

Innovation 2010  
Initiative

## RSFF and ECTF

Innovative financing instruments for investments in Research,  
Development and Innovation in Europe

**Presentation, Info Day on Research PPPs, Green Cars**

**Brussels, 13 July 2009**

Martin KOCH

EC – DG RTD – Directorate B – B.04 RSFF Designated Service



# Table of Contents



## RSFF and ECTF – Innovative financing instruments for investments in Research, Development and Innovation in Europe

1. RSFF: Rationale, objectives and approach
2. Implementation and terms (beneficiaries, eligible costs, products, access to RSFF loans)
3. RSFF results and project examples
4. ECTF: Objectives, beneficiaries, eligible costs
5. Summary



Some facts: Gap in R & D investment and finance in Europe

---

## Europe is facing:

- A **lack of funding** for excellent and top quality R&D projects in Europe, despite national funding in the European Member States and an increased European Research budget (7<sup>th</sup> Framework Programme for Research and Demonstration, “FP 7”, of EUR 54,6 billion for 2007-2013)
- A **lack of private investment in R&D** which is a key factor for Europe’s relatively weak total investment in R & D (2005: EU 1.84%, US 2.68%, Japan 3.40%)
- A **market imperfection** with regard to R&D investment finance; financing is scarce for such risky projects, **particularly in the current financial and economic crisis**
- → Political mandate by the EU Member States to EC and EIB **to set up a new Finance Facility**; RSFF Agreement signed in June 2007



# RSFF objectives



- Provide more funding in the form of **loans and/ or guarantees** for riskier but creditworthy RDI projects by **risk-sharing between the European Community and the EIB**
- **Mobilise capital market finance** by the EIB and its partner banks with FP7 budget resources (“leverage effect”)
- Target **innovative companies of any size and ownership** which invest in Research, Development and Innovation in line with FP 7 objectives
- Offer RSFF access also to **small and medium sized projects** and companies in all MS and AC
- Support of **European projects** like Joint Technology Initiatives and projects promoted by Eureka
- Facilitate the implementation of **European Research Infrastructures**



# RSFF approach

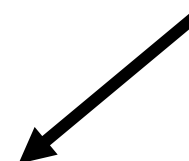
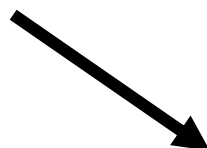


Risk-sharing EC/ EIB and mobilisation of RSFF finance

**FP 7 Contribution:**  
up to € 1 billion



**EIB Contribution:**  
up to € 1 billion



up to € 2 billion for  
**Risk coverage**  
for potential losses (non-repayment of RSFF loans by borrower/ beneficiary)

EIB sets aside, on average, **20%**  
of the volume of each  
individual loan **for risk coverage**



allows EIB to provide  
**RSFF loans and guarantees of  
up to € 10 billion**



# Table of Contents



## RSFF and ECTF – Innovative financing instruments for investments in Research, Development and Innovation in Europe

1. RSFF: Rationale, objectives and approach
2. Implementation and terms (beneficiaries, eligible costs, products, access to RSFF loans)
3. RSFF results and project examples
4. ECTF: Objectives, beneficiaries, eligible costs
5. Summary

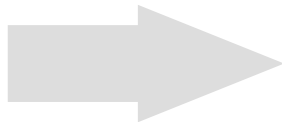


# RSFF implementation

## Beneficiaries of RSFF financing



- Mid-Caps and large corporates (typically unrated / sub investment grade / turnaround situations)
- SMEs
- Research Institutes
- Universities
- Special Purpose / Project Companies
- Research Infrastructure promoters



**Any size and ownership**



# RSFF implementation

## Eligible cost categories



<b>Fundamental research</b>	<b>EC window</b>
<b>Definition stage / feasibility studies</b>	<b>EC window</b>
<b>Industrial research</b>	<b>EC window</b>
<b>Pre-competitive development activity</b>	<b>EC window</b>
<b>Pilot and demonstration projects</b>	<b>EC window</b>
<b>Innovation</b>	<b>EIB window</b> partly EC window

