

II

(Information)

INTERINSTITUTIONAL AGREEMENTS

EUROPEAN COMMISSION

EUROPEAN INVESTMENT BANK

COOPERATION AGREEMENT

on the implementation of Commission Decision C(2010) 7499
between the European Commission and the European Investment Bank
(2010/C 358/01)

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This Cooperation Agreement is entered into between:

the European Commission (hereinafter referred to as the 'Commission'),

Rue de la Loi/Wetstraat 200, 1049 Bruxelles/Brussel, BELGIQUE/BELGIË, represented for the purposes of the signature of this Agreement by Mr Jos DELBEKE, Director-General, Directorate-General for Climate Action,

of the one part, and

the European Investment Bank (hereinafter referred to as the 'EIB'),

established at 98-100, boulevard Konrad Adenauer, 2950 Luxembourg, LUXEMBOURG, represented for the purposes of the signature of this Agreement by Mr Simon BROOKS, Vice-President,

of the other part,

(hereinafter the Commission and the EIB jointly referred to as the 'Parties'),

Whereas:

- (a) Article 10a(8) of Directive 2003/87/EC ⁽¹⁾ provides that 300 million allowances in the new entrants reserve of the EU Emissions Trading System shall be available until 31 December 2015 to help stimulate the construction and operation of commercial demonstration projects that aim at the environmentally safe capture and geological storage of CO₂ and demonstration projects of innovative renewable energy technologies.
- (b) Commission Decision C(2010) 7499 lays down rules and criteria for the selection and implementation of those projects and the basic principles for the conversion of the allowances and for the management of the revenues.
- (c) In light of its expertise in project selection and financing, the Commission has requested and the EIB has agreed, to be involved in the implementation of Decision C(2010) 7499. The Decision sets out a number of tasks relating to project selection, monetisation of allowances as well as management of the revenues and passing them on to the Member States, which the EIB shall undertake on request of, on behalf of and for the account of the Commission. The Commission will prepare the tender documentation for the calls for proposals and organise and launch the call for proposals pursuant to its obligations under the Decision.
- (d) Article 4 subparagraph 3 of Decision C(2010) 7499 provides that the Commission and the EIB shall enter into an agreement laying down the specific terms and conditions under which the EIB shall perform its tasks.
- (e) This agreement sets out the specific terms and conditions for the performance by the EIB of its tasks pursuant to Decision C(2010) 7499 and certain related tasks by the Commission.

THE PARTIES HAVE AGREED AS FOLLOWS:

SECTION 1

INTRODUCTORY PROVISIONS

Article 1

Definitions

1. In this Agreement, unless the context otherwise requires, the following terms shall have the following meanings:

Agreement

means this Cooperation Agreement including the Annexes.

Decision

means Commission Decision C(2010) 7499 laying down criteria and measures for the financing of commercial demonstration projects that aim at the environmentally safe capture and geological storage of CO₂ as well as demonstration projects of innovative renewable energy technologies under the scheme for greenhouse gas emission allowance trading within the Community established by Directive 2003/87/EC of the European Parliament and of the Council.

⁽¹⁾ OJ L 275, 25.10.2003, p. 32.

