Energy in SEE
- focus on RE and EE
- EIB contribution

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2 and 3 June 2011, Thessaloniki
5th South East Europe Energy Dialogue

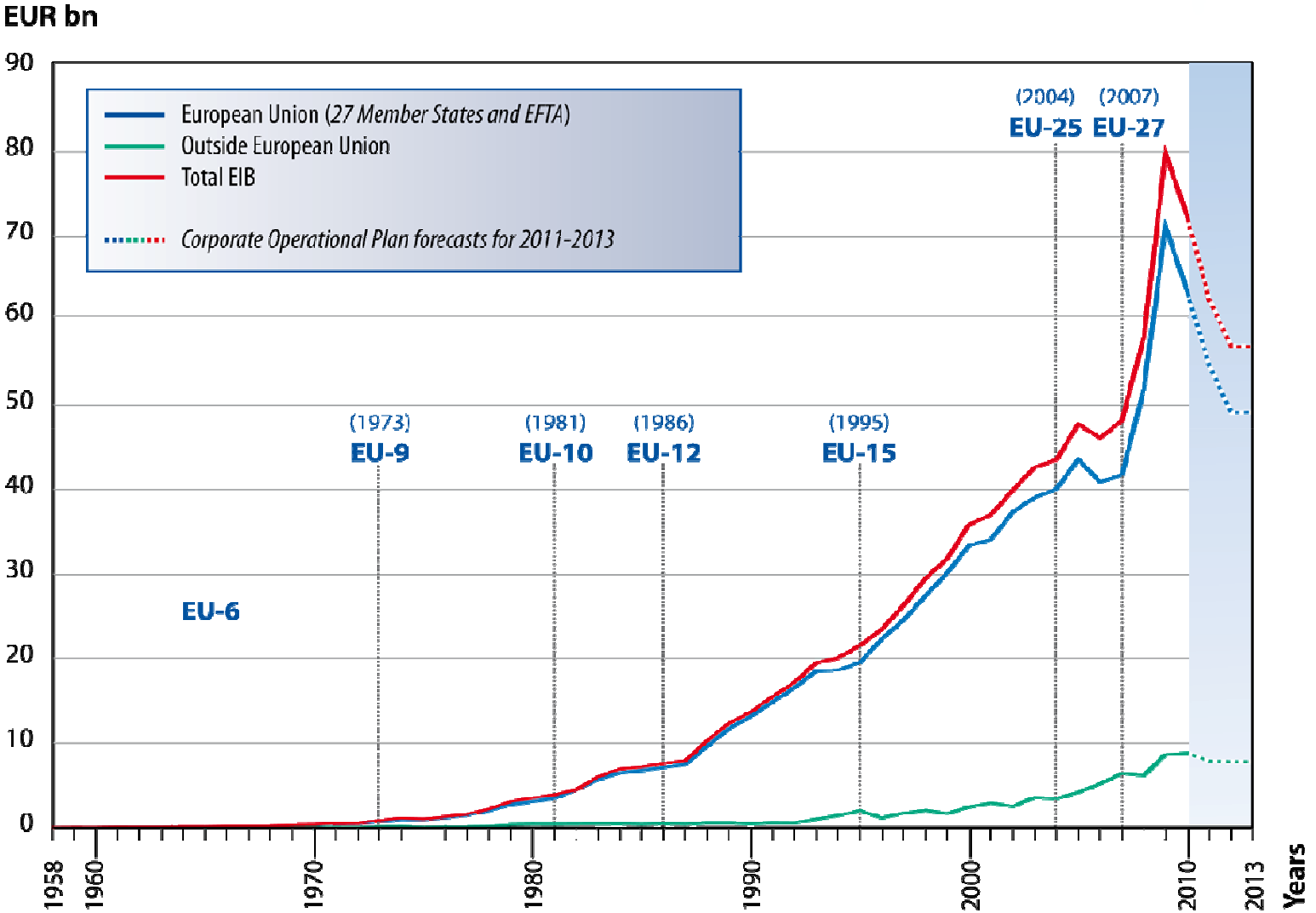
The European Investment Bank (EIB)

