

KAUNAS DISTRICT HEATING UPGRADE (LT)

INVEU-ICR-0047-2024 – Sustainable Infrastructure Window (SIW)

Short description of the financing or investment operation and its objectives

Type of the final recipients	AB Kauno Energija
Countries of implementation	Lithuania
Implementing partner	European Investment Bank

The Project contributes to the InvestEU objective of the development of the energy sector in accordance with the Energy Union priorities. EIB financing will allow the promoter to upgrade and extend the heating network and install new and modernise existing renewable heat generation assets located in Kaunas city and Kaunas district municipalities in Lithuania. The project contributes to the decarbonisation objectives as stated in the National Energy and Climate Plan for Lithuania.

Global Assessment and rationale for approval

The Investment Committee of the InvestEU Fund approved the use of the InvestEU guarantee on 11 July 2024 for the above-mentioned operation.

The project is expected to have an excellent economic justification, excellent rated broader social benefit and generate additional employment in construction. The capacity of the promoter is considered appropriate for the proposed project.

The EIB loan plays a key role in ensuring the funding of the project. The long tenor of the EIB loan (15 years) is well in line with the economic life of the underlying heating assets and it is perfectly suited to finance investments with long payback period such as the Project implemented by the promoter. The funding of similar maturities is not available on the Lithuanian debt market. Customised terms such as flexible drawdown over the long availability period are of value to the promoter because of the multiannual Project's implementation period. The EIB involvement will send a strong signalling effect to the commercial banks that EIB is standing by to support the decarbonisation of the Lithuanian heating sector. EIB would not be able to provide such type of financing, or not at the same quantum, without the support of InvestEU.

The financing of this project will contribute to EU and Bank's priority objectives on energy, on climate action and cohesion priority regions. Such investment is crucial to improve security, energy efficiency and flexibility of heat supply and meet existing and future demand for heat and hot water. The project addresses number of market failures: Low-carbon heat projects



Investment Committee of the InvestEU Fund

Meeting no 30 of 11-12 July 2024
Mercier-Post building (Publications Office)
20, rue de Reims, L-2417 Luxembourg
Meeting room **ARENA**

reduce carbon and air pollution externalities, low-carbon technologies contribute also towards increasing security of supply by reducing dependency on imported fossil-based energy. Security of supply can be considered as a public good.