CCS projects	means commercial demonstration projects that aim at the environmentally safe capture and geological storage of CO ₂ .
RES projects	means demonstration projects of innovative renewable energy technologies.
NER 300 process	means the process of selecting and financing of CCS projects and RES projects under the Decision and as further specified in this Agreement.
Calls for proposals	means calls for proposals pursuant to Articles 2(2) and 5 of the Decision.
Award decisions	means award decisions pursuant to Article 9 of the Decision.
Execution risk	means the risk that a counterparty to which allowances are sold by the EIB fails to pay the agreed price at delivery.
Investment risk	means the risk that the revenues of the monetisation of the allowances are invested by the EIB in instruments which, at maturity, do not repay the capital and/or interest as agreed.
Reference price	means, at the time of a relevant transaction, the lower of: (a) the official exchange delivery settlement price in respect of that day for the ICE ECX EUA daily futures contract (spot) as determined and published by the European Climate Exchange; or (b) the price obtained by the EIB for the purposes of the relevant transaction.
Relevant transaction	means an agreement to monetise allowances.
EURIBOR (Euro Interbank Offered Rate)	means the rate of interest for deposits in EUR for a term of three months as published at 11.00 Brussels time, or at a later time acceptable to the EIB, on the reset date on Reuters page EURIBOR 01 or its successor page or, failing which, by any other means of publication chosen for this purpose by the EIB. If such rate is not so published, the EIB shall request the principal euro area offices of four major banks in the euro area, selected by the EIB, to quote the rate at which EUR deposits in a comparable amount are offered by each of them as at approximately 11.00, Brussels time, on the reset date to prime banks in the euro area interbank market for a period equal to three months. If at least two quotations are provided, the rate for that reset date will be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that reset date will be the arithmetic mean of the rates quoted by major banks in the euro area, selected by the EIB, at approximately 11.00 Brussels time on the day which falls two relevant business days after the reset date, for loans in EUR in a comparable amount to leading European banks for a period equal to three months.
Reset date	means the day which falls two relevant business days prior to the first day of the relevant period for the purposes of determining EURIBOR.

Relevant business day	means any day on which Target 2 is open for the settlement of payments in euro.
TARGET 2	means the Trans-European Automated Real-time Gross settlement Express Transfer payment system.
Expenses	means any charges or fees required by the market for the monetisation of the allowances, and any interest generated by margin calls.

2. In this Agreement, unless the context otherwise requires,

- headings are for convenience only and do not affect the construction or the interpretation of any provisions of this Agreement,
- words importing the singular include the plural and vice versa,
- a reference to an Article or an Annex is a reference to that Article of, or that Annex to, this Agreement, unless otherwise stated.

Article 2

Purpose

This Agreement sets out the specific terms and conditions for the performance of the tasks by the EIB pursuant to the Decision in respect of project selection, the monetisation of allowances and the management and disbursement of revenues and certain related tasks by the Commission pursuant to the Decision.

Article 3

Principles and framework for cooperation

1. While reinforcing dialogue and coordination in the achievement of common goals in furtherance of EU policies, the Commission and the EIB will each maintain its own specific and autonomous character in accordance with the provisions of the Treaty on the Functioning of the European Union. The Commission and the EIB have their own specific objectives and working methods, including separate hierarchies and decision-making processes.
2. The Commission and the EIB recognise each other's characteristics and constraints, but emphasise the importance of working in partnership and in a complementary way so as to combine their separate capabilities, resources and know-how, in the achievement of the tasks and objectives laid out in the Decision.

Article 4

Role of the EIB

The EIB shall perform its tasks on the request of, on behalf of and for the account of the Commission, which shall be responsible vis-à-vis third parties. The EIB shall perform its tasks in accordance with the Decision and the terms and conditions laid out in the Agreement and with its own rules and procedures, good banking practice and appropriate management and control measures.

Article 5

Role of the Commission

The Commission shall have overall responsibility for the NER 300 process and for the implementation of the Decision, including in respect of the preparation, launch and management of the calls for proposals, authorisation and final selection of projects and for the award of contracts.

Article 6

Overview of tasks

1. Within the timelines set out in Annex 1, the EIB shall:
 - (a) assist the Commission in the preparation of the tender documentation for the calls for proposals, in the preparation of a procedures manual for project evaluation and in the preparation of the call for proposals;

- (b) carry out financial and technical due diligence assessments of eligible projects, rank project proposals and submit recommendations for award decisions to the Commission, as further specified in the procedures manual;
 - (c) monetise the allowances and manage and reinvest the revenues;
 - (d) pass on revenues to the Member States for disbursement;
 - (e) return surplus funds to the Member States;
 - (f) report to the Commission.
2. Within the timelines set out in Annex 2, the Commission shall:
- (a) prepare a procedures manual for project evaluation;
 - (b) ensure that the 300 million allowances are transferred to the EIB and made available for the settlement of transactions;
 - (c) consult the EIB before taking award decisions on available revenues and agree with the EIB payment schedules in the award decisions;
 - (d) inform the EIB of award decisions taken.

