<table>
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<th>InvestEU Scoreboard</th>
<th>(to be published after the signature of the operation)¹</th>
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**Presentation of the financing or investment operation:**

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

**Name of the Operation:** PEARL Infrastructure Capital II (“PEARL II”, or the “Fund”)

**Type of approval:** Individual financing or investment operation

**Name of the financial intermediary:** PEARL Infrastructure Capital II

**Country(-ies) of implementation of the operation:** The Fund’s core geographic focus will be the EU, in particular France, Germany and Central and South Eastern Europe.

The Fund will pursue a specialist strategy of investing in assets mainly dedicated to decentralized baseload renewable heat and power production and circular economy in Europe. The Fund is aiming to create a diversified portfolio comprising assets in the energy generation and energy efficiency as well as in the circular economy sectors across Europe. Investments will be made at various stages of development and will include both greenfield as well as brownfield assets in need of capital for expansion, retrofit or upgrades.

The Fund will be compliant with Art.9 of SFDR, and all its investments will be Paris-aligned.

**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 3 of Annex II of the InvestEU Regulation:**
  
  environment and resources

  - The investment will be in the form of equity, which will in turn allow the Fund to promote equity or quasi-equity investments at the level of each underlying investment, which is an essential element in facilitating the project financing structure of any capital-intensive infrastructure project, in particular projects in their early phase (greenfield), and in some cases development phase.
  
  - The Fund’s investments will support new asset creation or expansion in the area of baseload renewable energy generation, energy efficiency and circular economy sectors.
  
  - The Fund will make investments in sectors that are much less targeted by traditional renewable energy or generalist infrastructure funds. This is in particular the case for investments around local renewable energy sources, including waste, biomass and biogas, and the Fund’s objective to finance baseload energy generation assets.

¹ The Investment Committee Secretariat shall liaise with each Implementing Partner in order to identify the financing or investment operations or sub-projects, which have been signed and for which the relevant Scoreboard shall be published in line with Article 24(5) of the Regulation.
Based on the Investment Advisor’s track record and on its indicative pipeline, the Fund is also expected to target a material exposure in MEICs (mainly Central and South Eastern European countries).

The use of the EU Guarantee allows EIF to invest in the proposed Fund which otherwise it would not have been able to do considering the high inherent risk resulting from:

i) the emerging nature of the Investment Adviser,

ii) the specialist strategy of the Fund focused on greenfield investments in local/decentralised baseload renewable energy and heat generation assets,

iii) the targeted investments in higher-risk technologies, such as H2, and

iv) the ability to invest in Central and South Eastern Europe

EIF’s investment as anchor investor is expected to generate a strong catalytic effect for the Fund, needed to reach a viable first close size in a timely manner. This is particularly relevant in light of (a) the Predecessor Fund being almost fully invested, and (b) an advanced pipeline which could not be executed prior to a sizable first closing of the Fund.

EIF is expected to participate in the first closing of in the Fund, thereby providing a strong market validation and signalling effect and helping fundraising efforts. To help the Fund reach first closing, the EIF is also expected to assist in investor reference calls.

The Fund will have a core focus on investing in greenfield or other form of projects with capex needs, thereby assuming construction and in some cases also development risks. Such risk levels are beyond the ones usually accepted by private sector investors, who traditionally target operational or fully developed assets (i.e. investment at or around financial close). The Fund in turn has the ability to provide capital at earlier stages of the investment cycle thereby targeting higher returns.

The Fund furthermore targets sectors that are considered yet less proven for infrastructure fund investments. This includes, e.g., focus on thermal energy generation, energy production from geothermal sources, biofuel production plants, high organic content solid waste digestion plants to produce biogas, dry commercial solid waste recycling and material recovery, sludges treatment with energy, optimization of industrial water cycle, as well as waste facilities linked to waste valorisation and reduction of soil contamination.

The Fund’s strategy furthermore allows for investment in the CEE region.

The European Green Deal intends to mobilise at least EUR 1 trillion of investments over the next 10 years, with private finance identified as a critical enabler of the energy transition in the Green Deal Funding Plan.

EU countries have agreed to explicitly include clean energy transition at the heart of their economic recovery as part of the European Green Deal, with around 37% of total recovery money targeting climate-related expenditures, including clean energy technologies. In addition, strong EU and national focus on decarbonisation will represent an opportunity for energy efficiency projects to play a key role in meeting the EU climate targets.

The European Union aims to be climate-neutral by 2050 – an economy with net-zero greenhouse gas emissions – and the role of energy systems is key in driving progress towards this goal. According to the European Commission’s latest impact assessment, investments in the EU energy system would need to rise from an average of 1.3% of gross domestic product (GDP) per year over the last decade, to 2.8% of
GDP over the next decade if the European Union is to meet its goal of cutting greenhouse gas emissions by 55% by 2030. Energy-related sectors account for c. 70% of European investment in climate change mitigation.

