



The Impact of the EIB in the European Recovery

Use of Green Cars and ECTF funds

European Green Cars Initiative

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- ❖ Presentation of the EIB
- ❖ EIB's lending to the Automotive Sector
- ❖ The ECTF programme
- ❖ Outlook

European Investment Bank Profile



The European Investment Bank is the European Union's long-term financing institution. The Bank acts as an autonomous body set up to finance capital investments furthering European integration by promoting EU policies.

- ❖ EIB was created by the Treaty of Rome in 1958
- ❖ EIB is a **not-for-profit, policy driven** institution
- ❖ EIB is 100% owned by the 27 EU member states
- ❖ EIB has subscribed capital of EUR 232.4 bn as of 2009
- ❖ EIB is AAA/Aaa rated by rating agencies
- ❖ EIB funds itself on the capital markets: EUR 79.4 bn in 2009
- ❖ EIB signed loans amounting to EUR 79.1bn in 2009
- ❖ EIB is the largest multilateral financing institution



European Investment Bank Policy Objectives

1. Within the European Union
 - ❖ Cohesion and convergence
 - ❖ Small and medium-sized enterprises (SMEs)
 - ❖ Environmental sustainability
 - ❖ Knowledge Economy
 - ❖ Trans-European Networks (TENs)
 - ❖ Sustainable, competitive and secure energy
2. Outside of the European Union
 - ❖ Private sector development
 - ❖ Infrastructure development
 - ❖ Security of energy supply
 - ❖ Environmental sustainability
 - ❖ Support for EU presence in Asia and Latin America via Foreign Direct Investment (FDI)
3. Under EU Mandates
 - ❖ Pre-accession
 - ❖ European Neighborhood
 - ❖ Development





