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*EIB needs to stop the massive support to the gas infrastructure in Slovakia due to the highest energy dependence in EU on imports from Russia.*

## Slovak aspects of the EIB Energy Lending Policy

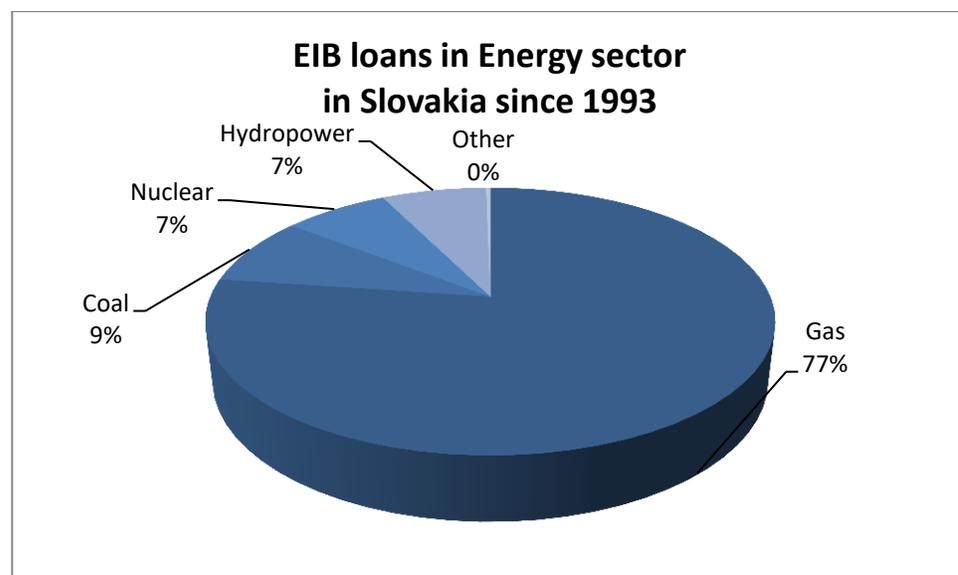
One of the biggest challenges in Slovakia is to ensure systematic support for the development of decentralized, non-fossil and sustainable energy system. The European Investment Bank (EIB) already invested far too much into fossil gas (77% of all energy projects) in Slovakia since 1993. The EIB needs to stop contributing to the highest energy dependence of Slovakia in the whole EU on imports of fossil gas and uranium from Russia. Instead, it should start supporting EE and RES in Slovakia. One hydropower project with a 7% share of all EIB loans in the energy sector is a way too low contribution of the Bank to the energy transformation. Technical assistance for regions, municipalities and communities is crucial for systematic energy policy with energy efficiency (EE) and sustainable renewable energy sources (RES). EIB can build on the adopted and planned sustainability criteria for RES in Slovakia. EIB should refrain from supporting waste incineration in Slovakia due to recycling rates below the binding targets for the circular economy. Given the fact that EIB already supported massively the gas and coal infrastructure (85% of the overall energy financing), the new supported power generation needs to reach an average of 100 g CO<sub>2</sub>/kWh.

Friends of the Earth-CEPA promotes sustainable development via supporting social justice and environmental protection. We focus on decarbonisation of society by:

- Improving public finances for energy transformation of the economy;
- Supporting just transition of the coal regions to ensure a sustainable coal phase out;
- Setting up Centres for sustainable energy with municipalities in the least developed regions in Slovakia.

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Source: Own analysis based on [data from EIB, March 2019](#)

