

CEE Bankwatch Network submission to the EIB Energy Lending Criteria review

The review of Energy Lending Criteria gives the bank the opportunity to align its energy financing with the Paris Agreement and catch up with the rapid developments in the clean energy sector, in order to provide the necessary financial boost for the deployment of renewable energy and energy efficiency. To this end, the EIB needs to shift its funds from fossil fuels to renewable energy and energy efficiency projects, in particular for small-scale, people-owned and controlled, decentralised projects. In particular, the review will be a good opportunity for the EIB to:

- Avoid the risk of locking in a fossil fuels-future by explicitly committing to end any kind of financing for this sector
- Adopt the energy efficiency first principle to ensure that the projects it finances would make sense in an energy efficient scenario
- Set its new Emission Performance Standard level at 100 g CO₂/kWh in order to send a strong signal to both power industry and investors
- Make financing conditional on company-level decarbonisation plans
- Strengthen efforts to diversify the location of its renewable energy projects across different regions within EU and beyond
- Prioritise financial solutions for smaller, decentralised renewables projects
- Strengthen efforts to diversify the location of energy efficiency investments, in particular by smaller companies, municipalities, regions and individuals across different regions within EU and beyond
- Give special attention to social and environmental sustainability of renewables, in particular for the hydropower sector

I. General Comments

Question:

What trends in energy transformation should the Bank consider when reviewing its Energy Lending Criteria?

The EIB rightly noted the Intergovernmental Panel on Climate Change (IPCC) report concluding that limiting global warming to 1.5°C compared to 2°C, “would reduce challenging impacts on ecosystems, human health and well-being, making it easier to achieve the United Nations Sustainable Development Goals”. To hold warming to this limit, the scientists underlined that global carbon pollution must fall to ‘net zero’ around 2050, therefore requiring a huge and immediate transformation of our energy system. The Bank has rightly noted that the majority of the energy assets financed by the Bank will be operating for at least 20 years and thus it needs to look beyond

2030. This is also important to acknowledge that the EIB's role is to finance projects in the interest of the European Union and thus supporting its policies. The EU's Clean Energy for All Europeans facilitates the transition by setting the EU climate and energy targets. Although the targets are established for the EU, they will have to be achieved jointly by all Member States undertaking actions in their energy markets.

Although the EU's CEP package aims to improve rules for the functioning of the internal energy market, in reality there are still 28 separate energy markets in the EU with the separate strategies regarding how to achieve energy and climate targets. **In this context it is important to consider the trends in achieving the established targets by the EU states.** The EIB shall constantly observe these trends and develop the energy sector implementation strategies at least for these States and sectors separately who lags behind in achieving national targets. The situation is critical, according to European Environment Agency, **the Member States' most recent projections reported in 2017 and 2018 on reduction in GHG emissions fall short of the 40 % domestic reduction target** for 2030 with only six Member States projecting emission levels in Effort Sharing sectors below their respective 2030 Effort Sharing targets.

Furthermore, the Agency reports that annual increases in **RES shares** have been relatively small in the last 5 years and merely **increasing the current average pace of renewable energy deployment across Europe to 2030 would not enable the EU to achieve the new RES target of 32 % the end of the next decade.**

Also a good pace towards the energy efficiency targets pace has slowed in recent years as energy consumption has grown. This makes it uncertain that the EU's 2020 energy efficiency objectives will at all be met, not to mention the target for 2030.

These trends should be taken into account by the EIB in the prioritization of sectors and operations. Climate neutral projects should no longer be acceptable as well as any kind of fossil fuels related operations.

In this context, the National Energy and Climate Plans (NECPs) which will be developed by all Member States should, when all summed up, establish a basis for the EIB for the development of the investment strategies. They should be turned into a pipeline of tangible sustainable investment opportunities in energy efficiency and renewable energy solutions. The EIB 's fit for all business model may not be enough, developing national strategies, including relevant financial models and technical assistance, in support of the implementation of NECPs will be required.

