



Financing innovation for a circular economy

Innovation Finance Advisory
European Investment Bank

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UNECE - Geneva, 19 October 2017

Agenda

A. EIB at a glance

B. EIB's role in fostering CE

- The CE Platform
- EIB support to CE

EIB at a glance – Our priorities

The EU bank:

- Established in 1958
- Around 90% of lending within the EU
- Shareholders are the 28 EU Member States

World's largest International Financial Institution

- Largest multilateral lender
- Largest multilateral capital markets borrower

Solid credit fundamentals

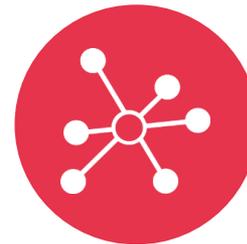
- AAA-rated by the three major rating agencies
- Favourable borrowing conditions passed on to clients



Smaller businesses Infrastructure



EUR 33.6bn
300 000
companies



EUR 19.7bn
Improvements
benefitting
55 million people

Environment



EUR 16.9bn
Cleaner water for
25 million people

Innovation



EUR 13.5bn
11 million digital
connections

EIB at a glance – Our products

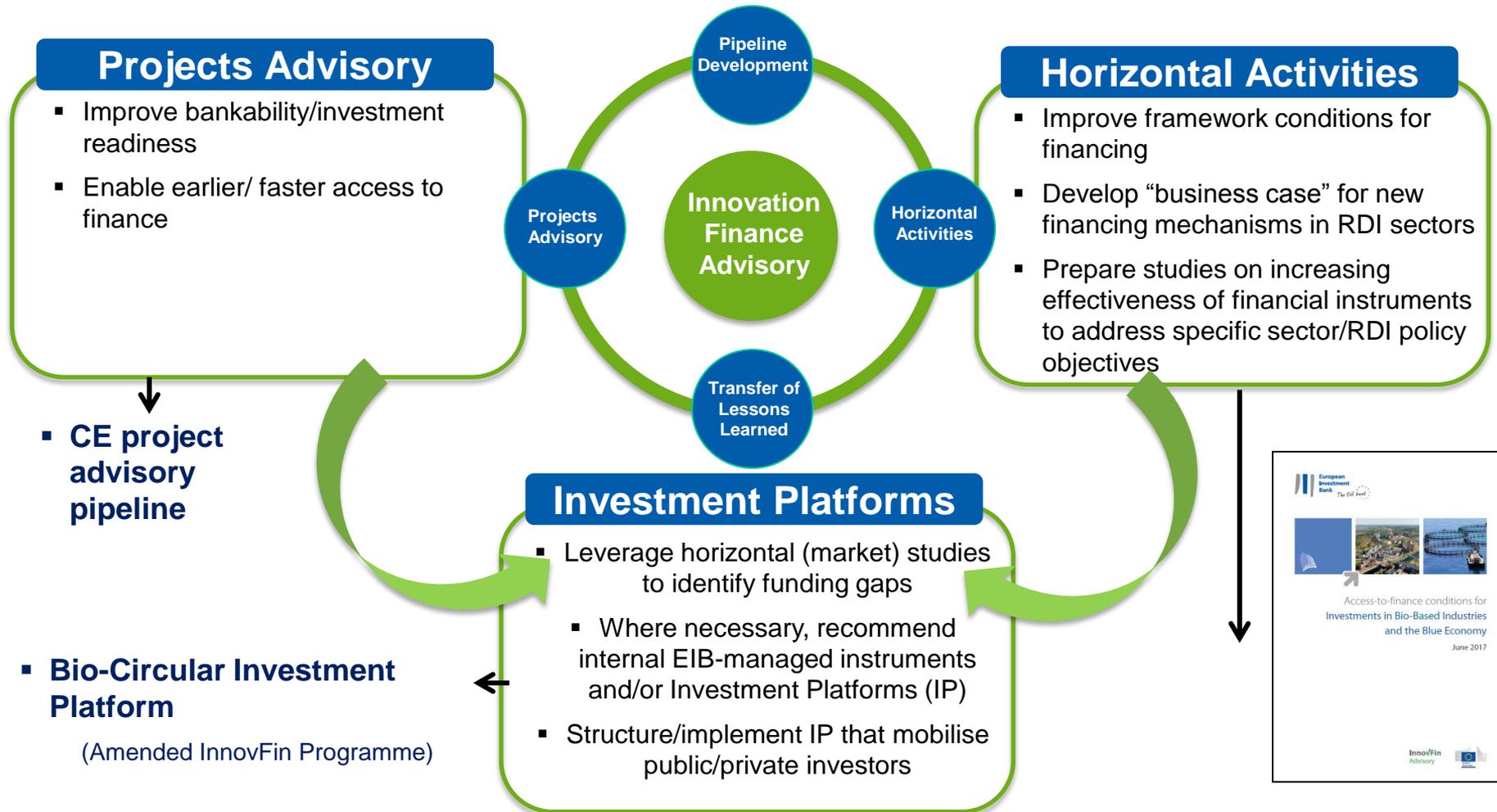
LENDING	BLENDING	ADVISING
<p>Loans</p> <p>But also:</p> <p>Guarantees (trade financing)</p> <p>Equity participation</p>	<p>Combining EIB finance with EU budget (Project Bond Initiative)</p> <p>Higher risk projects for innovation (InnovFin)</p>	<p>Prepare, evaluate and support the implementation of projects</p> <p>Support for public/private partnerships</p>

