

Plenary Session C: Ministerial Panels

Panel 2: The contribution of renewable energies in meeting the climate challenge

Friday, 4 June, 10.35 – 12.00 h

Venue: Plenary Hall IKBB

Internationale Konferenz
für Erneuerbare Energien, Bonn
International Conference
for Renewable Energies, Bonn



STATEMENT

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Vice-President European Investment Bank

Introduction

1. I very much welcome the opportunity for a banker to participate in this session on the contribution of renewable energy to meeting the Climate Change challenge.
2. The EIB is the EU's long-term lending institution.
 - It lends to support EU policies. It has an excellent AAA credit rating and works on a non-profit basis. It can, therefore, channel long-term finance at favourable rates to investment projects fostering EU policies.
 - To give an idea of the scale of the EIB's operations, it is expected to lend EUR 46.6 billion in 2004, of which EUR 4.1 billion will be outside the enlarged EU.

EIB and its Environmental Statement 2004

3. The environmental mission of the EIB is based on EU environmental policies and strategies. The EIB has recently reviewed and updated its environmental policies. EIB applies its guidelines, which are based on EU directives and other legislation throughout the project cycle. Implementing good environmental management practices ensures that any project will comply with EU standards.
4. The EIB helps the environment in two principal ways.

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- The **first** is to contribute to an improvement in the environment through financing environmental projects: this is where our lending to develop renewable energy is relevant.
- The **second** one is to ensure that for other projects that are not primarily designed to improve the environment, any adverse effects on the environment are mitigated. Many of the mitigating actions are conditions to be fulfilled by a project promoter, before the loan is disbursed.

5. To show how important lending to improve the environment has become for the EIB, our Corporate Operational Plan envisages 30-35% of total lending to be devoted to this objective within the EU-25. And, of course, we lend where possible for renewable energy projects outside the EU-25.

6. The EIB's contribution to renewable energy is grounded in its contribution to the EU climate change agenda. I can announce today a number of new initiatives to reduce carbon emissions and to promote renewable energy.

- The EIB – through its lending - stands ready to contribute to the success of the European Carbon Trading Scheme (ETS). We have a lending window of EUR 500 million over the years 2004-2007 to support projects affected by this scheme that reduce carbon emissions. The ETS scheme comes into effect in January 2005, and we plan to begin lending for this purpose within the next twelve months.
- EUR 100 million of this window will be earmarked for loans for Joint Implementation (JI) and Clean Development Mechanism (CDM) projects inside and outside the EU. The Bank is also planning a EUR 10 million Technical Assistance (TA) fund to help promoters of Joint Implementation (JI) and Clean Development Mechanism (CDM) projects.

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- In addition, the EIB is cooperating with other International Financial Institutions (IFIs) to ensure a well functioning and liquid market for carbon credits.

7. Turning to renewable energy :

- **EIB lending** for the Renewable Energy sector is already significant. The Bank signed individual loans for Renewable Energy **generation** projects for Euro 1.3 billion in the 5-year period 1999-2003. Additionally, the Bank made finance available through intermediary banks - amounting to just under EUR 300 million - for small and medium sized Renewable Energy projects over this same period. So, in total the EIB lent around EUR 1.6 billion on Renewable Energy projects. This lending was spread across the Bank's regions of operations and a multiplicity of technologies. In the future, we will aim for even greater diversification in both respects.
- In 2003, lending for power generation amounted to EUR 1.3 billion. The Bank is now setting a new target : Renewable Energy lending is to be up to 50% of its financing for electricity generation in the EU by 2010. On current trends this will represent some EUR 700 million a year for renewable energy generation by 2010. This will be the EIB's contribution to the fulfilment of the EU target of 22% of electricity generation being provided by Renewable Energy by 2010.

8. Most of what I have said about lending to promote Renewable Energy applies to our activities within the EU-25. Within the EU there are various forms of encouragement for Renewable Energy approved by the Commission and the Member States. (These can take the form of guaranteed offtake prices for a long period, etc.) But the EIB also lends in Africa, the Mediterranean region, the Balkans, Asia, and Latin America. In these areas, there is not likely to be the same generous financial support for Renewable Energy projects as inside the EU. Nevertheless, the EIB has financed Renewable Energy outside the EU in sectors such as biomass (Mauritius), wind (Morocco), geothermal (Kenya) and hydro (several countries).

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9. In this connection, EIB staff are supporting the work of the Commission on a feasibility study for the creation of a public-private fund to deliver “**patient risk capital**”. This would offer renewable energy business and project developers - in particular in developing countries and economies in transition - increased access to risk capital, and encourage a more significant engagement from international and local financial intermediaries and corporate investors. It could provide a type of equity or quasi-equity finance obtained from blending public and private sector investment resources and requirements. Such financing would be on a less demanding basis than pure market private equity capital.

10. There are two issues that I would like to end with that will concern the EIB in the immediate future.

- **First**, in the last few years there has been a very significant increase in our lending for wind-power in the EU, which accounted for 45% of our Renewable Energy lending in 2002 and 2003. Loans for other Renewable Energy technologies have included hydro, geothermal, solar and biomass. But with non-wind Renewable Energy technologies, it can be more difficult to find commercially viable projects that justify an EIB loan, principally because the technologies are new, small-scale and less-tested than wind-power. We will liaise closely with the Commission and national authorities to find ways of supporting these technologies, and will be reassessing our own lending criteria for this type of activity.

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- **Second**, the EIB has been seeking to increase its financing for Research and Development on renewable energy (an example is for hydrogen and fuel cell technology). It already provides financing for the manufacture of Renewable Energy equipment (for instance a loan of EUR 96 million in Germany for solar photovoltaic cell manufacture). We would like to do more of this, but again the constraint is usually the commercial viability of the project. In addition, the European Investment Fund – part of the EIB Group which provides venture capital for early stage and high technology small- and medium-sized enterprises (SMEs)– could help finance innovative Renewable Energy technologies. But, again, this is an area where viable activity so far has been at a low level.

CONCLUSIONS

11. So, to sum up :

- The EIB will help to make a success of the European Carbon Trading Scheme through its EUR 500 million loan window, technical assistance, and encouraging the carbon market;
- The EIB has significantly increased its lending for Renewable Energy in the last few years;
- We have set a new target of up to 50% of our lending for electricity generation being from Renewable Energy by 2010;
- We are urgently engaged in finding ways to support Renewable Energy investment outside the EU;
- The EIB and the European Investment Fund will support the development of new Renewable Energy technologies.