



Thermosolar Gemasolar project in Spain
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EIB Climate Strategy & Energy Lending Policy

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Adina Relicovschi,
Environmental, Climate and Social Office, Projects Directorate

Content

- EIB and its lending operations;
- EIB Climate Strategy;
- Energy Lending Policy - towards a low-carbon economy;
- Policy in Practice: climate action measures at the EIB.

EIB at a glance

- The **EU's bank**: The EIB is the European Union's bank. It is the only bank owned by and representing the interests of the European Union Member States which works closely with other EU institutions to implement EU policy.
- **A major player**: As the **largest multilateral borrower** and lender by volume, EIB provides finance and expertise for sound and sustainable investment projects which contribute to furthering EU policy objectives. More than 90% of EIB's activity is focused on **Europe** but it also supports the **EU's external and development policies**.

EIB at a glance

EIB priorities: to support projects that make a significant contribution to growth and employment therefore, as part of our counter-cyclical approach, the Bank has structured its lending objectives into **four main Public Policy Goals:**

- Fostering Innovation and human capital/skills;
- Access to finance for smaller businesses;
- Building an Efficient and Strategic Infrastructure;
- Protecting the Environment and Climate Action;

EIB at a glance

The Bank's activities are organised along three product lines: lending, blending and advising

- **Lending**: is the Bank's principal activity, accounting for around 90% of its total financial commitment.
- **Blending**: is addressed at creating a variety of more innovative, sophisticated financial tools to help clients combine EIB's financing with additional sources of investment.
- **Advising**: technical and financial expertise provided by the Bank.

EIB at a glance

Current **EIB external mandate** includes:

- Enlargement countries;
- The European Free Trade Association;

- Neighbourhood:
 - The Mediterranean Neighbourhood
 - EU Eastern Neighbours;
 - Central Asia;

- Development and cooperation countries:
 - Africa, Caribbean and Pacific (and Overseas Countries and Territories);
 - South Africa;
 - Asia and Latin America.

EIB at a glance

EIB lending mandate for external operations for the duration of the EUs financial framework 2014-2020 sets a **€ 30 billion maximum ceiling** broken down per region e.g. Development and cooperation countries:

- Latin America: € 2 288 870 000;
- Asia: € 936 356 000;
- Central Asia: € 182 069 000.

EIB Strategic documents

- The **EIB Statement on Environment and Social Principles and Standards** – 2009 (policy context - EIB aims to add value by enhancing the environmental and social sustainability of all the projects that it is financing, in particular, climate change, biodiversity and ecosystems considerations, as well as the social dimensions of sustainable development are integrated into the lending policies);
- **Statement on Climate Action** – 2013 (presents the EIB's objectives and approaches in support of EU leadership on climate issues);
- The draft **EIB Climate Strategy** – on-going consultation;