SECTION 2

PROJECT SELECTION

Article 7

Preparation of tender documentation

The EIB shall assist the Commission in the supervision and quality control of the work carried out by consultants contracted by the Commission in respect of preparing the project selection tender documentation with specific focus on the following:

- process/documents,
- eligibility criteria,
- methodology for financial and technical due diligence assessment and evaluation criteria,
- contractual terms and conditions,
- procedures manual,
- work programme.

Article 8

Procedures manual

1. The Commission shall prepare a procedures manual for project evaluation setting out the evaluation methodologies to be applied during the due diligence assessment, which will be based on the EIB's due diligence procedures.
2. The EIB shall assist the Commission in the preparation of the procedures manual.
3. The procedures manual shall be agreed by both Parties.

Article 9

Preparation of the calls for proposals

In preparation of the calls for proposals, the EIB shall:

- (a) develop the work programme for carrying out the financial and technical due diligence assessment of eligible projects, for ranking project proposals and for submitting recommendations for award decisions to the Commission;

- (b) develop the management and project processes which will be necessary to manage and monitor personnel, consultancy organisations and third party stakeholders when carrying out its tasks under the Agreement;
- (c) assist the Commission in the preparation of the launch of the calls for proposals.

Article 10

Proposal evaluation and follow-up

1. The EIB shall:
 - (a) receive project proposals from the Member States and review them for completeness;
 - (b) perform the due diligence assessment of eligible projects in accordance with specifications laid down in the calls for proposals and the procedures manual;
 - (c) rank the proposals and make recommendations for award decisions to the Commission according to the requirements of the procedures manual;
 - (d) assist the Commission in evaluating the outcome of the first round of calls for proposals and in refining and adapting the NER 300 process as appropriate.
2. The Commission shall:
 - (a) consult the EIB before taking award decisions on available revenues and agree with the EIB payment schedules in the award decisions;
 - (b) inform the EIB of the award decisions taken by the Commission.

SECTION 3

MONETISATION OF ALLOWANCES, MANAGEMENT AND DISBURSEMENT OF REVENUES

Article 11

Transfer of allowances to the EIB

The Commission shall ensure that the 300 million allowances are transferred to the EIB and made available for the settlement of transactions once the Union registry is operational.

Article 12

Monetisation of allowances

1. Within one month after the 300 million allowances have been transferred to the EIB and made available for the settlement of transactions, the EIB shall commence to monetise the allowances. This shall be done by selling them either on exchange, in privately negotiated (so-called over-the-counter) transactions with one or more counterparties or by means of auctions, provided such auctions are conducted in a manner compatible with the objectives and principles laid down in Article 10(4) of Directive 2003/87/EC and its implementing provisions.
2. The EIB shall monetise the allowances for settlement in December 2013 at the earliest. The EIB shall not require payment from its counterparties except on delivery of the allowances.
3. The EIB shall perform the monetisation of allowances with the objective of minimising any impact on the market for EU emission allowances. The EIB will determine a monetisation method which shall include the timing and scheduling of monetisation as well as the distribution of the volumes over the monetisation period and over the means of monetisation (exchanges or other). The monetisation method shall respect the following principles:
 - (a) Monetisation of at least 200 million allowances shall be concluded no later than 10 months after the allowances have been transferred to the EIB and made available for the settlement of transactions.
 - (b) Monetisation shall take place periodically at least every second week. Monetisation volumes should be spread as evenly as possible over the monetisation period. Volumes and timing of monetisation may be adjusted to minimise any impact on the secondary market;

- (c) The EIB shall ensure that the monetisation prices do not deviate significantly from the relevant secondary market prices over the monetisation period;
 - (d) Reports setting out at least the overall volume and aggregated prices of the monetisation shall be published on the website of the EIB on a monthly basis, within two weeks of the end of each month over the monetisation period;
 - (e) Monetisation shall be effected in accordance with applicable laws in respect of money-laundering, terrorist financing and market abuse and accordingly counterparties acting on the EIB's behalf shall be required to demonstrate their compliance with such laws.
4. The main elements of the monetisation method including the defined monetisation period and the expected total volume of monetisation shall be published on the EIB's website as soon as possible and prior to the start of the monetisation; any significant adjustment shall to the extent practicable be announced at least one month in advance as well.
5. With a view to minimising execution risk, the EIB shall apply a selection process which aims at ensuring the selection of a professional counterparty or counterparties with a rating acceptable to the EIB in its ordinary business. Moreover, the EIB shall, to the extent required by its normal guidelines and operating procedures, require counterparties to post collateral as a guarantee of execution.

