



## What role for old king coal?

Why it's time to leave this fossil fuel in the ground. Page 15



"The gorilla in the room of climate change" - Jeff Goodell

Going Green, Page 7

Energy trends report

### World brief

#### Nordic Investment Bank says no to new coal

The Nordic Investment Bank will not knowingly finance, directly or indirectly, projects involving the following: New base load power plants with an installed capacity above 50 MW mainly fuelled with coal or fuels with a similar fossil carbon dioxide intensity.



#### China bans new coal plants in three of its biggest industrial regions

As China attempts to combat its poor air quality by stepping up efforts against carbon emissions, Beijing announced it will ban new coal-fired power plants in three industrial regions around the capital, Shanghai and Guangzhou.

The State Council and China's Cabinet action plan aims to cut coal's share of total energy usage to 65 percent by 2017 while increasing the share of nuclear power, natural gas and renewable energy, the Associated Press reports Thursday.

### Europe

#### EU Commissioner for Climate Action asks development banks to eliminate their support for coal

As European Commissioner for Climate Action, I am particularly keen to see three international financial institutions – the European Investment Bank, the European Bank for Reconstruction and Development, and the World Bank – join with their EU and OECD partners to take a lead role in eliminating public support for fossil fuels.

Multilateral leaders can lead by example by restricting conditions for public financing of coal, the most damaging fossil fuel, and by providing public support for clean energy.

## UK puts brakes on coal power

### UK Government urges MDBs to prepare for action on climate change.

At the international climate change talks in Warsaw, UK Energy and Climate Change Secretary Edward Davey announced that the UK will join the United States in agreeing to end support for public financing of new coal-fired power plants overseas, except in rare circumstances in which the poorest countries have no feasible alternative. The two governments will work

together to secure the support of other countries and Multilateral Development Banks to adopt similar policies. Mr Davey said:

"It is completely illogical for countries like the UK and the US to be decarbonising our own energy sectors while paying for coal-fired power plants to be built in other countries. It undermines global efforts to prevent dangerous climate change and stores up a future financial time bomb for those countries who would have to undo their reliance on coal-fired generation in the decades ahead, as we are having to do today."



## Nordic countries join US in ending coal financing overseas

### In a joint statement, Denmark, Finland, Iceland, Norway, Sweden, and the US pledge to no longer invest in coal-fired power plants.

As part of their commitment to accelerating the transition to low-carbon energy systems worldwide, the leaders of the five Nordic countries will join the United States in ending public financing for new coal-fired power plants over

seas, except in rare circumstances. "We will work together to secure the support of other countries and multilateral development banks to adopt similar policies."

The statement underscores the importance of continuing to encourage innovative approaches to promoting energy efficiency and clean energy, including renewables, and of taking action on climate change, domestically and internationally. This requires mobilizing scaled up climate finance.

## Storebrand reduces carbon exposure in investments - 19 companies excluded

After the latest sustainability analysis of the Energy sector, Storebrand has excluded 13 coal and 6 oil sands companies from all investments.

The aim of these exclusions is to reduce Storebrand's exposure to fossil fuels and to secure long term, stable returns for our clients says Christine Torklep Meisingset, Head of Sustainable Investments at Storebrand.

If global ambitions to limit global warming to less than 2 degrees Celsius become a reality, many fossil fuel resources will become unburnable and their financial value will be dramatically reduced. Exposure to fossil fuels is one of the main sustainability challenges facing business, so for us it is a logical and necessary step to adjust our investments accordingly, continues Meisingset.

## EIB significantly restricts coal lending, introduces EPS

The European Investment Bank has adopted new guidelines for its energy lending that in practice mean severe restrictions for the financing of coal plants and an increased support for investment in renewable

energy, energy efficiency and energy grids. The EIB will introduce a new Emissions Performance Standard to be applied to all fossil fuel generation projects to screen out investments whose carbon emissions exceed a threshold level. This threshold reflects existing EU and national commitments to limit carbon emissions. The board agreed that the Emissions Performance Standard would be kept under review and that more restrictive commitments could be considered in the future. "Adoption of the new lending

criteria represents an important step forward in the European Investment Bank's commitment to energy investment that supports EU policy and reflects the urgent investment challenges currently facing the energy sector. Prioritising lending to energy efficiency, renewable energy, energy networks and energy RDI projects will help EU to meet its energy and climate objectives and create local employment across Europe. The new Emissions Performance Standard will ensure that outside these sectors the Bank's energy

lending makes a sustainable and positive contribution to economic growth," said Mihai Tanasescu, European Investment Bank Vice President responsible for energy lending.

