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Za Zemjata, For the Earth

**Croatia:**

Green Action

**Czech Republic:**Centrum pro dopravu a energetiku  
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Hnuti DUHA

**Estonia:**

Estonian Green Movement-FoE

**Georgia:**

Green Alternative

**Hungary:**National Society of Conservationists -  
Friends of the Earth Hungary  
(MTVSZ)**Latvia:**

Latvian Green Movement

**Lithuania:**

Atgaja

**Macedonia:**

Eko-svest

**Poland:**

Polish Green Network (PGN)

**Russia:**

Sakhalin Environmental Watch

**Serbia:**Center for Ecology and Sustainable  
Development (CEKOR)**Slovakia:**Friends of the Earth - Center for  
Environmental Public Advocacy  
(FoE-CEPA)**Ukraine:**National Ecological Centre of Ukraine  
(NECU)CEE Bankwatch Network's mission is  
to prevent environmentally and  
socially harmful impacts of  
international development finance,  
and to promote alternative solutions  
and public participation.

23 March 2012

**Response to EIB considerations regarding the CEE Bankwatch  
Network report "Carbon Rising – EIB energy lending 2007-2010"**

Dear Sirs,

Thank you for the detailed comments you provided to our report and for meeting us at EIB headquarters. Your comments have been carefully analysed and published on the Bankwatch webpage <http://bankwatch.org/publications/eib-response-bankwatch-study-carbon-rising-european-investment-bank-energy-lending-2007> I would also like to take the opportunity to respond to some of your comments.

**1. CEE Bankwatch Network methodology**

Bankwatch report does not misrepresent the bank's activities because it applies a transparent methodology that was annexed to the report. The EIB is free to disagree with the methodology, however the categorisations of EIB energy investments are meant to reflect the broader sustainability impacts of energy generation. Every project was assigned to a category on the basis of the EIB's project description and the authors' own research. Unfortunately in many cases the EIB's project summary does not reflect all aspects and components of the project. This is a systemic problem in the EIB's approach to information disclosure and has been discussed with the bank for many years, also by other organisations.

According to the Bankwatch methodology, municipal waste incineration installations are not renewable energy sources, even for the organic fraction of waste, because they stifle reuse and recycling with their constant requirements for a steady stream of waste. They also represent a highly inefficient way of using waste resources. Much greater amounts of energy can be saved by recycling and composting when compared to the amount of energy that can be recovered by incineration. They also require natural gas for ignition of the waste.

Large hydropower projects are also considered separately from renewable energy projects as hydropower plants often have significant negative impacts on biodiversity, affected communities, and in some cases produce significant greenhouse gas emissions that often cannot be mitigated or compensated. These impacts have been analysed in great detail by the World Commission on Dams, which produced a set of recommendations

that receives wide international support<sup>1</sup>. However, too many dams are still built that do not adhere to these standards. Dams constructed within the EU and accession countries also often conflict with the EU's Biodiversity Strategy, which aims to halt biodiversity loss by 2020.<sup>2</sup> For these reasons Bankwatch applies a different approach than the EIB and calls on the EIB and EU decision makers to disincentivise the construction of new hydropower plants of more than 10 megawatts.

Here we would also like to draw your attention to large hydropower projects financed by the EIB during the period of the respective study, like the Bujagali dam in Uganda and Dos Mares in Panama. The Bujagali dam project was found to be incompliant with the World Bank's environmental policy, involuntary resettlement standards and others by the independent Inspection Panel, issues that are now under investigation by the European Ombudsman. Significant concerns have been raised around Dos Mares as well and have been described in detail in a Counter Balance publication<sup>3</sup>. Additionally in the case of large hydropower projects outside the EU, the EIB's promises regarding the sustainability of projects should be treated with caution due to the lack of binding operational environmental and social standards and monitoring system.

## 2. EIB lending and EU Energy Policy

Indeed the Bankwatch study does not aim to assess the compliance of EIB lending with the three pillars of the EU's energy policy. The study looks for trends in EIB financing for the energy sector from the perspective of sectoral de-carbonisation plans and a transition to environmentally sustainable energy.

According to the bank, the EIB supports all three pillars of the EU energy policy. However in justification of its financing operations, the EIB randomly uses arguments based usually on only one of the three pillars. For example, for a gas combined heat and power generation plant the EIB uses arguments based on efficiency gains i.e. the sustainability pillar, yet the EIB's justification for investments in coal power plants is based only on "security of supply considerations".