Attracting FUNDING for long-term growth

InnovFin – InnovFin Advisory

Innovation Finance Advisory – What do we do?

Enhance access to finance for innovative projects



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EIB – Fostering access to finance for the CE



- Innovative Enterprise conference under Luxembourg presidency of EU

- Completion of study for Luxembourg Government by IFA

- EC announces CE Finance Support Platform (Jan. 26, 2017)

- IFA's assessment of financing gaps resulting in:

- Expansion of InnovFin's eligibility criteria
- Recommendation to set up a **CE Platform** to support CE project generation

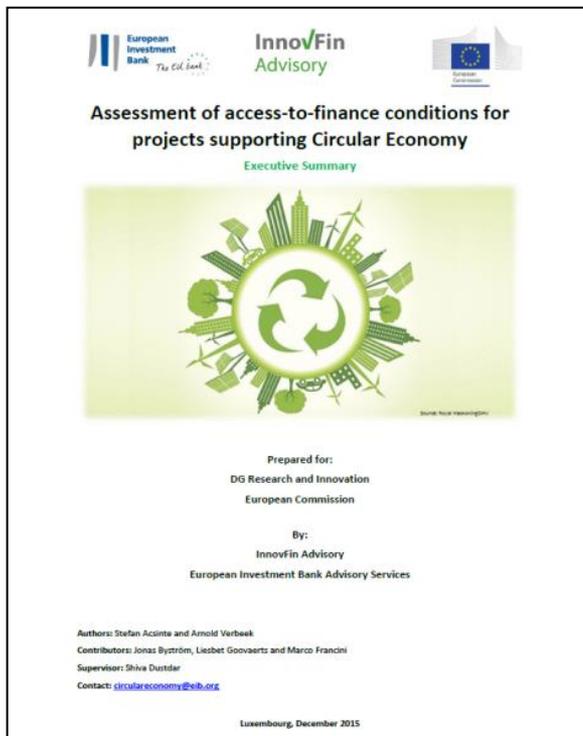
- Conference "Financing the Circular Economy" under the Luxembourg Presidency at the EIB and publication of final IFA report on EC work

- EC mandates IFA on "Access-to-finance for the Circular Economy" (pilot: Luxembourg)

Ongoing support to pipeline development of CE projects including discussions of risk-sharing facilities with banks and companies



Key insights Innovation Finance Advisory report



Market forces (commodity price fluctuations) alone could create a circular economy but with the risk of a slow transition and high opportunity costs. Hence, there is **space (and need) for policy intervention**.



The risks associated with financing ('exposure') the 'linear economy' are increasing. Hence, future financing the circular business models could be seen as mitigating these risks.



