



THE EIB AS EU CLIMATE BANK: ONLY HALFWAY THERE

**An analysis of the new
EIB Climate Roadmap
and the way forward**

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ABOUT COUNTER BALANCE

Counter Balance is a coalition of 9 NGOs whose mission is to make European public finance a key driver of the transition towards socially and environmentally sustainable and equitable societies. Over the last decade, we have monitored extensively the operations of the EIB and led campaigns to make it a more sustainable, democratic and transparent institution.

More information is available at:
<http://www.counter-balance.org/>

WHAT IS THE EIB?

“The European Investment Bank (EIB) is the European Union’s financial arm. The shareholders of the EIB are the 27 EU Member States. The bank is the largest multilateral financial institution in the world. In 2019 alone, the EIB Group invested a total of € 72.2 billion into a wide variety of projects and operations.”

In November 2019, the transformation of the EIB into the *'EU Climate Bank'* was greenlighted by its shareholders when they took the following commitments:

>> **UNLOCKING € 1 TRILLION EUROS OF CLIMATE AND ENVIRONMENTAL INVESTMENTS UNTIL 2030;**

>> **AT LEAST 50% OF EIB'S FINANCING WILL BE DEDICATED TO CLIMATE AND ENVIRONMENTAL SUSTAINABILITY BY 2025;**

>> **BY THE END OF 2020, THE EIB WILL ALIGN ALL ITS FINANCING ACTIVITIES WITH THE GOALS OF THE PARIS AGREEMENT.**

The EIB has since then placed itself at the center of the future European Green Deal and its financial pillar, the Sustainable Europe Investment Plan. The bank is also tasked to play a flagship role under the EU's economic response to the COVID-19 crisis.

In 2020, the EIB began the creation of its *Climate Bank Roadmap 2021-2025*, the key document guiding its transformation into the *'EU Climate Bank'*. After a public consultation process, the new Roadmap was ultimately approved by the EIB shareholders on 11th November 2020.

This briefing provides a brief analysis of the main strengths and weaknesses of this Roadmap.



The [#EIBClimateBankRoadmap](#) 2021-2025 has been approved by the EIB Board of Directors at first reading! This paves the way for our transformative agenda to support the [#EUGreenDeal](#) and achieve the [#ClimateGoals](#). bit.ly/369glOL



Ursula von der Leyen and 8 others

5:53 PM · Nov 11, 2020 · Twitter Web App

THE GOOD

CLIMATE CHANGE IS SET IN STONE AS A KEY PRIORITY FOR THE EIB

Overall the Roadmap represents a step forward to make the EIB the '*EU Climate Bank*' and would improve the current EIB Climate Strategy dating from 2015. The political commitment that EIB shareholders took in 2019 is now set in stone and operationalised as an internal strategic document guiding the bank's operations.

The priorities from the Roadmap are likely to reinforce the EIB's alignment with the objectives of the Paris Agreement, and improve its contribution to the overall goal of carbon neutrality by 2050.

The overall approach is "*shifting support away from activities where there is no clear decarbonisation pathway such as airport capacity expansions or those which are associated with strongly negative greenhouse gas emissions externalities*".

The priority area for EIB investments is clear: "*the EIB Group will intensify its continuing efforts to support accelerated investment in areas that require large volumes of long term and low-cost capital – including public transport, renewable power generation, deployment of low carbon technologies by industry and power Transmission*".

Despite the weaknesses we highlight further in this briefing, the Climate Roadmap will still strengthen the EIB's leadership on climate, with a potential roll-on effect on other banks.



AN UNPRECEDENTED BAN ON AIRPORT CAPACITY EXPANSION

Between 2016 and 2020, the bank provided more than € 4 billion in loans for the expansion of airports. Just in 2019, the EIB financed airport expansions in Greece, Finland, Germany, the Netherlands, Italy, Ireland and Denmark.

Aviation is by far the mode of transport with the biggest climate impact and it has been until recently one of the fastest-growing sources of greenhouse gases emissions. Global aviation emissions have more than doubled in the last 20 years. The aviation sector is estimated to be responsible for 5 to 8% of anthropogenic global warming.

