

JOINT CIVIL SOCIETY STATEMENT

Opportunities and expectations on EIB aligning with the Paris Agreement

Dear EIB Management Committee,
Dear EIB Directors,

We, the undersigned civil society organisations, 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 sustainable lending as to become the *'EU Climate Bank'*.

Following substantial progress with the adoption of the new 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 – a flagship initiative of the new European Commission. 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.

In this context, we encourage the EIB to adopt a clear strategy and pathways for Paris alignment. This strategy should be based on 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. It must also spell out solid milestones and action plans to achieve the Bank's commitments.

The adoption of the new EIB Energy Lending Policy is not the end of the road. While it is vital that the Bank in implementing the new energy policy ensures that it does not approve any individual project which is contrary to Europe's climate goals, there are also other important challenges that the EIB needs to tackle if it is to live up to its climate commitments, including:

- **Adopting and implementing sectoral policies in line with the 1.5°C target** in high-carbon sectors such as transport, industry, waste management, forestry, agriculture and also tourism. A litmus test will be the review of the EIB Transport Policy in 2020: the current policy is largely outdated – as it enables the financing of polluting transport infrastructure such as airports and motorways – and needs a radical revamp.
- **Raising the bar on corporate support.** We recommend that the EIB makes financing conditional on company-level decarbonisation plans aligned with the Paris Agreement prior to loan approval. The project-level focus of the EIB has become increasingly myopic and is now untenable: corporate-level requirements need to become a new normal. The Bank should stop any support for high-carbon and unsustainable companies which do not rapidly adopt and implement 1.5°C compliant strategies to align their business model with the Paris Agreement. At present, there is a real gap in terms of corporate social responsibility for the EIB, and the Bank lags behind many commercial banks and investors in this regard.

• **Mainstreaming climate change considerations in all EIB operations.** It is of utmost importance that all EIB investments and sectoral portfolios are aligned with the Paris Agreement. What needs to happen is not only an increase of climate-friendly investments, but the mainstreaming of climate considerations throughout all EIB operations, especially in the economic and financial appraisal of EIB projects and in all its intermediated operations. Key steps in this regard would be to assess projects using forward-looking climate scenario analyses embracing climate neutrality plans and just transition plans, to increase the level of carbon pricing at the EIB to ensure this is updated with the latest science, and to make the Energy Efficiency First Principle a reality by building in a standard test whether a supply side investment, or part of it, could be replaced by a demand side (reduction/flexibility) investment.

We are particularly keen to be involved in upcoming processes at the EIB such as the review of the transport policy, the creation of pathways for alignment with Paris Agreement, and the review of environmental and social principles. We consider it key that inclusive consultation processes take place to ensure that the discussion on the EIB climate strategies reaches out in an open manner to a wide range of stakeholders and citizens, as was the case for the Energy Lending Policy review in 2019. The undersigned are willing to fully engage within these processes and formulate concrete recommendations on the future policies that will help transform the EIB into the 'EU Climate Bank'.

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

