



## EUROPEAN INVESTMENT BANK

### **European Fund for Strategic Investments**

**RATIONALES FOR THE DECISIONS TAKEN BY  
THE EFSI INVESTMENT COMMITTEE IN FEBRUARY 2020**

**EFSI Investment Committee**  
**3<sup>rd</sup> February 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 DUBOVSKE 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 February 2020

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

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

### **GERMAN ROLLING STOCK - FRANKEN-SUEDTHUERINGEN PPP (Germany)**

The IC approved the use of the EFSI guarantee for a proposal supporting the financing of new, electric multiple train units, for providing services under a public transport contract on the network of several lines in the region of Franken and the south of Thüringen, in Germany. The project is in line with the EFSI objective of developing transport infrastructures and equipment and innovative technologies for transport, and fully qualifies under the EIB Climate Action objectives. Part of the tendered network lines are included in the EU TEN-T railway infrastructure. Through more efficient, increased comfort and reliable operations, attracting new passengers, the operation contributes to the modal shift from road to rail. It shall result in reduced greenhouse gas emissions, and contribute to improving accessibility of jobs, education and basic services, ensuring regional integration.

The operation addresses a market failure in the sector related to negative transport externalities in terms of energy consumption and pollution, by supporting the shift of traffic to more sustainable transport modes. The operation also supports the development of competition in a sector with high entry barriers for new operators. The proposal is aligned with the EU wide on-going liberalisation process, where competitive tendering of public transport service contracts should become the norm. The project will be structured and secured as a non-recourse or limited recourse leasing project finance transaction, especially during the manufacturing phase of the units, and is expected to fall under the EIB Special Activities category. 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 participation will signal the economic and long-term financial viability of the project, and is expected to crowd-in private sector financing.

### **MYTILINEOS SA - AGIOS NIKOLAOS POWER PLANT (Greece)**

The Investment Committee approved the availability of the EFSI guarantee for the proposed financing of a state-of-the art combined cycle gas turbine (CCGT) power plant in a Cohesion region in central Greece.

The new generation capacity to be financed will be the most efficient in Greece, and provide base-load electricity generation that is crucial to maintain security of power supply in the country over the next decade, supporting an electricity system that is increasingly incorporating intermittent renewable energy sources. Even before the publicly announced decommissioning of 4GW of lignite based generation capacity by 2028 at the latest, the official Generation Adequacy Study highlights that the firm capacity (i.e. from non-intermittent sources) is likely insufficient to cover peak demand over the next decade, as the Greek economy gradually recovers and additional islands are scheduled to be connected to the national grid.

The IC approved the EFSI guarantee for the project based on the fact that it is considered by the Bank under a transition arrangement for fossil fuel projects and results in a strong CO<sub>2</sub> emission reduction. At full capacity the proposed CCGT plant will achieve relative CO<sub>2</sub> reductions of 1,000kt per annum, compared to the current national energy mix.

The Investment Committee welcomed investment into the national electricity system by a private company, which is the largest independent power producer in the country, where the state owned incumbent still operates ~80% of the installed capacity. The proposed investment is acknowledged to be crucial for the security of the electricity supply and also conducive to the transition of the Greek energy market towards the EU Target Model by 2020. The Investment Committee acknowledged the complementarity of the EIB financing to other sources of funding available to the promoter, including its first externally rated Eurobond issued in November 2019 and due in 2024, which is expected to part-fund the project. It recognised the important aspect of certainty and stability of financing over the project life provided by the proposal.

Given the long tenor of the unsecured financing, which is still not available from national or international financiers for Greek corporates, the financing would not be possible to the extend required without the availability of the EFSI guarantee. 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.

### **SELECTIVE EUROPEAN TRANSPORTATION EQUIPMENT FUND (Regional – EU countries)**

The IC approved the use of the EFSI guarantee for providing equity support to an investment vehicle, with the exclusive target of acquiring freight wagons and river barges, to be ultimately leased, mostly in the EU. The operation contributes to the development of a low-carbon transportation facility to connect European countries, with a climate action contribution estimated at 60%. The operation has a strong cross border content, as both the river barges and the freight railcars financed by the operation will be leased to entities in various EU countries and will travel extensively cross-border. The operation contributes to job creation and growth, supporting less-developed regions and transition regions, as part of the fleet is expected to be deployed in Cohesion regions.

The operation addresses market failures linked to the underinvestment in the EU transport infrastructure sector, by mobilising missing long-term financing required to invest in asset types, such as freight rail rolling stock and river barges, on which it becomes more challenging to attract private funding due to their specialised and complex nature. Emitting less CO<sub>2</sub> emissions than other modes of transport, freight transport via

rail and waterways offer a huge modal shift potential to road, mostly over long distances. The underlying investments will be exposed to demand, regulatory, and niche nature market risks, increasing the impact of the sub-optimal investment situation. The operation falls under EIB Special Activities, and the EIB would not be able to provide such type of financing support, to a first time borrower, during the period in which the EU guarantee can be used, or not to the same extent, without EFSI. The EFSI-supported investment is expected to send a strong signal to crowd-in additional infrastructure investors, assisting to raise the necessary private investment share.

#### **AGRICOVER II LOAN FOR SMES (Romania)**

The Investment Committee approved the use of the EFSI guarantee for the proposed financing intermediated financing for the benefit of agricultural SMEs and Midcaps in Romania. While the sector is of great economic importance to the national economy, especially small to medium sizes farms face acute difficulties to raise investment financing from commercial banks.

The proposal support new lending to the sector by a dedicated intermediary, and is a follow-on from successful first operation with EFSI support approved in 2016. The intermediary will extend new loans amounting to at least 2x the EFSI amount, of which 90% in Cohesion regions and a minimum of 10% dedicated to young farmers (up to the age of 40). Based on the experiences of the predecessor project, it is expected that the EUR 15m intervention will support close to 90 farms with a combined 915 employees.

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.

Wilhelm MOLTERER  
Managing Director