

InvestEU Scoreboard ⁽¹⁾

Presentation of the financing or investment operation

Implementing Partner: EIB

Name of the Operation: KAUNAS DISTRICT HEATING UPGRADE

Type of approval: Individual financing or investment operation

Name of the final recipient: KAUNO ENERGIJA AB

Country(-ies) of implementation: Lithuania

Short description of the financing or investment operation:

The operation consists of the financing of a three-year investment programme concerning the upgrade and extension of the district heating networks in Kaunas city and several other, smaller municipalities, including the modernisation of existing and construction of new heat generation assets.

The objectives are to (i) increase heat production from renewable fuel and eliminate use of natural gas, (ii) lower network losses by modernising the grid, and (iii) connect new customers. The project includes modernisation of 12 km and construction of 14 km of new pipelines, construction of 1 MWth renewable boiler, installation of 5.6 MWp solar panels and also small heat pumps and heat storage tanks.

Public Statement

The Project contributes to the InvestEU objective of the development of the energy sector in accordance with the Energy Union priorities. EIB financing will allow the promoter to upgrade and extend the heating network and install new and modernise existing renewable heat generation assets located in Kaunas city and Kaunas district municipalities in Lithuania. The project contributes to the decarbonisation objectives as stated in the National Energy and Climate Plan for Lithuania which sets a 90% biomass target for the district heating sector by 2030.

The financing of this project will contribute to EU and Bank's priority objectives on energy, on climate action and cohesion priority regions. Such investment is crucial to improve security, energy efficiency and flexibility of heat supply and meet existing and future demand for heat and hot water. The project addresses number of market failures: Low-carbon heat projects reduce carbon and air pollution externalities, low-carbon technologies contribute also towards increasing security of supply by reducing dependency on imported fossil-based energy. Security of supply can be considered as a public good.

The project is expected to have an excellent economic justification, excellent rated broader social benefit and generate additional employment in construction. The capacity of the promoter is considered appropriate for the proposed project.

The EIB loan plays a key role in ensuring the funding of the project. The long tenor of the EIB loan (15 years) is well in line with the economic life of the underlying heating assets and it is perfectly suited to finance investments with long payback period such as the Project implemented by the promoter. The funding of similar maturities is not available on the Lithuanian debt market. Customised terms such as flexible drawdown over the long availability period are of value to the promoter because of the multiannual Project's implementation period. The EIB involvement will send a strong signalling effect to the commercial banks that EIB is standing by to support the decarbonisation of the Lithuanian heating sector. EIB would not be able to provide such type of financing, or not at the same quantum, without the support of InvestEU.

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 (Very Good)

(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.

Pillar 7 - Complementary indicators ⁽²⁾**Key project indicators****Expected at PCR**

Start of works	01.01.2024
End of works	31.12.2026
Project investment cost	70.00 MEUR
Mandate eligible investment mobilized	70.00 MEUR
Mandate multiplier effect	105.26
Mandate leverage effect	52.63
Amount of private financing	10.00 MEUR
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	0.00 MEUR
Energy efficiencies realised	33,110.00 MWh/a
Climate Action indicator	83.00% Mitigation - Energy Efficiency (transversal) / 17.00% Mitigation - Renewable Energy (transversal)
Less developed regions	100.00 %
Employment during construction - temporary jobs	700 person years
Employment during operation - new permanent jobs	0 FTE
Gender Tag	No Significant contribution to Gender Equality

Outputs**Expected at PCR**

Heat/Refrigeration production capacity from renewable energy sources	1.00 MW
Pipelines for heat/refrigeration installed or upgraded	26.00 km
Digitalisation– PROJECT based share of project investment cost	5.00 %
Repower EU - share of project investment cost	100.00 %
Electricity generation capacity from renewables - Solar PV	5.68 MW

Outcomes**Expected at PCR**

Households which could be supplied with the heat generated by the project	3,200.00 Units
Cost of heat/refrigeration produced with environmental externalities	56.00 EUR/MWh

(2) The abbreviation PCR stands for Project Completion Report. EIB internal methodologies are used in order to calculate the figures presented in this document. The Promoter's estimates might differ.

Quantity of energy transported	1,186.00 GWh/yr
Heat/Refrigeration produced from renewable energy sources	4.00 GWh/yr
Electricity produced from renewables - Solar PV	5.70 GWh/yr