

Stakeholder engagement on the EIB Group's Climate Bank Roadmap 2021-2025: Turning ambition into reality

Key questions

To structure and guide this engagement, the EIB Group is proposing several key questions, which are built around four topics:

- Aligning the EIB Group's activities with the goals and principles of the Paris Agreement;
- Increasing environmental sustainability investments and leaving no one behind;
- Leveraging private-sector finance and promoting financial innovation; and
- Measuring the long-term effect of the EIB Group's operations.

The topics and the key questions highlight the crucial issues that the EIB would like feedback on.

SUBMISSION FROM:

Climate Action Network (CAN) Europe

TOPIC 1 – PARIS ALIGNMENT

Support for low-carbon development

The EIB Group will continue to support projects motivated by a wide range of public policy goals. Building on the EIB's Energy Lending Policy, the EIB Group will need to make sure that, going forward, that all its projects will be aligned with the temperature goals of the Paris Agreement and will be consistent with the transition to low-carbon development pathways.

In addition, in this context and given the limited resources it has at its disposal, the EIB Group will need to make choices in terms of the type of investments it wants to prioritise.

Outside of the energy sector, what type of financing and advisory activities should the EIB Group prioritise to most effectively support the transition to low-carbon development?

All operations should be aligned with limiting temperature rise to 1.5°C and a transition towards climate neutral economies.

All lending and support should be conditional on development of time-bound, science-based targets and decarbonisation plans by recipient companies and intermediaries. Eligibility criteria for climate action and environmental sustainability need to be strengthened to avoid greenwashing and adverse social impacts. The EU taxonomy should be conceived as a minimum, the EIB should retain the possibility to apply more stringent criteria, and its own “brown taxonomy” to exclude climate and environmentally harmful financing.

Outside energy the EIB should focus on alignment in the following sectors:

In Carbon-intensive industrial sectors (cement, aluminium, steel, glass, etc) where the EIB is already operating, the EIB should align with the EU taxonomy, set targets to phase out all ‘brown’ lending and require companies to have credible decarbonisation plans.

Residential Heating and Cooling: The EIB should work with municipalities and countries on integrated programs for building efficiency in combination with fuel shifts from coal, gas and oil to renewable electricity or other renewable solutions. Coal and gas based district heating installations should be shifted towards renewable energy solutions. The EIB should adopt an Emissions Performance Standard low enough to exclude gas.

Transport: the Roadmap should scale up financing for zero-carbon and zero-emissions infrastructure and solutions; support transport electrification; align the EIB Transport Portfolio with the EU taxonomy on sustainable investments; end the financing of fossil fuel dependent transport and infrastructure.

Waste management: the EIB should support the development of biogas from separately collected biowaste in line with mandatory separation requirements from the end of 2023 (Waste Framework Directive) and exclude financing waste co-/incineration.

Support for climate-resilient development

The Paris Agreement also requires that financial flows support climate-resilient development. Going forward, the EIB Group aims to help strengthen climate resilience in and through the projects it supports.

What type of financing and advisory activities should the EIB Group prioritise to support climate-resilient development?

Climate change is multiplying risks and costs to economies inside and outside Europe. The EIB should step up its financing and advisory activities for adaptation to build resilience.

As well as decarbonisation plans, all lending and support to recipient companies and intermediaries should be conditional on their development of an assessment of climate impacts to their operations, and corresponding adaptation plans/asures to address this.

The EIB should scale up spending on adaptation projects, by focusing its advisory services on how to make adaptation projects bankable - to build an adaptation projects pipeline.

The EIB's eligibility criteria for adaptation should be strengthened using insights from the EU taxonomy.

All projects receiving support should be 'adaptation-proof' and resilient, which first requires a robust assessment of project proposals. Proposals should provide an assessment of climate impacts to the project over its lifecycle, and corresponding adaptation strategy, plan and measures to address this. These should be based on consideration of regional, sectoral vulnerabilities, and efforts pursued to reduce them. The EIB should pursue efforts to incentivise the use of nature-based solutions to adaptation which can have co-benefits for mitigation measures, biodiversity and ecosystem protection.

Support for clients' decarbonisation and climate resilience strategies

As the EU Climate Bank, the EIB Group wants to support its public and private sector clients to align their activities with the goals of the Paris Agreement, by helping them develop and implement decarbonisation and climate resilience strategies.

How and to what extent should the EIB Group help its clients transition to a low-carbon and climate-resilient pathway, in particular those that are highly exposed to the transition and physical risks (both acute and chronic) associated with climate change?

The EIB should support its clients in the development of company-level decarbonisation plans aligned with the Paris Agreement and facilitate full implementation of stringent ESG rules. Early, transparent and comprehensive risk assessment regarding exposure to climate change should become a precondition for any EIB engagement in potentially affected sectors and acute and chronic, transition and physical risks appropriately accounted for within the undertaking.

