

# Information

European  
Investment  
Bank



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New developments in EIB lending activities

## First New Community Instrument loans — European Monetary System interest subsidies

Two important developments in the European Investment Bank's lending activities have taken place in the last few weeks.

The Bank has begun lending from the resources of the New Community Instrument for Borrowing and Lending (NCI) — over 230 million units of account have been provided in Ireland, Italy and the United Kingdom. The funds for these operations are raised on the markets by the Commission of the European Communities in the name of the EEC and are deposited with the EIB. The Bank has the mandate to make the loans on the Community's behalf for projects conforming to certain priority objectives in the energy, industrial and infrastructure sectors.

The EIB has also signed with the Commission a Cooperation Agreement setting out the methods by which 3% interest subsidies, paid from the Community budget, can be applied to selected loans made both from the Bank's own resources and from those of the NCI in less prosperous Member Countries fully participating in the European Monetary System (Ireland and Italy have been designated as such).

The first New Community Instrument loans went for investment in energy supplies, water and sewerage infrastructure, road and telecommunications improvements — IR£ 58 million in Ireland, Lit 45 000 million in Italy, £ 66.3 million in the United Kingdom. Details are as follows:

### Ireland

— IR£ 16.5 million for 20 years to the Electricity Supply Board towards construction of a 270 MW power station at Aghada, County Cork, a key step in the Board's plan to raise generating capacity 25% by the mid-80s to meet expected increase in demand; the station will be fuelled by natural gas discovered 60 km off the Cork coast (the total cost of the project is put at IR£ 66.5 million, towards which the EIB has also lent from its own resources IR£ 30 million).

— IR£ 16.5 million for 20 years to Ireland to be used for water supply

and sewerage works which Dublin Corporation and Dublin County Council are carrying out in the City, suburbs and nearby new towns to serve the area's industrial development and growing population (the cost of the works is estimated at IR£ 66 million — the EIB has also lent IR£ 30 million).

— IR£ 13 million for 20 years to Ireland to help finance improvements to over 20 roads in the national road network and to major roads in or adjacent to Dublin, Cork, Limerick and Dundalk (the cost is estimated at IR£ 66.9 million — the EIB has also lent IR£ 11 million).

— IR£ 12 million for 20 years to Ireland for telecommunications modernisation, including connection of 28 000 new subscriber lines (costed at IR£ 44 million, towards which the EIB has also lent IR£ 18 million).

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## Italy

— Lit 45 000 million to the Cassa per il Mezzogiorno for 15 years to help finance extension of the Pertusillo aqueduct, a scheme of key importance in overcoming water supply problems which have long handicapped economic development in Apulia and Basilicata; the works — which will serve 55 districts with a population of over 1½ million in central Apulia — are estimated to cost about Lit 300 000 million, towards which the EIB has also lent Lit 80 000 million.

## United Kingdom

— £ 50 million to the Electricity Council for 15 years for construction of the Dinorwic hydroelectric power station in North Wales (cost put at £ 420 million, towards which the Bank has also lent £ 118.9 million).

Dinorwic will work on the «pumped storage» principle, using off-peak power produced during the night by base-load power stations to pump water from one lake to another at a higher level. From there it will be released to flow down again, generating electricity (total capacity 1 680 MW) to meet peaks or surges in demand, to replace sudden losses of output from other stations and to regulate the frequency of the national grid. This will help to maximise production from the most efficient plant, the large base-load power stations (mainly coal-fired or nuclear), one way of limiting dependence upon oil for generating electricity.

— £ 16.3 million to Lothian Regional Council in Scotland for 15 years; this will go towards building a dam and other measures to increase water supplies to Edinburgh and Midlothian and reduce pollution in the Firth of Forth by major improvements to the Edinburgh sewerage system (the works are estimated to cost £ 76 million — the EIB has also lent £ 33.5 million).

## Background to the New Community Instrument

The New Community Instrument for Borrowing and Lending (NCI) — also known as the «Ortoli Facility» — was first proposed by the Commission in June 1977 as a way of stepping up Community action to

tackle unemployment, sluggish investment and insufficient convergence in national economic performances.

The idea is that the European Economic Community use its own credit standing to raise funds on the capital markets which can be employed for investment in certain key spheres, additional to the sums provided from other Community sources of finance.