Article 13

Management of the revenues

The EIB shall manage the revenues from the monetisation of the allowances in accordance with the asset management principles laid out in Annex 3 and with appropriate standards of due diligence. The interest earned and remaining after the deduction of the EIB's fees shall be reinvested in accordance with these asset management principles until their final disbursement to the Member States.

Article 14

Disbursement of the revenues

1. The EIB shall:
- (a) pass on revenues and, as appropriate, the interest earned to Member States for disbursement to projects by the Member States in accordance with the payment schedules in the award decisions;
 - (b) manage and reinvest revenues, which are not disbursed by Member States to projects and returned to the EIB.
2. The payment schedules forming part of the award decisions shall be agreed by the Commission with the EIB with a view to ensuring liquidity and availability of revenues.

SECTION 4

FINAL PROVISIONS

Article 15

Liabilities

1. In accordance with the role of the EIB, the liability of the EIB under the Agreement and any other document referred to in it shall be limited to the performance of its duties and obligations as specifically set out in the Agreement.
2. The EIB shall be held harmless and indemnified by the Commission for any liabilities, losses, damages, costs or expenses incurred by the EIB, its delegates, servants or agents as a result of performing its tasks under the Agreement and any other document referred to in it otherwise than by reason of the EIB's negligent actions or omissions or wilful misconduct, provided that adequate evidence of such liability, loss, damages, costs, claims or expenses is provided by the EIB and that, where applicable, the EIB has diligently defended such claim.

3. Any liabilities, losses, damages, costs or expenses incurred by the EIB pursuant to the preceding paragraph, including any liabilities, losses, damages, costs or expenses arising further to investment risk or execution risk (collectively being 'liabilities incurred by the EIB') that are not wilfully or negligently caused by the Commission shall be deducted from the revenues generated from the monetisation of the allowances and in priority to all other payments due to be made with such revenues. Before the deduction of any such payment which is not related to losses, damages, costs or expenses arising further to investment risk or execution risk, the EIB shall send an invoice to the Commission, which shall be agreed to by the Commission before the payment is executed, such agreement not to be unreasonably withheld.

4. However, notwithstanding the above and anything in the Agreement, the Commission shall not be responsible for any liability incurred by the EIB that exceeds revenues generated, or to be generated, from the monetisation of the allowances, except if such liability incurred by the EIB is wilfully or negligently caused by the Commission.

Article 16

Fees and expenses

1. The EIB will be remunerated for the performance of its tasks under the Agreement. Subject to a revision of fees and timelines pursuant to Article 17, the EIB's fees will not exceed a maximum amount of EUR 45 000 000 (forty-five million euro).

2. Subject to a revision of fees and timelines pursuant to Article 17, the payment schedule for the fees shall be as follows:

- (a) an annual fee of EUR 3,48 million for the period from 2010 until completion of the entire (including the second round) tender evaluation;
- (b) an annual fee of EUR 0,52 million for period from the date of the completion of the tender evaluation to 2025;
- (c) a fee per appraisal of EUR 125 000 per CCS project;
- (d) a fee per appraisal of EUR 56 250 per RES project;
- (e) for the monetisation of allowances and management of the revenues from the start of the monetisation until the end of disbursement, a fixed fee of EUR 0,05 per allowance.

3. The EIB shall be paid interest on fees accrued at the rate of three-month EURIBOR plus 10 basis points, compounded quarterly.

4. The EIB's fees shall be deducted from the income generated from the management of the revenues and in priority to all other payments due to be made with income generated from the management of the revenues. The income generated from the management of the revenues shall include, without limitation, the income generated from the management of the revenues in respect of the reference price, defined as any excess of the price at which the EIB has agreed to monetise allowances over the reference price.

5. Any expenses incurred by the EIB shall be deducted from the revenues generated from the monetisation of the allowances and in priority to all other payments due to be made with such revenues. Where counterparties are appointed by the EIB, the relevant expenses shall be determined at the time of selection of such counterparties.