The EIB should stop any support for high-carbon and unsustainable companies which do not rapidly adopt and implement such plans to align their business model with the Paris Agreement's 1.5°C targets.

In addition, for those clients holding high-carbon and other unsustainable assets, the EIB should include into its Climate Roadmap the development of decommissioning approaches, starting with coal assets (coal plants, coal mines, etc) in the short term, but also natural gas infrastructure in the medium term, while ensuring they do not create perverse incentives or subsidies to fossil fuel producers.

Particular attention needs to be paid to the EIB's intermediary lending. The new 'pan-european guarantee fund' will boost the EIF's operations via intermediaries. It is of crucial importance to have full transparency of intermediary lending to SMEs, all sectoral policies, standards, carbon footprint and carbon pricing mechanisms must be applied here as well.

Paris alignment in the context of developing countries

With respect to Paris alignment, the role of the EIB Group as the EU Climate Bank also applies in the context of developing countries, in particular in Least Developed Countries and Small Island Developing States.

In fact, the EIB Group intends to play a leading role in extending the principles and objectives of the EU Green Deal beyond the borders of the EU.

Should a different approach towards Paris alignment be applied in the context of developing countries, in particular in Least Developed Countries and Small Island Developing States? If so, why and for which type of activities?

It is concerning to see increasing shares of EU ODA being channelled into guarantees and blending facilities, amongst which the EIB is a beneficiary, without stronger evaluation of how these funds deliver on sustainable development and climate.

A special approach is needed for developing countries and in particular for LDCs and SIDS, often highly indebted and climate-vulnerable countries, whose debt levels are

exacerbated by climate change. These countries should benefit first and foremost from grants-based and highly concessional climate financing. Concessionality levels for all EIB lending to developing countries should be increased in light of the COVID-19 crisis, with higher concessionality for SIDS and LDCs.

To deliver on developing country needs requires significant development of the EIB's capacities, in-country staffing, skills and expertise, and the SDGs should be fundamentally integrated into the Roadmap. The EIB should work with national governments, to take account of NDCs, long term strategies, National Adaptation Plans and SDG plans and how EIB operations can support their alignment to limiting temperature rise to 1.5°C and adaptation goals. They should develop country-tailored approaches identifying barriers, opportunities and financial mechanisms for investments. For project selection/monitoring, a scorecard of indicators on the SDGs covering all four dimensions of sustainable development, as well as human rights due diligence should be used. Work on gender responsive financing should be stepped up.

A very small fraction of EIB lending goes to energy access, a pressing issue in LDCs. Small scale actors can play a crucial role in delivering innovative, decentralised renewables projects, and benefit from tailored support to access finance.

LDCs and SIDS have very low emissions but very high adaptation needs. The EIB should pay special attention to how it can support the development of bankable adaptation projects, and support adaptation-proofing strategies, plans and measures for all projects.

TOPIC 2 – INTEGRATED APPROACH ON CLIMATE ACTION AND ENVIRONMENTAL SUSTAINABILITY, INCLUDING ON SOCIAL ASPECTS

Leaving no one behind

The transition to low-carbon and climate-resilient pathways will have significant socio-economic implications, in particular for clients and communities highly exposed to the transition and physical risks associated with this transition.

Recognising this challenge, the EIB Group intends to leverage synergies between climate action and sustainable development to ensure a socially-fair transition, particularly for vulnerable groups.¹

Which type of climate action and environmental sustainability projects are likely to have strong social benefits?

The EIB will play a major role in the implementation of the EU's Just Transition Mechanism. In general, the Just Transition must ensure that no one is left behind during the necessary restructuring of the economy towards climate neutrality. The EIB should in this regard be able to support community-led initiatives and small-scale projects especially targeting renewable energy sources and energy efficiency, benefiting people directly.

Within its engagement in the Just Transition Mechanism the EIB will play a major role in 'pillar 2' and implement 'pillar 3' via a new public sector loan facility. It has to ensure to exclude all gas financing from its JTM engagements. At the same time the EIB should require 'Territorial Just Transition Plans' - as foreseen in the JTM - which outline the planning for the transition towards climate neutrality, for all EIB framework-loan financing for Cohesion Policy post-2020. This way regional development funding will be better steered towards the social, economic and territorial cohesion in line with the Paris Agreement. This requires as well increased exchange with local and regional authorities.

¹ It should be noted that the European Commission (EC) is running a public consultation on its legislative proposals related to the EU Green Deal, including on the Just Transition Mechanism. The consultation on a just and socially-fair transition, as part of the EIB Group Climate Bank Roadmap 2021-2025, does not pre-empt the outcome of the EC's wider public consultation on this topic.