



THE EUROPEAN INVESTMENT BANK AND TRANSPORT INVESTMENTS

MAKING EU PUBLIC FINANCE TRANSFORM
MOBILITY ACROSS EUROPE AND BEYOND

APRIL 2021

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/>

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FOSSIL FREE EIB CAMPAIGN



The “Fossil Free EIB” campaign (<http://fossilfree-eib.eu/>) is a joint initiative of 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. Following a successful campaign around the energy policy of the EIB in 2019 and the decision of the bank to phase-out support to fossil fuels, the campaign now focuses on setting a precedent via aligning all of EIB operations with the Paris Agreement on climate and cleaning up the transport portfolio of the bank.



I N T R O D U C T I O N

The European Investment Bank (EIB) is the financial arm of the European Union, and the largest multilateral lender in the world. In 2020, the EIB Group lent over €77 billion.

The EIB is currently transforming into the 'EU Climate Bank' and has positioned itself at the core of the European Green Deal and its financial pillar, the Sustainable Europe Investment Plan. In addition, it has been tasked to play a flagship role under the EU's economic response to the COVID-19 crisis.

The EIB shareholders committed to align all EIB operations with the goals of the Paris Agreement and to raise the part of its investments going for climate and environmental sustainability to 50% by 2025.

In November 2020, the EIB shareholders approved the "Climate Bank Roadmap 2021-2025" to guide its transformation into the 'EU Climate Bank'. While the Roadmap is a positive step forward, it falls short of really tackling a serious matter for the EIB: **the transport sector is a major area for EIB investments and has up to now been far from climate friendly. From 2016 to 2020, the EIB invested close to €20 billion in carbon-intensive and polluting transport modes**¹ - €4 billion a year on average.

Despite its climate commitments, EIB transport operations to date are not yet aligned with the objectives of the Paris Agreement. The EIB's approach to transport needs to undergo radical change if it is to play a transformative role in the transition towards a low carbon future.

As Gavin Dunnet, director for mobility at the EIB, explains in the 2020 activity report of the EIB: *"A green and digital revolution is sweeping through the transport sector at a time when the climate of the earth is in turmoil and a health pandemic threatens humanity. Transport is both part of the solution and part of the problem. It is the only CO₂-emitting sector that continues to grow and one of the economic sectors most severely affected by the pandemic. But transport is also expected to lead the recovery in a green transition that the EIB will support to create a truly sustainable transport system"*².

An important step in 2021 is the review of the EIB Transport Policy, which is largely outdated and currently still allows for the financing of carbon-intensive modes of transport. If re-directed towards climate-proof and transformative projects, EIB's investments could make a considerable difference in helping the EU decarbonize its transport sector and achieve the objectives of the Paris Agreement and its very own Green Deal.

This briefing outlines the track record of the EIB in the transport sector and analyses the main strengths and weaknesses of the Climate Roadmap with regards to the transport sector. It then provides recommendations to further align the EIB's transport portfolio with the objectives of the Paris Agreement, in light of the upcoming Transport Policy review.

