

Integrated clean energy project under the Juncker Plan – Blueprint for financing the energy transformation?

February 2016

After being elected President of the European Commission, Jean-Claude Juncker introduced his investment plan to stimulate the European economy. The so-called European Fund for Strategic Investment (EFSI) should unlock additional investment of at least EUR 315 bn over a three year period (2015-2018). One of the projects benefiting from the loans is the intended “third industrial revolution” in Nord-Pas-de-Calais, France, which incorporates numerous smaller projects all working for the same goal: A zero carbon energy system for the entire region. The particular financing mix could potentially serve as a good example for an investment platform under EFSI.

What exactly is EFSI?

EFSI is an initiative launched jointly by the EIB Group - European Investment Bank and European Investment Fund - and the European Commission to help overcome the current investment gap in the EU by mobilizing private financing for strategic investments. The EUR 315 bn investment target is supposed to be accomplished with an annual guarantee of EUR 16 billion from the EU budget, complemented by a EUR 5 billion allocation of the EIB’s own capital. The EIB Group will provide funding for economically viable projects where it adds value, including projects with a higher risk profile than ordinary EIB activities. It will focus on sectors of key importance where the EIB Group has proven expertise and the capacity to deliver a positive impact on the European economy, including:

- Strategic infrastructure including digital, transport and energy
- Education, research, development and innovation
- Expansion of renewable energy and resource efficiency
- Support for smaller businesses and midcap companies

What is the third industrial revolution (TRI – “troisième révolution industrielle”)?

Mastermind behind this idea is the US-American economist Jeremy Rifkin who operates as planning director of the project. The TRI has been ignited by global networking (collaborative commons) which reduces marginal costs e.g. of energy generation (costs of producing one additional unit of an item) towards 0. This leads away from the classical top-down/centralized approaches to a more lateral power balance. The internet communication revolution is to merge with the energy system (organized collaboratively – scaled laterally).

The TRI is based on 5 pillars:

- 1st pillar: 20 % RES by 2020
- 2nd pillar: buildings (emit the most) have to become their own power plants
- 3rd pillar: storage of energy (especially hydrogen)
- 4th pillar: energy internet – distributed smart grid
- 5th pillar: e-transport (vehicles)

It’s only a revolution when components are connected! – **5 pillar nodal infrastructure** ➡ purpose platform

Project description

EFSI-loan to an investment fund (TRI fund) which will contribute to the "Troisième Révolution Industrielle", a program targeting zero carbon emissions by 2050, whereby the region's energy needs would be covered by renewable energy sources. The project's low-carbon economy investment plan will entail job creation, economic development and more sustainable energy supply and usage. This fund is the fruit of the joint initiative between the Nord-Pas de Calais Regional Council and CCI Nord de France (Chamber of Commerce and Industry).

The creation of this fund forms part of the strategy developed by the Nord-Pas de Calais Region in its 2014-2020 operational program for credit management in Europe (European development fund, ERDF, and European Social Fund, ESF), one of the main planks of which involves "driving energy transition in the Nord-Pas de Calais Region".

Eight pillars of TRI

Energy efficiency, transition to renewables, energy-producing buildings, energy storage, energy internet, sustainable mobility of people and goods, circular economy (recycling goods to not pollute biosphere), economy of functionality (optimize use of goods & services)

⇒ projects have to be linked with all or part of the eight pillars

Finance capacity:

Initially: EUR 50 mln (EUR 2.5 mln for technical assistance) for TRI fund

For Horizon 2017: TRI fund intends to raise investment cap. to EUR 100 mln

European Fund for Strategic Investment (EFSI): EUR 20 mln

European Regional Development Fund (ERDF): EUR 15 mln

Financial demand – short term: EUR 440 mln for 118 projects

Financial demand – medium term: EUR 1.8 bln

35 out of 50

Type of investments: Equity, mezzanine, private-public-partnership

Criteria for project promoters applying for TRI loans (Regulation 1303/2013, Art. 37):