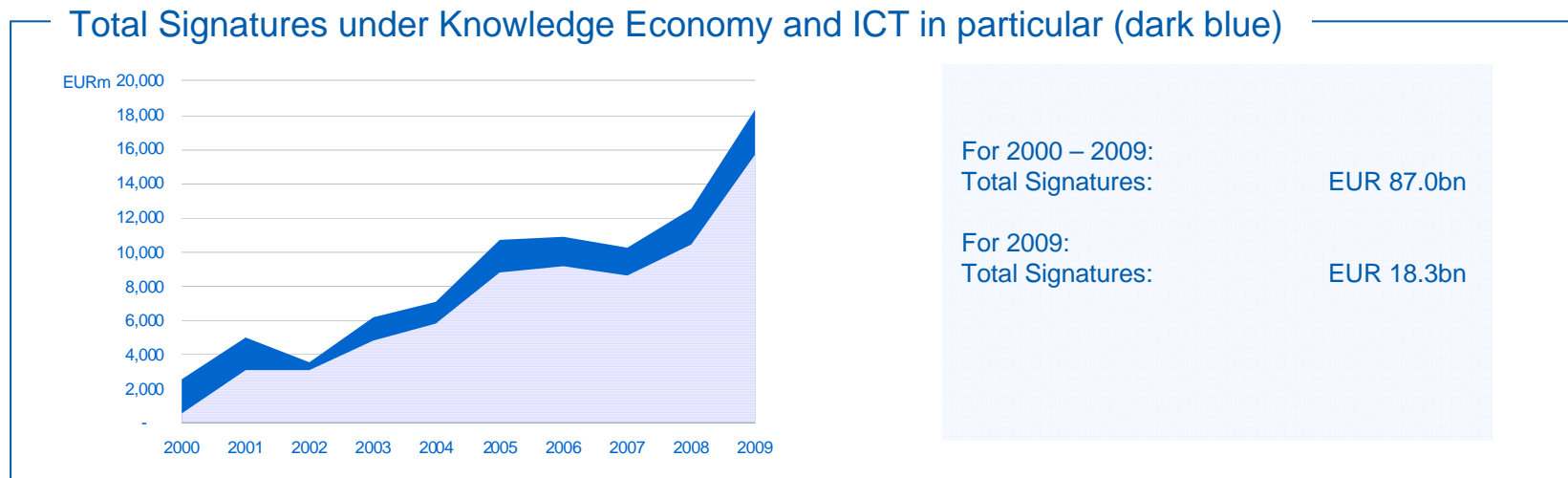
European Investment Bank

Policy Objective - Knowledge Economy



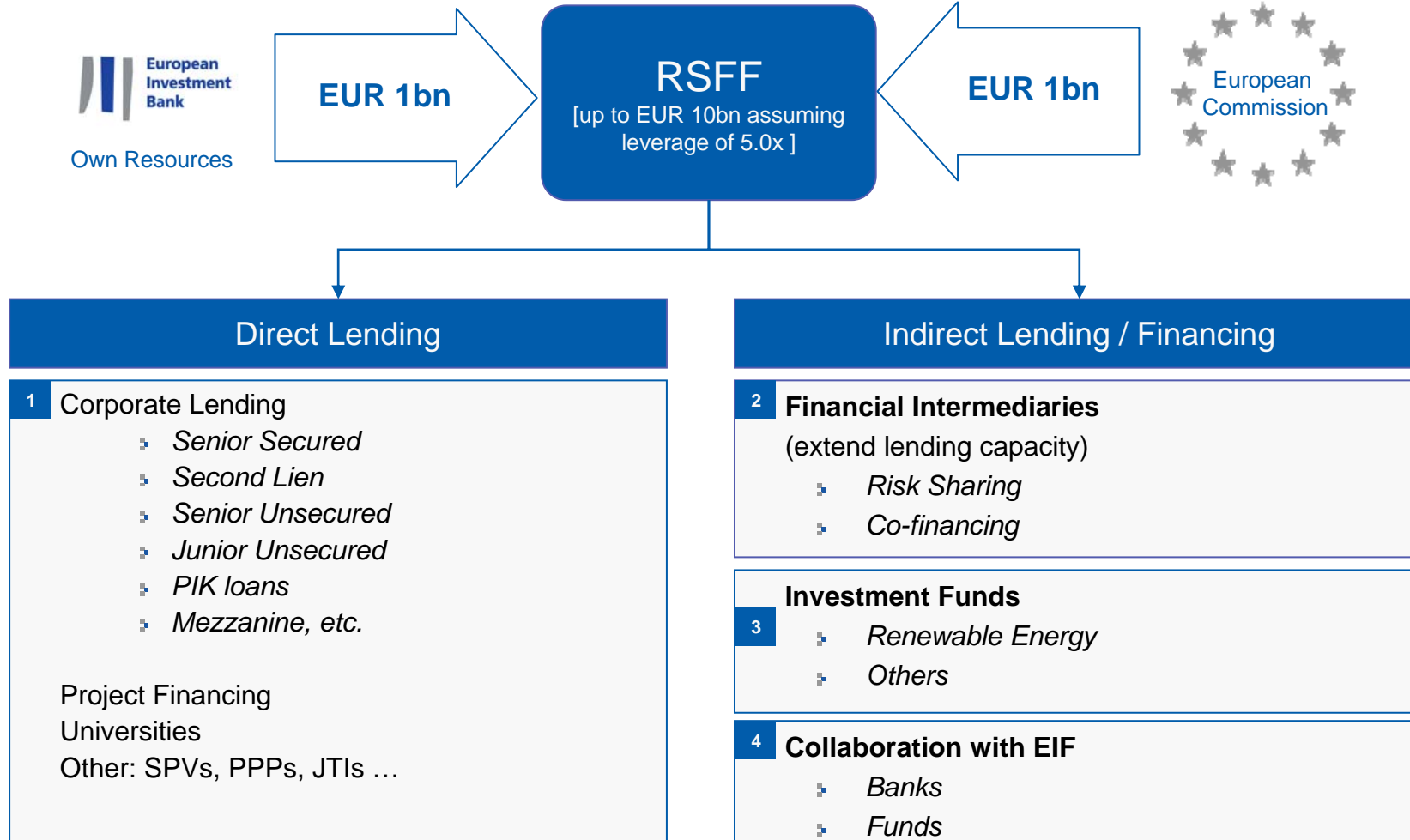
Operations supporting European RDI activities for the period 2000-2009:

- ❖ The EIB extended financing to about 590 individual RDI projects
- ❖ Approvals and signatures amounted to EUR 104bn and 87bn, respectively
- ❖ Transaction sizes ranged from EUR 8m to EUR 600m
- ❖ Approximately 50% of the transactions were pure private sector investments





European Investment Bank Risk Sharing Finance Facility – Set-up





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EIB Lending to the Automotive Sector



Main elements of EIB financing

- ❖ Loans & guarantees for investments in:
 1. R&D and Innovation (environment & safety);
 2. Facilities in convergence areas (mostly in New Member States).
- ❖ Promoters mostly OEMs and Tier 1-suppliers.
- ❖ Due diligence criteria:
 1. Technically sound;
 2. Financially/commercially viable;
 3. Economically sustainable.
- ❖ Pre-crisis lending volume: ca. EUR 2 bn per year.

