TO

EIB Board of Directors
European Investment Bank
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Luxembourg

JOINT CIVIL SOCIETY LETTER

28 April 2023

CREATING A TRULY PARIS-ALIGNED EIB

Dear EIB Board of Directors,

We write to you as the Fossil Free EIB coalition on the topic of the upcoming review of the EIB Climate Bank Roadmap. We understand this process will start before the summer. We welcome the EIB's implementation of its fossil ban and its continued role as standard-setter for international financial institutions. We further hope the bank will make significant and tangible progress on ending its direct and indirect negative impact on climate change and any other disruptive ecological effects of its activities, and provide sufficient lending on affordable terms to finance a socially just transition.

We are pleased to see that as of the beginning of 2022, no investments in fossil fuel projects have been identified. **However, we are concerned about the following issues: climate criteria for companies and financial intermediaries**, support for hydrogen, the environmental and social impact of transport investments and the broader additionality of the EIB's financing of renewables.

The criteria for companies in the PATH Framework was an incomplete but welcome step. However, the exceptions to some fossil fuel-related criteria constitute an unnecessary and detrimental step backwards on the EIB's path to becoming a climate bank. As mentioned in our position paper, the EIB should only finance energy companies that stop investments in new fossil infrastructure and phase out fossil fuels, do not increase inflation by profiteering from high energy prices and refrain from buying back their own shares, and instead reinvest their profits in real green solutions. **Moreover, the EIB should contractually require companies to provide decarbonisation or transition plans that are in line with the Paris agreement**. This will become mandatory in the EU through the Corporate Sustainability Due Diligence directive (Article 15) and the Capital Requirement Directive (for banks, i.e. EIB's financial intermediaries). The EIB must lead by example and immediately require this for all large companies with over 250 staff. These plans and their evaluation by the EIB should be publicly available on the EIB's website.

The criteria for financial intermediaries are still undeveloped. The current disclosure related requirements are so low that the EIB is partnering with some of the worst fossil fuel financiers. Since the start of 2022, the EIB has provided more than €2 billion in energy loans to European banks such as BNP Paribas, Santander and Unicredit which are among the 60 top fossil fuel financiers globally. A third of the EIB's lending goes via such financial intermediaries, giving the bank an enormous carbon footprint. Moreover, like the energy sector, the financial sector has also made enormous profits since inflation started to rise. Applying the criteria used for companies also to financial intermediaries would constitute a significant and logical step forward.

The EIB should focus on financing decentralised and democratic energy access and infrastructure instead of replacing current fossil-based industry with a new green hydrogen oligopoly. Green hydrogen is inefficient and unrealistic at a scale. It relies on the deployment of infrastructure which risks locking in the use of fossil fuels and will likely cause major environmental and social damage by consuming increasingly scarce resources such as land, water and renewable energy. Outside of the EU, green hydrogen mega-projects risk exacerbating the dependency of Global South countries on the technology and capital of rich countries, while sidelining local energy and development needs. Any public funds spent on green hydrogen projects should prioritise replacing grey hydrogen and strictly focus on a limited number of hard-to-abate industry and transport sectors - and where efficiency calculations make economic, environmental and social sense. Public finance should not be wasted on a future possibility of a subsidy-dependent hydrogen market to feed the profits of large corporations instead of supporting a just, green transition through proven solutions.

The "hydrogen ready" label for new gas pipelines is a greenlight for the construction of new gas infrastructure and the retrofitting of existing structures, which exposes the EU to long term gas lock-in and diverts crucial public funding that should be oriented to the recovery and transition away from a fossil fuel economy in Europe. The EIB should clearly demonstrate the additionality of its support for green hydrogen projects, many of which have been proven to be too energy intensive, inefficient and damaging to the climate.

The review of the Climate Roadmap is also a good opportunity to make sure transport investments will effectively be in line with a just transition and fully Paris-aligned. The review of the Transport Lending Policy in 2022 failed to make clear and crucial choices. The EIB should no longer finance the expansion of highways and maritime infrastructure, such as the new breakwater in Genoa. The bank should prioritise investments that lead to a modal shift in transport, not just a focus on technologies. The EIB should scale up financing for zero-carbon transport infrastructure focused on urban electric public transport and rail electrification, shared mobility and zero-emission multimodal public transport services (including cycling) that are accessible to all.

We also want to highlight the importance of other environmental and social issues around renewables and other climate investments. Protecting biodiversity is of equal systemic importance as tackling climate change and we strongly encourage the EIB to uphold the highest environmental standards when financing renewables or other green technologies. Moreover, prioritising the social aspect of the transition in the EIB's climate finance is crucial for decreasing inequality, fostering citizens' access to vital public services and supporting much needed sustainable and equitable societal change.

We ask the EIB to use the review of the Climate Roadmap to improve and better demonstrate the additionality of any climate-related financing, to introduce a participatory process which includes the local population in defining projects and decision making, and that the EIB only finances projects - directly or indirectly - which undeniably meet the needs of the people.

We look forward to receiving your feedback on any of the above recommendations during the upcoming seminar.

SIGNATORIES

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Action Aid International

Arab Watch Coalition

CEE Bankwatch Network

Counter Balance

Greenpeace EU Unit

Observatori del Deute en la Globalització

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