

Institutional Investors \Leftrightarrow EIB \Leftrightarrow Climate

Christopher Knowles

Global Solutions Summit: Building a New Financial Architecture

Love your Acronyms



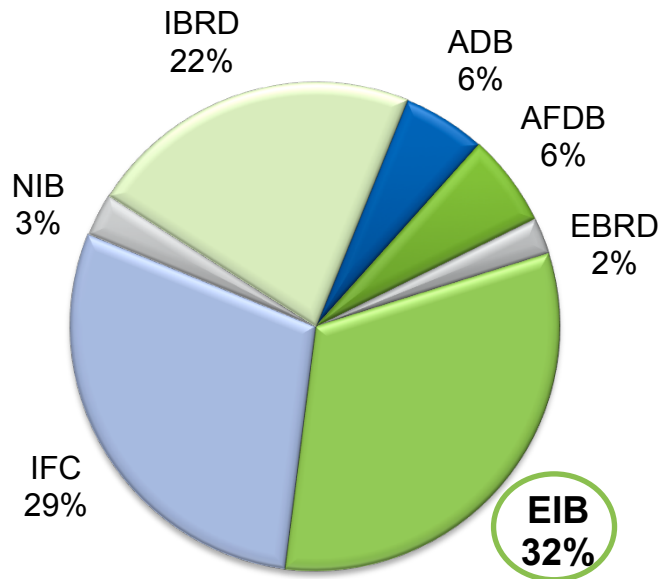
- Climate Awareness Bonds – CABs
- Project Bond Credit Enhancement – PBCE
- Global Energy Efficiency and Renewable Energy Fund - GEEREF
- Renewable Energy Platform for Institutional Investors – REPIN
- Environmental Performance Indexed Bonds – EPIBs

Climate Awareness Bond issuance

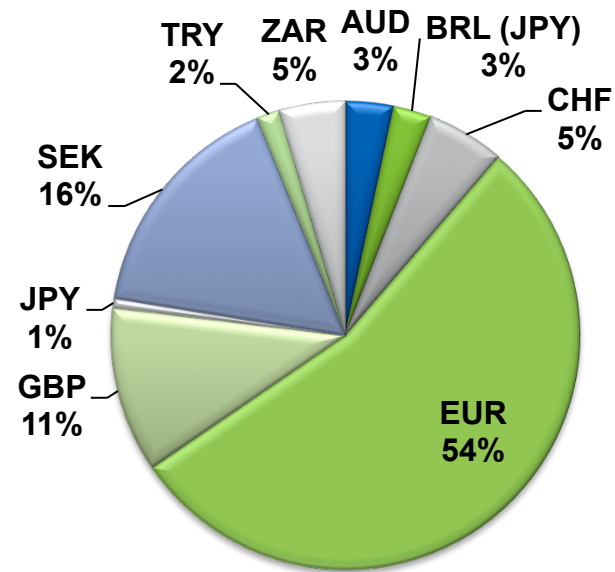


- EIB - one of the largest issuers of green bonds
- To date, CABs have raised over EUR 5bn equivalent in 9 currencies
- 2014: first EIB CAB in GBP (GBP 500m), CHF and JPY (Samurai format)

Outstanding environmental bonds issued by MDBs (size > USD 100m)[^]