EIB Lending to the Automotive Sector



EIB's automotive lending comprises 3 separate facilities:

ECTF:

- ❖ For Green Cars: annual “envelope” of EUR 400m per OEM, plus funding of suppliers.

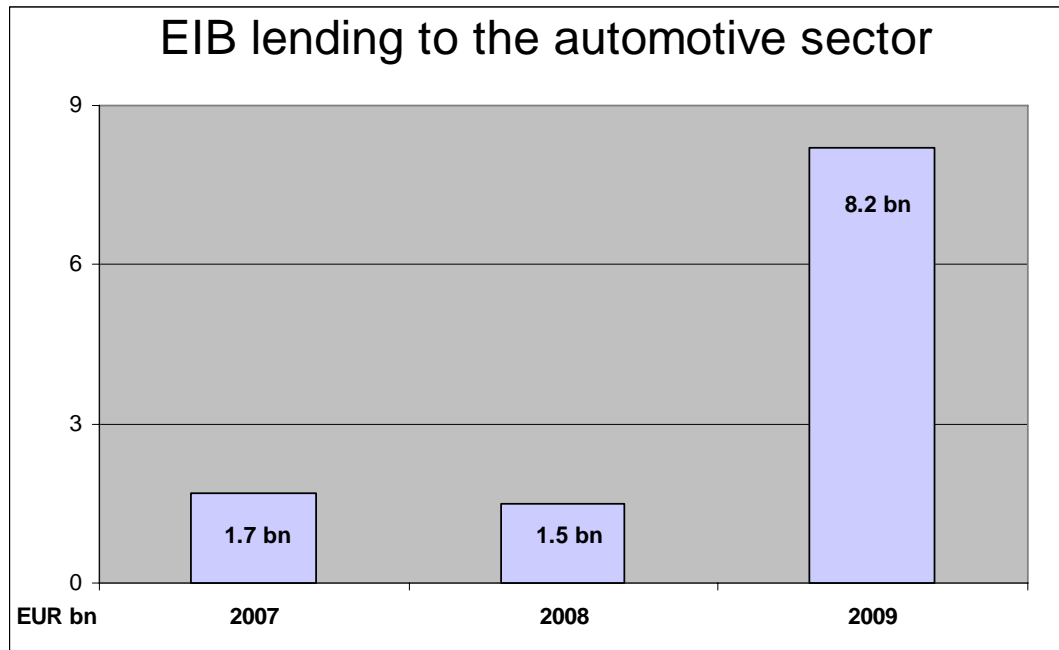
Convergence areas:

- ❖ provide up to EUR 400m for innovative manufacturing of smaller vehicles in convergence areas or with other EIB objectives; plus

Commercial Vehicles:

- ❖ Support to Truck & Off Road-Equipment manufacturers to develop safer and cleaner trucks, buses and off road-vehicles.

EIB Lending to the Automotive Sector



Dec 2008 – Jan 2009

- Loans approved : EUR 8.7bn, of which:
 - ECTF: EUR 4.8bn.
 - OEMs: 84%; suppliers: 16%.
- Size of supported investment programmes: EUR 28bn.
- EIB has become the largest R&D financier of the European automotive sector.



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The ECTF programme – scope & objectives



The EIB's „European Clean Transport Facility“ (ECTF)

