



# DE-RISKING THE FUTURE OF EUROPE

REFORMING THE MACROFINANCIAL ARCHITECTURE

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EFSl, InvestEU and the EIB: Increased leverage, but could risk distribution and policy steer be improved?

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#deriskingEU   
#deepeningEMU

# Structure of EFSI



EUR 26bn



EUR 7.5bn

EFSI - European Fund for Strategic Investments

EUR 33.5bn

Financing: EUR **100**bn

Final investments:

EUR **500**bn

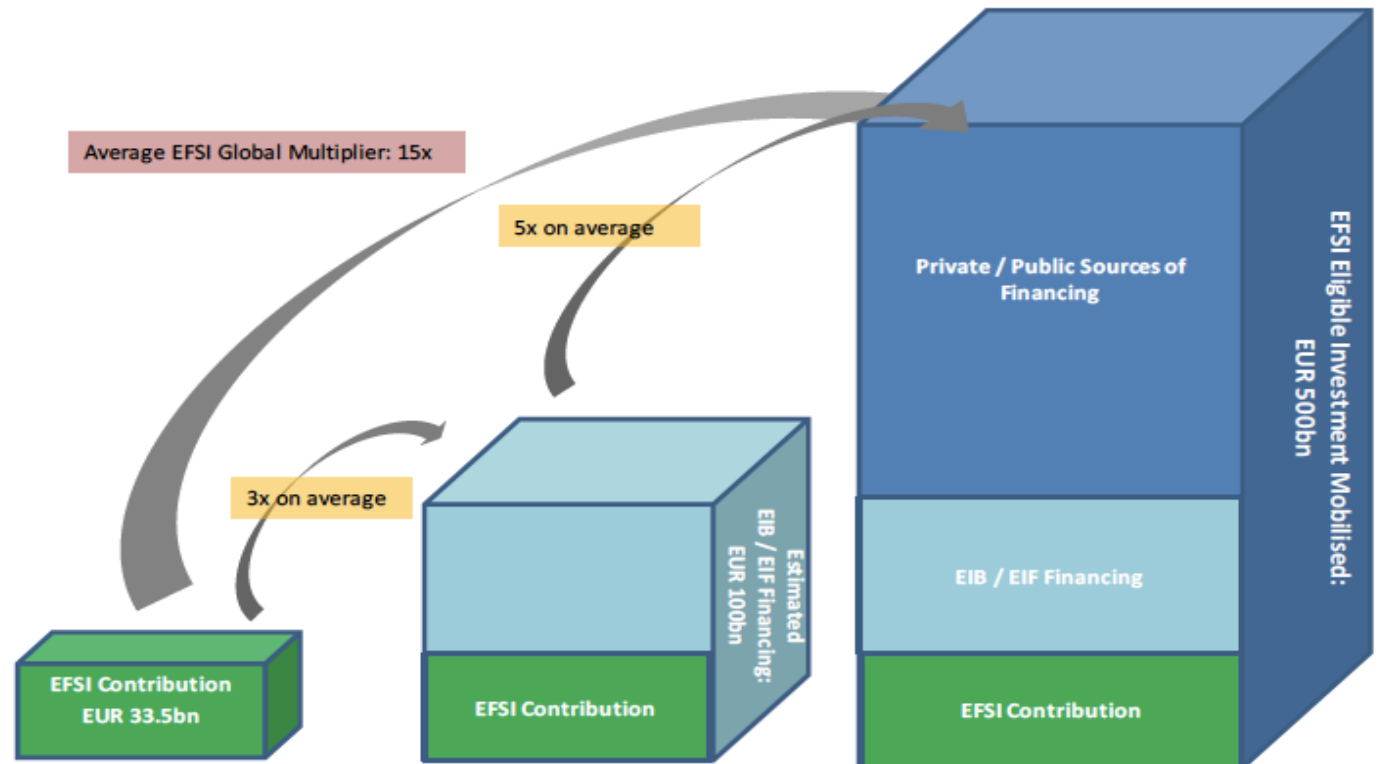
# Economic vs Financial Risks

- **Economic risks** arising from natural uncertainty related to projects or sectors
- **Financial engineering** risks related to financial actors and products

