



EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

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

EFSI Investment Committee
13th of May 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
<u>Absent:</u>	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 May 2019

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in May 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 May 2019 are as follow:

NORTHVOLT ETT - LARGE SCALE BATTERY PLANT (Sweden)

The Investment Committee approved the availability for the proposal, which provides support on project finance basis to the first large scale plant in Europe for advanced battery cells to be employed in e-mobility and emerging local storage for intermittent renewable energy.

Building a European-based advanced battery cell industry is a prerequisite to the objectives of the European Energy Union Strategy and especially the de-carbonisation of transport. As yet, Europe is entirely dependent on overseas production of battery cells to achieve vehicle fleet emissions targets and retain competitiveness in the rapidly changing global car industry.

The project employs breakthrough technologies in advanced manufacturing and automated processes, which are Key Enabling Technologies also for the wider European manufacturing base, in order to catch up with international competitors that already have years of experience in the battery cell production. It is innovative in a number of dimensions: in the underlying technology that is employed to achieve competitiveness in rapidly evolving industry; in the final products that will have to exceed performance requirements beyond what is state-of-the art; in the use of a project financing structure to realise the required financing volumes with market instruments, where the project cash flows cannot completely be de-risked despite a comprehensive, long-term and very complex contractual support structure covering implementation, feedstock and offtake of the final product. EIB's engagement already from early stage has been instrumental in the structuring and preparation of the proposal to the current stage.

Given the resulting risk profile of the proposal, which is first of its kind both in content and financing structure, the Bank's commitment as an anchor lender is deemed indispensable to successfully close the required volumes of additional debt and equity, and would not be possible without EFSI support.

The Investment Committee acknowledged the importance of the project for EU policy targets as reflected in the High Score of the first Pillar of the Scoreboard. Based on the start-up nature of the promoter and the riskiness of the industry it welcomed the EIB's crucial contribution to the preparation of the project in order to reach a bankable structure that is further expected to crowd-in private debt and equity.

PROGRAMME LOAN HEATING SECTOR IN SLOVAKIA (Slovakia)

The IC approved the use of the EFSI guarantee for a programme loan for local utility companies, operating in the district heating sector. The Programme will target construction of generation assets based on biomass, gas and waste and it will reduce CO2 and other pollutants emissions by replacing individual coal-fired heating boilers in residential and public buildings with centralised heat generation and by modernising heat generation assets.

Slovakia's district heating network needs significant investments to increase in new co-generation capacity, reduce dependency on coal, and promote energy efficient distribution. Hence, the proposed operation addresses a sub-optimal investment situation when it comes to financing much-needed investments by small and mid-size utility providers.

The project is in line with the EU and EFSI energy policy objectives of energy efficiency and energy savings by improving the environmental impact of district heating in Slovakia (in particular by reducing the dependency on coal). This PL will therefore make an important contribution to Climate Change mitigation policies (80% Climate Action). Additionally, all of the investments will take place in Cohesion regions.

In addition, the EIB will offer the support of the European Investment Advisory Hub to the potential promoters in order to help them structure their projects to facilitate financial close and accelerate implementation.

FONDS TOURISME OCCITANIE (France)

The Investment Committee approved the use of the EFSI guarantee for a proposal supporting investments to modernise tourism facilities in the French Region of Occitanie. The project's activities are expected to contribute to strengthening the development of a key sector in the local economy, generating positive externalities and increasing the attractiveness of the region as a tourism destination. By way of an Investment Platform, set up and sponsored by the Regional authority, the final beneficiaries will be public and private initiatives (mostly SMEs) covering the full range of activities across the region's tourism value chain. Investments will target obsolete infrastructures for their upgrade and modernisation, including museums and cultural facilities, as well as refurbishment of agro-tourism, accommodation and restauration facilities, or investments in the area of sustainable mobility (e.g. cycling lanes, electric bikes). The supported investments are likely to entail positive environmental externalities in terms of energy savings and CO2 emissions, and will partly address the objective of supporting less-developed regions and transition regions, as circa 38% of the operation is expected to be deployed in a Cohesion area, thus helping to reduce EU regional disparities.

The operation tackles a market failure represented by the limited access to finance for public and private promoters operating in the tourism sector. As a frequent cause for underinvestment, touristic projects have difficulties in accessing adequate financing. In particular due to their long-term nature, the lack of public coordinated resources with private investments, and a frequent mismatch between the level of risk and the risk appetite of commercial investors and lenders for providing provide loans at conditions

that are acceptable and sustainable. To compensate this sub-optimal investment situation, the EIB's funding, combined with public resources will contribute to catalyse additional private investment and traditional bank financing, which will be attracted as complementary funding sources. Without EFSI backup, the EIB would not be able to provide such type of financial support or not to the same extent. Additionally, the EIB has provided advice on structuring the investment platform, including the establishment of an environmental and social impact assessment and monitoring system, to be applied to each of the proposed projects. The IC has also approved the operation as an Investment Platform under EFSI.

Wilhelm MOLTERER
Managing Director