



Financing the Transition Towards a Low-carbon Economy in the EU

Juan Alario

Associate Director
Senior Energy Advisor
European Investment Bank

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1. The current context is not favourable to low-carbon technologies

- From 2009/10, change in primary energy price trends
- Low coal prices
- Low CO2 prices
- Uncertainty on the policy and regulatory developments
- However, context looks favorable for Energy Efficiency (EE)

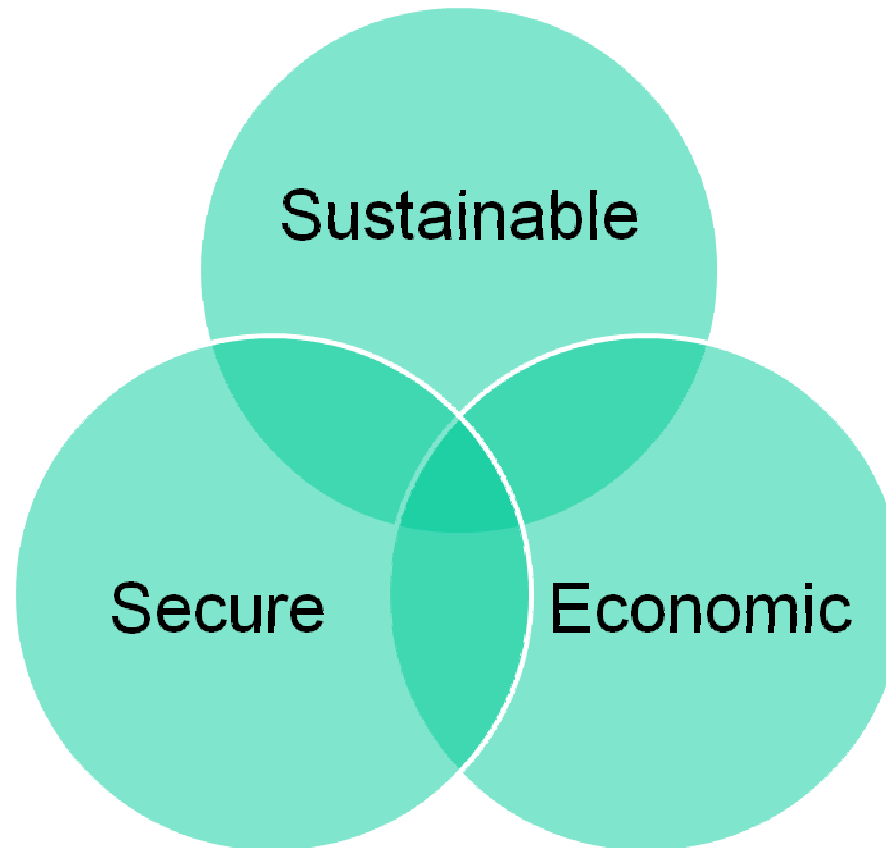


1.2. Competitiveness of key low-carbon technologies

- **The CO2 price has to increase substantially in order for electricity from gas to be cheaper than electricity from coal**
- **If the cost of finance is low and a “reasonable” CO2 price is included, electricity from most mature renewables can be competitive with electricity from gas**
- **Energy efficiency and renewables for heat can be competitive with fossil fuel alternatives under a low CO2 price, provided that transaction costs are low**



