EIB Climate Action Public Consultation

Issues Matrix
**Issues Matrix**

**Foreword**

This document presents a summary of the comments received from the various stakeholders that have submitted written replies to the Bank’s Climate Action Review and the Bank’s reasoned position regarding these comments. The stakeholders’ comments have been very appreciated and valuable to form the views and strategic orientations presented in the new EIB Climate Action Strategy.

The EIB has received 33 contributions from a diverse group of stakeholders. In order to prevent repetition in the comments and replies, written contributions have been treated and bundled together by topic in the following Issues Matrix. Topics have been subsequently ordered from the more general and strategic ones to the more specific ones. While the Bank has tried to maintain the integrity of the messages received and include all nuances, the bundling of the comments may have resulted in unintended omissions or dilution of comments. Bundling topics also makes it difficult to track individual contributions. The Bank will publish all the original submissions from the stakeholders on the website. This allows interested parties to access all contributions received.

This Matrix tries to balance maintaining the level of detail provided by the stakeholders with keeping the Matrix helpful, clear and concise. For each of the issues in the Matrix, the stakeholders that provided the comment are indicated.
## Acronyms Glossary

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<tr>
<th>3PA – EIB value added methodology: 3 Pillars Assessment</th>
<th>IDFC – International Development Finance Club</th>
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<td>ACP – Africa, Caribbean and Pacific Region</td>
<td>IEA – International Energy Agency</td>
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<td>BOAD – West African Development Bank</td>
<td>IFIs – International financial institutions</td>
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<td>CA – Climate Action</td>
<td>INDC – Intended nationally determined contributions</td>
</tr>
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<td>CABs – EIB Climate Awareness Bonds (Green Bonds)</td>
<td>JASPERS – Joint Assistance to Support Projects in European Regions</td>
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<td>CCAC – Climate and Clean Air Coalition</td>
<td>JESSICA – Joint European Support for Sustainable Investment in City Areas</td>
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<td>CCS – Carbon Capture and Storage</td>
<td>LCA – Life-cycle assessment</td>
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<tr>
<td>CEE Countries – Central and Eastern European Countries</td>
<td>LNG – Liquefied Natural Gas</td>
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<td>COP – EIB Corporate Operational Plan</td>
<td>MIDCAPs – Medium size companies</td>
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<td>COP21 – 21st Conference of the Parties to the UNFCCC</td>
<td>MDBs – Multilateral Development Banks</td>
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<tr>
<td>EAsI – Programme for Employment and Social Innovation</td>
<td>NAMA – Nationally Appropriate Mitigation Actions</td>
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<td>EC – European Commission</td>
<td>NAPA - National adaptation programmes of action</td>
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<td>EEAS – European External Action Service</td>
<td>NCFF – Natural Capital Financing Facility</td>
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<td>EFSI – European Fund for Strategic Investments</td>
<td>NER 300 – New Entrants Reserve Programme</td>
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<td>EIAH – European Investment Advisory Hub</td>
<td>PF4EE – Private Finance for Energy Efficiency</td>
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<td>ELENA – European Local ENergy Assistance</td>
<td>PPP – Public–private partnership</td>
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<td>ELM – External Lending Mandate</td>
<td>R&amp;D – Research &amp; Development</td>
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<td>ERR – Economic Rate of Return</td>
<td>REM – EIB Results Management framework</td>
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<td>ESDS – Environmental and Social Datasheets</td>
<td>RES – Renewable Energy Systems/Sources</td>
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<td>ESG – Environmental, Social and Governance (criteria)</td>
<td>RDI – Research, Development and Innovation</td>
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<td>ESIF – European Structural and Investment Funds</td>
<td>RSSF – EIB Risk Sharing Finance Facility</td>
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<td>EU – European Union</td>
<td>TA – Technical Assistance</td>
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<td>GCF – Green Climate Fund</td>
<td>SME – Small and medium-sized enterprises</td>
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<td>GHG – Greenhouse Gases</td>
<td>UNFCCC – United Nations Framework Convention on Climate Change</td>
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<td>ICT – Information and Communications Technology</td>
<td>WRI – World Resources Institute</td>
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## Glossary of Stakeholders’ Acronyms

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<th>ADCON-PPP – Name of a telemetry and weather data company</th>
<th>EuroACE – European Alliance of Companies for Energy Efficiency</th>
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<td>ANND – Arab NGO Network for Development</td>
<td>EEA – European Environment Agency</td>
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<td>CAN – Climate Action Network</td>
<td>GCCSI – Global Carbon Capture and Storage Institute</td>
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<td>CDP – Formerly known as the Carbon Disclosure Project</td>
<td>REN – Redes Energéticas Nacionales</td>
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<td>EGEC – European Geothermal Energy Council</td>
<td>WB CMI – Worldbank Center for Mediterranean Integration</td>
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## 1. General strategy: EIB Vision and role of EIB

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<td>1. Climate strategy – Alignment with EU long term vision (80-95% reduction of GHG emissions by 2050)</td>
<td>Some stakeholders say that the European Investment Bank (EIB) should develop a fully-fledged forward looking climate action strategy encompassing all sectors and lending instruments of the EIB. This strategy should be in line with EU commitments to reduce greenhouse gas emissions to 80-95% below 1990 levels by 2050 to have a reasonable chance of staying within a 2°C rise for the global temperature. When financing new infrastructure projects, the EIB should also be very careful to avoid the risk of carbon lock-in through being too focussed on the short term. Support to high carbon projects should be reduced. The IEA has stated that only zero-carbon utilities and infrastructure should be developed beyond 2017 since 80% of cumulative emissions allowable between 2010 and 2035 are already locked into existing power plants, factories, buildings and services.</td>
<td>WWF, Bankwatch, Counter Balance, E3G, Federal Government of Germany, CDP, EGEC, 2°Investing, Plasticseurope, CAN</td>
<td>The EU has adopted the 2020 Climate and Energy Package (2009) and the Policy framework for climate and energy up to 2030 (2014) to mitigate climate change risks. The EU has also recognised that the focus should not only be on mitigation, but on adaptation as well and has therefore developed an Adaptation Strategy (2013). In the longer term, the EU Roadmap for moving to a competitive low-carbon economy by 2050 sets an indicative vision of pathways (with different carbon intensities) for achieving much deeper emission cuts by the middle of the century. Such emission reductions would be needed to contribute appropriately to achieving the internationally agreed 2°C goal which is ultimately, the goal of the EU Climate policy. The EIB, as the EU bank, aligns with these EU policies and long term vision and it has to ensure that none of the activities it supports are in breach of the EU legislation. The Bank’s mission, as reflected in the</td>
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unless existing infrastructure is scrapped before the end of its economic lifespan.

The EIB should have an internal view on future energy, water, road transport demand – to help assess the economic viability of supply side, gas infrastructure and road investments needed.

The EIB should look beyond project finance and take responsibility for assessing medium and long-term implications of the group of projects it finances (i.e. assessing the climate impact and the coherence with the 2030 and 2050 transport GHG emissions of Europe-28 as a whole of all the projects it finances).

Climate strategy, is to make a leading contribution in line with EU policy, to support the worldwide commitment to keep global warming below 2°C and to enable adaptation to the impacts of climate change.

However, the targets included in the EU policy packages, and the underlying national commitments to reach those targets do not constitute a set of rules against which to assess whether a specific investment is justified in the long term; nor are the transition pathways in any particular sector or region fully specified. The decarbonisation of the economy can be achieved through a balanced combination of pathways and resources. Modernisation of existing power plants, factories, buildings and services could also play a critical role in the path to a decarbonised economy.

To ensure that EIB support to the different EU policies is compatible with climate objectives, the Bank already sets internal sectoral screening and assessment criteria and policy priorities with embedded climate change considerations to guide the selection of investment projects. In the climate strategy, the Bank commits to extend the coverage of sector policies and regularly update the existing policies (see section 3b of the EIB Climate Strategy).

