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Report on **EIB operations**  
**Inside the EU 2015**

With the  
**three pillar**  
Assessment methodology

**EFSI**  
Unlocking investment

## **1 European Fund for Strategic Investments (EFSI)**

Under the Investment Plan for Europe, EFSI is a EUR 21 billion risk-capital initiative provided jointly by a guarantee from the EU budget and EIB funds. By targeting high-risk projects in the areas of strategic infrastructure, education, RDI, renewable energy and resource efficiency, and support for SMEs and Midcaps, EFSI is expected to trigger EUR 315 billion of investment.

The Plan is an answer to the drop in total investment between 2007 and 2014 of around EUR 430 billion (or by 15%)<sup>1</sup>.

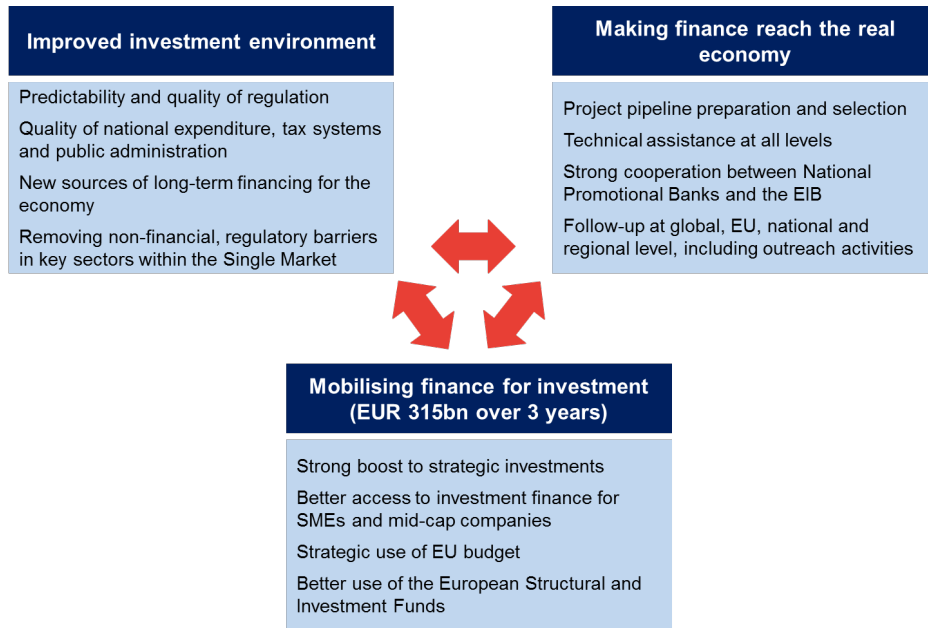
The Investment Plan for Europe, which was launched by the European Commission in 2014, aims at unlocking public and private investment in the European economy. EFSI is one of the three pillars of the Investment Plan (mobilising finance for investment), as summarised in **Figure 18**.