Promoting Climate Action

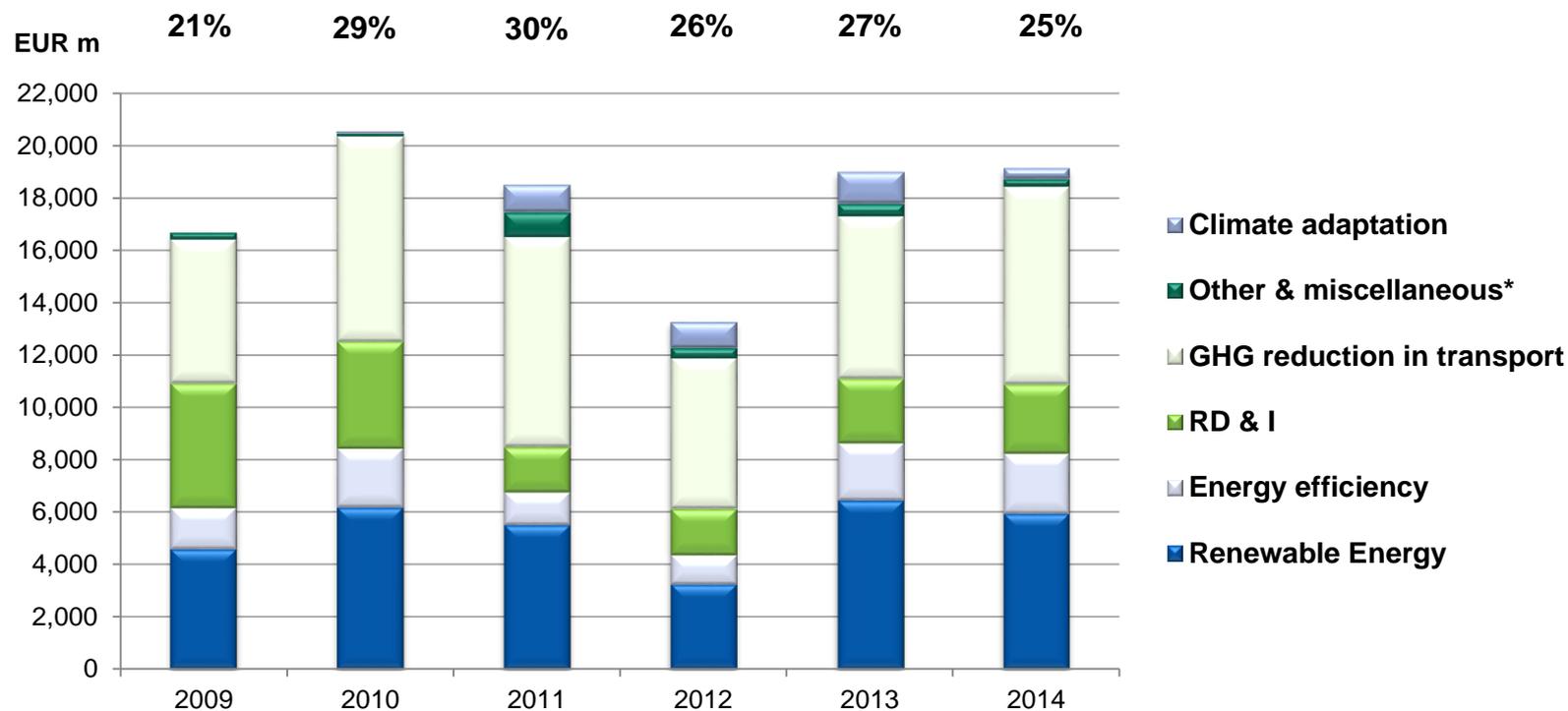
- EIB has made climate change mitigation and adaptation **a top policy priority**, with a goal of low-carbon and climate-resilient growth within and outside the union.
- **Climate Action**: institutional commitment **to lend at least 25%** of annual lending.
- Estimating and reporting the **carbon footprint** of every investment project financed* – only IFI to do so;
- Working with other IFIs / MDBs towards **a harmonised Climate Action tracking approach**



Corporate Operational Plans

Transparency of loan signatures targets - 25% of total - and results

EIB climate action loan signatures
(in EUR m and percentage of total annual loan signatures)



Total loans signed for climate action in 2009-2014: EUR 107bn

** including "Afforestation and Forest management" and "Waste and Wastewater" categories*

Policy in Practice

The architecture of the system delivering EIB's climate strategy is organized around 3 levels:

- **Portfolio level:** by setting a minimum volume target, as a share of all EIB activities, currently at 25% in the Corporate Operational Plan (COP);

Policy in Practice

The architecture of the system delivering EIB's climate strategy will continue to be organized around 3 levels:

- **Sector level:** the Climate Strategy is not meant to override any existing sector criteria but provides a framework for progressive renewal of the sectorial policies (e.g. **Energy lending Criteria**, Transport, Water, etc.) and the expansion of sector coverage, allowing a progressively deeper and broader mainstreaming of climate considerations in the portfolio over time;

Policy in Practice

The architecture of the system delivering EIB's climate strategy will continue to be organized around 3 levels:

- **Project-level standards:** through the application of standards requiring specific actions with regard to GHG footprinting, to the integration of the economic damages associated with climate change, to identification of energy efficiency opportunities, and to resilience and vulnerability considerations.



Energy Lending Criteria

Energy Lending Criteria – is a strategic document updated in 2013 that redefines EIB's priorities in the energy sector and sets out the criteria to be used to screen and assess energy projects.

Some of the key principles:

- Renewable energy **to break** fossil fuel dependence;
- **Efficiency** investments for affordable energy: investing to reduce energy consumption;
- **Stringent screening criteria** for fossil fuels generation.