The Council of the European Communities approved the scheme in principle in October 1978 and gave the Commission global authorisation to raise up to 1 000 million u.a. in the name of the EEC. On 14 May 1979 it specified that the first tranche of borrowings should be for up to 500 million and go to infrastructure development and the energy sector.

Loans for infrastructure will cover, in particular, transport, telecommunications, agricultural improvement schemes, water supplies and environmental protection; energy projects should help the Community to attain greater independence, security or diversification of its energy supplies — specific reference has been made to energy saving and development of alternative energy sources.

The Commission rules on the eligibility of any project for which a New Instrument loan is sought. In other respects the procedures for obtaining such loans, the interest rates charged and other terms are comparable to those applying to loans from the EIB's own resources.

## EMS interest subsidies

The Cooperation Agreement signed between the Commission and the EIB on 3% interest subsidies to be applied in the framework of the European Monetary System stems from the meeting of the European Council (Heads of State or Government of EEC Member Countries) on 4-5 December 1978; at this meeting, where the decision was made to go ahead with the first stage of the EMS, it was recognised that measures should be taken to strengthen the economies of less prosperous Member Countries fully participating.

The means to do this were then set out in a regulation adopted by the Council of the European Communi-

ties on 3 August 1979, providing for interest subsidies to be applied from 1 January 1979 on loans totalling up to 5 000 million u.a. (1 000 million u.a. per annum for 5 years) granted from the EIB's own resources and those of the New Community Instrument.

The cost of these subsidies, to be borne by the Community budget, will be 1 000 million (200 million per annum for each of the five years).

Subsidised loans are to be concentrated on infrastructure projects which help to solve major structural problems in the countries concerned, reduce regional disparities and improve the employment situation.

Under the Cooperation Agreement the Bank appraises projects and decides on loans according to its usual practices. It is for the Commission to rule on the eligibility of each project for a subsidy within the terms of the Council's decision.

## Unit of Account

Below are the values in national currencies of the Unit of Account used by the Bank, as at 28 September 1979; these rates are applied the present quarter in preparing financial statements and operational statistics of the Bank:

DM	2.48777	Bfrs	40.2326
£	0.649544	Lfrs	40.2326
Ffrs	5.85499	Dkr	7.26913
Lit	1 145.01	IR £	0.668086
Fl	2.75931	US \$	1.42770

Statistics summarising Bank activities in terms of units of account have been based on several different conversion rates applied since 1958. This, coupled with the effects of price trends, would suggest prudence in interpreting the significance of figures which relate to operations extending over many years.

The composition and hence value of the unit of account used by the EIB is the same as that of the European Unit of Account.

More than 1 040 million u.a in two years

## Increased EIB lending in the Italian Mezzogiorno

Over 1 040 million units of account (') have been lent by the European Investment Bank in the last two years (1977-78) for industrial, energy and other infrastructure development in the Italian Mezzogiorno; this compares with about 1 350 million u.a. for the whole of the six years before.

**Inflation must be taken into account, but even in real**

Following the 1975 recession which severely affected investment, economic growth and employment, the Mezzogiorno economy began to make a hesitant recovery in the second half of 1976 and this continued through into 1977 and 1978.

Helped along by two good harvests and better performances in the important agricultural processing and car industries, the South made a marginally better comeback in many respects than Italy's Central and Northern Regions.

The employment situation also showed some improvement: it is estimated that almost two-thirds of the 120 000 new jobs created in Italy in 1977 and 1978 were in the South. This goes some way towards

● The Bank's loans in 1977-78 went towards new capital investment valued at approx. 2 500 million u.a., equivalent to some 10% of all new fixed investment carried out in the Mezzogiorno in the same period.

● On average, the EIB loans financed over 40% of the capital costs against 28% in the previous six years.

● The impact on employment can be measured in three ways:

— jobs equivalent to 215 000 man-years of work in construction plus supply of necessary materials and services;

— the creation of an estimated 12 000 permanent jobs, essentially in industry;

terms EIB lending in the South was running over the last two years at a level some 60% higher than the annual average during the previous period.

The following article, based on a review of the Bank's operations in the Mezzogiorno, updates information already published covering 1959-70 and 1971-76 (?).

ment in the energy sector — 222.8 million u.a., i.e. 21% of the total provided by the Bank against 7% during the years 1971-76.

In particular the Bank helped to finance the development of several off-shore oil and gas fields, each relatively small but now fully viable with the rise in oil prices. The fields are situated off the coasts of Abruzzi, Calabria and the Marches; when in full production their output should be equivalent to 1.3 million tonnes of oil per year.