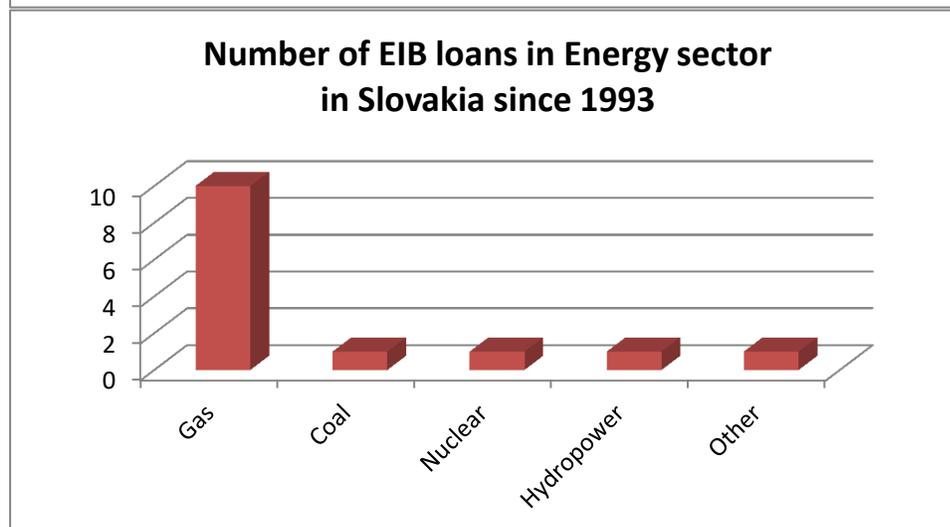
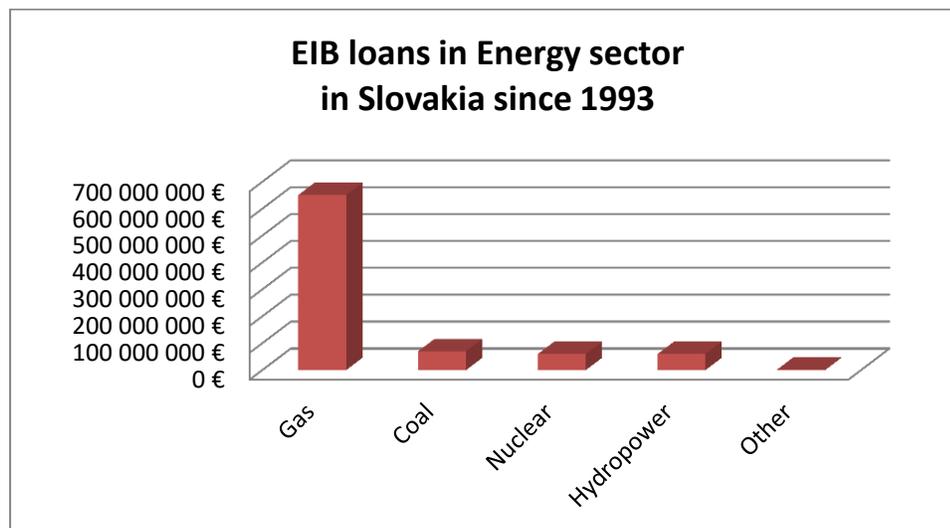


## I. General Comments

We would like to endorse the [submission sent by the CEE Bankwatch Network](#) and provide an analysis on developments of the public support in Slovakia and the [Slovak National Energy and Climate Plan \(NECP\)](#).

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

Firstly, we analysed the EIB financing in the past. The EIB lists 14 financed energy projects for EUR 843 million in Slovakia since its origin in 1993.<sup>i</sup> The vast majority (77%) of the loans were allocated to ten fossil gas projects for a total amount of EUR 651 million. Other energy sources are represented with only a few projects: coal (8%) with EUR 70 million, nuclear power (7%) with EUR 60 million and hydropower plants (7%) with EUR 60 million. Graphs above and below illustrate this disproportionate share (85%) of support for fossil fuels.



Source: Own analysis based on [data from EIB, March 2019](#)

**Nuclear power** accounted for 57% of the total electricity generation in the Slovak Republic in 2016, **the second-highest share in the world** after France.<sup>ii</sup> Slovakia imports 100% of nuclear fuels from Russia. Furthermore, **Slovakia plans to increase its nuclear portfolio** with construction of two at least 440 MW units of the Mochovce nuclear power plant, which were expected to start operating in 2018 and 2019. But more delays are expected due to financing difficulties and security checks. Unfortunately, the NECP states another new nuclear power source with installed capacity up to 2400 MW in the controversial<sup>iii</sup> locality Jaslovské Bohunice. It is planned to be the biggest project of the Slovak energy sector in the long run due to its impact on the entire electricity system and energy security of Slovakia.