THE STATE OF PLAY: A CARBON-INTENSIVE TRANSPORT PORTFOLIO AT THE EIB

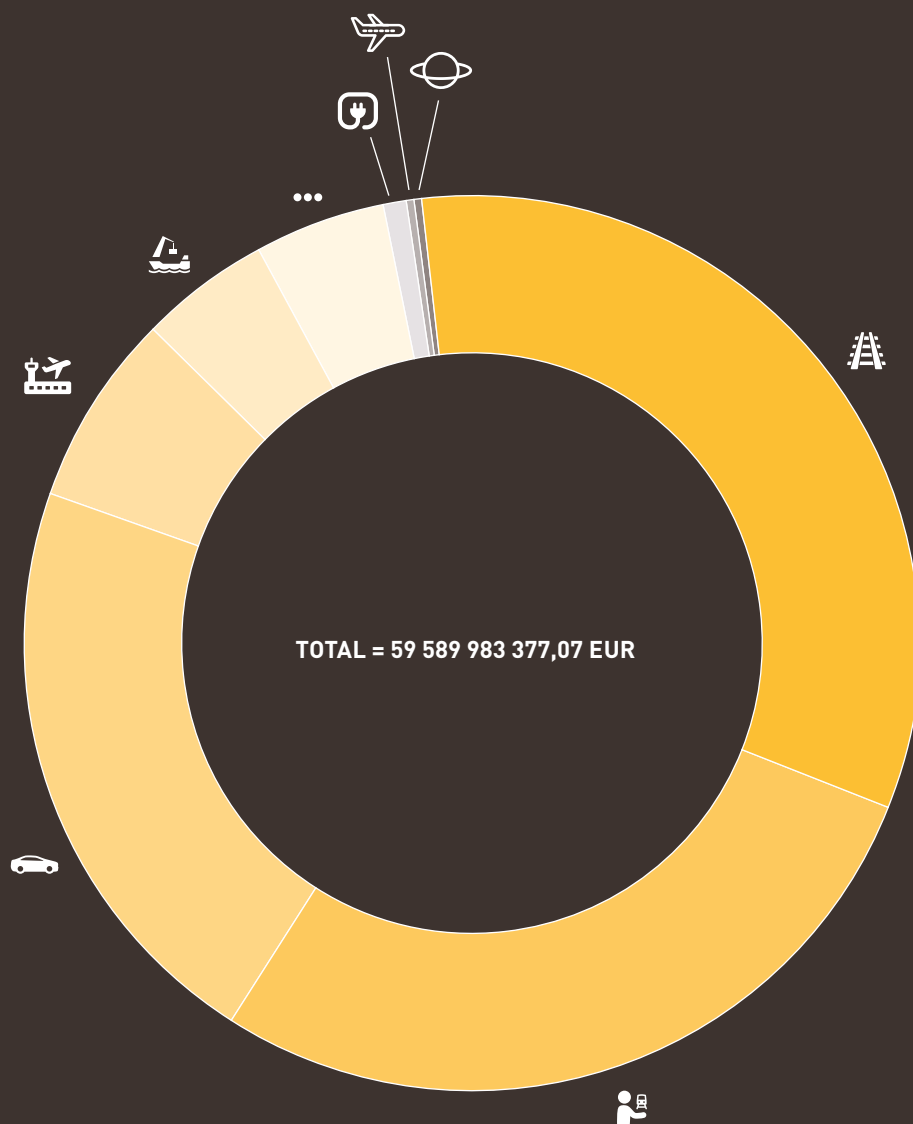
The transport sector constitutes a significant part of EIB investments - accounting for more than 25% of the EIB's entire portfolio and more than €10 billion of new investments annually. At the end of 2019, 28,9% of the stock of EIB loans was located in the transport sector³.

Nonetheless, this important sector in the EIB portfolio has up to now been far from climate friendly. **The EIB current Transport Policy⁴, which dates back from 2011, has enabled the financing of polluting and carbon-intensive transport modes and infrastructure projects. Its priorities are very broad, and can be used to justify almost any project.** Since 2016, the EIB has provided more than €4 billion in loans for the expansion of airports, €12,6 billion to roads, highways and motorways and almost €3 billion in polluting investments for the maritime sector.

A positive trend though is that the EIB investments in the transport sector have significantly increased in the area of urban public transport and rail since a decade.

LOANS SIGNED BY THE EIB IN THE TRANSPORT SECTOR

period 2016-2020




 **RAIL**
19 631 466 210,66 EUR

 **PUBLIC TRANSPORT**
16 728 714 835,46 EUR

 **ROADS AND MOTORWAYS**
12 622 654 812,00 EUR

 **AIRPORTS**
4 193 601 936,00 EUR

 **MARITIME**
2 868 575 408,00 EUR
(including 1 826 940 782,00 for ports)

 **OTHERS**
2 824 319 258,65 EUR

 **ELECTRIC VEHICLE INFRASTRUCTURE**
401 000 000,00 EUR

 **AVIATION**
174 987 123,00 EUR

 **ASTRONAUTICS**
100 000 000,00 EUR

The EIB states that all its projects are screened for their potential to contribute to the climate change policy objective. Still, it appears that those which do not contribute are rarely rejected, implying that contributing to climate objectives is an optional extra, rather than something that all projects must do. While the EIB is certainly interested in financing more climate-friendly projects, unfortunately its impact is still severely impaired by its financing of climate-damaging projects.

/ SUPPORT TO MOTORWAYS AND HIGHWAYS: ROADS TO NOWHERE? /

Over the period 2016 to 2020, the EIB has massively supported roads, highways and motorways with €12,62 billion over these five years.

Road transportation is a major contributor of CO₂ emissions. In 2017, road transport was responsible for almost 72% of total GHG emissions from transport at the EU level⁵. Investments in motorways and highways do not contribute to local mobility and compete with less carbon-intensive transport modes such as trains. Furthermore, the EU already has an extremely dense network of motorways and highways, many of which create severe problems of ecosystem fragmentation and even disruptions in environmentally protected areas - the Natura 2000 areas.

While the promise of electrification is used by the EIB to continue funding motorways and highways, this is based on very optimistic assumptions. Indeed, we are still a long way from decarbonising car transport. Furthermore, simply replacing cars running on fossil fuels with electric cars will not be sufficient as it does not address the huge resource inefficiency of the private car system. It is therefore difficult to see how building new roads could fit with the goals of the Paris Agreement. What is needed and urgent is less traffic and not more or bigger roads, which only risk inducing the demand.

Together with a broad coalition of civil society organizations under the *"Fossil Free EIB"* campaign⁶, Counter Balance has called on the EIB to end its support for motorways and highways expansion.