Therefore, the decision of the EIB to end its support to the expansion of airports is welcome. The bank will *“pull back from financing airport capacity expansion and concentrate support for airports on safety, security and decarbonisation projects. Conventionally fuelled aircraft will also no longer be supported”*.

BETTER INTEGRATION OF CLIMATE CONSIDERATIONS IN EIB'S ECONOMIC ASSESSMENTS

A revised and increased carbon pricing, *“reflective of the economic costs of meeting the 1.5°C target and net-zero emissions by 2050”* will be used in the economic appraisal of investments. This increased carbon cost will be set to *“80 EUR/t in 2020, rising to 250 EUR/t in 2030 and up to 800 EUR/t in 2050”*. It will be revised on an annual basis and the price is to be adjusted accordingly.

The EIB's assumption is that high-carbon projects, including certain roads, will end up on the chopping block thanks to the carbon price. For instance, in the automotive sector, *“the Bank would not support internal combustion engine research as it has done in the recent past, but would need to shift this support to battery engine technology and hydrogen fuel cells”*.

A TAXONOMY OF UNSUSTAINABLE INVESTMENTS IN THE MAKING?

The EIB Roadmap confirms that the bank will follow as a bare minimum the standards set by the EU taxonomy for what it will label its *“climate and environmentally sustainable”* investments.

The bank also mentions that it will adopt *“the proposed Do No Significant Harm (DNSH) criteria as a “floor”: i.e. level below which the EU Climate Bank would not support a project. On occasion, where justified, it may set a stricter standard”*. Hence, the EIB will not support projects that according to the EU taxonomy risk causing significant harm, and it retains the possibility of applying stricter standards in areas where the EU taxonomy is too weak. De facto, the EIB is establishing what can be considered as an *“unsustainable taxonomy”* for investments.

One example is industry. There, the EIB's primary focus will be set on innovation and support for low-carbon technologies. Notably *“where the Bank supports modernisation, in the case of existing conventional plants, pollution control and energy efficiency investments that do not substantially extend the life of the facility will be considered”*.

THE BAD

THE EIB WILL NOT BE PARIS ALIGNED AS OF 2021

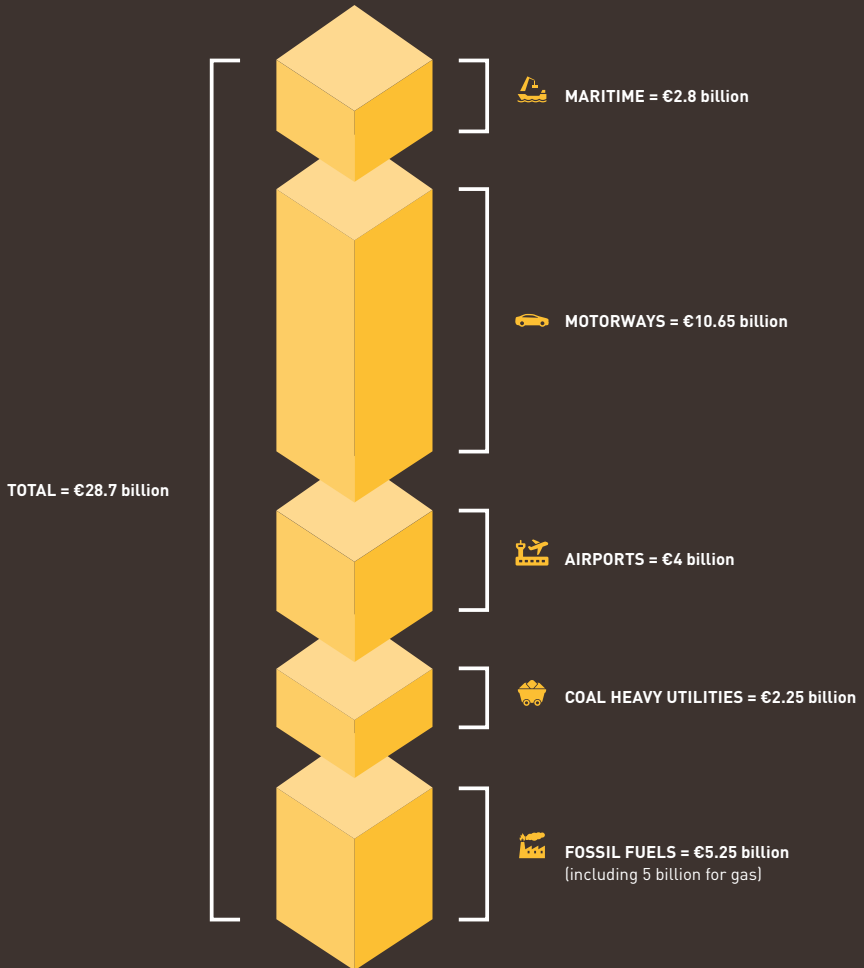
Despite the EIB's initial commitment to align all its operations with the objectives of the Paris Agreement by end 2020, the adoption of the Roadmap will not automatically make the bank Paris Aligned.

