Public consultation meeting on the revision of the EIB’s Energy Lending Policy
Meeting summary

On 25 February 2019, as part of the public consultation on the EIB’s Energy Lending Policy (ELP), the Bank organised an information session to explain the main elements of the consultation document and answer questions from interested stakeholders. This major policy review aims to strengthen the impact of the EIB’s future energy lending. With an audience of over 120 participants in Brussels, and more connected via interactive livestreaming of the event, this was the largest public consultation meeting ever hosted by the Bank.

EIB’s Vice President McDowell opened the discussions. He emphasized the importance of the energy sector for the Bank’s activities, highlighting the importance of renewable energy and energy efficiency lending, which represented 69% of overall energy lending in 2018. Vice President McDowell indicated that this review of EIB energy lending is following the adoption of the new Clean Energy for All Europeans Package, a comprehensive new revision of EU climate and energy legislation, setting new targets for CO2 emissions, energy efficiency and renewables and improving the design of electricity markets.

The Vice President invited his colleagues from the EIB’s Energy Department to provide background information on the context of this review and to introduce the key themes that the Bank is using to structure the consultation. He also encouraged participants to use the opportunity to pose any questions required to make informed written contributions to the consultation process.

Setting the scene

The EIB is one of the largest financiers of energy infrastructure. Out of the 65 bn EUR of energy financing provided by the bank over the last five years, over 50 bn EUR was directed to renewable energy, energy efficiency and electricity grid projects. Over the past five years (2013-2017), the Bank financed 284 operations featuring energy efficiency investments in buildings and provided technical assistance under the European Local Energy Assistance (ELENA) scheme to 64 projects in 22 countries. EIB financing included 42 energy innovation projects and 30 Projects of Common Interest (PCI) in the EU. Outside EU, the Bank financed projects giving access to electricity for 12 million customers.

EU climate and energy policy aims at accelerating decarbonisation and bringing Europe to the forefront of the fight against climate change. The EIB mentioned several trends associated with the ongoing energy transformation: the transition will be based on renewables and an increase, for instance, in smaller scale projects such as solar PV and battery storage. Electrification of transport and heating is important in all decarbonisation scenarios. Digitalization of the energy sector will enable consumers to become more active and tap the potential of smaller resources.

All these trends point toward a shift from operational expenses to capital investments. The EIB – with its financial and technical expertise – has a key role to play in supporting the energy transformation. However, given its limited resources compared to the scale of investment needed, the EU bank has to focus on the activities where its future energy lending has the highest impact, which is precisely the reason driving the public consultation.

1. Energy Efficiency

This first theme of the consultation focuses on identifying how the Bank can help further unlock energy efficiency investment. As explained by the EIB energy experts, investments needs are particularly high in the building sector. Some participants called for adoption by EIB of a broader definition of the Energy Efficiency First principle. The Bank highlighted that appropriate energy efficiency measures have already been “mainstreamed” and are considered in all the projects it finances. Comments included the
need to focus more on energy savings, especially in the rehabilitation of existing buildings which, according to some participants, should constitute a priority for the EIB. Questions on the bankability of such projects as well as on the integration of the carbon footprint in the cost-benefit calculations were an opportunity for the EIB to explain briefly how it conducts the economic analysis for energy efficiency projects. Other comments referred to the investment needs for small-scale energy efficiency projects that the Bank is already financing, often through intermediaries like banks and other aggregators.

2. Decarbonising Power and Heat
The areas upon which the EIB seeks feedback on this second theme concern notably how the Bank can best support renewables such as solar PV and wind projects. Indeed, their costs have declined and these technologies are becoming increasingly competitive and integrated in electricity markets. A number of environmental NGOs also demanded that public money not be spent on fossil fuels projects and that the EU Bank should even stop investing in fossil-fuel dependent companies. The Bank responded that while we are still trying to understand the role of gas in the transition to a low-carbon, energy efficient economy and are looking for guidance from external stakeholders, the EIB is financing projects and is not looking into other activities or assets. This being said, financing a low-carbon project is in line with the decarbonisation strategy for any company. On this note, some industry representatives highlighted the continued need for gas investments in some countries and pointed out the potential of renewable gas, such as biogas and hydrogen. Others called for the prioritisation of flexible electricity generation sources such as hydropower and biomass. Several participants recognised the value of the EIB’s Emissions Performance Standard (EPS) for power generation as a tool that effectively blocked financing for coal power plants, yet there were questions on how much the current EPS will be reduced and whether there should be any scope for exemptions. A question came up about the EIB’s financing of nuclear energy. The Bank clarified that whilst it adopts a technology-neutral approach, there were only a few recent operations, all related to safety and energy efficiency improvements of existing nuclear facilities.