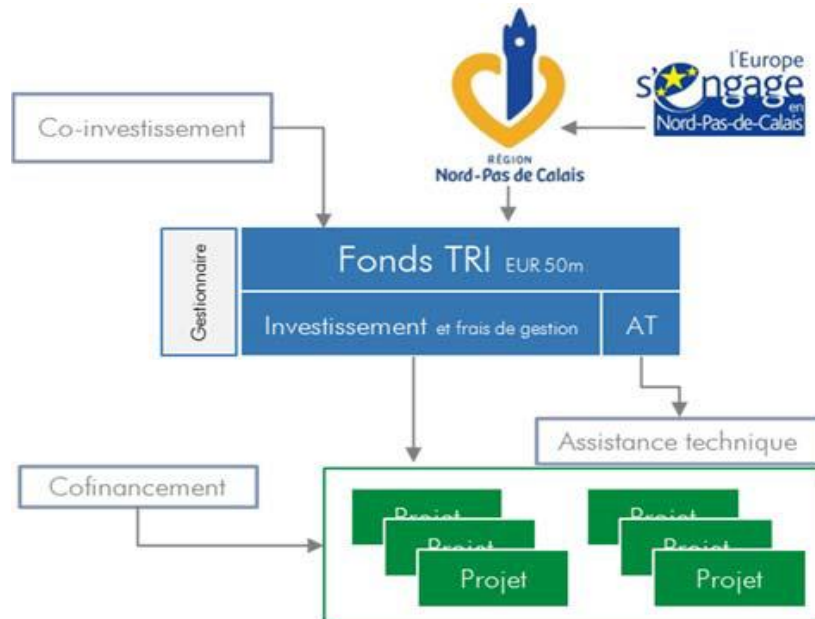
	Criteria	Points
Investment strategy & leverage effect (35 %)	Investment strategy & business plan	20
	Ability to attract co-financing & co-investments	15
Management & Governance (35 %)	Technical assistance & services	10
	Daily management, reporting format & governance proposal	10
	Management team, knowledge of market, regional actors & comprehension of challenges of TRI	15
Compensation (30 %)	Compensation of trustees based on the volume, performance & total duration of TRI	30

Financial setup

- Fund manager/intermediary: Nord Capital Partenaires (a joint subsidiary of Turenne Capital and Crédit Agricole Nord de France) and its service provider Finorpa.
- ERDF (providing Technical Assistance to project promoters)
- Caisse des Dépôts Group (supporting the success of the environmental and energy transition)
- Crédit Agricole Nord de France (has backed a number of investments since 2008)
- European Structural & Investment Funds – ESIF (risk-sharing measure to secure broader financial participation - S3 Platform somehow involved to assist EU countries and regions to develop, implement and review their Research and Innovation Strategies for Smart Specialization (RIS3))

Status of the project

EFSI loan signed on 03/12/2015 - The first projects will be ready in the first quarter of 2016 for examination by the fund manager



Sources:

<http://www.eib.org/projects/pipeline/2014/20140293.htm>

<http://www.eib.org/infocentre/press/releases/all/2015/2015-237-nord-pas-de-calais-15-meur-dans-un-fonds-dinvestissement-dedie-a-la-troisieme-revolution-industrielle.htm?lang=en>

<https://www.youtube.com/watch?v=naXLMlqlxdo>

<http://rev3.fr/>

http://www.nordpasdecalais.fr/upload/docs/application/pdf/2015-07/cahier_des_charges_ami_au_23-07-2015.pdf

Contacts:

Markus Trilling, EU Funds Campaigner, CEE Bankwatch Network/Friends of the Earth Europe,
markus.trilling@foeeurope.org, tel +32 2 8931031

Jan Schmieder, Clean Energy Campaigner, CEE Bankwatch Network, jan.schmieder@bankwatch.org