Different circular economy business models and associated transitions face a **variety of challenges that have financial risk implications** (e.g. delayed cash-flow returns, increasing asset size).



Project preparation and building of a pipeline of 'bankable' CE projects is important.

The Circular Economy Platform

EC report on the implementation of the CE Action Plan Brussels, 26 January 2017



EC press release on CE Brussels, 26 January 2017

EIB & EC to set up Circular Economy platform



The European Commission announced on Thursday that it will establish a **Circular Economy Finance Support Platform** together with the EIB to bring together investors and innovators, exchange best practice among project promoters and identify investment opportunities.

Brussels, 26 January, 2017

Vice-President Taylor, responsible for financing environment, climate action and circular economy, commented: *"The EIB is pleased to join forces with the European Commission and use our combined financial firepower and expertise to make our economies more circular. As the world's largest multilateral climate action lender with over EUR 19 billion of dedicated financing last year, we see the circular economy as key to reversing the course of climate change, making more sustainable use of our planet's scarce resources, and contributing to Europe's growth. To accelerate this transition, we will continue to advise and invest increasingly in innovative circular business models and new technologies as well as in more traditional resource efficiency projects. The new Circular Economy Finance Support Platform will be an essential tool to boost awareness and financing of circular economy projects ."*

The 3 pillars of the Circular Economy Platform to support the CE transition



PILLAR 1: Knowledge Coordination and Awareness Raising



PILLAR 2: Advisory Services



PILLAR 3: Potential new financial instrument (fund) target to circular economy projects

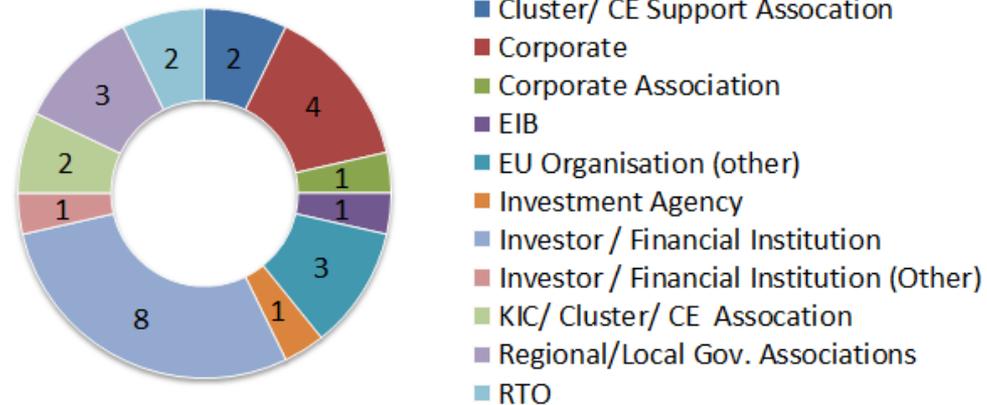
PILLAR 1: Knowledge Coordination and Awareness Raising



Aim: to exchange information, identify best practices, coordinate activities and disseminate knowledge related to the implementation of circular economy projects.

- Set up of the Working Group completed and members selected selected by the EC

Distribution by N. of institutions



- Kick-off meeting in Brussels on October 02, 2017

PILLAR 2: Advisory Services



Aim: to develop circular economy projects and to improve their bankability prospects.

- Advisory support delegated to the EIB by the EC – Blended Financial and Technical support to sound CE projects

Upstream in the project cycle

- Support in generation of CE project pipelines
- Preliminary screening of CE projects, risks and opportunities, from both technological and commercial point of view
- Support in designing new CE investment programmes and platforms

At project preparation stage

- Enhance the financial profile and credit risk profile of the project
- Support in the improvement of the financial/ technical/ business/ risk balance
- Development of the most adequate credit story (e.g. linear vs. circular risks)
- Identification of the most appropriate financing instruments and terms
- When appropriate, e.g. complex projects, drafting of ToR, selection & supervision of consultants

