CEE Bankwatch Network

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For more information

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It has been over a decade now since the EIB committed at least quarter of its finance to support the transition to a low-carbon and climate-resilient economy. In 2015, the Bank adopted Climate Strategies, one general and one dedicated to financing outside the EU, describing the future direction and developments of the Bank's climate action. Since then, the EIB's has in principle delivered on its promise to transfer finance towards climate mitigation and adaptation projects. Between 2015 and 2018, the EIB's loans to climate action, comprised of renewables, energy efficiency, sustainable transport, adaptation and others, totalled EUR 76 billion globally. However, the Bank's commitment to climate finance remained undermined by its fossil fuels lending, which reached EUR 13.5 billion over the same period. The Bank continues to support high carbon, unsustainable projects in the transport sector, such as motorways and airports. Within its climate action program it also supported socially and environmentally damaging projects. The Climate Action, despite deploying considerable finance, requires revision and adjustment to ensure that the EIB's loans support projects that are truly transformative and sustainable and that it reaches out where climate finance is especially needed.

The EIB – The EU's Climate Bank?

The EIB had already proclaimed itself the EU's climate bank long before the new EU Commission of Ursula von der Leyen presented the idea of transforming a part of the Bank into Europe's Climate Bank[1]. It has been over a decade now since the EIB established a target for climate financing at the level of 25% in the EU, and by 2020 the Bank will have increased climate action lending outside the EU to 35% of total annual lending. Recently in November the EIB's Board of Directors agreed to align all financing activities of the EIB Group with the goals of the Paris Agreement by the end of 2020 and to increase its financing dedicated to climate action and environmental sustainability to reach 50% of its operations in 2025. The most important element of this commitment was the adoption of the new Energy Lending Policy, which commits to phase out financing for fossil fuel energy projects from the end of 2021.

However, it is too soon to call the EIB the EU's Climate Bank. It will still be several years before it stops disbursing money to fossil fuels projects, and its new Energy

[1] The EIB: Climate in everything we do; 2015; https://www.eib.org/en/publications/climate-in-everything-we-do

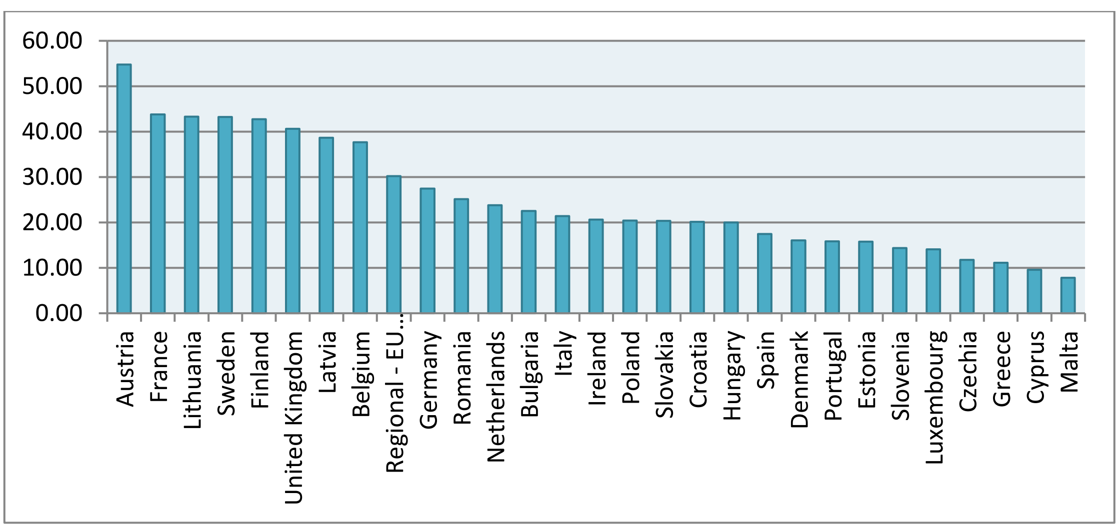
Lending Policy contains several loopholes that may allow further financing of gas projects. The Bank's remaining sectoral polices have not been aligned with the Paris Agreement and thus it keeps financing unsustainable infrastructure, particularly in the transport sector. More than two-thirds of the EIB's loans support projects do not directly contribute to climate change mitigation and adaptation.