Long-term finance promoting European objectives

- European Union's long-term lending bank set up in 1958 by the Treaty of Rome.
- Shareholders: 27 EU Member States

- Outside EU, under EU Mandates:
  - Pre-Accession
    - Candidate Countries: Croatia, Turkey and Former Yugoslav Republic of Macedonia
    - Potential Candidate Countries – Western Balkans

EIB Signatures 1958-2010



Climate Change Action

The EIB's climate action focuses on:

- low-carbon investments that mitigate greenhouse gas emissions
- climate-resilient projects that improve adaptation to climate change impacts.

- Loans of EUR 20.5bn in 2010 for:
  - energy,
  - transport,
  - water, wastewater, solid waste,
  - forestry,
  - research, development and innovation (RDI).

Value added

- Value added of the Bank's lending activities:
  - Support for EU priority objectives
  - Project quality and soundness
  - Financial benefits of EIB funds
  - Technical assistance - VA through project assessment

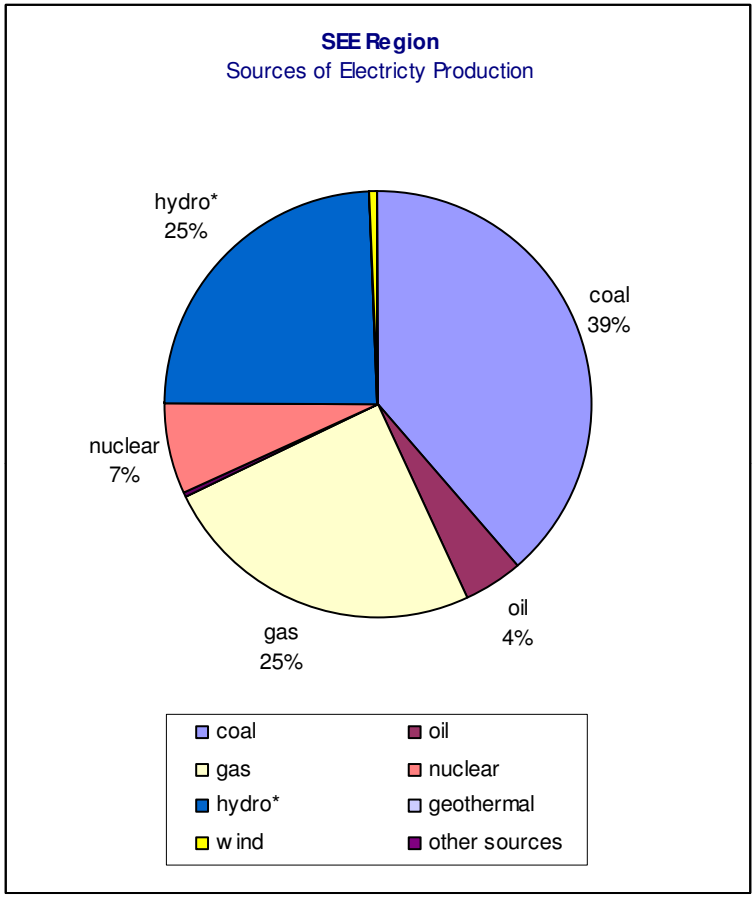
Instruments: Financial

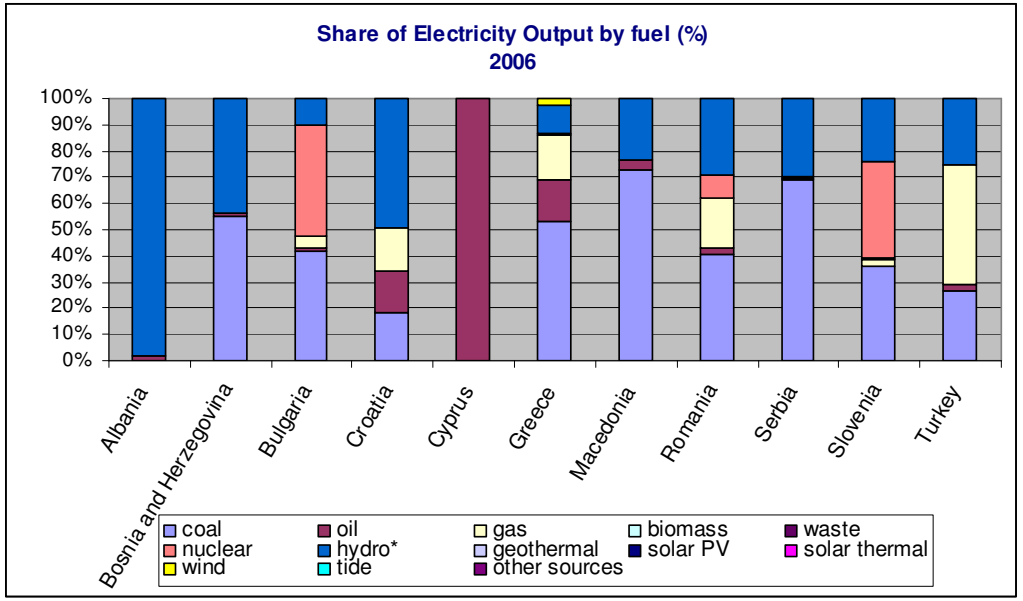
- Broad range: from senior loans to equity
  - Loans to large individual projects: i.e. off-shore wind
  - Global & Framework loans to finance small-medium sized projects
  - Outside the EU: EU mandates and sustainable energy facility
- Specific instruments:
  - RSFF, Marguerite, NER300, carbon funds, GEEREF, Energy Efficiency Finance Facility (WB and Turkey), Green for Growth, etc.

Instruments: Advisory services

- Fast expansion of advisory services
  - Jessica: urban funds using structural funds
  - Elena: EE&RE in the urban environment
  - Jaspers: project preparation for EU structural funds
  - Other TA (mainly outside the EU) e.g. Mediterranean Solar Plan, WBIF

