



The EU Bank supporting Green Investment and Sustainable Finance

Climate Action Economic Opportunities –
Local Authorities Supporting Enterprise Conference

Cormac Murphy, October 12, 2021

The European Investment Bank Group



The EU bank:

- Established in 1958
- Shareholders are the EU Member States – the EU bank
- Around 90% of lending within the EU

World's largest International Financial Institution:

- Largest multilateral lender and capital markets borrower
- Leading provider of climate finance
- Headquartered in Luxembourg with 50 local offices
- Around 3,400 staff
- EIF subsidiary – venture capital and SME guarantee arm of EIB Group

Lending
volume
around
EUR65bn per
year.

EIF equity
and
guarantees
Around
EUR13bn

Solid credit fundamentals:

- AAA-rated by the three major rating agencies
- Favourable borrowing conditions passed on to clients

Key lending priorities (2020 levels of investments – EIB Group):



ENVIRONMENT
EUR 16.8bn



INFRASTRUCTURE
EUR 15.0bn



INNOVATION
EUR 14.4bn



SMEs
EUR 30.6bn



EIB lending to Ireland is around **EUR 1 billion annually**.

EIB supports investment across the public and private sectors – in public transport, energy, housing, education and health as well to private companies for innovation and growth.

Recent operations with **local authorities** includes loan to Limerick, Fingal and Cork County and technical support to Sligo in the development of a smart sustainable development plan.

EIB activity is guided both by EU and **national priorities**, demands such as Brexit/COVID19 and the long term investment needs of Ireland such as climate action, health and housing and regional development etc.

EIB actively engages with the Irish authorities on **policy initiatives** including SME loan guarantee schemes in response to Brexit/COVID19, the development of national residential energy efficiency retrofit co-financing, national affordable housing, equity funding etc.

Upstream, the Bank provides **technical assistance** on larger infrastructure projects and to local authorities and the private sector.



Green Deal

The EU aims to be **climate neutral in 2050**. Reaching this target will require action by all sectors of our economy

New legislation on the circular economy, **building renovation**, biodiversity, farming and innovation