Backing was also given for the Algeria-Italy gasline which by 1985 should supply Italy with about one third of its natural gas requirements (equivalent to 35 million tonnes of oil per year), a large share for the Mezzogiorno — the Bank helped to finance 230 km of pipeline in Calabria and Sicily plus 15 km under water, across the Messina Straits.

Although these projects were financed primarily because they will help to replace oil imports at Community and national levels (Italy's oil import bill is estimated at US\$ 12-13 billion for 1979 against US\$ 9 billion in 1978), they also have an important regional development impact in laying down a better energy supply infrastructure in the South.

Loans were also made for extensions to the electricity supply grids in Sicily, Campania and Apulia, and for a peak-load power station in Campania.

Water supply, sewerage and irrigation schemes took 211.6 million u.a., some 20% of Bank financing in the Mezzogiorno during the two years against 12% in the previous period.

The supply schemes concerned industrial, tourism and household needs in large areas of Campania, Apulia and Basilicata and industrial estates in Sicily. The irrigation projects cover some 40 000 hectares/100 000 acres of farmland in Sardinia and Calabria, where the increase in productivity and the option, for the first time, to switch to more profitable crops will make a substantial difference to the incomes and living

A protocol to the Treaty of Rome recognised «particular problems relating to Italy»; it underlined the part which the EIB could play in strengthening the economy, particularly in the Mezzogiorno.

The Bank's financing in Italy, from 1958 to end-1978, totalled 3 884 million u.a. of which 80% — 3 130 million u.a. — went to investment in the Mezzogiorno.

This means that the Mezzogiorno alone accounts for approximately one third of all the Bank's operations within the Community during this period.

So far this year (end-September) EIB lending for investment in the Mezzogiorno totals a further 439.6 million u.a.

dealing with the number of new job seekers coming onto the Mezzogiorno labour market (presently estimated at 45 000 - 60 000 per year) but does not reduce the number of unemployed in the South — 700 000 at end-1978 — nor help to cut into structural underemployment in agriculture and the tertiary sector. Serious problems continue to face basic industries in the South (steel and chemicals) with repercussions on downstream industrial activities.

Investment finance from the European Community is an important support for the continuing efforts to lift the Mezzogiorno economy and about two-thirds of the funds come from the European Investment Bank (?).

— the long-term effects of most infrastructure projects — e.g. communications and water supplies — which create relatively few permanent jobs directly but which are of fundamental importance if conditions for economic growth are to be improved.

● In 1977 EIB loans in the Mezzogiorno represented the equivalent of about 15% of the total credit made available in the South by the specialised long and medium-term credit institutions (?).

### Sectoral breakdown ... more for energy and water supplies

A sectoral breakdown of EIB lending in the past two years shows a much higher share going to invest-

standards of the farming communities.

## Communications

Lending for improved communications remained at a fairly high level — 304.6 million u.a., about 29% of the finance provided by the Bank in the Mezzogiorno against 33% in the period 1971-76.

The Bank's concern was to give its support to projects reducing disadvantages of the regions' relative remoteness by reinforcing links with the rest of the country and the Community as a whole.

Telecommunications accounted for 171 million u.a. For a number of years the Bank has channelled substantial sums into efforts to build up

the South's telephone network and by 1976 telephone density had risen to almost 18 per 100 population against 10 in 1970; the projects which the Bank helped to finance in the last two years were concentrated on certain inland zones in Sardinia, Calabria, Sicily, Abruzzi, Molise and Latium which were still relatively underequipped. The Bank also helped to finance a training centre for telecommunications engineers in the Abruzzi.

