



FINANCING RENEWABLE ENERGY PROJECTS OF THE MEDITERRANEAN SOLAR PLAN: THE EIB CONTRIBUTION

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Outline



- 1. Background
- 2. MSP: Issues
- 3. EIB contribution to the MSP
- 4. Conclusions



1. Background and issues (1)



- ❖ **Southern and Eastern Mediterranean region:**
- ❖ Energy mix mostly based in fossil fuels
- ❖ Energy demand and GHG emission rapidly expanding
- ❖ Several countries of the region have access to cheap oil/gas resources. Energy prices are low in many of these countries.
- ❖ Large RE & EE potential, but very underdeveloped



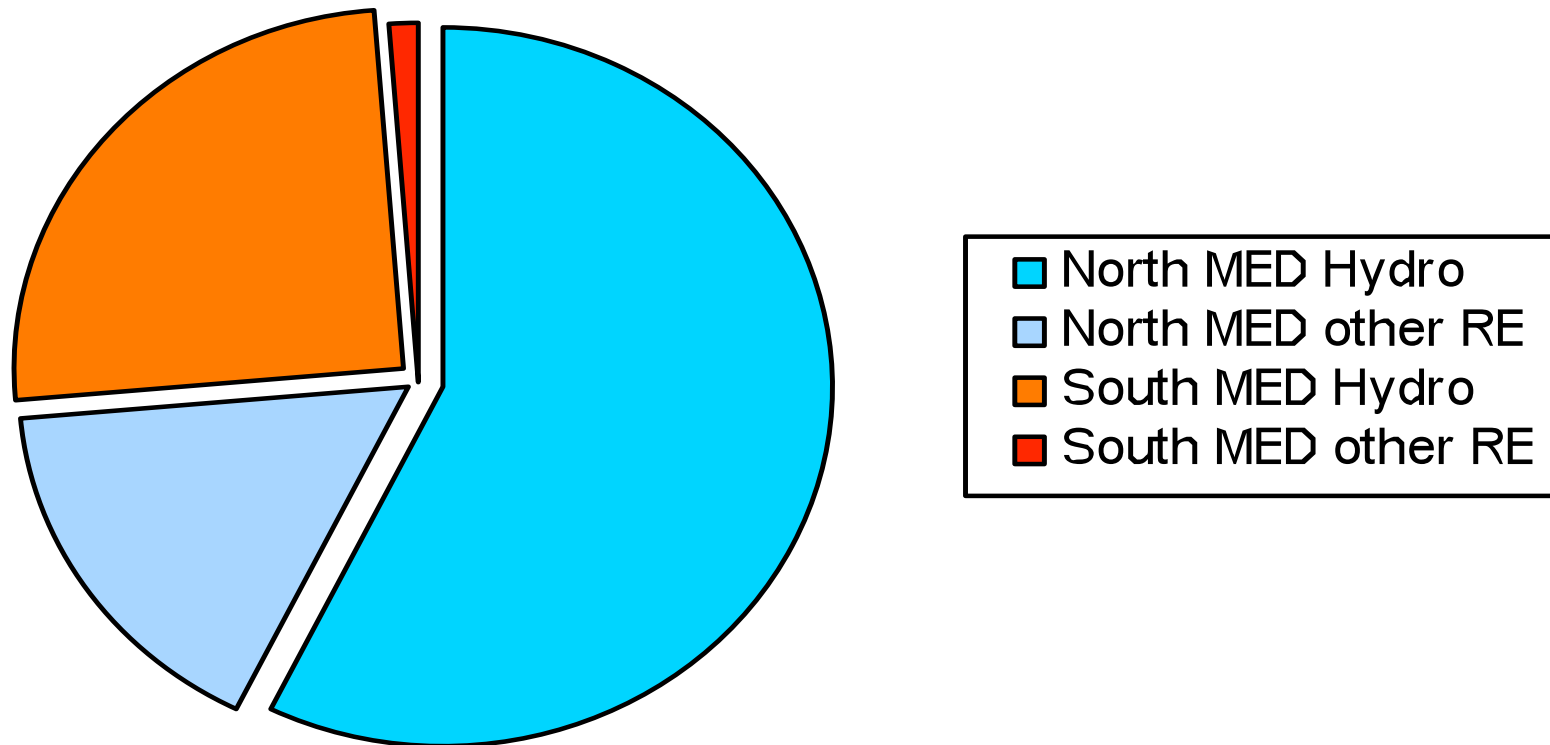
1. Background and issues (2)