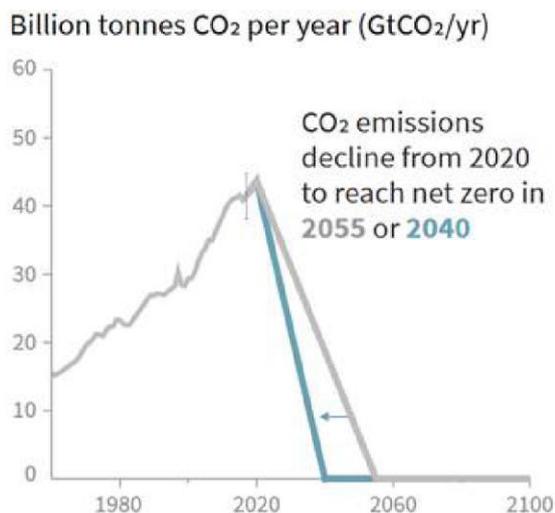
Question:

The Bank believes it has a robust framework to ensure that energy projects being financed are compatible with long-term climate targets. Do you agree? Are there areas where the Bank can improve?

While the Energy Lending Criteria recognises the challenges of climate change, it is not as ambitious as the Paris Agreement, which requires urgent action to limit temperature increases well below two degrees Celsius. The European Investment Bank has yet to align its financing with the Paris Climate

Agreement and has continued to finance fossil fuel projects until today. Indeed introduction of the Energy Performance Standard helped eliminate the most polluting forms of electricity generation from the EIB's portfolio however we do not agree with the EIB's statement that its lending to fossil fuels projects decreased significantly in recent years. **The figures are telling: between 2013 and 2018, the EIB lent 13.5 billion Euros to fossil fuel projects.** Within the EU, the bank invested billions in fossil fuels projects in Italy, Spain and the UK, where the share of fossil fuels projects relative to overall energy lending amounted to 51, 33 and 17 per cent, respectively. During the consultation meeting on 25th February 2019, the EIB Vice President Andrew Mc Dowell stated in relation to the Bank's lending to gas industry, that the Bank has indeed financed several uneconomic and heavily subsidized projects. There are several areas where the Bank can improve:

- **The EIB should explicitly commit to end any kind of fossil fuels projects**, including natural gas related. The continued investment in gas projects, like other fossil fuel projects, is incompatible with the Paris Agreement. Gas projects such as gas pipelines and LNG terminals last as long as 50 years or more. The world will need to be at net zero emissions 'between 2040 and 2055' - long before the end of life of any gas pipelines and LNG terminals.



Graph 1: Stylized net global CO₂ emission pathways.
 IPCC Global Warming of 1.5 C Summary for Policymakers p.33

The EIB therefore needs to ensure that it is focusing its limited resources on investments which add long-lasting value to the energy transition and whose climate credentials are robust enough to ensure the world keeps to within 1.5°C of global warming. Fossil fuel projects do not meet this criteria.

- **The EIB's Economic Appraisal** underestimates the external costs, in particular of carbon, as it relies on flawed **Carbon Footprint Methodology** and underestimates benefits of energy efficiency. Bankwatch Network recommends that the bank reviews its methodology, in particular we recommend changes to **a) baseline calculations:** The EIB could take a more holistic view and weigh a number of factors against each other to find a baseline that encapsulates best practices and provides real added policy value to the bank's financing. The bank should develop criteria to identify the best option socially, environmentally and economically, rather than the business-as-usual baseline option; **b)** In order to carry out well-informed decision-making and prevent

underestimation of projects' climate impact, the bank should **take into account all direct and indirect emissions related to projects, including Scope 3 emissions;** c) The bank should review its emission methodology and update existing information to be in line with the most recent reliable scientific findings on climate. In particular, it should properly account for average amounts of natural gas leakages and their climate impacts. First, the bank should **update the global warming potential (GWP) indicator it uses for methane, from the existing 21 to 86**, in line with the latest IPCC report 5. Secondly, recent solid scientific findings have showed that **the methane emissions of natural gas total lifecycle (from extraction to consumption) are much higher** than was thought for a long time, including by the EIB.

