutions such as the EIB and CDC. The EIB participation with the support of EFSI in the co-investment vehicle will address the lack of long-term affordable financing in the sector and catalyse electric bus purchases by French local authorities. The operation will fall under EIB Special Activity risk category. The cooperation between EIB and CDC will have an important signalling effect, as it will provide comfort to other public and private investors in terms of the financial, economic as well as environmental sustainability of the sector.

#### **PANNONIA ONSHORE WIND (Austria)**

The IC approved the use of the EFSI guarantee for a proposal supporting the construction and operation of two wind farms in the province of Burgenland, in Austria. The project supports the expansion of the use or supply of renewable energy, contributing to reducing carbon and air pollution externalities, and therefore supporting the target of Climate Action. The operation addresses the objective of supporting less-developed regions and transition regions, as 100% of the operation will be deployed in a Cohesion region.

The operation addresses a market failure and suboptimal investment situation in the renewable energy sector related to the complexity and high risks in the electricity sector and the insufficient long-term funding available from commercial banks. The proposal addresses this market gap, contributing towards increasing security of energy supply by reducing dependency on energy imports. The project is expected to be classified under the EIB Special Activities category. In particular taking into account that the envisaged EIB financing with EFSI support will be a non-recourse project financing, which will present a longer tenor than other lenders, creating a further structural subordination. The support provided is expected to result in a quality stamp on the project, in order to crowd-in private sector financing and to increase the commercial banks confidence in the promoter's long-term sustainability. The EIB is expected to provide technical experience to a first time borrower in analysing and structuring the financing of this non-recourse project in the wind sector.

#### **IM2 SOLAR DEVELOPER FINANCE (Spain)**

The Investment Committee approved the availability of the EFSI guarantee for the proposal, which supports greenfield renewable energy investments of an independent developer for a portfolio of 15 new solar PV projects in Spain, which do not benefit from public support and are to operate under full merchant risk. The proposal responds to the persisting scarcity of equity capital for the development and construction of renewable

energy assets, while institutional investors still prefer operational assets that are already generating cash flows.

The proposal supports an innovative approach of leveraging the capacity of an independent developer to make significant equity contributions to renewable energy projects not benefitting from public support schemes and operate as merchant plants under full price risk. Such projects are inherently riskier than prior generations of renewable energy and not yet sufficiently supported by mainstream investors to achieve the European Energy Policy targets for 2020, 2030 and beyond.

At full deployment the underlying investments at project level are expected to amount to EUR 185mn and provide 382 GWh of renewable energy per annum, covering the energy requirements of approximately 101,000 households. The proposed investment therefore supports the Climate Action target in its entirety.

The Investment Committee welcomed the focus on greenfield renewable energy projects without public support mechanisms, helping to mainstream such investments going forward. It noted the High 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, as well as the 95% of underlying investments directly benefitting 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.

#### **INFRAGREEN IV SLP (Regional – EU Countries, [...])**

The Investment Committee approved the availability of the EFSI guarantee for the proposal, which supports greenfield renewable energy investments especially [...] developers and independent power producers. It responds to the persisting scarcity of equity capital for the development and construction of renewable energy assets, while institutional investors still prefer operational assets that are already generating cash flows.

The fund proposal supports renewable energy projects that are not benefitting from public support schemes and operate as merchant plants under full price risk, or partially hedged via private Power Purchase Agreement. Such projects are inherently riskier than prior generations of renewable energy and not yet sufficiently supported by mainstream investors to achieve the European Energy Policy targets for 2020, 2030 and beyond.

At full deployment the underlying investments at project level are expected to amount to EUR 2.25bn and provide 2,800 GWh of renewable energy per annum, covering the energy requirements of approximately 750,000 households, and yielding a CO<sub>2</sub> saving of up to 1,200kt/annum. The proposed investment therefore supports the Climate Action target in its entirety.

The Investment Committee welcomed the focus on greenfield renewable energy projects that operate without public support mechanisms and help to mainstream such investments going forward. It noted the High 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.

