

Stakeholder engagement on the EIB Group's Climate Bank Roadmap 2021-2025: Turning ambition into reality

Key questions

To structure and guide this engagement, the EIB Group is proposing several key questions, which are built around four topics:

- Aligning the EIB Group's activities with the goals and principles of the Paris Agreement;
- Increasing environmental sustainability investments and leaving no one behind;
- Leveraging private-sector finance and promoting financial innovation; and
- Measuring the long-term effect of the EIB Group's operations.

The topics and the key questions highlight the crucial issues that the EIB would like feedback on.

The development of the Climate Bank Roadmap 2021-2025 will be an iterative process.

Stakeholder contributions will inform this process over two key periods:

- Comments received by **24 April 2020** will inform the EIB's internal discussions and the presentation that will be made at the second stakeholder event at the end of May;
- Contributions received between 25 April 2020 and **12 June 2020** will inform the final stages of the internal discussions, before the Climate Bank Roadmap 2021-2025 is submitted to the EIB's governing bodies.

The questions should preferably be completed directly online, via the SmartSurvey available [here](#) or can be emailed to cbr2025@eib.org.

All contributions will be published on the EIB's website.

ABOUT YOU

First name:	Anna
Surname:	Roggenbuck
Function:	Policy officer
Organisation name:	CEE Bankwatch Network
Country:	Czech Republic
Email address:	annar@bankwatch.org

Type of organisation:

- Individual
- Large enterprise
- Micro, small or medium-sized enterprise (i.e. enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million).
- Financial institution
- Non-governmental organisation
- Trade/business/professional associations
- Public authorities (e.g. EU institutions, agencies and bodies, national/regional governments, local/municipal, chambers of commerce)
- Consultancy (e.g. professional consultancies, law firms)
- Research/think tanks (e.g. universities, research institutes)
- Other

Please specify:

ABOUT YOU (cont.)

How did you hear about this engagement exercise?

- EIB email
- EIB social media
- EIB website
- Press
- Colleague
- Other

Please specify:

X By submitting my contribution to this transparent stakeholder engagement process, I consent:

- o to the publication of my contribution on the EIB's [website](#);
- o to the use of my personal data solely for the purpose of the EIB's internal processing of my contribution and for contacting me in relation to this stakeholder engagement. This does not entail the publication of my first name, surname and function in connection with my contribution (see below).

I give consent to the publication of my first name, surname and function in connection with my contribution.

X Yes

TOPIC 1 – PARIS ALIGNMENT

Support for low-carbon development

The EIB Group will continue to support projects motivated by a wide range of public policy goals. Building on the EIB's Energy Lending Policy, the EIB Group will need to make sure that, going forward, that all its projects will be aligned with the temperature goals of the Paris Agreement and will be consistent with the transition to low-carbon development pathways.

In addition, in this context and given the limited resources it has at its disposal, the EIB Group will need to make choices in terms of the type of investments it wants to prioritise.

- 1. Outside of the energy sector, what type of financing and advisory activities should the EIB Group prioritise to most effectively support the transition to low-carbon development?**

Recommendation 1

The EIB needs to develop country-specific climate and environmental sustainability finance strategies and strengthened technical assistance instruments, in cooperation with member states and on the basis of their National Energy and Climate Plans, which would explain the EIB's financial role in achieving national climate and energy targets. These strategies would identify the areas of biggest climate mitigation opportunities and needs in adaptation, existing legal, economic and regulatory frameworks and barriers, as well as adjusted technical assistance.

As the EIB's contribution varies significantly across member states, it would be useful for the bank to conduct an evaluation of the extent to which its lending contributed to achieving national 2020 targets and also identify the areas where its financial contribution would bring the most value and be effective in helping to achieve national 2030 targets.

Recommendation 2

A review of the Transport Lending Policy, shifting the bank’s lending toward measures to significantly reduce demand for unsustainable transport modes and to reduce the sector’s overall climate impact, will be conducted in 2020. In this sector the EIB should focus on supporting zero-carbon transport infrastructure, urban public transport and trains, and zero-emission multimodal transport services.