**Table 1**  
**EIB financing in the Mezzogiorno (1977-78)**  
**Sectoral breakdown**

	Amount (million u.a.)		Fixed investment (million u.a.) <sup>(1)</sup>	Jobs created <sup>(2)</sup>
	Total	of which global loan allocations		
<b>Energy, communications and other infrastructure</b>	<b>739.0</b>		<b>1 836.1</b>	<b>604</b>
Energy	222.8		516.3	86
Production	61.1		139.5	49
Thermal power stations	18.6		44.7	20
Hydroelectric power stations	—		—	—
Development of oil and natural gas deposits	42.5		94.8	29
Transmission	161.7		376.8	37
Power lines	106.3		229.5	15
Gaslines and oil pipelines	55.4		147.3	22
Communications	304.6		905.4	
Transport	133.6		407.6	
Railways	—		—	—
Roads, bridges and tunnels	98.7		212.7	
Shipping	34.9		194.9	
Telecommunications	171.0		497.8	
Water schemes	211.6		414.4	518
Agricultural development	108.9		247.8	498
Water catchment/supply	102.7		166.6	20
<b>Industry, agriculture and services</b>	<b>302.1</b>	<b>82.8</b>	<b>694.2</b>	<b>11 735</b>
Industry	291.6	74.2	664.5	11 435
Mining and quarrying	1.7	1.7	4.3	75
Metal production and semi-processing	36.2	2.4	100.2	675
Construction materials	13.4	10.0	38.0	1 186
Woodworking	3.3	3.3	7.7	324
Glass and ceramics	25.4	1.6	65.1	353
Chemicals	14.6	3.4	34.8	497
Metalworking and mechanical engineering	22.1	14.7	55.4	1 755
Motor vehicles, transport equipment	121.0	1.2	227.1	3 420
Electrical engineering, electronics	16.6	5.9	42.2	967
Foodstuffs	12.8	12.8	32.4	829
Textiles and leather	0.7	0.7	1.7	86
Paper and pulp	5.0	5.0	11.7	181
Rubber processing	16.3	9.0	38.4	883
Other	2.2	2.2	4.4	194
Building, civil engineering	0.3	0.3	1.1	10
Agriculture	7.2	7.2	16.1	173
Services	3.9	1.4	13.6	127
Unallocated amount of global loans	0.6 <sup>(2)</sup>	—	—	—
<b>Grand total</b>	<b>1 041.1</b>	<b>82.8</b>	<b>2 530.3</b>	<b>12 339</b>

(1) Estimated.

(2) Difference between total global loan finance made available during this period and total sub-loans approved over the same period from current global loan credit.

A total of 133.6 million u.a. went to a number of transport improvements with a direct bearing on industrial growth: port development works and roads to serve the Cagliari industrial area, the largest in Sardinia; approach roads and equipment for the container docks at Naples to strengthen the city's role as an important focal point for development; a by-pass around Palermo, Sicily, and other roads improving links between the city, industrial quarters and the airport.

## Productive enterprise

Lending for productive enterprise — totalling 302.1 million u.a. — ran at roughly the same annual level of importance as in 1971 to 1976, but showed a 20% increase when compared to the average annual lending in the years 1974-76, i.e. following the oil embargo.

Part of this recovery was due to increased lending for small and medium-scale ventures via global loans granted to intermediary financing institutions which then on-lend the funds for investments chosen from amongst their own clients in agreement with the EIB.

For industry five global loans totalling 68 million u.a. were granted to IMI - Istituto Mobiliare Italiano, Banca Nazionale del Lavoro (Special Industrial Credit Section), ICIPU - Istituto di Credito per le Imprese di Pubblica Utilità, CIS - Credito Industriale Sardo, and ISVEIMER - Istituto per lo Sviluppo Economico dell'Italia Meridionale; a global loan of 14.1 million went to the Cassa per il Mezzogiorno to finance stockfarming ventures.

During the two years credit was drawn from these global loans, and others granted previously, to finance 177 ventures engaged in a wide variety of activities throughout the South — not far short of the number financed in the whole of the previous six years.

Of the finance provided for larger-scale industry, the major share —

120 million u.a. — went to car and commercial vehicle production: restructuring car assembly plants in Latium and Sicily, a new coachwork factory in Campania, enlargement of a fork lift truck factory in Apulia, modernisation of a car battery factory in Abruzzi and an international joint venture diesel engines factory in Apulia involving FIAT, Alfa Romeo and Renault of France<sup>(\*)</sup>. All of these projects further one of the key development objectives — pursued for a number of years — which is to encourage the car and commercial vehicles industry, a major employer, to transfer part of its activities to the South.

Other principal sectors in which the EIB was active in the last two years were the metals and chemicals industries, electronics, glass and ceramics (see table 1, left).

The geographical spread of Bank financing is to a large extent determined by the degree of problems faced by the different regions with unemployment, particularly in the large towns, the main concern. From table 2 (right) it can be seen that 70% of lending in the two years under review concerned Sicily, Campania, Apulia and Sardinia. The same table also shows that the Bank helped to finance a number of large-scale infrastructure works (the majority of them «Special Projects» carried out by the Cassa per il Mezzogiorno) of which the benefits extend to two or more regions.