## **QUAERO EUROPEAN INFRASTRUCTURE II FUND** **(Regional – EU Countries, France)**

The Investment Committee approved the use of the EFSI guarantee for the proposed investment into Quaero II, a generalist infrastructure fund targeting greenfield investments into transport, renewable energy, water, social infrastructure and telecommunications projects across the EU. It aims at small-to medium size underlying projects that are often neglected by the larger infrastructure funds, and responds to the market development by which increasingly larger equity shares are needed to facilitate viable projects with increasing exposure to market risk, due to the gradual reduction of public support schemes.

The fund is a successor to the previous Quaero I, extending both the geographical distribution of the investments and widening the investor base beyond the traditional home market of France. Based on the existing pipeline, the proposal is expected to mobilise EFSI eligible investment on the ground exceeding EUR 1.1bn, of which 45% directly benefitting Climate Action and 20% in Cohesion regions. The fund's investment into renewable energy are expected to yield CO2 savings of up to 370kT/annum.

The investment Committee recognized the results of the predecessor fund, one of the first infrastructure funds under the Infrastructure and Innovation Window, which has exceeded both the amount of private capital raised and the expected eligible Investment Mobilised at the time of its approval. The Investment Committee also noted the Good score on the Quality and Soundness of the current proposal and welcomed the targeted increased geographical diversification of the current fund.

The proposal falls under the Special Activities classification of the Bank's Statute, which is a strong indicator of additionality as per the EFSI Regulation.

## **GAGEO I FUND (France, Regional – EU Countries)**

The Investment Committee approved the use of the EFSI guarantee for the proposed investment into the first fund aiming to provide secured long-term working capital financing to SMEs and Midcaps that are constrained in their access to traditional bank financing. The Investment Committee also approved the designation of the proposal as an EFSI Investment Platform.

The proposal is a private initiative to introduce financing based on the “possessory pledge” concept of French law applied to inventory and to a lesser extend equipment. It can provide an important alternative source of financing for long-term working capital needs of SMEs and MidCaps which are otherwise constrained as the outgrow the availability of unsecured bank financing or are undergoing restructuring or turnaround plans. None of the final beneficiaries are to constitute “undertakings in difficulty” as defined in applicable EC Regulation.

The Investment Committee recognised the anticipated deep involvement of BPI both as another anchor investor and via hands-on support to the first time fund management team. Together with the proposed EFSI intervention, this is expected to lead to a financial closing at a viable fund size for the proposal, which is so far delayed, as especially private investors are reluctant to invest into this new fund model.

As an indirect equity investment, the proposal falls under the Special Activities classification of the Bank's Statute, which is a strong indicator of additionality as per the EFSI Regulation.



### **VENTURE TO FUTURE FUND (Slovakia)**

The Investment Committee approved the use of the EFSI guarantee for the proposed investment into a captive fund of the Slovak National Promotional Bank SIH, aiming to alleviate the absence of growth- and expansion financing for small, early stage and innovative companies in the country. It also approved its designation as an Investment Platform as per the EFSI Regulation.

The initiative will provide crucial risk capital in the form of equity or quasi-equity instruments to the target SMEs, and systematically crowd-in additional private sector financing by matching co-investments from VC funds active in the wider region. The proposal leverages contributions from resources of the Slovak state and the National Development Fund with EFSI support, towards achieving a viable funds size that will allow for the start of investment activities. The Investment Committee recognized the positive ancillary effect of the proposal for the development of the national capital market and the Capital Markets Union.

The Investment Committee welcomed the close cooperation of EIB with the SIH group, beyond its participation as a cornerstone investor, including the practical support provided in the preparation in the funds legal documentation. The propagation of best practices in the fund industry makes it possible for private investors to also participate in the proposal, either at its intended first closing or subsequently.

The proposal falls under the Special Activities classification of the Bank's Statute, which is a strong indicator of additionality in the EFSI regulation.