THE STRASBOURG BYPASS: A DISASTER FOR BIODIVERSITY, THE CLIMATE AND HUMAN HEALTH

A controversial project funded by the EIB is the Grand Contournement Ouest de Strasbourg – A355, a 24km motorway by-passing the city of Strasbourg, France. Despite being contested for 20 years by elected officials, farmers, citizens and civil society organizations, the project nevertheless went through and is currently under construction. This was largely enabled by a €229 million loan from the EIB signed in April 2018⁷.

The EIB claims that the construction of the bypass would help to significantly reduce the level of congestion on the existing motorway north of Strasbourg, thereby contributing to faster travel times for road users and a decrease in pollution. In practice however, this solution is likely to be inefficient, with highly detrimental consequences for biodiversity, public health and the climate.

Local groups have pointed out that the bypass will not provide an effective response to the congestion problem. The current traffic problem is mainly caused by vehicles that enter and leave Strasbourg. The motorway will not be of any use for these people since the project by definition bypasses the city. The objective of the project is rather to have the road primarily used by trucks. However, according to a study conducted by the CGEDD (Conseil général

de l'environnement et du développement durable), this would only have a very limited impact on traffic reduction, with an estimated decrease of only 6 to 14%⁸.

While the benefits of this project are questionable, the harmful impacts on the environment and biodiversity are likely to be important.

These impacts have been criticised by local opponents and many public studies, including the Environmental Authority, the Agency for Biodiversity, the local water commission and the National Council for the Protection of Nature⁹. The construction of the highway will come at the expense of 300 hectares of agricultural land. It will also strongly disturb or destroy unique ecosystems, including forests and wetlands, that are home to 450 plant and 120 animal species. It furthermore risks causing the disappearance of many protected species, such as the Great Hamster of Alsace, classified among the most threatened mammals in France. The environmental offsets proposed to mitigate the loss of agricultural land and biodiversity have been described as inadequate by the public inquiry commission responsible for studying the case¹⁰. Opponents also dispute the argument concerning the fight against air pollution, arguing that it will only be displaced in the municipalities bordering

the new highway. The project is likely to increase air and noise pollution for these communities, without decreasing it on the existing A35 highway. The decision authorizing the project was taken on the ground of an old impact study from 2006. Even if a recent update was done, the anticipated impact on air pollution and climate impact is still based on outdated figures.

Who then benefits from this project? As it appears, its main purpose is not to relieve congestion in Strasbourg, but rather to facilitate the movement of goods between northern Europe and the south. The lengthy concession for the project also means that the profits generated will end up in the pockets of the multinational French company Vinci for a period of 55 years, for a project with dubious added-value for the region it will cross as well as its citizens.

The Strasbourg bypass is a sad illustration of the lack of accountability in public participation: the project was rejected by several public authorities and two public inquiry commissions studying the case. This project is an archetype of what we must no longer do in terms of transport. It is part of a long and never-ending list of imposed projects that do not serve the general interest, increase the nuisance for local communities and destroy more of our natural and common resources.

MOTORWAY THROUGH A 200-YEAR-OLD FOREST

The EIB is behind the expansion of the controversial A49 motorway in Germany¹¹, which provoked strong resistance from environmental activists. The construction of the motorway would result in the destruction of 27 hectares of the Dannenröder forest. The Dannenröder forest is located in a nature protection area and its trees are more than 200 years-old. It is home to many endangered species, including bats, newts and fire salamanders. Moreover, the forest is part of a protected reservoir that supplies around 500,000 people in the area with drinking water.


The EIB's €264 million loan to the A49 motorway raises serious doubt on the bank's commitment to become the 'EU Climate Bank' and align with the objectives of the Paris Agreement.

The EIB says that the A49 project would lead to emissions savings of 11,000 tons of CO₂ per year¹². Which means that the EIB invests 264 million euros in a motorway project that represents less than 4% reduction compared to the current situation. Besides, it is possible that the traffic will increase beyond the “project boundaries” and have a greater impact on climate.

Indeed, research shows that making driving easier leads to an increase in driving, not a reduction¹³. Building and expanding roads generates more traffic, exhaust fumes and noise, generating the so-called “induced travel demand” phenomenon.

The project has been resisted by civil society for decades. In 2020, environmental activists moved to the Dannenröder forest to prevent the construction of the motorway and the destruction of the forest, with over 70 tree houses being built. The camp has become one of the most important climate justice struggles taking place in Germany.

Clearing out healthy forests in order to build new polluting transport infrastructures is irresponsible at a time where all of our efforts should be focused on tackling the climate emergency. This project and the resistance around it are not only relevant for the Dannenröder forest area, but has to do with the future of transport as a whole, and the fact that we cannot keep expanding highways at a time of climate breakdown and rapid extinction of species.



