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## **Submission to the EIB Climate Roadmap 2021-25 Counter Balance - April 2020**

*/ **COUNTER BALANCE** / is a European coalition of development and environmental non-governmental organisations (NGOs) with extensive experience working on development finance and the international financial institutions as well as campaigning to prevent negative impacts resulting from major infrastructure projects. Since 2007 and together with our member groups and partners, we have monitored the operations of the EIB in the field of climate action, and paid particular attention to EIB's investments in the energy sector. As part of this work, Counter Balance provided numerous inputs to public consultation processes organised by the EIB, including around the creation of its Climate Strategy or the revisions of its energy policies and environmental and social handbook. This collective contribution of our coalition builds on this previous work.*

We welcome the news that the EIB commits to align all its operations with the objectives of the Paris Agreement by the end of 2020 and plans to step up its climate and environmental sustainability lending to become the 'EU Climate Bank'.

Following substantial progress with the adoption of the Energy Lending Policy in November 2019, the EIB has gained significant credit across the EU for its efforts to be a leader in the fight against climate change. In particular, the priority given to energy efficiency and renewable energy, together with the planned phase out of lending to fossil fuels, are important steps forward for the Bank.

As a result, expectations for the EIB to effectively align its operations with the Paris Agreement are high. This is especially true since the transformation of the EIB into the 'EU Climate Bank' should run in parallel to the Bank playing a pivotal role in the European Green Deal. This transformation needs to ensure that the EIB delivers on its multiple objectives such as combating climate change, promoting a just transition across Europe and beyond, and fully contributing to Europe's decarbonisation agenda while leaving no one behind.

This transformation into the 'EU Climate Bank' is all the more important that the EIB will play a flagship role under the EU economic recovery package following the Covid19 crisis. Given the long-term orientation of EIB loans and operations, it is crucial that this necessary economic response to the Covid19 crisis is complementary to the efforts to steer the European economy into a more sustainable and fair path.

In this context, we encourage the EIB to adopt a clear strategy and pathways for Paris alignment under this Climate Bank Roadmap. The Roadmap must spell out solid milestones and action plans to achieve the Bank's commitments. A starting point should be the objective to align EIB operations with a 1.5°C scenario and the transition towards climate-neutral economies. Based on the most recent UN Emissions

Gap report countries would need to reduce emissions by 7.6% a year (for the EU this would equal to emission reductions of more than 65% by 2030) to meet the 1.5°C target.

Please find below a summary of our key recommendations:

## KEY DEMANDS

- 1. The EIB needs to base its Climate Roadmap on the objective to align all its operations with a 1.5°C scenario (not 2°C like in the current strategy).** There is no contradiction between this objective and the role that the EIB is to play in economic recovery plans following the Covid19 crisis. The Roadmap should spell out under solid action plans the concrete steps needed to align EIB operations with the Paris Agreement and raise its climate and sustainable investments to at least 50% by 2025.
- 2. In the energy sector, the EIB should deliver on its fossil fuels ban and eliminate in practice all financing to fossil fuels.** In addition, the bank should close the existing loopholes in its newly adopted energy policy. For example, the Emissions Performance Standard for power generation set at a level of 250 gCO<sub>2</sub> per kWh should be lowered to a threshold of 100 gCO<sub>2</sub> per kWh - in line with the EU sustainable taxonomy. The EIB should also make ineligible all support to nuclear projects.
- 3. The EIB must review its sectoral policies** to ensure that its financing does not impede the achievements of the EU's climate and energy objectives. The Bank should eliminate financing high carbon projects in waste management and heavy industry sectors where the EIB is active (like cement, aluminium, steel, etc). There are serious reputational and legal risks associated with the high emitting and non-Paris aligned investments of the EIB, and as for fossil fuels, the EIB should **set targets to phase out all 'brown' lending.**
- 4. In the transport sector, a major shift in EIB's approach needs to take place. The roadmap should explicitly exclude high carbon projects such as airports, motorways and ports.** The bank is planning to review its Transport Policy once the Climate Roadmap is adopted, which would provide the opportunity to better define the areas where the EIB needs to focus its efforts, such as scaling-up financing and support for zero-carbon transport infrastructure, electric urban public transport and rail electrification.
- 5. Raising the bar on support to corporates** is needed. At the time being, the EIB lags behind the many commercial banks which already exclude support to coal developers for instance. The EIB should require all its clients to have in place solid decarbonisation plans, especially for carbon intensive companies. Any public support via the EIB should be made conditional on science-based targets and timebound, high-level corporate commitments.

**6. Put Just Transition at the heart of EIB's investments in the next decade.** Priority should be given to investments in **energy efficiency, building renovation, decentralized renewable energy sources, circular economy and other forms of infrastructures that are connected to the needs of citizens and territories.** Opening up EIB's support to community-led initiatives and small-scale projects would be an important step forward. Developing sufficient skills and human resources to be able to finance such projects and increase contacts with local and regional authorities and financial institutions like cooperatives and national public banks will be necessary to support a more decentralized approach to a climate transition.

**7. Mainstreaming climate change considerations in all EIB operations should be at the core of the EIB's transformation in the 'EU Climate Bank'.** What needs to happen is not only an increase of climate-friendly investments, but the mainstreaming of climate considerations throughout all EIB operations – including the 50% which won't be focusing on climate and environmental sustainability as such – especially in the economic and financial appraisal of EIB projects. A key step is to improve the carbon footprint assessment of projects, which currently does not assess less carbon-intensive alternatives and does not include indirect emissions.

**8. No dirty investments via financial intermediaries.** It will be crucial for the EIB to ensure that its intermediated operations do not fuel climate change. All intermediaries should have decarbonisation plans if they want to benefit from EIB funding. The bank would have to secure the human resources and methodologies in place to ensure this. As part of the review of its Environment & Social standards, a new standard on financial intermediaries should set this reinforced approach in stone.

**9. Raising the bar on transparency:** a major transparency offensive needs to happen if the EIB is to become a more transparent and accountable institution. The bank will revise in 2020 its Transparency Policy, offering the chance to enhance transparency at both governing bodies and project levels. On the climate front, the EIB should proactively disclose the GHG emissions linked to all its operations, on a project-by-project basis. The EIB should ensure that intermediated loans are subject to the same transparency requirements as other types of loans.

**10.** The EIB should **reinforce the eligibility criteria for climate action** in order to avoid greenwashing. The promise of technological solutions and the push for niche technologies (such as Carbon Capture and Storage, green fuel and renewable gas) should not be a primary focus and should not be used as an alibi not to operate the radical transformation that the Bank refers to.

11.

It is crucial that the projects funded by the EIB to address climate change do not cause other types of harm such as biodiversity destruction and social impacts. The EIB furthermore needs to **enforce its environmental, social and human rights due diligence and monitoring** for financed projects, including projects via financial intermediaries, to ensure that it only supports truly sustainable initiatives. A stringent **‘do no harm’ and ‘do good only’ approach should be an essential part of the Climate Roadmap and the future environmental and social standards of the EIB**. The EIB needs to **look at the larger societal impacts of its operations** and not feel constrained by the pressure from lobby and industrial groups.

12.

The EIB needs to **achieve its climate ambitions without contributing to the financialization of nature**. It should explicitly exclude carbon and biodiversity offsets, due to their unsolvable issues which makes them unfit for truly protecting nature.



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