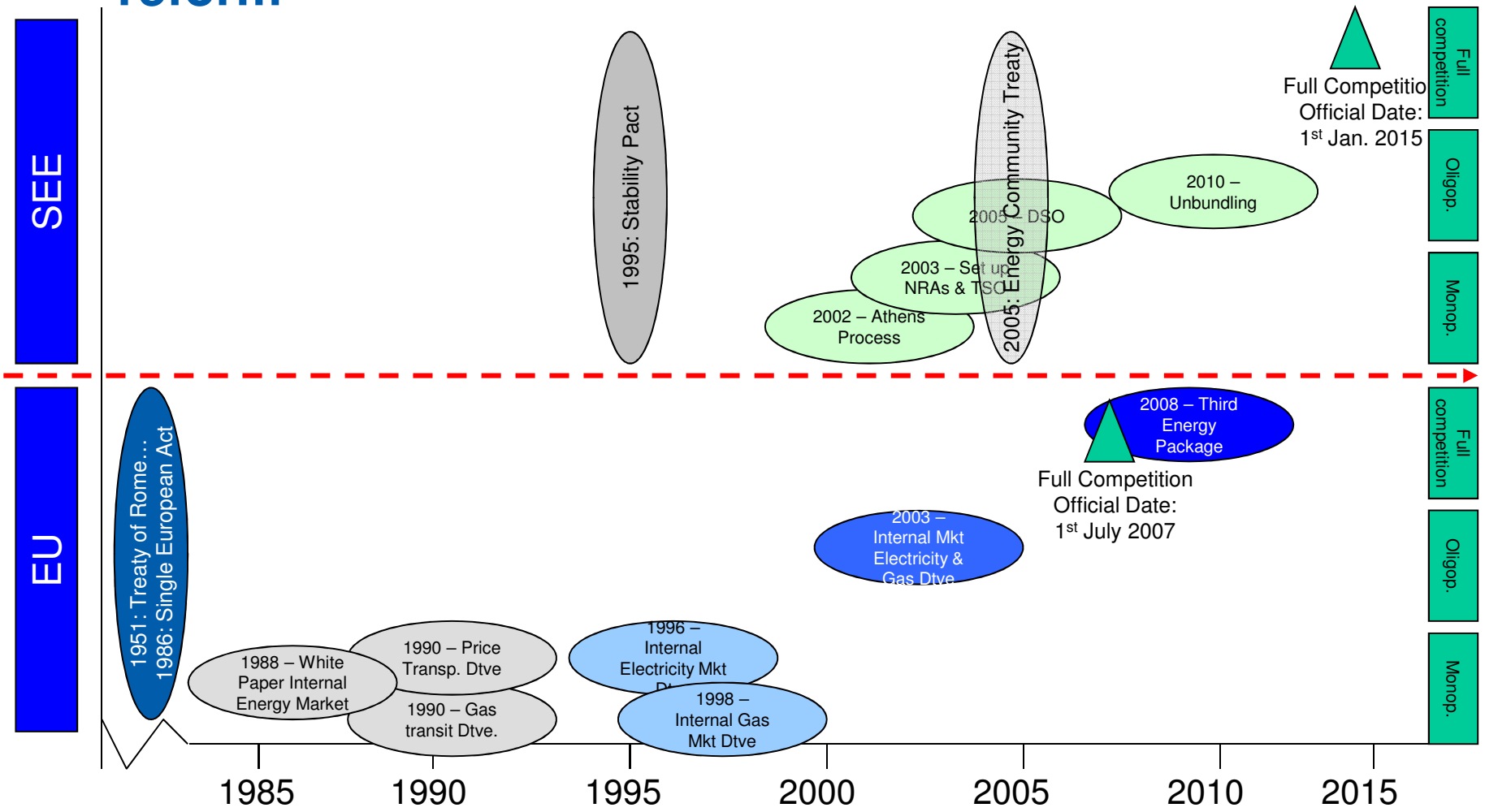
SEE – diversitiy in electricity generation structure





- ✓ There is considerable diversity across countries.
- ✓ Compared to EU the region as a whole is dependant on imported energy, larger share of coal and hydro, less nuclear and RE
- ✓Very low share of renewable sources of energy other than hydro

The region is behind EU in the energy market reform



Benefits from a Regional Energy Market

Security of Supply	Diverse resource endowments and generating technologies across the region will offer greater resilience to external shocks provided there is adequate interconnection capacity.
Prices and improved services	Regional markets also typically support the development of competitive services and cost-reflective prices by reducing market concentration enjoyed by national incumbents.
Environmental sustainability	Regions relying heavily on coal generation could import from States with surplus power generated from renewables while providing reserve capacity, thus minimising CO2 emissions.
Investment Certainty	A regional and coordinated approach, with sufficient institutional capability, could contribute to transparency and market certainty.

Energy is crucial for future growth and development so transition to a regional energy market should be the path to follow

SEE need to comply with the EU energy policy

- The EU policy defines a transition path to a more sustainable, competitive and secure energy system;
- Developing renewable energy and energy efficiency main way to achieve these objectives;
- Increased energy investment required particularly in the electricity sector;

- **EU 2020 targets:**
  - 20% less greenhouse gas emissions compared to 1990
  - 20% energy consumption from renewable energy
  - 20% reduction in primary energy compared with projected levels using energy efficiency
  - 10% renewable share in transport sector (inc. from EV)

EIB in supporting the EU energy policy

- Five priority lending areas:
  - Renewable energy
  - Energy efficiency
  - RDI in energy
  - Diversification and security of internal supply (inc. TEN-E)
  - External energy security and economic development

- EIB substantial experience in energy technologies
- Broad range of financial products
- Technical Assistance available for project preparation, mainly outside EU

