



اللجنة المغاربية للكهرباء
COMITE MAGHREBIN DE L'ELECTRICITE



5^{ème} Conférence Générale du COMELEC



Financing Sustainable Energy (SE) Projects in the Maghreb

Hervé Guenassia
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The European Investment Bank



- ✓ European Union's long-term lending bank set up in 1958 by the Treaty of Rome / Policy-driven Bank (non-profit)
- ✓ Shareholders: 27 EU Member States
- ✓ Governance : 1) Board of Directors: approving loans (Member States & European Commission + Experts) and 2) Management Committee: EIB's executive body
- ✓ Outside the EU, the EIB is active in over 150 countries where it supports projects which contribute to EU's external cooperation.
- ✓ Projects need to be technically, environmental, economically sound and financially viable.

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2011 Key figures



European Union	EUR 53.8bn
Partner countries	EUR 7.1bn
Mediterranean Partner countries	EUR 1bn
Total lending	EUR 60.9bn
Borrowings	EUR 76.0bn
Subscribed capital	EUR 232.4bn

MAGHREB: EUR 503m
NEAR EAST : EUR 423m

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FEMIP Overview



Facility for Euro-Mediterranean Investment and Partnership • Facility for Euro-Mediterranean Investment and Partnership



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What is FEMIP?

Support for the
private sector



Investment-friendly
environment



Modernisation and
development
of economies

- FEMIP brings together the whole range of EIB instruments in the Mediterranean partner countries (MPCs)*.
- Operational since October 2002: more than 13 bn EUR has been lent.

* Algeria, Egypt, Palestinian Authority, Israël, Jordan, Lebanon, Morocco, Syria and Tunisia.

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What FEMIP Offers



Supporting investments
projects presented by
private and public
promoters

Long term loans : direct
(project cost >25 M EUR
and up to 50% project
cost) and indirect (credit
lines to banks)

Private Equity in
companies and in funds

Technical assistance for
project preparation and
implementation

Attractive financing terms
: maturity aligned to
economic life, non-profit
driven bank

Political Risk Cover

In-depth sector and
country knowledge for
over 30 years with local
offices.

Co-financing with other
IFIs

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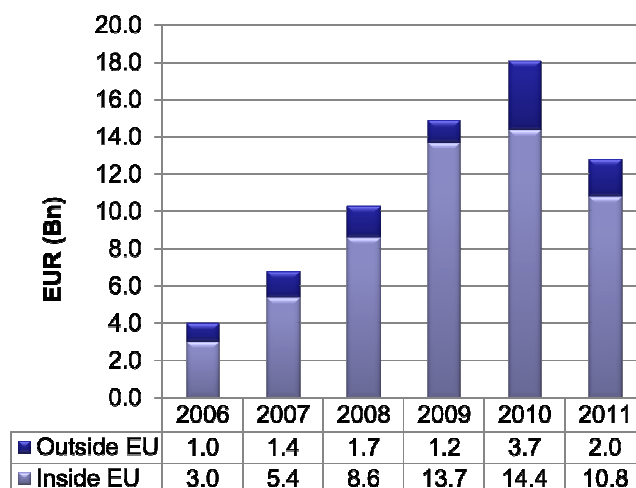
EIB Energy Strategy in the MENA Region



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EIB Energy lending 2006-2011: inside and outside the EU



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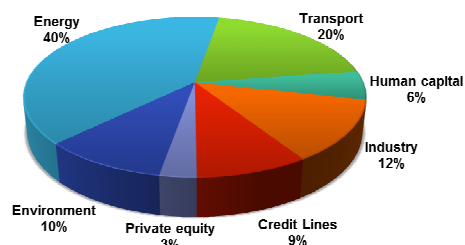


Breakdown by sector and country in EUR m (October 2002 - December 2011)