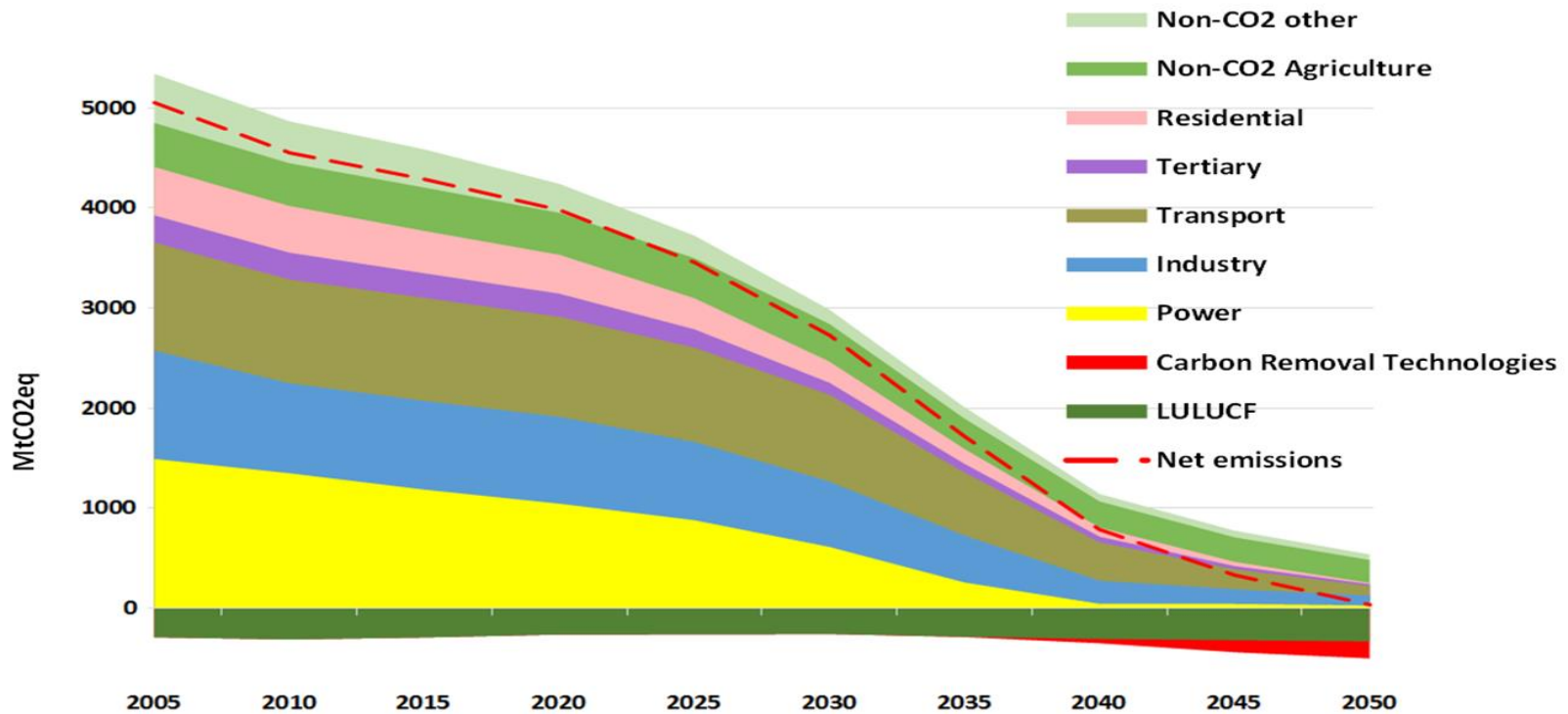
Recovery and Resilience

The €750 billion European recovery package (Next Generation EU) comes on top of the €1 trillion EU budget and targets a green and digital recovery

This focus on a green and digital recovery has been called “building back better”



Transition to net-zero – an illustration of how all sectors will be affected





Minding the investment gap



Within the EU, a minimum of an extra €350 billion of investment per year over the next critical decade.

To meet EU climate targets and beyond we need:

- ✓ Abundant low-cost renewable power
- ✓ Electrified transport and heating sectors
- ✓ A second low-carbon energy carrier (green hydrogen?)
- ✓ Higher energy efficiency
- ✓ Decarbonisation of industry through application of low-carbon technologies
- ✓ Investment in climate adaptation and resilience.





The EIB has announced it will be the EU Climate Bank



From the start of 2021, all new EIB Group operations will be aligned with the Paris Agreement



EIB stops supporting traditional fossil fuel energy projects by end of 2021



More than 50% of EIB financing should go to climate action and environmental sustainability by 2025



EIB Group to support €1 trillion in investment for climate action and environmental sustainability by 2030



EIB Support for Climate Action in Ireland



In line with EU objectives, the EIB strongly supports the Climate Action Plan for a radical reduction in emissions in order to be on a trajectory to be *net zero by 2050*.

This includes support for:-

- Improving energy efficiency of housing, public and private buildings
- Public transport
- Local and urban regeneration with an emphasis on sustainability
- Flood protection
- Renewables
- Forestry sector, peatlands rehabilitation and decarbonisation of agriculture including development of carbon market

The Bank will also support investment in digital transformation and infrastructure that will contribute to this.



Future co-operation with local authorities



EIB commitment to scale up support for climate action by working with government and local authorities

Local authorities are key strategic partners who can bundle and scale up local climate action and sustainability investments.

While lending is subject to limits of individual authorities and central government approval of borrowings, EIB can help complement other sources.

EIB also offers technical assistance and sharing of best-practice that can help accelerate climate action.



Recent experience with local authorities/regional development



- EIB has provided long term funding to Cork County Council, Fingal and Limerick, in recent years.
- This has been through a mix of large investment loans for particular projects and framework loans that bring together different projects and cater for smaller investments
- It is also providing technical assistance to Sligo County Council on developing a smart sustainable development plan that is hoped to be a template for other Smart City-Region development plans nationally.