2. Dilemma between different objectives of the EU energy policy



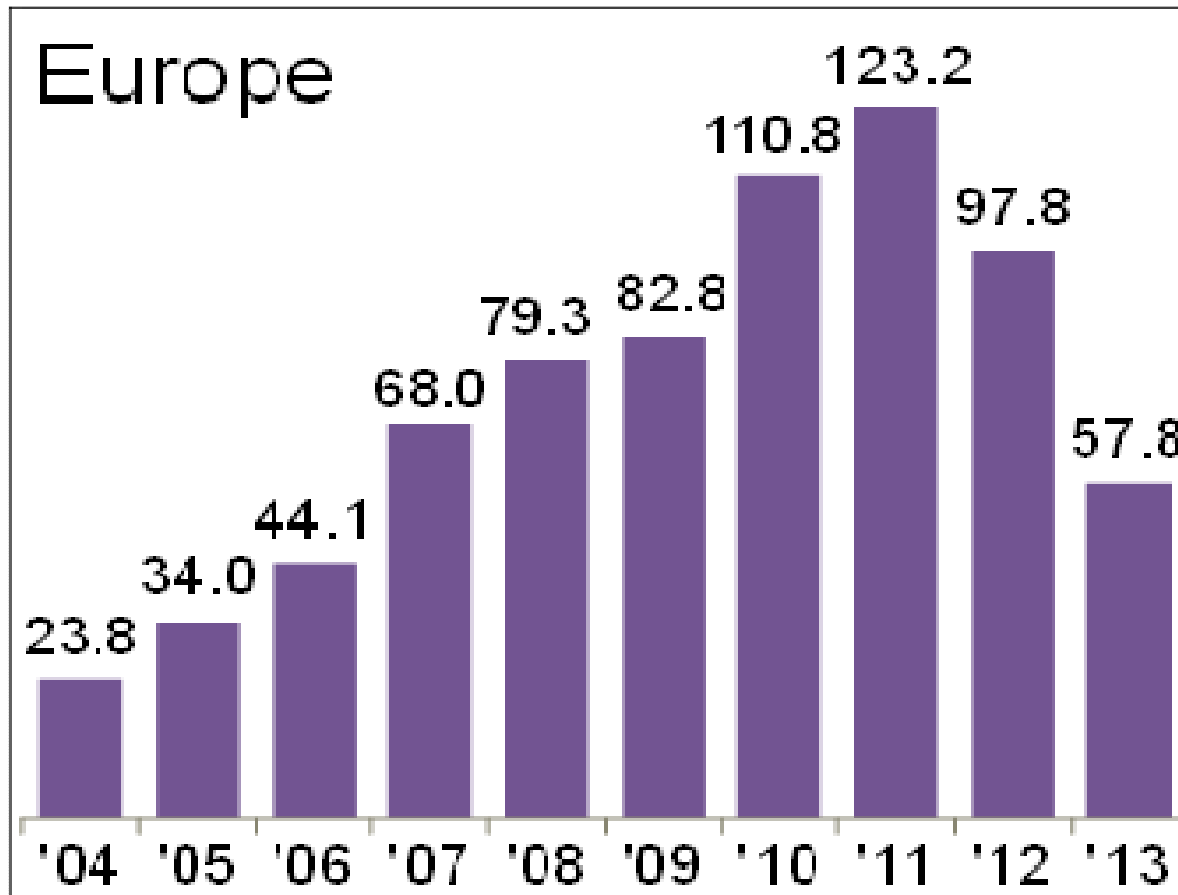


3.1. Substantial decline of energy investments since 2010/11

- Based on the information available, energy investments increased substantially in 2005-2011, driven by renewable energy investments for power generation; thereafter, they substantially declined
- Data on energy efficiency investments are poorly known, but very likely they are significantly lower than energy sector investments



3.2. Renewable energy investments in bn USD (Bloomberg/NEF)





3.3. Lower investment needs than past forecasts

Energy infrastructure investment needs are less than initially expected, as EU energy demand has declined since the start of the economic crisis

- Overcapacities in the electricity sector
- Overcapacities in the gas sector
- Sharp decline of renewable energy investments



3.4. Investment needs in 2010-20 to reach objectives (from Commission studies)

- **Mostly for RE, EE and energy networks**
- **Mainly related to the electricity sector**
 - 50 bn/yr for RE (most likely lower today)
 - 60 bn/yr for energy networks – about 40 bn for electricity and 20 bn for gas