"Significant long-term investment across Europe is essential to achieve our energy and climate targets and maintain a technological lead. The European Investment Bank plays a valuable role in financing public and private sector investment in energy infrastructure and supporting projects that contribute to achieving EU energy policy goals. The new guidelines provide a framework for continuing this contribution over the years ahead," said Günther Ottinger, European Commissioner for Energy.



### Ontario - first place in north America to end coal-fired power

Ontario is one step closer to being the first place in North America to end coal-fired power. The Ontario Coal for Climate



EBRD coal lending 2006-2011 (EUR million)



# Letter from Bankwatch's executive director



2013 was a banner year for Bankwatch. When I look back at what we achieved, I can't think of a single word more appropriate to describe our successes than 'glorious' – not one I would typically use to talk about life in an NGO. With 2013 coming to an end, we also closed the third of our five-year strategy. From the onset, the daunting strategy was ambitious by any standard: we tasked ourselves with making significant reforms in the operations of two of Europe's largest sources of public finance, the European Investment Bank and the European Bank for Reconstruction and

Development, who together command annual lending volumes of nearly 100 billion euros. To top that off, we also endeavoured to shift the direction of the European Union's seven-year, 959 billion euro budget towards a more climate-friendly path.

Three years on, we reflect on what has been achieved with pride. Both the EBRD and EIB have essentially eliminated financing for the worst culprit of climate change, coal-burning power stations (the cover artwork of this report was produced as part of that campaign, spoofing a famous financial newspaper with headlines of all the divestment news from around the globe - we've kept the theme going for this report). And the EU, for the first time in its history, requires a certain percentage of its budget to be earmarked for climate change adaptation and mitigation measures, as well as environmental protection.

While the challenges continue, I can say with certainty that our message about the imperative to make Europe's sources of public funding more climate-friendly has been heard. In this report, you will also see that our work extends beyond addressing the threat posed by climate change, as we continue to work with activists and communities from North Africa both to share our experiences about European public finance and support them in their own struggles to address problematic investments from these European institutions that threaten their own communities.

Our work is possible only thanks to the ongoing support of various organisations and foundations that have given us their vote of confidence, sharing our vision for a sustainable future and understanding the need to address financial mechanisms to make this future a reality. To those supporters, my message is simple: let us take heart in the glorious year that was 2013 – thank you!

A handwritten signature in blue ink, appearing to read 'M Fodor', written in a cursive style.

Mark Fodor, Executive director

# Who we are and where we work

Bankwatch is its member groups and, as depicted here, we currently have member group presence in 13

countries across central and eastern Europe. We also partner with other non-profit groups and communities,

in particular in central Asia and the Caspian region.



CEE Bankwatch Network works across the central and eastern European region to monitor the activities of international financial institutions and propose constructive environmental and social alternatives to the policies and projects they support.

# Anatomy of success

## How our campaign on the the EBRD and EIB energy policy reviews went global

It is safe to say that both the EIB and EBRD are fairly obscure institutions. Without much exaggeration, we could also say that for years, few people apart from Bankwatchers had any idea who these banks were, what kinds of projects they financed or how their lending impacted people around the world. Needless to say, moving these free market stalwarts to green their portfolios, especially in the energy sector as per our strategy to phase out climate-damaging investments at Europe's public banks, would require nothing short of a seachange.

## So how did we get here?

2013 will be remembered as the year for fossil fuels divestment campaigns across the globe, with increased scrutiny of public and private financial institutions and their dealings with the coal, oil and gas sectors. First it was the World Bank that announced significant restrictions on coal lending, followed by the US government and Nordic countries, with the UK following suit at the UN climate conference in Warsaw. Harnessing this momentum, Bankwatch added to the list of banks with dirty energy books both the EIB and EBRD and brought the two effectively into the spotlight.