6. Before deduction of any payment of fees, the EIB shall send a fee invoice to the Commission which shall be agreed by the Commission before the payment is executed.

Article 17

Revision of fees and timelines

An appropriate and proportionate revision of the provisions of the Agreement relating to fees and timelines shall be agreed between the Parties within the shortest possible delays in the following cases:

- (a) if the evaluation methodologies and detailed scope of work defined in the procedures manual entail a significantly different workload from that involved in the EIB's standard due diligence procedures;

- (b) if the number of project proposals received by the EIB and/or the proportion of proposals for CCS and RES projects significantly differs from the number and proportion laid out in Annex 1;
- (c) in case delays outside the control and responsibility of the EIB occur.

Article 18

EIB loans

The EIB may provide loans to projects and will assess such projects and conduct due diligence assessments for the purposes of such loans in accordance with its own rules, principles and procedures.

Article 19

Reporting

The EIB shall provide the Commission with the following reports:

- (a) Due diligence:
 - work programme for evaluation (four months after launch of the first call for proposals),
 - report on the proposals submitted (six weeks after receipt of proposals from Member States),
 - three-monthly reports on the status of the assessment (first report due within three months after the receipt of proposals from Member States, last report upon completion of due diligence assessment, ranking and submission of recommendations to the Commission),
 - report on experience with evaluation and selection for first round of calls for proposals (within two months of completion of due diligence assessment, ranking and submission of recommendations in first round of calls for proposals to the Commission).
- (b) Payments:
 - annual reports on payments of revenues which have been made to Member States for disbursement to projects and on revenues transferred back to the EIB by the Member States (by 31 December each year, from the beginning until the end of the disbursement period),
 - final report on total revenues paid to Member States for disbursement to projects and remaining revenues transferred back to the Member States (by 31 December of the year following that in which the disbursement ends).
- (c) Monetisation and asset management:
 - five-monthly reports on the monetisation process, starting five months after the beginning of the monetisation of allowances,
 - six-monthly reports on asset management in accordance with the asset management principles, starting six months after the first revenues are received,
 - financial statements.

Article 20

Audit

The EIB shall respond to any request by the Commission to clarify or verify specific financial or accounting reporting provided by the EIB pursuant to the Agreement. If the Commission requests that such verifications are carried out by an external auditor, the EIB shall appoint its external auditors for such purposes. The EIB shall have the right to recover any reasonable costs relating to EIB external auditors incurred further to a Commission request in the same manner as, and in addition to, its expenses pursuant to Article 16(5).

*Article 21***Steering Committee**

1. The implementation of this Agreement shall be supervised by a Steering Committee which shall consist of at least:

- two members appointed by the Commission at Director level,
- two members appointed by the EIB at Director level.

2. The Steering Committee shall:

- review, on a regular basis, the progress and achievement of the tasks and objectives of the Agreement,
- review and issue opinions on strategic and policy issues relating to the Agreement,
- discuss and seek a resolution in respect of disputes referred to it by the Parties pursuant to the Agreement,
- review any other issue specifically entrusted to it under the Agreement.

3. The Steering Committee shall act by consensus.

4. The members of the Steering Committee shall act on behalf of and on instructions of the Party appointing them.

5. They shall not be remunerated for their participation in the Steering Committee meetings.

6. The Commission shall provide the Secretariat of the Steering Committee (hereinafter the 'Secretariat').

7. The Secretariat shall carry out the following tasks:

- drawing up of a proposal for the rules of procedure of the Steering Committee,
- organisation of Steering Committee meetings, including drawing up and distribution of Steering Committee documents, agenda and minutes,
- any other such tasks as defined in the Cooperation Agreement or by the Steering Committee.

8. Communications between the Parties concerning the Steering Committee shall be channelled through the Secretariat.

9. The Steering Committee shall convene at the request of any of its members, but shall meet at least twice yearly. Meetings of the Steering Committee shall be organised by the Secretariat.