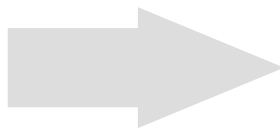


# RSFF implementation

## Eligible project cost



- Project capital expenditures in tangible assets (plant, equipment, machinery)
- Intangible assets:
  - Research staff cost
  - Incremental working capital requirements
  - Acquisition of Intellectual Property Rights



**Multi-annual R&D budgets (typically 3-4 years);  
RSFF Financing up to 50% of total eligible cost,  
except particular cases in line with EIB strategic  
orientations (ie: environment, renewable  
energies; ...)**



# RSFF implementation

## RSFF products



- Corporate Loans (senior / junior)
- Guarantees
- Project Finance for Special Purpose Vehicles (limited/non recourse)
- Mezzanine Loans
- Risk Sharing Facilities with banks for smaller loan amounts
- Other structured products

Loan products under the RSFF can be adapted to the project promoter's needs (i.e. flexible repayment structure aligned to revenues/ cash-flows)



# RSFF implementation

## RSFF features and financing terms



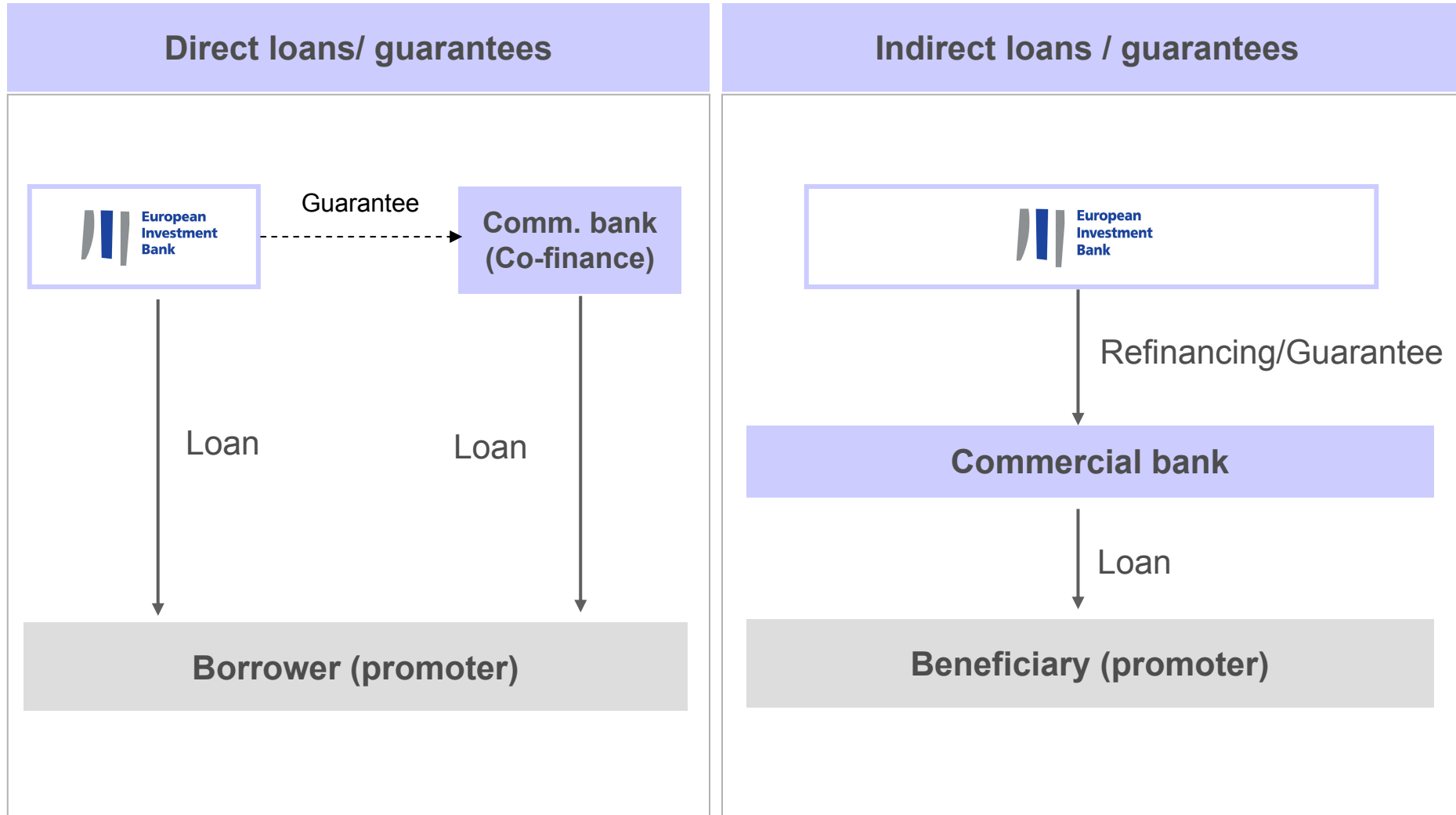
- RSFF is a debt-based instrument and **not a grant**
- RSFF **does not concern** risk capital such as **venture capital**
- RSFF financing **does not involve a subsidy element (no “soft loan”)**
  - Medium and long term loan financing (up to 10 years or even more)
  - Minimum size per loan: > EUR 7.5m (for smaller loans EIB makes available Risk-Sharing Bank Facilities with its partner banks)
  - Project assessment : eligibility, techno-economic and financial viability
  - Pricing: market-rated loans, interest rates include risk-margin according to the risk profile of the borrower/ project
  - Advantage: EIB’s favourable refinancing (AAA rating), not-for-profit lending policy (no profit margin), no external rating required, flexible products



