



## Environmental sustainability

The European Investment Bank promotes environmental sustainability – as well as closely related social well-being – in support of EU policy on sustainable development. The general approach of the Bank in this regard is described in its corporate strategy and plan, various documents on corporate responsibility and most recently in the latest revision of its Environmental and Social Statement, entitled “The EIB Statement of Environmental and Social Principles and Standards”<sup>1</sup>. The latter outlines the standards that the Bank applies in appraising projects, and the responsibilities of the various parties. The new Statement provides a much greater sense of urgency about the problems of climate change, expands the social dimensions of sustainable development and recognises the importance of bio-diversity.

The EIB has **three main objectives** for defining its environmental and social responsibility:

The first and most important is – as far as is practical and feasible – to ensure that all the projects that it finances are **compliant with EU environmental principles and standards** in support of EU policies.

The second main objective for the Bank is to promote specific projects that **protect and improve the natural and built environments and foster social well-being**, in support of EU policy, as spelt out in the Sixth Environmental Action Programme (EAP) “Environment 2010: our future, our choice”. The EIB supports specific environmental investments that focus on: climate change, protecting nature and bio-diversity, dealing with the links between environment and health, and promoting the sustainable use of natural resources and management of waste. It also promotes sustainable communities, and public health and transport systems.

The Bank also seeks to **manage its environmental footprint**, not just in terms of “housekeeping” but also with regard to the projects that it finances, with a recent focus on its carbon footprint.

### Trends, highlights, new developments

The environmental and social agenda was taken forward in several respects in 2008, among which were the following:

- As mentioned, throughout the year, work was undertaken on a revised Statement, involving extensive public consultation, and concluding in early 2009 when the Board of Directors approved “The EIB Statement of Environmental and Social Principles and Standards”.
- The five signatory banks<sup>2</sup> of European Principles for the Environment published a single reference document of EU environmental legislation, principles and standards most relevant to the projects the EPE banks are financing.
- Support for the carbon market is not new to the Bank. We view these instruments as a useful means to reduce the costs of achieving the EU emissions reduction targets, as well as to promote sustainable development in, and technology transfer to, developing countries. A post-2012 carbon fund was launched together with four other FIs. This is the fourth such fund that the EIB has established or co-established. A fifth one, the Fonds Capital Carbone Maroc (FCCM), was signed in 2008.
- As part of our approach to climate change the Bank encourages greater investment in renewable energy and energy efficiency (see briefing note on EIB support for EU energy objectives).

<sup>1</sup> <http://www.eib.org/about/news/eib-statement-of-environmental-and-social-principles-and-standards.htm>

<sup>2</sup> Council of Europe Development Bank (CEB), European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), Nordic Environment Finance Corporation (NEFCO) and Nordic Investment Bank (NIB).

- The Bank has made progress in mainstreaming climate change into its operational practices. It continues to explore and develop a number of methodologies for the complex task of measuring and reporting the carbon footprint of the projects that it finances in order to better understand the climate impact of Bank lending and to inform project choice.
- A set of draft guidelines for financing dams based on the recommendations of the World Commission on Dams (WCD) was developed.
- The EIB's Water Sector Lending Policy was reformulated in 2008.
- In biodiversity, the EIB is working on the development of an ecosystem fund and supporting biodiversity-friendly SMEs.
- Mainstreamed environmental and social matters through producing more guidelines, strengthening processes and training and awareness-raising.

## JESSICA

JESSICA (Joint European Support for Sustainable Investment in City Areas) deserves special mention for its role in promoting the social agenda of the EIB. It is an initiative developed by the European Commission and the Bank, in collaboration with the Council of Europe Development Bank, which gives Member States the option of using some of their EU funds to make repayable investments in urban projects. These investments may take the form of equity, loans and/or guarantees.

JESSICA requires setting up a proper institutional framework, mainly in the form of the network of Urban Development Funds ("UDFs") and, if required, Holding Funds ("HFs") acting as "funds of funds", to efficiently absorb and invest EU funds. In 2008, twenty JESSICA feasibility studies were carried out across the EU and supervised by the EIB JESSICA Task Force with a view to defining most effective country-specific JESSICA implementation models. Some of these studies resulted in Member States (or local governments) signing with the EIB so called Memoranda of Understanding ("MoU"), providing for future cooperation in establishing financial engineering vehicles within the JESSICA framework. Following these developments, first JESSICA HFs and UDFs are expected to be established in 2009 in countries such as Germany, Lithuania, Poland, Spain and the UK.

