

Media briefing

December 14, 2008

## The European Investment Bank's gains from the crisis must deliver direct and measurable gains for European society

On December 2, EU finance ministers agreed to a significant increase of the European Investment Bank (EIB)'s capital to **EUR 60-65 billion a year** – in recent years the EIB's annual lending has been in excess of EUR 40 billion. The move is seen as a way to help boost the European economy that is now facing recession.

On December 12, the conclusions of the European Council noted support for “an increase in intervention by the European Investment Bank of EUR 30 billion in 2009/2010, especially for small and medium-sized enterprises, for renewable energy and for clean transport, in particular for the benefit of the automotive industry, as well as the creation of the 2020 European Fund for Energy, Climate Change and Infrastructure (“Marguerite Fund”) in partnership with national institutional investors”.

The European Commission would like to see “smart” investments in energy efficiency and clean technologies in order to promote efficiency and innovation, but also – and **potentially contradictory** to such aims – into transport infrastructure and energy inter-connections, likely to include motorways, airports and oil and gas pipelines.

Increasing the EIB's capital – and therefore its potential to expand its lending portfolio – may however be a tall order for the EU's house bank that has clung for years to very tight staff capacity levels, and that has led to a deluge of evidence that it is fundamentally **not equipped** to ensure that it disburses its loans – in Europe and elsewhere – in a rigorous and environmentally sustainable way.

It is envisaged that the EIB will lend around an additional EUR 8 billion to European carmakers over the next two years, to assist them in reaching the EU CO2 emissions reductions targets that they have spent more than ten years **lobbying against instead of achieving**. However, questions remain about the effectiveness of the move as the targets and fines agreed on last week by the Council of Ministers and the European Parliament have been slammed by environmental groups and several MEPs as **lacking in ambition** and essentially allowing business as usual until 2019 (see EurActiv report at: <http://tinyurl.com/6xwrwe>).

Ania Roggenbuck, CEE Bankwatch Network's EIB campaign coordinator said: “*While EU decision-makers should take action to stimulate economic activity this should not translate into propping up particular industries, especially ones such as the car industry which has an unsavoury record of fighting against environmental legislation. EU policy such as the 2006 Sustainable Development Strategy clearly favours getting people out of cars and into public transport, yet once again EU money is supporting the status quo.*”

### **Back-door loading**

As a further response to the economic crisis and pan-European downturn, the European Commission has also asked the EIB to **accelerate its support for large infrastructure** (specifically for the Trans-European Transport Network) and the implementation of its Loan Guarantee Instrument for TEN-T, aimed at promoting public-private partnership (PPP) projects. Given the lack of transparency that is a hallmark of PPPs so far this could amount to 'back-door loading' – the private sector cashing in **at the expense of taxpayers** through more overpriced infrastructure projects.

Pippa Gallop, CEE Bankwatch's Research coordinator, said: *"The last thing any of the European economies needs right now – but particularly the EU new member states – is more long-term debt burdens through overpriced and often oversized PPP infrastructure projects. It is so far completely unclear to the public what funds have been committed in their name for PPPs over the next three decades, and before any more money is thrown in the PPP black hole, governments need to take a long hard look at the experience so far and consider smaller, smarter investments."*

For more on the PPP experience – including EIB involvement – in central and eastern Europe so far, see Bankwatch's new report **"Never mind the balance sheet: The dangers posed by public-private partnerships in central and eastern Europe"** at: <http://tinyurl.com/6bt3eg>

### ***Where is the extra cash going, and what is it going to achieve?***

It was also agreed by ECOFIN that the EIB will increase its lending to SMEs while it should ensure that "these funds will benefit the whole Union". This type of support will be provided through on-lending to high street banks across Europe, which eventually decide who receives support and on what terms.

In the past intermediary banks have been unwilling to share information on the environmental standards attached to their on-lending to SMEs, and it has been **impossible to learn** if EIB or EU policies are being followed, let alone fulfilled. These kind of loan packages lack sufficient supervision from the EIB. Do we want to leave it to commercial banks to decide who and what will benefit the whole Union?

*For more detailed background on the big black hole that continues to hang over the EIB's lending to commercial banks, see this recent article at European Voice: <http://tinyurl.com/5n4gs7>*

### ***More EU capital brings with it more responsibility to meet EU climate goals***

While there is growing momentum behind a "New Green Deal" as a way out of global economic and environmental woes, if EU efforts to increase energy efficiency and renewable energy are to make any impact it is high time for the EIB to revise its portfolio in order to eliminate climate-damaging projects and to start counting to what extent its operations contribute to climate change.

The EIB is the world's biggest public lender to the extractive industry sector and has pumped **over EUR 17 billion into fossil fuel projects** both within as well as outside of the EU since the adoption of the Kyoto protocol in 1997. On top of that the EIB heavily supports roads and airport schemes, contributing to significant increases in greenhouse gases emissions. As long as it continues to finance such projects, its recent lending increases in renewable energy and urban public transport will be cancelled out.

The EIB should phase out its lending for fossil fuels and aviation and instead increase its lending to initiatives supporting energy efficiency while also expanding on its already positively high level of support for renewable energy and urban public transport development.

Ania Roggenbuck said: *"In these current times of crisis, the EIB must provide added value, and that means not financing whatever any old borrower wants. Instead the EU's house bank must start to consider the impact of every project on climate grounds and establish a clear set of criteria that minimise support for carbon-heavy projects."*

For more information on the EIB and its fossil fuels operations around the world, see the **new Extractive Industries Bank site at: [/www.fossilfreeeib.org](http://www.fossilfreeeib.org)**