THE STRASBOURG HIGHWAY IS PUTTING THE HAMSTERS OF ALSACE AT RISK OF EXTINCTION, DESPITE IT BEING LISTED AS A PROTECTED SPECIES UNDER THE EU HABITATS DIRECTIVE

/ EIB'S GENEROUS SUPPORT FOR THE AUTOMOTIVE SECTOR AT ODDS WITH CLIMATE COMMITMENTS /

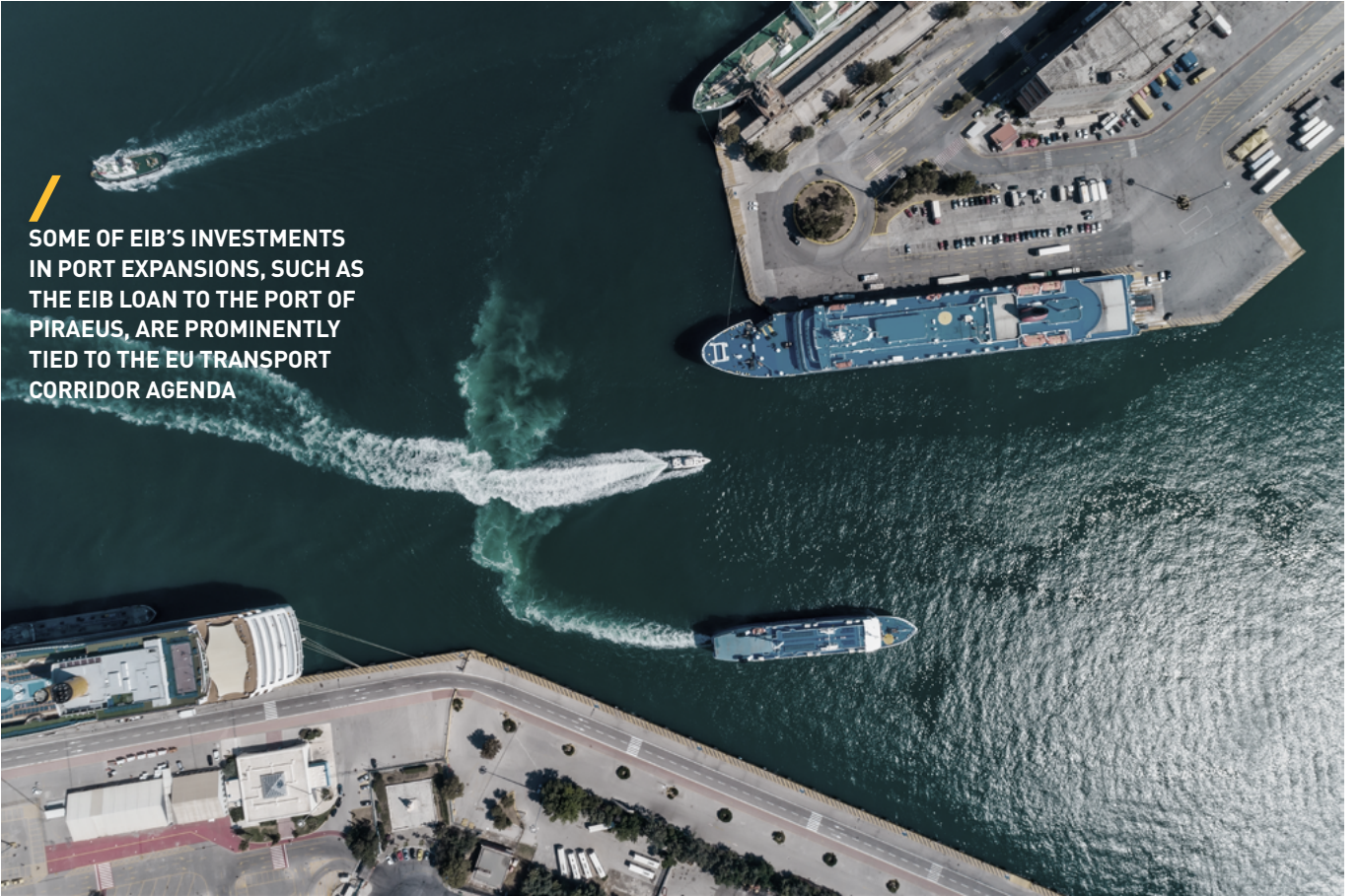
In 2020 alone, the EIB provided more than €1,5 billion to the automotive industry. While part of it is going to the electrification of cars, a large proportion still supports the manufacturing and research and development of conventional and hybrid vehicles.

Experience from the last decade has shown a clear lack of scrutiny regarding the often-stated goal of cutting carbon emissions. One emblematic example is the EIB loan to Volkswagen which ended up being misused to develop diesel cars with defeat-devices to rig emission tests, resulting in some models emitting up to 40% less pollutants in emission tests than what they did on the street¹⁴.

Unfortunately, this may not be an isolated case, as EIB's support to hybrid cars may also have higher climate costs than expected. A recent report from Transport & Environment for instance found that three of the most popular plug-in hybrid cars all emitted significantly more CO₂ than advertised when tested in the real world¹⁵. This is in part due to flawed assumptions regarding the use of electric motorisation, which is not consistent with real use. Hybrid cars which do not largely use their electric motorization end up being more polluting than fossil cars.