A problematic provision included in the Roadmap is the establishment of a transition period before it fully enters into practice. This means that the EIB will be able to *“continue approving projects that are already in the process of appraisal by end 2020 – and possibly deemed non-aligned as per the new framework – until the end of 2022”*. In practice, it says that the EIB could still approve high-carbon projects like airports expansion until the end of 2022, and then finance them via the signature of contracts even later than 2023.

As explained in our July 2020 report *“Too soon to call the EIB the ‘EU Climate Bank’”*, there are significant steps the EIB still needs to take if it is to become fully Paris-Aligned, as it is still involved in a wide web of carbon-intensive and climaticide operations across Europe and beyond.

EIB NOT A CLIMATE BANK YET: SMOKING OUT THE FILTH

From 2016 to 2019, the EIB provided €28.7 billion to dirty projects



Calculation on total of problematic projects 2016-2019 (4 years)

EIB MONEY CAN STILL COME AS A BLANK CHEQUE TO POLLUTERS

There is nothing in the Roadmap on decarbonisation requirements for EIB clients, as any decision on the matter is simply pushed back: *“the EIB Group is currently working to develop counterparty alignment guidelines. The guidelines will be presented to the EIB and EIF Board in 2021”*.

The essential demand that was discarded is for the EIB to stop support to high-carbon companies and financial intermediaries like investment funds and commercial banks that lack solid and demonstrable decarbonisation plans to align with the 1.5°C goal of the Paris Agreement.

At the moment, the EIB lacks a strong corporate-level engagement in its operations and it remains a project-driven bank. This means that it mainly focuses on the individual projects and operations it finances while paying much less attention to the track record, profile and strategy of its clients.

It lags behind several public and private financial institutions, especially when it comes to its support to coal developers.

Despite having ruled out direct investment for coal in 2013, the bank has since provided € 4.7 billion to companies with a high share of coal in their portfolios or that planned to develop new coal power capacity at the time of the loans' approvals. In an environment where numerous public and private banks increasingly refuse to support such coal-heavy companies that are totally at odds with a Paris-compliant transition, this cannot be acceptable for the future 'EU Climate Bank'. This goes against the very essence of the EIB's climate commitments.

Notwithstanding a series of processes where the issue was supposed to be tackled including the development of the EIB climate strategy in 2015, the review of the banks' energy lending policy, and now the creation of the Roadmap, the EIB is continuously postponing the necessary discussion on the matter.





BUSINESS AS USUAL IN THE ROAD SECTOR

Over the last years, the EIB has massively supported roads, highways and motorways with € 10.65 billion invested between 2016 and 2019. This huge support for road transport is far from compatible with its commitment to align with the goals of the Paris Agreement. Still, the EIB decided not to end its support for projects aimed at the capacity increase of highways and motorways.

The above-mentioned carbon pricing and an “*adapted economic test*” (including via new demands forecasts) would be the way to exclude some polluting highways. Still, the concrete impacts of this technical approach are complicated to anticipate: if the EIB assumes a rapid uptake of electric vehicles, it could simply mean the bank would build more roads.