Market and demand analysis for the different sectors in which the Bank operates is already an integral part of the due diligence for individual projects. These projects, again, are already filtered by the sectoral screening criteria which already mainstream climate considerations and result in already quite stringent eligibilities. Potential carbon lock in is embedded in both, the sector screening and assessment criteria and the due diligence analysis.
Issues Matrix Climate Action Review – Annex 3 to consultation report

2 Climate strategy – 2050 scenario alignment also for EFSI projects

Some stakeholders indicate that the Bank should contribute to clarify in the regulation of the European Fund for Strategic Investments (EFSI) that all EIB procedures, standards and policies will apply to any EFSI project. It should focus the EFSI on low carbon projects that simultaneously drive short term economic benefits and long term sustainability (especially energy efficiency investments). Given the indicative Project List from Member States, there is no rationale for the EFSI to invest in high carbon energy and transport projects that expose the EU to high risk of carbon stranded assets (“carbon bubble”).

One stakeholder mentioned that EFSI should have a ring-fenced sub-fund devoted to investments on large, deep building renovation programmes.

WWF, Bankwatch, Counter Balance, E3G, Federal Government of Germany, CDP, EGEC, 2°Investing, Plasticseurope, CAN

According to EFSI Agreement⁴, the Bank shall apply its rules, policies and procedures as applied to its own risk operations, as amended, modified or supplemented from time to time, and good banking practices.

No specific earmarking or risk-fencing of funds for particular activities has been approved to allow the maximum flexibility in the allocation of funds (see topic 16 below for further explanation on sub-targets).

EFSI targets a number of sectors (art. 9 of the EFSI Regulation) which include energy, renewable energy, energy efficiency and electrification among many other sectors.

3 Climate strategy – long term strategic vision per sector (energy, transport)

Many stakeholders mention the need for the EIB to develop an (internal) strategic long term vision based on EU priorities of the low-carbon future in which their investments will take place. This would include a roadmap for investments in energy demand reduction and renewable energy deployment, which is based on e.g. forecasted energy, water and road transport demand.

WWF, CAN, Energy Cities, Bankwatch, E3G, Veolia, UITP, Mott MacDonald, CDP, RAC Foundation

At portfolio level, the EIB, as the European Union’s bank, has the mission to support EU policies. Along with these polices inside and outside the EU, the Bank’s Corporate Operational Plan (COP) establishes the Bank’s priority lending objectives on the basis of a rolling three year strategy which is reviewed and updated by the Bank’s Board of Directors on an annual basis. In the last Corporate Operational Plan 2015-2017⁵ the Bank established the following different priority areas or public policy goals to

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The long term vision would result in the realisation that some projects, such as airports or motorway or LNG terminals create carbon lock-in with induced demand, and should not be funded at all.

Other aspects mentioned are:

- The Bank’s internal strategic long term vision should recognise the need ensure investments in infrastructure are forward looking with regards to energy independence. EIB lending should not exacerbate the dependence on imported fossil fuels, which is the consequence of investment in carbon intensive infrastructure such as airports and motorways;
- This vision will also provide confidence to the private sector where to invest in, which will be essential to the delivery of the Europe’s new Investment Plan;
- Setting up a dedicated action plan for heating and cooling projects, in line with the strategy the European Commission has announced in the context of the Energy Union;
- There should be clearly defined limits for the amount of LNG terminals, highways and airports that the EIB is able to finance between 2015 and 2020 while still staying within the decarbonisation pathway;
- Redirect the support from RES to modernisation of energy systems, energy efficiency, etc.
- The EIB could facilitate an assessment of its entire transport investment portfolio to determine whether its funding approach is sufficient to meet EU goal. The

CEZ Group supports projects that make a significant contribution the various EU policies:

- Fostering innovation and human capital
- Support to SMEs and MIDCAPs
- Building efficient infrastructure
- Environmental protection and climate action

At sector level, eligibility of projects is decided in the light of the Bank’s sector policies that align with long term EU climate policy goals and other policy objectives. The Bank’s transport policy and energy screening and assessment criteria for example, set the priority areas that would be required to meet the EU public policy goals. They introduce safeguards to ensure that projects’ carbon emissions are consistent with the EU’s climate policies. In this context, the EIB adopts a neutral approach to all technologies and does not discriminate among them, as long as they are sustainable, competitive and therefore make a positive contribution to socio-economic growth.

At project level, any credit decision will remain subject to a detailed, satisfactory, due diligence and documentation as well as formal approval by EIB’s decision making bodies in compliance with the Bank’s credit risk policy guidelines. In addition, to be eligible for financing, projects must have an economic rate of return (ERR) that is higher than the social discount rate. Therefore, projects financed by the EIB must make a positive contribution to economic growth, taking into account the environmental and social merits (see topic 10 of this Issues Matrix on carbon price and environmental externalities). The assessment of the Bank’s impact on climate derived from its lending operations is done at the
development of such a roadmap should indicate how absolute investments by the EIB into high carbon intensity transport projects and infrastructure will gradually decrease, with the long-term goal that this would eventually stop and that all future investment in the transport sector will be geared towards low carbon investments that drive European economic growth, like public transport. The roadmap will allow for climate change considerations to be mainstreamed into all EIB internal decision making process enabling the bank to make a better assessment of the carbon lock in associated with its entire transport portfolio.

- It would be unwise to attach too much weight to potential climate benefits in prioritising transport projects for EIB support.

4 Climate strategy – roadmaps per country/regions

Stakeholders indicate that this internal strategic view or roadmap should be developed at country level. For some countries there will potentially be a case for investing in gas or fossil fuel plant energy efficiency improvements as part of a cost-effective transition to a low carbon economy, while for others not. Without this, it is impossible for the EIB to be sure it is lending to projects that are in long-term

CDP, 2°Investing, Energa, CEZ Group, Mott MacDonald, Bankwatch, Eurogas, Energy

The selection of EIB investments is made independently and on the basis of their viability, added value and economic impact.

In accordance with its Corporate Operational Plan, the EIB will develop in close cooperation with Member States, investment strategies that are properly tuned into national, regional and local priorities. Outside the EU


7 See http://www.eib.org/infocentre/publications/all/eib-transport-lending-policy.htm

8 See http://www.eib.org/attachments/strategies/eib_energy_lending_criteria_en.pdf
economic and environmental interests of the countries they serve so there is an urgent need for strategic country-level climate mitigation, energy efficiency and adaptation investment plans to meet 2030 and 2050 targets.

This is needed to take into account the fact that infrastructure is connected across several regions and Member States and climate risks are wider than just single projects. This holds for developing as well as developed countries. The Bank could highlight information gaps facing the EU currently in terms of the need to assess climate risks and to develop climate friendly investment plans.

This is particularly important because to assess whether the EIB’s eligible projects/sectors targeted for climate action are fit for purpose, this should be in the light of what is a sustainable transition pathway for each country in which it operates. For example, short-term energy efficiency or cogeneration investments that prolong the life of high carbon assets may reduce GHG emissions but they also displace investment in cleaner alternative technology. While some energy efficiency investments to improve the emissions from coal-fired plant may have a role to play in helping countries transition from a high to a low carbon energy sector this needs to be examined on a case by case basis in the context of the low carbon transition pathway of the client country. This highlights information gaps for the EIB, i.e. what are economically and environmentally sustainable energy infrastructure investment choices for each country.

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<th>Cities, EGEC, E3G, World Coal Association</th>
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the EIB works closely with the EU and develops 'regional technical operational guidelines' for its operations, including those under the External Lending Mandate (ELM). In accordance with this mandate, consistency of the EIB operations with partner countries’ priorities is also ensured by taking into account relevant country and regional strategy papers, indicative programs, action plans and pre-accession documents.

The Bank knows well the countries / regions in which it operates and as stated above, long term climate considerations are embedded already in the screening and assessment criteria. These are taken into consideration when performing the market / demand analysis during due diligence of the projects submitted for financing. As result of the Bank’s climate action review, the Bank will try to increase the impact of its climate operations (see section 1 of the Strategic Action Areas of the EIB Climate Strategy). This will be done at the relevant geographic scale.