EIB CAB issuance by currency*



[^]Source: market data collected by Credit Agricole CIB; as of 11/02/2014

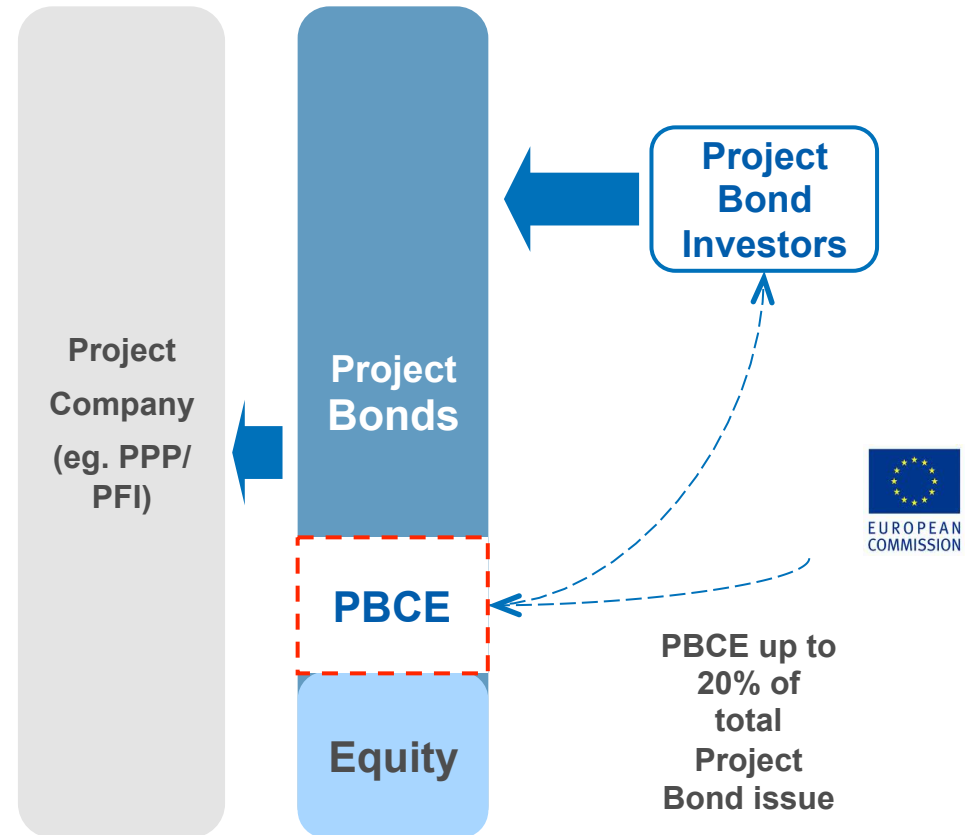
*As of 27 March 2014

Project Bond Credit Enhancement (PBCE) mechanics



The PBCE instrument

- Ensures debt service for the Project Bond Investors up to the total size of the instrument
- Provides additional liquidity to avoid default, and acts as a first-loss debt piece
- Credit enhances project bonds from a typical BBB- rating by up to 3 notches (to A-)
- Can be provided as either a funded (subordinated loan) or unfunded (letter of credit) instrument
- Once drawn (unfunded), mezzanine debt repaid by junior cash sweep

