



# EIB Energy Lending

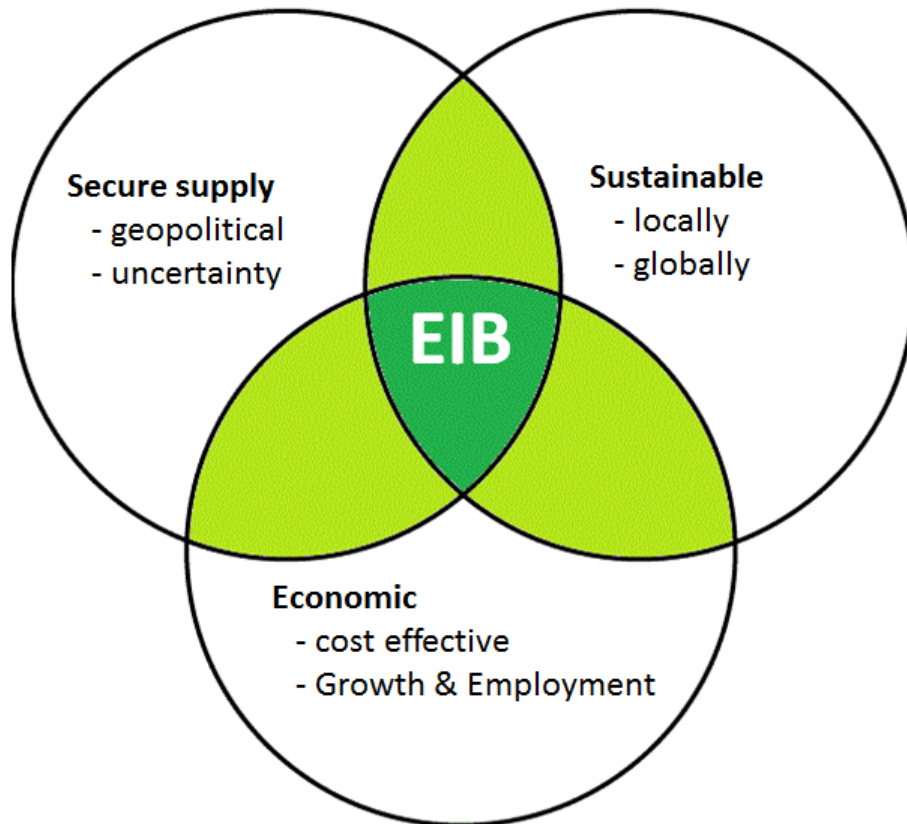
## Screening and Assessment Criteria for Fossil Fuel-fired Power Plants

10th Coal Dialogue  
“Transforming energy supply in the EU:  
what can coal and clean coal technologies deliver?”  
Wednesday, 11 June 2014 – Charlemagne Building, Brussels

# Agenda

- EIB and Energy - Overview
- 2013 EIB Energy Lending Review
- EIB financing of Fossil Fuel Power Generation