If the EIB is to align with the Paris Agreement, it should focus its support on the development of fully electric vehicles. It is however important to highlight that electric vehicles themselves are associated with problems regarding their supply chain, with increased demand for mining minerals bearing serious risks for the environment and human rights.

Ultimately, there is an urgent need to rethink car mobility and move beyond private car ownership. For a public bank like the EIB, this means paying close attention to these emerging problems and only financing projects that can really transform mobility systems and models.



SOME OF EIB'S INVESTMENTS IN PORT EXPANSIONS, SUCH AS THE EIB LOAN TO THE PORT OF PIRAEUS, ARE PROMINENTLY TIED TO THE EU TRANSPORT CORRIDOR AGENDA

/ BANKING ON HIGH-CARBON MARITIME INDUSTRY /

The maritime industry is often omitted as a polluting transport sector, despite the fact that global shipping accounts for more than 2% of global GHG emissions¹⁶. Emissions from shipping have grown by around 70% since 1990 and are expected to continue to increase between 50% and 250% between 2020 and 2050. This means that on a business-as-usual pathway, shipping emissions could account for about 18% of worldwide GHG emissions by 2050¹⁷.

Shipping is one of the sectors in which decarbonisation is the hardest to achieve, mostly due to the high cost of and lack of availability of low-carbon technologies,

but also to the fragmented structure of the industry as well as the difficulty to control the enforcement of environmental measures.

The EIB has spent €2,87 billion in maritime investment from 2016 to 2020. While several of its investments, such as the Green Shipping Guarantee programme¹⁸, have centered toward “greening” the maritime transport sector (for instance through investing in new energy-efficient vessels and alternative fuels), some of the environmental claims for these investments can however be disputed.

This is especially the case when it comes to LNG fuels. A report from Transport & Environment¹⁹ described LNG as an expensive diversion that will make it more difficult for the shipping industry to align with the Paris Agreement goals. Rolling out LNG uptake would cost Europe more than €22 billion, with - at best - a 6% to 10% reduction of GHG compared to diesel fuel, and only when considered in an optimistic methane leakage scenario.

This level of potential GHG savings is also likely to be cancelled out by the expected growth of maritime trade. What is brought into question is whether an increase in

global trade and cruise ship tourism can be consistent with the Paris Agreement objectives, both of which are often the main rationale behind the EIB's maritime investments. **The EIB for instance invested more than €1,8 billion in port expansions since 2016 to accommodate for a future increase of shipping traffic.**

Several of the most recent investments are intended to link into China's Belt and Road Initiative (BRI) or similar routes eastwards. The bank for example recently loaned €140 million to support the expansion of the Port of Piraeus²⁰, Greece's largest port now

owned in large parts by the Chinese COSCO Corporation. Established as a Special Economic Zone, the Port of Piraeus operates as an international cruise centre and commercial hub. It is now the main platform in Europe for China's maritime ambitions as part of the BRI.

The expansion of the Port of Piraeus financed by the EIB is likely to drive a massive increase in imports for Chinese goods into Europe, raising concerns on the environmental and climate impact of this investment. Another dark side concerns the precarious and exploitative labour conditions at the Port of Piraeus revealed by several media reports and studies²¹.

Most of the EIB's recent support to port expansions, such as the ports of Brest and Marseille (Fos-sur-Mer) in France, Di Civitavecchia in Italy and several ports in Portugal, are even counted as part of the bank's climate actions²². It is however difficult to see how a massive increase of shipping traffic and transport of international goods that such investment is fuelling can be compatible with the EIB's climate goals and a 1,5°C warming trajectory, especially when taking into account the difficulty in decarbonizing the maritime sector.

FOS-SUR-MER: FRANCE'S HIDDEN POLLUTION HAVEN

Fos-sur-Mer is one of the largest industrial zones in Europe, connected to the urban area of Marseille in the South of France. According to a study published in 2019²³, people living closest to the port are more likely to suffer from health problems, notably cumulative cancers and asthma. NOx and nanoparticles' emissions from boats, notably cruise and cargo ships, are partly to blame.

The EIB's loan of €50 million to the Port of Marseille-Fos in 2018, which is counted at 74% under its 'climate action', will include the expansion and construction of new quays to "make way for big cruise ships" and accommodate multiple "large container vessels simultaneously"²⁴. Despite claims from the Port that measures will be taken to deal with air pollution, many questions and serious concerns about



THE POLLUTION IN
FOS-SUR-MER
IS HAVING
DANGEROUS
HEALTH IMPACT
ON THE LOCAL
POPULATION

/ AIRPORTS: THE EIB FLYING IN THE FACE OF CLIMATE BREAKDOWN /

Between 2016 and 2020, the bank has provided almost €4,2 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.