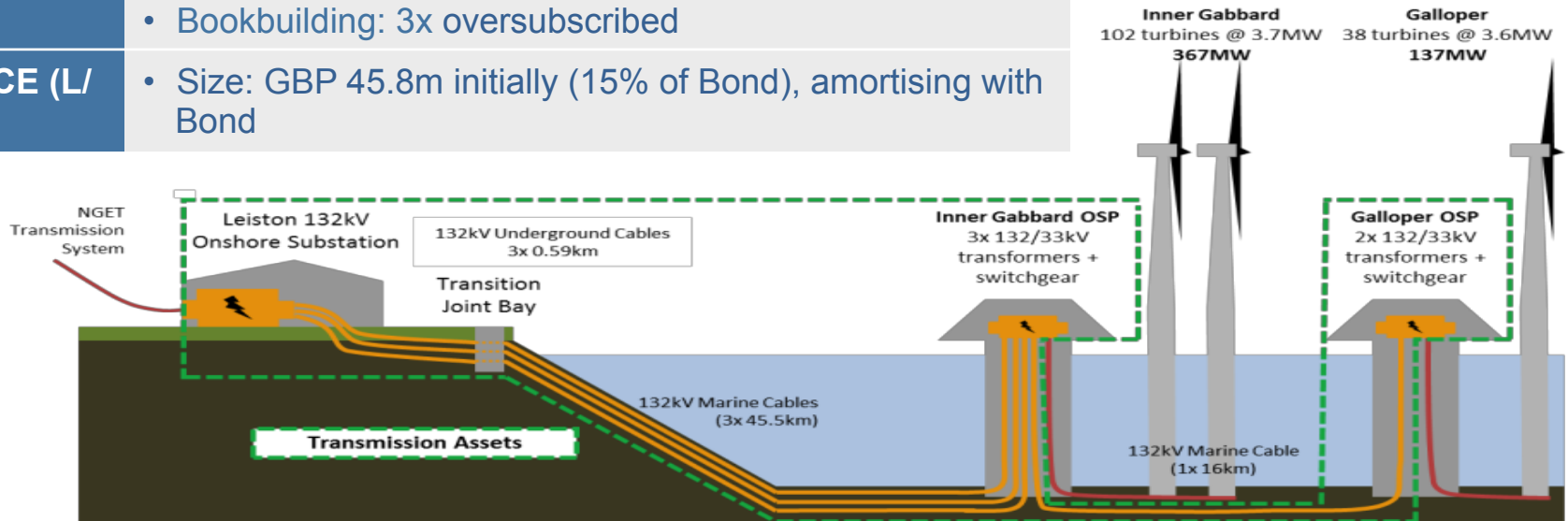


The Greater Gabbard OFTO



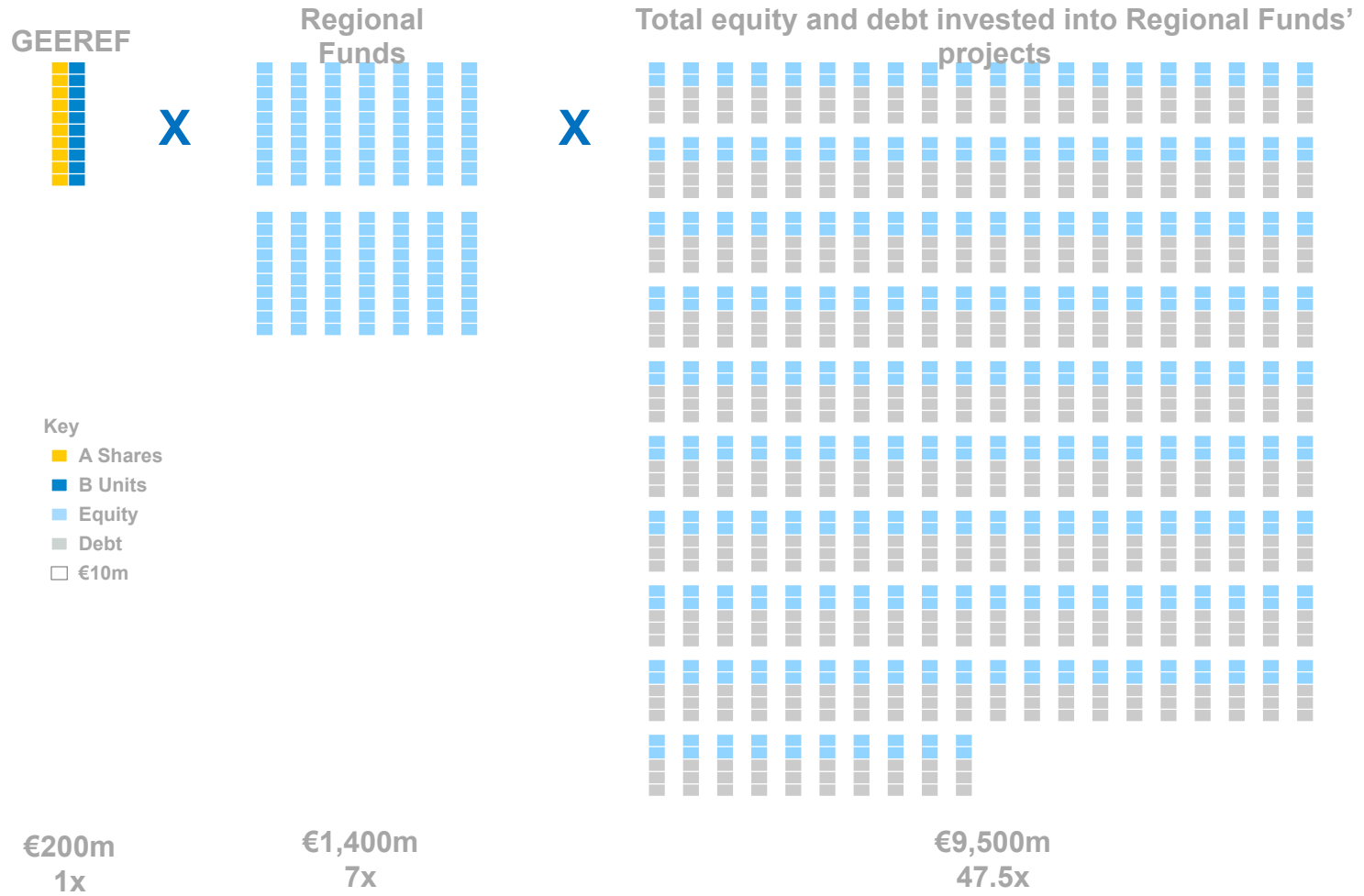
Project Overview

| | |
|-------------------------|---|
| Project | <ul style="list-style-type: none"> • Electricity transmission assets connecting the 140 wind turbines of the 504MW Greater Gabbard offshore wind farm to the UK onshore grid • Construction completed • Concession of 20 years |
| Financing (Bond) | <ul style="list-style-type: none"> • Size: GBP 305.1m, publicly listed, long term, amortising senior debt with a tenor of 19 years • Rating: A3 (with the PBCE) • Pricing: 125bps over benchmark UK Gilt rate or 4.317% • Bookbuilding: 3x oversubscribed |
| PBCE (L/C) | <ul style="list-style-type: none"> • Size: GBP 45.8m initially (15% of Bond), amortising with Bond |