10. The Steering Committee shall adopt its rules of procedure, upon a proposal of the Secretariat.

11. The Steering Committee shall elect its Chairman, which shall be a representative of the Commission.

*Article 22***Confidentiality**

Without prejudice to the confidentiality obligations assumed by the EIB towards third parties, and subject to Article 23, the Commission and the EIB undertake to keep confidential and to abstain from divulging to a third party, without prior written consent, any document, information or other material directly related to the Agreement and any other document referred to in it or obtained in connection with the tasks carried out and duly classified as confidential. This undertaking shall not affect, however, any communication of information which is required by a rule of law or by an order of a court having jurisdiction in the matter, which may include communication of information to the European Parliament or the Council in relation to the Agreement and, in particular, to the European Court of Auditors.

*Article 23***Transparency**

The Parties shall endeavour to coordinate publication of the Agreement within the shortest possible delay upon its entry into force. The EIB shall perform its tasks under the Agreement in accordance with the EIB Transparency Policy.

*Article 24***Entry into force**

The Agreement shall enter into force on the later of the date of the last signature of the Agreement by the Parties and the date on which the Decision enters into force.

*Article 25***Termination**

1. The Agreement shall be terminated in the following cases:

(a) end of disbursement;

(b) repeal of the Decision;

(c) after consultation with the other Party and referral of the matter to the Steering Committee has failed to settle the matter amicably within a reasonable period of time, a Party may terminate the Agreement where that Party is of the opinion that there are reasonable grounds to believe that further cooperation pursuant to the Agreement is not possible, because the mutual basis of trust has broken down, including by reason of a material and sustained breach by the other Party of its obligations under the Agreement.

2. At the end of disbursement pursuant to (a) above, the EIB shall pass to the Member States the funds which have not been disbursed to projects in accordance with decisions to be taken by the Commission based on the principles laid down in Article 10a(7) of Directive 2003/87/EC.

3. Upon early termination of the Agreement pursuant to (b) or (c) above, any unmonetised allowances held by the EIB, all revenues from monetised allowances, and all income generated from the management of the revenues other than revenues or income needed to cover the EIB's fees, expenses, costs, losses or liabilities, shall be passed to the Commission (acting on behalf of the Member States). Termination of the Agreement shall not affect the duty of the Parties to continue to perform their obligations under the Agreement in respect of allowances which have been monetised pursuant to contracts with third parties.

4. Upon early termination of the Agreement, a Party shall hold the other Party harmless and indemnify it for any cost, loss or liability incurred due to early termination of the Agreement, where and to the extent that early termination is due to the first Party's negligent actions or omissions or wilful misconduct or termination of the Agreement due to the first Party's failure to perform any of its material obligations under the Agreement.

*Article 26***Governing law and settlement of disputes**

The Agreement shall be governed by general principles of Union law. Any dispute between the Parties as to the interpretation, application or performance of the Agreement and any other document referred to in it, including its existence, validity or termination not settled amicably after the involvement of the Steering Committee shall be submitted to the jurisdiction of the Court of Justice of the European Union.

*Article 27***Amendments, waivers and consents**

Any amendments, waivers or consents in respect of the Agreement are to be made in writing and signed by authorised representatives of each of the Parties.

*Article 28***Assignment**

Neither Party may assign, in whole or in part, its rights or obligations under the Agreement without the prior written consent of the other Party.

*Article 29***Communications**

1. All notices and other communications relating to this Agreement from one Party to the other Party shall be sent to the following addresses:

for the Commission: European Commission
Directorate-General for Climate Action
For the attention of the Director, Directorate C
Rue de la Loi/Wetstraat 200
1049 Bruxelles/Brussel
BELGIQUE/BELGIË

for the EIB: European Investment Bank
For the attention of the Director-General
Ops A Directorate
100, boulevard Konrad Adenauer
2950 Luxembourg
LUXEMBOURG

2. Any change made to the aforementioned addresses shall have effect only after it has been notified to the other Party.

*Article 30***Annexes**

The recitals and following Annexes form an integral part of this Agreement:

Annex 1: Timelines for the EIB

Annex 2: Timelines for the Commission

Annex 3: Asset Management Principles

This Agreement has been executed in four originals in the English language, each Party taking two copies as of the day and year written below.

Brussels, 3 November 2010.

London, 4 November 2010.