## Outlook

A forecast for lending in 1979 is still difficult to make but as a broad objective, the Bank hopes to maintain its lending in the Mezzogiorno at about the same level as in 1978 — i.e. at about 700 million u.a.

Looking to 1980 and beyond, prospects depend on how the economy develops and investment plans in both the public and private sectors.

The Cassa per il Mezzogiorno, measured both in terms of the volume of funds which it has been able to mobilise since it was set up in 1950 — including almost 1 450 million u.a. in loans from the EIB up to end-1978<sup>(\*)</sup> — and its experience in many fields, ranks as the leading agency for development in the Mezzogiorno. However, its statutory life comes to an end in 1980 and the matter of its continued existence beyond that date, and the role it might play, are to be examined by the Government.

One area where the Bank hopes to see an increase in activity is in co-operation with the regional authorities which have been given new responsibilities, especially in agriculture.

But, if investment in the public sector is to be expanded this will call, in general, for strong planning and management back-up. Any upturn in private sector investment is linked very much to an improvement in the financial position of a number of large groups.

As far as the Community is concerned, the support which it can give to investment in the Mezzogiorno has never been stronger.

The new European Regional Development Fund Regulation has been approved and the Fund credited with increased allocations (quota section 945 million u.a. for 1979 — up over 60% on 1978 — with Italy's share amounting to 39.4%).

The creation of the New Community Instrument for Borrowing and Lending and the availability of interest subsidies under the European Monetary System arrangements (both explained in the previous article) add to the impact which the EIB can make by lending from its own resources.

(<sup>1</sup>) Expressed in lire (at exchange rates ruling at the time of loan signatures) the amounts are 1 089 000 million lire for the years 1977-78 against 1 030 500 million for the previous six years.

(<sup>2</sup>) The European Investment Bank and the problems in the Mezzogiorno, study published in September 1972. The operations of the EIB in the Italian Mezzogiorno (EIB-Information No. 11, published in November 1977).

(<sup>3</sup>) During the period 1975-78 investment finance provided by the EIB, the European Coal and Steel Community, the European Regional Development Fund and the Guidance Section of the European Agricultural Guidance and Guarantee Fund came to an annual average of 562 million u.a. (360 million from the EIB).

(<sup>4</sup>) This is not an entirely direct comparison as the EIB lends to certain bodies which are outside the scope of these institutions.

(<sup>5</sup>) A number of industrial projects which the EIB has supported in the South involve cooperation with concerns from other Community Member countries and also, in some cases, from certain non-Community countries. Apart from capital inflow, this kind of project also tends to involve technology transfers to the South.

(<sup>6</sup>) Of this sum about 650 million u.a. went to the Cassa for the direct undertaking of public works, the rest passed through the Cassa as intermediary for the financing of investments carried out by others.

Table 2

## Financing provided by the EIB in the Mezzogiorno (1977-78)

Breakdown by region and major sector

	million u.a.
<b>The Marches</b>	<b>11.2</b>
Energy	6.4
Industry, agriculture, services	4.8
<b>Latium</b>	<b>68.5</b>
Industry, agriculture, services	68.5
<b>Campania</b>	<b>156.9</b>
Energy	53.0
Communications	20.9
Water schemes	46.1
Industry, agriculture, services	36.9
<b>Abruzzi</b>	<b>72.5</b>
Energy	28.6
Industry, agriculture, services	43.9
<b>Molise</b>	<b>2.2</b>
Industry, agriculture, services	2.2
<b>Apulia</b>	<b>117.5</b>
Energy	25.4
Industry, agriculture, services	92.1
<b>Basilicata</b>	<b>0.4</b>
Industry, agriculture, services	0.4
<b>Calabria</b>	<b>60.9</b>
Energy	7.4
Water schemes	48.0
Industry, agriculture, services	5.5
<b>Sicily</b>	<b>189.4</b>
Energy	46.6
Communications	74.4
Water schemes	26.8
Industry, agriculture, services	41.6
<b>Sardinia</b>	<b>165.4</b>
Communications	97.6
Water schemes	60.9
Industry, agriculture, services	6.9
Unallocated amount of global loans ( <sup>1</sup> )	— 0.6
<b>Multiregional projects</b>	<b>169.8</b>
Abruzzi/Latium	51.7
Apulia/Basilicata	29.8
Apulia/Sicily	35.1
Calabria/Basilicata	24.8
Calabria/Sicily	55.4
<b>Grand total</b>	<b>1 041.1</b>

(<sup>1</sup>) Difference between total global loan finance made available during this period and total sub-loans approved over the same period from current global loan credit.