- The **Emission Performance Standard** which the Bank applies is not consistent with the greenhouse gasses reduction needs (see section III for details)
- The Bank could also maximise potential emissions reductions gains if its loans to companies with a high share of fossil fuels in their power and heat generation portfolio were conditioned on the **company adopting a decarbonisation plan aligned with the Paris Agreement prior to loan approval**. Between 2013 and 2017, the EIB provided EUR 3.9 billion to a number of companies with a high share of coal in their power and heat generation portfolios or which plan to develop new coal power capacities. The EIB shall not invest in projects of the companies who do not plan to mitigate their climate impacts. The Bank, on one side, must ensure that the project it finances do not contribute in any way, currently and in the future, to the increase of greenhouse gas emissions and on the other that the project it finances in the energy sector is a part of a plan for emissions reduction. The carbon price is already impacting the economic condition of energy corporations whose profit is based on burning coal thus it is also a matter of ensuring that the EIB loans will be repaid or the projects it financed will be implemented. A situation in Polish energy sector is an excellent example of bursting of a carbon bubble. The EIB, as an investor in projects of Polish energy companies, could be impacted by their financial situation either by the companies not being able to repay the loans or not being able to implement projects financed by the EIB. In Poland, energy companies producing most of the electricity from coal and whose projects were financed by the EIB, would be facing a difficult economic situation if not a generous subsidy scheme that has been offered by the state to mitigate the increase of electricity prices and financial losses of the energy companies caused by the increase of the carbon price. This is an unprecedented example of fossil fuels subsidy in the EU.
- The Bank has not applied yet the **Energy Efficiency First Principle**. Detailed comments are included in section II.

Question:

Within the broad areas of renewables, energy efficiency and energy grids, are there particular areas where you feel the Bank could have higher impact?

Over the last decade, the bank's **renewable energy investments** have following trends across the EU. However this pace would not be enough to reach the new target of 34 per cent of renewables in the EU's power mix by 2030. The International Renewable Energy Agency estimates that, in order to achieve this 34 per cent target, the EU will have to invest EUR 62 billion annually to accelerate deployment of renewables. It also noted that all EU countries have the cost-effective potential to use

more renewables. When it comes to the type of renewables supported by the bank, almost half of its projects are wind energy, with a slight predominance of offshore installations. Large investments costs and size of these projects were a perfect combination for the EIB to step in with a loan. However **renewable heat installations as well as small, decentralized renewable energy projects** have so far been underrepresented on the EIB portfolio. **The Energy Lending Criteria should prioritise and include measures for supporting a kick off for a prosumer-centric energy system as envisaged in the Clean Energy Package, such as grid enhancement, projects for aggregation of prosumers and innovations for peer-to-peer trading arrangements.**

The bank should also strengthen efforts to diversify origination of renewable energy projects it finances. Between 2013 and 2018, many EU countries received little or no investments in this sector. This may be related with the issue of the primary focus on large renewable infrastructure which is located in mature renewables markets.

In the last years, the Bank has increasingly financed **energy efficiency projects**, except outside the EU. Significant discrepancies exist across the Member States in terms EIB energy efficiency investments. The EEA estimates that both primary energy consumption and final energy consumption now lie above the indicative trajectory towards 2020 because of the increased energy consumption in the last two years. Reversing the trend towards increasing energy consumption is thus important for policy makers and the EIB to support it. Effort Sharing emissions increased for the third year in a row in 2017, as emissions from the buildings and transport sectors have risen in recent years. The EIB shall observe these trends which indicate sectors requiring prioritization from the EIB.

Sustainability of renewable energy. Given that certain renewables projects do have significant potential to harm the environment and communities, any renewable energy project should be based on the environmental impact assessment (EIA) procedure in line with the EU EIA Directive. Such projects should preferably be small in scale and decentralised, based on sustainability criteria that can limit the possible negative impacts of renewable energy projects. The EIB has developed the hydropower sustainability guidance however it must still ensure that the guidance is obligatory for its clients, including for financial intermediaries. We would also like to draw attention to other type of renewable energy which may have a negative impact on environment and for which sustainability criteria should also be developed. It would be necessary for the EIB to develop biomass sustainability criteria. We noticed in several CEE countries over-reliance on biomass for energy production whereas these projects are often low efficient, biomass is co-burned with coal or is of unknown or unsustainable origin.

Question:

How can EIB reinforce its impact towards ensuring affordability, addressing social and regional disparities and support a just energy transformation?

