

## InvestEU Scoreboard<sup>1</sup>

### Presentation of the financing or investment operation:

**Implementing Partner:** European Investment Fund (EIF)

**Name of the Operation:** Framework Operation , Sustainability Guarantee – Greece InvestEU Member State Compartment (Capped Guarantee)

**Type of approval:** Framework Operation

**Type of Financial Intermediaries:** Mainly commercial lenders (typically banks)

**Type of Final recipients:** Natural persons, SMEs (including Micro Enterprise), Mid-Caps (Small Mid-Caps), housing associations

**Country(-ies) of implementation of the operation:** Greece

### Short description of the financing or investment operation:

The Framework Operation will aim to cover Sub-Projects with an aim to enhance access to finance for sustainable enterprises and support investments contributing to the green and sustainable transformation of the Greek economy.

Investments supported under the Sub-Projects will comply with eligibility criteria constructed in the spirit of the EU Taxonomy for sustainable activities, therefore contributing positively to the transition to a more environmentally sustainable and climate resilient economy.

The Financial Product shall address Greece's current challenges in supporting investments in green transitioning, energy efficiency and renewable energy production.

### Public Statement

Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:

- **Item 1 of Annex II of the InvestEU Regulation:**

*the development of the energy sector in accordance with the Energy Union priorities, including security of energy supply, clean energy transition and the commitments taken under the 2030 Agenda for Sustainable Development and the Paris Agreement*

- **Item 2 of Annex II of the InvestEU Regulation:**

*the development of sustainable and safe transport infrastructures and mobility solutions, equipment and innovative technologies in accordance with Union transport priorities and the commitments taken under the Paris Agreement*

- **Item 3 of Annex II of the InvestEU Regulation:**

*environment and resources*

- **Item 5 of Annex II of the InvestEU Regulation:**

*research, development and innovation*

- **Item 7 of Annex II of the InvestEU Regulation:**

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<sup>1</sup> This Scoreboard of indicators reflects the information presented to the InvestEU Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision.

*financial support to entities employing up to 499 employees, with a particular focus on SMEs, and small mid-cap companies*

**- Item 11 of Annex II of the InvestEU Regulation:**

*sustainable agriculture, forestry, fishery, aquaculture and other elements of the wider sustainable bioeconomy*

**- Item 12 of Annex II of the InvestEU Regulation:**

*social investments, including those supporting the implementation of the European Pillar of Social Rights*

**- Item 15 of Annex II of the InvestEU Regulation:**

*seas and oceans, through the development of projects and enterprises in the area of the blue economy, and the Sustainable Blue Economy Finance Principles, in particular through maritime entrepreneurship and industry, renewable marine energy and circular economy*

Additionality shall be deemed to be met via each Sub-Project as long as financial intermediaries originate final recipient transactions which carry a higher risk profile than the risk generally deemed acceptable by such intermediary, inter alia:

- o In the form of targeting final recipients of lower creditworthiness; or
- o Implementing financing solution in line with the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website and which carry an increased risk profile (e.g. bespoke financing arrangements, targeting excluded segments, industries or geographies, etc.).

Additionality may also be achieved via the application of any of the following items, as per Annex V of the InvestEU Regulation:

**Item (b) of Annex V A (2) to the InvestEU Regulation:**

*Support through equity and quasi-equity or through debt with long tenors, pricing, collateral requirements or other conditions not sufficiently available on the market or from other public sources*

EIF expects to support financial intermediaries in originating final recipient debt transactions which meet the enhanced access to finance measures described in the InvestEU Call for Expression of Interest published on EIF's website. These measures ensure that the debt financing support provided to target final recipients is made with more favourable terms, compared to the standard credit and collection policies of financial intermediaries. The measures include, but are not limited to, improvement in financing tenor, pricing conditions, collateral requirements and other.

In accordance with the EIB Investment Survey for 2023:

- Greece is among the countries having the lowest shares of firms with regard to both investments made and plans to invest in tackling climate change as well as
- Greek firms are among the least likely to take actions to reduce greenhouse gas emissions.

**Item (c) of Annex V A (2) to the InvestEU Regulation:**

*Support to operations that carry a higher risk profile than the risk generally accepted by the implementing partner's own standard activities or support to implementing partners in exceeding own capacity to support such operations;*

The Sustainability Guarantee Product implemented under the InvestEU Greece Member State Compartment will enable the EIF to support this growing ecosystem at a scale in Greece that would not be possible or not to same extent out of the EU Compartment of InvestEU nor other EIF-managed resources for that purpose.