One of the first steps in our campaign was to link with other



On the sidelines of the UN climate summit in Warsaw with an eight-metre inflatable lung in tow, Bankwatch helped organise a rally to tell the EBRD to put people before coal

Fast forward to 2013, and both the EIB and EBRD are making headlines. Members of the European Parliament, an EU Commissioner and other public figures are speaking out about the banks' penchant for coal power stations. NGOs from around the globe are pushing their governments to demand that the banks clean up their energy

lending. International media outlets quote Bankwatch arguments against European taxpayers footing the bill for carbon-intensive projects, and the banks are forced on the defensive and to respond publicly. By the end of the year, both the EIB and EBRD announce significant restrictions on lending for coal projects and an increased focus on renewable energy and energy efficiency projects.

groups campaigning on fossil fuel divestment generally, and the parallel energy policy reviews at both banks more specifically. Through internal strategy sessions and outreach to partners, we formed a broad coalition of partners up to the task of taking on Europe's public banks.

The first shot in the campaign fired publicly came from EU Commissioner for Climate Action Connie Hedegaard, who, in a comment prepared with Bankwatch, argued that the EIB and the EBRD should be among those announcing a phase out of fossil fuels. The Commissioner's statement broke into the Brussels media landscape and spread like

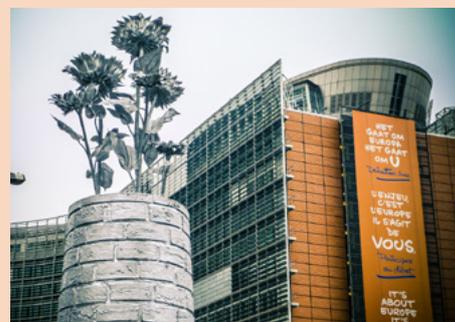
wildfire on social media. It would be a sign of things to come

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*"I am particularly keen to see three international financial institutions – the European Investment Bank (EIB), the European Bank for Reconstruction and Development (EBRD) and the World Bank – join with their EU and OECD partners to take a lead role in eliminating public support for fossil fuels," writes Connie Hedegaard, words which would be taken up by campaigners all over the world to pressure the two institutions.*

At the end of February, just prior to the EIB's annual press conference, Bankwatch released a press statement in the guise of the bank, announcing its intentions to divest from coal projects. During the ensuing press conference, we awarded the bank a trophy for cleaning up its lending.

As a result, Brussels-based journalists from some of the most important agencies and outlets covering the presser questioned EIB President Hoyer about the bank's plans to reduce lending for fossil fuels, effectively making this the theme of the bank's annual event.



*“All in all, it was a bit of a PR nightmare for the bank. The hoax press release, combined with the fake award ceremony stunt, prompted numerous questions from journalists about the bank's efforts on climate change,” reported the European Voice in February.*

With the help of global organisations like 350.org, Friends of the Earth, WWF and many others, we kept the pressure on the institutions throughout the year via advocacy and communications work. Knocking on the doors of government ministries, publishing comments in newspapers and spreading our message through social media helped us achieve our first goal: in the summer, the EIB officially announced prohibitive restrictions on its coal lending



*New and refurbished coal-fired power plants will be ineligible for funding by the EIB unless they emit less than 550 grams of carbon dioxide per kilowatt-hour (gCO<sub>2</sub>/KWh), the EIB said on Wednesday, a threshold that could be met either by a combined heat and power plant or one that also burns biomass.*

With this success in tow, we turned our attention to the EBRD, persuading the bank via media outlets both traditional and online to drop coal lending. In May a report from the Guardian's energy editor – who attended the bank's annual meeting as part of a partnership between Bankwatch and the Guardian – questioned how seriously the EBRD approached the imperative of ending financing for coal projects. The bank's energy chief felt compelled to pen a reply in an opinion later published by the same paper: clearly the EBRD felt the heat from our efforts.

theguardian

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Environment > Coal

## European energy chief puts forward case for funding coal

EBRD chief Riccardo Puliti warns Europe not to be hasty in adopting 'ideological' policy on carbon intensity funding

Terry Macalister in Istanbul

We pioneered different online tools to spread the message of a coal-free EBRD. Using Google Hangouts, we held livestreamed video discussions to share our knowledge about the energy review processes with other NGOs, journalists and staff at the EBRD. During a Twitter ‘storm’, thousands of citizens from around the world told the bank that it cannot be the laggard among public institutions who are stepping away from coal, and nearly 17000 people signed a petition calling on the bank to do the same, which was later delivered to the bank during public meetings in Belgrade, Istanbul and Moscow.