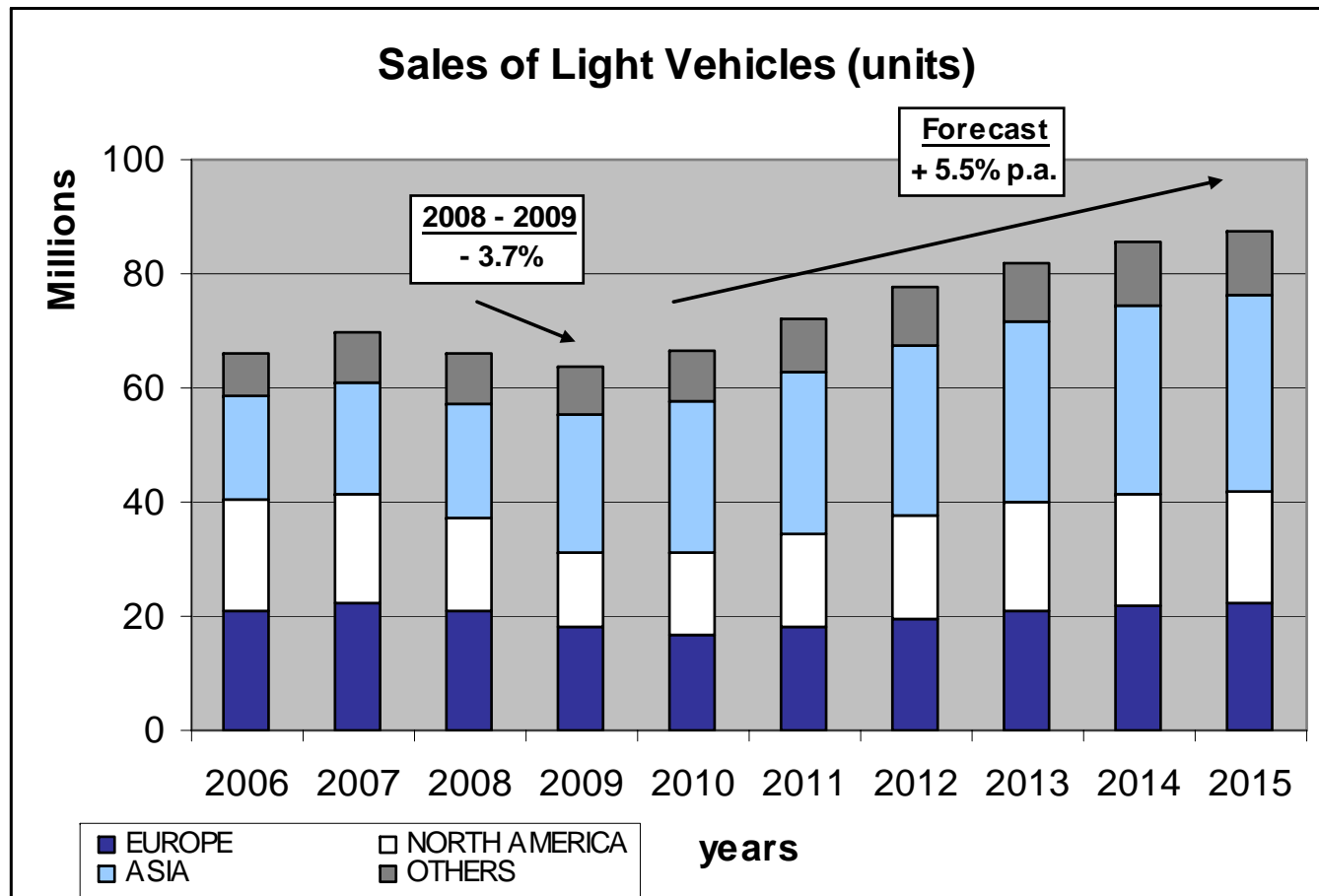
- Objective: „...support investments targeting (Green Cars):
 - Research, Development and Innovation;
 - emissions reduction; and
 - energy efficiency.”

- Beneficiaries: OEMs & suppliers in the main transport sectors:
 - (i) Automotive;
 - (ii) Aircraft;
 - (iii) Rail;
 - (iv) Maritime.

- Lending volume: EUR 8 bn in 2009/2010.