**Item (f) of Annex V A (2) to the InvestEU Regulation**

*Support through financial products not available or not offered to a sufficient level in the targeted countries or regions due to missing, underdeveloped or incomplete markets;*

There are several obstacles perceived by the financial intermediaries with respect to lending activities in these market segments, such as that green and sustainable technologies are typically considered more expensive thus SMEs may be reluctant to invest in them; sustainable financing comes with additional complexities in terms of assessment, requirements both at the level of financial intermediaries and final recipients, as well as final recipients; higher perceived risk by market operators.

In addition, according to the FI Compass study “The potential for investment in energy efficiency through financial instruments in the European Union – MS summary”, the financial crisis and the COVID-19 crisis could have a negative impact on energy efficiency investments by both reducing the demand (e.g. households and companies may postpone investment as households economic conditions are deteriorated and SMEs priorities are shifted towards survival and paying their increasing taxation and labour conditions) and the financial supply (e.g. although the banking sector is recovering, financing is in a state condition in the market).

The support to investments in this sector is even more acute given that, in Greece, the share of companies investing in measures to improve energy efficiency is well below the EU average (26% vs. 47%).<sup>2</sup>

Furthermore, the identified main market failures preventing energy efficiency investments include also:

- High commercial interest rates;
- Lack of collateral;
- Small project sizes resulting in high project development and transaction costs;
- Grant dependency – beneficiaries prefer to delay investments waiting for grants to become available;
- Low awareness among financial institutions to invest in energy efficiency.

Under such considerations, the Recovery and Resilience Plan (RRP) envisages allocation of resources to support the green transition.

In the area of climate and environmental policies, Greece faces the challenge of increasing the share of renewables in the energy mix, for example through accelerating the development of offshore wind parks, while reducing its long-standing reliance on solid fossil fuels. More investments are also needed to energy upgrade private and public buildings, promote sustainable transport and support water supply management<sup>3</sup>. In view of the above, the Sustainability Guarantee is expected to contribute to the above objective.

In addition, as set out in the Greek RRP, “energy efficiency and urban renewal are among the main investment policies that the 2019 Country Specific Recommendations (CSRs) invite Greece to focus on. The upgrade of urban areas and of the upgrade of the energy efficiency of buildings are identified within 2019 and 2020 CSRs as key policy areas in order to achieve the green transition and social resilience goals. The need to renovate the existing building stock is also characterized as indisputable by the NECP [National Energy and Climate Plan] and the Development Plan for the Greek Economy as its current state presents energy and cost inefficiencies and increases the risk for energy poverty”<sup>4</sup>.

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<sup>2</sup> EIB INVESTMENT SURVEY 2020 GREECE

<sup>3</sup> [Greece's recovery and resilience plan \(europa.eu\)](https://ec.europa.eu/economy_finance/press_corner/2020/en/greece_recovery_and_resilience_plan)

<sup>4</sup> See page 108

The Greek RRP also demonstrates that “incentivising investments in energy and resource efficiency in buildings is currently obstructed by relatively high upfront costs compared to the gradual energy cost savings in the longer term”<sup>5</sup>.

The Sub-Projects that will form part of this Framework Operation are therefore expected to support financial intermediaries which in turn would support final recipient transactions aimed at covering the market gap driven by the inability for target final recipients having sustainable market practices due to increased costs and risks and thus excluded from traditional capital markets.

No dedicated guarantee financial instruments for energy efficiency and green economy have been implemented in Greece so far. The Sustainability Guarantee is the first EIF guarantee product in Greece focusing on the green and sustainable transformation of the economy and is expected to provide an incentive for green and sustainable financing for SMEs and individuals, also considering that SMEs are less likely (almost 3 times) than larger firms to be investing in energy efficiency comparing to larger firms and less likely to be planning to invest in tackling climate change impacts in the next three years (36% versus 18%)<sup>6</sup>.

The following market failures are addressed by the Framework Operation:

**Item (b) of Annex V A (1) to the InvestEU Regulation:**

*Externalities which the operator or company generally fails to internalise, such as R&D investment, energy efficiency, climate or environmental protection.*

The Sub-Projects will support investments also in energy efficiency, including in the building sector, one of the biggest energy consumption sectors in Greece.