The National Energy and Climate Plans (NECPs) which will be developed by all Member States should, when all summed up, establish a basis for the EIB for the development of the investment strategies. They should be turned into a pipeline of tangible sustainable investment opportunities in energy

efficiency and renewable energy. The EIB 's fit for all business model may not be enough, developing national strategies, including relevant financial models and technical assistance, in support of the implementation of NECPs will be required. In Central Europe exists large and untapped energy efficiency potential, especially in the residential buildings and transport sectors. Increasing energy efficiency is crucial for decreasing the cost of modernization and transformation of a heating system. Then, modern renewable projects, such as PV, heat pumps offer opportunities in terms of addressing air quality and energy poverty issues through the development of prosumer micro-installations for electricity generation and heating , or the challenge of covering peak demand during the summers. However the challenge exists in the structure of the system, heating installations and buildings have various ownership and range -may be owned by municipalities of different size or housing associations on different legal basis. There may be national support schemes directed to all or to only selected groups of beneficiaries. Thus for the Bank to reinforce its impact it is necessary to take into account the existing regulatory and ownership framework and variety of stakeholders (small, medium, large municipalities , regions, housing associations, individual house owners) and propose financial schemes for potential beneficiaries using new approaches for aggregation and technical assistance. These stakeholders may often undertake actions based on their own decision-making irrespectively of the national strategies or available support schemes. The Bank may also support the development of the comprehensive energy services market, by assisting in financing of several demonstration projects.

II. Theme 1 Energy efficiency first principle

The EIB has not integrated the Energy Efficiency First Principle yet to its Energy Lending Criteria. The Principle was well defined in the recent Regulation on the Governance of the Energy Union and Climate Action and it means *to consider, before taking energy planning, policy and investment decisions, whether cost-efficient, technically, economically and environmentally sound alternative energy efficiency measures could replace in whole or in part the envisaged planning, policy and investment measures, whilst still achieving the objectives of the respective decisions.*

This includes, in particular, the treatment of energy efficiency as a crucial element and a key consideration in future investment decisions on energy infrastructure in the Union. Such cost-efficient alternatives include measures to make energy demand and energy supply more efficient, in particular by means of cost-effective end-use energy savings, demand response initiatives and more efficient conversion, transmission and distribution of energy.

Energy efficiency first principle may not be limited to merely energy efficiency measures but energy saved should be considered as a source of energy equally to other energy supply investments. The Bank should integrate this principle because it has the responsibility to achieve impacts and avoid locking societies into high risk infrastructure. The principle implies considering the potential for energy efficiency solutions in all decision-making related to energy, to be able to make informed investment choices, by comparing energy efficiency and energy supply solutions and only approving projects which would make sense in an energy efficient world.

As part of the cost-benefit analysis conducted to assess if a project makes sense for the broader economy, the Bank typically evaluates if the project is consistent with EU and other environmental

and social policies and frameworks. During that process, special attention should be put on ensuring that the project not only contributes to achieving the Member State's energy efficiency target, but also puts it on the right pathway to move to a low-energy consumption pathway in the longer term. **The 'environmental and social screening checklist could be revised** to include the following questions: 1) What are the underlying assumptions regarding energy demand? Will the project still make sense in a low energy demand scenario? 2) In case of an project in the energy sector, wouldn't it make more sense to allocate the financial support to projects that save energy? 3) Is there a risk to create stranded assets? **The EIB should request at the minimum that the project promoter to provide evidences on how energy efficiency first principle consideration was used in a decision-making on planned investment.** The guidelines on the Economic Appraisal of Investment Projects already recommends comparing, where realistic, power generation projects, as well as gas grids, terminals and storage projects, with possible alternatives including the launching of actions and policies aimed at energy saving instead of increasing the energy demand and production. **This comparison should be systematic and applied to all projects in the energy sector, and bad performance to this test should negatively affect the rating of the project. In addition, the Economic Appraisal of Investment Projects shall also be revised to quantify and take account of broader benefits of energy efficiency¹.**

Question:

The Bank has developed a number of financial and technical assistance products to help promote energy efficiency in private and public buildings. Have you had any experience with these products? If so, do you have a comment or opinion as to how they can be further developed or improved?

The EIB rightly considers energy efficiency as the most cost-effective and rational way of reducing emissions and improving the security of the energy supply. With the support of various financial products, it has increasingly financed energy efficiency projects. Significant discrepancies exist across the Member States in terms EIB energy efficiency investments. In 20 Member States the EIB's share of EE investments in the overall lending in those countries was below the average for the EIB's EU lending. It suggests that the financial and technical assistance products developed by the EIB do not work same effectively across different Member States. For example, ELENA supported the first project in Poland in 2018. So far only 13 projects were supported in Eastern Europe from ELENA, many just recently. The Private Finance 4 Energy Efficiency has also been rather limited geographically with merely 9 Members States covered whereas The Smart Finance for Smart Buildings does not seems to be anything additional to the existing mechanisms but rather just an umbrella marketing slogan for the existing mechanisms such as EFSI and DEEP. Nevertheless such initiatives should be continues and duplicated after conducting their review and adjustments. The review of these mechanisms, based on lessons learnt, should aim to assess their effectiveness and complementarity with other existing mechanisms.