Car registrations down by 3.7 % in 2009

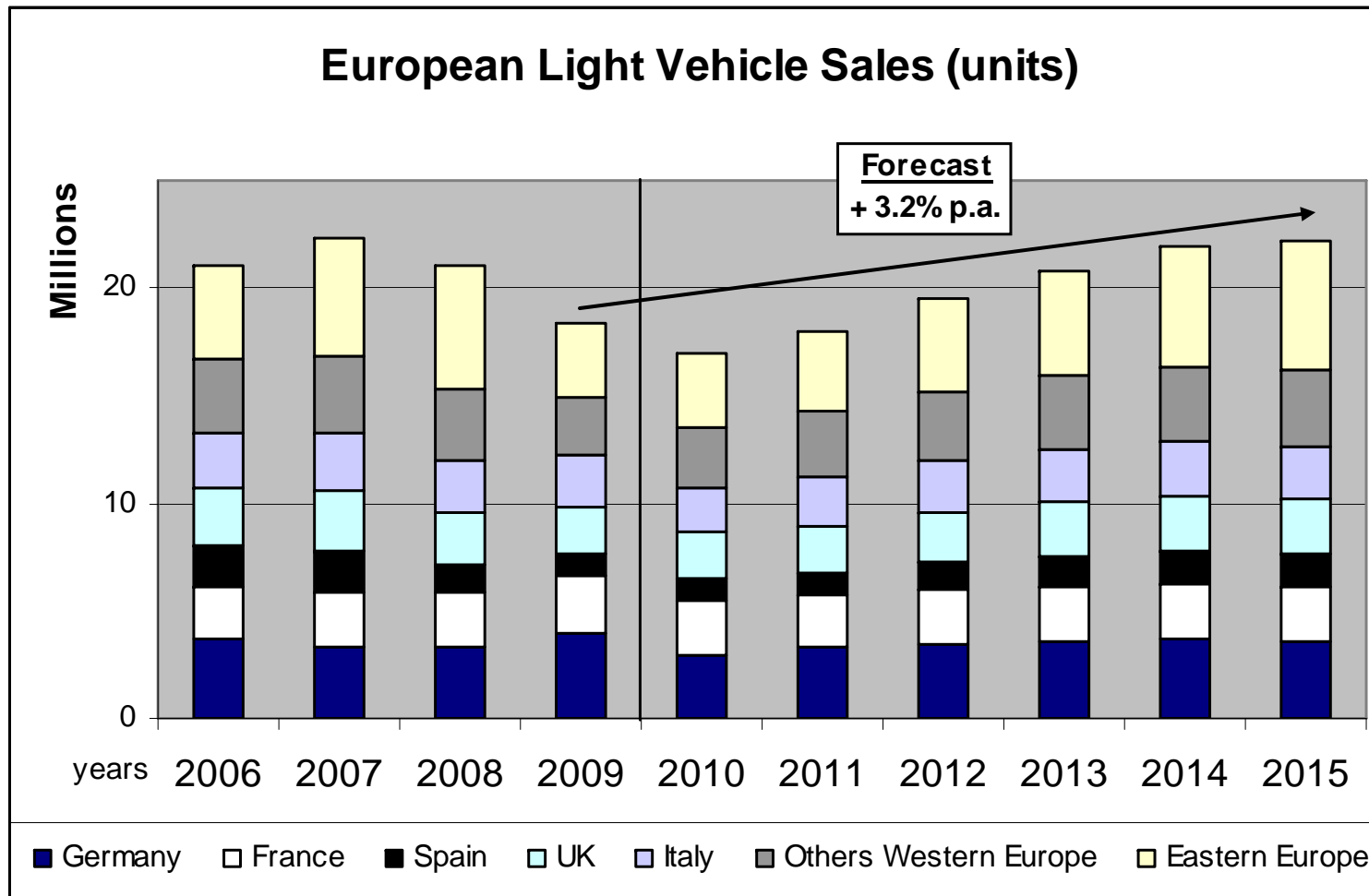


Forecast 2010 – 2015: 5.5% p.a.

