



14 November 2022

EIB BACKTRACKS ON PATH TO BECOMING CLIMATE BANK

The European Investment Bank supports the [REPowerEU plan](#) and plans to invest an extra €30 billion into the energy sector in the next five years. This means their investments in the energy sector will go from €10 to €16 billion annually. The investments will be directed to “renewables, energy efficiency, grids and storage, electric-vehicle charging infrastructure, and breakthrough technologies, such as low-carbon hydrogen.” While, in part, this seems like a positive contribution from the EIB to tackle our combined energy and climate crises, beneath the surface the bank is backtracking on its commitment to become a climate bank. The road to becoming a true climate bank requires huge investments in real solutions (e.g. mass building renovations, heat pump manufacturing and installations) before next winter and in the years afterwards. However, these investments need to be implemented by companies that have strong decarbonisation plans or a business model that is climate-aligned from the outset, and who are spending their available resources on tackling the climate and the energy crisis. The EIB is instead moving in the opposite direction.

DOOR WIDE OPEN FOR OIL AND GAS MAJORS

The EIB is watering down the [PATH framework](#) for all renewable energy projects and electric-vehicle charging infrastructure inside the EU until 2027. This means that companies which receive funding for these projects do not need to have decarbonisation plans which are aligned with the Paris Agreement. Companies eligible for funding under this exemption can also increase their oil production or engage in the most polluting forms of fossil fuel production, such as new coal mines, coal fired power plants, extracting oil from tar sands, drilling near the North Pole or producing shale gas. They could even plan to build new gigantic oil pipelines, such as the East African Crude Oil pipeline or [bid for oil blocks in the Democratic Republic of Congo in tropical rainforests and peatland areas](#). This is despite the bank stating in the PATH Framework that: *‘It is difficult for a corporate to present a credible strategy around Paris alignment if, at the same time, it continues to invest for example in new high-carbon assets that are difficult to reconcile with the long-term goals of the Paris Agreement’*. This shows the EIB is not serious about becoming the EU Climate Bank if it is happy to finance companies, which it knows have decarbonisation strategies that fall short of what is needed to limit catastrophic climate change. The EIB is [admitting very openly](#) that this exemption is all about clearing the way for large fossil fuel polluters: *“The barrier was pretty obvious. We couldn’t work with oil and gas majors”*.

The PATH framework is an incomplete but important part of the EIB’s Climate Roadmap. Backtracking on this is a big setback and goes in the wrong direction if the EIB is to become the ‘climate bank’ of the EU. The timing of this exception also runs against the ‘EU Climate Bank’ plan and logic. In its Climate Roadmap, the EIB set out a course to shift towards being climate-aligned by 2025. By extending exceptions to the bank’s rule of not supporting the projects of companies investing in new high-carbon assets - from exempting projects with ‘high innovative content’ to now exempting all renewables and electric vehicle-charging infrastructure projects - the EIB is heavily downgrading the significance of its own strategy. A mid-term review for the Climate Roadmap is planned, including the PATH Framework.

If the EIB does not reconsider this expansion of the exemption, the review will be an almost futile exercise to reinforce a mechanism that the bank deliberately does not use where it is most needed. To backtrack on the PATH Framework a few weeks before the COP27 climate summit is a terrible sign to give to the international community when we need to make leaps forward to give ourselves a chance to limit climate change to 1.5 degrees Celsius.

FUNNELLING MONEY INTO THE HYDROGEN TRAP

When it comes to the projects that the EIB is supporting, the language on 'low-carbon hydrogen' is disconcerting. The hydrogen we use must be unmistakably green and come from renewable energy sources. By going for 'low carbon hydrogen', the EIB's extra financing capacity in the energy sector is also encouraging widespread expansion of some dead-end solutions. There should be no support for fossil fuel-based hydrogen (even if yet-to-be-developed carbon capture and storage technology is used), as this will still not address methane leakages during extraction and transport. The blending of hydrogen with fossil gas should not be allowed. In addition, hydrogen made from nuclear energy production must be excluded. There is also a danger that hydrogen is produced using unsustainable biomass and large-scale hydropower, which has a destructive impact on local environments and populations.

The EIB's decision to support low-carbon hydrogen takes place in a wider shift that prioritises this technology, and is unacceptable. If hydrogen activities are to have a positive contribution to a transition away from fossil fuels, we have to be very careful about how we use it. A [responsible green hydrogen investment strategy](#) should only finance projects where green hydrogen is made from renewable energy and when it is not eating away renewable energy production capacity that is needed for other purposes, such as providing electricity for households. The fact that an enormous amount of renewable energy is needed to produce hydrogen raises concerns about the ultimate potential sustainability of the technology. Given the low efficiency of the electrolysis process, paired with the need for more renewables in power production, renewables used to produce hydrogen will likely compete with other more sustainable applications. The EIB must limit investments in hydrogen to projects that are based on environmentally and socially sustainable and renewable energy sources, and only where the technology can be used efficiently and does not compete with other energy needs.

