



DE-RISKING THE FUTURE OF EUROPE

REFORMING THE MACROFINANCIAL ARCHITECTURE

EFSI, InvestEU and the EIB: Increased leverage, but could risk distribution and policy steer be improved?

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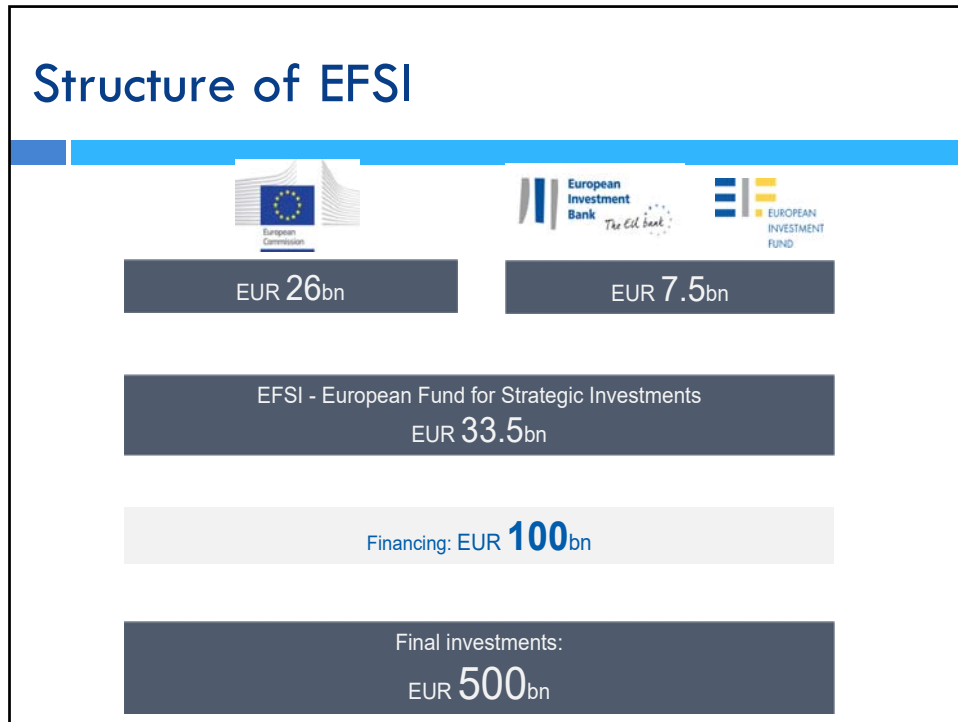
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Structure of EFSI



Covers intro – structure of EFSI + main objectives + intro to investEU p.1-4

Economic vs Financial Risks

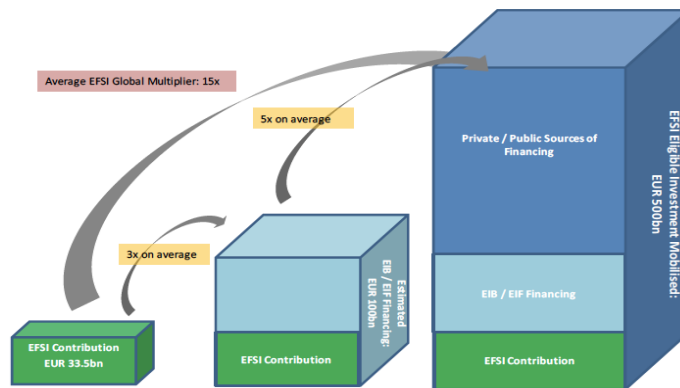
- **Economic risks** arising from natural uncertainty related to projects or sectors
- **Financial engineering** risks related to financial actors and products

Analytical framework on risks p.4-6

Leverage vs Policy Steer

- Tradeoff between loan volume and policy steer

EIB Group EFSI Investment Target
Simplified illustration (not at scale)

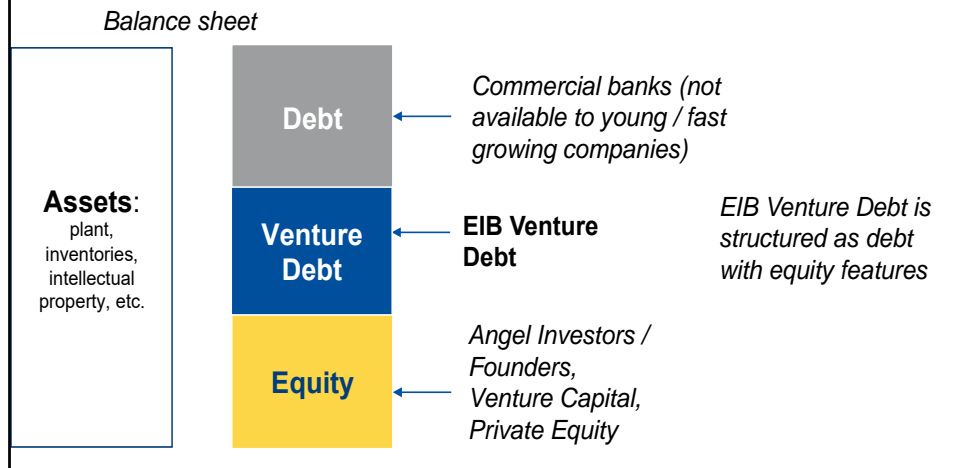


Source: EIB 2019a

Covers analytical framework on leverage vs policy steer p.6-7 + leverage mechanism p.10-13

Move towards riskier financial products

Venture Debt product: a riskier product, but with upside



Covers historical evolution of products/venture debt example (p.7-19, excluding leverage mechanism and galloper wind box)

Economic risks: Galloper Offshore Wind Farm

- 336MW offshore wind farm located 27km off the coast of South East England composed of 56 wind turbines, one offshore substation and associated cabling
- EIB financing of GBP 225mn (total cost 1.5bn) under EFSI guarantee
- Sources of economic risk:
 - Pace of technological change
 - Size of investments
 - Multi-contractor risk

Financial risks

- Economic risk of the final beneficiary vs financial risk to the EIB as a result of contractual protections within the financial product
- Listed (un-named) energy company
 - Traditional senior loan → Hybrid debt product
 - Increases financial risk with no change in economic risk

Assessing risk sharing agreements with private investors

- Nature of financial instruments
- Pricing of guarantees
- Level of provisions
- Performance related conditionalities

Conclusions and Lessons for InvestEu

- Achievements of EFSI
- Risks associated with EFSI
- Greater focus on “economic risk” and final beneficiaries rather than financial intermediaries

Covers p. 25-26



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THANKS!

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