

# EIB lending to the UK post-Brexit

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“It would be very much more challenging for us to continue doing business as we are now in the case of a Brexit,” European Investment Bank (EIB) vice-president Jonathan Taylor has told *IJGlobal*.

With the UK’s referendum on whether to leave the European Union due on 23 June, the debate on the economic pros and cons of EU membership rumbles on. Just today the Bank of England’s governor Mark Carney warned that if the UK votes to leave, it could spark a technical recession.

Against this backdrop, the [EIB signed a £700 million \(\\$1.01 billion\) loan](#), its largest ever in the water industry, and the recipient was a UK project. More specifically, the loan contributes hugely to newly-formed utility Tideway’s £3.1 billion undertaking to build a 25km super-sewer under the River Thames in the heart of London – the Thames Tideway Tunnel.

Any debt agreement already signed will not be effected by a potential Brexit, the EIB assures, but the development bank’s future commitment to the country is less clear.

The EIB’s projects portal shows that in the UK projects under appraisal or approved but not signed, as at 13 May, include £190 million toward the £400 million Merseytravel rolling stock purchase in northwest England, an investment in [Infracapital’s new £1 billion greenfield investment fund](#), a loan to the 600MW [Beatrice offshore wind farm](#) in Scotland and a loan toward construction of the £1.6 billion [Neart na Gaoithe 450MW offshore wind farm](#) in Scotland.

## EIB structure

“The EU statute requires founders to be EU members”, Taylor told *IJGlobal* in an interview on 12 May 2016. “The fact is that most of our activity is with EU members,” he pointed out.

The EIB was established in 1958 with the signing of the Treaty of Rome, its purpose being to modernise the economy and promote cohesion of the European area. By 1977 the UK, Ireland and Denmark had all joined the European Communities with the six original members - Belgium, Italy, France, the Netherlands, West Germany, Luxembourg.

The EIB funds its operations on the capital markets rather than drawing on EU budgets, though its shareholders are the 28 members of the EU. The UK is one of the four largest shareholders, with roughly 16%. Germany, France and Italy own equal shares, as determined based on each country’s GDP at the time of accession to the EU.

## Stand-out lending to the UK

“We are doing record business with the UK,” Taylor says. “In the last three years the EIB has doubled UK activity. Last year we lent the UK £5.6 billion. We hope we will be in a position to continue.”

In 2015 the EIB lent €84.5 billion across Europe in total.

According to *IJGlobal* data, the EIB’s lent to 57 infrastructure projects which reached financial close. Of these, 20 were in the UK, or 35%. Eight were outside the European continent (14%). Five deals are recorded in the Netherlands, the next largest number for an EU country.

When asked about the EIB’s position of lending to Norway, for example, which is not an EU member, Taylor explained: “From 2008 to 2015 we lent just over €1 billion to Norway and Sweden, both European Economic Area members, but in that time we lent €43 billion to the UK. They are countries with economies about a third of the size of the UK’s, so if you look at GDP alone they might have received a third of what the UK received, but in fact it was less than a fortieth.”

#### EIB's big push

The EIB and the European Commission last year established and committed €21 billion to the European Fund for Strategic Investments (EFSI), targeted at lending to riskier technologies, sectors and countries, as well as continuing the EIB's work to provide credit rating-boosting guarantees and subordinated debt.

The UK may not be considered a risky country, but in sectors such as renewables this boost can make a difference, as commercial banks and institutional lenders will be more expensive and likely more risk averse. Last year the EFSI fund supported the [Galloper offshore wind farm](#), smart metres and the new [Midland Metropolitan Hospital](#) in Birmingham.

In 2015 the EIB supported more climate-related investment in the UK than any other country worldwide, it points out on its website.

Commenting on a hypothetical Brexit scenario, Taylor said: "It depends on the nature of the arrangements, but it would be very much more challenging for us to continue doing business in the UK as we are now... Our position is that we hope we can continue."

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