PILLAR 3: Potential new financial instrument (fund) target to CE projects

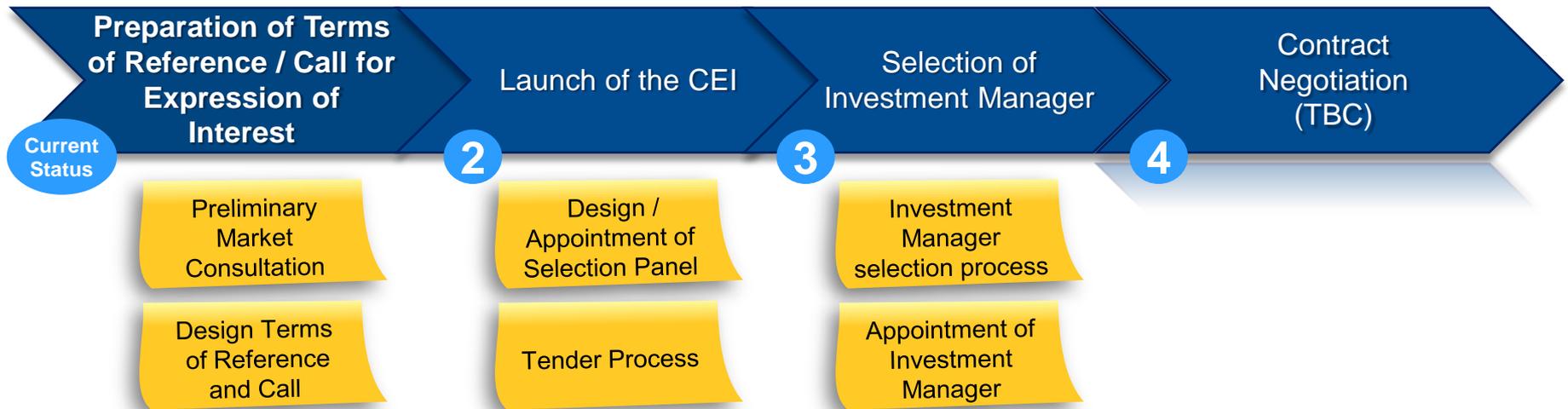


- The 2015 amendment of the InnovFin programme to incorporate Business Model Innovation (not only Technical innovation) as an eligible criteria has been key in improving access to finance for CE projects
- In 2017, the InnovFin programme was further amended among other to enhance the access to finance of sector/ thematic areas facing unique access-to-finance challenges

- ✓ Dedicated instrument to 'Science'
- ✓ Broadening of the Energy Demonstration Projects facility eligibility criteria
- ✓ Potential financing through dedicated thematic platforms

The financing platform follows IFA-EIB's recommendations provided in the Bio-economy (completed in June 2017) and CE access to finance studies

Launching the Circular Bioeconomy Investment Platform



Circular Bioeconomy Investment Platform Characteristics

- ➔ **Objective:** to provide access to finance to innovative bioeconomy projects, with a priority (but not exclusivity) for innovative circular bioeconomy projects
- ➔ **Management:** expected to be entrusted to a third party manager to be selected through a call of expression of interests managed by EIB and endorsed by the European Commission
- ➔ **Eligibility criteria:** bioeconomy and circular bioeconomy (application of the concept of CE to biological resources, products and materials). Projects focusing exclusively or mainly on renewable energy generation (fuels, heat or power) are not eligible. TRL from early demonstration to early commercialisation. Additional eligibility criteria (e.g. innovation, project risk, development potential)



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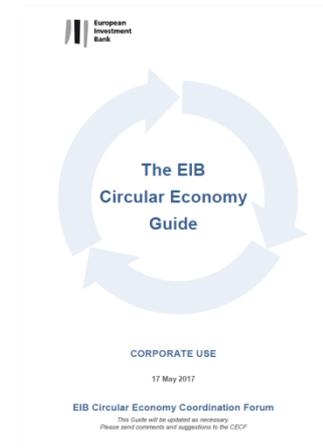
- The CE Platform
- **EIB support to CE**