Another sector where the EIB should restrict finance for high carbon project is transport. The bank continues supporting highways, car industry as well as development of new airports and their expansion. While rail and public transportation indeed remains the most supported by the EIB, in the last four years it has granted EUR 11.5 billion loans to motorways and aviation. Given that aviation is by far the most carbon-intensive sector and that it is already heavily subsidised via tax exemptions and other benefits, the EIB needs to significantly revise its lending approach. The EIB’s generous support for the automotive sector during the last economic crisis remained largely without scrutiny over the stated environmental goals of the loans, namely cutting carbon emissions from cars. Such financing shall also be eliminated.

Support for climate-resilient development

The Paris Agreement also requires that financial flows support climate-resilient development. Going forward, the EIB Group aims to help strengthen climate resilience in and through the projects it supports.

2. What type of financing and advisory activities should the EIB Group prioritise to support climate-resilient development?

TOPIC 1 – PARIS ALIGNMENT (cont.)

Support for clients' decarbonisation and climate resilience strategies

As the EU Climate Bank, the EIB Group wants to support its public and private sector clients to align their activities with the goals of the Paris Agreement, by helping them develop and implement decarbonisation and climate resilience strategies.

3. How and to what extent should the EIB Group help its clients transition to a low-carbon and climate-resilient pathway, in particular those that are highly exposed to the transition and physical risks (both acute and chronic) associated with climate change?

Recommendation 3

The bank needs to establish or review sectoral policies and lending guidance to mainstream climate considerations for tourism, water, circular economy, industry and agriculture as well as review the current environmental and social policy framework to ensure sustainability of its climate and environmental lending.

Although the adoption of the new Energy Lending Policy was a real milestone in the EIB's approach to the sector, setting a new "best standard" among its peer institutions, the Bank's remaining sectoral policies have not been aligned with the Paris Agreement, and thus it continues to finance unsustainable infrastructure, particularly in the transport sector. All EIB operations must comply more broadly with Sustainable Development Goals, Paris Agreement and the EU Climate Neutrality goal which would redirect the emphasis from merely a quarter to the entire bank's financing. The impact of the entire EIB's portfolio on climate and environment should be a cornerstone of climate mainstreaming rather than the amount of funds spent on Climate Action.

Recommendation 4

The EIB should develop its own "brown taxonomy" for operations which will not be covered under its climate and environmental sustainability lending - at least as long as the EU does not develop an EU brown taxonomy. The Climate Roadmap should exclude the activities in high-carbon sectors that are identified as "brown" according to the taxonomy, and such taxonomy should also serve as a basis for the review of relevant EIB sectoral policies.

The concept of “brown taxonomy” was proposed by the Technical Expert Group on sustainable finance. The brown taxonomy would serve as an additional dimension of the EU taxonomy in order to address a situation commonly known as “green washing”: ‘Identifying an environmentally harmful economic activity as partially green carries significant risks, such as leading the market to believe that any performance improvement is good enough even if the underlying activity and its potential performance is ultimately inconsistent with environmental goals over the medium to long term’. Thus establishing a brown taxonomy would ensure that EIB does not support client’s investments which would in the future be economically or financially risky for the client itself.

Recommendation 5

In the interim period, before the complete phase out of fossil fuel lending, the new Climate Bank Roadmap should require all fossil fuels infrastructure projects, including PCIs, to be subject to publicly available climate impact assessments and be part of strategic environmental assessments giving due consideration to climate impacts.

The Energy Lending Policy virtually excluded the EIB financing for fossil fuel projects from 2022. However, the policy still allows the EIB to approve, by the end of 2021, fossil fuel projects from the fourth list of ‘Projects of Common Interest’ (PCIs). An assessment of PCI projects’ climate impact is generally missing and their impact on climate ignored. Thus the EIB should require every project to be subjected to a climate impact assessment including a cumulative impact assessment on the level of the corridor and in connection with other existing and planned gas transport routes. Such approach would help to eliminate potential financial and economic risks for the EIB’s clients.