As set out in the RRP<sup>7</sup>, the building sector is one of the main contributors to the country’s greenhouse gas emissions and within the NECP the country has set a target to renovate 600.000 buildings by 2030. The Sub-Projects are expected to contribute to accelerate the reduction of emissions through energy efficiency of residential and commercial buildings. Apart from the environmental savings, the building renovation investments will contribute to the economic recovery, through job creation in the construction sector, savings on energy bills, healthier living conditions and reduced energy poverty. Addressing the phenomenon of energy poverty is imperative due to its gradual intensification in recent years that is attributed to the economic recession. Indicatively, it is reported that about 23% of the total population appears unable to adequately heat their homes, while in the case of the economically vulnerable population the corresponding percentage amounts to 41% in 2017. An environmental goal for all citizens, vulnerable and not, is to reduce air pollution, especially in urban centers. As set out in the RRP<sup>8</sup>, the target is a reduction of at least 50% of the relevant indicators of energy poverty by 2025; and 75% by 2030, setting as a baseline 2016.

In addition, according to the FI Compass study “The potential for investment in energy efficiency through financial instruments in the European Union – MS summary”, the financial crisis and the COVID-19 crisis could have a negative impact on energy efficiency investments by both reducing the demand (e.g. households and companies may postpone investment as households economic conditions are deteriorated and SMEs priorities are shifted towards survival and paying their increasing taxation and

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<sup>5</sup> See [https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/country-pages/greeces-recovery-and-resilience-plan\\_en#green-transition](https://commission.europa.eu/business-economy-euro/economic-recovery/recovery-and-resilience-facility/country-pages/greeces-recovery-and-resilience-plan_en#green-transition), page 109

<sup>6</sup> EIB INVESTMENT SURVEY 2022 GREECE

<sup>7</sup> Pages 347-348

<sup>8</sup> See above

labour conditions) and the financial supply (e.g. although the banking sector is recovering, financing is in a state condition in the market).

The support to investments in this sector is even more acute given that, in Greece, the share of companies investing in measures to improve energy efficiency is well below the EU average (26% vs. 47%).

The Greek RRP also demonstrates that “incentivising investments in energy and resource efficiency in buildings is currently obstructed by relatively high upfront costs compared to the gradual energy cost savings in the longer term”.

It should also be noted that Greek SMEs are less likely (almost 3 times) than larger firms to be investing in energy efficiency comparing to larger firms and less likely to be planning to invest in tackling climate change impacts in the next three years (36% versus 18%)<sup>9</sup>.

The Sustainability Guarantee Product, implemented under the Member State Compartment in Greece, whose eligibility criteria were designed in the spirit of the EU Taxonomy for Sustainable Finance, are precisely adapted to the specific needs of the final recipients and can play a fundamental role in the decarbonisation of the economy.

**Item (c) of Annex V A (1) to the InvestEU Regulation:**

*Information asymmetries, in particular in the case of SMEs and small mid-cap companies, including higher risk levels related to early stage firms, firms with mainly intangible assets or insufficient collateral, or firms focusing on higher risk activities.*

There are several obstacles perceived by the financial intermediaries with respect to lending activities in these market segments, such as that green and sustainable technologies are typically considered more expensive thus SMEs may be reluctant to invest in them; sustainable financing comes with additional complexities in terms of assessment, requirements both at the level of financial intermediaries and final recipients, higher perceived risk by market operators.

As demonstrated in the RRP, the identified main market failures preventing energy efficiency investments include also:

- High commercial interest rates;
- Lack of collateral;
- Small project sizes resulting in high project development and transaction costs;
- Grant dependency – beneficiaries prefer to delay investments waiting for grants to become available;
- Low awareness among financial institutions to invest in energy efficiency.

Under such considerations, the Recovery and Resilience Plan (RRP) envisages allocation of resources to support the green transition.

In the area of climate and environmental policies, Greece faces the challenge of increasing the share of renewables in the energy mix, while reducing its long-standing reliance on solid fossil fuels. More investments are also needed to energy upgrade private and public buildings, promote sustainable transport and support water supply management<sup>10</sup>. In view of the above, the Sustainability Guarantee is expected to contribute to the above objective.

For sustainable and green projects and investments, this is even more acute given the complexities inherent to the thematic (e.g. constant technology developments, evolving regulatory framework, etc.). In addition, financial intermediaries in Greece have very different levels of green financing expertise, with a need to build expertise, particularly for the type of final recipients supported by the Sustainability Guarantee.