# Leverage vs Policy Steer

➤ Tradeoff between loan volume and policy steer

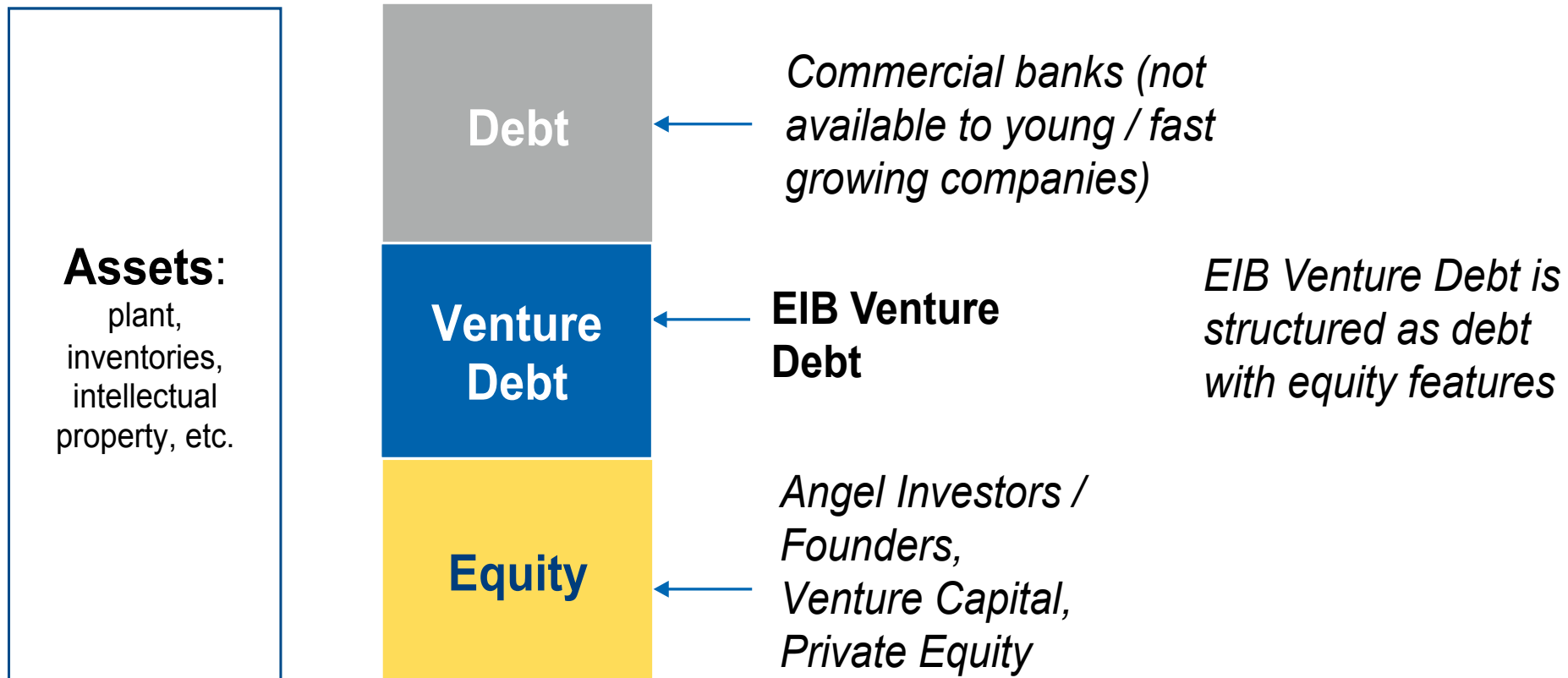
EIB Group EFSI Investment Target  
Simplified illustration (not at scale)



# Move towards riskier financial products

## Venture Debt product: a riskier product, but with upside

### *Balance sheet*



# Economic risks: Galloper Offshore Wind Farm

- **336MW offshore wind farm** located 27km off the coast of South East England composed of 56 wind turbines, one offshore substation and associated cabling
- EIB financing of GBP **225mn** (total cost 1.5bn) under EFSI guarantee
- Sources of **economic risk**:
  - Pace of technological change
  - Size of investments
  - Multi-contractor risk

# Financial risks

- Economic risk of the final beneficiary vs financial risk to the EIB as a result of contractual protections within the financial product
- Listed (un-named) energy company
  - Traditional senior loan → Hybrid debt product
  - Increases financial risk with no change in economic risk

# Assessing risk sharing agreements with private investors

- Nature of financial instruments
- Pricing of guarantees
- Level of provisions
- Performance related conditionalities



# Conclusions and Lessons for InvestEu

- Achievements of EFSI
- Risks associated with EFSI
- Greater focus on “economic risk” and final beneficiaries rather than financial intermediaries



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# THANKS!



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