In Central and Eastern Europe financing energy efficiency in buildings may lead to, relatively higher than in the rest of the EU, emissions reduction due to high energy consumption by the building

¹ For example using the Guidebook IEA 2014 [Capturing the Multiple Benefits of Energy Efficiency](#)

sector. The support scheme mechanisms are available and usually based on the EU funds, however this may change in the future. Moreover these schemes are subject to often changes in regards sums available and financing criteria undermining the long-term planning of investments. In any case, availability of low cost capital is crucial for co-financing of subsidy schemes or financing beyond the schemes. For example, between 2011-2016, approximately 58 per cent of households living in single-family homes in the Czech Republic implemented energy efficiency interventions, but only 6 per cent of them used a subsidy².

Therefore the EIB should further develop cooperation with aggregators for energy efficiency projects supported by technical assistance however it should expand the pool of aggregators on the market to ensure wider reach out and diversity of options for customers.

The following input is based on two interviews with the publicly owned Czech-Moravian Guarantee and Development Bank and the private Komerční Bank, both of which implement energy efficiency programmes supported by the EIB.

Both the banks struggle with lack of SME applicants for the programmes. The main reason for this, according to both interviewees is the limited capacity of SMEs to take part in the scheme. The SMEs do not have the capacity to assess the investment (available technology, estimated costs and assessment of return on investments) and this initial assessment is not eligible for funding under the EIB projects. Capacity development in form of local energy consultancy services, extra finance for assessments, simpler assessment procedures, calculators or other assessment tools would thus be of major importance in order to increase the number of SME applicants. In order to enlarge the pool of potential applicants, new ways of directing technical assistance to the mentioned instruments are therefore necessary. The technical assistance should be also provided during for the phase after the reconstruction and target behaviour, as up to 50 % of the technologically achieved savings can be lost if behaviour of the users is not adjusted.

Increased level of coordination between EIB funding at the national level could be another source of applicants (e.g. unsuccessful applicants from grant schemes redirected to financial instruments). Another issue, which decreases the number of applicants in some programmes (especially the financial instruments-based programmes), is namely the lack of coordination and resulting cannibalisation between the different EIB programmes in the Czech Republic. Programmes targeting overlapping communities of applicants are currently offered by the Ministry of Industry and Trade, the public as well as the private banks. The financial instruments are often underused since applicants prefer higher intensity of support provided by the grant schemes.

A specific problem are the rules of the EIB Climate Action Programme, which requires the overall KB-EIB's portfolio to contain 15 % of funding to fulfil specific Climate Action conditions, however, the overall conditions of the portfolio do not reflect this added value and do not offer any additional favorable conditions. Moreover, these types of programme require heavy administration which represents another barrier for the applicants. The private banks have thus problem finding applicants for both these lines.

² The energy transition in Central and Eastern Europe: The business case for higher ambition; University of Cambridge Institute for Sustainability Leadership, 2019

III Theme 2 Decarbonising power and heat

Question:

Declining costs and competitive auctions are transforming a number of renewable markets (e.g. onshore wind, utility-scale PV). How can the Bank best support these relatively mature technologies? In the context of increasing market integration, is there a need for financial instruments to help attract long-term private finance?

The International Renewable Energy Agency estimates that, in order to achieve this 34 per cent target, the EU will have to invest EUR 62 billion annually to accelerate deployment of renewables. The EIB's experience in financing renewable energy in many Member States is rather limited. Between 2013 and 2018, many EU countries received little or no investments from EIB in this sector. This may be related with the issue of the primary focus on large renewable infrastructure which is located in mature renewables markets. Almost half of the Bank renewable projects are wind energy, with a slight predominance of offshore installations. This technology had the largest annual growth rate among all renewables technologies within the EU, and with its large investment costs is a perfect combination for the EIB to step in with a loan. The low level of EIB investments in renewable electricity production in some countries corresponds to a general trend where the share of renewables in electricity production is low. Here is a strong representation of central and eastern Europe EU countries, including Czech Republic, Poland, Estonia, Hungary and Latvia, in addition to Cyprus, Finland and Luxembourg. Countries in Central and Eastern Europe rely heavily on fossil fuels in electricity generation. Some countries also rely on nuclear power which in no case can be understood as sustainable energy source. On the other hand, the capacity of renewable technologies, such as wind and solar, per inhabitant is relatively low in comparison to western countries whereas the potential for various renewable technologies are high.

