TO

January 28, 2021

Mr. Werner Hoyer,
President of the EIB

European Investment Bank
Boulevard Konrad Adenauer 100
Luxembourg

JOINT CIVIL SOCIETY LETTER

MAKING THE "EU CLIMATE BANK" A REALITY

Dear EIB Directors,
Dear EIB Management Committee,

We, the undersigned civil society organisations, welcome the progress made by the EIB to fight climate change since 2019, especially its commitments to both align all its operations with the Paris Agreement and to step up its climate and sustainable lending in order to become the 'EU Climate Bank'.

Still, the EIB is not yet a 'Climate Bank'. The Climate Bank Roadmap 2021-2025 adopted in November 2020 is only a halfway step to make the EIB deliver on its climate commitments. The Roadmap will not automatically make the bank aligned with the objectives of the Paris Agreement just by its adoption. There are still significant steps that the EIB needs to urgently take if it is to become fully Paris-Aligned.

These steps include:

1. **All EIB operations need to be aligned with the objectives of the Paris Agreement**, based on the objective to align EIB operations with a 1.5°C scenario and the transition towards zero-carbon economies. This should fully apply to EIB operations outside of the EU. The EIB should not use the transition period under its Roadmap allowing non-Paris aligned projects to be approved by the end of 2022.

2. **Further exclude high-carbon and environmentally harmful operations from the EIB portfolio**, in particular in the transport sector, by developing a solid framework for the Paris-Alignment of all EIB clients, including financial intermediaries and making any public support via the EIB conditional on company-level science based targets and credible, asset-level and timebound decarbonisation plans aligned with the Paris Agreement. There should be clear guarantees that the EIB's support will contribute to the goal of its client to become Paris-aligned and will only finance projects supporting these targets and decarbonisation plans.

TOWARDS PARIS-ALIGNMENT

- **Ensure an accountable and participatory process around the EIB Action Plans** to be developed under the Roadmap. The EIB should build on its engagement with civil society organisations to enable them to participate fully.

- **The EIB should raise the bar on transparency:** detailed annual progress reports should be communicated to the public, including on the EIB's own degree of alignment with the Paris Agreement, and the EIB should proactively disclose the GHG emissions linked to all its operations, on a project-by-project basis. Projects must provide data on how they are contributing to gender equality and women's empowerment.

- **End all fossil fuel financing:** the EIB should not make use of the loopholes and exceptions on non-fossil gases included in its energy policy. Ultimately it should not finance any gas projects before the fossil fuels ban enters into force at the end of 2021.

  The EIB needs to close the loopholes in its Energy Lending Policy during its mid-term review in 2022. For instance, the Emissions Performance Standard (EPS) set at a level of 250 gCO2 per kWh should be lowered to a threshold of 100 gCO2e per kWh.

  The EIB should urge other public and private banks to mirror its phase-out of fossil fuels financing and its climate ambition. In particular, the bank should encourage other Multilateral Development Banks (MDBs) to exclude fossil fuels from their financing and to set their trajectory towards Paris Alignment at portfolio level. We encourage the EIB to aim for a joint announcement with other MDBs in the lead up to COP26.

- **Improve the EIB environmental & social standards** to better operationalize the Do No Significant Harm principle, using at a minimum the EU taxonomy criteria wherever available, and make sure a risk-based and gender-responsive approach is streamlined throughout all EIB procedures and policies. The standards should also clarify that there will be no double standards for investments outside of the European Union.

- **Further develop the EIB's contribution to Just Transition.** The bank's proposed action plan in 2021 needs to spell out how the EIB will develop sufficient skills and human resources to finance smaller projects (including community-led initiatives and small-scale projects especially targeting renewable energy sources and energy efficiency) and increase contacts with local and regional authorities.

- **In 2021, the EIB should come up with a detailed action plan on adaptation,** ensuring that all its operations are adaptation-proof and resilient, and prioritise support for projects that institutionalise climate risk management and adaptation, and community based adaptation. This should be accompanied by technical assistance, capacity building and advisory services and ensure there are no barriers for smaller actors.

- **Implement in a stringent manner the EIB's economic and financial appraisal of projects** to align both with 1.5°C scenarios, ensuring a solid assessment of less carbon-intensive alternatives and indirect emissions („Scope 3" emissions). The reinforced economic test for road transport, and the use of the shadow carbon pricing, will be of particular importance to effectively rule out high-carbon operations.

