

# The European Investment Bank and its energy sector lending 2013-2015

In 2013 the European Investment Bank adopted new lending criteria for the energy sector to better reflect changes in EU policy, market trends and to meet Europe's investment needs.<sup>1</sup>

In its updated policy, the bank has continued to prioritise renewable energy projects, tasking itself with increased investments to meet the EU's 2020 objectives, integrating renewables fully into energy markets through the development of energy networks and improving the affordability of renewables for governments and final consumers.

The bank has also prioritised investments in reducing energy consumption in order to help Europe meet its energy and climate objectives. To this end, the EIB announced that it would support EU and Member State policy initiatives aimed at overcoming barriers commonly associated with energy efficiency investments, namely: project size, the limited capacity to develop projects and limited incentives.

The new energy lending criteria adopted by the bank include an 'Emission Performance Standard' for fossil fuels electricity generation projects to ensure that these do not 'lock-in' carbon emissions above the level consistent with the EU's climate targets. The bank announced that it would still finance projects that ensure access to secure supplies of oil and gas and continue investments in gas networks and indigenous hydrocarbon production and refining.

Furthermore the bank emphasised its role in financing energy networks and gas transmission systems, especially interconnections, as critical investments for the medium-term fuel switch to help the EU achieve its climate policy objectives.

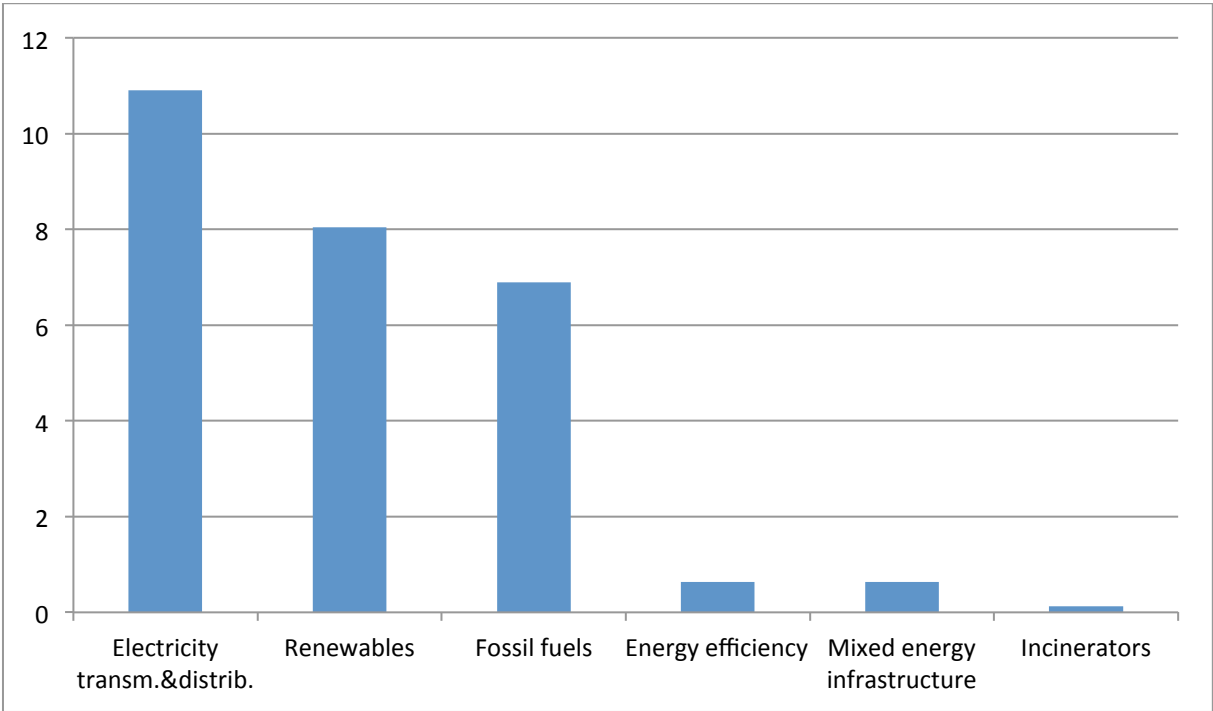
This briefing analyses the EIB's energy sector lending against these new criteria.