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<sup>1</sup>

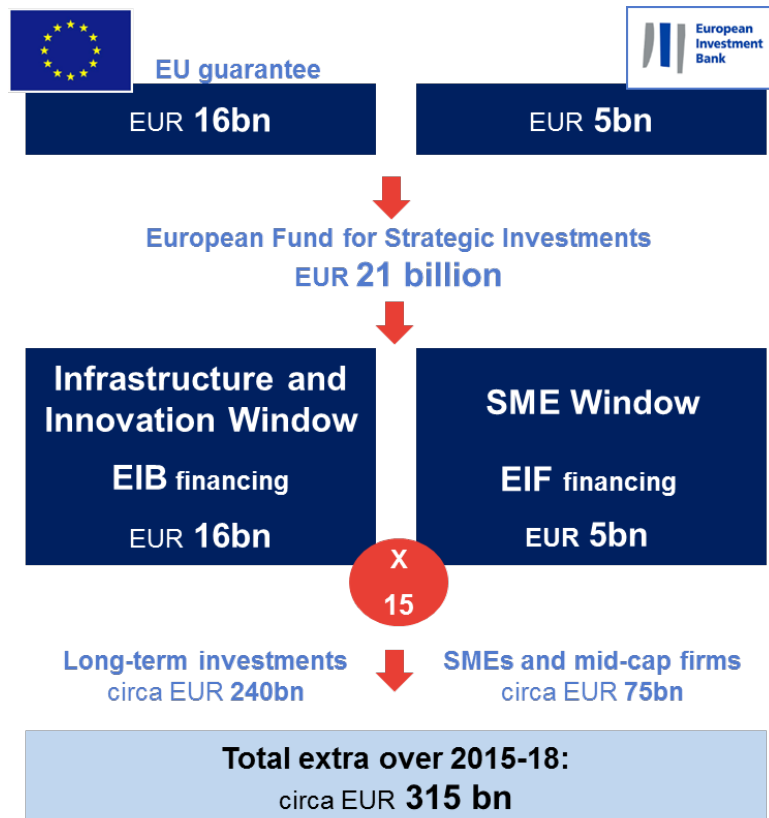
[http://ec.europa.eu/priorities/sites/beta-political/files/factsheet1-why\\_en.pdf](http://ec.europa.eu/priorities/sites/beta-political/files/factsheet1-why_en.pdf)

**Figure 18. The Three Pillars of the Investment Plan for Europe**



**1.1 How does EFSI work**

**Figure 19. EFSI sources of funds**



Through EFSI, the EIB Group improves its ability to perform its catalytic function, increasing the capacity to mobilise additional investments. It can accelerate the decisions for financing projects, where otherwise investors still do not enter due to an aversion to risk. This higher value-added triggers additional investments, because other investors can put in funds at a senior position.

The goal of EFSI is to provide finance to projects that have significant potential to boost sustainable growth, but which cannot attract the necessary finance because of their risk profile.

The EIB makes use of the EFSI Infrastructure and Innovation Window (IIW) (EUR 16 billion), targeting economically viable, higher-risk projects within the EU that contribute to any of the following objectives (see **Figure 20** below)<sup>2</sup>:

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<sup>2</sup> Source (and more detail on the objectives): Article 9 of Regulation (EU) 2015/2017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013 — the European Fund for Strategic Investments

**Figure 20.** EFSI Infrastructure and Innovation Window (IIW) project objectives

<p><b>Research, development and innovation</b></p>	<p>Through projects that are in line with Horizon 2020, education and training, health, demonstration projects, research infrastructure</p>
<p><b>Development of the energy sector in accordance with the Energy Union priorities, including security of energy supply, and the 2020, 2030 and 2050 climate and energy frameworks</b></p>	<p>Through renewable energy, energy efficiency and energy savings, development and modernization of energy infrastructure projects</p>
<p><b>Development of transport infrastructures and equipment and innovative technologies for transport</b></p>	<p>Through for example smart and sustainable urban mobility projects, and projects connecting nodes to TEN-T infrastructures</p>
<p><b>Financial support to entities with up to 3,000 employees with a particular focus on SMEs and small mid-cap companies</b></p>	<p>Through the provision of working capital and investment and provision of risk financing</p>
<p><b>Development and deployment of information and communication technologies</b></p>	<p>Through digital content &amp; services, high speed telecommunications infrastructures and broadband networks projects</p>

<b>Environment and resource efficiency</b>	Through environmental protection and management projects, strengthening ecosystem services, sustainable urban and rural development, climate change actions
<b>Human capital, culture and health</b>	Through education and training, cultural and creative industries, innovative health solutions, new effective medicines, social infrastructures and tourism projects

The remaining 25% (EUR 5 billion) of EFSI funds are managed by the EIF through the “SME window”. This provides intermediated financial support via portfolio guarantees or fund investments to entities having up to 3,000 employees, with a particular focus on SMEs and small mid-cap companies (firms with up to 499 employees).

### 1.2 **EFSI project appraisal under the IIW**

All EFSI projects under the IIW are EIB operations. EFSI projects are subject to the same due diligence (including also procurement, environment and social impact) and are approved by the EIB’s standard governance structures.

