

InvestEU Scoreboard ¹
<p>Presentation of the financing or investment operation:</p> <p>Implementing Partner: European Investment Fund (EIF)</p> <p>Name of the Operation Framework Operation for the Sustainability Guarantee Product – Spain InvestEU Member State Compartment</p> <p>Type of approval: Framework Operation</p> <p>Type of Financial Intermediaries: Mainly commercial lenders (typically banks)</p> <p>Type of Final Recipients: Natural persons, SMEs (including Micro-Enterprises), Mid-Caps (Small Mid-Caps), housing associations.</p> <p>Country(-ies) of implementation of the operation: Spain</p> <p>Short description of the financing or investment operation:</p> <p>The Sustainability Guarantee shall contribute to the green and sustainable transformation of the local economy by supporting access to debt financing for eligible final recipients.</p> <p>The purpose of the Sustainability Guarantee shall be to address Spain's current challenges in supporting investments in green transitioning, energy efficiency and renewable energy production.</p>
<p>Public Statement</p> <p>Eligible areas for the operation in accordance with Annex II to the InvestEU Regulation:</p> <ul style="list-style-type: none"> - Item 1 of Annex II of the InvestEU Regulation: <i>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</i> - Item 2 of Annex II of the InvestEU Regulation:

¹ 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.

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:**

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

- **Item 10 of Annex II of the InvestEU Regulation:**

the rehabilitation of industrial sites (including contaminated sites) and the restoration of such sites for sustainable use

- **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

The implementing partner shall present the extent to which the financing or investment operation contributes to the eligible areas under InvestEU, in accordance with Annex II of the InvestEU Regulation, the investment guidelines and the conditions of the relevant financial product. As regards the Member State compartment within the meaning of Articles 9 and 10 of the InvestEU Regulation, the assessment shall include the policy objectives set out in the relevant contribution agreement.

Financing and investment operations must fall at least in one eligible area under the appropriate policy window of the relevant financial product.

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:

- In the form of targeting final recipients of lower creditworthiness; or
- 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:

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, as 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 on 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 or collateral requirements.

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;

Guarantee instruments are not part of the EIF's standard activities and are typically implemented by EIF via third-party mandates. The Sustainability Guarantee Product, implemented under the InvestEU Spain Member State Compartment, will enable the EIF to support this growing ecosystem at a scale in Spain 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, coupled with higher perceived risk by market operators.

The fi-compass study² *'The potential for investment in energy efficiency through financial instrument in the EU – Spain in-depth analysis'* stresses that the Covid-19 crisis may materialise in a dual negative impact on energy efficiency investments, by both reducing the demand (e.g. household and enterprises may decide/be forced to postpone investments) and the financial supply (e.g. financial intermediaries may become more selective in their lending activity) therefore increasing the importance of energy efficiency related supporting schemes. Indeed, the Kingdom of Spain assumes that there is funding gap of climate investments of EUR 241bn for the period 2021-2030, as highlighted in the Spanish National Plan for Energy and Climate.

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.

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.

The following market failures are addressed by the Framework Operation:

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

² [The potential for investment in energy efficiency through financial instruments in the European Union](#)

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

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.

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 still at an incipient stage, particularly in Spain, 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 Spain 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.

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 (Good)

Pillar 5 - Impact of the financing or investment operation (Very good)

Pillar 7 - Complementary indicators

Key characteristics	Expected as of time of submission	Comments
Leverage Effect	Indicatively 4x to 7x	Preliminary estimation
Multiplier Effect	Indicatively 6x	
Expected amount of investment mobilized		
Estimated number of targeted final recipients		
SMEW specific Indicators		
		Preliminary estimation
(b) Allocation volume dedicated to SME/Mid-Caps, if it can be reasonably estimated at the moment of submission	45% SMEs 55% Small Mid-Caps	

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.