EIB's Climate Action –where feasible

Our previous research covering the EIB's Climate Action 2013-2016 showed that although the bank has managed to reach its target for climate finance every year, it has struggled to finance relevant projects in several EU countries. Despite the significant volume invested, deep discrepancies in EIB investments between EU states remained a major issue. Additionally, the transport sector still dominates in Climate Action and is weighted equally with energy efficiency and renewable energy for its contribution to climate change mitigation. Following the adoption of a Climate Strategy in 2015, the Bank adopted action plans detailing the activities to be taken to progress the Climate Strategy. The action plans were supposed to address, among others, issues related to climate projects through the proactive development of a climate action pipeline of projects and an emphasis on the highest impact activities (financial and non-financial) bringing significant mitigation or adaptation gains.

Our latest research shows that the EIB's climate investments in the EU have progressively increased since 2014, from 24 to 28 per cent of the EIB's total signatures in 2018. Discrepancies in EIB investments between EU states still remain but fell in comparison to years between 2013 and 2016.

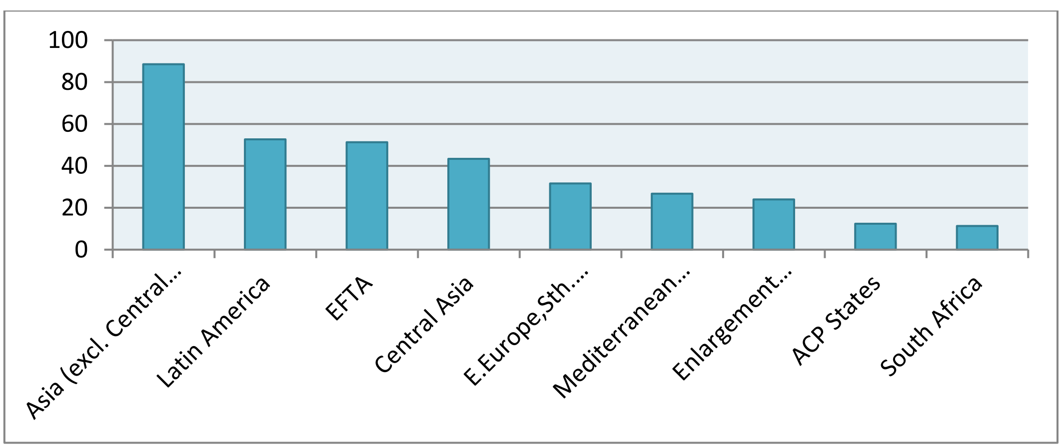
EIB's Climate Action 2015-2018, EU, share of Climate Action in total lending, %



In as many as 18 Member States, the EIB's investments in climate change mitigation and adaptation remained below 25 per cent – the EIB's EU target. In this context, the Bank's commitment to increase cooperation with Member States on the implementation of their National Energy and Climate Plans (NECP) is a very welcome and needed step. The latest research of the European Environment Agency revealed that according to the projections submitted by Member States in 2019, only three Member States (Greece, Portugal and Sweden) expect that their current policies and measures will be sufficient to deliver on their 2030 greenhouse gas emissions targets[2]. Therefore, deployment of relevant policy measures, including additional financial efforts, will be needed if the EU is to meet its 2030 climate targets. There is an obvious role for the EIB in the States' NECPs to deliver financial models suitable to national contexts.