**Figure 21.** EFSI governance structure

<b>EFSI GOVERNANCE</b>			
<b>EFSI Board</b>	<b>Steering</b>	<b>EFSI Managing Director</b>	<b>EFSI Investment Committee</b>
<p>Sets the operating policies and procedures, strategic orientations and the rules applicable to the operations with NPBs* and Investment platforms</p> <p>Approves the SME Window instruments jointly with the Managing Director after consultation with the Investment Committee</p> <p>Four members (one EIB, three EC)</p> <p>Appoints Investment Committee members</p>	<p>Responsible for the day-to-day management of the EFSI and preparation and chairing of the EFSI Investment Committee meetings</p> <p>Jointly responsible with the Steering Board for approving the SME window instruments after consultation with the Investment Committee</p> <p>Responsible for reporting on EFSI activities to the Steering Board</p> <p>Selected by the Steering Board and a member of the Investment Committee</p>	<p>Approves the support of the EU guarantee for EIB projects and the instruments used by the EIF</p> <p>Nine members (the EFSI Managing Director and eight independent experts)</p> <p>Accountable to the Steering Board</p>	

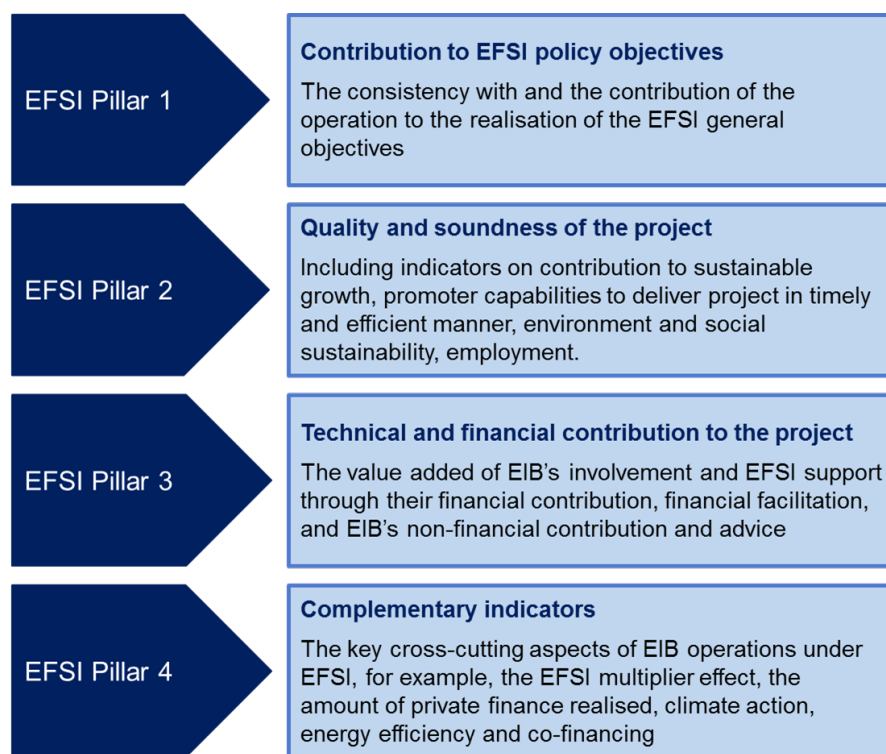
In addition, all EFSI projects are assessed by the EFSI Investment Committee to ensure the project is eligible for backing under the EU guarantee. Projects need to demonstrate they:

- are economically and technically sound,
- match the eligible sectors,
- provide additionality,
- contribute to EU objectives and to sustainable growth and employment,
- maximise the mobilisation of private sector capital,
- are mature enough to be bankable and are priced in line with the associated project risk.

EFSI projects are assessed using a scoreboard of indicators under four pillars (in a similar way to the 3PA framework used to assess EIB projects).