## The 3 Pillars of Energy Lending Criteria



## Lending Priorities since 2007:

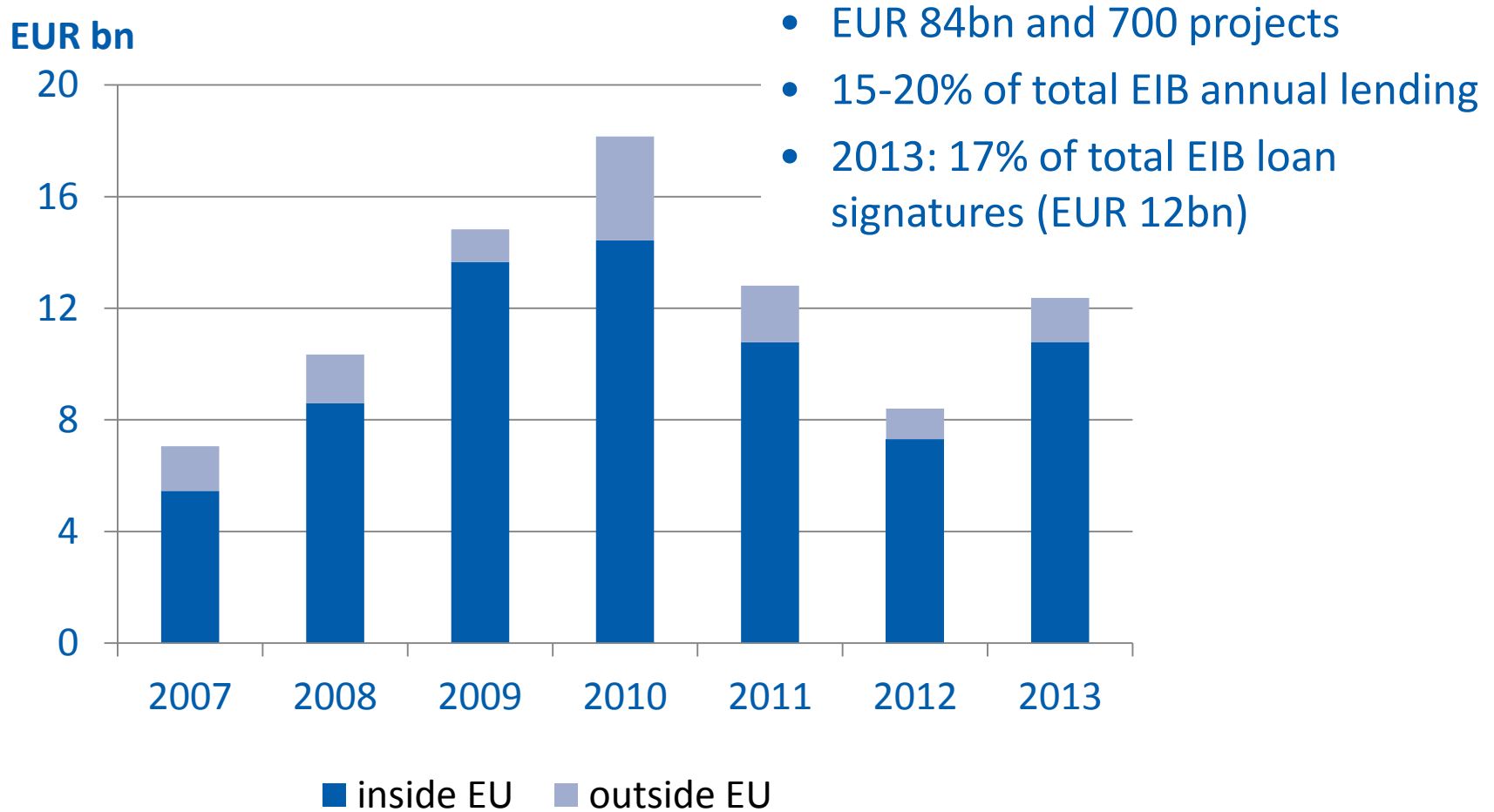
- Renewable energy – RE
- Energy Efficiency - EE
- Security of energy supply
- RDI – Research, Development & Innovation
- Outside the EU - External energy security and economic development

## Blending, Advising activities

- Technical assistance  
(e.g. ELENA for sustainable energy, NER300 for innovation)
- Equity and EU-EIB risk sharing facilities (RSFF, LGTT)