## Wide variety of energy projects being financed this year

Over 58 000 acres/24 000 hectares of bog in the centre and west of Ireland are being drained and developed to provide more fuel for peat-burning power stations and for domestic heating installations: the extra production will be equivalent to 540 000 tonnes of crude oil per annum.

A computer-run system is being introduced in Italy to control electricity generation and transmission throughout the whole country, making possible energy economies equivalent to an estimated 66 000 tonnes of oil per year.

In the Austrian Tyrol a hydroelectric installation is being expanded: half the output will be transmitted across the border into Germany, providing energy equivalent to 130 000 tonnes of oil per year.

These are projects which the European Investment Bank is helping to finance this year to assist the Community to reduce its dependence upon oil imports (representing about 50% of the Nine's energy consumption in 1978).

In the first nine months of 1979 the Bank has channelled a total of 794.5 million u.a. to capital investment in energy production and transmission (695 million from the Bank's own funds, 99.5 million from New Community Instrument resources); given that a number of other loans are expected to be signed before the end of the year, total lending in the energy sector may well exceed by a substantial margin the 721.3 million u.a. provided in 1978.

The oil crisis in 1973-74 led the EIB to pledge itself to step up financing for improved Community energy supplies. From beginning 1974 to end 1978 it provided 2 211.9 million u.a., 35% of its total operations within the Community during this period.

The importance of this support is clearly shown by the calculation that in the two years 1977-78 alone the Bank has helped to finance projects which, when completed, should replace the equivalent of 34 million tonnes of oil per year, i.e. corresponding to about 7% of the Community's oil imports in 1978.

Apart from major energy sectors such as nuclear plant and development of European oil and gas resources, the Bank has helped to finance uranium and coal mining, geothermal power stations and equipment which cuts pollution from ballast water discharged by oil tankers enabling oil to be recovered at the same time (1).

Commercial production of solar energy panels is being financed this year. Other loans have been granted recently for factories producing equipment for the nuclear and oil and gas industries and insulation materials, energy-saving equipment in steelworks, factories producing high-efficiency diesel engines and turbochargers.

If any extra justification were needed for financing these and other oil-economising investments, the events of the last few months have given it: assuming no other

price increases this year, the Community's oil import bill for 1979 could rise by about 30% in dollar terms over the amount for 1978.

Below are brief outlines of four projects which represent different kinds of activities the EIB is trying to encourage.

### Peat power

From the earliest times, the bogs of Ireland have provided fuel in the form of peat, a natural deposit of decayed plant matter. Over the last 30 years considerable effort has been made to apply modern methods and large-scale mechanisation to develop these resources. Today peat plays an important role in the generation of electricity (peat-fired power stations supply 20% of Ireland's electricity consumption) and in the heating of homes, industrial and commercial premises and public buildings.

Bord Na Mona, the Irish peat development authority, calculates that peat production for energy purposes last year was equal to a saving of 936 000 tonnes of oil imports; this production level is equivalent at present prices to a saving of about IR£ 65 million (about 100 million u.a.) to the Irish balance of payments.

The Bord currently produces 4.2 million tonnes of peat per year from an area covering 130 000 acres/53 000 hectares. Under the present development programme a further 58 000 acres/24 000 hectares are being developed to yield an addi-

tional 2.75 million tonnes of milled peat per annum. This will mean total peat production equivalent to 1.45 million tonnes of oil per year — say the output of a medium-sized North Sea oil field, with the important point that the production «life» of peat bogs may last up to 30 years, longer than the average life of an oil field.

The European Investment Bank has provided two loans totalling IR£ 7 million (10.4 million u.a.) towards the cost of opening up, draining and putting into production peat bogs in five new areas, representing most of the current development. Planned output is about 2.2 million tonnes per year, of which 1.5 million for power stations in the form of milled peat (in crumb or powder form) and the rest for manufacture of «briquettes» (processed peat blocks for domestic heating).