*For and on behalf of the
European Commission*

Jos DELBEKE
Director-General

*For and on behalf of the
European Investment Bank*

Simon BROOKS
Vice-President

ANNEX I

Timelines for the EIB

Subject to a revision of fees and timelines pursuant to Article 17, the timelines for the EIB are shown in the following two tables.

The timelines below are on the basis that the estimated total number of project proposals for both calls for proposals is 165, of which:

- (a) 20 project proposals are in respect of CCS projects and 90 project proposals are in respect of RES projects for the first call for proposals; and
- (b) 10 project proposals are in respect of CCS projects and 45 project proposals are in respect of RES projects for the second call for proposals.

1.(a) First call for proposals

Tasks	Timing
Launch of first call for proposals by the Commission	
Develop work programme and report to the Commission	4 months after launch of call for proposals
Submission of proposals to the EIB by Member States	
Reception of proposals, assessment of completeness and report to the Commission	6 weeks after receipt of proposals
Reports on status of assessment	3 monthly, beginning three months after receipt of proposals, ending after completion of assessment
Completion of due diligence assessment, ranking and recommendations for award decisions	9 months after receipt of proposals
Report on experience after first call for proposals	2 months after completion of assessments of first call for proposals

1.(b) Second call for proposals

Tasks	Timing
Launch of first call for proposals by the Commission	
Develop work programme and report to the Commission	4 months after launch of call for proposals
Submission of proposals to the EIB by Member States	
Reception of proposals, assessment of completeness and report to the Commission	6 weeks after receipt of proposals
Reports on status of assessment	3 monthly, beginning three months after receipt of proposals, ending after completion of assessment
Completion of due diligence assessment, ranking and recommendations for award decisions	9 months after receipt of proposals

General

Reports on payment of revenues to Member States for disbursement to projects	31 December each year, from the beginning until the end of the disbursement period
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Final report on payment of revenues to Member States	31 December of the year following that in which disbursement ends
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Monetisation and asset management

Monetisation	— Monetisation shall commence within one month after the 300 million allowances have been transferred to the EIB and made available for the settlement of transactions; — Monetisation of at least 200 million allowances shall be concluded no later than 10 months after the allowances have been transferred to the EIB and made available for the settlement of transactions; — Monetisation shall take place periodically at least every second week, and volumes should be spread as evenly as possible over the monetisation period.
Report on monetisation	5 monthly, beginning 5 months after monetisation of allowances has begun
Report on asset management	6 monthly, beginning 6 months after the first revenues are received
Financial statement	Annually, beginning at the end of the year in which monetisation of allowances has begun
Passing on of surplus funds to Member States	End of disbursement period

ANNEX 2

Timelines for Commission

Tasks	Timing
Provide procedures manual for project evaluation	By date of launch of first call for proposals
Transfer allowances to the EIB	Once the Union registry is operational
Inform the EIB of award decisions	Within 14 days of award decisions

ANNEX III

ASSET MANAGEMENT PRINCIPLES FOR THE MANAGEMENT OF REVENUES GENERATED FROM THE MONETISATION OF THE ALLOWANCES

For the purpose of managing the proceeds the EIB has to perform an asset allocation exercise in order to ensure on one side that the maximum economic benefit from managing proceeds is achieved and on the other side that the risk of capital losses due to market movements is sufficiently low.

In order to perform this asset allocation the EIB has to adopt an assumption regarding the future disbursement cash flow. By default the cash buffer (from which the disbursement payments would be made) would correspond to a linear disbursement in five years, meaning a 20 % disbursement per year, whereas the amounts not disbursed in the previous years would be added to the liquidity buffer foreseen for the current year. For example, the cash buffer foreseen for the first year would amount to 20 % of the assets constituting the portfolio. If within the first year only 10 % of the initial size of the portfolio would be disbursed, the liquidity buffer for the second year would amount to 30 % (being a sum of 20 % originally foreseen for the second year and of 10 % remaining from the first year) etc. However, based on the actual and forecasted disbursement pattern, the EIB can adjust yearly this assumption in order to optimise the asset allocation process

Within the constraint specifying the minimum liquidity buffer and maximum available maturity of the investment portfolio (which would initially equal five years) the EIB would decide the maturity at which the investment assets are deployed. In particular cases the EIB would be authorized to maintain a liquidity buffer at a level higher than the minimum requirement.