It is difficult however to track the Bank’s impact with respect to a country’s sustainable transition path because of two main reasons:

- Despite the EIB’s possible large annual lending figures, the amount of EIB lending remains limited when compared to the sectoral / national / regional investment needs. This is why it is considered more appropriate to insert the climate considerations already at the sector policies and prioritise investments in this way.

- The Bank operates only in the designated policy priority areas and not in all sectors of the economy. In addition, its interventions are skewed to support physical investments, gross capital formation. This implies that any assessment performed on the Bank’s portfolio will necessarily be incomplete and will fail to show the country’s transition to a low carbon economy.
| 5 | Climate strategy – role for EIB | A large number of stakeholders signal that the EIB has a unique transformational role to play in climate action. Being the EU policy-driven Bank involved in all EU major infrastructures, EIB should contribute to the definition of national decarbonisation roadmaps and have a view on the aggregated plans at EU level to maximise EU outcomes. The EIB could facilitate a macroeconomic analysis into the impact of EIB lending on the EU Member States’ decarbonisation trajectories. The EIB could facilitate the analysis of the cumulative impacts of already existing projects in contrast with the 2030 and 2050 GHG emission reduction goals of the EU-28. This is much easier done from the EU level than from individual Member States (they are not able to assess how their own specific development choices affect the EU as a whole). The EIB, however, is uniquely placed to have an overview of the financing sought by specific types of project promoters across the EU over time. In the end, to encourage investment in target countries, the EIB should help to facilitate and establish predictable, transparent and responsive in-country enabling environments, which could include predictable and stable policy goals. The EIB has a strong influencing position to public policies and regulatory frameworks. For the latter, the important thing is to balance the objectives of access to power, environmental impact, diversity & reliability of supply through a balanced portfolio of energy and power technologies. Governments must also bear in mind that policy intervention may create market distortion and unintended consequences. It is important for them to be sensitive to this and try to manage it with stable, long-term, transparent policy-making. The EIB should actively work towards the realisation of a better financial regulatory framework at the EU level to support capital | UITP, E3G, Mott MacDonald, Bankwatch, 2°Investing, Counter Balance WWF, Energy Cities, Energia, RAC Foundation, CAN, REN | The EIB’s role is to finance eligible investments. The Bank’s mission therefore, remains very much project oriented and its relatively lean structure, internal procedures and standards are also designed to appraise and support individual investment projects. Cumulative impact of the projects on climate is considered at the appraisal of projects as well as the contribution of the project to the different policy priorities that the Bank needs to fulfil.

Particular attention is given to the assessment of bottlenecks and the barriers that are holding back projects. The Bank is seeking to increase its advisory services and to work more proactively to cooperate with the European Commission, Member States, promotional banks and regions in particular, so that productive climate action investments and essential climate-resilient infrastructure projects can be identified, barriers tackled, projects developed and implemented and will work towards the reinforcement of this area internally. However, it needs to be made clear that any enhancement of EIB activities or financing instruments is no substitute for national economic policy and structural reforms oriented towards sustainable growth and job creation.

The Bank is keen to contribute with its knowledge and experience to support the development of best practice studies, implementation frameworks and capacity building activities. The Bank will work on how to improve this aspect with the final goal of increasing the pipeline of projects (see section 1d of the EIB Climate Strategy).

Regarding the leadership role of the EIB, although it is not a policy maker, part of its overall activities relates to constantly engage in policy dialogue with a wide range of stakeholders, including EU institutions, Member States, other multilateral and bilateral public finance institutions, the private sector, relevant organisations and civil society. Recent examples of such continuous engagement are the joint organisation in April 2015, |
market innovation for climate financing, ensuring standardized risk assessments and innovative financing mechanisms to reach capital requirements that kick-start long-term investments.

Several stakeholders claim that the EIB should be a proactive leader in the field of climate action, not a follower. They consider that the EIB should strongly outperform EU binding climate targets at an aggregated portfolio level. The Bank should support the development of best practice studies, implementation frameworks and capacity building activities. These should promote: Implementation of pull factors in domestic policies and regulations in all countries, which help to attract climate finance, and ensure effective use of the finance; Implementation of push factors including policies, regulations and instruments which help mobilise climate finance and investments.

The EIB should play a leading role at the Paris COP 21 meeting in December 2015. By committing its real financial firepower to meet global and European climate challenges, the EIB can ensure that this year’s climate talks are a success and engage the private sector to contribute to the $100bn target of additional climate finance by 2020.

A number of stakeholders also mention that they expect the EIB to take leadership in climate action by approaching the EU. They state the following:

- The EIB should use its influence to promote more ambitious EU polices on mitigating climate change, for example in the transport sector regulation of types of vehicles according to their GHG emission performance and pricing policies such as graduated road user charges, together with the WB Group, of the event “Scaling Up Finance for Climate Action: A Public-Private Dialogue”. In the run-up to the Paris COP 21 this provided an important opportunity for stakeholders to have a practical dialogue on what it will take to close the climate finance gap and deliver funds for the transition to a low-carbon, resilient economy. As the EU bank, the EIB also works closely with the European Commission, providing input and advice on a number of issues to ensure a coordinated EU effort and response to common challenges. In this respect for instance, in the run up to the October 2014 European Council conclusions on the 2030 energy and climate framework, the EIB worked closely with the Commission to explore options for scaling up finance in that context and to support Member States in the required energy and climate transition.

The EIB is planning to make an important contribution to the Paris COP 21 meeting in December 2015 and will work with the Commission to ensure that the EIB external climate finance becomes a part of the EU’s overall climate finance proposal for Paris.

With regards to the EIB’s role in policy making, it can only influence the policy dialogue through setting its own high social and environmental standards and by being increasingly transparent in its activities and impacts on climate. But the EIB cannot enforce regulations: EU laws are enforced by the Member States and their regulators. The Bank’s mandate is to invest in sustainable growth. This means that the Bank needs to carefully assess its screening and assessment criteria and standards against its investment objective. These need not to be so stringent that the Bank fails in its investment role, nor these have to be so lax so that it allows support to inviable projects. This is a delicate balancing act for an institution with double nature such as the EIB, one of a European institution and another as investment bank.
The Bank could jointly develop a more strategic EU-wide approach on the decarbonisation of the EU energy and transport systems.

- The EIB should set up a dedicated interchange channel between the EIB and the European Bodies responsible for the preparation of the Ten Year Network Development Plans reports (ENTSO-E and ENTSOG). The EIB, along with other institutional players, must develop a different policy: pushing for stringent legislation to force the industrialised world to rapidly reduce (not offset) its emissions, phase out fossil industrial fuel use and make significant investments in transformative technologies, starting now.

- The EIB could make disclosure of energy-intensive companies’ low carbon strategies mandatory before making financial commitments. This would give insight in the relevance of these companies towards 2°C pathways.