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<sup>1</sup> Energy Lending Criteria. EIB and Energy: Delivering Growth, Security and Sustainability - EIB's Screening and Assessment Criteria for Energy Projects, 2013

### EIB lending for priority energy sectors within the EU

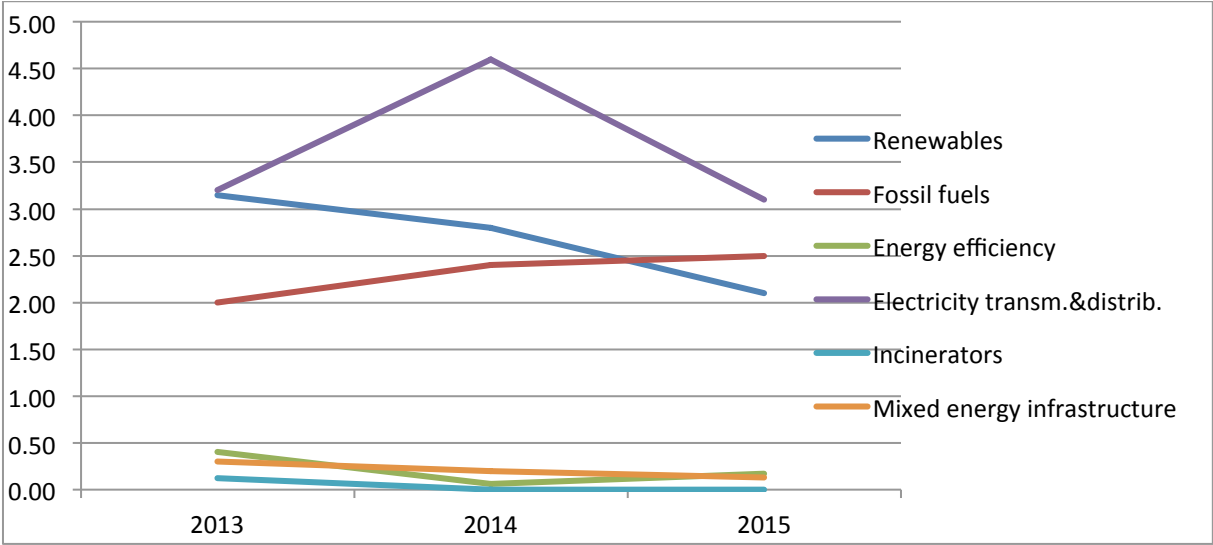
Graph1. EIB energy lending by sector in the EU 2013-2015, billion EUR



Between 2013 and 2015, the EIB lent over EUR 27 billion to the energy sector, the majority of which was concentrated in three sectors: electricity transmission and distribution, renewable energy and fossil fuels infrastructure (transmission, distribution and power generation). Graph 1 shows that lending for energy efficiency still lags considerably behind other subsectors. While investments in energy efficiency within the EU have risen since 2013, reaching almost five per cent in 2015, in the EU 13 this amount has decreased considerably, totalling just 0.3 per cent of total lending in the region<sup>2</sup>.

<sup>2</sup> The European Investment Bank and climate action 2013-2015, CEE Bankwatch Network briefing, May 2016

