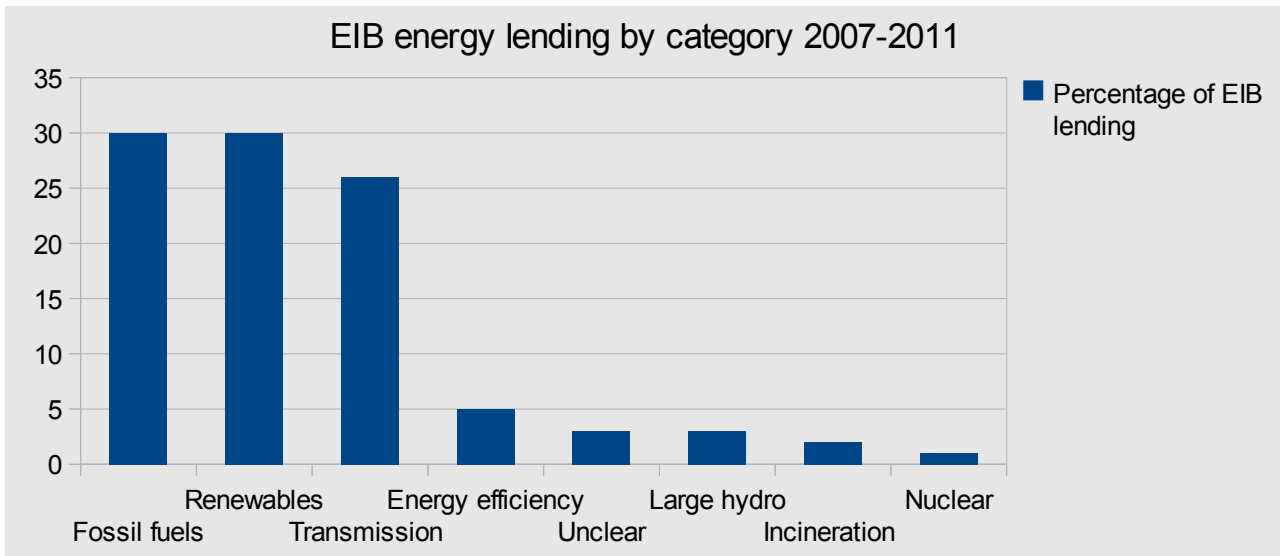


## CEE Bankwatch Network challenges the EIB to do more

The European Investment Bank has opened a review of its energy policy and called for the public's views on the key future challenges for the bank's operations. The lending figures to the energy sector until 2011 show that the policy must better guide the EIB's lending towards EU policy objectives of de-carbonisation of the energy sector.

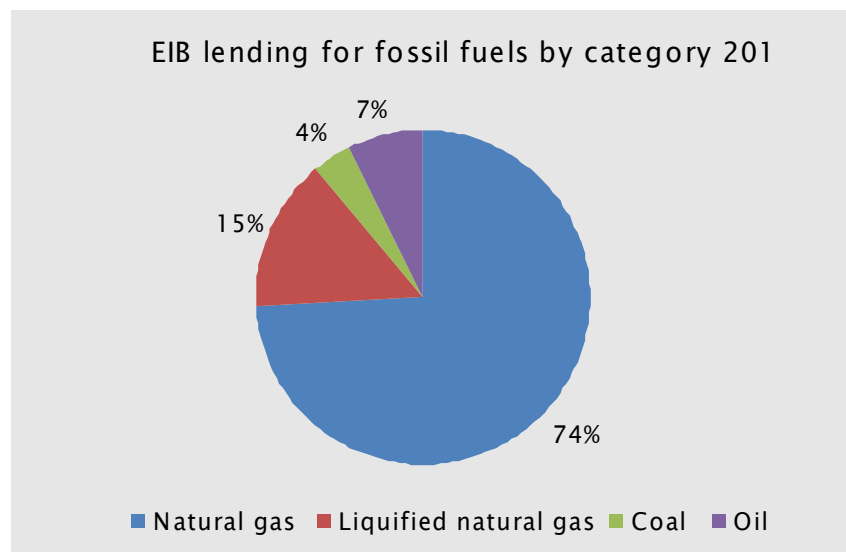


Between 2007 and 2011 the EIB loaned 30% of its energy budget (62 billion Euro) for different kinds of fossil fuel projects, sometimes causing a high carbon “lock-in” effect, for example when financing coal power plants with a sum of almost EUR 2 billion. Since the current energy lending policy was adopted, the EIB has financed the following coal and lignite projects:

1. Du-Walsum Coal Power Plant in Germany, 2007
2. PPC Environment in Greece, 2007
3. Enel Energia Rinnovabile & Ambiente in Italy, 2007
4. TES – THERMAL Power Plant Sostanj in Slovenia, 2007 and 2010
5. Power Plant Karlsruhe in Germany, 2008
6. Fortum CHP And E-Metering in Poland, 2009
7. SE Power Plant And Forest Industry R&D in Poland, 2010
8. South Poland CHP in Poland, 2011
9. Paroseni Power Plant in Romania, 2011

The EIB's justification for investments in coal power plants was based only on “security of supply considerations” which constitutes one of the EU energy policy pillars. However, achieving one objective cannot take place at the expense and in contradiction with other policy objectives like sustainability and climate protection as is happening for the EIB's investments into high carbon energy sources. A new approach is needed to ensure that EIB investments are adding value to the EU's sustainable development.

In 2011 the EIB support for the fossil fuels industry decreased on average in the EU to one fifth of its energy lending (EUR 13 billion) though it is difficult to say whether this trend is sustained or caused by short-term market trends. For the bank to prove that this past year was not an exception on the road to phasing out fossil fuel lending and becoming a leader in financing decarbonisation, the upcoming energy review needs to make a commitment to commit to a halt in fossil fuel projects in line with EU climate targets for 2050. The Bank must start from phasing out financing for coal power plants immediately (including retrofitting); this would cause a significant reduction in financing of fossil fuels in the new member states where coal lending reached over 20% share of fossil fuels lending in the region. Secondly the bank should halt its lending to natural gas and LNG which now dominate the EIB's support for fossil fuels, as well as oil:

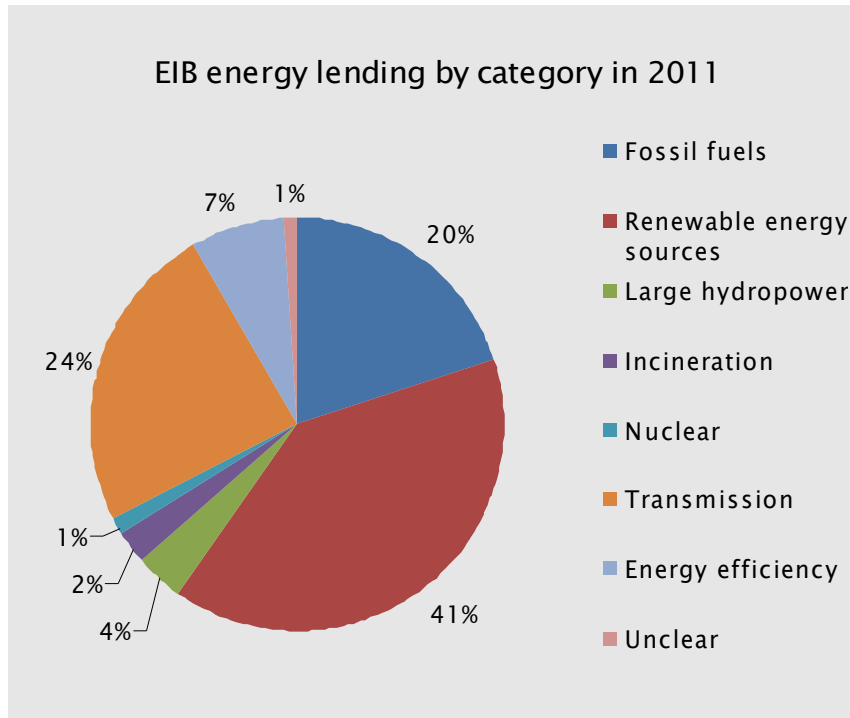


Natural gas is promoted as the cleanest and most environmentally friendly fossil fuel – however it is still a fossil fuel and definitely is not widely accepted as a solution to combat climate change.<sup>1</sup> The EIB claims that investing in natural gas-based CHP installations is accepted in the EU as a transition solution, however now it is widely recognised that efficiency gains are not enough to decarbonise the energy sector and to reduce GHG emissions by 80–95 percent by 2050.

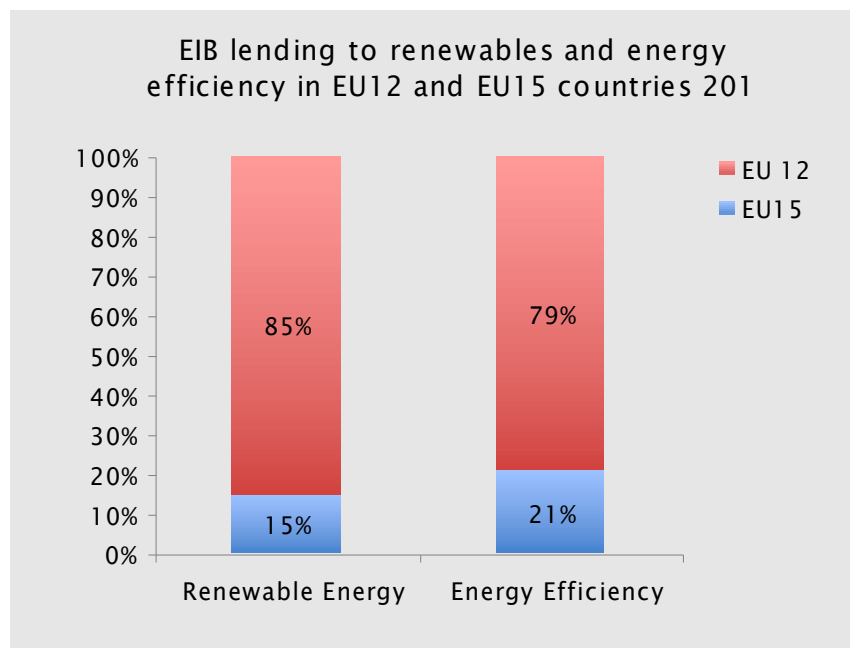
From that point of view, any replacement in energy generation after 2013 for coal and 2014 for gas should be turned down by the EIB on the basis of climate science and the fact that the technology which is mature does not need EU public financial support, at the very least unless CCS is proven to be commercially viable and technically effective. The EIB must also no longer support extraction of fossil fuels, their transportation, storage and refining in any region of the World.

EIB lending for renewable energy and energy efficiency projects has in recent years increased from 32 percent (on average between 2007–2010) to 48 per cent of total energy lending in 2011, reflecting the strong growth and development of these markets and the priority given to these sectors during this period.

<sup>1</sup> International Energy Agency press release, 6 June 2011, [www.iea.org/press/pressdetail.asp?PRESS\\_REL\\_ID=415](http://www.iea.org/press/pressdetail.asp?PRESS_REL_ID=415)



Still there is a lot of room for improvements in the EIB's renewable energy and energy efficiency lending. Although the EIB's mandate is to support sustainable development especially in the convergence region (EU12) of the EU, its lending to renewables and energy efficiency in new member states is much lower compared to other EU states (EU15).



In 2011 there was also an absolute decrease of the EIB lending to renewables by 13.5 percent and energy efficiency projects by 18.5 percent compared to 2010. It is true that lending to fossils also decreased, however the message from climate science is clear: the EIB, as the EU's policy bank must take a stronger lead and must keep on a positive track. It must play a key role in catalyzing the increased investment needed in Europe's energy efficient, new renewables-based economy and in ensuring the EU maintains an effective response to the climate imperative.