EIB CE awareness raising and project identification

2017 key actions

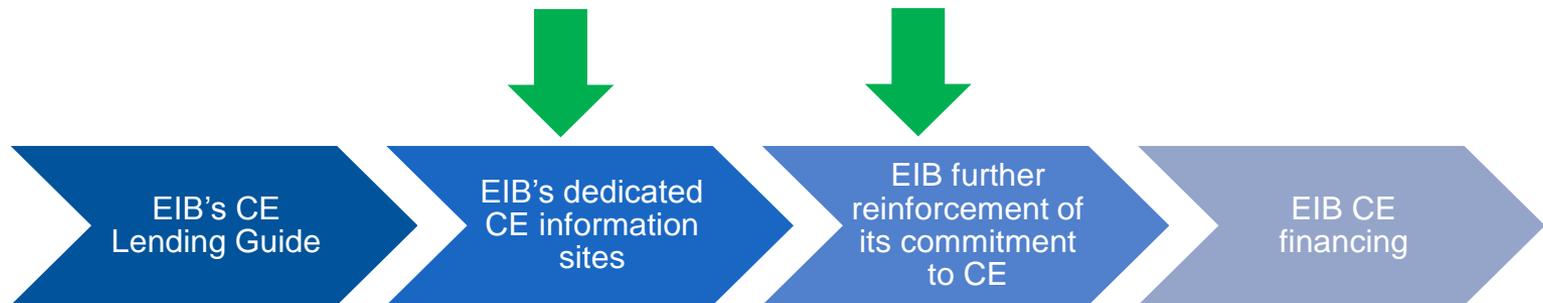


- ✓ The EIB Lending Guide was completed and approved in H1-2017
- ✓ Current version of the guide is EIB internal
- ✓ An abridged external version is planned



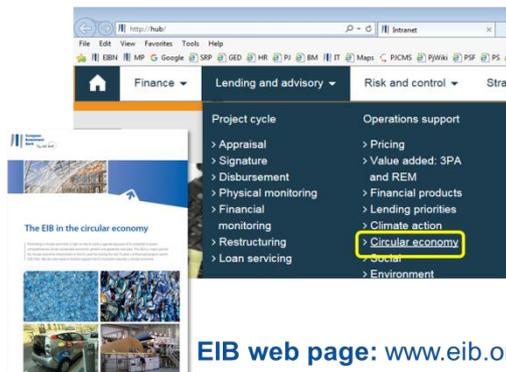
EIB CE awareness raising and project identification

2017 key actions



- ✓ External web, including contact points for Advisory and knowledge sharing
- ✓ Intranet, for awareness raising, knowledge sharing and access to CE experts (Financial and Technical project advisory)

EIB intranet page:



EIB web page: www.eib.org/circular-economy

- ✓ Highly successful CE economy events hosted and promoted by the EIB > Focused in identifying sound projects and in investors' awareness
- ✓ Recent events hosted/ supported by the EIB:
 - **World CE Forum Helsinki:** 5-6 Jun. 2017
 - CE financing presentations on main/side events
 - Investors - SMEs match-making event
 - **CE Hotspot Luxembourg:** 22 Jun. 2017
 - Half day at EIB organised by Innovation Finance Advisory-EIB
 - **LCM conference Luxembourg:** 6 Sep. 2017
 - Half day on CE organised by the EIB Institute

EIB CE awareness raising and project identification

2017 key actions



✓ EIB's active role in closing the CE access-to-finance gap

EIB CE project examples

Eco titanium

The first EU industrial plant to recycle and re-melt aviation-grade scrap titanium metal and titanium alloys

Novamont renewable chemistry

Development of innovative bioplastics and bio-chemicals based on renewable resources, which are biodegradable and compostable.

Recycled paper circular economy Spain

Containerboard production plant using recycled fibre as raw material

CDP climate action Investment Platform

EFSI risk sharing investment platform that among others focusses on CE projects sourced by intermediary commercial banks

Belfius Smart Cities, Climate and Circular Economy

Bank intermediated framework loan targeting among others circular economy projects for public promoters in Belgium

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