As explained before, the Bank does ensure alignment with EU policies. There is also already significant collaboration among development banks to align the different climate, environmental, social and procurement practices so that standards remain high. This is again an effort that cannot be solely led by development banks but by accompanying national regulations.
## 2. Prioritization of Climate Action projects by the Bank

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| 6     | Climate Action projects – Prioritisation and eligibility criteria | The EIB should improve its Value added assessment of projects by giving higher priority to the following considerations:  
- increasing the weighting of low carbon / energy efficiency elements in the following criteria: Economic interest; Employment; Higher Priority Area; Exceptional contribution;  
- strengthening its climate and biodiversity criteria;  
- strengthening the climate adaptation and resilience requirements and include it as priority criteria;  
- the indirect GHG emissions in total project costs;  
- benefits for local economies and communities | WWF, Alstom, 2°Investing, EGECC, GCCSI, Coopseurope, Bankwatch, ANND, RAC Foundation, Energy Cities, French Government, Mott MacDonald, | The Bank’s Value Added Methodology consists of two assessment frameworks; the 3 Pillar Assessment as applied to projects within the EU and the Results Management (REM) framework applied to projects outside the EU. The 3 Pillar Assessment (3PA) methodology is the tool which rates each potential project for its quality and contribution to sustainable growth and employment, including its economic justification and environmental sustainability (Pillar 1), consistency with and contribution to EU/EIB policy (Pillar 2) and the financial and non-financial contribution made by the Bank (Pillar 3).  
The Bank’s COP has established targets for each of these criteria which encourage the selection of projects with the highest value added. Climate considerations are taken into account in the 3PA methodology as follows:  
- Under ‘Quality and Contribution to Sustainable Growth and Employment’ as part of the economic viability of a project (in which the cost of carbon plays a role depending on the project);  
- As part of the project’s contribution to EU and EIB policy, with Climate Action projects being awarded extra rating;  
- The exact type of Climate Action, i.e. mitigation or adaptation, is reflected under the monitoring indicators.  
Similar monitoring indicators are also captured under the REM for projects outside the EU.  
The CA positive list has been published as result of the consultation (see |
| 7 | Climate Action projects – Prioritisation and eligibility criteria - Electricity networks | Transmission System Operators (TSOs) have developed very relevant and deep knowledge about the management of electrical networks that integrate large amounts of renewable energy sources. The EIB could stimulate renewable energy sources by financing engineering services and network planning studies to be developed by European TSOs, focused on integration of renewable energy sources in power systems. The development of the electricity networks into inner regions is critical to allow the system receive new RES electricity. In addition, a good integration of the different European regions represents a key factor for an adequate RES integration. The network assets have a long lead-time and high costs of implementation, and thus are highly demanding and impose large financial efforts to TSOs. Therefore, it is important to provide TSOs with easier access to financing, also including the creation of special financial instruments. | REN | Electricity grids are already an important investment area for the EIB. The Bank agrees that the development of electricity networks is critical to absorb the full potential of renewable energy sources. Over the last decade, electricity networks have gained an increasingly important role in the energy infrastructure policy of the EU and consequently in the EIB lending activities. Electricity grids are already an important investment area and the Bank will continue to look into adequate financing structures for TSO. This priority will continue in the coming decade. |
| 8 | Climate Action projects – Excluded sectors list | Several stakeholders suggest that the EIB should elaborate a clear list of projects that it does and doesn’t support. Most of these arguments are tied to the objective of staying within the decarbonisation pathway limiting global warming to 2°C. In this sense, several stakeholders explicitly mention (sometimes contradictory) project types that should be excluded, for example: The most polluting sources of energy generation, high carbon projects, the most climate harmful mining practices (i.e. oil, lignite and coal extraction) and processing | Counter Balance, Energy Cities, Federal Govt of Germany, Bankwatch, WWF, EGEC, ANND, E3G, Eurogas, CEZ Group, Energia, GCCSI, CAN, CDP, RAC Foundation, World | As it was summarised in the public consultation documents, the Bank’s approach to climate action is based on the following elements: 1. A positive list of project / activities categories that are considered direct contributors to climate action. This list is published in Annex 1 of the EIB Climate Strategy. This list is largely harmonised among development Banks to allow climate finance tracking for example. 2. Sector lending policies, which set the screening and assessment criteria for different projects and mainstream already climate considerations in those sectors. The Bank has |
(refineries) should be excluded.

- The EIB should not support the automotive industry as individual transport, even when electric cars are used, will not be environmentally sustainable. Car manufacturing projects should support Zero-emissions vehicles only;

- The Bank should not favour rail and transport over road, air and private transport. Under right circumstances, these can provide mobility with fewer GHG emissions.

- The EIB should end its support for airport infrastructures, unless related to environmental protection or when their negative environmental impacts are mitigated.

- The EIB should not support investments in nuclear energy.

Opinions on eligibility of fossil fuels for EIB financing diverge. For some, the EIB should increase its support for cleaner fossil fuel technologies, since it will remain the dominant energy source through 2030 and focussing on renewables and energy efficiency alone is neither sufficient nor efficient. For others, the Bank should no longer support the extraction of fossil fuels or any step of their value chain (their transportation, storage and processing/refining) in any region of the World.

Coal Association

issued sector policies for water, transport and energy. These will be periodically reviewed and the Bank will work on a number of new sector policies including circular economy, waste and waste water, forestry and natural resources (see section 3b of the EIB Climate Strategy).

3. The sector lending policies incorporate additional safeguards and tools to limit support to carbon intensive projects. One example is the Emissions Performance Standard introduced for power generation.

As result, the Bank already can only finance projects that meet the already stringent screening and assessment criteria but remains technology neutral. This approach is preferred to that of having exclusion lists because projects are appraised on the basis of their individual merits, and a given project under very specific particular circumstances, may represent a significant economic, social or environmental improvement with respect to the existing baseline.

Regarding support to airports, CCS, nuclear energy or gas as transition fuel or coal to support energy access in developing countries, please refer to the transport policy and the energy screening and assessment criteria. These criteria are technology-neutral and seek cost effectiveness.

With regards to gas networks, the Bank’s current view is that all scenarios of the 2050 Energy Roadmap show an import dependency for the EU of over 90% by 2050 and there is a need to diversify sources and routes of

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9 See http://www.eib.org/attachment/strategies/eib_energy_lending_criteria_en.pdf

In particular for gas networks, several stakeholders question the continued investment in gas infrastructure and the risk of carbon lock in.

<table>
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<tr>
<th>9</th>
<th>Climate Action sectors - Excluded activities from the “climate action” label</th>
<th>Some stakeholders identify sectors that should not be considered climate action by the Bank. For instance:</th>
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<tr>
<td></td>
<td>Nuclear energy</td>
<td>Energy Cities, Bankwatch, Federal Government of Germany (on nuclear exclusion)</td>
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<tr>
<td></td>
<td>Forest carbon offsetting.</td>
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</table>

Nuclear energy currently generates approximately one third of the overall electricity consumed in the EU and two thirds of its low-carbon electricity. As a large scale low-carbon option, nuclear energy is likely to remain in the EU power generation mix. Despite the weight of nuclear power in the energy mix, its social acceptability remains an issue in some Member States. Since the accident in Fukushima, public policy on nuclear energy has changed in some Member States while others continue to see nuclear energy as a secure, reliable and affordable source of low carbon electricity generation.

Carbon offset involves the production or purchase of a carbon credit intended to cancel out the effect of the purchaser’s emissions. This mechanism is widely accepted as being necessary for reducing the impact of carbon intensive activities in the transition to a low carbon economy. The Bank favours impact avoidance but when no other alternatives are possible, it will continue to support carbon offsetting.