EIB financing products and examples



Product	Characteristics	Example
Investment Loan	Direct loan to a region/city for a single smart urban investment project	ROUEN ECO-QUARTIERS FLAUBERT-LUCILINE (FR)
Direct Framework Loan	Loan to a region/city for a smart urban investment programme	KRAKOW INTELLIGENT AND SUSTAINABLE DEVELOPMENT (PL)
Intermediated Framework Loan	Dedicated multi-beneficiary loan to a financial intermediary targeting smart urban investments	BELFIUS SMART CITIES CLIMATE & CIRCULAR ECONOMY (BE)
Equity Investment	Investment in a private equity smart urban infrastructure investment fund	GINKGO FUND (BE, FR)
Investment Platforms	Under the European Fund for Strategic Investments (EFSI), combination of EIB financing with other public and private financing for investment in a portfolio of smart projects	SMART CITIES INVESTMENT PLATFORM STUDY IN SLOVAKIA



Framework loans to local authorities - Project size categories



Projects < EUR 25m

- Reviewed by EIB on the basis of an allocation table;
- EIB reviews and approves after disbursement

Projects between EUR 25m and 50m

- Reviewed on the basis of a project fiche;
- EIB reviews and approves before disbursement;
- EIB can request further information

Projects > EUR 50m

- full scale EIB project appraisal and approval needed before disbursement
- separate questionnaire and appraisal requirements
- separate site visit, specific EIB project team



Typical investments under a Framework Loan



Eligible sectors:

1. Public Transport,
2. Environment (water, waste),
3. Urban revitalisation,
4. Social Housing, Health,
5. Education, Culture,
6. Sports Facilities (for public use),
7. Energy (e.g.: thermomodernisation),
8. Urban Asset Management including Parks.
9. Possible other.

Jaspers Example: Smart Sligo 2030 Pilot Project



- Objective:
 - (1) Smart Sligo 2030 Pilot
 - (2) Nat./Reg. Smart City-Region Investment Programme (ESIF)
- Challenge: Enable balanced development of Ireland by reinforcing strategic towns and rural communities outside Dublin (Project Ireland 2040)
- JASPERS advising
 - On development of methodology of the smart “Sligo 2030” strategy
 - preparation of a smart city-region investment programme



- JASPERS added value: Advice on development of methodology to develop smart strategy, incl. smart spatial planning



APPENDICES



Limerick 2030 Regeneration Programme



- EUR 85 m Investment Loan to part-finance Project Opera, part of the Limerick City and County Council (LCCC) 2030 programme.
- The project aims to create 2,300 new work places in the centre of Limerick (offices, retail and cultural space) through the regeneration of presently vacant and dilapidated property.
- Economic development is the key objective of the project with LCCC acting as a first-mover in supporting future economic activity aimed at generating employment opportunities.
- The EIB loan contributes to the diversification and extension of the council's financing sources and will contribute to accelerate the implementation of the programme.
- The project is co-financed by the Council of Europe Bank ("CEB").
- 25 year tenor and a utilisation period of up to 5 years with the interest rate being set for each draw-down. Hence no interest being charged on the unutilised portion of the loan facility.



Fingal County Council Investment Programme



- EUR 70 m EIB Framework loan to part-finance Fingal County Council's multi-year multi-sector investment programme originated under their 2017-2023 Development Plan. The is intended to help improve the infrastructure of the county to cope with pressures associated with the fast-growing population as well as building on the county's attractive position for jobs and development of the local economy.
- The EIB financing focuses on investments in culture, heritage and tourism, environment and urban economic development infrastructure. Investments in road safety/sustainable mobility as well as small urban development schemes are also foreseen.
- 25 year tenor and a utilisation period of up to 5 years with the interest rate being set for each draw-down.



Cork County Council Investment Programme



- This multi-sector Framework Loan part finances the implementation of Cork County Council's multi-annual multi-sector investment Capital Investment Programme.
- The Project chiefly aims to address integrated urban development of the towns, upgrade of social and cultural facilities, improvements in sustainable urban mobility and environmental measures such as groundwater and flood protection.
- The EIB operation is for up to EUR 50M with a first signature of EUR 35M in 2019 and a maximum tenor of 25 years including a 5-year grace period.
- The EIB financing will not exceed 50% of the total Project cost and drawn over a period of up to some 5 years to match the investment implementation schedule.
- This should also enable CCoC to manage the annual borrowing limits imposed on Irish local authorities by the central government.
- A key objective is to create a broader based economy, by playing on the County's economic strengths in technology, life sciences, and business services, whilst also preparing to respond to future challenges. Environmental protection and climate mitigation/adaptation are also key features.



JASPERS (linked to EU ESIF funding)



- Joint Assistance to Support Projects in European Regions
- A technical assistance partnership between DG Regional policy, and EIB started in 2006.
- Provides independent advice and capacity building support to help prepare and assess high quality major projects to be co-financed by EU Structural and Cohesion Funds.
- JASPERS assistance is free of charge
- Available to EU 27 + IPA region