**Figure 22. EFSI Pillars Assessment**



Source: [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:JOL\\_2015\\_244\\_R\\_0004](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=OJ:JOL_2015_244_R_0004)

These indicators help to ensure that EFSI financing reaches those projects representing the highest value added. The structure of the scoreboard is compatible with the EIB's 3PA methodology.

## 1.3 EFSI activity in 2015

### 2015 EFSI activity highlights

- EIB Board of Directors approved EFSI projects:

**81,200** SMEs and small  
Mid-caps supported, creating jobs and  
delivering economic growth

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**22** out of Europe's 28 countries covered

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Mobilising additional investment in energy,  
the environment and resource efficiency, health,  
research, development and innovation,  
telecommunications, transport and SMEs and midcaps

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#### **IIW\***

**42** projects  
approved  
**EUR 5.7bn**  
mobilising **EUR**  
**23bn** of additional  
investment

#### **SME window**

**84** operations  
signed  
**EUR 1.8bn**  
of EFSI funding

\*The Infrastructure and Innovation Window

In 2015, the EIB Board approved 42 projects for EFSI support under the IIW. These projects represent EUR 5.7bn of EFSI financing and are expected to support projects with a total of EUR 23bn of additional investment<sup>3</sup>. These projects collectively contribute to all of the main EFSI objectives listed above.

Under the SME Window, which focuses on the support of SME and Midcaps<sup>4</sup>, the EIF signed 84 operations for EUR 1.8 billion by year-end 2015, expecting to mobilise EUR 25bn.

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<sup>3</sup> Excluding the EFSI investment related to cancelled operations Abengoa RDI II (EFSI tranche) and Beatrix Lock.

<sup>4</sup> Note: SMEs and Midcaps are also supported through the Infrastructure and Innovation Window.

## CASE STUDY: EFSI

### Smart meter roll-out in the UK

<b>Sector:</b> Energy	<b>Sponsor:</b> Calvin Capital Limited, UK
<b>Total cost:</b> EUR 1.38bn	<b>EFSI finance:</b> EUR 515m
<b>Objective:</b> <ul style="list-style-type: none"><li>• To finance large-scale smart meter roll out to domestic gas and electricity consumers in the UK, resulting in the installation of around 7million electricity and gas meters.</li><li>• To attract further private finance for smart meter roll out.</li></ul>	
<b>Expected results:</b> <ul style="list-style-type: none"><li>• Energy savings of around 1,350,000 MWh per year from 2021.</li></ul>	

### Motivation

Smart meters enable energy suppliers to read household's electricity and gas meters remotely, access near real-time consumption data and so better manage their supply. In doing so they help consumers control their consumption and make meter reading significantly less expensive.

The UK government has mandated a roll out of around 53 million smart meters by 2020. Energy supply companies are responsible for procuring and installing these meters. This project is providing an experienced smart meter asset provider with a loan to help finance the purchase of around 7 million smart meters and their rental to the UK energy supplier British Gas.

## **EIB / EFSI contribution**

Financing large-scale smart meter roll out is viewed by investors as high risk. EFSI financing for this project removes financial barriers and will leverage significant external investment funds for future smart-meter projects.

As its first operation relating to the smart metering implementation programme in the UK, the EIB's participation will co-finance smart meter roll out, crowd-in further investment and open up the market for future off-balance sheet financing of smart meters. As a result, future projects aimed at delivering the overall GBP 10bn programme of smart meter investment should be able to access new, more cost-efficient sources of financing.

## **Benefits**

The roll out of smart meters for electricity and gas supply will reduce the cost of meter reading as individual meters no longer have to be read in-situ. Another benefit stems from an improved flow of information on electricity and gas consumption and for households to change their consumption patterns to make energy savings.

## **Policy links**

This project makes a positive contribution to the EFSI objective of development and modernisation of the energy sector and EIB's key public policy infrastructure objective to achieve a competitive and secure energy supply. Around one-fifth of the smart meters will be located in a cohesion region thereby contributing to EIB's transversal policy objective to finance projects in less developed regions and reduce economic disparities between European regions.

The project forms part of the UK government's national Smart Metering Implementation Programme to replace 53 million gas and electricity meters by 2020.