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<th>10</th>
<th>Climate Action projects – Divestment from fossil fuels</th>
<th>Some stakeholders have requested that the EIB recognises the movement for divestment from fossil fuels, which is increasingly becoming an international phenomenon. The EIB should include fossil fuel investment data in its reports and oblige its financial intermediaries to do the same. The EIB must also declare its target for divesting the Bank’s funds from fossil fuels and assist financial intermediaries institutions with developing a divestment target and disclosure practices.</th>
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</table>
|   | CAN, Bankwatch | As stated above, the Bank has a very thorough approach in regard to project assessment. The EPS is part of this approach and will ensure that any fossil fuel power generation that are financed by the Bank are fully aligned to EU policy and the EU ETS. The Bank is a long term lender and by principle, does not divest from its investments. The EIB will assess the carbon exposure of its existing portfolio to assess the relevance of potential risks (see section 3c of the }
<table>
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<tr>
<th>Climate Action projects - RDI</th>
<th>EIB Climate Strategy</th>
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<tr>
<td>Many stakeholders commented on the EIB’s support to RDI investments. Most stakeholders suggest that RDI investment decisions should be made according to certain priorities for the 2°C path as follows:</td>
<td>The Bank’s climate mitigation finance has been directed mostly to mature technologies, such as sustainable transport (e.g. metros, tramways and high-speed rail) and mature renewable power generation projects (onshore wind, hydro) a very significant effort has been made in supporting low carbon technological development. The deep cuts in emissions required to meet long-term climate targets will require technology breakthroughs that will arise from research, innovation and demonstration projects.</td>
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<tr>
<td>– The EIB needs to develop a more comprehensive assessment framework for selecting RDI investments.</td>
<td>Backing investments that are geared towards innovation, skills and greater competitiveness is part of the EIB’s mission to support growth and jobs in Europe. EIB supports projects across the cycle from research to innovation, with the aim to plug the gap between innovative research and its exploitation. Combating climate change is a global challenge, but also provides a unique opportunity to shift to a sustainable, low-carbon economy. RDI projects focused on the development and deployment of innovative low carbon technologies may be classified as climate action projects.</td>
<td></td>
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<tr>
<td>– RDI should focus on emerging low carbon technologies for small scale renewables energy production and for energy storage; RDI should focus on emerging rather than mature technologies.</td>
<td>Regarding the type of companies supported by the Bank, not only large corporates are supported, but also SMEs with a variety of financial instruments including venture capital. Going beyond conventional approaches, the Bank’s new financial products embrace ways of funding</td>
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<td>– The RDI support scheme should prioritise innovations that are important in 2°C technology roadmaps which currently suffer from an investment gap. This requires more coordination between the EIB and institutions that monitor and forecast R&amp;D trends, investments, and needs.</td>
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<tr>
<td>– Industries should only be provided with R&amp;D support if they are bound by meaningful emissions reduction targets.</td>
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<td>In contrast other stakeholders say that innovation projects should be assessed on impact and cost-effectiveness and that RDI support schemes should be technology neutral. One stakeholder suggested that EIB should prioritise technologies with potentially significant global impact and export possibilities for the EU.</td>
<td></td>
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<tr>
<td>A number of stakeholders said that RDI support should not be</td>
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disruptive in the sense that EIB should concentrate on providing "additionality" and avoid distortion of the market by supporting mature technologies or support a technology without taking into account the necessary transition period for deploying the best available technology. With this additionality in mind, the EIB should contribute towards the use of the Jean-Claude Juncker's Investment Plan for Europe towards funding of innovative projects in the field of technological progress and infrastructures (that enable lower CO2 emissions and result in a more efficient use of resources).

It was signalled that most of the RDI lending is dedicated to large corporates and that the Bank should also address RDI at smaller scale, i.e. to focus more on start-ups that are developing low carbon technologies and approaches and encourage commercial investors for example through using blended grant/loans. The EIB could help emerging technologies cross the "valley of death". It was suggested that it might be useful to ring-fence some funding streams for RDI in non-incumbent industries.

Some stakeholders commented that RDI support could also be in the form of venture capital. Targeted use of venture capital for small entrepreneurs along with grants and subsidies are the most appropriate support for early stage, high value but high risk, technologies that would not otherwise gain funding. For SMEs and larger companies investing in equity or near equity (first loss debt for example) is most suited for early stage ventures. Funding from the EIB in the form of venture capital should also benefit to community investments in innovation, including products aimed at SMEs and Midcaps, both direct and intermediated. A noteworthy example is "Innovfin – EU finance for innovators" recently launched by the EIB Group and the European Commission (June 2014). It is a combination of EU financial instruments and advisory services to help innovative firms to access loan finance more easily. It aims at supporting all companies, from SMEs to medium and large corporates. Over the next seven years it is expected that the "InnovFin – EU Finance for Innovators" products will mobilise up to €48 billion of investment in research and innovation (R&I) by small, medium and large companies and the promoters of research infrastructures. InnovFin succeeds the RRSF/RSI programmes.

Also in 2014 EIB signed a first-of-its-kind transaction with a risk co-development funding approach, specifically tailored to meet the needs of RDI, to be further deployed in future.

The Bank supports a wide portfolio of technologies with its RDI investments. All individual projects must go through an individual due diligence where the aspects of additionality, maturity of the technology, expected outcomes and lead times to market are considered.

Along the lines expressed in the EIB Climate Strategy, the Bank will reinforce the impact of its climate financing (see section 1 of the EIB Climate Strategy). As such the EIB, in line with market trends and EU policy requirements, will make its financial support to RDI in low carbon technologies a priority, including deployment of breakthrough technologies. The EFSI also considers innovation as a priority (see article

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11 More information can be found in the following dedicated web page: [http://www.eib.org/products/helpingyouinnovate/index.htm](http://www.eib.org/products/helpingyouinnovate/index.htm)
based companies that propose innovative organisational models, not only innovative technologies.

Financial instruments should be tailored specifically for RDI projects. For example, a possibility for increasing risk sharing with R&D investors on long term basis via “reimbursable” solutions in case of commercial deployment success, in time-frame to be fine-tuned according to the market characteristics.

The EIB could consider funding innovation prizes targeted at energy intensive industries, for a number of areas in climate change mitigation and adaptation. This would need to be done in conjunction with the academic and RDI policy community.

The EPS was introduced in 2013 with the approval of the Bank’s energy policy. It is a progressive tool that will be periodically reviewed to ensure it remains aligned to EU policy. In line with the request of the Bank’s Board of Directors, the services reviewed the EPS in October 2014 and the Board decided to maintain the level at 550g/kWh. The EPS will not prevent the Bank from supporting CCS projects. The next review of the EPS is expected to occur when the Bank revisits its energy policy sometime before 2020.

The EPS is a forward looking tool, firmly anchored in the EU ETS, so once a project can meet the criteria today, it is unnecessary to revisit this.


projects. These product benchmarks should be routinely applied to screen out investments in all sectors covered by the benchmarks.

- The EPS should not be the sole criterion for the Bank to choose projects.

- Setting to strict EPS or BATs cannot prevent form carbon lock-in when the price of carbon is too low. So the Bank should create a tool that can bridge this gap (as mentioned above, take into account further criteria in the project appraisal.

- The EIB Climate Policy must include an obligation to periodically review the Emission Performance Standards of power plants.

- The present level of the EPS does not incentivize investment in low carbon technology in Europe. If implemented in the short term, the EPS will undermine CCS demonstration in Europe and it should be implemented only after CCS has been demonstrated and it should only provide a threshold fixed below 100-150g/KWh, to address both coal and gas power generation.

- The EPS is a valuable tool to gradually phase out support for carbon intensive energy production. This standard needs to be constantly reviewed and reduced in line with the EU climate targets to fulfil its purpose of a “no regrets”-approach, having in mind an almost completely decarbonised energy sector by 2050.

For CCS, the EPS could jeopardize the heavy R&D investments during a power plant economic life. The Bank is currently assessing the relevance of introducing new EPS type criteria for non-power generating industries and activities.
made by European industry players for reducing CO2 emissions and slow down dramatically the speed of deploying operational CCS projects.

| 13 | EIB project assessment – ETS and EIB’s Carbon Price and other externalities | Stakeholders have different views on whether the carbon price is the appropriate ways of driving investments to low carbon options. Some stakeholders indicate that the ETS and the cost of carbon are the most cost-effective ways to reduce GHG emissions and avoid carbon lock-in.

Some additional comments on the ETS evolution and carbon markets in general are:

- It is a positive fact that the price of CO2 used by the EIB is higher than the price in the ETS, which shows the EIB’s confidence in a strong ETS.

- One of the main problems creating an obstacle to the deployment of low carbon technologies in Europe is the current low carbon price. The EIB should therefore guarantee a determined ‘strike price’ for CO2 that will be applied during its cost-benefit analysis.”

- When referring to the volume-based target, one stakeholder linked the reply to carbon prices. The volume based target is considered inflexible. A low carbon price means weak demand for low carbon measures. In that case, the Bank should be able to shift idle funds to other policy priorities.