Outside the EU, the Bank's Climate Action is on average higher, reaching over 35 per cent in 2018. It was, however, concentrated in Asia and Latin America whereas African, Caribbean and Pacific countries received relatively limited finance for climate change mitigation and adaptation. Merely 12 per cent of the EIB's loans in ACP countries supported climate related investments. In Asia these were India and China, which dominated bank's climate portfolio. Surprisingly, climate action was rather limited in the Enlargement Countries and parties to the Energy Community (a treaty that aims at extending the energy acquis of the European Union to the territories of third countries). Currently their energy systems are heavily dependent on coal and are home to the most polluting coal power plants in the whole of Europe. Energy transition from coal is a real challenge but is the only answer to energy poverty, air pollution and climate protection in Enlargements Countries.

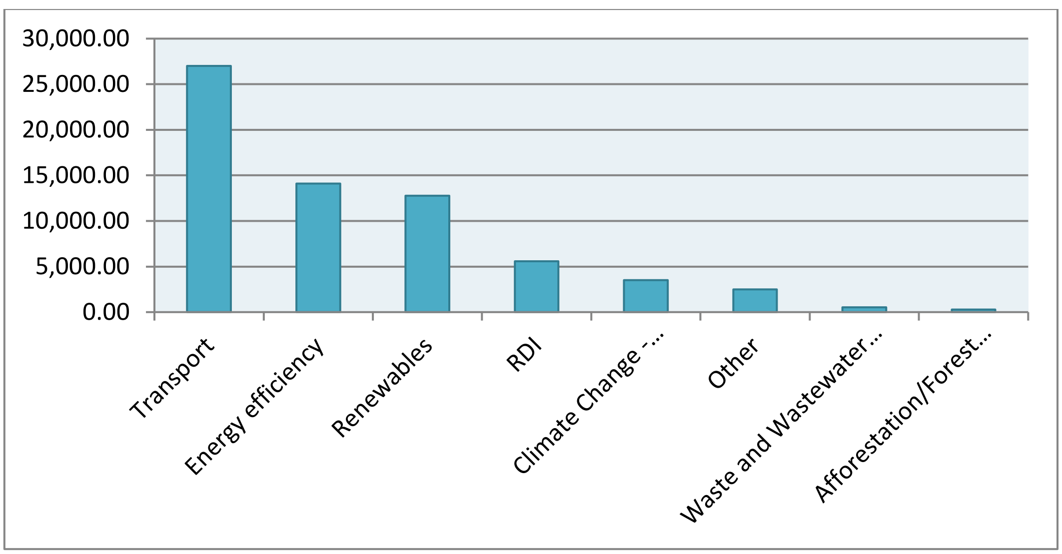
EIB's Climate Action 2015-2018 outside the EU, share of Climate Action in total lending, %



[2] EEA Report 15/2019, Trends and projections in Europe 2019. Tracking progress towards Europe's climate and energy targets; https://www.eea.europa.eu/publications/trends-and-projections-in-europe-1

The EIB's evaluation of climate action within the EU between 2010 and 2014 pointed out that not every type of project contributes the same to climate change mitigation, recommending that the Bank emphasise the climate impact by diversifying its project portfolio[3]. Following this recommendation, the new Climate Strategy initiated a process of steering climate action towards the highest-impact activities (financial and non-financial) bringing significant mitigation or adaptation gains. The European Commission, and hence the member states, use the methodology based on OECD DAC climate markers for tracking and monitoring climate expenditure under the European Structural and Investment Funds (2014-2020)[4], which uses weights for different type of projects depending on whether climate protection is primary, significant or insignificant for the project objective. Therefore, projects in renewable energy and energy efficiency receive the highest marker and hence the entire EU funds contribution is reported as climate action while public transport projects, buses or railways, receive lower marker and only 40% of EU contribution in this case is reported as climate action. If this approach were applied by the EIB, it would significantly impact the result of Bank's climate action which has to large extent been dominated by transport projects. Our research shows that over 40 per cent of the EIB's climate action in the EU is represented by investments in transport sector, a situation that has not changed since the adoption of Climate Strategy action plans.