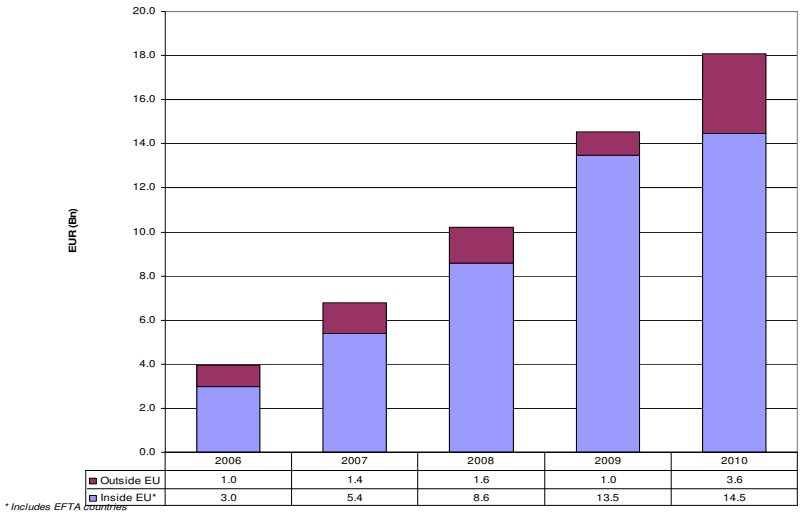
How can EIB support SEE to EU energy objectives

- Competitive financing
- Ensure project quality (environment, procurement, economic, etc.)
- Expertise to support development of priority projects or initiatives
- Support to national RE and EE Action plans

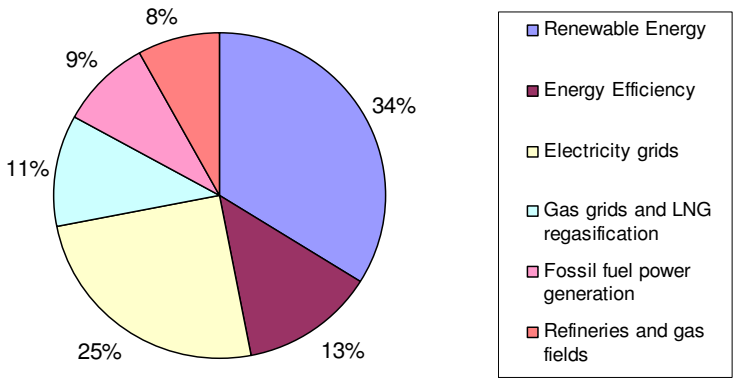
- EIB 2008-2010 energy lending in SEE: cca. 3 billion EURO
  - RE cca. 350 million
  - EE cca. 200 million
  - Rest for conventional generation and T&D projects

Some statistics – EIB energy lending

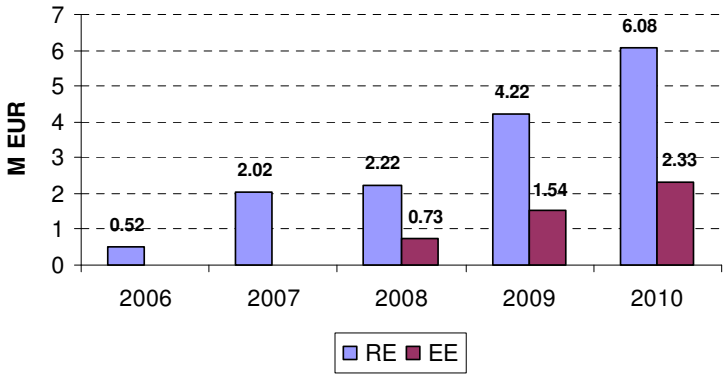
EIB Energy lending 2006-2010: inside and outside the EU