# RSFF implementation



## Access to RSFF finance – individual financing



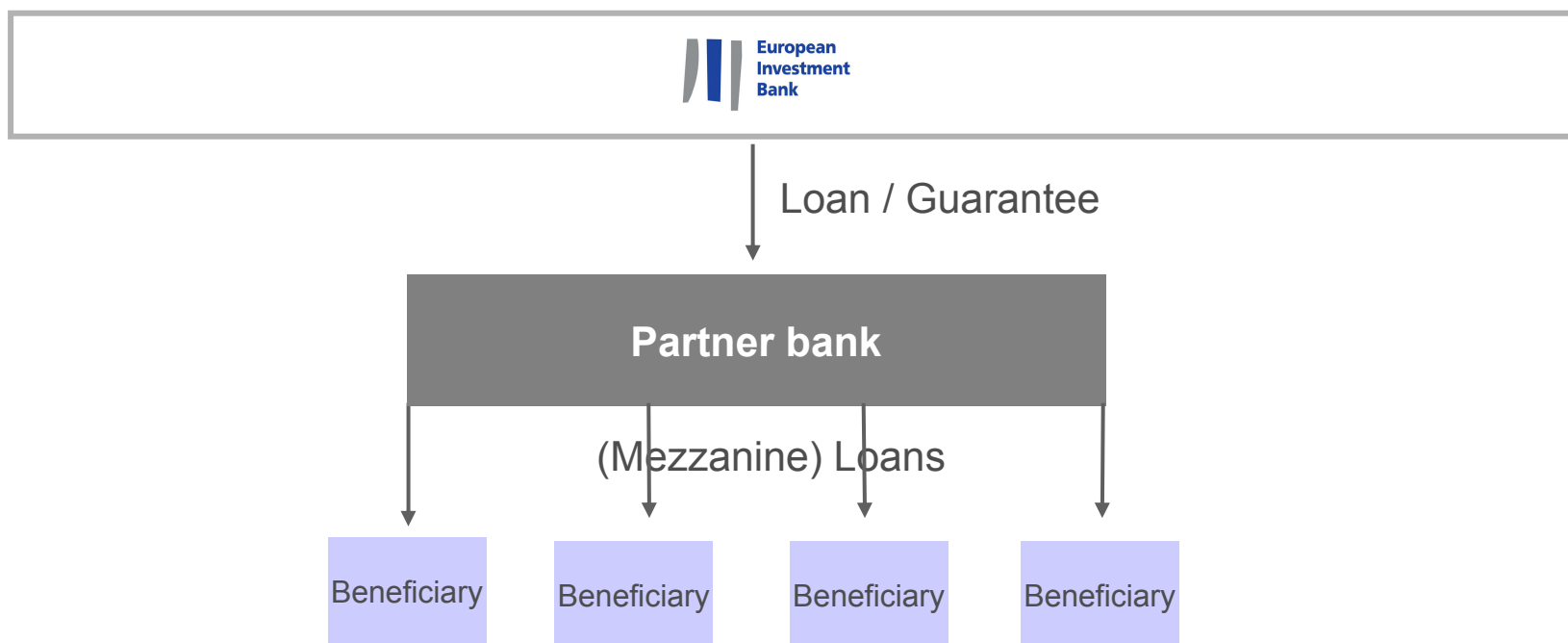


# RSFF implementation

Access to RSFF finance – Risk Sharing Bank Facilities



## Risk-Sharing Bank Facility (portfolio-based) Small and medium-sized projects





# Table of Contents



## RSFF and ECTF – Innovative financing instruments for investments in Research, Development and Innovation in Europe

1. RSFF: Rationale, objectives and approach
2. Implementation and terms (beneficiaries, eligible costs, products, access to RSFF loans)
3. RSFF results and project examples
4. ECTF: Objectives, beneficiaries, eligible costs
5. Summary



# RSFF results and portfolio

Mid-2007 – July 2009



## ■ RSFF volume:

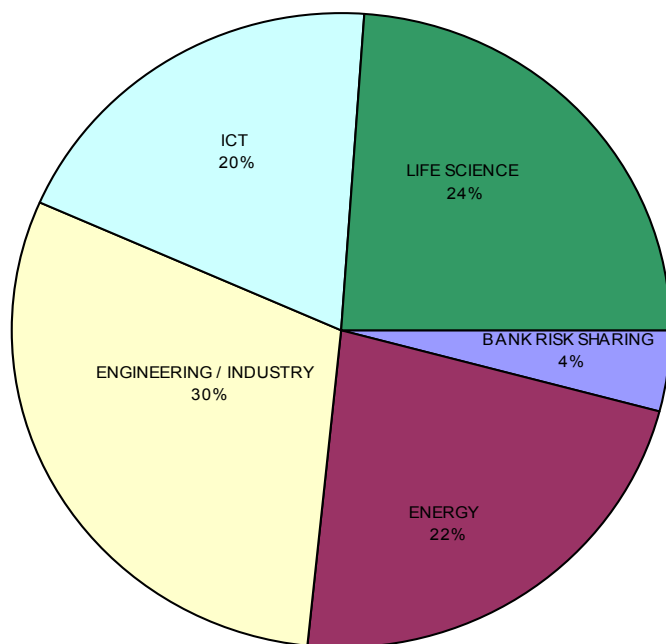
- EC has reviewed the eligibility of **41 projects** submitted by the EIB, out of them 36 were considered **eligible under the EC window, including 7 projects in the automotive sector**
- EIB has **approved** 45 projects (both EIB and EC window) with a loan volume of **EUR 4.42 billion**
- of which 24 projects have already been **signed** with a volume of **EUR 1.94 billion** (signatures under EC window: 40%, EIB window: 60%)
- Project volume in 2009/ 2010 high despite the current economic crisis, **strong demand for RSFF**, particularly from engineering and automotive companies for their R&D and Innovation investments (development of new and cleaner engines, compliance with higher environmental standards) for the period 2009-2012