YOU DO THE POLLUTION, THE EIB WILL PROVIDE THE MONEY

The suspension of the PATH Framework means it will also become easier for more companies - including big polluters - to get EIB money. For projects related to REPowerEU, the EIB will co-finance up to 75% of projects instead of the usual 50%. If the rest of the EIB's climate and energy strategy was solid, this would be a good step as it makes it easier for counterparties to engage in projects with the EIB. They only have to finance a quarter of the project now. However, with the exemption of energy projects from the PATH framework and the loopholes for non-green hydrogen, financing up to 75 percent of projects in practice rolls out the red carpet for big polluters and other companies whose decarbonisation plans do not align with the Paris Agreement.

BIG INVESTMENTS IN REAL SOLUTIONS

The EIB can become a climate bank by massively investing in real solutions (e.g. building renovations and heat pump manufacturing and installation), both before winter 2023 and beyond. Yet, these solutions need to be implemented by companies which have strong decarbonisation plans, or a climate-aligned business model from the outset. Without this, the public money which the EIB is putting into these companies is only creating more room and freeing up more money to keep their polluting business models profitable.

The EIB's decision to suspend the part of the PATH Framework for oil and gas majors and now other companies and utilities is deeply troubling. Oil and gas majors have played a huge structural role in causing the combined climate and energy crisis we are in today. They have known for decades about climate change and the need to shift from fossil fuels to renewable energy, yet they prioritised their profits over the energy transition or renewable energy funding. In the last five to ten years, low oil and gas prices caused a decline in investments in new fossil projects, but instead of using this price context to invest heavily in renewables, companies paid out the bulk of their profits in dividends or used them to buy back their own shares.

Now oil and gas majors are making historic profits. In its [World Energy Outlook](#), the International Energy Agency claims that the \$2 trillion in excess profits which the industry is expected to make in 2022 is enough to pay for the investments needed to transition away from fossil fuels. However, that is not what the oil and gas majors in Europe are planning this year. [Research shows](#) that European oil and gas majors BP, Eni, Equinor, Repsol, Shell and TotalEnergies paid out three times more in dividends in the first six months of 2022 than they plan to invest in green projects for the entire year. A large majority of their capital investments is also still going to fossil fuels. The EIB's decision to suspend the PATH Framework contradicts its obligations established in the Treaty on the Functioning of the European Union, which direct the bank's financing only to those investments that cannot be entirely financed by other means. As both governments and the EU consider a windfall tax on the major energy firms' huge revenues, these firms are definitely not in need of publicly backed loans. They should use their excessive profits to develop green energy to help avoid another fossil energy crisis in the future. Instead of relaxing climate criteria for companies, the EIB's strategy should be the exact opposite. Given the track record these companies have in causing and exacerbating the climate and energy crises we are in, the EIB's priority as a climate bank should be to impose stringent conditions on them to make sure their investments help solve instead of worsen the current situation.

Companies should not only have to adhere to the PATH Framework to be eligible for all EIB-financed projects, including energy projects. The PATH Framework itself should also be strengthened. First of all, the EIB must not work with companies planning any fossil fuel expansion or new development. In addition, energy financing operations must have the overarching effect of speeding up the transition as much as possible. Therefore, the EIB must only work with companies that reinvest more than half of their net adjusted profits into real green capital investments and do not buy back their own shares. The current climate and energy crises create the need for the EIB and other public investment banks to only work with companies that put enough of their own money into the transition. In this way, the green projects which the EIB finances would have a considerable leveraging effect.

The EIB's public investment strategy should be to become tougher on energy companies and make sure they stop investing in new fossil fuel exploration, extraction, mining, transmission or general infrastructure, phase out their existing fossil fuel operations and put their profits into green projects. They should not be allowed to wait for a handout from the bank while paying all their profits to shareholders.

DEMANDS

- Restore the PATH Framework in full and reinforce it during the mid-term review of Climate Roadmap;
- Project proposals by the EIB should have an extensive review of the financial additionality of the investment, as well as the non-financial additionality. Proposals should prove as much as possible that EIB's involvement is absolutely necessary for the project to get off the ground;
- Only finance green hydrogen and only when it is clearly an energy efficient solution;
- Only finance companies that do not plan fossil fuel expansion or new fossil fuel developments;
- Only finance companies that reinvest more than half of their net adjusted profits into real green capital investments and do not buy back their own shares;
- Put an end to all fossil fuel financing;
- Further exclude environmentally harmful operations from the EIB portfolio.

SIGNATORIES



Bank Information Centre



CEE Bankwatch Network

Campagna Per il Clima
Fuori dal Fossile



CAN Europe



Corporate Europe
Observatory



Counter Balance



Debt Observatory in
Globalisation (ODG)



E3G

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FairFin



Food & Water Action
Europe

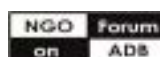
Fundacja „Rozwój Tak –
Odkrywki Nie”



Greenpeace - CEE



Les Amis de la Terre



NGO Forum on ADB



Oil Change International



Reclaim Finance



ReCommon



Recourse

Rete Legalità per il
Clima
(giustiziaclimatica.it)

Stowarzyszenie
Pracownia na rzecz
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