



EIB Energy Lending outside the EU

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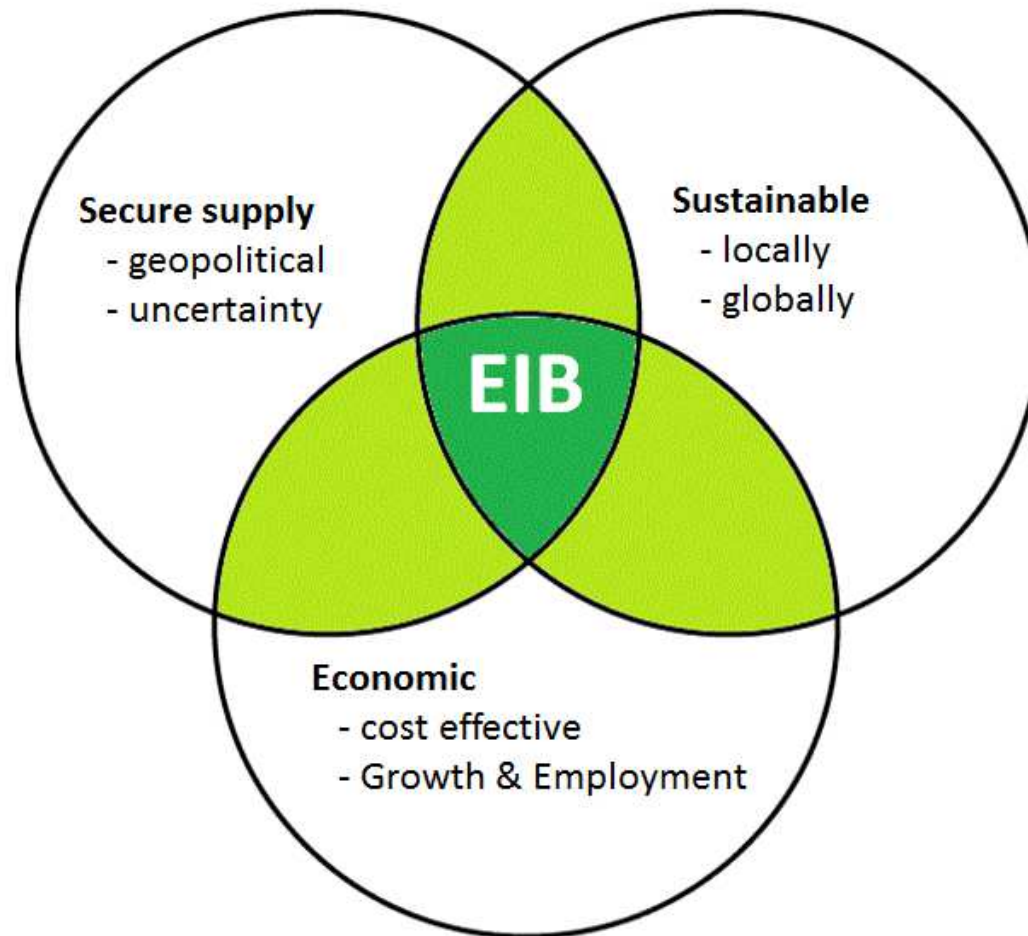


1. EIB and Energy: Overview

2. Projects

3. Private Sector Involvement: Obstacles and Solutions

3 Pillars of Energy Policy



Lending Priorities:

- Renewable Energy
- Energy Efficiency
- Security of Energy Supply
- RDI – Research, Development & Innovation
- Outside EU - External Energy Security and Economic Development