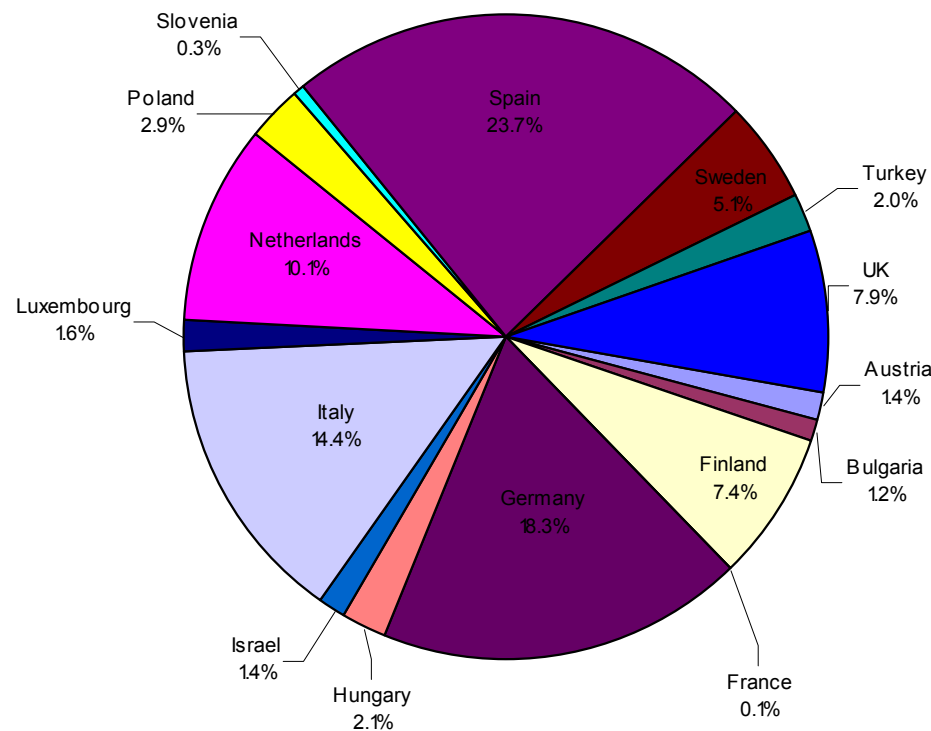
# RSFF Signatures to end July 2009 Breakdown by Sector and Country



## Signed RSFF Projects by Sector\*



## Signed RSFF Projects by Country\*



- Main sectors financed so far: renewable energy technologies, engineering industry and life science.
- By end of July 2009, operations signed in 16 countries.

\* Includes operations forecast for approval/signature before end July 2009



## RSFF project examples: Energy

Financing solar power: using indigenous renewable energy to contribute to combat climate change



- **Solucar Solar Thermal Power project** : Europe's first commercially operating power station using the sun's energy, in west of Seville (Spain)
- **EUR 50million RSFF loan** to further develop a large scale application of Concentrating Solar Power (CSP) technology, generating electricity without greenhouse-gas emissions
- Field of mirrors to concentrate solar radiation on a thermal receiver

[www.solucar.es](http://www.solucar.es)



# RSFF project examples: Automotive

## Cleaner engines: improving energy efficiency



- **AVL:** Austrian family-owned specialist with strong reputation for producing fuel-saving technologies for **powertrain** systems
- Offers research and development support to many major car manufacturers worldwide.
- **EUR 30 million RSFF loan** to help AVL extend powertrain R&D and research in the areas of hydrogen fuel-cell technology, nanocomposites and engine technologies

[www.avl.com](http://www.avl.com)



# Table of Contents



## RSFF and ECTF – Innovative financing instruments for investments in Research, Development and Innovation in Europe

1. RSFF: Rationale, objectives and approach
2. Implementation and terms (beneficiaries, eligible costs, products, access to RSFF loans)
3. RSFF results and project examples
4. ECTF: Objectives, beneficiaries, eligible costs
5. Summary



