

Business Strategy for Energy

Summary

Energy is the single largest focus sector in the Bank's lending activities. In the text below our plans to increase pro-activity are presented.

Objective

The objective of NIB's business strategy for the energy sector is to secure that energy projects financed by NIB provide a high mandate fulfilment for the bank taking into account member country energy priorities while ensuring a good risk quality. The large investment needs in the sector emphasize the importance of a proper prioritisation of NIB's energy investment portfolio to target projects of strategic importance for NIB's member countries and the region as a whole as well as a balanced mix of projects.

NIB's energy lending focuses on NIB's member countries, Poland, North West Russia and Ukraine being part of the larger Baltic Sea region. The main rationale for this is that energy sector projects are becoming increasingly pan-regional. Enlarging the electricity and gas energy market so that it becomes fully integrated is a key objective as to security of supply and reduction of greenhouse gas emissions. The national energy strategies of NIB's member countries focus on enlarging the energy market into an integrated production, sales and operation area covering North-West Europe. The exact borders of the integrated regions vary slightly depending on whether focus is on consumption, distribution or production of electricity or gas.

When lending to countries outside the above mentioned region NIB's focus will be on projects supporting research and innovation, technological co-operation and climate change mitigation.

Priorities

In the energy sector¹ NIB's priority is on projects that:

- improve energy efficiency through;
 - energy savings investments in existing buildings;
 - increased use of district heating/cooling and cogeneration;
 - modernisation of existing power plants; and
 - improvement of manufacturing methods.
- strengthen electricity transmission networks and interconnections and distribution networks, including cross-border connections through;
 - integration of the Nordic², Baltic and Polish networks³ and strengthening of the Icelandic network;
 - facilitation of the integration of the offshore wind energy produced in the Baltic Sea and North Sea into the European grid; and
 - the creation of an integrated Northwest-European market.

¹ Energy projects related to Transportation & Logistics are dealt with in NIB's strategy for Transport and Logistics.

² Technically Iceland is not foreseen to be integrated to the Nordic market.

³ The Goals of the EU Baltic Energy Market Interconnection Plan BEMIP are full integration of the three Baltic States into European energy market and strengthening of electricity and gas interconnections within EU.

- secure supply through;
 - increased electricity production;
 - NIB's focus is to increase generation capacity based on renewable energy and carbon neutral technologies; and
 - financing of new capacity based on conventional technologies can be suitable on a case by case basis.
 - connection of gas pipeline systems and improved storage capacity in the Baltic Sea region including the North Sea parts of Norway and Denmark⁴; and
 - production of renewable fuels.
- promote innovations through;
 - environmental friendly energy solutions and technologies.
- support technology co-operation between NIB's member countries and focus non-member countries as well as climate change mitigation investments through;
 - a focus is on technology transfer.

CLEERE

Special attention will be given to projects eligible for financing under NIB's Climate Change, Energy Efficiency and Renewable Energy Facility ("CLEERE")⁵.

Dialogue with stakeholders

High priority is given to a close and continuous dialogue with key stakeholders such as national policy makers, EU agencies and regional task forces and the business sector involved.

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⁴ Improvement of the gas internal market and infrastructure is one of the three key issues covered by the Baltic Energy Market Interconnection Plan (BEMIP European commission 2008/2009)

⁵ NIB's CLEERE facility is for climate change adaptation and mitigation projects in public and private sector such as wind, hydro, biomass and storm resilience. Focus on the Baltic Sea Region but also other countries may, on a case by case basis, be eligible.