Source: IHS Global Insight; EIB analysis



Slow growth in Europe; focused on Central & Eastern Europe



Source: IHS Global Insight; EIB analysis

EIB Lending to the Automotive Sector



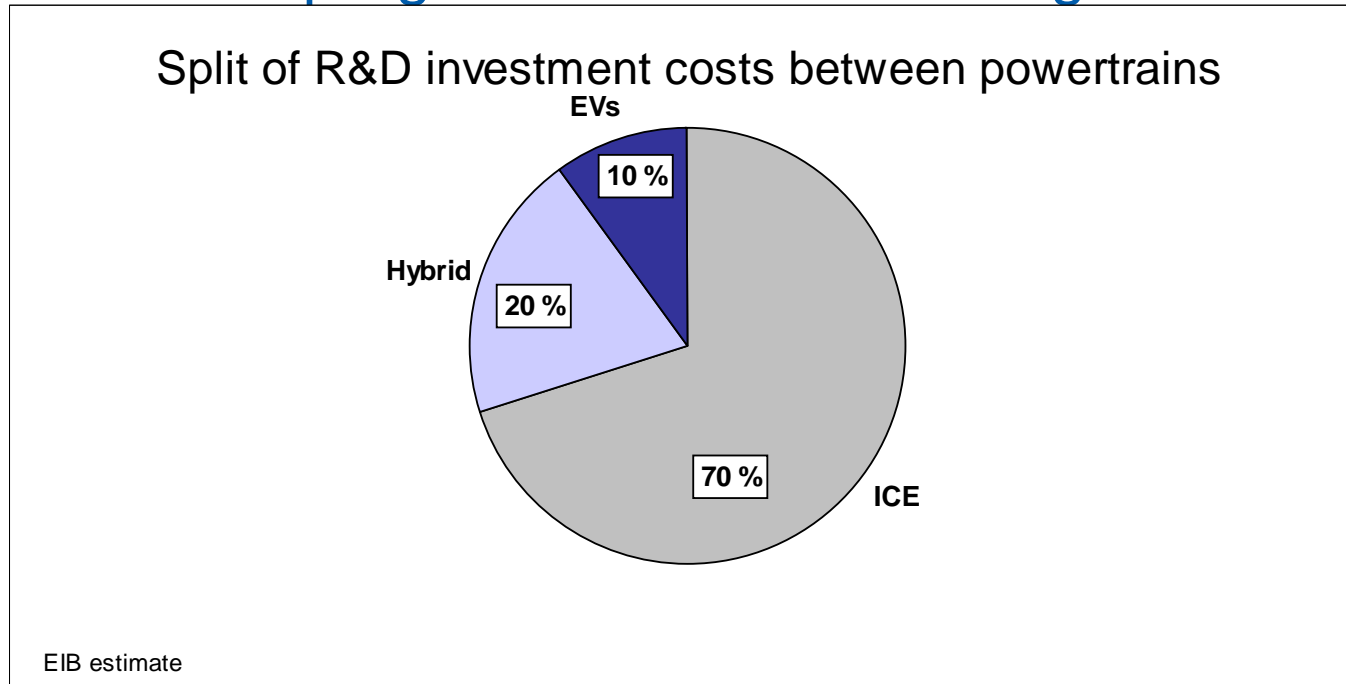
Significant overcapacity ...

Capacity (million units)	2009	2015	Delta 2009 - 2015
Western Europe	14.9	15.6	+ 0.7
<i>Germany</i>	5.7	6.2	+ 0.5
<i>France</i>	2.7	2.6	- 0.1
<i>Spain</i>	2.5	2.8	+ 0.3
<i>UK</i>	1.6	1.6	0.0
<i>Italy</i>	1.1	1.4	+0.3
Central Europe	3.0	3.5	+ 0.5
Eastern Europe	3.3	4.7	+ 1.4
Total Europe	21.2	23.8	+ 2.6

Source: CSM International; EIB analysis



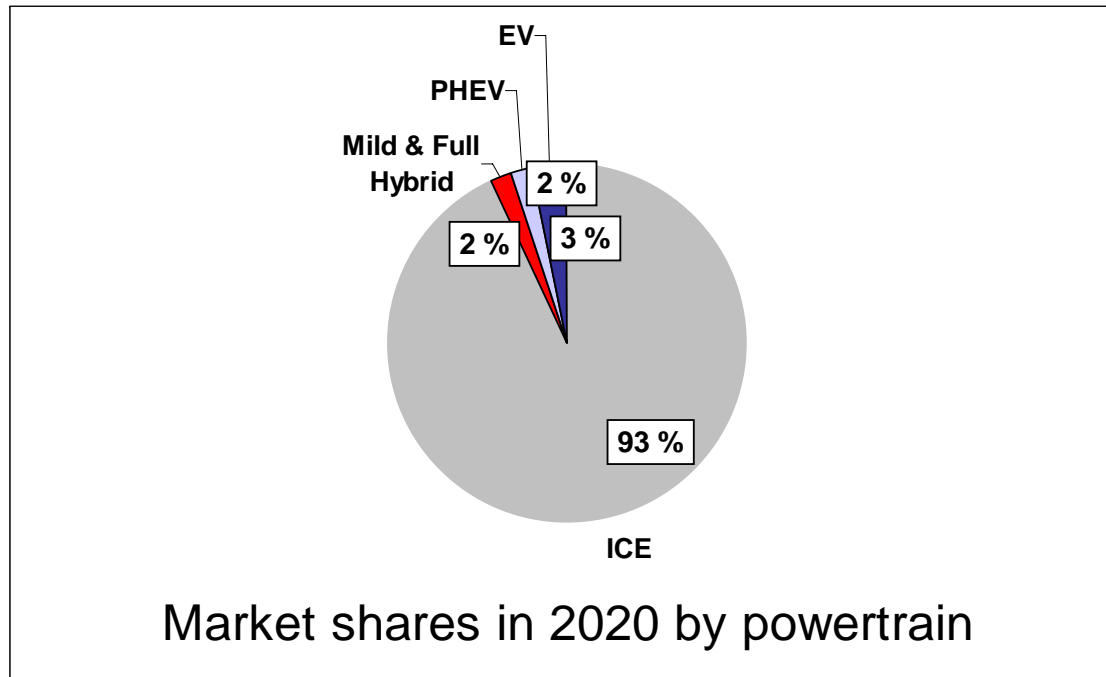
The ECTF programme – some “findings”