Recommendation 6

The EIB needs to adopt sustainability criteria for the retrofit of gas transmission and distribution networks in line with the EU taxonomy, and critically analyse the actual availability of non-fossil gas fuels for the infrastructure in question.

EIB should refrain from financing fossil gas infrastructure, on the basis of a vague promise that it will in a future transport so-called “green gas”. Specific technical sustainability criteria for such retrofits have been developed in the EU Taxonomy, which requires that the main purpose of the retrofit is the integration of hydrogen and other low-carbon gases. The repair of existing gas pipelines for the reduction of methane leakage is eligible only if the pipelines are hydrogen-ready and/or other low carbon gases-ready.

4. What type of advisory support is most needed to help clients and promoters become Paris aligned?

Recommendation 7

The Bank should offer technical assistance for the preparations of companies' decarbonisation strategies, including realistic financial plans for their implementation. The EIB must also require that companies receiving its loans purchase electricity from renewable energy resources.

The Bank could also maximise potential emissions reductions gains if its loans to companies operating in high carbon sectors, such as industry or energy 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 2019, the EIB provided EUR 4.7 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 that have not committed to mitigate their climate impacts. The Bank, on one side, must ensure that the projects 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 projects it finances are part of a plan for emissions reduction and not merely a greenwashing exercise.

Recommendation 8

The EIB must expand technical assistance for heating and cooling projects, including for district heating networks, to provide comprehensive advice on the possible alternative renewable solutions, development of fourth and fifth generation district heating and available finance, such as EU funds and national schemes.

A new Renewable Energy Directive with the updated binding EU-wide target of 32% RES has also prioritized certain actions which EIB could further explore: renewable self-consumption and renewable energy communities, cross-border cooperation projects, improvements in sustainability of biofuels, bioliquids and biomass and increasing the share of renewable energy in heating and cooling sector. Under a new Energy Lending Policy, the heating and cooling sector for buildings, as well as SMEs, may still benefit from EIB loans even if an investment continues using fossil fuels. The EIB must expand its technical assistance for such projects, including for district heating networks, to provide comprehensive advice on the possible alternative

renewable solutions, development of fourth and fifth generation district heating and available finance, such as EU funds and national schemes.

Paris alignment in the context of developing countries

With respect to Paris alignment, the role of the EIB Group as the EU Climate Bank also applies in the context of developing countries, in particular in Least Developed Countries and Small Island Developing States.

In fact, the EIB Group intends to play a leading role in extending the principles and objectives of the EU Green Deal beyond the borders of the EU.

5. Should a different approach towards Paris alignment be applied in the context of developing countries, in particular in Least Developed Countries and Small Island Developing States? If so, why and for which type of activities?

Recommendation 9

The EIB should develop dedicated climate action and environmental sustainability strategies for the enlargement region and strengthened technical assistance instruments in cooperation with the candidate countries and on the basis of their National Energy and Climate Plans once they are developed, which would explain the EIB's financial role in achieving national climate and energy targets. These strategies would identify the areas of biggest climate mitigation opportunities and needs in adaptation, existing legal, economic and regulatory frameworks and barriers as well as adjusted technical assistance.

The EIB's climate action in enlargement countries reached an average of almost 21% of the overall volume of the EIB's loans over the period 2016-2019; however, most of the climate action operations were located in Turkey. In Bosnia and Herzegovina, North Macedonia, Albania and Kosovo climate finance was almost non-existent. Hence, the EIB's expectations that the Climate Strategy will help the gradual growth of the EIB's climate related activities in Western Balkan has not materialised.

Recommendation 10

Dedicated EIB climate action and environmental sustainability strategies for enlargement countries should explain the bank's role in supporting sustainable energy infrastructure in the Western Balkans.