### **AGRICULTURE AND BIOECONOMY II PROGRAM LOAN (Regional - EU Countries)**

The IC approved the use of the EFSI guarantee for a proposal supporting investments by companies and cooperatives active in the agriculture and bioeconomy sectors in the EU countries. In line with the EFSI objective of supporting projects related to sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider bioeconomy, the project's targeted agriculture and bioeconomy sectors are key contributors to economic growth, mostly in the rural and peripheral regions. Smart and sustainable management of bio-based value chains plays a vital role in food security, healthy diets and resilience to climate change, critical for greening the economy. Around 20% of the investments under the project will contribute to climate action.

The agriculture and bioeconomy sectors are particularly characterised by their granularity (dominated by small and medium enterprises) and higher risk perception by the financial markets. The proposed Programme Loan addresses the market failure and sub-optimal investment situations related to the limited availability of long-term financing and alternative funding sources in those sectors, which are additionally subject to the volatility in commodity prices and are also highly impacted by adverse climate change events such as flooding, fires, drought, etc. This results in high uncertainty for investors and constrains access to finance. The sub-operations are expected to fall under the EIB's Special Activities category, and 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. The operation will provide long term financing and a quality stamp on each project, which is expected to crowd-in private sector financing. Most of the borrowers are expected to be new clients of the EIB.

### **VIENNA SCHOOL PPP ATZGERSDORF & DEUTSCHORDENST (Austria)**

The IC approved the use of the EFSI guarantee for a proposal to support the design, construction, financing, operation and maintenance of two school buildings in the South

and West of Vienna (Austria) under a Public Private Partnership (“PPP”) Availability Scheme. The Project forms part of the City of Vienna’s 2012-2023 education facility construction programme to meet the increasing demand for schooling due to robust population growth in an innovative way, providing nursery and day care services, pre-primary and primary education and leisure activities in a close geographic vicinity. In addition, as the new constructions will follow high standards in terms of energy efficiency and construction materials, which are above the minimum legal requirements, the project will also contribute to Climate Action goals.

The finances of municipalities and cities are under pressure. Available funds are often insufficient for what the expansion and upgrade of the school infrastructure requires. If financed purely from its budget, the City of Vienna could not keep up with the demographic development and the respective need for new schools to the same extent and within the same timeframe. The project, which is procured under a PPP scheme, would contribute to the implementation of the ambitious plan of City of Vienna to invest in educational infrastructure with accelerated timetable and less straining to the public finances, which would otherwise constrain the project implementation.

With the support of EFSI, EIB helps to accelerate the investments in the school estate. The EIB will be able to offer financing with a maturity, which matches the economic life of the project. Such financing is currently not readily available from commercial sources, which results in a suboptimal investment situation for the promoters.

#### **ACSM-AGAM ENERGY EFFICIENCY & CLIMATE ACTION (Italy)**

The IC approved the use of the EFSI guarantee for a proposal that will support the 2019-2023 investment programme of ACSM-AGAM, a local Midcap multi-utility operator in Italy, in several sectors. Investments are targeted in the integrated water, solid waste, electricity distribution, district heating and IT and cyber security sectors and in public lighting and smart city/energy savings schemes. The programme will reduce negative externalities, such as water losses, CO2 emissions or pollutants harmful to the environment. As such, 70% of the operation is expected to contribute to the EIB’s Climate Action objective.

The project will also foster the growth of a small mid-cap company and increase competition in a sector dominated by large utilities. As a key source of employment in the local area, it will further support economic opportunities for the population and local businesses.

The project will contribute to fill large investment gaps identified in Italy between current investment trends and the investment required to meet national and EU long-term climate, energy, and sustainability goals and will address a chronic underfunding in Italy’s utility infrastructure.

The envisaged EIB financing under EFSI will be an unsecured loan, which will present a longer tenor than other lenders can provide, and will further crowd-in other third-party financiers. In a context of high investment needs and a shortage of long-term lenders, the IC acknowledged that the absence of the EIB would lead to substantial delays or downsizing of ACSM-AGAM’s investment plan. Without EFSI, the Bank would not be able to support the operation, or not to the same extent.

Wilhelm MOLTERER  
Managing Director