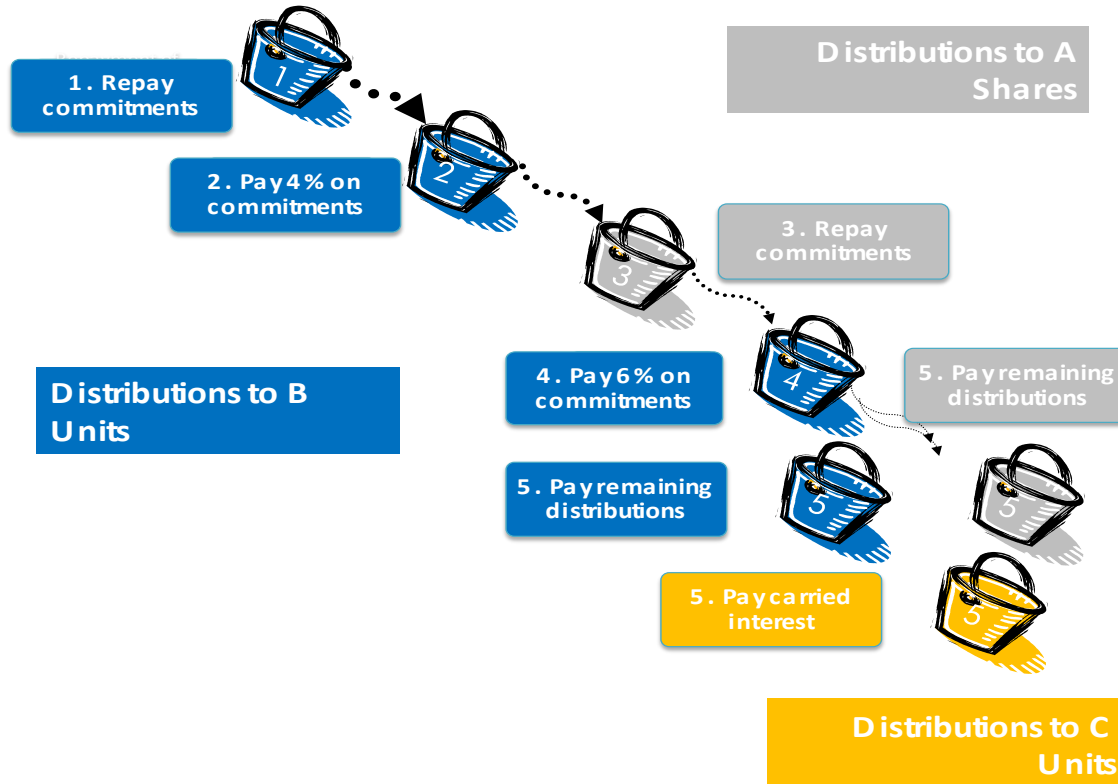


GEEREF multiplier - catalytic first loss capital



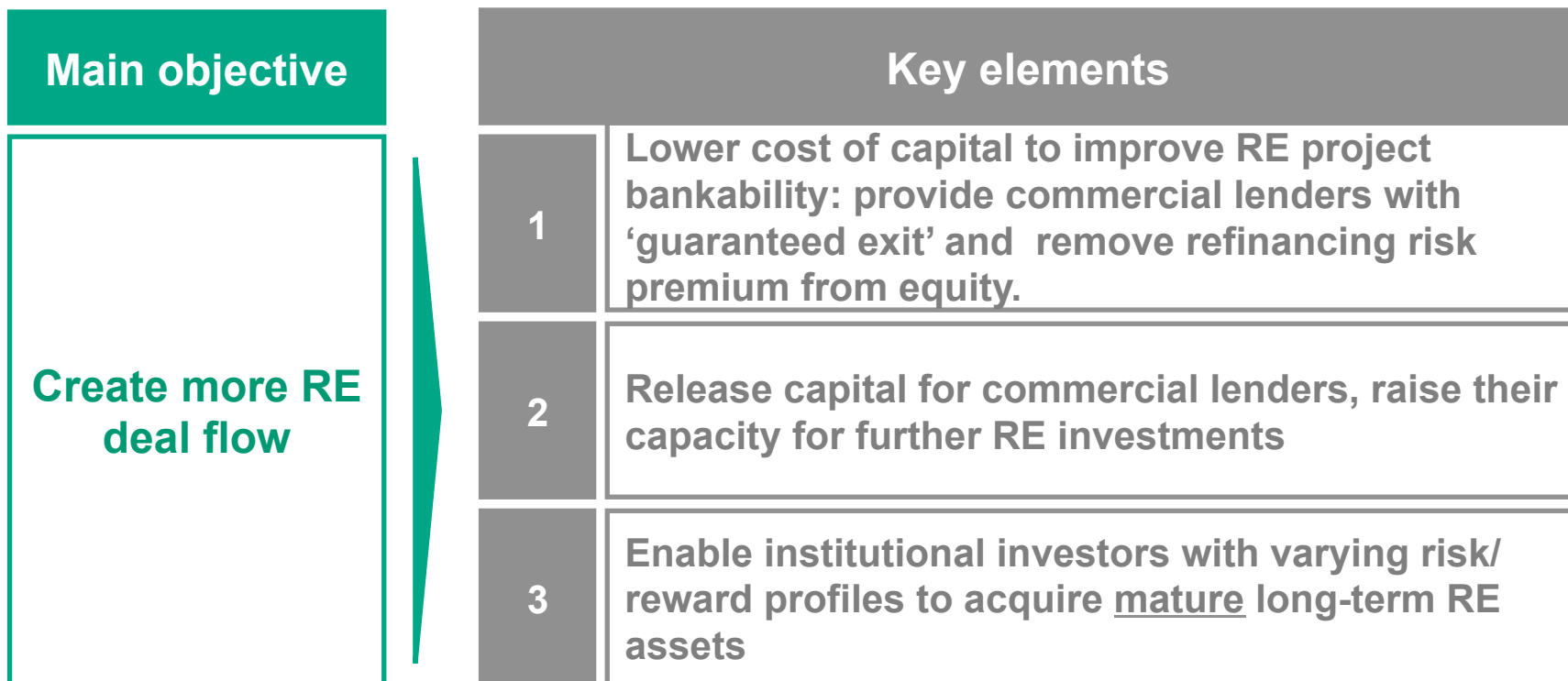


GEEREF - Waterfall distribution