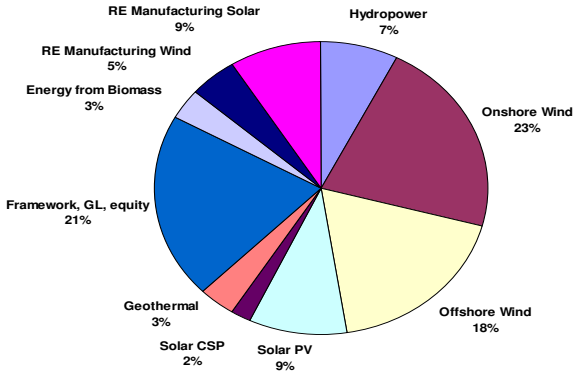
EIB energy lending by sector in 2010



EIB financing of RE and EE 2006-2010



Renewable Energy lending by technology 2008-2010



Project requirements

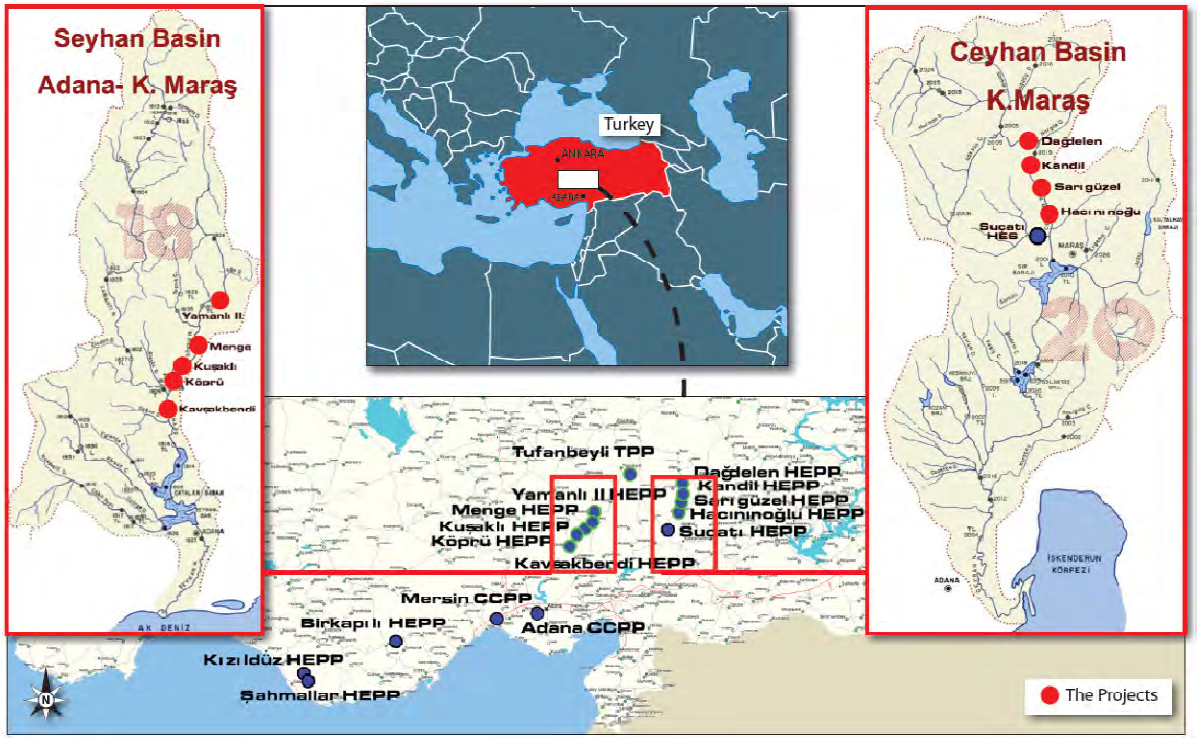
Projects must:

- Meet at least one of the EIB's objectives
- Be technically sound
- Be financially viable
- Show an acceptable economic return
- Comply with environmental protection and procurement regulations