<sup>9</sup> EIB INVESTMENT SURVEY 2022 GREECE

<sup>10</sup> [Greece's recovery and resilience plan \(europa.eu\)](https://european-council.europa.eu/media/en/press-room/pages/press-room-detail.aspx?lang=en&id=123456)

**Item (e) of Annex V A (1) to the InvestEU Regulation:**

*Exposure to higher levels of risks in certain sectors, countries or regions beyond levels that private financial actors are able or willing to accept, including where the investment would not have been undertaken or would not have been undertaken to the same extent because of its novelty or because of risks associated with innovation or unproven technology.*

Green lending by financial intermediaries to SMEs and individuals is at an incipient stage, particularly in Greece, and is perceived as riskier. Green technologies are typically more expensive and capex intensive (e.g., renewable energies, industrial energy efficiency, etc.) and typically require longer periods of repayment. In addition, green financing comes with additional complexities in terms of assessments and requirements for both the financial intermediaries and final recipients. Consequently, the origination of green financing comes with additional intricacies and therefore is less attractive than financing more established activities.

The Sustainability Guarantee Product, implemented under the Member State Compartment in Greece will alleviate the elements above by providing risk deleveraging for green lending and therefore incentivising financial intermediaries to in turn provide this type of lending, bringing clear green definitions and requirements, as well as supporting the market vis-a-vis the application of the EU Taxonomy for Sustainable Finance and, particularly for this type of final recipients that require a proportionate approach.

Origination of investment/financing is made by financial intermediaries benefitting from the Sustainability Guarantee under the Member State Compartment, in line with their credit and collection policies and procedures.

EIF offers support both pre- and post-signature of the guarantee agreement. Pre-signature, EIF helps the financial institution to navigate the different types of guarantees and guarantees products, different types of eligibility criteria, supporting the financial intermediary in assessing which guarantee solution is most relevant for the specific final recipient targeted. Post-signature, EIF provides reporting monitoring and assistance, as well as feedback on the pace of the transaction implementation progress and assistance with interpretation and validation of eligibility criteria.

This will be of particular relevance in the case of the Member State Compartment - Sustainability Guarantee product as it represents the deployment of a novelty green financing product, to be implemented in Greece.

EIF will dedicate significant efforts to kick-start the implementation of the novel instrument for green transition and this will require particular focus to build awareness and support the market take-up. Specific accompanying measures will be launched to maximise the market take up.

In respect of advisory activities, their main focus will be in market/ecosystem building around the policy areas of the intervention as well as the provision of the necessary expertise to the financial intermediaries implementing the instruments.

The Sub-Projects aim at providing the following benefits for the final recipients: more affordable pricing, longer maturity, financing in local currency, contribution to diversification and stability of final recipient's financing, reduced collateral requirements (as well as acceptance of challenging collateral assets), among others.

The Sustainability Guarantee Product, implemented under the Member State Compartment in Greece, will represent the first guarantee product in support of the green transition of small enterprises and individuals, to be implemented by EIF in Greece. It will expand the experience of financial intermediaries in using the EIF guarantee products towards this key EU as well as national priority. Thanks to this intervention, financial intermediaries will be able start their activity in this domain or to further develop their offer to green investments – either by developing new products in this area, or expanding existing products to other green activities which they may not have supported in the past.

In addition, all the support activities foreseen alongside the guarantee will create awareness of green financing standards and definitions aligned with the key EU regulatory framework: the EU Taxonomy for Sustainable Finance as well as the DNSH Guidance.

**Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation (Excellent)**

**Pillar 4 - Financial and technical contribution by the Implementing Partner (Very Good)**

**Pillar 5 - Impact of the financing or investment operation (Excellent )**

**Pillar 7 - Complementary indicators<sup>11</sup>**

Key characteristics	Expected as of time of submission	Comments
Leverage Effect	Indicatively 10x for capped guarantee	Preliminary estimation
Multiplier Effect	Indicatively 15x for capped guarantee	
Expected amount of investment mobilized		
Estimated number of targeted final recipients		
SMEW specific Indicators		
a) Number of enterprises supported (expected)		Preliminary estimation
(b) Allocation volume dedicated to SME/Mid-Caps [%], if it can be reasonably estimated at the moment of submission	100% SMEs	

### ESG aspects

Within the due diligence process, EIF assesses the financial intermediaries' environmental, climate and social risk management procedures and the capacity to screen, assess and manage environmental, climate and social risks associated with its business activity, including the presence of an Environmental and Social Management System (ESMS), by means of an "ESG" questionnaire.

<sup>11</sup> The InvestEU methodology is used in order to calculate figures presented in this document. Such figures are of indicative nature only and presented at the level of the Framework Operation.