The Fund supports the EU-wide 2030 climate, environmental and energy targets: 32% final energy consumption coming from RE sources (which implies about 57% of RE in the electricity sector). Achieving these targets will require sustained investment in these sectors over the coming decade. At the same time, EU countries are reducing or even phasing out public subsidies, which is making the market more sophisticated and creating new growth opportunities.

Energy projects contribute to the reduction in negative carbon emissions and pollution externalities (emissions of CO\textsubscript{2}, NOx and SO\textsubscript{2}), and to improving energy market efficiency and integration. The underlying investments in storage of renewable energy, green H\textsubscript{2} equally contribute to climate change mitigation objectives and to security of supply by reducing dependency on energy imports. Investments in innovative grid technologies (such as storage) contribute to learning-by-doing and thus drive down costs over time – a positive externality.

The Fund will provide new low carbon energy generation capacity in a sector characterised by incomplete markets (illiquid intraday markets, limited forward/hedging, lack of scarcity and transmission pricing), relying mostly on market-based remuneration schemes (selling on the spot and/or supplying clients through PPAs). Therefore, it contributes to the policy objective of supporting the market integration of renewable energy projects.

**Energy Generation from Biogas**

The Fund targets the support of biomethane and biogas plants connected to the grid and thermal energy/electricity sale in Europe and more particularly in France.

To date, the combined biogas (BG) and biomethane (BM) production is hardly 3.7% of the combined Natural Gas (NG)+BG+BM consumption, BM being only 0.4%\textsuperscript{2}. The forecast from the European Biogas Association for 2030, from the Projects side, is to multiply x15 the production of BM and reach a 6.2% market share. This estimation is aligned with the average targets of the MS and EU (5-8%). In that sense, The The Gas for Climate Initiative \textsuperscript{3}sets out a binding mandate of 10%. In 2020, 32 TWh of BM was produced in Europe. As of August 2021, 992 upgrading plants are in operation (versus 800 in 2020; +13% in 2021 so far). The geographical spread differs strongly with France that continues to increase its BM production with 306 upgrading plants in service; now ahead of Germany, which has 242 upgrading plants in operation, Italy and Spain have respectively 27 and 5 BM units in operation at the same period.

Although apparently modest, this increase in the coming 10 years would mean a CAGR of 32%, doubling last available figure (15% from 2018-19) and tripling the mid-term value (11% 2014-18). On the other side, BG is expected to remain asymptotic, as it has been in the last years (3%, 2014-2018).

Biomethane, and ancillary equipment such as dedicated filling stations, is a strategic energy carrier to replace natural gas and to meet EU targets set in the 2030 climate & energy framework as well as the recent communication on REPowerEU. Several country initiatives were developed to uplift this sector. According to the European Commission, to achieve “sustainable biomethane production to 35 bcm by 2030”, the estimated investment needs in the EU amount to EUR 37 billion over the period that includes the increase capacity of biogas production and promote its conversion into biomethane.


\textsuperscript{3} [10% binding target for renewable gas and future-proof gas infrastructure crucial to achieve cost efficient decarbonisation - Gas for Climate 2050](https://www.europeanbiogas.eu/wp-content/uploads/2020/12/GfC_MSTReport_2020_final.pdf)
Energy Generation from Biomass

Sustainable bioenergy makes up nearly 60% of our renewable energy and is responsible for 21% of Europe’s domestically produced energy. More importantly, it does not rely on massive imports which threaten Europe’s energy security now more than ever. Unlike fossil gas, of which 84% comes from foreign sources and which makes up one third of the EU’s energy imports, the import rate of biomass for energy is below 4%, meaning less than 1% of all EU imports. Bioenergy is thus a crucial resource which reduces the EU’s dependency on foreign states. Against the backdrop of a war in Europe, with rising energy prices and growing concerns that a Russian fossil fuel embargo could result in heating shortages this winter, woody biomass is an important part of the solution. In fact, 70% of bioenergy uses woody biomass as its feedstock, and primary woody biomass constitutes up to 20% of Europe’s renewable energy.

Waste Management and Circular Economy

The legislative amendments of key EU waste directives adopted in 2018 introduced a series of new waste management targets and requirements which include increased recycling rates for municipal waste (65% by 2035) and packaging waste (70% by 2030), and a 10% limit for landfilling of municipal waste. There is also a new requirement for Member States to introduce the separate collection of bio-waste and textiles by the end of 2023 and 2025 respectively. In order to meet these new targets and requirements, substantial investments will be needed across the entire waste management value chain including in waste collection and transport, sorting, material recovery and recycling and bio-waste treatment (i.e. composting and anaerobic digestion plants). A study published in 2019 estimated the total investment needs at EU level to meet the 2035 targets in the order of EUR 28 bn in the period 2021 to 2035, of which EUR 18.5 bn between 2021 and 2027 (EUR 2.6 bn/yr). Such investment needs will exceed by far the available financial resources from EU funding programs.