About 1 300 jobs, 1 000 of them full-time, should be created through the development in these five areas, welcome news in view of substantial local unemployment.

Harvesting peat demands a considerable amount of preparatory work, in particular the opening of drains — there are about 20 000 miles/32 000 km of drains on land presently in production. In general it requires six to eight years of careful development to bring a bog from the undrained state to full produc-

(1) See EIB-Information Nos. 16 and 17 for detailed description of the geothermal and oil-tanker projects.

tion stage (the water content of raw peat may be up to 95% and has to be cut to around 50% for use in power stations and down to 10% for briquette production).

Both power stations and briquette factories are sited as close as possible to the bogs to cut transport costs. At present, ESB - Electricity Supply Board, the Irish electricity authority, runs 7 peat-fired power stations with a total generating capacity of 430 MW. Extensions to two existing power stations are in progress adding a further 80 MW.

Irish experience in new production techniques and specialised machines is also helping a number of developing countries keen to exploit their own peat resources (there are consultancy assignments in Burundi, Rwanda, Tanzania and Jamaica).

Preparing for when the bogs are fully worked out, Bord Na Mona is engaged in research work with An Foras Taluntais — the Irish Agricultural Research Organisation on how to reclaim the land, previously unfit for any form of cultivation. Experiments are under way on grass-growing for cattle and sheep, production of vegetables, cereals and nursery stock as well as other commercial horticultural crops and afforestation.

### **In Italy: computer controls save energy**

The Italian state electricity authority ENEL - Ente Nazionale per l'Energia Elettrica operates a grid stretching almost 950 miles/1 500 km from the Alps to Sicily and runs production units with a capacity totalling around 35 000 MW.

On an undertaking of this scale, even a small percentage improvement in efficiency shows through in appreciable energy savings.

ENEL is investing around 170 000 million lire, of which 50 000 million (43.9 million u.a.) lent by the EIB, in a computer-based system for minute-by-minute control of electricity generation and transmission throughout the country; when it comes into operation in 1982-83 it will make possible reductions in costly generating capacity kept running to meet contingencies and more effective planning for variations in demand.

The system is not entirely new in the sense that a unified centre for controlling and distributing electricity was set up immediately after ENEL's creation in 1963 with the amalgamation of various electricity concerns. This was developed and improved over the years but new advances in computer technology, in the speed of transmitting and processing data, permit an unprecedented degree of automation and coordination of facilities.

In the light of this, ENEL is now reinforcing and modernising the whole system, which works on three levels:

— **in the field:** data gathering equipment and telecommunications links with power stations, transformers and other facilities;

— **at regional level:** eight centres responsible for collation and processing of production and consumption data, then transmitted to

— **a national nerve centre** where all the incoming data is assessed to identify demand flows and measures taken accordingly to coordinate the resources of the whole network.

The availability of more detailed information, with rapid processing, will make it possible to plan for variations during each day and to programme the following day's output and transmission activity, always with the capacity to respond to sudden, unexpected movements.

Constant monitoring of the system should lead to early identification of potential hazards and prompt action to safeguard supply security.

Apart from energy savings in Italy equivalent to some 66 000 tonnes of oil per year, the system should facilitate exchanges of power between the Italian and French, Swiss, Austrian and Yugoslav grids, which in turn will make for a more rational use of energy resources.

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\* \*

The EIB has recently provided 3 000 million lire (2.6 million u.a.) for a project also in Italy to produce solar energy panels.

The loan was made to La Metalli Industriale SpA, a major copper producer/processor which is diversifying activities at two of its factories in the Pistoia region of Tuscany.

In particular, the company is launching into the manufacture of solar energy panels; a production line is being installed with an output of some 12 000 per year.

In Italian climactic conditions solar energy panels can cover 20-30% of building heating requirements. Government forecasts are that by the year 2 000 about 7% of primary energy consumption should be provided this way.

As part of the same project, a workshop is also being built for the production of certain kinds of cables needed in the nuclear industry and in the manufacture of instruments for electricity metering and control equipment.

These production units — which will themselves use solar panels to cover part of their energy requirements — should secure some 90 jobs in an area with little alternative employment.

### **Hydro-scheme in the Austrian Tyrol**

EIB support has also been given recently to construction of a complex hydro-electric system in the Austrian Tyrol, offering substantial benefits both to Austria and the Community.