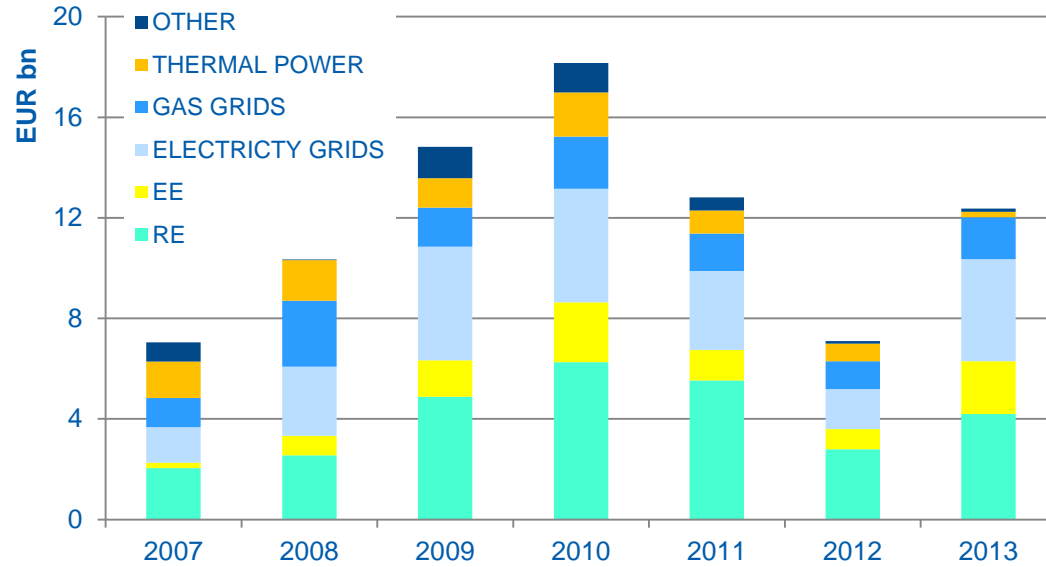
# EIB Energy Lending by Geographic Area

2007-2013 Signatures



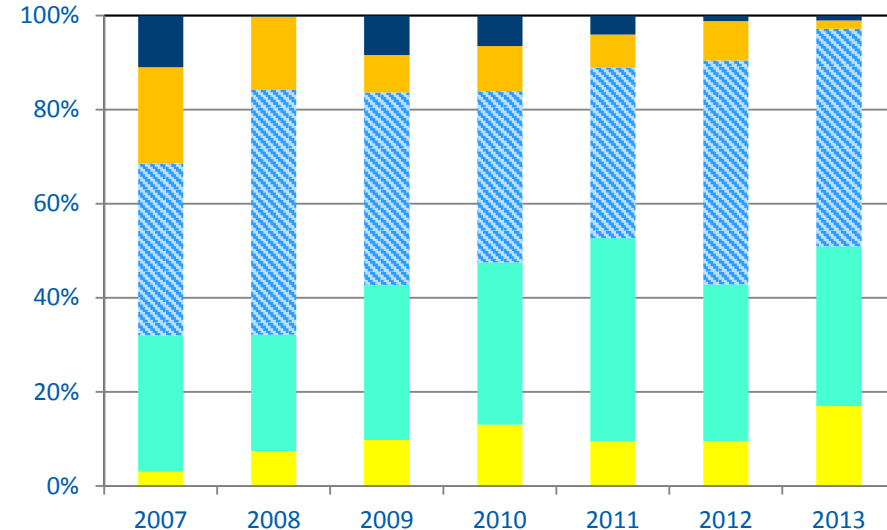
# EIB Energy Lending by Technology Sector

## 2007-2013 Signatures



- EUR 72bn over the period for renewables, energy efficiency and grids

- ~1/3 of annual loan signatures to renewables



## Context

- EU importance in world energy demand declining
  - ...as EU energy import dependency increases
  - ...and shale gives US prospect of energy independence
  - ...higher EU energy prices: Competitiveness, affordability
- Economic crisis: regulatory uncertainty for renewables
- Fukushima accident
- Global temperature now forecast to rise above 2°C limit
- 1/3<sup>rd</sup> world's population have no access to modern energy services
- New EU policies – Energy Efficiency Directive – and 2030 Energy and Climate White Paper

## Key Conclusions

- Public consultation process; extensive and transparent
- Result: Revised Energy Lending Criteria published in June 2013