(1) Internal Combustion Engines (ICEs)

- ❖ Investments drastically cut back in all areas, except powertrain R&D;
- ❖ About 70% of R&D still directed at (downsized) ICEs;
- ❖ Duplication of R&D efforts, in particular in the range of 1.0 litres to 1.6 litres of displacement;
- ❖ Approximately 20% of total R&D spent on hybrids.

The ECTF programme – some “findings”



(2) Hybrid powertrains – regarded with mixed feelings

- Positive as to micro- & mild-hybridisation;
- Undecided as to PHEVs (Plug-in Hybrid Vehicle) or range-extendors;
- Interim solution ?
- But it will last as long as ICE's remain present.



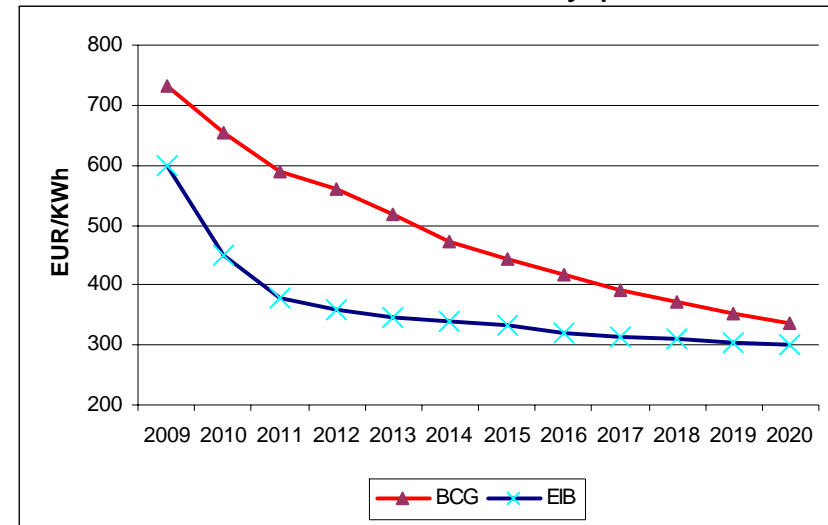
The ECTF programme – some “findings”



(3) Full Electric Vehicles – a decade away ?

- ▣ Constraints:
 1. Rate of adoption / willingness of consumers to pay (“range” etc)
 2. Availability of suitable battery & fuel cell technology
 3. Lack of infrastructure for both technologies.
- ▣ Crucial: „life cycle costs“ and the „global impact life cycle emissions“, TCO ?

Economies of scale in battery production



costs per kWh

TCO of Electric Vehicles need to be 20% below the ICE alternative !



A dilemma ...

- ❖ ICEs will remain the dominant propulsion technology until 2030;
- ❖ Current investment levels in Europe for automotive R&D are too high and thus commercially not sustainable ... unless:
 - ❖ demand for cars vigorously rebounds soon; and
 - ❖ penetration rates of electric powertrains increase faster than expected;

- ❖ But: Europe's automotive industry will only stay competitive through investment in R&D and innovation;

- ❖ Threat: overspending & diminishing returns, in particular for smaller ICE powertrains and car platforms ?



Higher effectiveness & efficiency of investments needed

Way out ?

- Higher returns on investment through co-operations in
 - ICE: less engine platforms in Europe;
 - Hybrid and full electric powertrains: PPPs to accelerate the development of new powertrain base technology
 - Infrastructure for electrical mobility.

- Incentives for co-operations? Consolidation as “ultima ratio” if co-operation fails to prove workable ?