Moving offline, our campaigns on the ground in eastern Europe exposed a number instances in which EBRD-backed coal projects were wreaking havoc on people and planet. In Serbia, Bankwatch member CEKOR continued its support of local communities affected by the giant lignite mine at Kolubara. We invited reporters from international media like Der Spiegel, Liberation and the Guardian to the mines, to seek the scoop by interviewing locals, authorities and bankers alike. With numerous appearances in national and international media, EBRD directors from shareholding countries learnt about the case and

its controversies. By the end of the year, the EBRD had pulled out of Kolubara B, a massive victory for our Serbian colleagues.



Nearly 17000 signatures against coal were handed to the EBRD at its consultation in Istanbul.

In Kosovo, where the EBRD had expressed interest in financing a new 600 megawatt lignite unit close to Pristina, we brought the issue directly to the European Parliament and the attention of Brussels decision-makers. In April, the Parliament issued a resolution recommending that Kosovo clean up its energy sector and reprimanding the EBRD for supporting more coal projects. These results were evidence of skillful advocacy work by Bankwatch and partners.



*The European Parliament (...) calls on Kosovo to work on developing renewable energy and diversifying energy sources with a view to closing down Kosova A and rehabilitating*

*Kosova B in accordance with its obligations under the Energy Community Treaty; underlines the necessity of devoting more of the financial aid provided by the EU and the EBRD to energy saving, energy efficiency and renewable energy projects; regrets that the EBRD is planning to support new lignite capacity (Kosova e Re) in its draft country strategy, and calls on the Commission to take action to contest plans such as this that run counter to EU climate commitments.*



Nils Klawitter of Der Spiegel speaks to locals near the Kolubara mine in Serbia

With weeks to go before the bank officially released the updated policy, Bankwatch groups and partners took to the streets across Europe and held demonstrations in front of EBRD offices, giving one last push to the campaign.

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The pressure worked. When the EBRD finally announced its revised energy strategy, coal was all but off the table, with projects being considered only in ‘rare and exceptional circumstances.’

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Quite a shift for the bank who just months before had argued that it would not be ‘ideological’ about climate change.



Bankwatch partner Platform holds a small demonstration outside EBRD headquarters in London

For a comprehensive look at our campaign on the energy policies, visit [bankwatch.org/campaign/energy-lending](https://bankwatch.org/campaign/energy-lending)



A scene from ‘How we live,’ a Bankwatch production featuring our energy campaigns in Serbia and Georgia that made the rounds on the international film festival scene including New York and Barcelona.

# Nearing the finish line for the future EU Funds

## How our work made this the greenest Cohesion policy ever

What would you do with one trillion euros, how would you spend it? Would you go on a shopping spree and spend on a whim, or would you plan more carefully and invest for the future?

Europe is asking itself these very questions right now as it gets ready to spend the next 959 billion euro EU budget for 2014-2020. In times of austerity and a slumping economy, some might well argue to find investment opportunities at every corner and spend, spend, spend - irrespective of the costs down the road. Yet thanks in part to our long-standing EU funds campaign, we are seeing some positive signs that countries across central and eastern Europe will invest wisely their share of the EU budget on projects that benefit people, planet and the economy.

Our work in 2013 built on our biggest success in the previous year, namely that 20 per cent of the EU budget be guaranteed for measures that tackle climate change. With this commitment in place, we entered the home stretch in what is known as the 'programming period,' where Member States finalise their plans for which types of projects and programmes they will pursue from 2014 onwards into the next decade.

We started by building alliances and coalitions across Europe with groups concerned about how their governments intend to spend their portions of the EU budget. Our outreach culminated in an international forum and the signing of the Wandlitz Declaration, a joint statement endorsed by eleven of some of the largest NGOs from around Europe, urging the



Children in Prague build a model of their school using gingerbread in our video clip to illustrate how one EU project achieved near passive standards for their elementary building, saving money on energy bills for their municipality and improving the quality of life for the students in the process

European Commission to pressure EU countries to honor their commitments for green spending.

Throughout the year, we engaged decision-makers in Brussels and authorities in our own countries, outlining our vision for what constitutes green spending. Advocating a stronger role for the partnership principle, which provides NGOs and members of the public with a genuine say in the formulation of programming together with other stakeholders, we maintained regular dialogue and even in some cases drafted portions of the programmes themselves.

