



EUROPEAN INVESTMENT BANK

European Fund for Strategic Investments

**RATIONALES FOR THE DECISIONS TAKEN BY
THE EFSI INVESTMENT COMMITTEE IN JUNE AND MAY 2020**

EFSI Investment Committee

8th June 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 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 June and May 2020

This document should be read in conjunction with the document: Decisions taken by the EFSI Investment Committee in June and May 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 April 2020 are as follow:

LOGEMENTS INTERMEDIAIRES VILLES & REGIONS (France)

The IC approved the use of the EFSI guarantee for an operation that supports the investment programme of an affordable housing company, aiming at the construction of 1,500 affordable housing units in cities and densely populated regions in France. The project pursues a social target and thus contributes to the EFSI objective of supporting the economic, social and territorial cohesion. The project also contributes to the EIB climate action objective, as the investments will anticipate compliance with Near Zero Energy Buildings (NZEB) for at least 33% of the total project size. Up to 20% of the geographical scope addresses the objective of supporting less-developed regions and transition regions.

The project addresses the market failures in the supply of affordable housing that is well below the very high demand, especially in the densely populated cities of France. This permanent lack of housing solutions forces people to commute long distances, increasing negative externalities arising from it. Promoters of affordable housing solutions are facing funding constraints from both private and public funding providers, and the project promoter would face an enduring sub-optimal investment situation leading to an urgent need for a flexible funding solution in order to start new residential projects. The operation falls under the EIB Special Activity category, in particular because it will finance a recently created company on a fully unsecured basis and with a significant loan amount at a very long tenor that will be fully exposed to market risk. 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 loan to an affordable housing company will send a strong signal about the lack of financing in this specific segment and will expand the EIB activity in the affordable housing segment in France.

KAUNAS HEATING CAPEX PROGRAMME (Lithuania)

The Investment Committee approved the use of the EFSI guarantee for the proposed financing into the District Heating infrastructure of Kauno Energija, serving a population of more than 700,000 inhabitants in and around Lithuania's second largest city in a Cohesion Region.

The project will support improved efficiency, reliability and affordability of district heating services in the catchment area.

At full deployment the investments are forecast to realise energy efficiency savings of 12,600MWh/annum, allow for the connection of an additional 25,000 households to Kauno Energija's network. 93% of the investment will directly benefit Climate Action.

The Investment Committee welcomed the High score of the project for Contribution to EU Policy, and the Excellent score for the Quality and Soundness of the project. It welcomed the direct support to crucial energy efficiency investments in a Cohesion area, which is also expected to complement Cohesion grants, crowd-in private sector lending, and facilitate an urgent investment at a scope that would otherwise not be possible or affordable.

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.

ROMANIA HIGHER EDUCATION PROGRAMME LOAN (Romania)

The Investment Committee approved the availability of the EFSI guarantee for the proposed programme loan supporting investments into the renovation and expansion of research and teaching facilities, such as learning areas, research centers and laboratories, for public universities in Romania. At least 60% of the underlying investments are expected in Cohesion regions.

The proposal follows the successful pilot operation with Bucharest Polytechnic University, approved by the Investment Committee in February 2019. It replicates the model of co-financing investments into the Higher Education infrastructure from accumulated own resources complemented by long-term financing based on the universities' own revenues. This lessens the dependency of the universities on public financing, while at the same time securing the financial sustainability of the investment for the universities and the affordability for their students.

The investment Committee highlighted the need for investment into education institutions in many cohesion areas to alleviate the persisting brain drain of talented students moving abroad in search of better education infrastructure.

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.

PREDIREC ENR 2 (Regional - EU countries, France)

The Investment Committee approved the availability of the EFSI guarantee for the proposal, which supports greenfield renewable energy investments of developer and IPPs via the provision of subordinated financing, partly secured by existing renewable energy assets. The proposal responds to the persisting scarcity of equity capital for the development and construction of renewable energy assets, while senior financing at the level of underlying projects has reduced in scale due to the reduction of public support schemes.

The proposal supports an innovative approach of leveraging the capacity of independent developers to make significant risk capital contributions into new renewable energy projects not benefitting from public support schemes. Such projects are inherently riskier than prior generations of renewable energy and not 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 1,424m and provide 2.5GWh of renewable energy per annum, covering the energy requirements of approximately 477,000 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 employment 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.

BANCA MARCH RS COVID19 RESPONSE FOR SMES & MIDCAPS (Spain)

The Investment Committee approved the use of the EFSI guarantee for the proposed participation in a risk sharing operation with Banca March for the purpose of urgently facilitating new financing for eligible SMEs and MidCaps in Spain.

The proposal is part of EIB Group package to provide much needed financing for small and medium size entities who are severely affected to the economic fallout of the Covid-19 crisis, using established products for rapid deployment via partner banks throughout the EU.

The EIB intervention with EFSI support generates new financing capacity to be employed towards increased access to finance for eligible entities with less than 3,000 employees, with a contractual minimum requirement to support new eligible financing of at least 2x the amount of the EFSI intervention. It is expected that at least 20% of the new financing will directly benefit Cohesion regions.

The proposal combines the financing capacity of EFSI with the local market access of Banc March, an important provider of financing for SMEs and MidCaps in the country. At full deployment, the new eligible portfolio is expected to benefit SMEs and MidCaps with more than 30,000 employees.

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.

ANTIVIRAL VACCINE RDI (COVID-19) (Germany)

The Investment Committee approved the availability of the EFSI guarantee for the proposed loan to finance the R&D and related expenses for the clinical and regulatory development of COVID-19 vaccine candidates and the set-up of dedicated large scale manufacturing facilities to facilitate rapid supply of an approved vaccine.

The Investment Committee welcomed the timely and sizeable support at an early development stage (commencement of stage 1 testing) to a leading European Biotech company engaged in the urgent development of a vaccine against the COVID-19 health

crisis, catalysing BioNTech cutting-edge expertise in mRNA based vaccines that are potentially faster, safer and equally effective compared to traditional vaccine approaches. It noted the Excellent score for the Quality and Soundness of the Project and highlighted the importance of the success of medical research for the treatment and prevention of COVID-19 far beyond the realm of EFSI targets.

The proposed investment of an Equity Risk nature 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