- The Bank should actively work to recover the ETS system (increase the price of carbon). Restoring the | Eurogas, E3G, Mott MacDonald, Counter Balance, 2°Investing, Climate Alliance, RAC Foundation, GCCSI, CDP, CEZ Group, Alstom, EEA |

Carbon pricing and market based approach to climate finance (notably the EU ETS) is a fundamental pillar of EU policies and the EIB-as the EU Bank- supports these policies.

The purpose of using a cost for environmental externalities is to integrate it in the economic analysis of projects, i.e. cost of these externalities need to be added alongside other operating and maintenance costs over the economic lifetime of the asset. Therefore, the Bank uses the shadow cost of carbon at project level for calculating its economic return. It is the combination of the use of a carbon price and the sector policies that drive investments towards low carbon emissions and reflect the Bank’s alignment with the EU long-term climate objectives.

The Bank began to integrate a cost for environmental externalities (carbon and local air pollutants) into project appraisal in the late 1990s, notably for energy and transport projects. The external cost values have been updated on several occasions subsequently, in light of new evidence, as well as applied more systematically across all relevant sectors of Bank operation. The value of carbon currently applied by the Bank has been recently updated (to reflect constant 2014 prices) and will be extended to 2050. See Annex 2 of the EIB Climate Strategy for details on the EIB Price of Carbon.

The Bank is keen to improve its current practice. It is currently working on updating the cost of other pollutants so it welcomes the timely information received on costs of air pollution.

Regarding the more general comments on the ETS and carbon markets,
The trustworthiness of the market price signal of carbon would also attract the private sector.

- The Bank should actively promote the emergence and linking of carbon markets worldwide and the EIB should consider supporting carbon market mechanisms in third countries.

- The ETS should be scrapped.

- The EIB should stop supporting emission trading schemes with the purpose of justifying new polluting projects - like coal power plants and incinerators - in the EU and in accession countries, for instance through the use of the NER 300 fund. The evidence of the past years shows that emission trading is about trading and not about reducing the emissions from specific facilities that will lock Europe in fossil fuels dependency for the decades to come.

Some other stakeholders say that the use of economic cost of carbon in project appraisal does not directly drive investment towards lower carbon options. Targets and performance standards would be more appropriate.

There are also some comments on the Bank’s shadow price for carbon. Opinions on the level of the current shadow price of GHGs the Bank believes that putting a price on environmental externalities is essential to properly price in project impacts. Emissions trading schemes act to establish this price. Therefore, the EIB supports the ETS as it supports other instruments of environmental policy.

The EIB’s role is to finance eligible projects. It does not seek to, nor it is mandated to, influence prices in any market, including carbon markets. That said the EIB has in the past actively engaged with the carbon market through innovative schemes as the Post 2012 Fund and the Multilateral Carbon Credit Fund and its joint platform with KfW.14

The Bank has also played an active role in the monetisation of EU Allowances to raise financing for innovative, low carbon technologies, under the NER 300 Initiative.15 One of the main requirements by the EC under this initiative was to minimise the impact on prices in the EU ETS. This requirement was met through the use of a combination of instruments as well as predictable and steady sales volumes for the different tranches.


(used in the project appraisal of the EIB) differ; some stakeholders say that it is too high while others say it is low or that it should be increased with an economy-wide perspective to avoid carbon lock-in.

Bank’s the carbon price used at appraisal stage is “interesting”, it probably lacks other forward looking dimensions in the frame of the transition to a low-carbon economy. Therefore, a more relevant approach would be a type of stress test, where forward-looking scenarios would embed variables such as carbon prices and other macroeconomic variables. This would also allow the assessment the relevance of some assets in specific future condition and identification of potential stranded assets. Even though the lending practices of current distribution infrastructure, refineries, highways or airports take into account the integrated carbon pricing, it does not reflect the EU’s no-regrets approach and ability to meet these afore mentioned long-term objectives.

Some stakeholders point to the fact that the Bank is a long term lender and carbon prices should be extended to include the value of carbon price until 2050 in line with 2030 objectives.

Finally, one stakeholder submitted a recent report on the costs of air pollution from European industrial facilities and suggested that EIB gives consideration to employing the updated approaches from the report in the appraisal of projects.
### 3. Current target and implications (volume/impact/mainstreaming)

<table>
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<tr>
<th>Topic</th>
<th>Summary of stakeholder comment</th>
<th>Stakeholder</th>
<th>Review Panel’s Response/ Bank’s reasoned position</th>
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<tr>
<td>14 EIB lending – climate action lending volume target</td>
<td>Stakeholders have different opinions on the volume-based climate action target of the EIB.</td>
<td>Bankwatch, Climate Alliance, E3G, CDP, Alstom, Energy Cities, Eurogas, Cooperatives Europe, 2°Investing, Mott MacDonald, CEZ Group, French Government</td>
<td>The volume based lending target was set in 2010 and since then, the Bank has lent over EUR 90bn to climate action projects until 2014. In this sense, it is considered positive. Having a percentage annual target, year after year, with significantly increasing overall lending targets is very challenging and far from a spontaneous or fortuitous achievement. Having a minimum of 25% of lending to climate action does not mean that the remaining percentage (75% or less) is lent to polluting activities. The Bank invests its vast majority of funds in carbon neutral investments (Innovation, RDI, knowledge economy, education, ITC, etc.). This reflects well the different policy priorities that the Banks needs to meet. When the Bank invests in energy intensive industries, infrastructure funds etc., these investments are filtered by sector screening and assessment criteria and the environmental, economic and social due diligence. Moreover, very often the highest avoided emissions are in energy intensive activities. This is why the Bank is not considering increasing its climate action lending target but rather moving from volume to impact (see section 1 of the EIB Climate Strategy). The Bank aims to increase climate change considerations into its activities, notably by mainstreaming further adaptation and climate change risks management and improve its prioritisation tools. The goal is to increase the climate impact of its activities and be more proactive in bringing higher impact climate action project to its portfolio.</td>
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Stakeholders have different opinions on the volume-based climate action target of the EIB.

- Some views recognise that having a volume-based target is positive as it protects the climate-related part of EIB’s mission and stimulates low-carbon economic investment. They acknowledge that by showing a high public target for climate action lending, the EIB gives a clear signal to other financial intermediaries and investors about the seriousness of these long-term goals.

- Other stakeholders however, consider the target insufficient because:
  - The target does not quantify the impacts of the Bank’s funds on the climate or the effectiveness of building climate resilience. It does not promote investments in the most climate friendly technologies, nor does it ensure that climate resilience investments occur where they are most needed and most effective.
  - Meeting the volume-based target is partly dependent on luck, because it depends on the total volume of lending (as it’s a percentage) and the pipeline of climate action projects.
  - The volume based target implies that some of the EIB’s activities are not in line with climate/EU objectives. The whole
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<td>portfolio of the EIB should be in line with a 2°C trajectory. Some stakeholders request a significant increase in EIB climate action lending: 5% annually to 2020 to reach at least 50% of all lending by then or that the EIB should be 100% climate action.</td>
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<td>15</td>
<td>EIB lending – absolute cap on GHG emissions of EIB portfolio</td>
<td>The results of the last 6 years of GHG accounting show no correlation with lending. The GHG depends on the type of projects that are financed on a particular year, and reflects changing policy priorities and related support measures. A portfolio level target is considered impractical. The Bank finances projects, some of which have large absolute emissions but which can also have the highest relative emission reductions. A portfolio cap would therefore restrict lending for no obvious climate benefit. A better approach is considered to be making all projects as climate friendly as possible through the use of additional sector safeguards contained in the Bank’s sectoral policies.</td>
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<td>16</td>
<td>EIB lending – climate action volume subtargets - sectoral, technological, regional</td>
<td>The different lending volumes per sector or geographical areas very often reflect factors that are completely out of the control and reach of the Bank (regulatory framework, national priorities, etc.). Therefore, the Bank considers that a volume target for the entire EIB annual lending is more appropriate than sectoral or regional sub-targets because it allows more flexibility. The minimum 25% of total lending, year after year, is already very demanding. More specific and targeted criteria would constrain this flexibility. These regional or sectoral targets would not even ensure that climate action operations are more geographically dispersed or spread over a number of sectors. Lower lending figures reflect higher barriers that</td>
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Issues Matrix Climate Action Review – Annex 3 to consultation report
| 17 | **EIB lending – focus on impact in addition to volume** | Many stakeholders claim that a volume-based lending target by itself is not the most appropriate climate action target for the EIB. They say that it should be coupled with a portfolio level vision of the EIB’s investments in a decarbonised long term perspective. This would mean that the EIB should only consider funding projects that are consistent with the EU’s long term climate objectives defined in the 2050 Roadmap, and more generally a 2°C world.