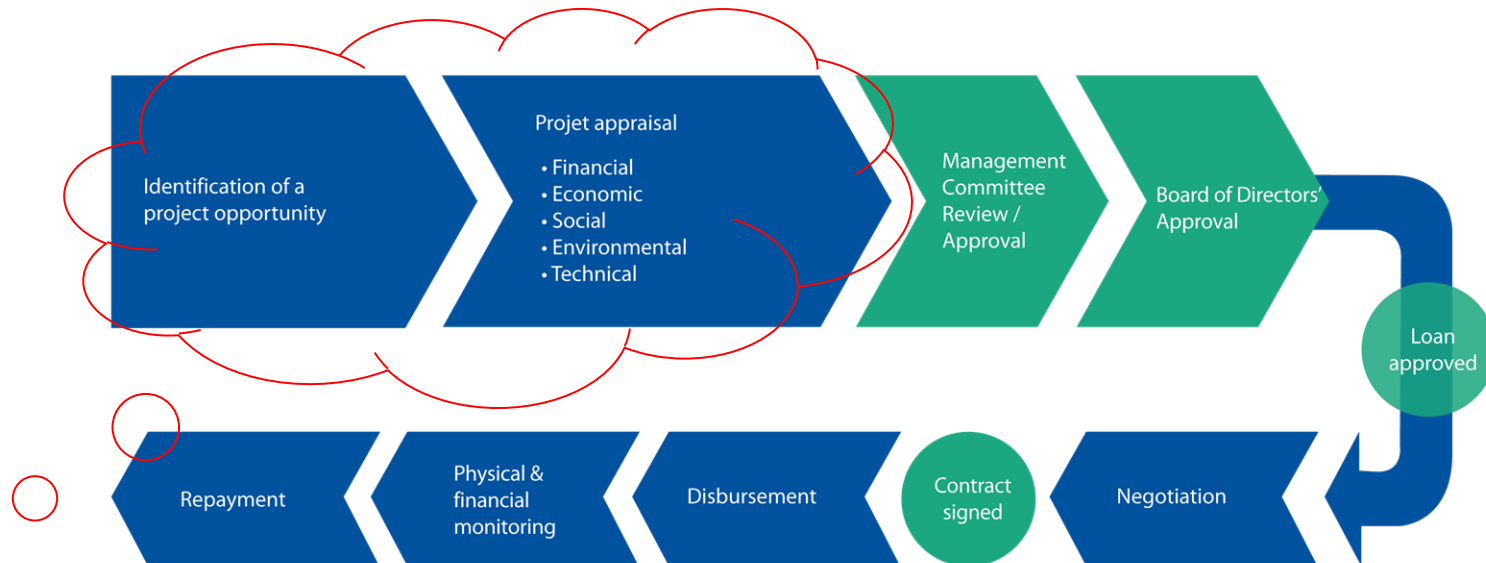
### Key objective:

**EIB will support the development of  
clean, affordable and secure energy**

## Measures:

1. Prioritising energy efficiency, energy networks, renewable energy and energy RDI projects (“No Regrets” Sectors)
2. Introducing assessment criteria which:
  - Screen out fossil fuel generation projects from financing which are not consistent with EU climate policies
  - Ensure that nuclear projects proposed for financing are environmentally, economically and financially sustainable
  - Safeguard the environmental sustainability of hydrocarbon projects.

**Fully aligned with EU energy and climate policy**



## 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 and procurement legislation
- + Coal-fired: Best available technology, replace existing coal-fired plants and be “carbon-capture ready”.



## Fossil fuels

The EIB has introduced an **Emission Performance Standard (EPS) of 550 gCO<sub>2</sub>/kWh**

- EPS screens EIB's investments in fossil fuel generation projects
  - A project needs to
    - be economically justified based on a cost-benefit analysis including a externalities which reflect the marginal damage of each unit harmful emissions (CO<sub>2</sub>, NO<sub>x</sub>, SO<sub>x</sub>, particles ..).
    - comply with EU Directives (CCS, LCP, IE and ETS)

### Limited, tightly defined exceptions:

- Technical constraints – energy islands
- Outside EU : “Substantial contribution” poverty alleviation – UN LDCs and World Bank “low income”. Excludes all European and North African countries

### Advantages over previous approach:

- technology neutral
- Relatively simple to understand and communicate to clients
- Flexible: can be adapted if policies change
- consistent with the EU's Climate policies
- « No Regrets » approach