The lack of EIB investments in sustainable energy infrastructure in the Western Balkans needs to be addressed as a matter of priority. In Serbia and Bosnia and Herzegovina, new lignite power plants are still being planned. These plans starkly conflict with the Paris Agreement's aim of limiting climate change to 1.5 degrees Celsius. All the projects have serious economic, environmental and legal weaknesses, which would burden electricity consumers and taxpayers for years to come. In addition, existing Balkan coal plants breach air pollution laws. A study by the Health and Environment Alliance, Bankwatch and others, showed that in 2016, 16 existing coal plants emitted as much sulphur dioxide and dust as 250 plants from the EU. As a result, it is estimated that they are responsible for around 3 900 premature deaths annually, spread between the region and nearby EU countries. Consequently, the EIB's current Climate Strategy for External Lending Mandate does not adequately address climate-related issues in enlargement countries and does not form a solid basis for a systematic increase of EIB involvement in promoting sustainable solutions to displace coal and other fossil fuels in the region. It would certainly need to go deeper if it is to justify the idea that the EIB is a Climate Bank.

Recommendation 11

EIB support for energy infrastructure in enlargement countries should prioritise investments in energy efficiency of buildings and small scale renewable projects for prosumers and energy communities in order to support existing energy infrastructure and prevent development of fossil fuel based infrastructure.

The region has a massive need for energy efficiency investments, for example insulation of buildings and reduction of distribution network losses. Decarbonisation of the electricity and heat sectors also have immense potential to reduce air and water pollution if sustainable solutions are used. Given the high share of existing hydropower in the region, and the relatively good interconnections between most of the countries, the region is in a strong position to balance variable renewables and should not be distracted by unsustainable solutions such as gas. Particular support is needed for households' energy efficiency measures, heat pumps, prosumers and energy communities. These may not be simple operations for the EIB due to their dispersed nature, but they are very much needed and certainly will not happen without the EU and EIB's support. EIB's staff has on some occasions mentioned that the Bank would like to do more on energy efficiency in the region and that it has

difficulty finding energy projects which meet its standards. We agree that this is a real problem and support the EIB's commitment to ensuring its standards are maintained. Nevertheless, this problem calls for additional analysis and is not sufficiently explored in the EIB ELM Climate Strategy.

Recommendation 12

The bank should reprioritise its investments in the transport sector in enlargement countries from roads and motorways to public transportations solutions in order to avoid putting the region on an unnecessarily carbon-intensive trajectory.

The region's transport system is currently too reliant on roads and motorways, and short-haul flights have become common due to the poor public transport connections between countries. These trends are putting the region on an unnecessarily carbon-intensive trajectory. Sustainable transport needs to be made more prominent in the EIB's investments in the region, and railways and urban mobility put at the fore. Electrification of urban public transport and pedestrian/cycling infrastructure need to be prioritised and local authorities assisted to ensure public participation and investment into these modes.

Recommendation 13

The circular economy should become one of the pillars of the EIB's climate action and environmental sustainability strategies for enlargement countries, focusing especially on waste prevention, recycling, and composting.

The circular economy too, needs the EIB's support in the region. EU financing sources, including those of the EIB, must only be used for measures which contribute to the circular economy, especially waste prevention, recycling, and composting. They must not be used for waste incineration, which locks in cities, financially and materially, for decades and competes with recycling and prevention initiatives

TOPIC 2 – INTEGRATED APPROACH ON CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY, INCLUDING ON SOCIAL ASPECTS

Increasing environmental sustainability investments

By adopting new ambitious targets, the EIB also intends to increase the share of EIB's financing dedicated to environmental sustainability distinct from climate action (e.g. water quality, circular economy, pollution prevention and biodiversity).

6. In which types of projects are there likely to be natural synergies for environmental sustainability and climate action? In which cases might there be potential trade-offs?

Recommendation 14

The EIB should replace the existing Common Principles for Climate Mitigation Finance Tracking with the Technical Screening Criteria developed by the EU Technical Expert Group on Sustainable Finance.

EIB should review its environmental and social policy framework to establish clear requirements for project promoters, due-diligence guidance for the EIB management, enforcement mechanisms, an effective monitoring system and sanctions.