- ❖ **Renewable Energy (RE) & Energy Efficiency (EE):**
- ❖ RE technologies in different development stage:
 - ❖ Mature (such as on-shore wind): costs close to conventional alternatives
 - ❖ Emerging (such as solar): Cost higher than conventional, but decreasing faster than mature technologies
 - ❖ Depending on the RE mix that will be developed in the MED countries, needs of subsidies can be substantial
- ❖ Energy efficiency:
 - ❖ Economically profitable, but often not viable financially, because of energy subsidies.
 - ❖ Substantial barriers (small projects, access to information, etc.)



Production of Renewable Electricity in the Mediterranean Countries in 2005

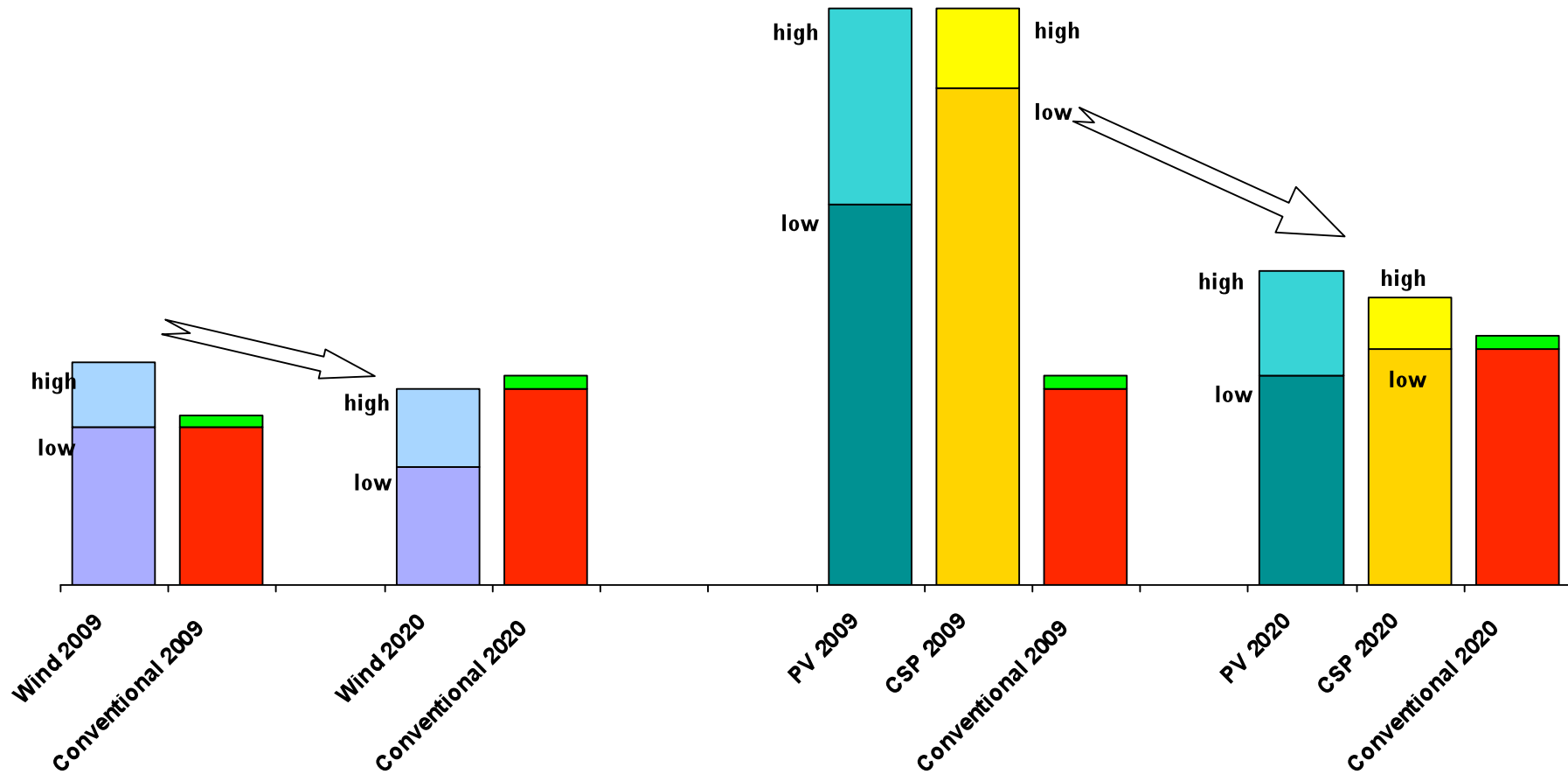




Indicative electricity production costs

IEA energy price scenarios for 2020 (110 USD/bbl)

RE costs development, based on EC studies notably from the ETP
5% discount rate





2. MSP: General issues



- ❖ Objective: 20 GW of RE capacity installed in the region by 2020.
- ❖ To achieve this goal, the MSP needs to overcome regulatory and technical barriers to RE&EE deployment:
 - ❖ Favourable energy policy
 - ❖ Reduction of energy subsidies
 - ❖ Policy commitment: National RE deployment plans
 - ❖ Clear and stable RE support schemes, differentiated by development stage
 - ❖ Transparent permitting procedures with defined deadlines
 - ❖ Non-discriminatory and open grid access
 - ❖ Lift technical barriers by:
 - ❖ Overcoming local grid bottlenecks to connect planned RE capacity
 - ❖ In the medium to long term, expanding international interconnection capacity within the region and with the EU
 - ❖ Increasing local capacity to develop RE&EE projects



2.1 MSP: Financing issues



- ❖ Mobilise subsidies to cover additional costs, notably for emerging RE technologies:
 - ❖ Attract subsidies to the region: WB(*), EU, sovereign, private, etc.
 - ❖ Revenues from electricity exports to the EU (Directive 2009/18/EC, Art. 9)
 - ❖ Revenues from carbon credits
 - ❖ Revenues from national support schemes
- ❖ Develop financial instruments to cover needs for MSP projects
 - ❖ Most of the projects will be financed with Project Finance techniques
 - ❖ Attract private equity and debt financing
- ❖ Develop the capacity of local financial institutions to assess RE&EE projects
- ❖ (*) In particular, the recent WB initiative concerning CSP for the MENA region