# European Clean Transport Facility (ECTF)



**Context:** European Economic Recovery Plan to stimulate the EU economy

- European Economic Recovery Plan of November 2008 foresees a number of stimulating measures **including the development of clean technologies for cars**
- PPP in the automotive sector, **Green Cars Initiative**, involving RDI in new technologies, cleaner engines, improving safety and traffic fluidity
- EIB loans for RDI investments of car manufacturers and suppliers is part of this PPP; **setting-up of the European Clean Transport Facility (ECTF) at the end of 2008**
- ECTF particularly supports investments in emissions reduction and energy efficiency in the **EU transport sector**, including the automotive industry but also railroad, aircraft and shipping industries as well as related infrastructure
- ECTF financing volume amounts to **EUR 8 billion in total**, with an average annual volume of EUR 4 billion until the end of 2010



# ECTF

## Objectives, beneficiaries, products



- ECTF is primarily targeting **financing needs of corporate borrowers** (mid-sized and larger companies) that are being seriously affected by the current financial crisis and the economic downturn
- Target group: Companies of any size and ownership of both investment and sub-investment grade in the eligible area of transport
- ECTF provides a **broad spectrum of debt financing instruments** including mezzanine financing and guarantees, PPPs and projects (implemented by special purpose vehicles); EIB direct and indirect lending (via intermediaries)
- **Market rate loans** (no soft lending) including a risk premium but attractive pricing due to AAA rating of the EIB and not-for-profit status; ECTF loans of up to 50% of eligible project costs (RDI), loan amount up to EUR 200 million (for sub-investment grade borrowers)
- ECTF approach and added value very similar to RSFF; ECTF financing for borrowers with investment grade, RSFF for sub-investment grade beneficiaries



# Table of Contents



## RSFF and ECTF – Innovative financing instruments for investments in Research, Development and Innovation in Europe

1. RSFF: Rationale, objectives and approach
2. Implementation and terms (beneficiaries, eligible costs, products, access to RSFF loans)
3. RSFF results and project examples
4. ECTF: Objectives, beneficiaries, eligible costs
5. Summary



# Summary

## RSFF and ECTF in a nutshell



- RSFF is a **new instrument supported by FP 7** to provide EIB loan funding for more investment in R&D and Innovation
- RSFF finance can be used complementary to an FP 7 grant, instead of an FP 7 grant or for projects not involved in FP 7 but **contributing to the FP 7 objectives**
- RSFF financing is **demand - driven**, projects are supported on a “first come, first served” basis; RSFF project evaluation is made by the EIB
- RSFF **risk-sharing** between the EC and the EIB is an **internal procedure** and does not affect the client/ beneficiary applying for an RSFF loan; the **EC contribution** for RSFF shall support loans for **R&D investments**
- ECTF is a **new debt instrument** of the EIB to support investments in **Research, Development and Innovation in the EU transport sector**
- **Both ECTF and RSFF** can support investments in the EU transport sector



Directorate B – « European Research Area:  
Research programmes and capacities »

Unit B.04 – « Regions of Knowledge and Research Potential »

## **RSFF Team**

- Jean-David MALO, Head of Unit B.04 **(02 299 38 42)**
- Martin KOCH
- Marie-Cécile ROUILLON
- Andreea Bianca PUIA

[http://ec.europa.eu/invest-in-research/funding/funding02\\_en.htm](http://ec.europa.eu/invest-in-research/funding/funding02_en.htm)



# RSFF contact in the EIB



Directorate for Operations in the European Union and Candidate Countries

Division: Action for Growth Instruments  
Innovation 2010 Initiative (i2i)

- Heinz OLBERS
- Pavla RANDOVA : + 352 4379 7307

RDI@eib.org

<http://www.eib.org/rsff>