**Not eligible: most unabated power-only coal or lignite fired power stations**

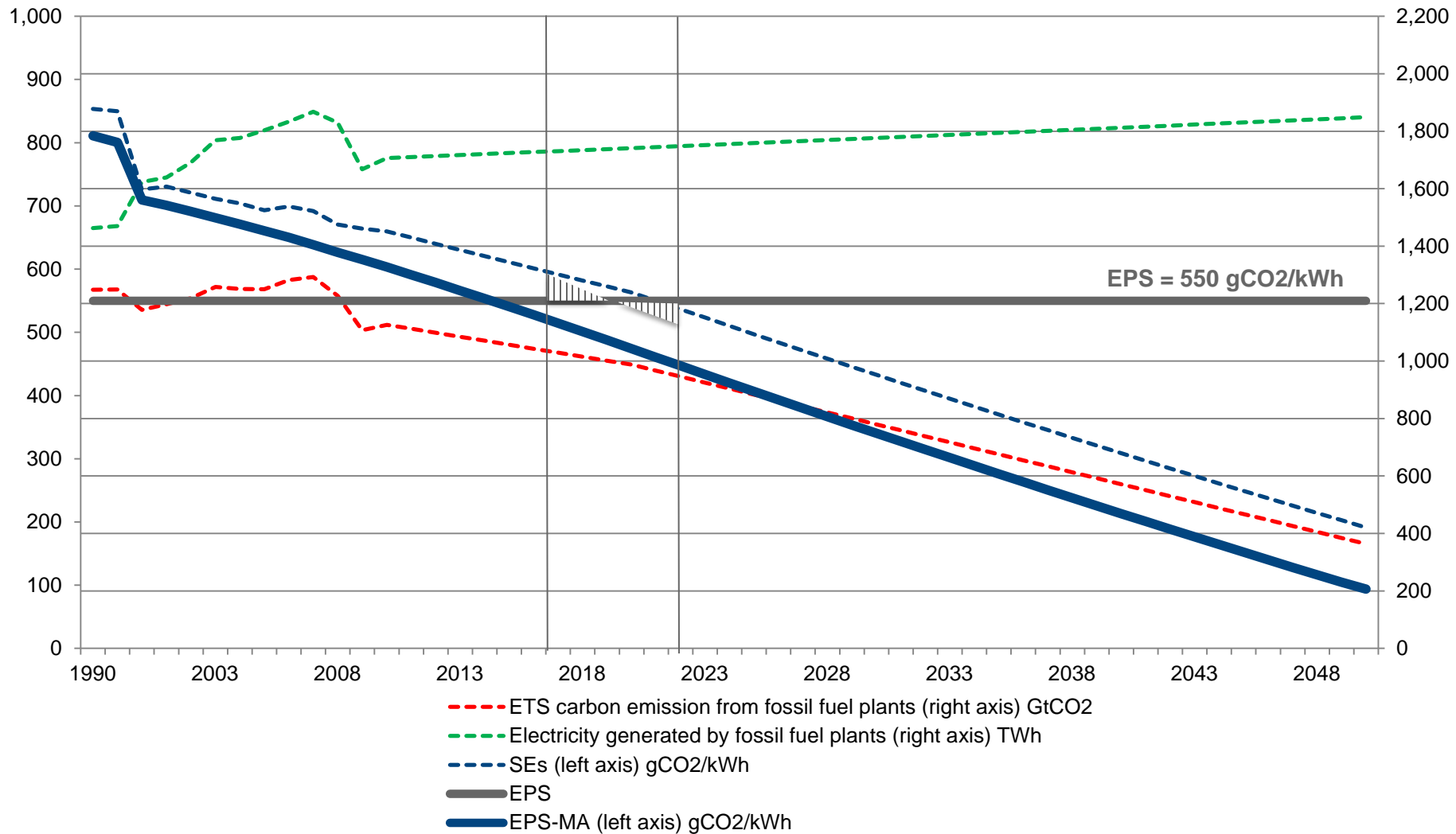
EPS = Moving Average of the ratio of

- targeted annual carbon emissions from power plants

vs.

