

To:
EIB Directors
European Investment Bank
100, boulevard Konrad Adenauer
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CSOs' key points in regard to Climate Policy for EIB CSO/Board meeting
February 2015

Dear Board of Directors,

On behalf of a group of international Civil Society Organisations, with this briefing we would like to convey key messages in relation to the announced revision of the Climate Action and propose some further recommendations for inclusion by EIB directors in a course of the revision and public consultations planned for this year.

We would like to express satisfaction with the fact that the Bank has opened this important revision and invited interested parties to consult its Climate Action financing. However we would like to point that the process does not allow for proper consultation due to a short time before the publication of a new policy and its approval by the Board. Thus we would like to ask you to commit to at least one month period for the consultation between the moment the final draft is published and the policy adoption.

EIB Climate Policy shall establish sound overarching climate principles that apply to entire EIB portfolio

The overall climate protection aim and long term commitment is to keep temperature rise well below 2°C. The EIB can contribute to this objective only if it ensures coherence of its operations in support of EU priority areas such as : (i) increasing innovation and skills; (ii) promoting economic growth, employment and social cohesion through access to finance for smaller businesses; (iii) climate action and (iv) financing strategic infrastructure.

With climate protection set to be a high priority for the EU in the next five years and beyond, the EIB needs to streamline climate considerations across its lending to different sectors and in different regions as quickly as possible. Such a policy needs to deliver on multiple objectives, with the combating of climate change and the promotion of sustainability absolutely central to these.

The Climate Policy principles should not be merely limited to a "do no harm" approach minimizing negative impacts but must strongly prioritize support for low carbon projects and reduce support for high carbon projects – by much stronger and effective climate mainstreaming requirements through project appraisal, intermediary lending, specific carbon intensive sectors, climate action target, etc.

EIB Climate Policy shall strengthen climate mainstreaming in the project appraisal process

New Climate Policy should strengthen climate mainstreaming in the project appraisal process. The EIB added value is unclear in many supported projects (i.e. existing airport expansions and new motorways under construction in the EU). The EIB Climate Policy should include instruments that the EIB would deploy in order to keep the climate damaging projects out of its portfolio. Projects without a clear low carbon added value should not be supported at all.

We would also like to express our concerns regarding the EIB GHG footprint methodology, especially the part establishing relative emissions compared to a baseline.

It is hard to believe that an average road project in 2009-2013 or gas extraction project supported by the EIB have negative relative emissions! This rather suggests that the baseline or methodology is flawed.

EIB Climate Policy shall ensure better selection within carbon intensive sectors

The EIB needs a climate policy that will ensure its portfolio is compatible with the EU 2030 and EU 2050 climate objectives at the project level as well as taking into account the cumulative climate implications of its entire portfolio as well as some of the sectors in relation to all EU similar investments.

The EIB has built a huge EU-wide expertise on infrastructures. The Bank has an overview of the financing sought by specific types of project promoters across the EU over time and when excessive levels of GHG intensive infrastructure appear in its project pipeline and on its books, it should be able to take concrete steps to restrict further lending for projects of this kind (both via project finance as well as via other ways of indirect financing). Such approach would ensure the EIB supports projects sound and justifiable both in climate and economic terms. In addition, low carbon energy and transport alternatives are increasingly available. On these bases the EIB should only support projects that pass this 'EU-wide carbon budget test' and win the EIB selection process.

EIB Climate Policy shall protect its assets becoming stranded in carbon intensive infrastructure

Currently, companies involved in oil and gas extraction and coal and lignite mining are valued based on the assumption that all the reserves on the books of these companies will be burned. This is at odds with the science of climate change and with the EU 2050 climate objectives. If EU climate commitments are upheld and other global players agree to stabilise the rise of GHG emission to below 2 degrees, then 80 percent of the fossil fuel reserves now on the books of fossil fuel companies cannot be burned – their de facto value should thus be zero despite current valuations.

The EIB should therefore phase out any support to fossil fuel related investments by 2020 at the latest and ensure there is up to 2020 a steady decrease of the other GHG intensive projects in the EIB portfolio at the benefit of GHG positive or neutral projects (EE and RES components in the SMEs lending, passive or energy positive building stock, deep retrofitting of the building stock in Europe, smart grids and demand side management equipment, decentralized grids and renewable energy production etc.)

The EIB Climate Action target shall be reviewed and raised

The EIB Climate Action target of 25% of the overall portfolio has been achieved by the Bank for years. With the new EU commitments to at least 40% GHG cut by 2030, the EIB needs to significantly step up its target set by the Corporate Operational Plan every 3 years and establish a trajectory for this target to reach at least 50% by 2020.

EIB Climate Policy shall ensure the private sectors truly contributes to low carbon investments

The EIB Climate Policy principles should apply to all projects financed through financial intermediaries and other financial instruments like the Project Bonds and forthcoming European Fund for Strategic Investments (EFSI). It is therefore encouraging that the EIB indicates that it will devise climate criteria for one of its largest portfolio sectors, its lending to small- and medium-sized enterprises. However we are concerned about the Project Bond Initiative overall negative impact on climate and we demand it is refocused on low carbon investments exclusively.

It is also necessary for the EFSI. At this stage, low-carbon projects qualify for investment under the fund, but there are competing investment areas, and prioritizing of low-carbon projects has not been established.

In addition to continuing their own issuance of green bonds, the EIB can support the use of green bonds by other private or public issuers in several ways, enabling them to leverage the private capital markets for green investments:

- Credit enhancement: The EIB can prioritise green bonds over non-green bonds in their credit enhancement initiatives (e.g PBI, EFSI) to scale up the issuance of green bonds from other entities.
- Technical support: The EIB can integrate advice on how to issue green bonds in their technical assistance initiatives. For example, JESSICA and ELENA can advise cities and other local municipalities, and affiliated entities, on how to issue green municipal bonds.

In addition to support asset-backed bonds from renewable energy through a refocused Project Bonds Initiative, the EIB should improve their support for green asset-backed securitisation. Securitisation of green assets has two main benefits: it enables refinancing of assets, and aggregation of smaller assets. The proposed initiative for green securitisation “Renewable Energy Platform for Institutional Investors (REPIN)” is one option that should be included in the EIB’s climate action approach. As many green assets are small scale, aggregation is required to access the scale required by institutional investors. The REPIN platform is relevant for securitisation of green projects both within and outside the EU. Picking up the green securitisation agenda within the EIB is timely, as there is currently strong policy momentum in place to revive the European securitisation market more broadly and to establish a capital markets union.

Yours sincerely,

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