Examples of EIB participation in financing RE and EE projects in SEE

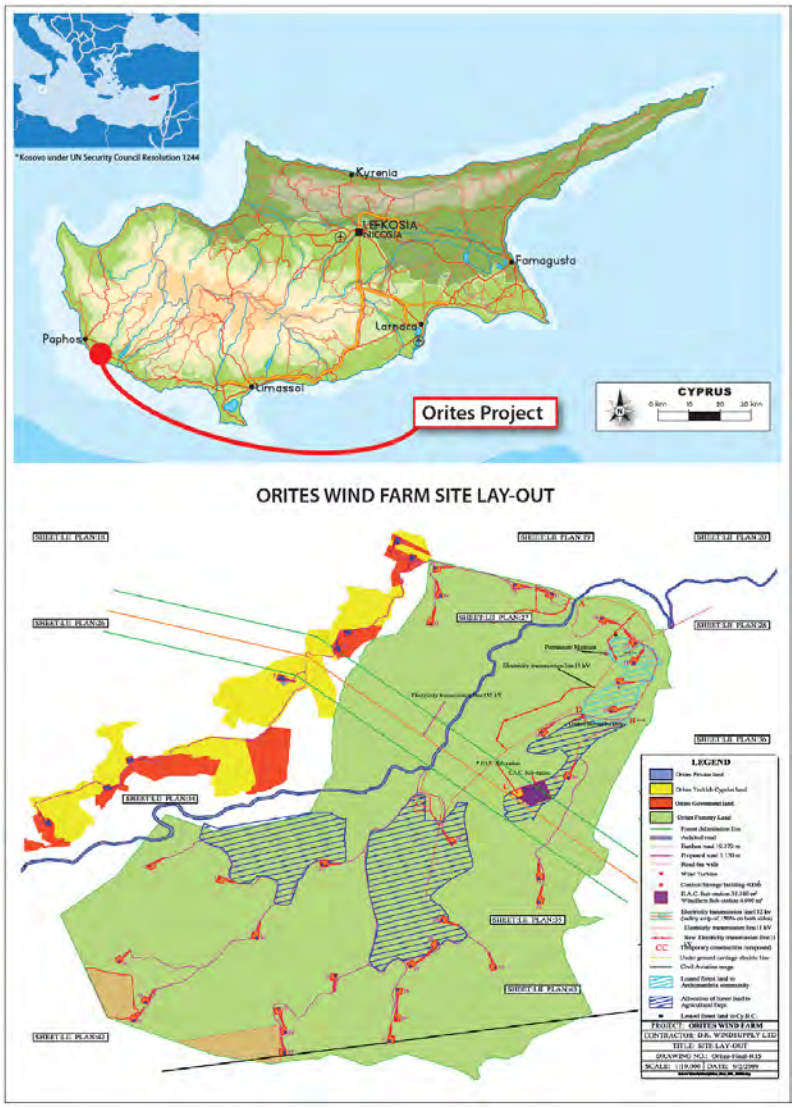
- 8 hydropower plants (955MW) in Southeastern Turkey with associated reservoirs and dams
- Smaller run-of river and pump storage hydropower plants in Slovenia
- Large 82 MW wind farm in Cyprus
- Improving EE of residential buildings in Bucarest, Romania

EIB project example – Hydropower plants in Turkey



- Construction of 8 hydropower plants (955MW) in Southeastern Turkey with associated reservoirs and dams.
- Hydropower currently represents 20% of the electricity in the country and still has a high potential.
- The project aims to make a substantial contribution to sustainability and security of energy supply.