Until recently, aviation has been one of the fastest-growing sources of greenhouse gases (GHG) emissions and the most climate-intensive mode of transport. Globally, aviation emissions have more than doubled in the last 20

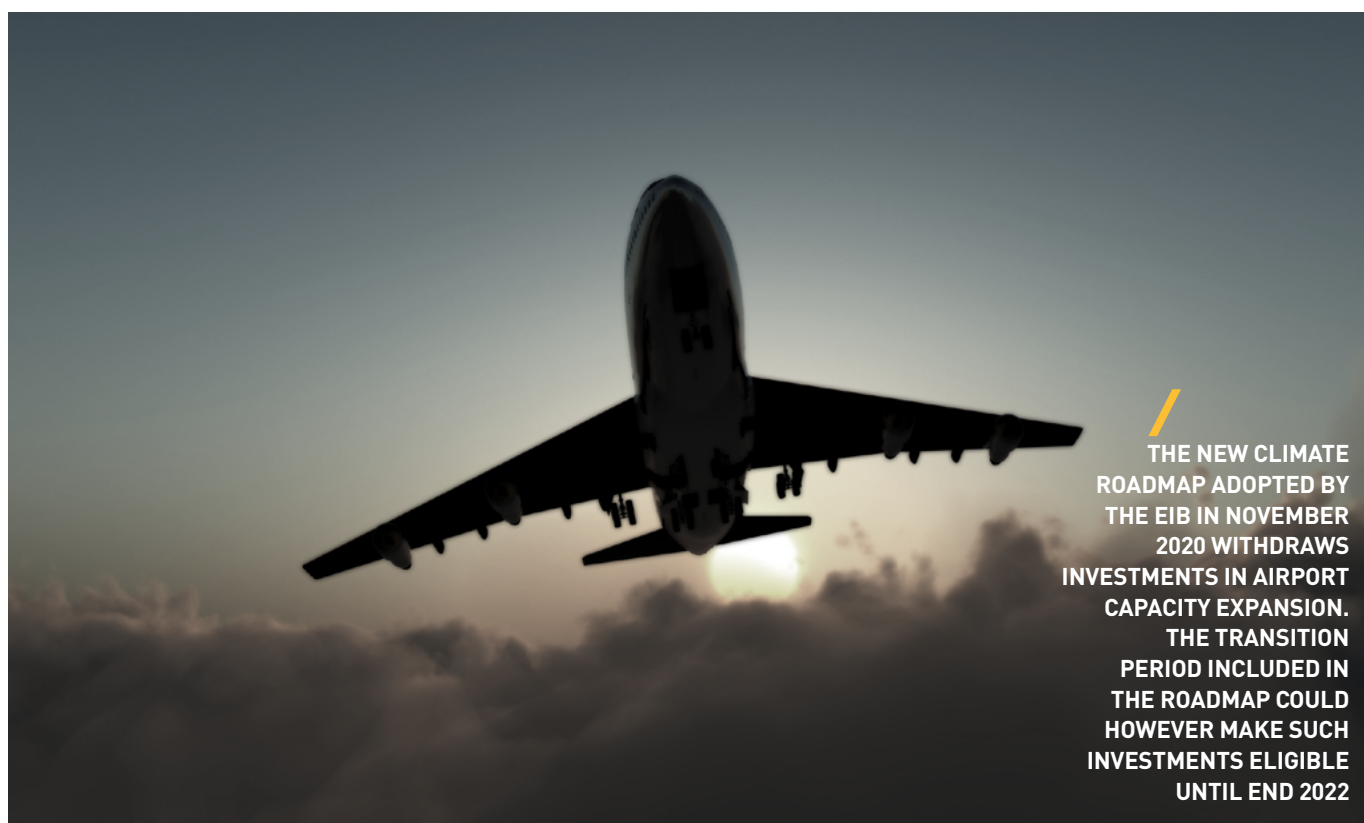
years. When including the non-CO2 climate effects of aircraft, such as NOx emissions, contrails and cirrus cloud formation, the aviation sector is responsible for an estimated 5 to 8% of anthropogenic global warming²⁵.

It is also the transport sector whose prospects for energy transition are the most difficult and uncertain. To meaningfully reduce GHG emissions of the aviation sector, there is no other way than reducing traffic. Any investment in aviation

infrastructure is therefore in complete opposition to the objectives of the European Green Deal and the Paris Agreement.

The good news is that the new Climate Roadmap adopted by the EIB in November 2020 withdraws investments in airport capacity expansion, rightfully identifying such investments as being non-Paris Aligned (see following section analysing the outcomes of the Roadmap). The transition period included in the roadmap could however make such investments eligible until end 2022.

In addition, in response to opposition led by local groups and French NGOs²⁶, the EIB announced in early 2021 that it has dropped a loan for the extension of the Nice airport in France. The loan was under preparation at the EIB, but in the bank's own words: *"in concertation with the project promoter, it was decided not to pursue the appraisal"*.