Graph2. EIB energy lending by sector within the EU 2013-2015, billion EUR



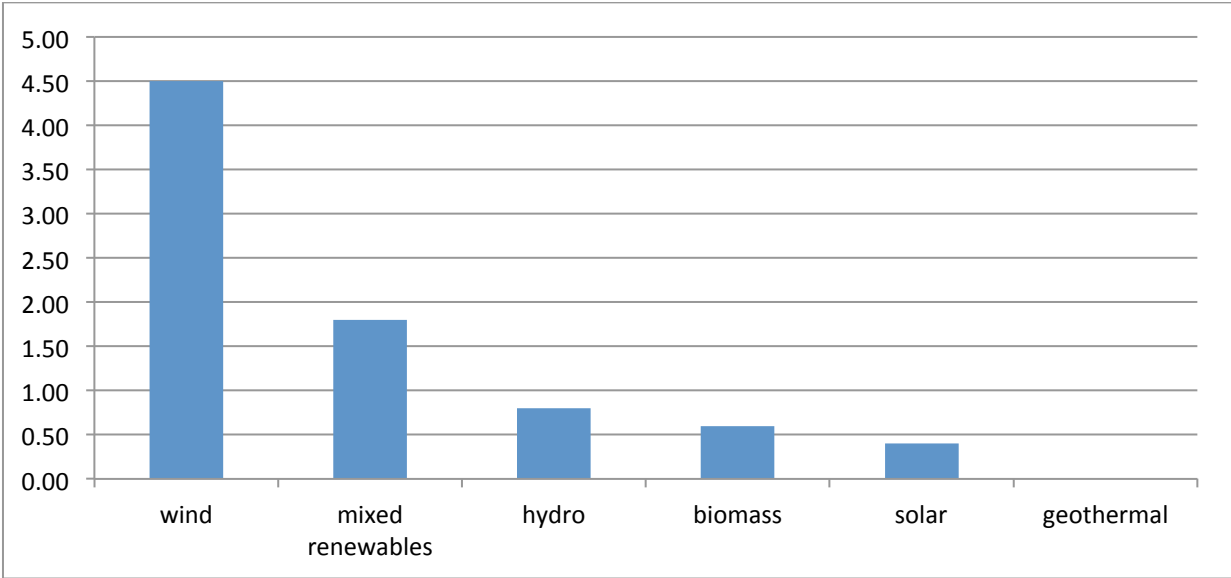
Since 2013, EIB energy lending has decreased in absolute terms, as a result of lower amounts for renewables and electricity transmission and distribution. At the same time, EIB commitments for fossil fuel infrastructure have slightly increased since then.

**EIB and renewables**

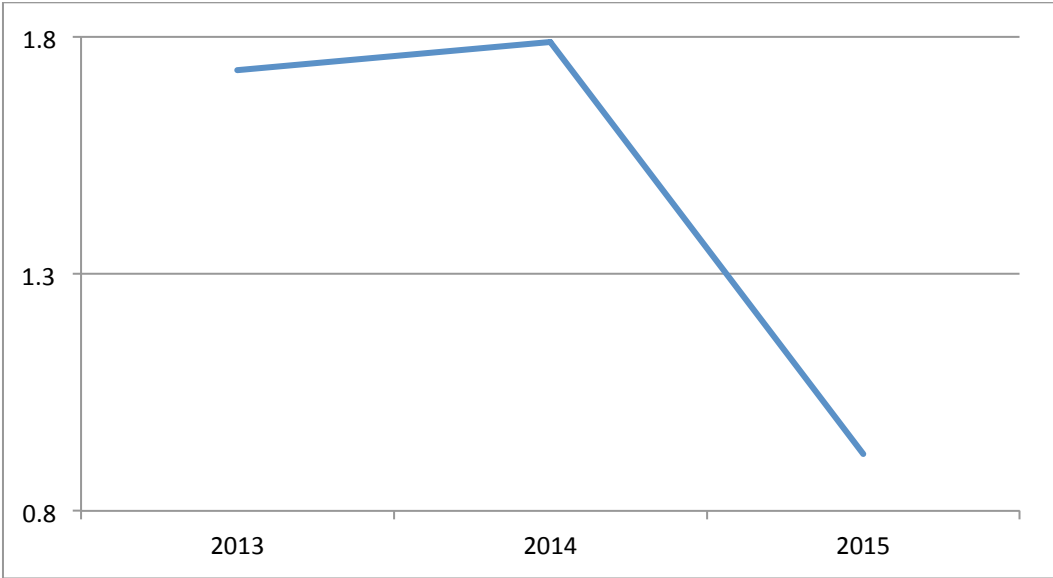
The 21 per cent decrease in EIB commitments for renewable energy over the period of the briefing reflects a general decline in renewables investments across Europe, caused by unfavourable economic conditions related to changes in feed-in tariffs and subsidies<sup>3</sup>. In total, the decrease in EIB renewables financing was bigger than the market average for the EU, led by a significant downturn in commitments for wind energy infrastructure, which had constituted the biggest share of the bank’s renewables lending.