Renewable Energy Platform for Institutional Investors

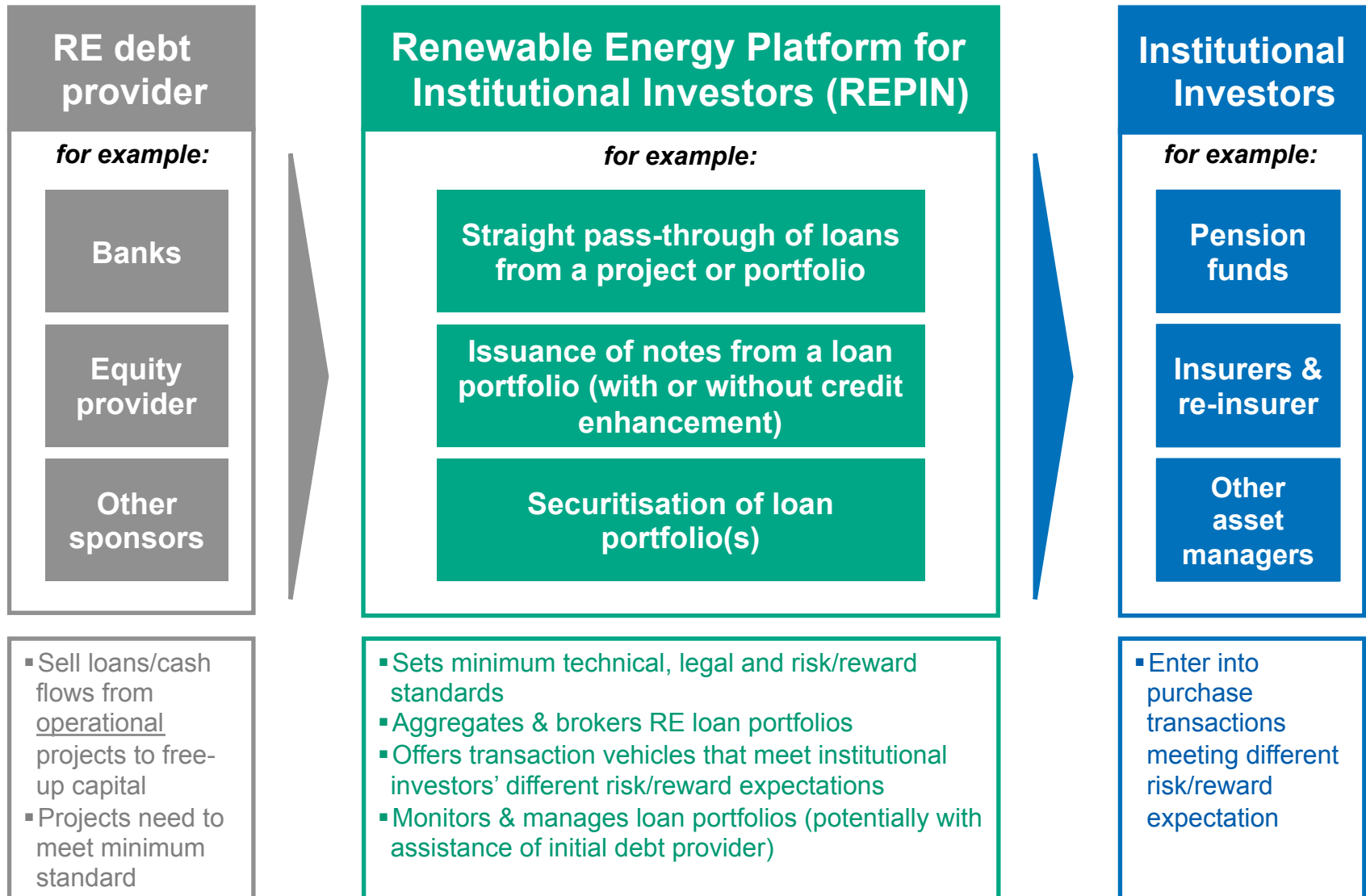
Stimulate RE deal flow and institutional finance