THE NEW CLIMATE ROADMAP ADOPTED BY THE EIB IN NOVEMBER 2020 WITHDRAWS INVESTMENTS IN AIRPORT CAPACITY EXPANSION. THE TRANSITION PERIOD INCLUDED IN THE ROADMAP COULD HOWEVER MAKE SUCH INVESTMENTS ELIGIBLE UNTIL END 2022

WHAT'S IN THE EIB CLIMATE ROADMAP FOR TRANSPORT?

The Roadmap adopted in November 2020 represents a step forward to make the EIB the 'EU Climate Bank' and will reinforce the bank's leadership on climate. The increased focus on climate is to be extended to the transport sector, as *"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"*²⁷.

Still, the transport sector is one where the EIB's approach has been the least ambitious, as for instance motorways and highways remain eligible for EIB funding. Below we identify the key outcomes and challenges left following the adoption of the EIB Climate Roadmap.

/ AN UNPRECEDENTED BAN ON AIRPORT CAPACITY EXPANSION /

The EIB has decided to *"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". The decision is highly welcome in light of the

climate urgency, should serve as an example for other financial institutions.



THE USE OF CARBON PRICING
- WHILE WELCOME - WILL NOT
BE SUFFICIENT TO RULE OUT
MOST MOTORWAY AND HIGHWAY
PROJECTS

/ BUSINESS AS USUAL IN THE ROAD SECTOR /

The EIB's 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 capacity expansion for highways and motorways.

The bank proposes a new carbon pricing and an *"adapted economic test"* (including via new demands forecasts) as means to exclude some polluting highways. The EIB envisages that high-carbon projects would be ruled out thanks to the carbon price. The new 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 shadow cost of carbon will be of *"80 EUR/t in 2020, rising to 250 EUR/t in 2030 and up to 800 EUR/t in 2050"*.

The Roadmap specifies that *"some types of new roads (possible examples being marginal additions to well-developed networks, and premature strategic corridors in some countries outside the EU) would be screened out through the economic test by applying the new carbon pricing framework"*.

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.

Carbon pricing is also far from sufficient, as it does not take biodiversity impacts into account. In addition, the choice of a technical tool to screen out carbon-intensive projects will make the monitoring and scrutinising of its implementation particularly difficult for external stakeholders, leaving a large discretion for EIB staff to properly use - or not - this tool. Experiences in the energy field, where many detrimental gas projects were presented by the EIB as providing positive climate impacts despite the use of its greenhouse gas emissions calculation tool, are far from reassuring.

Finally, the bank makes it clear that it will continue supporting the development of the TEN-T road network in the EU and "strategic road corridors outside the EU", *"where there is a strong justification for doing so"*²⁸. All in all, there are doubts about the new approach set out in this roadmap and the concrete impacts it would have on the EIB's portfolio in the road sector. A continuation of the current approach, equalling to business as usual, is a genuine risk.

/ CONTINUED SUPPORT TO A POLLUTING MARITIME SECTOR /

The EIB has not changed its approach to the maritime sector, and will “*continue to support port and inland waterway infrastructure and related facilities, with the*

exception of facilities dedicated to the transport and storage of fossil fuels.” Moreover, LNG fuelled vessels will still be supported by the EIB. The Roadmap states that

“the EIB will continue to support LNG fuelled vessels but will withdraw support for vessels powered by conventional heavy fuel oil”.

/ FALLING INTO THE ALTERNATIVE FUELS TRAP? /

Under the new Roadmap, the EIB could still support controversial “sustainable alternative fuels”, which are not always better for the climate than conventional fuels. Biofuels such as palm oil and soya produce much higher emissions once land-use change, fertiliser and pesticide use, transport and processing are taken

into account. The burning of fuels containing palm oil, for instance, produces up to seven times more GHG than petroleum-based kerosene currently used in aviation²⁹.

Unfortunately, biofuels continue to be promoted despite well documented negative environmental, climate and social impacts.

Similar concerns can be raised for so-called renewable gas. What can be considered truly renewable gas is hydrogen from excess renewable electricity or locally produced and small-scale biogas made from sustainable biomass. The potential for sustainable renewable gas production in the EU is however only

a fraction of what industry claims. According to the International Council on Clean Transportation, renewable gas would meet only 7% of today’s gas demand by 2050, and only 6% of transport fuel demand if all production was used exclusively for transport³⁰.

BIOFUELS SUCH AS PALM OIL AND SOYA PRODUCE MUCH HIGHER EMISSIONS ONCE LAND-USE CHANGE, FERTILISER AND PESTICIDE USE, TRANSPORT AND PROCESSING ARE TAKEN INTO ACCOUNT



/ A TAXONOMY OF UNSUSTAINABLE INVESTMENTS IN THE MAKING? /

The EIB Roadmap confirms that the bank will follow, at minima, the standards set by the EU taxonomy for what it will label its “climate and environmentally sustainable” investments. The taxonomy however remains weak in several aspects³¹, including in the transport sector, and going beyond what is currently proposed in the EU taxonomy will be necessary.

