‘EIB meets ocean energy’ seminar, 5th October 2015

The objective of the seminar was two-fold: i) to allow the industry to get acquainted with the specificities of the new InnovFin energy demonstration fund and ii) to raise awareness about the new sector within the EIB and get the representatives to understand the constraints faced by the industry.

**1.    InnovFin (Milena Messori, EIB, lending directorate)**

* The new energy demonstration facility will support first-of-a-kind demonstration. The technology must be well past prototype stage in order to demonstrate that it works at scale.
* Projects can be financed through loans but also other repayable instruments. Currently the facility is in a pilot phase and only amounts to €100 million in total so its reach it’s limited. The floor for lending is €7,5 million per project at 50% co-financing and up to €25 million.
* The facility follows standard EIB rules and projects are submitted to comprehensive financial, technical and legal due diligence.
* The €7,5 million floor for lending is necessary due to limited resources available at the Bank for project appraisal. For smaller projects, the EIB lends through intermediaries (national promotional banks) or through the EIF.
* Eligibility criteria: innovativeness, replicability (with 3-4 years to market), prospect of bankability and participation of at least 25% by the project promoter.
* The EIB is developing a project pipeline at the moment. It is difficult to find projects that meet the criteria. 50 project promoters have expressed interest but only 2 projects are being appraised.

**2.    Appraisal of projects by the EIB (Ronald Schulze, EIB, projects directorate)**

* The Bank has experience in appraising ocean energy projects for the NER300 fund.
* Energy projects are appraised on the basis of cost per unit of electricity, which is bad news for innovative technologies but R&D costs are taken into account in the appraisal.
* Environmental impacts are important and are assessed according to fixed criteria (booklet available on EIB’s website).

**3.    Recommendations of the finance working group of the Ocean Energy Forum (Michael Bullock, Renewable Risk Advisors)**

* Very little data available for first array – this means the risk falls on the project vehicle, which is a problem when it has a limited balance sheet.
* How do we make ocean energy projects more attractive? Various options are available: e.g. warranties, structuring of projects to accommodate variability in revenue, requesting proof that the machine successfully operates at a given site.
* Publicly funded insurance product could address the gap – €50 - 70 million in seed funding could be sufficient.
* Contracting structure would have to be carefully considered to distribute risk appropriately. This structure could evolve – technology developers, for instance, could be made to provide more robust guarantees over time.
* Need to drill deeper into the specificities to establish a structure acceptable to all.

**4.    Financing the world’s first tidal array (Andrew Smith, Scottish Investment Bank)**

* Almost half of the debt provided to the project by the SIB is at commercial terms but grants were necessary to get the deal.
* It was very difficult to bring the project to a financial close but it is a pathfinder.
* Corporate interest in the tidal sector has grown since then including supply chain companies.
* MeyGen was not set up to be a model, the aim was merely to close a deal but there are lessons to be learned.

Webcast at: <https://scic.ec.europa.eu/streaming/eib-presentation-to-the-ocean-energy-sector>