Because the project is located outside the EEC the EIB's Board of Governors granted special authorisation for financing, under powers contained in Article 18 of the Bank's Statute.

The works are being carried out in the southern area of the Tyrol, near the Italian frontier, in the Zillertal Alps region, at altitudes of between 1 700 and 2 000 m.

An EIB loan of 90 million Swiss francs (39.3 million u.a.) — granted to Tauernkraftwerk AG of Salzburg and Oesterreichische Elektrizitätswirtschaft AG of Vienna — is going towards an overall investment package of about 350 million u.a.; this concerns construction of an 88 million cu. metre reservoir, a 7.5 km outlet tunnel, a power station housing two pump-turbine sets, each rated at 175 MW, and 9.5 km of 220 kV transmission lines.

A feature of the scheme is that tail water from this station will be released into a lower reservoir, providing headwater for a hydro-station already in service, so raising production at this plant also.

The new installations are scheduled to come on stream in 1987 and are designed to raise total output from Zillertal at that stage to 1 670 GWh per annum, half of which is reserved

under a 20-year contract for supply to Energieversorgung Schwaben AG (EVS) of Stuttgart.

In due course, using the «pumped storage» principle, the Zillertal scheme will work in tandem with large coal-fired and nuclear plant which EVS will bring into operation during the second half of the 80s. Off-peak power produced by these efficient, base-load units will be supplied to the Zillertal stations to pump tailwater up to the head

reservoirs; this will then reinforce the hydro stations' output during peak hours.

This is the second energy project in Austria which the EIB has helped to finance. The Bank's Governors gave similar special authorisation for lending 48 million u.a., in 1973 and 1977, for construction and then increasing capacity of the Trans-Austria Gasline, which conveys gas from the Soviet Union to the Community's pipeline system.

## Lending rates

The EIB operates on a non-profit-making basis. Its interest rates follow closely movements on the capital markets, where it raises the bulk of its funds. The rate charged on each loan is that in force on the date when the contract is concluded, or, in certain cases, on the date of disbursement and it is not subject to revision; loans are paid out at par, such that the borrower receives the entire nominal amount.

The Bank offers borrowers the following loan formats:

- loans disbursed in several currencies, consisting of standard mixes, with make-up, term and interest rate all fixed in advance;
- loans disbursed in several currencies, but in varying mixes tailored to the borrower's preferences and depending on the different currencies available to the Bank;
- loans disbursed in a single non-Community currency, mainly the US dollar, Swiss franc and yen, or, for major financing operations, back-to-back arrangements in Community or other currencies.

The rate of interest applying to loans disbursed in several currencies is equal to the average of the rates fixed by the Board of Directors of the Bank for each of the currencies of disbursement, weighted to take account of the proportion of each payment made in each currency and also, where appropriate, of maturities.

Examples of loans disbursed in standard mixes with interest rates as at 14 September 1979 are as follows:

Term	8 years	10 years	12 years	15 years	20 years
Composition	40% US \$ 40% DM 20% Sch —	35% US \$ 30% DM 20% FI 15% Yen	40% US \$ 35% DM 10% Bfr 15% Yen	40% US \$ 30% DM 15% FI 15% Yen	45% US \$ 25% DM 15% FI 15% Yen
Interest rate	9.10%	9.20%	9.35%	9.45%	9.60%

Repayment of principal can be deferred to start from the time when the project reaches completion and comes on stream, normally a period of between 2 and 4 years.

Loan repayments, generally in equal six-monthly instalments, covering both principal and interest, are made in the currency or currencies originally received.

## PERSONALIA

The Governors of the European Investment Bank have appointed a new Member to the Board of Directors, Mr. Tommaso Padoa-Schioppa, Director-General for Economic and Financial Affairs (Directorate-General II) of the Commission of the European Communities.

Mr. Padoa-Schioppa is 39; prior to his appointment as Director-General of DG II in May this year he was for nine years at the Banca d'Italia in Rome first as Economist, then Head of the Money Market Department, finally also serving as Economic adviser to the Minister for the Treasury.

He succeeds Mr. Ugo Mosca, the former Director-General of DG II, now retired, who had served on the EIB's Board of Directors since February 1967.

Note: the EIB's Board of Directors is composed of 18 Members (17 nominated by Community Member States, 1 by the Commission) and 10 Alternates (9 nominated by Member States, 1 by the Commission) who are appointed by the Board of Governors for terms of five years, which are renewable.

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