This approach would also take into account the risks under a 2°C scenario of investments in industries and infrastructures resulting in stranded assets. This is especially important as the EIB finances projects with long lifetimes, e.g. in the energy or transport sector.

The Bank should examine past large scale engagement activities that have delivered meaningful impact and develop a strategy based upon an understanding of the barriers and opportunities that engages with a broad spectrum of stakeholders. The British Council’s climate change programme (2008-2011) provides a suitable transferable high impacting model. |
| 18 | **EIB lending – consideration of wider impacts and nexus** | The Bank should ensure that the concept of green economy is approached within the context of accepted definitions and principles of “Sustainable Development”. |
|  | | require significant time and effort to overcome. Hence, imposing sub-targets could have the opposite effect and reduce the overall climate action lending. |
|  | | The existing Climate Action volume target of a minimum of 25% of total lending already makes the EIB one of the largest investor in climate finance globally. This minimum target remains. However the Bank will work to progressively focus within this target to projects that have a higher impact, including R&D projects, to catalyse and enable a sustainable and resilient pathway towards the global 2°C target. Section 1 of the EIB Climate Strategy provides details on how the emphasis will be shifted from volume to impact. By an increased emphasis on high impact investments, the EIB will be able to use its financial strength to scale up the financial sector contribution to addressing climate change. |
|  | | The EIB promotes Sustainable Development through the operations it finances, by focusing on their value added and aiming for positive project outcomes and co-benefits. The Bank does this by working with a cost benefit analysis when assessing projects. It carries out an integrated |
| Issues Matrix Climate Action Review – Annex 3 to consultation report |
|---|---|
| climate-biodiversity protection, social, economic development | There must be a balance between efforts to combat climate change and further environmental aims, economic and social objectives and the need for financial prudence. The cumulative significant effects of individual projects on the environment and the potential tensions between climate and environmental objectives should also be considered. Specific activities that the Bank could undertake are:  
  - Funding studies into the economics of climate resilience;  
  - Coupling wider UNFCCC aims with economic development;  
  - Aligning policies regarding infrastructure development and biodiversity conservation;  
  - Supporting climate resilient approaches that tackle migratory pressures and livelihood development. Addressing the explicit links between climate and agriculture was signalled as critical by one stakeholder, together with the importance of real time access to weather data and how the Bank can support the establishment of scaled multipurpose weather data for adaptation. |
| Foundation | Assessment of the economic, environmental and social (E&S) aspects of the operations, at the same time ensuring alignment with EU policy and sustainable acceptable economic, financial and technical viability. Climate change will progressively have wide impacts on biodiversity and ecosystems and socio-economic development. The Bank is increasingly aware that individual appraisal of projects should take into account not only their impact on the environment but also should be forward looking and establish scenarios on how climate impacts could develop and how these will affect the project in the longer term. Part of these impacts will be captured by the screening tool developed by the Bank. The EIB has committed to screening all operations for direct risks from climate change (see section of the EIB Climate Strategy). Biodiversity loss and ecosystem services are not yet incorporated in a systematic way in the EIB’s economic analysis as the related methodologies are still in their infancy. However, as the analysis and academic research become more developed the EIB endeavours to incorporating them. The Bank will work on producing guidelines to integrate climate adaptation considerations linked also to wider issues (disaster management, conflict, water management, land use, etc.) in the assessment process. |

| 19 | EIB lending – Mainstreaming climate considerations across all EIB activities | Stakeholders generally agree that the EIB should mainstream its climate action and energy efficiency policy to all operations of the bank, including direct project lending, investment and equity funds, financial intermediaries for SME support, innovative financial instruments, blending facilities, etc. This would give the EIB a leading position in international climate finance. Some say that energy efficiency needs to be treated as an energy E3G, WWF, Energy Cities, 2°Investing, Federal Govt of Germany, CAN, RAC Foundation, Mott MacDonald, Climate action, as one of the policy priorities of the Bank, has been gradually integrated into all activities of the EIB to align the Bank’s approach with evolving EU and international climate policy. The Bank will further integrate climate change considerations across all of the Bank’s standards, methods and processes (see section 3 of the EIB Climate Strategy). The focus on the social and environmental sustainability of projects has also significantly increased. |
source of its own. It is considered one of the smartest ways of mobilising investment for growth, with large savings that could be achieved with existing technologies, for example by improving the thermal insulation of buildings in Europe. Technical assistance of the Bank could also be used to facilitate the mainstreaming of energy efficiency measures in the projects.

A number of stakeholders connect the mainstreaming of the EIB’s climate action to considering the climate constraints and economic demand over time under a 2°C scenario. This is also to take into account the risks under a 2°C scenario of many industries and infrastructures which could invest in stranded assets.

Some stakeholders say that climate action should not be considered solely a technical solution to greenhouse gas emissions but rather a mainstreamed approach supporting the new consumption and production patterns.

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<td></td>
<td>In practice, the Bank incorporates climate change in its lending at project and sector level. At project level, the Bank’s approach to climate concerns is embedded in a number of publications on Bank standards and appraisal procedures, including the Economic Appraisal of investment projects at the EIB, the Statement on Environmental and Social Principles and Standards, the Environmental and Social Handbook and the Methodologies for estimating GHG emissions from projects. In addition, at sector level, the Bank incorporates climate action considerations into the individual sector policies. All these are public documents that can be found on the website of the Bank.</td>
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<tr>
<td>20</td>
<td>Efficiency first principle</td>
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<td></td>
<td>Prioritising energy efficiency (efficiency first principle) has also been signalled by many stakeholders.</td>
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<td>Bankwatch, CAN, WWF, Energy Cities, Climate Alliance, CEZ Group, Coopseurope, Plasticseurope.</td>
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<td>Energy efficiency has the highest priority for the EU. The Bank also agrees that mainstreaming energy efficiency in all project documentation is an important exercise and will make additional efforts to fully consider energy efficiency potential across all EIB sectors and activities (see</td>
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19 http://www.eib.org/about/documents/footprint-methodologies.htm
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<th>EuroACE, Plasticseurope</th>
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section 3a of the EIB Climate Strategy). The Bank recognises that EE can also be treated as energy sources in its own. Examples of dedicated EE initiatives are the DEEP Green/PF4EE, the EEEF, and the various private sector initiatives supported by the Bank.
## 4. Building resilience to climate change: full consideration of climate change risks

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<tr>
<th>Topic</th>
<th>Summary of stakeholder comment</th>
<th>Stakeholder</th>
<th>Review Panel's Response/ Bank's reasoned position</th>
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</table>
| 21    | EIB lending – Adaptation       | The EIB should strengthen its climate adaptation and resilience requirements, particularly for long term infrastructure projects. For example through: | Kommunalkredit AT, ADCON-PPP, REN, Worldbank-CMI, French Government, E3G, Mott MacDonald | The EIB agrees on the importance of adaptation finance. One of the three strategic action areas identified in the EIB Climate Strategy is precisely the need to to build resilience to climate change. To this end, the Bank has been working on the screening process for climate-related vulnerabilities in projects for the last two years. The EIB’s intention is to publish adaptation guidelines, including the climate risk assessment criteria and the tools used in the screening process (see section 2 of the EIB Climate Strategy).