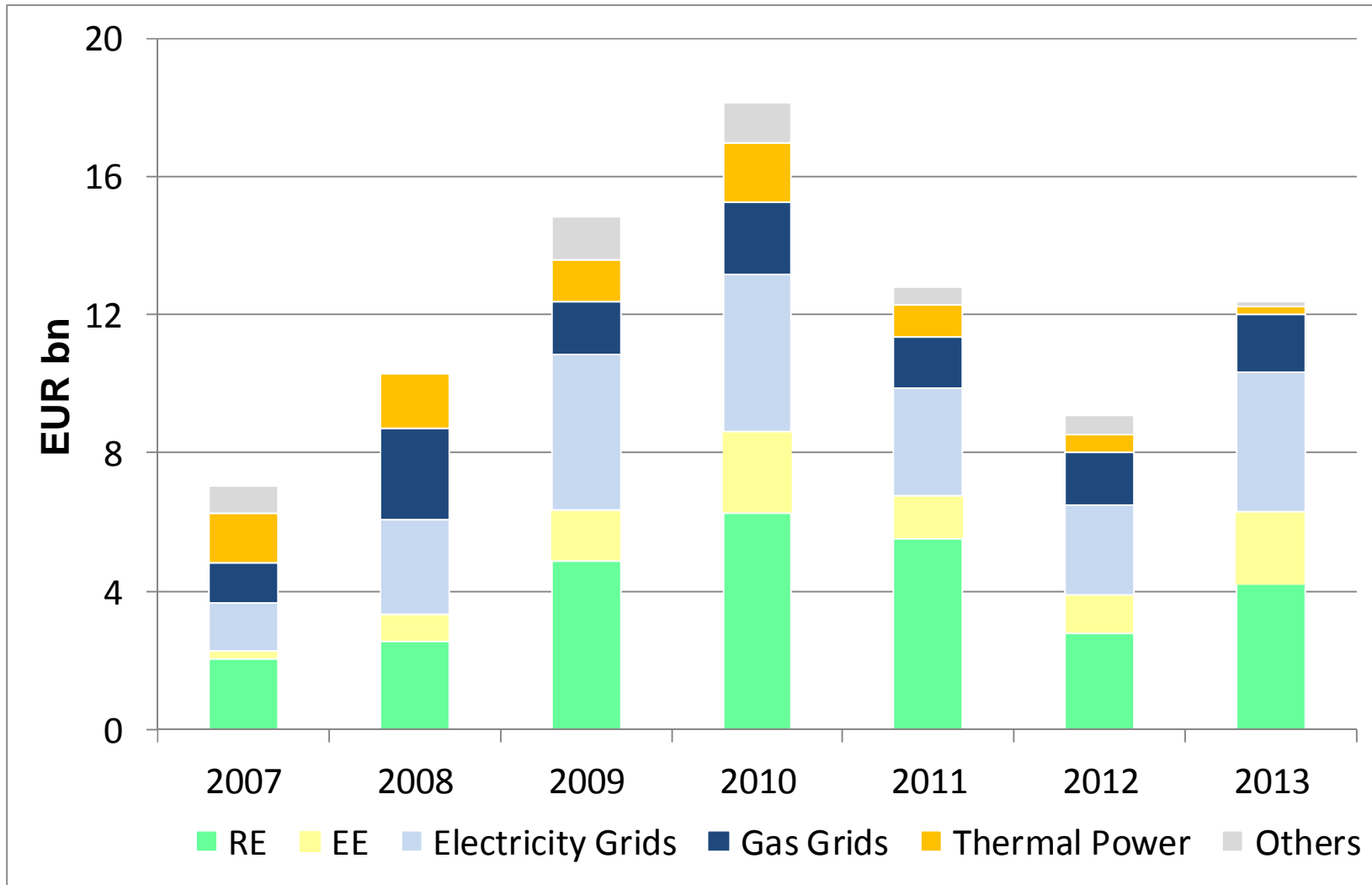
- ✓ **Broad energy sector approach is required:**
 - large regional projects as well as small(er) national and local; both public and private; generation, transmission and distribution;

- ✓ **EIB as part of an EU response:**
 - making use of existing, proven instruments and the scope offered by blending grant-loan resources;

 - using innovative products to leverage more private sector investments.