**Slovakia maintains very low ambition for renewable energy sources.** The draft NECP sets an unambitious target to slightly increase the share of renewable energy sources to 18% of gross final energy consumption and 25% of electricity due to the monstrous share of the planned increase in the nuclear capacity and fossil gas.<sup>iv</sup> The draft does not properly address the recommendation from the International energy agency (IEA) to assess the technical and economic potential of individual domestic sources of renewable energy, taking into account environmental sustainability, and design promotion policies on that basis; ensure that the biomass used is from sustainable sources.<sup>v</sup> Sustainability criteria in the draft NECP are mentioned only for biofuels. On the other hand, the draft NECP mentions few progressively looking projects, which would improve connections with Czech and Hungarian electricity grids and thus enable integration of more RES into the grid. The interconnection of electricity systems is now over 50% and will remain in 2030, thereby overcoming the European target of 15%.

**EIB should not support waste incineration in Slovakia.** There is a low target for a 12% reduction of greenhouse gas emissions for sectors outside the EU ETS by 2030 in the draft NECP. The draft NECP also suggest using the heating infrastructure for waste incinerators, which would undermine the binding waste hierarchy and Slovakia´s position at the lower end of the EU in meeting the recycling goals.<sup>vi</sup> Moreover, tackling waste is one of the three biggest challenges of Slovak environmental policy.<sup>vii</sup>

***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?***

Our analysis of the EIB financed projects in the Slovak energy sector shows 85% share of fossil fuels with 11 out of 14 projects since 1993. EIB might have the framework but needs to ensure financing compatible with long-term climate targets. **EIB should focus on** assisting Slovakia to meet the 2030 climate and energy targets in the fields of energy efficiency (EE) and renewable energy sources (RES), which meet the sustainability criteria. According to the recent [World Bank´s Low-Carbon Growth Study](#).<sup>viii</sup> “Slovakia will likely need to adopt ambitious targets for **both RES and EE**, for example, 22 percent for RES and 30 percent for energy efficiency.” EIB should definitely support these efforts.

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

Firstly, the EIB should start supporting EE and RES in Slovakia. One hydropower project with a 7% share of all EIB loans in the energy sector is a way too low contribution of the Bank to the energy transformation.

One of the most important areas is the **renovation of public buildings**, where the Slovak Investment Holding (SIH) started a few very promising activities.<sup>ix</sup> Technical assistance for regions, municipalities and communities is necessary for successful implementation of the sustainable energy transition.

Slovakia also committed to adopting **criteria for sustainable use of all renewable energy sources** by 2020 in the new [2030 Environmental Strategy](#)<sup>x</sup>. EIB can build on the [criteria, which Slovakia already adopted for two EU funded Operational Programmes](#) and finalise them with the 'Energy Efficiency First' principle.<sup>xi</sup>

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

Slovakia has the highest share of household energy expenditure in the EU<sup>xii</sup>. Technical assistance for regions, municipalities and communities is necessary for successful support in the (coal) regions in transition.

Unsystematic behaviour at local and regional levels in Slovakia related to energy sector generates misunderstanding and resentment among unprepared regions and municipalities without qualified energy experts against the state's pressure to rapidly and flatly reduce GHG emissions. New responsibilities and regulations set at the central level (eg tightening rules on energy efficiency or collection and tracking of energy data) are perceived as further administrative complications. This weakens the effectiveness of measures to meet the climate targets of both the Slovak Republic and the EU. The Slovak regions and municipalities lack the consistent energy policy, and in this area, almost no personal, financial, technical and knowledge capacities have been created. Therefore, one of the biggest challenges facing public finances is to **ensure systematic support for the development of decentralized, non-fossil and sustainable energy system that would direct regions to energy self-sufficiency**.

## **II. Theme 1 Energy efficiency first principle**

***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?***

In general, the national goal on EE should be to foster new construction and renovation of buildings with high energy efficiency, climate change adaptation, sustainable materials and healthy indoor environment. For a new building, this naturally means enforcement of NZEB

construction with an aim to move towards energy plus buildings. In terms of building renovation, the policy should strive to ensure natural renovation rate of 3 % p.a. with an increasing share of buildings renovated to cost optimum and NZEB levels. Partial goals to achieve these overarching targets include:<sup>xiii</sup>

- Enforce compliance with existing regulation related to the energy performance of buildings;
- Empower municipalities to increase investments into the renovation of public buildings at a quality level matching their “exemplary role”;
- Establish incentives to foster innovation and use of BAT in new and renovated buildings to avoid locking in a sub-optimum level of energy efficiency;
- Implement schemes to leverage private capital for high-quality buildings and renovation to ensure the necessary investment levels;
- Introduce programs to support housing conditions of low-income groups.