## Results for the year: environmental lending

In 2008, the European Investment Bank signed loan agreements for 150 environmental projects amounting to EUR 17.944bn, which represents 40% of its total individual lending. The EIB finances a wide variety of activities, including renewable energy projects in the EU, programmes for environmental infrastructure improvements supported by EU funds, and water and sanitation programmes in the ACPs. The Bank also provides finance through financial intermediaries for smaller projects which may also be dedicated to environmental objectives or contain environmental components.

Accordingly, the Corporate Operational Plan (COP)<sup>3</sup> for the period 2008-2010 set an overall target for lending activity in the area of 'environmental protection and sustainable communities' at 25-30%. This is further broken down into two areas:

- 'Protection of the (Natural) Environment' – which covers investments in the areas of: climate change (renewable energy/energy efficiency); natural resource management (biodiversity, waste); and improvement of the environment and health (water).
- 'Sustainable Communities' – which includes the urban environment, urban transport systems and health care.

The bulk of environmental lending goes to EU countries: in 2008, the EIB provided direct financing for 127 environmental projects for a total of EUR 15.660bn in the European Union, equivalent to 38.5% of the overall individual lending total in the EU over that period. These figures do not include environmental components of projects where the overall objective is not directly related to the environment. This component is currently not recorded by the Bank. Within the EU the two broad categories, Protecting the Environment and Sustainable

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<sup>3</sup> See: <http://www.eib.org/about/publications/corporate-operational-plan.htm>

Communities, each accounted for almost exactly half of the total lending: EUR 7.8 billion and EUR 7.9bn respectively. Most of these funds went to climate change mitigation (EUR 3bn), environment and health (EUR 3.8 billion) and sustainable transport (EUR 4.7bn).

In the Accession Countries the volume of environmental protection projects amounted to EUR 1 454m or 8% of total lending devoted to the environment. In the Mediterranean Partner Countries, EUR 61.5m in individual loans was advanced for environmental schemes. A further EUR 333m went to environmental projects in the ACP countries (including South Africa), EUR 100m to one project in Asia, EUR 185m to projects in the Balkans and EUR 150m to the Neighbourhood Partner Countries, all contributing to the Bank's overarching goal of promoting environmentally sustainable development in the partner countries.

### **Some examples of "significant" projects**

#### *Poland Warsaw Sewage System Modernisation (EUR 318m)*

This project aims to improve public health and environmental protection in the City of Warsaw. The project's wastewater schemes will reduce the pollution load originating from the 825 000 inhabitants residing on the left bank of the Vistula River and increase the treatment levels of wastewater from another 690 000 living on the right bank. The project will therefore support Warsaw in its efforts to comply with the EU Directive on Urban Wastewater Treatment (UWWTD) by improving water quality and reducing the pollution of rivers draining into the Baltic Sea. The schemes are also compatible with the broad objectives of the Water Framework Directive (2000/60EC) to promote good water quality status. The project is part of international programmes for reducing the pollution load of the Vistula River and the Baltic Sea, in which the Bank is a major participant. It will therefore also help Poland to comply with its obligations under international treaties.

#### *Dong UK Renewables*

In 2008, the Bank provided EUR 250m for the development and operation of an offshore wind farm with a total capacity of 172 MW in the United Kingdom. The wind farm will be built on Gunfleet Sands, approximately 7 km off the coast at Clacton-on-Sea, Essex, United Kingdom. The wind farm will generate electricity for supply to the public grid. The project is located in an area with good wind resource conditions thus allowing it to achieve a high load factor. The quality of the wind measurement data is good, with 5 years of on-site data.

#### *High-Speed Railway from Madrid to Valladolid, Spain*

Spain is steadily expanding its high-speed rail (AVE) network and the current phase is a 188 kilometre section between Madrid and Valladolid. At Valladolid the line will connect with the projected new high-speed line to Vitoria and from there to France and, at Medina del Campo, with the projected lines to Porto (Portugal) and the North-West of Spain. As the network develops it will bring advantages in terms of cohesion between Spanish regions and, ultimately, between Spain, Portugal and France.

The project is considered a priority under the EU's Trans-European Transport Network (TEN-T) programme. Moreover it fits in with the EIB's own transport policy, as revised in 2007, which gives priority to sustainable public transport programmes. The Bank first made a loan for the project in 2006; a second loan for EUR 750m was signed in 2008.

For further information on the EIB, visit its website [www.eib.org](http://www.eib.org).

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