1. Introduction

- 1.1. The EIB Treasury shall manage all assets subject to this agreement.
- 1.2. While executing transactions on behalf of the mandate, the Treasury shall apply the same standards of due diligence and care it applies when managing the EIB's own Treasury portfolios or to its other mandates.

2. General Management Principles

- 2.1. The assets of the portfolio shall be invested only in euro-denominated instruments.
- 2.2. Management of the portfolio of assets shall be based on the best practice of the asset management industry and on traditional prudential rules applied in financial activities. Particular care shall need to be taken to ensure that the managed assets provide sufficient liquidity while optimising the return that is compatible with the risk limitations set out under these principles.
- 2.3. The management of the portfolio assets shall be guided by the following principles:
 - Investments shall be made in deposits, short-term money market instruments and fixed income instruments. The priority will be preservation of capital.
 - A cash account with the possibility of term deposit placements shall be maintained with the objective to absorb liquidity flows and serve as a cash buffer.
- 2.4. Securities transactions shall be based on the principle of 'delivery versus payment' with Euroclear, Clearstream and/or recognized domestic settlement systems.

3. Types of investment**3.1. Eligible investment spectrum****Liquidity portfolio**

- 3.1.1. An amount of funds (corresponding to the required in a given year liquidity buffer shall be placed in the monetary portfolio, encompassing deposits, t-bills and short-term money market instruments with remaining time to maturity of 100 days or less from trade date (or an adequate money market fund such as the EIB Unitary Fund). The obligor banks authorized for such investments must be rated at least P-1 short term by Moody's or equivalent at the moment of executing new instruments. This rating criterion is considered respected if at least one of the three agencies Moody's, Standard & Poor's or Fitch (or their successors) have given the rating required or a higher rating.

Investment portfolio

- 3.1.2. The remaining funds shall constitute the investment portfolio (or adequate medium to long-term fund). At least 55 % of the nominal value of the investment portfolio must consist of bonds issued or guaranteed by Eurozone sovereigns and their agencies equivalent to sovereign risk (such as government bills, government bonds, government agency bonds and government guaranteed bonds) or by supranational institutions;

- 3.1.3. The remaining 45 % of the investment portfolio may be in bonds and discount papers issued by non-Eurozone sovereigns or their agencies, bonds guaranteed by a non-Eurozone country, as well as covered bonds.

3.2. *Credit limits*

Credit limits will be defined per counterparty taking into consideration the individual ratings and the evolution of the total size of the portfolio under management.

3.3. *Concentration limits on investments*

Liquidity portfolio

- 3.3.1. As long as the amount of funds under management in the liquidity portfolio is under EUR 100 million, the maximum concentration per counterparty is EUR 10 million. Once the funds under management in the liquidity portfolio exceed EUR 100 million, the maximum concentration per counterparty is 10 % of the nominal amount of the liquidity portfolio.

Investment portfolio

- 3.3.2. In order to ensure a sufficient risk diversification, the total amount invested in securities of the same issuer must not exceed 10 % (in the case of Eurozone sovereigns, 20 %) of the nominal amount of the securities portfolio. Should the total amount of assets invested in securities be below EUR 100 million, the number of single issues or issuers should be at least as many as allowed by single securities investments of EUR 10 million.

- 3.3.3. The total investment in an issue must not exceed 10 % of the outstanding nominal amount of the issue.

4. **Automated securities lending**

Automated securities lending administered by a custodian is authorised.

5. **External Audit and Custodian**

The portfolio will be subject to an external audit on an annual basis.

Securities allocated to the portfolio will be held in an account with one or more custodians in the name of the EIB.

Audit and custody fees will be charged in full to the portfolio as and when incurred.

6. **Reporting**

A six monthly report shall be provided by the EIB. The details of such reporting shall be agreed by the Parties at a later stage.

7. **Final provisions**

The EIB shall propose and the Parties shall agree the detailed investment strategy, investment benchmarks and credit limits at least 3 months before actual investment takes place.

The investment strategy, investment benchmarks and credit limits are to be updated annually or whenever necessary thereafter.
