

Counter
Balance Challenging
the European
Investment
Bank

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TO: Mrs Connie Hedegaard
Commissioner - Climate Action
European Commission
B-1049 Bruxelles

1st September, 2010

Re: Concerns of Civil Society Organisations about the role of European Commission and the European Investment Bank in climate finance

Dear Commissioner Hedegaard,

According to what we learned from media reports and institutional statements, the European Commission and the European Investment Bank (EIB) are exploring a joint climate finance initiative for developing countries as part of the EU commitments made at last year's Copenhagen conference.

While we welcome the steady efforts of the European Commission in the fight against climate change, including committing some financial resources for supporting mitigation and adaptation measures in developing countries in the name of the climate debt due by European countries and citizens to the Global South, **we are writing to express our concerns about the adequacy and capacity of the EIB in being an effective actor for managing climate finance.**

In particular, the EIB is controlled just by European countries and has no experience in conceding concessional lending or grant financing which could be eligible as climate finance. Even though there are plans to supplement the climate funds with European Commission grants, the bulk will still be disbursed as loans. The proposed additional 2 billion Euro under the EU guarantee to the EIB for projects outside the EU, however, will be spent through loans. It is highly inappropriate to issue loans for adaptation, given that rich countries are overwhelmingly responsible for climate change and should pay the full incremental costs of adaptation. Giving loans for adaptation will also increase the risk of debt distress in poor countries which should benefit from the needed financial transfer to adapt and mitigate the impacts of climate change. This focus on loans signifies a deviation from the "polluter-pays" principle for climate finance, one of the core principles of the UN multilateral negotiations on climate change.

Furthermore, despite significant improvements by the Bank in the last years concerning financing for renewable energy and energy efficiency, also a result of the external pressure of civil society, the EIB portfolio is still biased in favour of energy and climate intensive projects often for the benefit just of Northern countries and corporations, and not for developing countries. In this regard we take the liberty to send you a copy of our comprehensive report assessing EIB external lending and its controversial development record at the occasion of the EIB mid-term review carried out this year.

For these reasons we do not feel that blending of EC budget with EIB resources gathered at quasi-commercial terms would be a wise and effective approach to leverage climate finance and meet European commitments in this regard.

As civil society organisations that have been monitoring EIB lending outside the EU in the last decade we do not feel that the Bank should be given an expanded mandate including climate finance, while it should instead concentrate on greening its existing portfolio and making it more climate friendly, regardless of the fact that it will not be eligible as climate finance commitments under the Copenhagen Accord.

At the same time we believe that EC and member states grant resources could be used for leveraging additional financing through innovative mechanisms and possibly contributing to a global climate fund, as to be discussed and hopefully agreed at next COP Summit in Mexico. In this regard, civil society organisations are developing comprehensive articulated proposals that we would be glad to share with you.

We would be pleased to have the opportunity to discuss further these issues with you and your cabinet at your earliest convenience and look forward to your prompt reply.

With our best regards,

Desislava Stoyanova
Coordinator
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