### **III Theme 2 Decarbonising power and heat**

***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?***

Technical assistance for regions, municipalities and communities is necessary for implementing a systematic energy policy with EE and sustainable RES.

***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 the least developed countries continue to be justified?***

Given the fact that Slovakia already supported massively the gas and coal infrastructure (85% of the overall energy financing), the new supported power generation needs to reach an average of 100 g CO<sub>2</sub>/kWh.

We propose these criteria for companies with a high proportion of fossil fuels in their energy and entrepreneurial portfolio:

- Fossil fuel companies should be eligible to the EIB support only after they deliver a decarbonisation plan that is in line with the obligations of the Paris Agreement. The first emission reduction must be measurable already during the implementation of the project supported by EU funds.
- No financial support should be directed to companies planning new extraction or new energy production from fossil fuels, including the purchase or upgrade of existing fossil fuel utilities. There is a risk that investment in fossil-fuel infrastructure projects will lead to stranded assets.

- Any support to companies involved in the extraction and production of energy must lead to an absolute reduction in greenhouse gas emissions in both the short and the long term.
- The reclamation of land affected by mining and coal burning, mining works and the decontamination of buildings in the areas affected by mining should be in line with statutory requirements funded by the mining company from the provision of reserves so as to comply with the polluter pays principle.

#### IV. Securing the infrastructure needed during the transformation

##### Questions:

*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 the security of supply? What approach could strike the right balance to prevent the economic risk of stranded assets?*

The monstrous share of investments already allocated to the gas infrastructure in Slovakia (77% of all EIB loans in the energy sector) speaks for itself. Slovakia has the highest energy dependence on gas imports from Russia from all EU countries.<sup>xiv</sup> Slovakia mentions only diversification of transport routes in the draft NECP. This is insufficient due to the fact that IPCC calculated lifecycle emissions of the natural gas combined-cycle plants (490 gCO<sub>2</sub>eq/kWh) as much higher than for most renewable technologies (11–230 gCO<sub>2</sub>eq/kWh).<sup>xv</sup> We recommend supporting regional energy centres for applying EU wide principle 'EE First'<sup>xvi</sup> and deployment of sustainable RES instead of an increasing share of gas. This will also prevent stranded fossil gas assets in the future.

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- <sup>i</sup> <https://www.eib.org/en/projects/loan/list/index.htm?from=&region=1&sector=1000&to=&country=SK>
- <sup>ii</sup> Energy Policies of IEA Countries: Slovak Republic 2018 Review. <https://webstore.iea.org/energy-policies-of-iea-countries-slovak-republic-2018-review>
- <sup>iii</sup> [https://inis.iaea.org/collection/NCLCollectionStore/\\_Public/38/059/38059373.pdf](https://inis.iaea.org/collection/NCLCollectionStore/_Public/38/059/38059373.pdf)
- <sup>iv</sup> <https://energoklub.sk/sk/clanky/ake-ciele-skryva-slovensky-navrh-energetickeho-a-klimatickeho-planu/>
- <sup>v</sup> Energy Policies of IEA Countries: Slovak Republic 2018 Review. <https://webstore.iea.org/energy-policies-of-iea-countries-slovak-republic-2018-review>
- <sup>vi</sup> [https://ec.europa.eu/eurostat/tgm/graph.do?tab=graph&plugin=1&pcode=sdg\\_11\\_60&language=en&toolbox=sort](https://ec.europa.eu/eurostat/tgm/graph.do?tab=graph&plugin=1&pcode=sdg_11_60&language=en&toolbox=sort)
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- <sup>viii</sup> World Bank, Ministry of Environment: A Low-Carbon Growth Study for Slovakia, 2019, Available at: <http://www.minzp.sk/iep/publikacie/ekonomicke-analyzy/low-carbon-study.html>
- <sup>ix</sup> <https://euractiv.sk/tag/slovensky-investicny-holding/>
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- <sup>xi</sup> <http://www.energoportal.org/390-ucelne-a-efektivne-vyuzivanie-biomasy>
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- <sup>xiii</sup> <http://iepd.sk/budovy-2050-program/>
- <sup>xiv</sup> [https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Provisional\\_natural\\_gas\\_balance\\_sheet\\_by\\_country\\_-\\_table\\_2.png](https://ec.europa.eu/eurostat/statistics-explained/index.php?title=File:Provisional_natural_gas_balance_sheet_by_country_-_table_2.png)
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