Energy Lending Criteria

Renewable energy to break fossil fuel dependence - at a global level renewable energy sources (RES) have been established as an essential part of power production. This trend is expected to continue with renewables becoming the world's second largest source of power generation by 2015 and accounting for a third of production by 2030.

The Bank supports a broad range of technologies across the renewable segments – power, heating & cooling and transport. Given the different development stages that these technologies are at (RDI, early market penetration and maturity), the Bank has divided commercially proven technologies into mature and emerging categories, with a separate economic rationale for supporting each.



Energy Lending Criteria

- **Mature technologies:** are those such as onshore wind where costs are not expected to decline significantly and can be competitive against the least cost fossil fuel alternative in good locations (e.g. onshore wind farms, hydropower, conventional geothermal and biomass for energy).
- **Emerging Renewables:** a different rationale is adopted for emerging renewables which are currently not competitive with the least cost alternative. In these cases the Bank finances technologies which have a prospect of becoming competitive in a reasonable time frame - some technologies considered emerging few years ago are now close to maturity (e.g. solar PV, offshore).



Energy Lending Criteria

- **Large Hydro** generation projects, including those with large dams or reservoirs, can raise sensitive safety, environmental and social issues. Outside the EU, these are normally financed by the EIB in cooperation with other IFIs. These projects need to comply with the Bank's environmental and social standards.
- **Renewable Heating & Cooling**: renewables in heating and cooling can be competitive with fossil fuel alternatives in many locations with a good biomass, geothermal or solar thermal resource, but their expansion has been limited to date. The Bank's financing of renewables in heating and cooling has been limited, but has expanded recently.



Energy Lending Criteria

Outside EU - the Bank will continue to **strongly support RES** projects in the context of its lending mandate and climate action objectives, and as part of the EU's response to the UN's sustainable energy for all initiative (SE4all), recognising that many of the countries in which the Bank operates outside the EU have abundant renewable energy resources - high irradiation, hydro potential, good geothermal resources and wind.

Energy Lending Criteria

Fossil Fuel Generation- The increased EIB focus – since the previous energy review – on climate action and the consequent reinforced support to energy efficiency and renewable energy projects has partly led to a decline in EIB lending to fossil power plants: financing of **fossil fuel generation dropped** from 21% of EIB energy lending in 2007 to 6% in 2012 (Of the fossil fuel generation projects financed by the Bank since 2007, 70% of total 2007-2012 value of EUR 7.4 billion was **combined cycle gas turbines (CCGTs)**).



Energy Lending Criteria

Despite the focus on reducing the use of fossil fuels, it is likely that the world will still need them in large quantities at least in the short to medium term. In order to ensure that the use of fossil fuels in power generation is compatible with the path towards a sustainable energy market, the EIB is **reinforcing its project screening criteria** such that only the best available, efficient and clean technologies, aimed at supporting a low carbon economy are supported for financing.

Energy Lending Criteria

These criteria would **screen out** power only coal or lignite fired power stations, but **would allow some high efficiency** coal and lignite fired CHP, coal and lignite projects fitted with CCS and some coal/lignite stations co-fired with carbon neutral fuel sources (e.g. biomass) and combined cycle gas turbines (CCGT) power and CHP plants.

All projects would have to **comply with the principles of EU legislation**, including the CCS Directive, the large combustion plant Directive, the industrial emissions Directive, and the ETS Directive, and make use of best available techniques.

Energy Lending Criteria

Screening and assessment criteria: all fossil fuel power plants financed by the Bank:

- Must be economically justified based on a **cost benefit analysis** – including a carbon price which reflects the marginal damage of each unit harmful emission (e.g. CO₂, NO_x, SO_x).
- Have CO₂ emissions of less than the EPS (Emission Performance Standard), expressed in gCO₂/kWh

Energy Lending Criteria

Emission Performance Standard: is set at a level designed to ensure that the Bank finances fossil projects whose carbon emissions are consistent with the EU's climate and energy policies. It is a carbon footprint benchmark – expressed in tonnes of CO₂ per kWh – consistent with the total carbon emission pathway defined in the EU legislation

The **methodology** for the calculation of the EPS, as well as its proposed level, is published on the Bank website (http://www.eib.org/attachments/consultations/elp_methodology_emission_performance_standard_20130624_en.pdf).