FURTHER EXCLUDE HIGH-CARBON AND ENVIRONMENTALLY HARMFUL OPERATIONS FROM THE EIB PORTFOLIO

The Roadmap introduces welcomed steps on high-carbon activities to be excluded from the EIB's future portfolio, such as a ban on airports' capacity expansion. Still, there are other significant activities in high-carbon sectors that need to be excluded:

Aligning the EIB transport portfolio with the Paris Agreement. Our key recommendations for the review of EIB's Transport policy in 2021 are the following:

- The EIB should support and scale up financing for zero-carbon transport infrastructure, urban electric public transport, rail electrification and refurbishment, and zero-emission multimodal transport services;
- **End the financing of any expansion or capacity increase in motorways and highways.** The use of carbon pricing - while welcome - will not be sufficient to rule out most motorway and highway projects;
- End support and financing for LNG terminals, and LNG fuelled vessels;
- End the financing of port expansions in Europe and related transport and industrial infrastructure including the expansion or creation of special economic zones;
- Only support the electrification of trucks, coaches and vessels and not support powertrains relying on gas, biofuels, or oil;
- End support for all biofuels and blue hydrogen as alternative fuel source;
- End loans for the manufacturing of internal combustion engines (including hybrid vehicles) in the automotive sector;
- Support renewal of public transport fleets towards zero emissions vehicles, extension, renewal and electrification of rolling stock for rail passengers transport (including night trains);
- Any new local and urban roads should be financed only if cycle lanes or other soft mobility infrastructures are integrated in the infrastructure.

The EIB currently lacks a strong corporate-level engagement in its operations and remains to date a project-driven bank. It lags behind several public and private financial institutions, especially in its support to coal developers. Therefore, the following measures should be at the heart of the future action plan on "counterparts alignment" under the Roadmap:

Make any public support via the EIB conditional on company-level science based targets and credible, asset-level and timebound decarbonisation plans aligned with the Paris Agreement. There should be clear guarantees that the EIB's support will contribute to the goal of its client to become Paris-aligned and will only finance projects supporting these targets and decarbonisation plans. Financial intermediaries, such as banks and fund managers, should also have decarbonisation plans aligned with a 1.5°C trajectory.

For companies approaching the EIB for financing, decarbonisation plans should be made a compulsory requirement, and the EIB should analyse their robustness and credibility during the appraisal of project proposals. There should be guarantees that the EIB's support will be used to support the decarbonisation. Decarbonisation plans should then be inserted into contract clauses between the EIB and its client companies. Finally, the EIB should develop a fully-fledged framework for standard reporting, monitoring and control of the reporting and respect of decarbonisation targets and plans.

- **No dirty investments via financial intermediaries:** all intermediaries should have decarbonisation plans if they want to benefit from EIB Group funding. The EIB should secure the human resources and have methodologies in place to ensure this, and these should be set in stone via the creation of a new EIB standard on financial intermediaries. Finally, financial intermediaries should be explicitly covered under all EIB sectoral policies, and all climate screening tools at the EIB, carbon footprint assessments and carbon pricing should also apply to intermediaries. For equity investments, the EIB Group should at least mirror the Green Equity Approach of the International Finance Corporation and expand this approach to all fossil fuels.

- **The EU taxonomy** will underpin the future criteria of the EIB and should be conceived as a minimum: the EIB should retain the possibility to apply more stringent criteria than the EU taxonomy in areas where the latter is weak, as for instance in the case for **Biomass**.

- Reinforce safeguards in the field of bio-economy, agriculture and land use, with an explicit **ban on supporting industrial farming (including livestock) and utility-scale biomass.**

- **Ensure that the Bank does not finance nuclear projects.** The Bank should exclude any support for nuclear energy when conducting the mid-term review of its Energy Lending Policy.

- **Avoid greenwashing** and adverse social impacts by not focusing on false solutions (hydrogen, CCS, etc). The EIB should not achieve 1,5°C alignment via the use of carbon offsets or carbon markets - neither at the portfolio nor at the project level.

If the right actions are taken in 2021, the EIB can become the first public bank to truly align with the Paris Agreement and set a precedent for other financial institutions. We are looking forward to discussing these issues further during the next seminar between the EIB Board of Directors and civil society in February, and throughout the year.

We thank you very much for considering these issues.

Yours sincerely,

SIGNATORIES

AbibiNsroma Foundation

Action Aid International

Arab Watch Coalition

A Well-Fed World

Bank Information Center

BankTrack

BothENDS

Brighter Green

CAN Europe

CEE Bankwatch Network

Center for Biological Diversity

Christian Aid

CNCD-11.11.11

Compassion in World Farming

Counter Balance

E3G

Environmental Paper Network Biomass Finance WG

Estonian Roundtable for Development Cooperation

Eurodad

Farm Sanctuary

Four Paws

Friends of the Earth US

Gastivists

Global Witness

Greenpeace

Having Kids

Jamaa Resource Initiatives

KOO

Les Amis de la Terre France

Oil Change International

Public Interest Law Center

Re:Common

Recourse

Strategies for Ethical and Environmental Development

Seeding Sovereignty

Sentient Media

Sinergia Animal

The Humane League United Kingdom

Urgewald

Vedvarende Energie

World Animal Net

World Animal Protection

WWF European Policy Office

ZERO - Association for the Sustainability of the Earth System

Zero Hour International

Global Forest Coalition