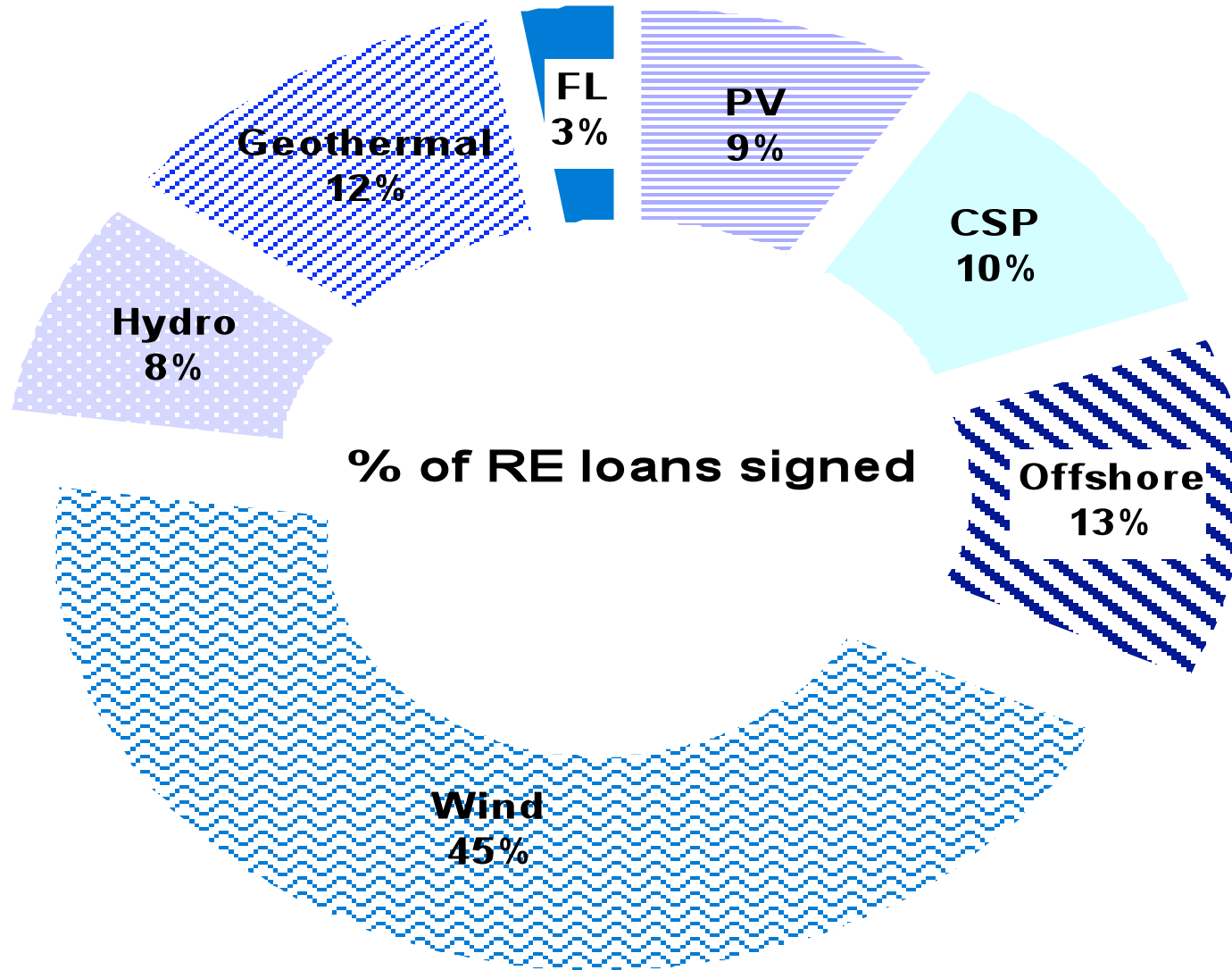
3. EIB contribution to the MSP



- ❖ General:
 - ❖ EIB contributes with its large expertise in RE & EE projects (lending to RE projects was 2.2 bn EUR in 2008)
 - ❖ Technical support to MSP Core group and participation in MSP related meetings
 - ❖ Cooperation with the EU Commission and other IFIs
- ❖ EIB is the region's main financial partner:
 - ❖ Financing of 8.5 bn EUR in FEMIP(*) and 9.4 bn EU in Turkey in 2002-8
 - ❖ Energy financing 3.6bn EUR in FEMIP and 0.6 bn EUR(**) in Turkey for the same period
- ❖ Wide range of instruments:
 - ❖ Long term loans
 - ❖ Quasi-equity and equity (only for FEMIP at present)
 - ❖ Technical assistance grants, notably in FEMIP countries
- ❖ (*) The FEMIP facility covers the MED partner countries (Northern Africa and Near East)
- ❖ (**) It does not include 2.8 bn EUR of credit lines to SME that cover energy projects



EIB financing of renewable energy by sectors in 2002-2007





3.1 EIB contribution to the MSP: Specific actions



- ❖ EIB responsible of the FEMIP TRUST Fund study concerning the MSP, which aims at the identification of mature projects, help to develop plans to achieve MSP objectives and regulatory aspects
- ❖ The MSP cooperation mechanism:
 - ❖ EIB, AfD and KfW will combine their respective financing instruments
 - ❖ Broad range of instruments: Long term loans, interest rate subsidies (when subsidies available), grants for TA, etc.
 - ❖ On a provisional basis, EIB, AfD and KfW will earmark EUR 5 billion for RE/EE in the region for the next 5 years starting in 2010



4. Conclusions



- ❖ The MSP supports the transition of MED countries to a more sustainable and secure energy system
- ❖ Policy commitment and clear and stable regulatory frameworks are needed to achieve the objectives of the Plan
- ❖ Benefits to the region and the EU resulting from the development of the large RE/EE potential of MED countries: mobilisation of public and private equity and debt financing, employment, development of the local industry, etc.
- ❖ The EIB is supporting the MSP with its large range of instruments and substantial experience in financing RES projects