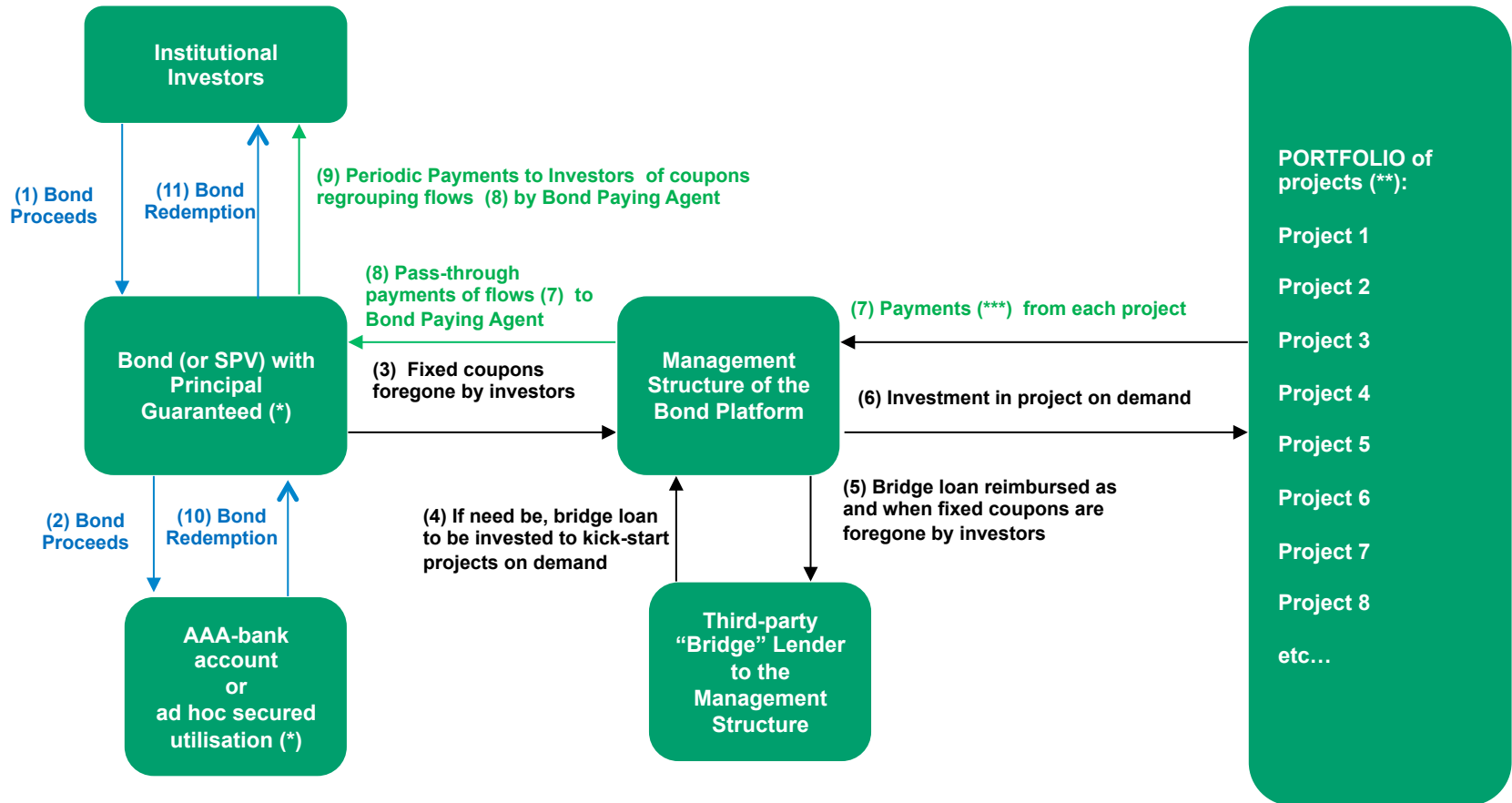
Ultimate goal: simultaneously stimulate deal flow and engage institutional investors to increase overall RE financing



Concept: REPIN



Environmental Performance Indexed Bonds (e.g. REDD credits) – generic structure



(*) : if EIB is the bond issuer, it would invest the proceeds in identified "green" projects

(**) : each project may already be mothered or sponsored or looking for co-financing by (SRI / voluntary) corporations or by foundations

(***) : a project could pay cash the proceeds of carbon credit, clean water certificate, or agricultural commodity / timber sales



Thank you for your attention!

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