<sup>3</sup> Global trends in renewable energy investments 2016, Frankfurt School of Finance and Management, FS-UNEP Collaborating Centre, 2016

Graph 3. EIB lending to renewables in EU 2013-2015, billion EUR



Graph 4. EIB wind energy lending in EU, 2013-2015, billion EUR



But the decline cannot be explained solely by market sentiment. According to the European Wind Energy Association *2015 was a record year for investments in the wind energy sector. Financial commitments in new assets reached a total of EUR 26.4 billion, a 40 per cent increase from 2014<sup>4</sup>.* The bank had a guarantee via the European Fund for Strategic Investment to go for riskier projects from new investors, new regions and market areas, but it did not help the bank add additional investments in the renewables sector.

<sup>4</sup> Wind in power: 2015 European statistics. European Wind Energy Association, February 2016

## EIB commitments to fossil fuels-based infrastructure

Although EIB commitments in the energy sector decreased from over EUR 10 billion in 2014 to EUR 8 billion in 2015, its lending for fossil fuels infrastructure (gas and oil power plants, gas transmission and distribution networks, gas extraction and refining) has increased since 2013 by approximately 25 per cent.

Graph 5. EIB fossil fuel infrastructure lending within the EU 2013-2015, billion EUR

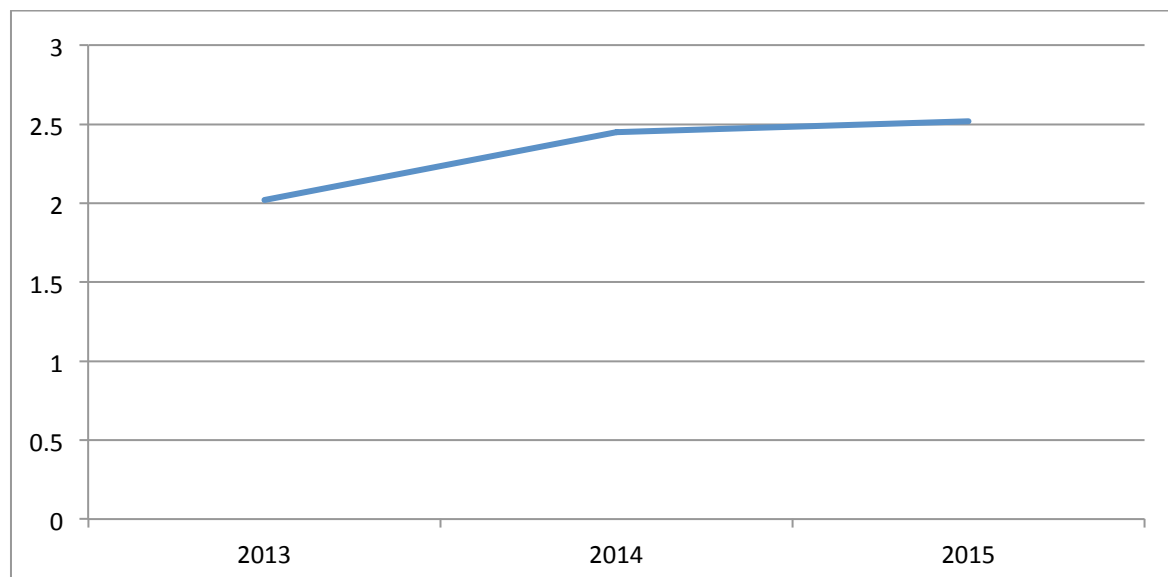


Table 1. EIB fossil fuels lending 2013-2015 by categories (in EUR)