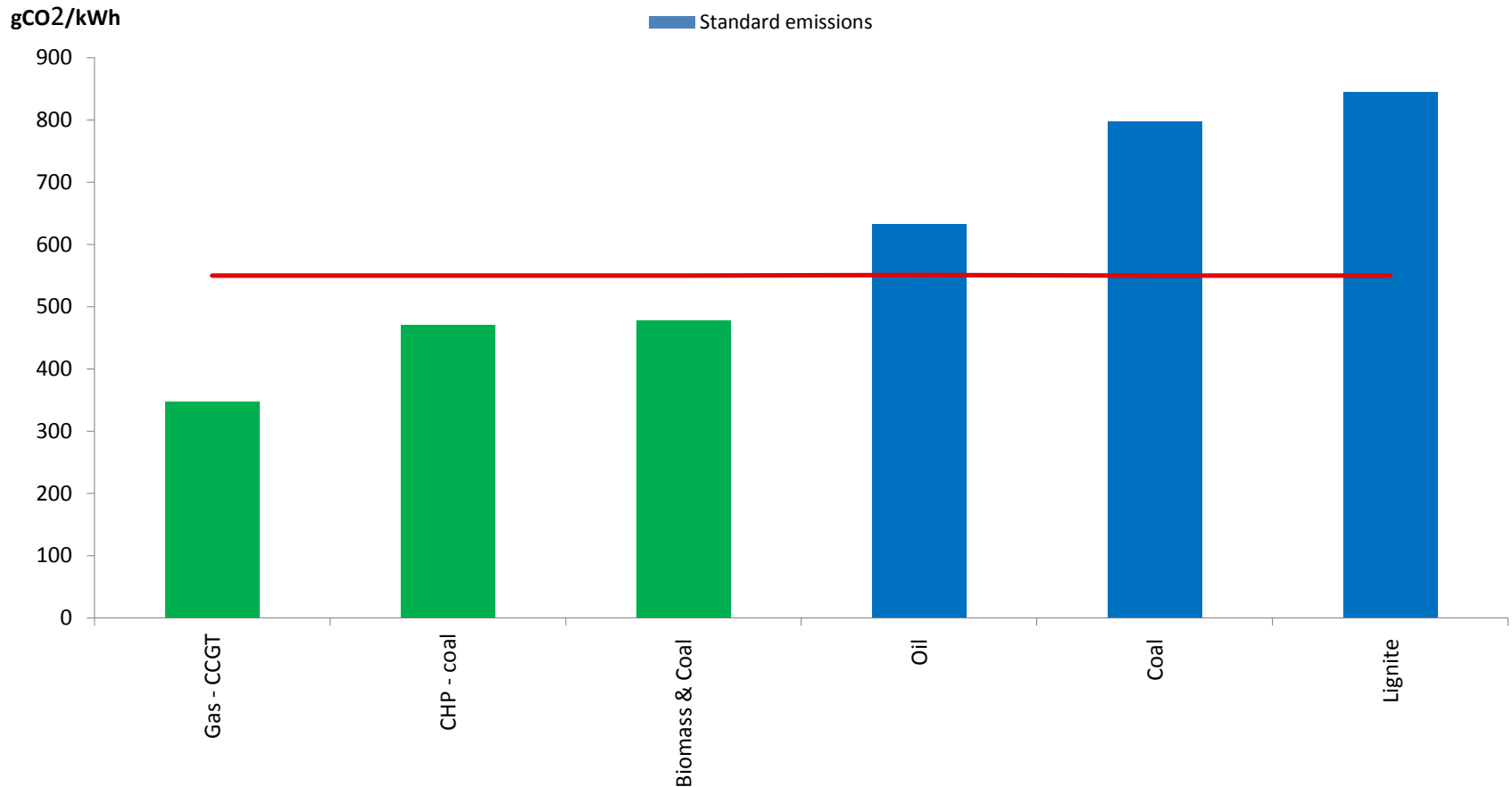
- electricity generated by the same plants in the same year.

- The annual carbon emissions from power plants are calculated assuming an annual reduction consistent with the requirements of the ETS Directive (2009/29/EC).
- The electricity generated by the power plants is forecasted to grow yearly at a rate consistent with the higher end of the full set of scenarios contained in the Energy Roadmap 2050.