Thus in these markets there is still a case for the EIB to continue supporting mature technologies and attracting other source of financing, particularly for renewable heat installations as well as small, decentralized renewable energy projects that have so far been underrepresented on the EIB portfolio. By contrast to large installations, such as biomass, smaller are more innovative and effective, face less barriers in terms of access to source of energy and may be connected to low voltage network. In some markets, like in Poland for example, the cost of capital has raised for RES investments in last years and investors uncertainty remains an obstacle for RES financing and development despite the RES auction system in place. This is a case particularly for smaller or medium RES developers who compete with large and state owned corporations. For the EIB there is thus a case to support developing of a competitive market by offering financial value added for projects that otherwise would not be financed by risk averse commercial finance.

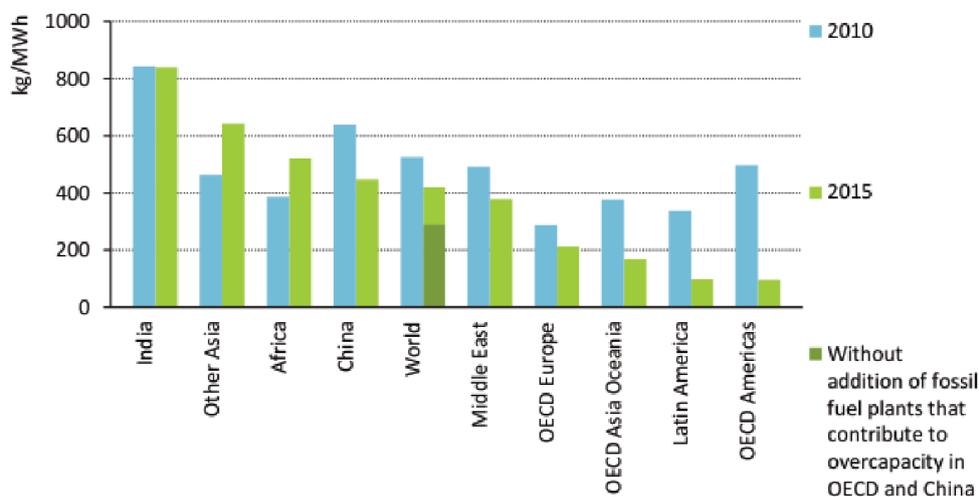
Question:

Does the EPS for power generation remain an appropriate safeguard? Do you agree that adjustment should be made to support flexibility and adequacy? In light of recent developments in renewables, the Paris Agreement and the Sustainable Development Goals, would an exemption to the EPS for power plants in least developed countries continue to be justified?

The EPS review is a critical opportunity for the EIB to align its energy portfolio with the Paris Agreement. It will remain an appropriate safeguard only if it is established at the level consistent with the path towards limit temperature increases well below two degrees Celsius.

In the 2016 World Energy Outlook, the IEA stated that the world needs to reach an average of 100 g CO₂/kWh for new power generation over the next two decades (2015-2035) to reach climate stabilization. It found that “at the current relative shares of low-carbon and fossil fuel capacity investments, the world will not arrive at the 2DS level of 100 kg/MWh by the late 2030s”.

The IEA analysis shows that power generation additions in OECD Europe in 2015 reached an average carbon intensity of slightly above 200 g CO₂/kWh – and set the need to reach a global average of 100 g CO₂/kWh for new power generation in 2035 to be on a 2°C pathway:



Source: IEA World Energy Investment 2016, p 163

For the EIB, these are important points of comparison to set the level of its new EPS and ensure consistency with the Paris Agreement. **The EIB should set its new EPS level at 100 g CO₂/kWh in order to send a strong signal to both power industry and investors.**

The EIB’s financed power plants were far below the EIB EPS level, with two exemptions allowed by the EIB Energy Lending Criteria shows that this **is not justified to introduce new flexibility**

exceptions, including for the capacity mechanism, in situations where the role of the EIB as a financial institution does not give it any leverage to ensure that more polluting power plant will not be used constantly in the future. In Poland for example, the capacity mechanism was designed to support modernisation of the energy system based on coal, with new coal power plants planned to be built within the mechanism. European Investment Bank shall not participate in a development of the capacity markets designed to sustain the use of fossil fuels.