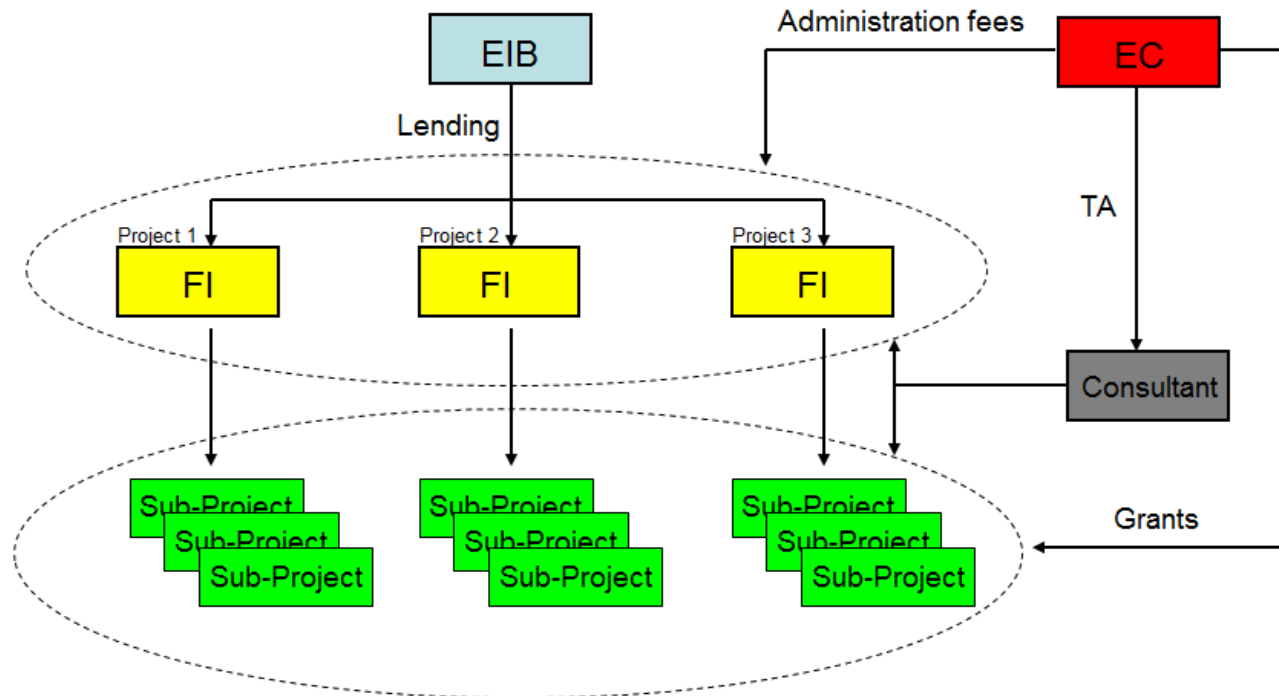


5.2. EIB new Energy Review published in July 2013

- ❖ EIB's Energy Screening and Assessment Criteria have been published in our website (www.eib.org):
 - ❖ Detailed criteria for the different type of investments
 - ❖ All fossil fuel power plants financed by the EIB meet an Emissions Performance Standard for CO₂
- ❖ Focus of EIB financing: EE, RE and energy networks:
 - ❖ Provision of long term finance: senior loans to equity
 - ❖ Advisory services: TA and financial products. Examples: Elena, Jaspers, Jessica, Deep Green, etc.



5.3. Example: Framework Loans for small EE&RE (several EIB operations follow this approach, notable to finance the private sector)





6. Possible issues for discussion

- ❖ Misalignment between economic signals and policy priorities for low-carbon technologies
- ❖ How to increase energy investments in the EU, particularly EE investments
- ❖ Efficient and effective use of public funds to support priority projects
- ❖ Facilitate access to financing for priority projects