EIB project example – Cyprus wind farm

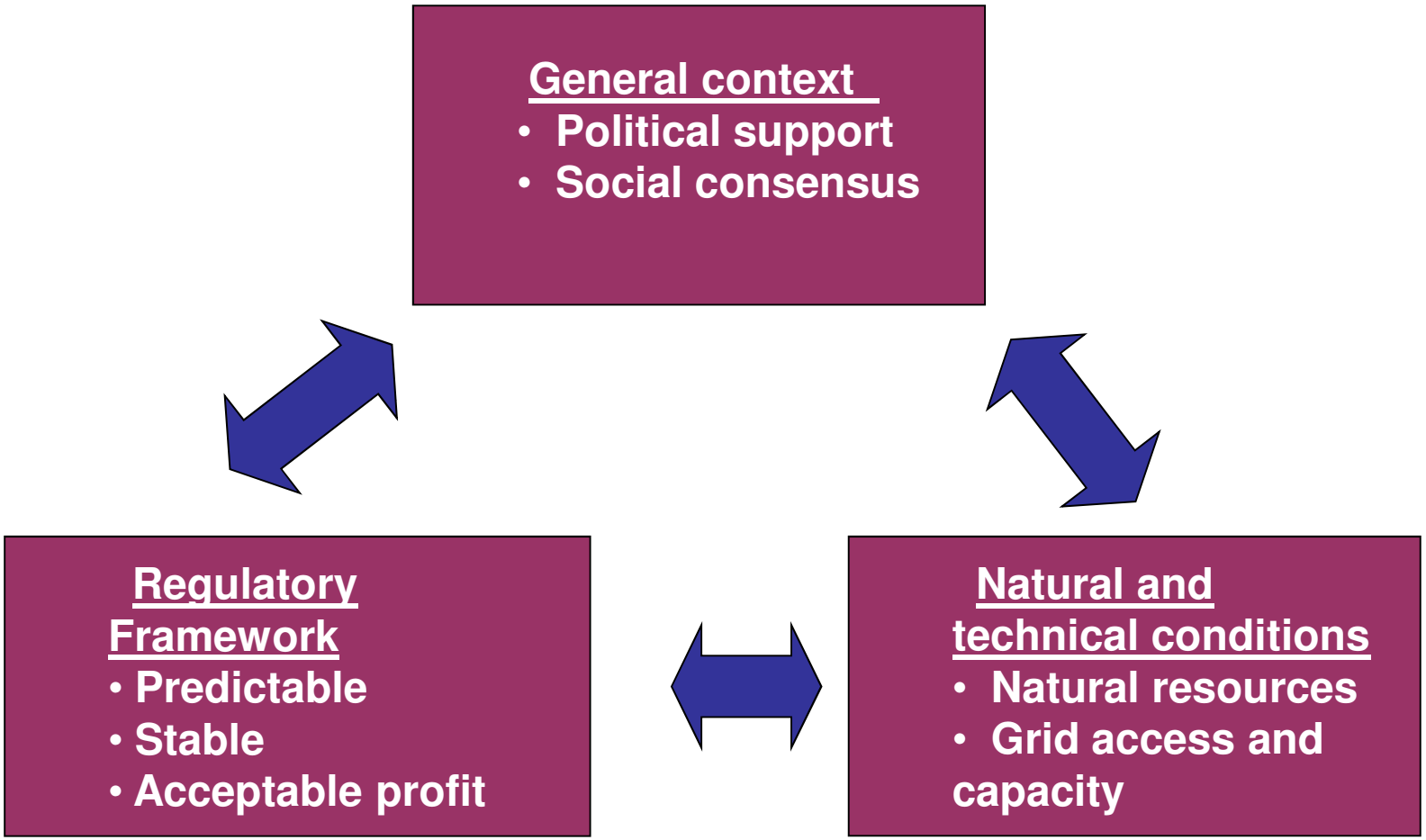


- The project concerns the construction and operation of an 82 MW wind farm in Cyprus
- The project supports national and European targets for renewable energy and consequently also contributes to environmental objectives.
- Cyprus is relying mainly on wind to increase its current 2.9% share in RES to the 2010 target of 6% and the 2020 target of 13% proposed by the EU Commission.

EIB project example – Thermal rehabilitation of residential apartments in Romania

- The objective of the project is to renovate 270 buildings (23000 apartments) from 2010 until 2012.
- The project is expected to reduce the energy consumption of the buildings by around 50%.
- The project supports national and European objectives related to improving energy efficiency and climate change and security of energy supply objectives.

Investment drivers



concluding remarks

- Large potential for investments in RE and substantial potential to improve EE in SEE
- Significant investments needed to renovate and integrate energy systems
- Energy market integration to be continued according to EU energy objectives

- EIB playing an important role
  - Competitive finance
  - Supporting renewable energy technologies
  - Supporting energy efficiency (EEFF, GfG)