In light of the Paris Agreement and the Sustainable Development Goals upholding exemptions to the EPS for power plants in least developed countries is not further justified. According to the IEA Renewables 2017 study, renewables accounted for almost 2/3 of net new power capacity around the world in 2016, with almost 165 GW coming online. Over the next five years, renewables are expected to remain the fastest-growing source of electricity generation worldwide: through 2022, renewable electricity capacity forecast to expand by over 920 GW, an increase of 43%. While electricity demand growth is slowing in many countries around the world, the deployment of renewable power generation continues to grow dramatically. The EIB has so far not applied this exemption to any investment in least developed countries prioritizing on supporting renewable energy projects. We do not see the reason for the EIB to change this pattern.

IV. Securing the infrastructure needed during the transformation

Question:

In light of the long-term nature of the network development plans, which type of projects should the Bank focus upon? In addition to PCIs, should the Bank prioritise newer investment types, for instance in digital technologies?

What is your view on the investment needed in gas infrastructure to meet Europe's long-term climate and energy policy goals, while completing the internal energy market and ensuring security of supply? What approach could strike the right balance to prevent the economic risk of stranded assets?

Should the Bank refrain from supporting hydrocarbon production, in addition to exploration? If so, should gas be treated the same as oil? Within and outside the EU?

EIB has not prioritised PCI projects and anyway (PCIs) - especially gas ones - should not be automatically supported by the EIB, since other assessments are needed to ensure that all EIB-supported projects are in line with the Paris Agreement. Only small number of PCI gas projects were supported by the EIB and among EIB financed gas infrastructure projects only a small share of EIB financed projects were PCI gas projects (according to the EIB's database between 2013-2018 PCI gas amount to EUR 2 bn. Over this time its lending to gas transmission and distribution infrastructure reached EUR 10 bn). The Bank shall not continue financing fossil fuel infrastructure using the PCI as an excuse for all its fossil fuels financing. Several recent and solid research and analysis suggest Europe must not continue fossil fuels infrastructure development plans.³ While the level of

³ A Perspective on Infrastructure and Energy Security In the Transition, March 2016; Cleaner, Smarter, Cheaper: Responding to opportunities in Europe's changing energy system, November 2017, Energy Union Choices; The '2°C capital stock' for electricity generation: Committed cumulative carbon emissions from the electricity generation sector and the transition to a green

investments in fossil fuels has decreased over time, the EIB's involvement in the fossil gas sector has been stable. Within the EU, the bank invested billions in fossil fuels projects in Italy, Spain and the UK, where the share of fossil fuels projects relative to overall energy lending were also high. This has not been justified on the ground of contributing to EU policy objectives. The continued investment in gas projects, like other fossil fuel projects, is incompatible with the Paris Agreement. Gas projects such as gas pipelines and LNG terminals last as long as 50 years or more. Not only are continued investments in gas projects incompatible with Europe's climate goals but evidence is mounting that such projects also risk becoming stranded assets. Today, the EU is already oversupplied with import capacity. Total gas import capacity is approximately 700 - 750 billion cubic meters per annum⁴. But current plans for the development of EU gas infrastructure have not been sufficiently adjusted and are out of line with the decrease in demand. As Trinomics found ENTSG's 2017 TYNDP [Ten Year Network Development Plan] as well as the PCI list are based on expected gas demand levels for 2030 that are between 12.2 and 40.5% too high. The challenge for the period beyond 2020 will be to decommission fossil fuel infrastructure, not build it.

economy, Alexander Pfeiffer et al 2018 Environ. Res. Lett. 13 054019; Natural gas and climate change, K. Anderson, J. Broderick, Tyndall Centre for Climate Change Research, November 2017

⁴ <https://ec.europa.eu/energy/sites/ener/files/documents/LNG%20consultation%20-%20publication.pdf> p2 & <https://www.entsog.eu/maps/transmission-capacity-map> and 210 bcm of LNG import capacity <https://www.reuters.com/article/us-eu-us-lng/trumpbets-on-new-european-lngterminals-but-eu-funds-meageridUSKBN1KL33S>