A first step is the bank’s decision to stop supporting projects causing significant harm while retaining the possibility of applying stricter standards in areas where the EU taxonomy doesn’t go far enough:

“The EIB framework adopts 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.”³²”

In that regard, the EIB is de facto establishing what can be considered as an “unsustainable taxonomy” for investments. This approach should be extended to the bank’s investments in the transport sector when designing the future EIB transport lending policy.

Finally, the implicit endorsement of the use of an ‘unsustainable taxonomy’ should lead the EIB to advocate for the creation of such an instrument at EU level. This would help provide the EIB with an essential tool to assess the climate transition risks in its balance sheet. Such a tool has been suggested for this very purpose by the European Central Bank³³.

THE WAY FORWARD:
**RECOMMENDATIONS FOR THE REVIEW
OF EIB's TRANSPORT POLICY**



There is still much improvement to be done for the EIB to align investments in the transport sector with the objectives of the Paris Agreement and of the European Green Deal.

As outlined in the report, the EIB Climate Roadmap lacks ambition as far as transport is concerned, hence **it is urgent that the EIB uses the opportunity of the revision of its Transport Policy in 2021 in order to align its transport portfolio with the objectives of the Paris Agreement.**

On 9 December 2020, the European Commission published its *“Sustainable and Smart Mobility Strategy”*³⁴ which includes a target to reduce transport-related greenhouse gas emissions in the EU by 90% by 2050. This target is likely to underpin the EIB’s interventions in the transport sector, but the Mobility Strategy fails to foreground a clear trajectory for reaching this emissions reduction target. Hence, the EIB Transport Policy should take urgent measures and ambitious steps, going further than what is currently on the table under the Commission’s strategy.

It is crucial for the EIB to recognize, as it did for the aviation sector, that the endless growth of road and maritime transport is unsustainable and may lead to supporting future stranded assets. Considering the huge efforts needed to decarbonize European mobility, public finance should aim at scaling up support for sustainable transport modes and infrastructures, such as electric urban public transport, bike lanes and rail electrification, and fund research to develop means of reducing traffic (for example though better urban and spatial planning).

The focus should be on reducing demand in carbon-intensive transport including a drastic reduction in air travel, less cars and freight transport, and promote instead public transportation, shared vehicles and modal shift. The bank needs to improve its project selection procedure to transform into a truly policy-driven bank that succeeds in fully integrating environmental considerations into transport financing and developing more sustainable transport.

Ultimately, the EIB needs on the one hand to focus its investments in future-proof, transformative transport projects leading to a just transition, while on the other hand getting rid of dirty investments locking our economies and societies in a carbon-heavy era. This ambition should cover both investments within and outside the European Union, ensuring there are no double standards allowing to finance carbon-intensive transport projects outside of Europe.

RECOMMENDATIONS

DO FINANCE

- /**
1
Urban electric public transport, and zero-emission multimodal transport services and infrastructure;
 - /**
2
Development, renewal and electrification of rolling stock for rail passengers transport and night trains;
 - /**
3
Development and renewal of public transport fleets towards zero emissions vehicles;
 - /**
4
Local and urban roads only if they increase the share of active travel (cycling, walking);
 - /**
5
Direct electrification of trucks, coaches and vessels
-

DON'T FINANCE

- /**
1
Capacity increase in motorways and highways. A blanket exclusion is needed as the use of carbon pricing will not be sufficient to rule out most motorway and highway projects;
- /**
2
LNG terminals, and LNG fuelled vessels;
- /**
3
Port expansions and related transport and industrial infrastructure including the expansion or creation of special economic zones;
- /**
4
Airports expansion projects, airlines and aircraft manufacturing;
- /**
5
Manufacturing of internal combustion engines (including hybrid vehicles) in the automotive sector;
- /**
6
Powertrains relying on oil, gas, or biofuels;
- /**
7
False solutions like biofuels, biomass, "green" aviation and blue hydrogen as alternative fuel sources



REFERENCES

1

This figure is based on the total of operations signed by the EIB between 1st January 2016 and 31st December 2020 in the aviation, road and maritime sectors. This figure does not include some loans awarded by the EIB to the automotive industry, which could also have detrimental impacts on the climate and environment.

2

EIB Activity Report 2020, p. 31

https://www.eib.org/attachments/general/reports/eib_activity_report_2020_en.pdf

3

See EIB Financial Report 2019

https://www.eib.org/attachments/general/reports/eib_financial_report_2019_en.pdf

4

EIB Transport Lending Policy, December 2011

https://www.eib.org/attachments/strategies/transport_lending_policy_en.pdf

5

European Environmental Agency,

Greenhouse gas emissions from transport in Europe, 2019

<https://www.eea.europa.eu/data-and-maps/indicators/transport-emissions-of-greenhouse-gases/transport-emissions-of-greenhouse-gases-12>

6

Find out more about the campaign here:

<http://fossilfree-eib.eu/>

7

See: <https://www.eib.org/en/projects/pipelines/all/20150234>

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