Our efforts paid dividends: first in Slovakia, where we read with delight the country's definition of spending for sustainable development, which matched nearly verbatim our recommendations. Then in the Czech Republic, where 400 million euros were allocated for much-needed energy efficiency

upgrades that will help consumers save on their bills. In addition to these highlights, our analysis of how climate change spending plans were shaping up across the region and where the gaps needed minding was well received by the media and politicians alike.

When all was said and done in 2013, the result was the greenest ever Cohesion Policy, funds from the EU budget intended to carry our region sustainably into the next decade. The new law guiding Cohesion Policy now specifies that all spending plans must include measures to safeguard the environment.

To be sure, some countries in the region continue to lag behind others in living up to their spending commitments. As we now enter the thirteenth hour of the EU budget in the programming period, we know that we've run a good race, and now is the time to finish strong.

# Campaign highlights in 2013

Our flagship campaigns on moving the EIB and EBRD away from coal and the future of the EU funds were supplemented by a number of successes from around our region. Here we highlight just a few of the ways in which we're making public funds serve the public interest, in Europe and beyond.

## Greenest ever Cohesion Policy sets precedent with billions slated for environment

For the first time in the history of the European Union, legislation governing the 366 billion euro Cohesion Policy includes sectoral targets for green spending. Thanks in part to Bankwatch member group campaigns across central and eastern Europe, EU Member States are now required to spend at least 23 billion euros on renewable energy, energy efficiency and sustainable urban mobility projects. This substantial amount represents twice as much as was originally planned for the less developed regions, resulting from our persist advocacy in Brussels and beyond.



## Decades-old dam in Croatia is at last retired

A rule of thumb we've learned from our campaigns is that any project that is several decades old and a relic of a former era is likely to be a catastrophe waiting to happen. The same held true in the case of the Ombla hydropower plant near Dubrovnik, where after nearly two years of campaigning,

Bankwatch member group Zelena Akeja successfully persuaded the EBRD to drop financing for the environmentally-destructive dam. Because of our success, one of Europe's most unique underwater karst ecosystems has been saved, since without EBRD funding, the government will be hard pressed to find money elsewhere to build the project.

## Putting people's health before profits at coal plant in eastern Romania

Bankwatchers in Romania lent support in the industrial town of Galati to opposition against plans for a coal power plant by the Italian energy giant Enel. By engaging the town's university and academics, supporting local journalists and enlisting other international NGO allies, we influenced the discourse on coal power to focus on the serious health impacts, swaying supporters to back our position that 'coal kills.' In October Enel's CEO announced the project would not go forward.

## EBRD internal audit body tested as bank found liable for policy breaches

Through three separate complaints submitted to the EBRD's Project Complaints Mechanism, regarding hydropower plants at Boskov Most in Macedonia, Ombla in Croatia and Paravani in Georgia, we exposed the EBRD for not properly implementing its own policies

on environmental assessments and ensuring public participation. The PCM reports are a stinging indictment of the bank's repeated failure to protect biodiversity, and the upcoming review of its Environmental and Social policy will be an important yardstick of whether the bank can right its environmental wrongs.



## Paving the way for future campaigns beyond our region

Throughout 2013 Bankwatch collaborated with partners from the Middle East and North Africa, where Europe's public banks are increasing their lending after popular protests swept the region in 2011. Beginning with a well-attended workshop in Istanbul prior to the annual meetings of the EBRD, Bankwatch and friends identified common ground where experience and expertise will be mutually beneficial to one another's work. From coal-fuelled projects in Egypt to shale gas extraction in Tunisia, through media appearances and joint field visits, Bankwatch is supporting partners advocate for their human rights and right to democracy.

## UN convention rules that nuclear programme in Ukraine violates international agreement

Following months of advocacy by Bankwatch member group National Ecological Centre of Ukraine, the United Nation's Espoo Convention commission ruled that the extension of the lifespans of Soviet-era nuclear reactors violated the convention because neither a proper environmental impact assessment was prepared nor were neighboring countries consulted. The ruling confirms NECU's position about the dubiousness of

the nuclear programme, for which the EBRD provided 300 million euros just prior to the UN decision, arguing instead that the programme is intended for 'safety upgrades.' NECU continues to follow the case closely and maintains that the only safe nuclear reactor is a closed one.