Even projects that contribute significantly to climate change mitigation and adaptation may cause significant potential harm to the environment and communities. A comprehensive approach on how to manage the sustainability of climate change mitigation and adaptation projects was presented by the Technical Expert Group on the EU Taxonomy. In this approach, the project's significant contribution to environmental objectives should be accompanied by the "Do no significant harm" (to remaining environmental objectives) principle and minimum standards, including on human rights. The Bank's environmental and social safeguards framework currently does not ensure that environmentally and socially detrimental projects are eliminated from the EIB's portfolio. This framework lacks clear requirements for project promoters, due-diligence guidance for the EIB management, enforcement mechanisms, an effective monitoring system and sanctions.

Renewable energy makes a large contribution to climate change mitigation as it has a very significant positive impact on the reduction of the amount of fossil fuels used and their associated greenhouse gas emissions. But this sector is also associated with detrimental environmental and social impacts, such as biodiversity loss, land grab or increased emissions of air pollutants and is also mineral intensive, and thus requires stronger sustainability safeguards, including for supply chain, than what has been so far proposed by the EIB.

Leaving no one behind

The transition to low-carbon and climate-resilient pathways will have significant socio-economic implications, in particular for clients and communities highly exposed to the transition and physical risks associated with this transition.

Recognising this challenge, the EIB Group intends to leverage synergies between climate action and sustainable development to ensure a socially-fair transition, particularly for vulnerable groups.¹

<p>7. Which type of climate action and environmental sustainability projects are likely to have strong social benefits?</p>
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Recommendation 15

EIB should only finance such climate action and environmental sustainability projects that are part of the local transformation strategies of the carbon-dependent regions. Local stakeholders must be involved in all steps pertaining to the planning, implementing or evaluating of the concrete strategies and projects and must be granted the power to make decisions or add and change relevant elements.

High potential sectors must be identified locally, by studies applying a scientific and objective method and by consulting the economically active population. Projects proving the capacity to contribute to decarbonising the economy must be prioritised; otherwise, local enterprises will again risk being forced in a few years to find solutions to reduce greenhouse gas emissions.

Every region and every community is different. As EU countries wake up to the climate emergency and the need for a swift transition to a sustainable and carbon-neutral society, it is becoming increasingly clear that we need regional and community-level transition strategies to ensure that no one is left behind.

¹ It should be noted that the European Commission (EC) is running a public consultation on its legislative proposals related to the EU Green Deal, including on the Just Transition Mechanism. The consultation on a just and socially-fair transition, as part of the EIB Group Climate Bank Roadmap 2021-2025, does not pre-empt the outcome of the EC's wider public consultation on this topic.

In many cases, local authorities and citizens in the communities themselves have already started building post-coal futures. The mobilisation in these regions shows that a just transition of coal regions is possible where citizens, local and central authorities, trade unions and civil society are working together to build alternative futures. Examples show that a just transition is possible provided that local stakeholders own the planning and big polluters do not receive back door subsidies. It is imperative to involve local communities and develop tailor-made solutions to region's specific needs.

TOPIC 3 – SUSTAINABLE FINANCE

Leveraging private-sector finance and promoting financial innovation

The EIB Group has a strong track record in terms of “crowding in” other sources of finance, particularly from the private sector, for climate action and environmental sustainability investments.

However, going forward, the EIB intends to increase this leveraging effect to attract public and private-sector financing and to promote financial innovation for such investments.

8. What new types of financing instruments should the EIB Group seek to develop to have a high catalytic effect on other sources of public and private sector finance?

Recommendation 16

The EIB must set a climate action target for each standard financial intermediary operation (except for those which specifically aim at climate action). Financial intermediaries should be obliged to apply the EU taxonomy for tracking their climate and environmental sustainability investments.

The EIB should require that a part of its lending (or equity) through financial intermediaries be directed to projects that significantly contribute to climate change mitigation and adaptation and meet the technical criteria of EU's sustainable finance taxonomy. Now when the EIB's climate action lending in the EU reached well above 28% of its total lending, only roughly 10% of the EIB's loans to financial intermediaries contributed to climate change mitigation and adaptation. As the EIB's intermediary lending usually targets the smaller scale projects of SMEs, mid-cap

companies and local authorities, the bank shall ensure that on one hand they have access to climate action finance and on the other that financial intermediaries actively seek to support transformative projects and develop their internal capacities in doing so.