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- ❖ EIB lending to the sector will continue in 2010
 1. Risk appetite of commercial banking sector remains limited;
 2. Bond market offers an easier access for the better rated companies, others may (if any) only place high-yield bonds

- ❖ Strict focus on:
 1. R&D for low emission technology & safety;
 2. Facilities for small car platforms in convergence areas;
 3. Development activities of automotive suppliers.



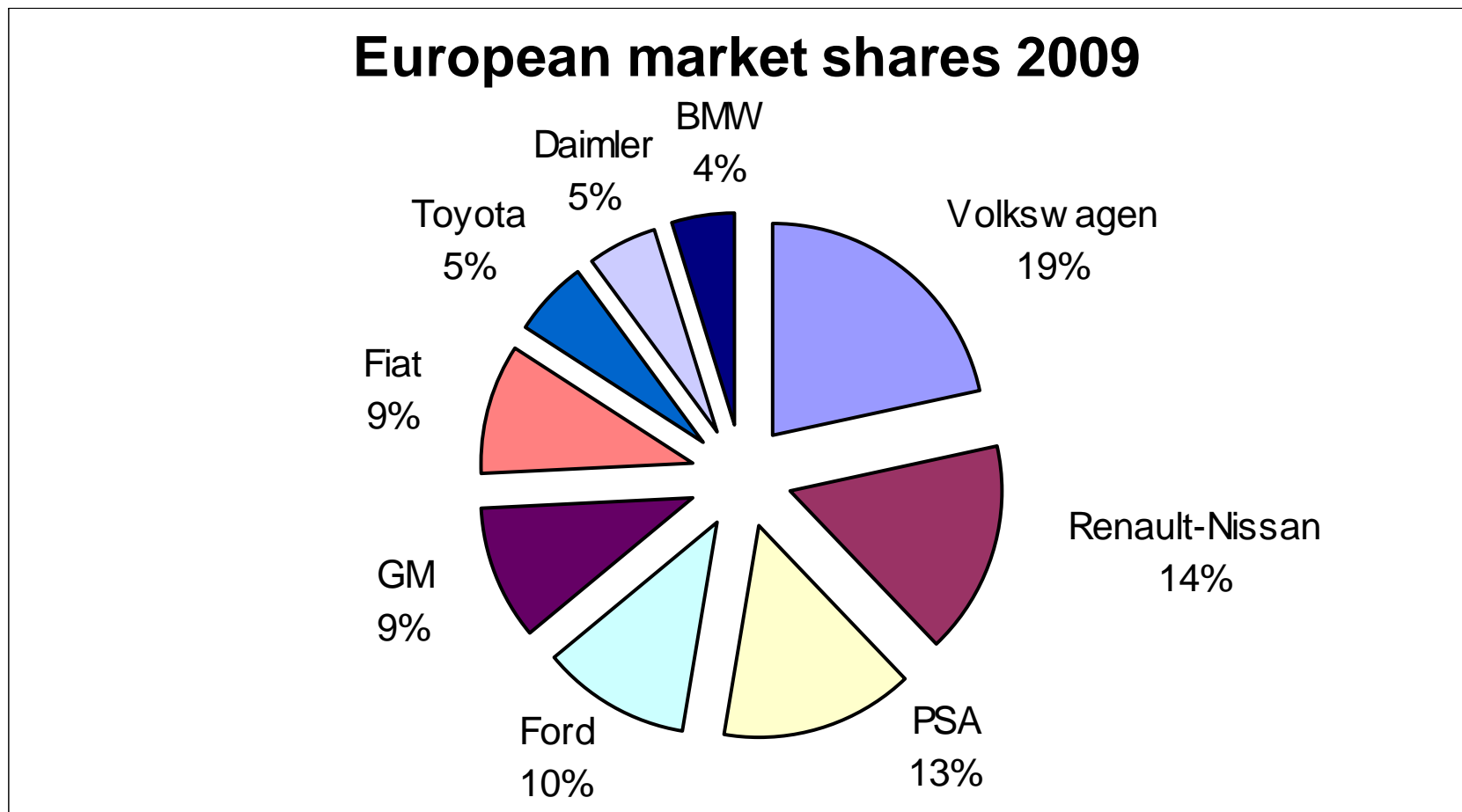
Thank you for your attention !

Further information:

<http://www.eib.org>



Backup



Source: JD Power Q4 2009, ACEA



EIB Lending to the Automotive Sector



Truck market shares almost unchanged in 2009