EIB Energy Lending by Sector

2007-2013 Signatures



2. Projects

Project screening :

Consistency with EU policy objectives and EIB lending priorities

- + Technical and economic viability including economic cost of carbon
- + Assessment of risk and financial viability
- + Compliance with environmental, social and procurement legislation
- + Outside EU: Measurable development results \Rightarrow **ReM**

Lake Turkana Wind Project

Key Figures:

Capacity: 300 MW
 Total costs: €625 m
 EU-AITF contribution: €25 m

Investors & Financiers:

Equity

- KPP Africa
- Aldwych Int'l (PAIDF/FMO)
- Norfund
- IFU
- Vestas Wind Systems A/S
- Finnfund

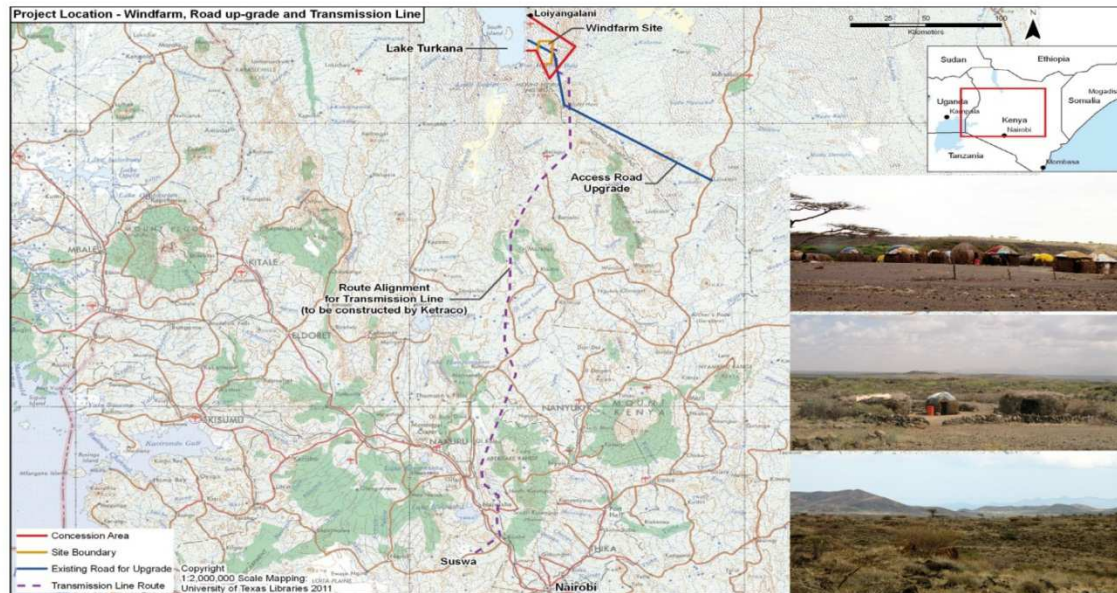
Sub-Debt

- DEG
- AfDB
- PTA Bank
- EADB

Senior-Debt

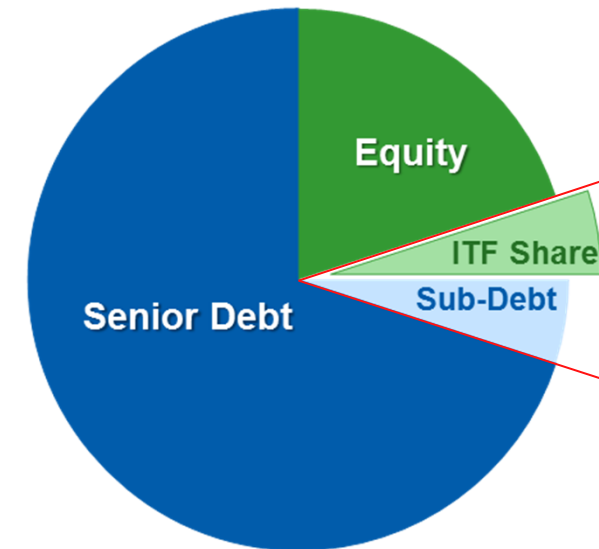
- AfDB
- EIB
- EKF
- FMO
- Proparco
- PTA Bank

