Resolution as Adopted

REFORM OF THE EUROPEAN INVESTMENT BANK ENERGY POLICY

Introduction

The European Investment Bank (EIB) is the European Union’s “house bank”. The bank continues to support new investments in fossil fuels. This is in conflict with a sustainable climate policy. The current review of EIB energy lending is an opportunity for a necessary change.

The EIB

The European Investment Bank is owned by the 27 EU member states. It is the biggest international financial institution, with a lending portfolio of around EUR 60 billion (2011). The purpose of the EIB is to support the implementation of EU policy. With 90 percent of its lending in the EU, the EIB also supports EU development and cooperation policies in partner countries. In 2010, roughly 24 percent of the bank’s lending or more than EUR 17 billion was devoted to the energy sector, making energy the bank’s second largest lending sector after transport.

Climate change

In recent years climate change has been recognized as a crucial risk factor in investment decision making as well as in world politics. According to calculations by the International Energy Agency (IEA), 80 per cent of the cumulative CO2 that can be emitted between 2010 and 2035 if the world is to have a chance of keeping the global mean temperature rise below 2°C is already “locked-in” existing capital stock. This limits the time for action and leaves no space for misplaced investments in fossil fuels.

For a 2°C scenario, all investments after 2017 will need to be in zero-carbon utilities, unless existing infrastructure is scrapped before the end of its economic life-span. For every Euro not spent on a sustainable energy future before 2020, an additional 4 Euro will have to be spent after 2020 to compensate for the higher emissions.”

The European Council has called for at least 50 percent worldwide reductions and aggregate developed country emission reductions of at least 80-95 percent by 2050. In the Energy 2050 Roadmap the Commission has shown that decarbonisation is possible and that energy efficiency and renewables are critical, regardless of the energy mix chosen.

In 2007 the European Parliament called for the “discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects”.

1 The World Energy Outlook 2011 can be found at http://www.iea.org/weo/
EIB energy lending

EIB energy lending is based on the three criteria of sustainability, competitiveness of energy prices and energy security. The current EIB energy policy offers no guidance to decision-makers and energy companies when these energy objectives are in conflict. The EIB does not refrain from financing projects that clearly violate the sustainability criteria, as long as they fulfill one of the other criteria of competitiveness of energy prices or energy security.

The share of EIB loans for renewable energy sources in the overall energy lending increased from 24 percent in 2007 to 34 percent in 2010 and remained on the rise in spite of the financial crisis. However, lending for fossil fuels also increased in absolute numbers, reaching EUR 5 billion in 2010. Furthermore, the policy is not stringent enough to prevent EIB support for coal power plants. In fact the EIB has in recent years provided loans for big coal-fired power plants in Germany, Poland and Slovenia.

The EIB is clearly not yet in step with EU climate policy. The European Commission estimates that the transition to a low-carbon economy will require an increase in investments of EUR 270 billion annually over the next 40 years. Some of these investments require public support, among others from public banks, in order to be economically viable. In this situation Europe cannot afford to spend EIB resources on fossil fuels that impede the transformation to energy efficient, renewables-based economies.

Revising the EIB energy policy

A revision process of the EIB energy policy in 2012 provides an opportunity to shift the bank’s lending towards the green sectors of the economy that create jobs, increase EU’s energy security, help limit the pressure European energy companies exert on the global climate, help Members States to phase out from nuclear and increase social resilience to energy price increases. For this, we need to modify the role and the financial capacity of the European Bank of Investment to allow it to lead these missions.

The new decision of European Council and Parliament to guarantee EIB financing outside the EU stipulates that “the EIB shall, in cooperation with the Commission, present by 2012 a strategy on how to gradually and steadily increase under its external mandate the percentage of projects promoting the reduction of CO2 emissions and phase out financing projects detrimental to the achievement of the EU climate objectives.” offering a clear indication of what the principle guiding EIB exterior lending should be. A new EIB energy policy is also needed in order to prioritise the considerable amount of new investments in the European power sector required to replace aging capacity and infrastructure and to meet EU environmental legislative requirements.

The European Greens call on the EIB to:

- Immediately cease support for coal-fired energy generation; and refuse support for shale gas extraction;

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5 According to the EC investments in electricity and gas networks worth EUR 200 billion are needed until 2020. Half of it is at risk of not being delivered by the market alone. COM(2011) 665
7 Ibidem.
- Support Member States in phasing out from nuclear power;

- Develop and implement a plan by 2017 to strongly increase the financial support for a complete sustainable energy transition that prioritises energy efficiency and increases renewable energy development;

- Introduce regional targets for financing renewables and energy efficiency in order to avoid the continuation of uneven distribution of clean energy lending outside the EU and in New Member States;

- Invest in "smart-grids" necessary for an efficient expansion of renewable production capacity.

- Develop targeted instruments and policies, including technical assistance support, in order to overcome the current situation, where the share of clean energy lending outside the EU and in New Member States is substantially lower than in the EU-15. These instruments should be focused on supporting smaller scale renewable energy investments.

- Refrain from support to nuclear energy, both through direct support to increasing production capacity and indirect support such as investments in infrastructure necessary for nuclear expansion, investments in nuclear fuel production and reprocessing.

If the EIB is to continue its energy lending outside of the EU, it should:

- Finance only those clients, who have committed to observe environmental and social standards not weaker than those in the EU. Establish clear and transparent guidelines in order to determine the level of environmental and social standards that must be observed by EIB’s clients. The integration of environmental considerations into the project appraisal process should be on the same level as in the EU.

- Develop a strategy for increasing financial support for projects, significantly contributing to reduction of CO2 emissions, and for phasing out financing for projects detrimental to climate as stipulated in the Council and Parliament Decision No 1080/2011/EU of 25 October 2011.

- Make universal energy access a focus of its engagement in the energy sector, by supporting decentralised small-scale and off-grid projects, particularly in rural areas.