## Another investor shies away from controversial coal plant in Croatia

The long standing campaign by Bankwatch member Zelena akcija and other Croatian NGOs against the 500 megawatt Plomin C coal power plant on the Istrian peninsula

received a boost in October when it was announced that the second of four shortlisted investors had pulled out of the bidding for the 800 million euros project. With just two investors remaining and a court case challenging the spatial planning permit pending, hopes are high that another climate time bomb in southeast Europe will be avoided.



Action held outside the Plomin coal plant, with cardboard cut-outs standing in for the nearly 700 premature deaths that would be caused by air pollution from the project.



# Financial information for 2013

## Balance sheet

<b>Assets</b>	EUR	<b>Liabilities</b>	EUR
Material Fixed Assets	5,051	Basic Capital	5,051
Claims - Advances provided	106,396	Reserve Fund	220,971
Claims - Financial Support	270,046	Grant Fund	93,172
Claims - Business	25,434	Committed Transfers 2012	133,863
Cash in Hand	2,476	Short Term Liabilities	87,204
Bank Accounts	144,299	Interperiod Passive Clearances	23,467
Valuables	330	<b>Total Liabilities</b>	<b>563,727</b>
Interperiod Active Clearances	9,694		
<b>Total Assets</b>	<b>563,727</b>		

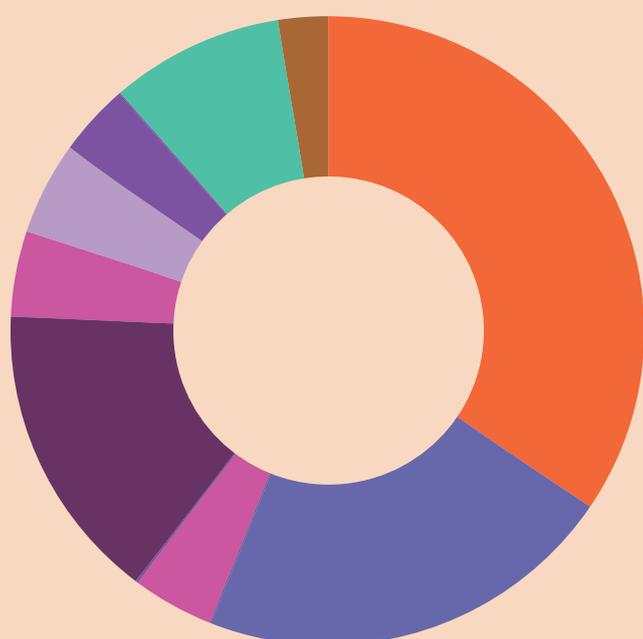
## Profit and loss account

<b>Income</b>	EUR	<b>Expenditures</b>	EUR
Operating Cost Grant Drawing	949,349	Office Materials, Energy and Repairs	18,439
Income on Short Term Bank Deposits	31	Travel costs	134,531
Other Income	17,076	Salaries and contracts	541,732
Earnings from Differences in Rates	30,610	Consultants	73,689
<b>Total Income</b>	<b>997,066</b>	Services	145,466

Bankwatch is grateful to all of the foundations and organisations that have supported and made possible our work in 2013. The information above derives, as every year, from an official audit of our accounts – conducted by the Czech authorities in March 2014.

Production of publications and videos	44,879
Other costs	11,658
Losses from Differences in Rates	24,147
Amortization	2,526
<b>Total Expenditures</b>	<b>997,066</b>

Expenditures of member and partner organisations	<b>648,833</b>
<b>Total budget Bankwatch</b>	<b>1,645,898</b>



## Budget breakdown by funder

DG Development	- 35%
DG Environment	- 21%
Education, Audiovisual and Culture Executive Agency	- 9%
(EACEA)	- 4%
European Climate Foundation	- 15%
CS Mott Foundation	- 4%
Postcodeloterij	- 5%
International Visegrad Fund	- 4%
Cofinancing from partners	- 9%
Other	- 3%

**The strategy approved today makes it clear that everyone in the bank and in many of its shareholders' capitals is now tiptoeing around coal. This should serve as one more warning for the coal industry that it can no longer ignore our health and our climate. *Bankwatch* quoted in a *Bloomberg* report, December 2013**

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