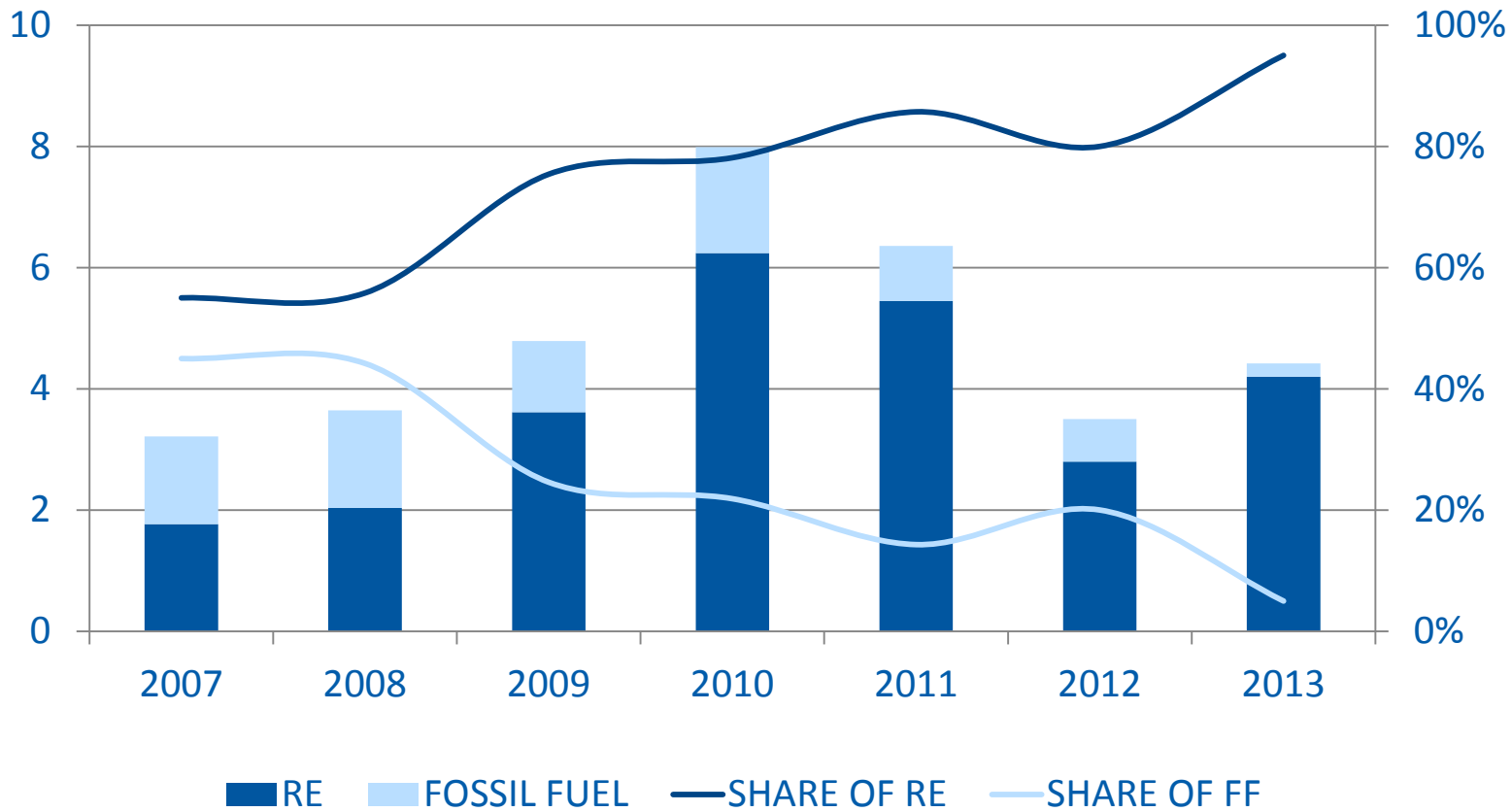
# Emission performance Standard (EPS)

## Fossil Fuel Power Generation – various technologies



CHP = Combined Heat & Power

EUR bn



# Back-up

## Quick Reminder - The EU Emissions Trading System

Launched in 2005, the EU emissions trading system (EU ETS) is the European Union's key tool for reducing industrial greenhouse gas emissions cost-effectively. As the biggest international system for trading greenhouse gas emission allowances, the EU ETS covers more than 11000 power stations and industrial plants in 31 countries, as well as airlines.

The EU ETS works on the 'cap and trade' principle. A 'Cap' (limit) is set on the total amount of certain greenhouse gases that can be emitted by the factories, power plants and other installations in the system. The cap is reduced over time so that total emissions fall.

Within the cap, companies receive or buy emission allowances which they can trade with one another as needed. After each year a company must surrender enough allowances to cover all its emissions, otherwise heavy fines are imposed. If a company reduces its emissions, it can keep the spare allowances to cover its future needs or else sell them.