Project: LAKE TURKANA WIND POWER - Kenya



N° 20090484

- Lake Turkana Wind Farm
 - Over 300MW installed capacity and a net capacity factor above 50%
 - The largest wind farm that is currently being developed in Sub-Saharan Africa
- A financing gap appeared in the final stages of project preparation
- Fixed PPA tariff => unfeasible to increase equity financing because of dilution effects
- Not enough Sub-Debt was available in the market to close the financing gap
- EU-Africa ITF (EDF) agreed to provide a capital participation in the form of a preference share to cover the gap
- The revenues generated by the ITF Preference Share will feed back to the SE4All ITF for use for further SE4All support (such as to support rural electrification projects in Kenya)



Global Energy Efficiency and Renewable Energy Fund (GEEREF)

Objective

To provide **equity funding** for funds that invest in private, small/medium RE and EE projects

- Triple bottom line approach: “People Planet Profit”

Means and Structure

- Funds of funds (€112 m) domiciled in Luxembourg
- Investors: EU, Germany and Norway

Geographical coverage

- Africa
- Asia
- Latin America

Example: modernisation of GTS in Ukraine



•Ouarzazate solar power plant



- Solar power plant in Morocco with an initial capacity of 125-160 MW to reduce dependence on energy imports and avoid the generation of **at least 250 000 tons of CO²**.

•Ouarzazate solar power plant

- Part of the **Moroccan Solar Plan**. If fully developed (**2GW target capacity**), the largest solar power plant in North Africa.
- Project promoter is the **Moroccan Agency for Solar Energy (MASEN)**.
- Independent power producer (IPP) to implement the project was selected by MASEN through competitive bidding.
- The **NIF direct investment grant** to bring down the cost of electricity during the initial stage of the project.
- Total project volume: approximately **EUR 807 million**
- Grant contribution: **EUR 30 million**

SE4ALL: EU-EDFI Private Sector Development Facility (EEDF)

- to enable EIB and EDFIs **to finance riskier projects** and thus engage with private project developers and other financiers
- Builds on two existing initiatives: European Financing Partners (EFP) and Interact Climate Change Facility (ICCF)
- Combines EU funds (EUR 45m), in form of **pro-rata guarantee**, with resources from EFP or ICCF
- Some **TA and early stage development** (EUR 5m) to prepare riskier projects with high developmental impact and ensure bankability

SE4ALL: EU-AITF - Africa Energy Guarantee Fund

Background

- Private sector is exposed to important risks in financing energy projects in developing countries that are outside their own control.
- Delays are common due to the need to find proper risk mitigation cover.

Objective

- To provide risk mitigation and credit enhancement guarantees for private investors, complementing existing instruments in the market
- Targeted at sub-Saharan Africa and Mediterranean
- To unlock capacity from private insurance market through co-& reinsurance

Means

- Various types of guarantees envisaged, ranging from PRI to credit guarantees and comprehensive guarantees
- **EUR 1 million from EU-AITF for concept development**
- Request for first loss contribution from EU-AITF

3. Obstacles and Solutions

Obstacles for increased private sector involvement

- ✓ Lack of institutional capacity at government level to develop and launch PPPs
- ✓ Political uncertainties & need for short term wins
- ✓ Affordability and return requirements of the private sector
- ✓ Regulatory uncertainty and utility weakness
- ✓ High political and country risks and insufficient instruments to cover these risks
- ✓ Role of governments to protect investors unclear
- ✓ Insufficient local capacity: inexperience of developers and local banks, lack of equity and long-term debt

Areas for future development

- ✓ Technical Assistance for institution building (set up PPP units), assist governments to develop the regulatory frameworks and in creating bankable deals
- ✓ Blending: use grants to ease the impact on tariff directly or indirectly, to lower the risks thus reducing equity return requirements, or to subsidise access to energy and enhance affordability
- ✓ Innovative approaches: risk sharing, guarantees, equity funds, mezzanine funds