The EIB indicates that “*this approach will screen out projects dependent on high short-term traffic growth (and hence emissions). The EIB will continue to support robust projects designed to improve existing traffic flows, rehabilitation projects, or projects with strong safety elements*”. This is problematic, as “*improving traffic flows*” is often an excuse to expand roads, ignoring the impacts of induced traffic.

Then, the EIB makes it clear that it will continue supporting the development of the TEN-T road network in the EU, “*strategic road corridors outside the EU*”, and “*in general, the development of the local road network and urban roads will continue to be supported*”. All in all, this is merely a continuation of the current approach, tantamount to business as usual.



NO CHANGE OF APPROACH TO THE BIO-ECONOMY AND AGRICULTURE SECTORS, RISKS OF DOUBLE STANDARDS

The Roadmap does not significantly change the EIB's approach to this sector. In particular, the EIB did not propose further restrictions on biomass projects that can bear severe climate and environmental harmful impacts. The safeguards in the field of bio-economy, agriculture and land use remain insufficient. For instance, there is no ban or specific limitation to supporting industrial farming and utility-scale biomass.

There is also a real risk of double standards for investments outside of the EU, as *“a derogation to this general alignment framework can always be made on a case-by-case basis. A strong case can be made to prioritise carbon-intensive projects to more vulnerable communities and regions of the world, particularly when being traded off against immediate need for secure food or water supply”*. This would in practice leave too much discretion to the EIB staff to decide not to follow the framework of the Roadmap – and these decisions would be largely taken behind closed doors.

THE WAY FORWARD

For the EIB to genuinely become the 'EU Climate Bank', it is of utmost importance that all of its operations and its sectoral portfolio are aligned with the Paris Agreement objectives.

From 2021 on, there will be several opportunities to push for more change at the European Investment Bank:

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THE IMPLEMENTATION OF THE CLIMATE ROADMAP

10 Action plans will guide the implementation of the Roadmap. They are *"conceived as an internal planning tool to ensure progress in all areas. They are an internal document focussing on specific actions and deliverables"*.

Many important decisions are to be taken via these action plans in 2021, including on demands for clients, approach to financial intermediaries, the bank's role in Just Transition and its approach to adaptation.

For instance, the EIB still has to come up with *"a detailed adaptation plan towards the end of 2021 to enhance its support for adaptation, with specific actions, prioritisation and initiatives"* to support the forthcoming EU adaptation strategy. In the field of Just Transition - which is identified as a focus area for EIB finance - the EIB will make a *"comprehensive proposal"* to its board by the middle of 2021.

At this stage there is no specific consultation process foreseen for external stakeholders to contribute to these action plans.

The EIB will report annually to its Board on the implementation of the Roadmap. A mid-term review will be carried out in 2023, and a full assessment will take place in 2024.

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**THE REVIEW OF THE EIB
TRANSPORT POLICY**

The EIB committed to review its Transport Policy in 2021, after numerous delays. The current policy is outdated as it was adopted in 2011. This review, which should be subject to a public consultation process, will be an opportunity to further align the EIB's transport portfolio with the objectives of the Paris Agreement.

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**THE REVIEW OF THE EIB
ENVIRONMENTAL AND SOCIAL
FRAMEWORK**

Early 2021, the EIB will open a public consultation on the review of its statement of environmental and social principles and standards. This will be a crucial moment to better enshrine a rights-based approach and the do no harm principle in the EIB operations, building on the approach outlined in the Roadmap.

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THE MID-TERM REVIEW OF THE EIB ENERGY LENDING POLICY IN 2022

The energy sector was left aside under the Climate Roadmap, as the EIB considers that its energy portfolio is de facto becoming “*Paris Aligned*” thanks to its energy policy approved in November 2019. For a more detailed analysis of this policy, please see our briefing “*Stepping closer to fossil free finance*”.

FOSSIL FREE EIB CAMPAIGN



The “Fossil Free EIB” campaign¹ is organized jointly by various civil society organizations across Europe and beyond, coordinated by Counter Balance.

As organizations working to build equitable societies through sustainable finance and determined to protect our environment and our climate, we believe that public banks such as the European Investment Bank (EIB) should lead the way out of the fossil-fuel based energy system that has brought our planet to the current climate emergency.

¹ <http://fossilfree-eib.eu/>





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