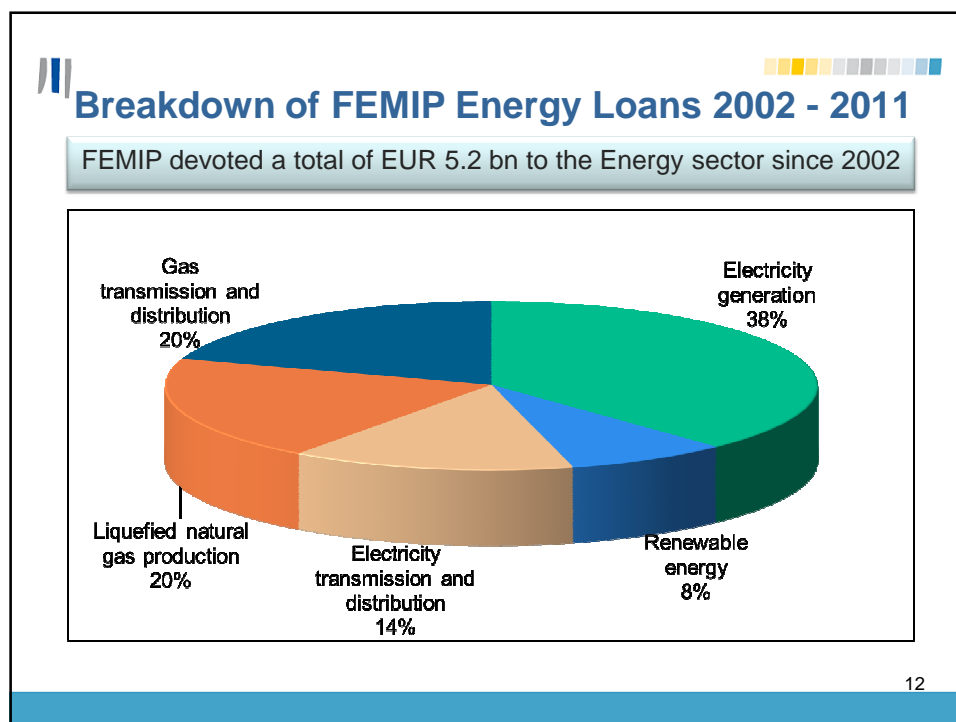
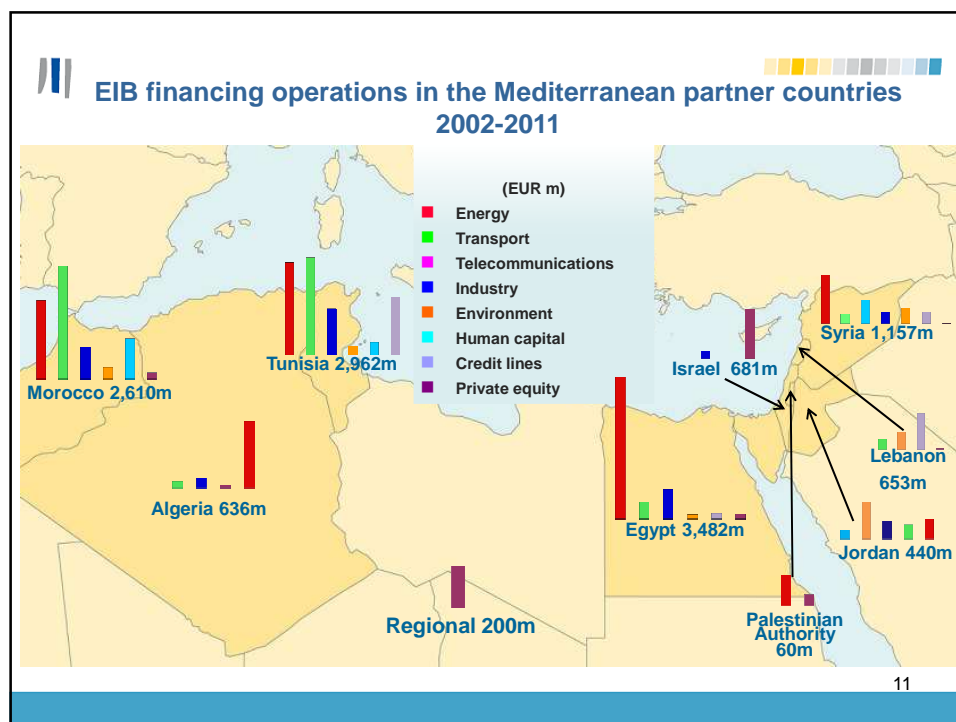
	Energy	Total
Algeria	500	636
Egypt	2,438	3,482
Gaza/West Bank	45	60
Israel		681
Jordan	90	440
Lebanon		653
Morocco	730	2,610
Regional projects		200
Syria	475	1,157
Tunisia	875	2,962
Total	5,153	12,881

The Energy challenge has been an imperative for FEMIP since it was established at the end of 2002 and became a strategic focus of its operations in MPCs.

FEMIP Activity 2002-2011: Sectoral Breakdown



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Energy sector in the Maghreb : key issues



- ✓ Substantial growth in energy demand is expected (ex electricity) due to demographic factors, electrification of rural areas...
- ✓ Subsidy system of energy prices gives wrong signals to energy markets.
- ✓ Lack of or modest domestic energy resources (Morocco and Tunisia).
- ✓ Balance between energy resources and demand shows a deficit.
- ✓ Efficiency of energy use to be developed.
- ✓ Investment for energy networks is needed.