3. New energy technologies and business models
With regard to this third theme of the ELP review, EIB experts explained that the Bank is looking into innovation as well as new flexibility sources such as demand response and storage as key technologies to enable the energy transformation. New business models are being developed and decentralised energy are growing rapidly. The Bank therefore encouraged stakeholders to provide feedback on which projects the Bank should continue to finance in order to achieve the greatest impact.

This was an opportunity for participants to ask about eligibility of certain innovative projects, such as production of hydrogen or biogas technologies. The EIB confirmed that these are all eligible for Bank’s financing. Some environmental NGOs expressed their doubts about the role that renewable gas can play in energy transformation and continued to urge the Bank to stop financing gas altogether. A question also came up about the EIB’s support to clean mobility, which is an area already extensively covered by the Bank in a separate sectoral lending document. The Bank also welcomed suggestions on the need to harness benefits of digitalisation, for instance by using Internet of Things (IoT) and Artificial Intelligence (AI).

4. Securing the enabling infrastructure
In this section, the debate focused on how to finance the infrastructure needed to ensure secure and competitive energy and strike the right balance between affordability, energy security and sustainability. Regarding investments in gas infrastructure, the Bank has financed projects justified by security of supply and the completion of the internal energy market. But it is also well aware of the economic risk of stranded assets. A number of NGO participants criticised the EIB, claiming that there was no need for new gas infrastructure in Europe and that the Bank should focus on electricity networks; yet other representatives argued that this is not the case in all countries and that investments in gas infrastructure are still needed. A lot of attention went to the financing of European Projects of Common Interest (PCI). The EIB reminded participants that PCI projects are selected by the European Commission (EC) and the Member States themselves and that the EIB is indeed not a policy-maker. Once on the PCI list, the project would be subject to the same stringent due diligence standards EIB applies to all of its projects.
5. Financing outside the EU

When lending outside the EU, the EIB reaffirmed the Bank’s commitment to the Sustainable Development Goals (SDG), notably with the ambition to achieve universal access to reliable and modern energy by 2030, while increasing the share of renewable energy and energy efficiency (SDG 7). Government representatives from a number of non-EU countries inquired about the Bank’s support in their countries and the role of the Bank in terms of regulatory advisory activities and capacity building. In the course of the discussion, the EIB answered one question on biofuel and clarified that these projects are eligible for EIB financing and that they are subject to the EIB’s environmental and social standards as with all EIB projects, including outside the EU. The issue of local participation requirements was raised by the audience and the EIB explained that it cannot intervene when procurement rules are limited to local promoters by host countries: the EIB follows EU procurement Directives concerning competitive tendering on the basis of fair and non-discriminatory terms. The discussion also touched upon the need for greater cooperation between the EIB and national or regional players, which was an opportunity for the EIB to bring examples of projects co-financed outside of the EU. Further to the many questions from the audience, the EIB representatives also encouraged participants to provide feedback on what areas the EIB should focus on when bringing EU decarbonisation technology outside the EU.

6. General Q&A

In the general Q&A section, participants were encouraged to ask any other question with regard to the ELP consultation. Some participants argued against the financing of large-scale biofuel projects because of their harmful environmental impacts, while others revisited the issue of gas infrastructure and the future of hydrogen and explained the difference between hydrogen production from renewables as opposed to hydrogen production from fossil fuels. When asking for more details about what the EIB is doing in the area of clean mobility, the EIB colleagues referred to mobility assistance programmes under ELENA (the European Local Energy Assistance programme) and also car-sharing programmes under the European Energy Efficiency Fund (EEEF). The EIB also encouraged participants to provide feedback on their experience with these instrument as part of the ELP public consultation process.

Procedural questions arose as well, notably regarding the articulation of the announced Mid-Term Review of the EIB Climate Strategy and the ongoing review of energy lending policy – these are two separate processes, yet subject to close collaboration between the services involved. Some participants enquired about the link between the ELP review and the European Commission’s ongoing work on a taxonomy for sustainable economic activities - a process to which the Bank actively contributes, but the outcome of which will only be known later this year.

When asked about how the Bank will report on the implementation of the new ELP once adopted, the EIB explained that the Bank will report on a regular basis in line with the latest recommendations by the Operations Evaluation (EV) team of the Bank.

Closing and next steps

Vice President McDowell closed the meeting by explaining the timeline for the next steps. He also reminded the audience of the four general overarching questions in the public consultation document, namely relating to trends in the energy sector considered by the Bank; the alignment with long-term climate targets; the higher impact that the Bank can have on the investments and the question of affordability and just energy transition.

The EIB would like to thank all participants who attended the meeting in Brussels or via live-stream for their time and valuable questions and suggestions. Stakeholders are invited to send written contributions before 29 March 2019, preferably via the email address: elpconsultation@eib.org.

More details and background information, including the presentation made at this meeting, can be found here.