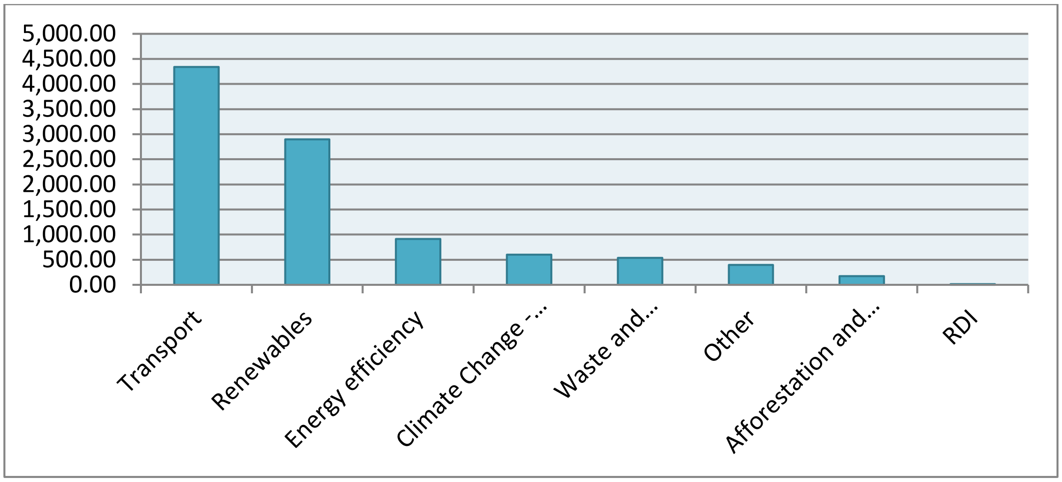
EIB's Climate Action 2015-2018 in the EU by sectors, EUR million



[3] http://www.eib.org/infocentre/publications/all/evaluation-eib-financing-of-climate-action-within-the-eu-2010-2014.htm

[4] *Tracking climate expenditures*, European Commission, https://ec.europa.eu/clima/sites/clima/files/docs/tracking_climate_expenditure_en.pdf

EIB's Climate Action 2015-2018 outside the EU by sectors, EUR million



Sustainability of Climate Action

Climate Action may only be truly sustainable if brings social, environmental and climate benefits together. Climate Action is one of the Sustainable Development Goals, but these goals are all inseparable. Climate Action shall not count if it does not contribute to equality, environmental, biodiversity protection and human rights promotion. Unfortunately, the EIB's Climate Action too often finances unsustainable projects. Bankwatch revealed how the EIB's financing affected Balkan endemic and endangered species, hampered local communities' water use and violated national laws and international financial institutions' standards[5]. The EIB has also committed to finance the 280MW Nenskra Hydropower Plant in Georgia that, if built, would irreparably destroy the unique biodiversity of the Caucasus mountains and the economic livelihoods of the indigenous Svan people that have lived for generations in the region[6].

Recommendations

1. EIB must review sectoral policies to ensure that its financing does not impede the achievements of the EU's climate and energy objectives. The Bank shall eliminate financing high carbon infrastructure such as airports and motorways.

2. In order to become the EU's Climate Bank, the EIB shall eliminate financing to fossil fuels, including closing the existing loopholes in newly adopted Energy Lending Policy enabling fossil gas financing.

[5] Broken Rivers; CEE Bankwatch Network, December 2017 https://bankwatch.org/publication/broken-rivers-impacts-european-financed-small-hydropower-plants-pristine-balkan-landscapes

[6] See for example: https://bankwatch.org/blog/nenskra-new-players-new-risks

3. EIB shall more effectively deploy its climate financing across all EU states and globally. In EU and Energy Communities countries, it shall increase cooperation on the implementation of National Energy and Climate Plans (NECP).

4. The Bank shall not overestimate the significance of its climate related loans on climate change mitigation and shall track its finance in line with the standards used for European structural and investment funds 2014-2020.

5. EIB shall enforce its environmental, social and human rights due diligence and monitoring for financed projects to ensure that it only supports truly sustainable initiatives.