► **Strong potential to be developed for Energy Efficiency (EE) and Renewable Energy (RE) projects and security of supply projects**

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SE projects and actions (1)



Sector & type of funding	Pipeline of Projects	Barriers to financially viable projects
Power sector Oil and gas ✓ Direct lending	Rehabilitation of power plants, smart grid, flare gas recovery...	<ul style="list-style-type: none">✓ No Independent energy regulator✓ No unbundling from generation/transmission/gas and electricity✓ Limited third party access✓ Natural gas security of supply to be ensured.
Renewable Energy ✓ Direct lending for Medium/large projects ✓ Credit line facility for small projects	Large Wind (100-600 MW), Solar, Hydorehabilitation, Biomass	<ul style="list-style-type: none">✓ Energy prices✓ Early stage market liberalization✓ No Grid code in place

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SE projects and actions (2)

Sector & type of funding	Pipeline of Projects	Barriers to financially viable projects
Energy Efficiency in industry <ul style="list-style-type: none">✓ Credit line for EE projects✓ Direct lending for medium-sized projects (eg cogeneration)	<ul style="list-style-type: none">✓ Industry is of significant importance✓ Biomass (food)✓ Biogas (food and agriculture)✓ Heat recovery system (various)✓ Cogeneration (food and chemical)	<ul style="list-style-type: none">✓ Bankability of industries especially SMEs✓ Lack of awareness on EE✓ No structured ESCO market✓ Banking sector experience on EE and financing mechanisms to be developed✓ Limited possibility of selling self generated electricity surplus.

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SE projects and actions (3)

Sector & type of funding	Pipeline of Projects	Barriers to financially viable projects
Buildings (commercial and residential) <ul style="list-style-type: none">✓ Credit lines for EE projects with local banks✓ Direct lending for medium sized projects	<ul style="list-style-type: none">✓ Solar Water heaters for the hotel sector✓ PV rooftop for commercial buildings✓ Roof insulation for household and renovation	<ul style="list-style-type: none">✓ Weak building regulations✓ Lack of data and market awareness✓ High initial investment costs (imported equipment and technology)✓ Long pay back period due to subsidised energy prices
Municipal infrastructures <ul style="list-style-type: none">✓ Direct lending	Wastewater sector Water sector (desalination and water pumping) Solid waste sector (eg landfill gas recovery and CHP)	<ul style="list-style-type: none">✓ Limited awareness and expertise in EE and RE by municipalities✓ Budget constraints✓ Lack of data in public sector.

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Energy efficiency in action : EIB's building



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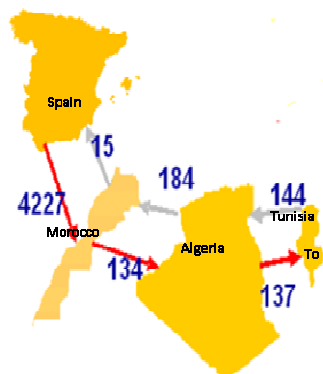


Mediterranean Energy Highways



- ✓ Facilitating energy imports into the EU originating/transiting from the Med
- ✓ To encourage the emergence of a unified southern and eastern Mediterranean energy market.
- ✓ Development of national electricity networks is required to meet electricity demand and power development
- ✓ Modernization of existing power grid to integrate RE power

Physical energy exchanges in 2008
(in GWh) in the Western Maghreb bloc



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Possible ways to overcome barriers to financing viable SE projects

- ✓ Introduction of modern tariffing/regulatory system (Independent energy regulator/Grid Code)
- ✓ Guarantee funds to improve bankability of SMEs for medium/long term loans.
- ✓ Information campaigns
- ✓ Support set-up/development of ESCO
- ✓ European funds providers (AFD, KFW, EC, EIB) to focus on long-term loans (NIF subsidy, concessional finance) and technical assistance to Banks and Borrowers (energy audits / feasibility studies) and policy dialogue with government.

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Public consultation on EIB's Energy Lending Policy

- ✓ The consultation process seeks to solicit views and input from a wide array of stakeholders that are involved in the energy sector and can bring valuable expertise to the review of the EIB's energy sector lending policy.
- ✓ Stakeholders can send written contributions until 31st December 2012. Written comments received will be published on the EIB website.
- ✓ Opportunity to exchange directly with EIB on 7th December in Brussels.
- ✓ Check EIB website for more information

<http://www.eib.org/about/partners/cso/consultations/item/public-consultation-on-eibs-energy-lending-policy.htm>

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Hervé Guenassia
Senior Loan Officer - Energy
h.guenassia@eib.org

<http://www.eib.org/femip>