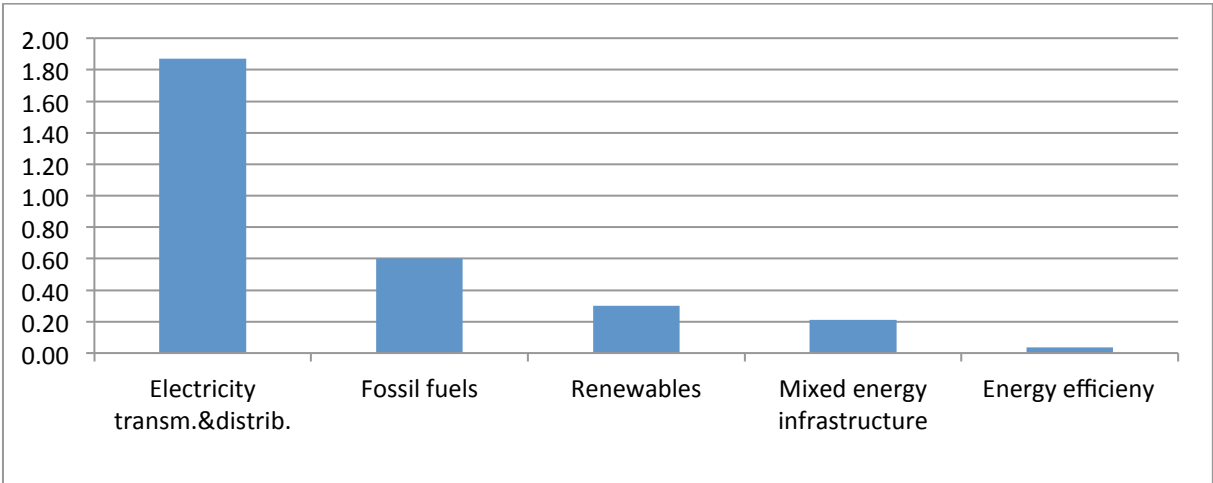
	2013	2014	2015
gas power plants	0,0	32 000 000,0	114 168 550,1
oil power plants	0,0	80 000 000,0	110 000 000,0
gas extraction	200 000 000,0	900 000 000,0	200 000 000,0
gas storage	870 000 000,0	50 000 000,0	0,0
gas transmission and distribution	892 500 000,0	1 314 791 280,8	1 487 675 314,2
gas metering	0,0	0,0	200 000 000,0
electricity and gas distribution	0,0	0,0	329 000 000,0
LNG	64 976 397,7	78 250 000,0	40 000 000,0
Coal and biomass co-combustion	0	0	38 400 000,0
<b>Total</b>	<b>2 027 476 397,7</b>	<b>2 455 041 280,8</b>	<b>2 519 243 864,21</b>

This increase was mostly the result of new EIB commitments for gas transmission and distribution networks and smart gas metering. EIB commitments for the gas sector have increased in absolute terms from EUR 2 billion EUR in 2013 to EUR 2.4 billion in 2014 and 2015, even while EIB lending to the energy sector decreased by 11 and 22 per cent in 2013 and 2014, respectively.

### EIB energy lending in central and eastern Europe

In EU13 countries,<sup>5</sup> different trends in EIB energy lending are noticeable, with even more emphasis placed on electricity transmission and distribution networks, which is justifiable given the state of public energy infrastructure. Lending to renewables still faces significant obstacles. There were just six loans signed for renewables in 2013 and 2014, and none in 2015. According to the European Energy Agency, while the EU-wide share of renewable energy in final energy use has increased, only Bulgaria, Sweden and Estonia have managed to reach their binding targets under the 2020 Renewable Energy Directive. Almost half of all EU countries need to increase their growth rate post-2013 in order to reach the expectations for 2020 set out in their National Renewable Energy Action Plans<sup>6</sup>. As the EU bank, the EIB needs to further step up its support in reaching national objectives.

Graph 6. EU 13 energy lending 2013-2015, billion EUR



For more information:

Anna Roggenbuck  
Policy officer, CEE Bankwatch Network  
annar@bankwatch.org

<sup>5</sup> EU Member States which joined the EU in 2004 and later

<sup>6</sup> RES developments in Europe 2016. Recent growth and knock-on effects. EEA Report No 4/2016