We believe that the EIB should only support projects fulfilling the objectives of all three pillars of the EU energy policy: sustainability, including climate change, security of supply and competitiveness. In this context, for the purpose of multiplying benefits for the EU as a whole, the EIB should more strongly priorities projects meeting requirements of all

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<sup>1</sup> World Commission on Dams: Dams and Development: A new framework for decision-making, Earthscan, November 2000

[http://www.internationalrivers.org/files/world\\_commission\\_on\\_dams\\_final\\_report.pdf](http://www.internationalrivers.org/files/world_commission_on_dams_final_report.pdf)

<sup>2</sup> Communication from the Commission to the European Parliament, the Council, the Economic and Social Committee and the Committee of the Regions: Our life insurance, our natural capital: An EU biodiversity strategy to 2020, Brussels 3.5.2011, COM(2011) 244 final.

<sup>3</sup> "Dire Straits. EIB investments in Panama and their impact on indigenous communities, workers and the environment" [http://www.counterbalance-eib.org/wp-content/uploads/2011/05/PanamaReport\\_WEB.pdf](http://www.counterbalance-eib.org/wp-content/uploads/2011/05/PanamaReport_WEB.pdf)

three pillars of the EU energy policy, such as projects in energy efficiency and renewable energy sources. They reduce EU dependency on imported hydrocarbons, contribute to sustainability and are fully cost competitive, especially when factoring in social and environmental externalities.

### 3. The EIB's renewable energy and fossil fuel lending

Bankwatch's study does not aim to create the impression that the majority of the bank's energy finance supports conventional fossil fuel power generation. According to our study the majority of EIB lending for new heat and power generation units went for renewable energy generation (page 13) which constitutes an unprecedented increase in the EIB's lending for renewables. Indeed, we could have given the EIB more credit for keeping this trend especially in times of financial crisis.

The study shows also that EIB lending to fossil fuels is dominated by natural gas (not by "conventional" fossil fuel power generation - a term which does not appear in the Bankwatch study). 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>4</sup> The EIB's claims that investing in natural gas-based CHP installations is implicitly accepted in the EU (and by some environmental groups) are untrue. This may have been the case a few years ago, but now it is widely recognised that some efficiency gains are not enough to decarbonise the energy sector and to reduce GHG emissions by 80-95 percent by 2050. It is also recognised that there is a substantial difference between the decisions of EU Member States and investors about whether to continue investing in gas and if such investments should be supported from public funds like the EIB loans. The EIB's investments in natural gas based CHP installations (and gas pipelines and storage facilities) do not necessarily replace old ones and thus they likely contribute to expanding gas infrastructure and deepening the energy supply problem due to the lock-in effect to the new gas infrastructure for the next decades.

Furthermore the Bankwatch report does not allege that there were special commitments regarding the bank's financing of renewable energy and climate protection in the new Member States. We fully agree that the EIB's commitments are indeed applicable to the **EU as a whole**. The Bankwatch report acknowledges that it is not an accidental trend that the EIB's energy lending is of a different character in the EU-12 (new Member States). However this character cannot be justified on the basis of the national "Renewable Energy Action Plans" which are not even mentioned in the EIB's energy lending policy, and it is unacceptable to claim that Renewable Energy Action Plans justify the dominance of fossil-fuel-based electricity generation in the EIB's lending to the EU-12 (according to the EIB the level of its lending to renewable energy in New Member States is fully in line with the Renewable Energy Action Plans). Not only is the EIB's renewable energy lending in the EU-12

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<sup>4</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)

disadvantaged in comparison to renewable energy lending in the EU 15 'old' Member States, but it is also disadvantaged in comparison to the remaining EIB energy lending in the new Member States i.e. fossil fuels. **For example in the period of the study, coal power plants in the New Member States received more than twice as much financial support as highly efficient natural gas power plants and more than renewable energy based installations.**<sup>5</sup>

Such examples include the Sostanj lignite power plant that will swallow almost all of Slovenia's carbon budget for all sectors until 2050, if one extrapolates the EU wide target for a single country.

#### 4. The EIB's lending to refinery projects

The EIB's lending to refinery "conversion" projects like those in Italy, Greece and Portugal, aim at increasing the capacities of these refineries, Contrary to what the EIB claims in its response to our report, according to the project descriptions on the EIB webpage the projects aim at the construction of new, additional refinery units. The aim of those loans is to help companies produce fuel that would be in line with EU fuel quality standards. Questions should be raised about the additionally of EIB involvement in such project financing, since well-established corporations (and monopolies in the case of ENI) can finance such expansions from their own or other commercial resources.

Yours sincerely,



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<sup>5</sup> According to Bankwatch analysis in EU 12, the EIB support between 2007-2007 to coal power plants reached 715 million Euro, to RES – 691 million Euro, to gas power plants – 322,50 Euro and to large hydro – 87 million Euro.