

NGO letter to EIB President on Covid-19 crisis response

April 2020

Dear President Hoyer,

As the COVID-19 pandemic continues to spread across Europe, citizens worry about their health and about the impacts on their jobs and livelihoods. During this time of crisis, which is putting many people's livelihoods at risk, it is essential that EU recovery measures help to alleviate this uncertainty, especially for the most vulnerable.

In this context, the EIB has already announced a €40 billion recovery package to confront the crisis, an additional €25 billion guarantee fund to enable up to €200 billion in new operations, and a further €5.2 billion for financing outside the EU. As the EIB begins to implement these packages, we urge you to remain conscious of the need to align this new financing with your transition to the EU Climate Bank, particularly given the mounting evidence linking ecosystem health and human health. Crucially, the EIB needs to ensure that its new role in the European recovery aligns with its pivotal role in financing the European Green Deal.

The EIB should systematically adhere to its existing policies and timelines

The EIB's response must address the health, social and economic emergency in a way that improves our economy's resilience towards crises and strengthens the well-being of people and nature. Crucially, this means that it should not harm the progress the EIB has achieved so far in the path to becoming the EU's Climate Bank: the recovery package and guarantee fund should be aligned with the 1.5 degree temperature goal of the Paris Agreement. The recovery should be aligned with existing EIB policies - particularly the new Energy Lending Policy, but without any financing for gas - and the Bank's environmental and social safeguards.

A critical component of the EIB's transition to becoming the EU's Climate Bank is the adoption of the Climate Bank Roadmap (CBR) according to the existing timeline. To date, the EIB has demonstrated its commitment to the CBR by organising a series of productive stakeholder seminars to gather input: we call on the Bank to continue on this path. A further, crucial commitment which should be upheld in this regard is the commitment to align all EIB operations with the objectives of the Paris Agreement by 2020.

Putting green conditions on EIB clients for their use of public funds

While we welcome the necessary emergency economic support plans recently announced by Member States and the ECB, we are concerned that they may rescue sectors that are economically unviable and are completely misaligned with a 1.5° scenario. Indeed, research has found that 63% of the ECB's corporate bond purchases have targeted highly-emitting sectors.¹ No aspiring EU Climate Bank can afford to do the same: the EIB should demonstrate

¹ PositiveMoneyEU (2020), Aligning Monetary Policy With the European Union's Climate Targets. Available: <https://www.positivemoney.eu/2019/04/report-aligning-ecb-monetary-policy-climate/>

its commitment to the climate by making its support to companies conditional on their producing and implementing Paris-aligned, science-based, time-bound transition plans.

Any EIB support to companies should be contingent on reducing emissions and material consumption, shortening and cleaning up their supply chains and protecting their workers. In addition, companies should commit not to pay dividends or engage in share buybacks and commit not to offer CEOs pay rises over the next three years.

In March the European Parliament Budget Committee's annual report on the EIB's operations underlined the importance of engagement with companies, calling on the EIB '*to include clauses in financing documentation requiring the beneficiaries of its loans to undertake to fully deliver any decarbonisation objective that may have been included in their loan application*'.² There is therefore widespread recognition that the Bank should reinforce its approach to its clients in order to avoid what could, effectively, become blank cheques for highly-polluting activities.

The Budget Committee noted that the EIB should adopt the same robust engagement with financial intermediaries, calling on the Bank to require them to '*disclose their exposure to fossil fuels, and to gradually apply restrictions to heavily exposed intermediaries*'. Furthermore, the report explicitly calls on all intermediaries to develop decarbonisation plans.³ This underlines an urgent and broader need for enhanced transparency in EIB operations, in particular when using financial intermediaries, in order to ensure oversight and effective monitoring of its alignment with the European Green Deal.

Adoption of strong sectoral policies remains critically important

In order to strengthen further the EIB's claim to becoming the EU's Climate Bank, the EIB should adopt and implement Paris-aligned sectoral policies, particularly in high-carbon sectors such as transport, industry, waste management, forestry, agriculture and tourism - building in particular on the EU Taxonomy. The Transport Policy review in 2020 will be a litmus test, as the current policy, which still allows financing for polluting infrastructure such as airports and motorways, requires radical change.

As part of its own transition, the EIB has a responsibility to outline to others what a Paris-aligned transition means concretely by setting market-leading examples. Therefore, it should no longer fund new airports and motorways. Indeed, recent airline bailouts and nationalisations, most of which had no environmental or social conditions attached, already risk locking in excessive emissions in aviation for many years to come.

EIB support must reach the real economy and essential sectors

Finally, we consider it critical that the mistakes of the post-2008 recovery are not repeated: the European Union and its economy should emerge from this crisis more united, sustainable, and resilient. This recovery should be shared with developing countries, too. Therefore, the

² European Parliament Budget Committee (2020), Report on the financial activities of the European Investment Bank. Available: https://www.europarl.europa.eu/doceo/document/A-9-2020-0081_EN.pdf

³ Ibid.

EIB should ensure that all financial instruments developed under the recovery package are fully transparent and reach the real economy, at favourable conditions and with green conditions, and address the acute problems it faces.

It is essential that EIB interventions should not lead to privatisations and further financialisation of the economy: instead, particularly in the health sector, they should reinforce essential public services and support essential workers.

This is a critical moment for the European Union and for the EIB. There are major risks associated with the current crisis, but also a clear signal to transform our economies and help developing countries in sustainable recovery. We call on you, President Hoyer, to move quickly to solidify the EIB's claim to be the "EU Climate Bank", enhance its transparency, and make it a central instrument for a sustainable, inclusive, and resilient recovery.

We assure you of our strongest support to reach these objectives.

Signed,

CEE Bankwatch
CounterBalance
Urgewald
Observatori del Deute en la Globalizació
Les Amis de la Terre France
350.org
Oil Change International
Greenpeace European Unit
WWF European Policy Office
Partnership for Policy Integrity
Friends of the Earth Europe

