Nadia Calviño, President of the EIB,
Vincent Van Peteghem, Chairman of the EIB Board of Governors,
Board of Governors at EIB's Annual General Meeting 2024,
at European Convention Center, Luxembourg (ECCL) 4,
place de l'Europe, L-1499 Luxembourg

Tuesday 18th of June, 2024

The EIB's Strategic Roadmap 2024-2027 should stimulate more public guarantees to unlock the EU's cleantech competitiveness

Dear Madam President of the European Investment Bank Group,
Dear Chairman of the EIB Board of Governors,
Dear members of the EIB Board of Governors,

We, the undersigned, as cleantech innovators, investors, industry associations, researchers, and civil society organisations welcome the EIB Group's new 2024-2027 Strategic Roadmap. Europe is at a crossroads and faces a far reaching technological transformation that tests the EU's leadership and competitiveness against global players who are also making large-scale investments in the green transition. Specifically, we **call on the EIB to support an expansion of its public guarantee products that can scale-up Europe's cleantech manufacturing significantly and reinforce the global competitiveness of EU green industry.**

The EIB already plays an essential role filling the investment gap that will modernise the EU's industrial base and unlock the economic and energy resilience advantages from a net zero economy**.** Yet, the European Commission sees a €620 billion annual investment need to meet its energy and climate targets - with at least €92 billion required by 2030 to build the manufacturing capacity for only six strategic clean technologies[1].

The new EIB Strategic Roadmap 2024-2027 highlights the need to "maximise the impact of every euro invested" in disruptive cleantech and the scale-up of clean industrial capabilities that will take the EU to a leadership position in the global cleantech manufacturing race. **We thus welcome the proposal to create a new annual €10 billion programme for "Strategic Tech-EU" as a positive development to increase investment in the value chain of clean industries, assuming that it will prioritise public guarantees to maximise its leverage and impact.**

The EIB Strategic Roadmap puts forward guarantees as one of the EIB instruments that can efficiently address the financing gap of cleantech start-ups and SMEs by crowding-in private investments. We saw the EIB's deployment of a manufacturing guarantee mechanism for the wind industry and electricity grids as a proofpoint on effectiveness, which now needs to be expanded to other strategic cleantech sectors, and include both manufacturing guarantees and loan guarantees for ramping up manufacturing capacity.

[1] *The clean technologies included in this assessment are wind, solar PV, heat pumps, batteries, electrolysers and CCS. This €92 billion manufacturing investment gap is expected to more than double when we also consider future needs for innovative renewables, grid technologies, long-duration energy storage, green steel and cement.*

We believe there are strong market signals that support the EIB’s increased focus on two specific forms of guarantee: Manufacturing guarantees (covering advance payments, performance guarantees, etc.) and loan guarantees to ramp up manufacturing capacity and build cleantech projects. **The following five asks outline how we think the EIB can help grow strategic cleantech sectors,** particularly batteries and long-duration energy storage systems including seasonal storage; electrolysers including stacks; solar photovoltaics including inverters; industrial heat pumps; and innovative renewables (including geothermal and ocean energy).

1. **Guarantees can secure Europe's energy transition.** Guarantees for long-tenure investment loans are vital for large-scale energy infrastructure projects, innovative renewables, cleantech start-ups and scale-ups building commercial first-of-a-kind projects or selling innovative equipment, such as electrolysers or long-duration energy storage systems. Commercial banks can lever public guarantees to cover 20-30% of a project's financing needs, and provide safety for customers, lenders, EPC contractors and operators if suppliers fail to meet their obligations. They further help suppliers deliver on their promises and protect operators from financial losses.

2. **EIB as the EU’s Climate Bank can support the growth of a Green capital market union to deliver Europe's clean energy future.** The investments required to deliver the EU's climate and energy goals are multiples of what has been available until now in the green capital markets. Just to grow offshore wind capacity from 32 to 150 GW by 2030 or installed electrolyser capacity to 100+ GW, from about 200 MW today, requires a deeper and more liquid European capital market for new borrowers. Expanding guarantee programmes to cover long-tenure lending would allow more young EU manufacturers and innovative renewable energy producers to access a growing European green capital market. For example, for a 2 GW HVDC offshore wind platform, a AAA-rated guarantee provides access to deep and liquid bank and bond markets to raise the €300 million debt required to build it. Without a guarantee, expensive equity and multiple rounds of venture debt is inefficient and slows down deployment. Meanwhile, this offers an opportunity for non-European competitors to seize market share and undermine Europe’s industrial base.

3. **European cleantech manufacturers are turning down orders for lack of bank guarantees.** When selling innovative equipment, cleantech manufacturers must provide bank guarantees to mitigate the buyer’s risks in purchasing their equipment. Because these manufacturers have a lower bankability than industrial incumbents, banks usually require 100% cash collateral to issue these guarantees. This means that Europe’s most promising companies are locking away expensive venture capital in banks as collateral, instead of investing it in growing their manufacturing capacity, and sometimes have to limit their sales for lack of cash for this collateral. Public guarantees can be offered by the EIB as an efficient instrument to pool risks and thereby mobilise more private capital towards cleantech manufacturing.

4. **The issue is access, not cost, and European manufacturers are at risk.** Commercial banks cannot expand manufacturers' guarantee limits due to prudential risk requirements, even though many technical guarantees only cover low risk. The

International Chamber of Commerce reported the average ultimate loss rate for performance and financial guarantees was between 0.2% and 1.7% between the years 2000 and 2018. Public money as technical guarantees provide considerable leverage in crowding in private investment for working capital for cleantech. Without a solution, European manufacturers and supply chains will suffer competitively, losing their ability to bid for projects, move abroad, and jeopardising Europe's energy transition.

5. **The EIB's counter-guarantee facility is a strong catalyst for a thriving green economy.** By shifting risk from commercial banks to the EIB's balance sheet and the European budget, via InvestEU, European banks can offer new guarantee lines for cleantech projects and promote bank lending to emerging cleantech manufacturing. This is a strategic and crucial intervention to address a capital market failure and ensure Europe's energy system and industry transformation. The EIB would be delivering its climate bank mandate by stepping for cleantech and innovative renewables where commercial banks reach their lending limits, as these limits are not configured to match the speed and ambition of Europe's energy transition.

We, the undersigned organisations, call on the European Commission and European Investment Bank to work towards expanding the use and scope of public guarantees towards increased working capital and long-tenure lending for strategic cleantech manufacturing sectors.

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