Policy in practice: climate action measures at the EIB

Precise classification
of lending areas
and definition of
transparent
lending targets
(2010)

Reliable and accountable
methodology for the calculation
and publication of the
carbon footprint for
investment projects directly
financed by the EIB (2009-2011)

**Conservative
thresholds**
for selection
and evaluation
of projects
(2013)

Low carbon

Ranking EIB portfolio by GHG emissions

Carbon intensive





Carbon footprint methodology

- **Methodology** developed in 2009, publicly available:
http://www.eib.org/attachments/strategies/eib_project_carbon_footprint_methodologies_en.pdf
- **Ex-ante estimates** of future emissions of 7 Greenhouse Gases covered by the Kyoto Protocol (translated into CO₂-eq), from all relevant EIB investment projects across all sectors;
- Estimates for a representative year of project operations;
- Approach guided by the principles of Completeness, Consistency, Transparency, Conservativeness, Balance and Accuracy.



EIB is the only IFI:

- **to estimate, in absolute and relative terms, the carbon footprint for all the projects with significant emissions it finances directly**
and
- **to publish the results, at individual project level as well as in aggregate terms for the entire project portfolio**

At project level

- In project's Environmental and Social Data Sheet (ESDS), available online via the EIB's Public Register
- Estimates of emissions from the entire project

At portfolio level

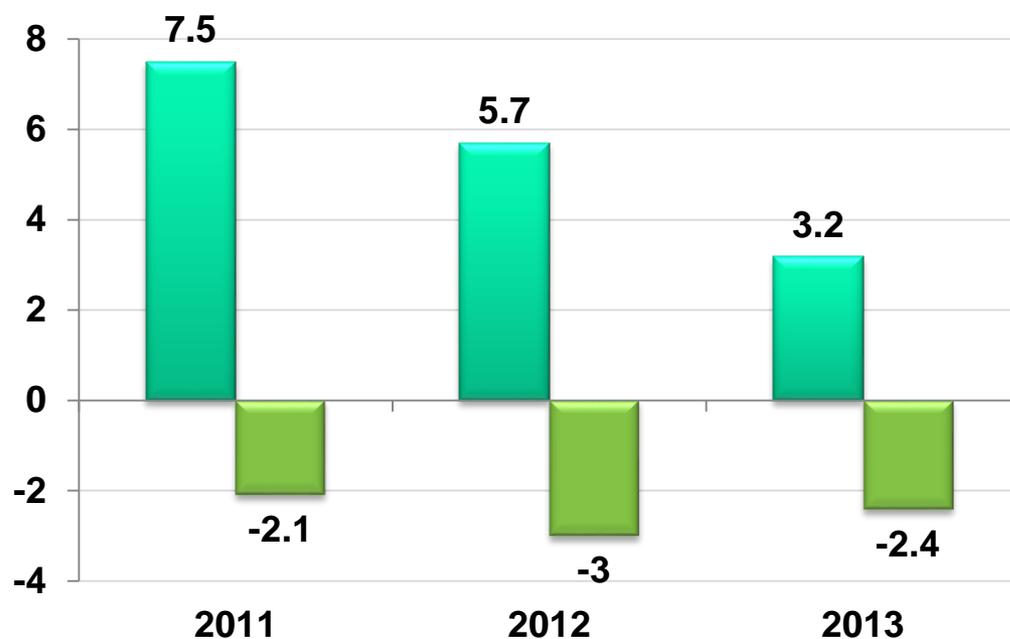
- In EIB's annual audited Sustainability Report
- Emissions weighted by EIB's actual share of the project cost



EIB Greenhouse Gas Footprint: Results 2011-2013

EIB Carbon Footprint Exercise:

aggregated emissions from direct EIB financing
(weighted by EIB's actual share of the project cost)



- Absolute emissions - Mt CO2-eq/year
- Relative emissions - Mt CO2-eq/year

Aggregate relative emissions show a **large saving** – aggregate savings estimated at 2 to 3 Mt CO2-equiv. each year for 2011-2013

Contacts

Thank you

relicovs@eib.org

European Investment Bank

100, bd. Konrad Adenauer L-2950 Luxembourg

www.eib.org