In the waste sector, the underlying investments in projects implementing material recovery/recycling and other circular economy technologies and business models will result in more efficient resource use and reduced waste generation, incineration and landfilling, which will reduce climate change impact and pollution externalities. By supporting new market players active in these fields, the project will complete missing links in the value chain for bio-waste and recyclable material recovery and recycling of waste. Therefore, the Fund will substantially contribute to the transition to a more circular economy in line with the EU priority objectives on Waste and the EU Circular Economy Action Plan.

Water sector projects to be financed by the Fund (e.g. industrial wastewater treatment plants, internal recycling and reuse) would generate positive externalities that are not fully reflected by the expected financial return on the investment. The most important economic benefits, non-market externalities, of water sector projects that may be financed by the Fund are: (i) environmental benefits of improved water quality, and (ii) the benefits of enabling socio-economic developments in the areas served by the project.

The EIF has provided additional input, notably in the context of the Fund’s investment strategy and ESG metrics to ensure alignment with EIB Group’s environmental and social standards and InvestEU Sustainability Proofing requirements. In particular, the EIF has been focusing on the following key points: i) technical eligibility, i.e. alignment of underlying investments with the Paris Agreement; ii) application of the EIB Group's standards in the investee companies with regard to transparency, procurement, environmental and social standards; and iii) climate action and taxonomy sector eligibility.

The scale of financing expected to be made available by the financial intermediary to final recipients (i.e. leverage) is estimated at c. 2.8x, in accordance with the “InvestEU Leverage and Multiplier Effect Calculation Methodology” as approved by the InvestEU Steering Board.
With respect to the benefits generated by the operation for the final recipients, it is worth highlighting in particular the following key features: (i) the provision of equity financing; (ii) the longer holding period (within up to 12 years term of the fund); (iii) contribution to the diversification of funding sources for final recipients; (iv) financing in local currencies; and (v) the transfer of experience, know-how and network by the financial intermediary to portfolio companies, therefore helping their internal & external growth, internationalization, digitalization and access to bank financing.

In terms of impact on the ecosystem, EIF is expected to contribute by providing an anchor investment to a fund which strategy is focused on providing capex (greenfield or expansion capital), invests in less-typical sectors for infrastructure funds, and can assume development risks and targets less proven geographies for infrastructure investments within the EU.

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<th>Pillar 3 - Market failure or sub-optimal investment situation addressed by the financing or investment operation (Excellent)</th>
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<td>Pillar 4 - Financial and technical contribution by the Implementing Partner (Excellent)</td>
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**Operation-specific indicators**, estimated based on the “InvestEU Leverage and Multiplier Effect Calculation Methodology” as approved by the InvestEU Steering Board

- (a.1) Leverage effect: Indicatively c. 2.8x
- (a.2) Multiplier effect: Indicatively c. 12.7x

**ESG aspects**
The Fund has a solid ESG strategy, policies and processes in place and the ability to carry out E&S due diligence in line with EIBG E&S standards.

**Environmental Assessment**
Biofuels, bioliquids and biomass fuels used for the Fund’s operations/projects will be sustainably produced and comply with the EU sustainability criteria of the revised Directive (EU) 2018/2001. Furthermore, the Fund commits to adhere to the waste hierarchy principle in other words will only incinerate waste wood which cannot be recycled, as well as not using wood classified as hazardous waste.

Some of the Fund's underlying investments may fall under Annex I or II of EIA (environmental impact assessment) Directive 2014/52/EU amending EIA Directive 2011/92/EU. In these cases, the Manager needs to ensure that investee companies act according to the provisions of the aforementioned Directive as transposed into national law. Should the relevant competent authority screen an investment project, the Manager should ensure that the Non-Technical Summary (NTS) and EIA documents, are published on the web.

**Climate Mitigation**
Climate change mitigation: The investments in energy efficiency, renewable energy and circular economy, and those other subsectors, will contribute to mitigate climate change.

According to the existing pipeline and the strategy of the Fund it is expected to have about 85% contribution to Climate Action and Environmental Sustainability (CA&ES) as per the InvestEU Climate and Environmental tracking guidance.
Climate Neutrality: The Fund has been assessed for Paris Alignment and is considered to be aligned both against low carbon and resilience goals against the policies set out in the Climate Bank Roadmap. The Fund will ensure Paris Alignment of all its investments.

Social Assessment
The Fund’s Environmental and Social Management System will duly define the policies and procedures related to social aspects that will apply to the investments.

The Fund seeks to be involved in operations that sustainably foster business growth and economic development, thereby helping to stimulate long-term employment.