TOPIC 4 – IMPACT MEASUREMENT

Measuring the long-term effect of EIB's operations

The EIB Group would like to enhance the assessment of the long-term effect of its operations, including the environmental and social benefits.

9. How can the impact of climate action and environmental sustainability activities be best measured?

Recommendation 17

The EIB should replace the existing Common Principles for Climate Mitigation Finance Tracking with the Technical Screening Criteria developed by the EU Technical Expert Group on Sustainable Finance.

Recommendation 18

EIB should review its environmental and social policy framework to establish clear requirements for project promoters, due-diligence guidance for the EIB management, enforcement mechanisms, an effective monitoring system and sanctions.

In a first place, the bank should ensure that the project makes significant contribution to environmental objectives (including climate). The bank must apply more stringent and objective criteria for sustainability than what it currently uses (Common Principles for Climate Mitigation Finance Tracking). Also, the Bank's environmental and social safeguards framework currently does not ensure that environmentally and socially detrimental projects are eliminated from the EIB's portfolio. This framework lacks clear requirements for project promoters, due-diligence guidance for the EIB management, enforcement mechanisms, an effective monitoring system and sanctions.

Recommendation 19

The EIB needs to 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 must develop criteria to identify the best option socially, environmentally and economically, rather than the business-as-usual baseline option

Then, the bank should also improve the methodologies it uses to count greenhouse gas emissions from project it finances, both absolute and relative emissions. Bankwatch has identified two issues on how baselines are set for calculating relative carbon emissions and on the treatment of scope 3 emissions. For the baseline, the bank uses the most likely alternative option for the financed projects. The major criticism of this solution is that it assesses new projects against business-as-usual, usually the technology of the past, instead of the best socially, environmentally and economically feasible and acceptable option or the best option in terms of reaching the 2030 and 2050 emissions reduction targets.

Recommendation 20

In order to carry out well-informed decision-making and prevent underestimation of projects' climate impacts, the bank needs to take into account all direct and indirect emissions related to projects.

The EIB does not currently account for scope 3 emissions in the majority of cases. Thus, in gas extraction, gas pipeline and LNG terminal projects, no emissions are counted from the later combustion of the gas in homes, industry or power stations. However, where a project's overall impact shows GHG improvements, scope 3 calculations are included, but when they worsen the emissions picture of the project, they are not included. This approach is hardly justifiable.

Recommendation 21

In cases where the ESIA provides more detailed and accurate data on a project's carbon footprint, the EIB should take these calculations into account in the project's economic appraisal.

Bankwatch's own analysis also found that the EIB's estimates may underrate the real amount of greenhouse gases from projects. For the Southern Gas Corridor, the amount of greenhouse gases calculated in the Environmental and Social Impact Assessments for TAP is 3.5 times higher, and for TANAP 2.5 higher than estimations made by the EIB's carbon footprint assessment.

10. How should the EIB Group tackle the measurement of impact when investing indirectly through financial intermediaries?

Recommendation 22

The EIB needs to exclude lending through financial intermediaries to energy companies with a high share of coal in their power and heat generation portfolios and exclude other types of high-risk projects such as fossil fuels and hydropower energy. Financial intermediaries should be obliged to apply the EU taxonomy for tracking their climate and environmental sustainability investments.

Lending through financial intermediaries remains a significant part of the EIB's portfolio. Given financial intermediaries' limited capacity for conducting relevant due-diligence as well as the EIB's limited capacity to ensure intermediaries comply with the bank's policies, stringent precautionary measures shall be developed by the EIB. This would mean that certain type of projects would be explicitly restricted, such as those involving fossil fuels or hydropower energy. In case of climate action financing through intermediaries, the EIB should oblige them to apply criteria based on EU taxonomy in order to ensure that these operations are sustainable and transformative.

END