At the moment, the EIB's perspective on what constitute adaptation projects is the incremental costs of improving resilience to expected climate change impacts. To date these incremental costs have been relatively small for most projects. There is not yet a pipeline for dedicated adaptation projects as it is difficult to create a reliable and useful overview of incremental cost-effective adaptation measures, since these types of measures are very case and location specific. The Bank will proactively work to develop such pipeline in the coming years, together with increased efforts to mainstream adaptation to climate change requirements in project appraisal.

The EIB intends to summarize the examples of what is considered best practise and cost-effective adaptation measures. The EIB is currently developing internal work plans to implement the Climate Strategy. In particular for building climate resilience in projects, it is foreseen that:

* In the next 5 years, the EIB will ensure that climate adaptation is... |
| 22 | EIB lending – assessment of systemic climate risks in EIB’s portfolio and risk of stranded assets | Several stakeholders say that as result of having a wider country level assessment / roadmap to 2050, the Bank could develop a better understanding of its own exposure to climate impacts. In fact, this kind of analysis should be done at EU level, which will help to set focus to the investment challenge and pipeline development and enable investor engagement with governments. This allows the EIB to better assess its role in catalysing this investments. | E3G, Bankwatch, CAN, WWF, Energy Cities, 2°Investing, Mott MacDonald | The Bank is aware that climate change risks are not just those related to the eventual physical damages to fixed capital investments caused by increased frequency of extreme weather events. There are other dimensions of risks imposed by climate change that will be progressively taken into consideration in the Bank’s risk management policies. Among them,  
  • Regulatory risks in countries derived from energy and climate  
  • The EIB will include its adaptation guidelines into the Environmental and Social Handbook.  
  • The EIB will adopt or develop an adaptation screening tool.  
  • The EIB will mainstream adaptation across all sectors of investments of the EIB.  
  The EIB will take these adaptation goals into consideration in the development of the work plans for the different sectors.  
  The EIB maintains an innovative approach to financial products to bridge the gaps for these kinds of investments, such as the NCFF and other funds to bundle together smaller projects. This also applies to innovative financial instruments to build up a pipeline of adaptation projects. Advisory services can play a critical role paving the way for the creation of a pipeline of projects in an area that requires further development. To this end, the EIB will actively work with other financial institutions, business and civil society. |
The EIB should begin a dialogue with the European Commission over un-identified risks, how the information gaps can be closed and information used to inform EU climate adaptation/mitigation policies and the EIB’s response in terms of adjusting its portfolio focus. The EIB should do this because it needs to form a view of its potential exposure to losses resulting from physical infrastructure damage and asset-stranding as climate policies tighten and, being a global leader in climate action, the EIB should speak out on the risks to not taking further urgent collective action to reduce GHG and ensure infrastructure is constructed to be resilient in a more unstable climate.

The EIB could play a leading role in this by highlighting the fact that this needs to be done at the EU, especially because the lack of adaptation plans opens up EIB lending to undisclosed risks. In addition, the EIB could provide technical assistance to Member States to create these low carbon development financing pathways.

Several stakeholders commented on the need for the EIB to take stranded assets more explicitly into account. They commented the following:

- The carbon bubble poses a systemic risk not only to these companies that face a loss of value but also to any financial institutions holding their assets in the form of equity or bonds, or that are exposed to these companies in any other form.

- The EIB must address this risk in its Climate Policy and it must devise a new pattern of lending that reduces the carbon bubble risk.

change policies, including risks of assets becoming stranded or unprofitable due to changes in support schemes.

- Bottom-line risks for the EIB as a result of clients facing increased costs from carbon emissions.

- Financial risks: EIB counterparts’ preparedness to react to policy changes and to implement carbon abatement measures or increased climate change mitigation costs.

- Reputational risks associated with investments in carbon intensive industries (scrutiny from stakeholders).

Currently, all these risks are taken into account in the individual appraisal of projects. While maintaining its current credit risk policies, the Bank will develop tools to screen and monitor climate change risks as a means to inform its lending operations and assess their relevance from a portfolio perspective.
- There is a strong case for developing for internal use scenarios for a 2, 4, 6°C global temperature increase in order to stress test the portfolio and to get a snapshot of weaknesses and indicators for strategy going forward.
### 5. Financial Instruments for Climate Action lending

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<tr>
<td>23</td>
<td>EIB lending - Innovative financial instruments</td>
<td>Several stakeholders praised the role of the EIB as provider of innovative financial solutions. Through the development of alternative investment vehicles such as equity and debt funds, guarantees and subordinated loans, the EIB is seen as actively engaging the private sector in financing projects that address certain policy issues, including climate change. However, they signal the need for better communication on those instruments so that companies could quickly assess what type of instruments of the bank’s portfolio of offering they could use (on the model of evaluation tool used for InnovFin). It would be beneficial to build synergies between the financial instruments offered by the EIB to support climate action and the European Structural and Investment Funds to achieve better results on the ground. Some stakeholders suggest the following areas for developing innovative finance solutions:</td>
<td>Climate Alliance, Veolia, Coopseurope, Kommunalkredit AT, Alstom, EGEC, Committee of the Regions, REN, CEZ Group, GCCSI</td>
</tr>
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I. Instruments allowing deconsolidation of debt from the balance sheet:
   • The most promising solutions are those that enable a company to deconsolidate a given investment on their balance sheet, and also those that can be quickly applied to small and scattered projects.
   • The EIB could explore the options of Bankable purchase agreement instruments (purchase agreement for clean MWh and insurance to mitigate counterparty-risk) that would establish the credit worthiness of the project; Carbon reduction performance-based subsidy, that would provide a guarantee of power prices, Loan guarantee programme that could provide guarantees to share with local commercial financial institutions, Green bonds that would offer a very high potential leverage of private financing.

II. Mechanisms allowing the EIB to commit during tendering processes:
   • Enhancing the ability of the EIB to be involved in financing during call for tenders of infrastructure projects would be desirable.
   • The EIB should guarantee access to external funding for projects in the pre-bidding phase (during preparation of applications for calls for proposals organized by the European Commission, Member States and local authorities).

use European Structural and Investment Funds (ESIF) to fund financial instruments for low carbon projects. Examples include the London Green Fund and the renovation of Lithuanian apartment blocks21. The Bank seeks to further develop new ESIF financial instruments with Managing Authorities for low carbon projects.

While the Bank supports a sound regulatory framework for low carbon projects and supports adequate carbon pricing, it has no regulatory authorities or powers and could be conflicted if it sought these. Furthermore, the mission of the Bank is to provide finance to projects. It also explores opportunities to provide risk mitigation for power purchase agreements. However, performance based subsidies or reducing carbon price volatility are not within the Bank’s mandate. The Bank can provide risk mitigation through some of its innovative products, e.g. PF4EE offers risk mitigation of commercial bank lending for energy efficiency and will continue to develop financial solutions to improve credit worthiness of projects.

The Bank is also supporting capital market developments for low carbon projects. One example are the EIB’s Climate Awareness Bonds, the EIB’s Green Bonds (see topic 30 below for more details).

Projects Bonds are away to increase capital market financing for infrastructure projects, but it should be noted that the Project Bond Initiative is designed to support Trans-European Networks (TEN), i.e. it does not have a focus on low carbon projects. Despite the focus on TEN, the Project Bond Initiative supported two UK offshore links. An explicit focus on renewable energy and energy efficiency would require additional resources from the EU.

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### III. Development of products to mitigate risks:

- The EIB should consider development of funding solutions/guarantees to mitigate the credit risk of payments performed by entities located in high credit risk geographies.
- Large scale CCS demonstration projects require innovative instruments to leverage EIB funds with other sources or public/private funding.
- Special instruments should be created to support and facilitate the implementation of new electricity transmission networks infrastructures.

### IV. Replication/extension of existing instruments

- The EIB should support replication and multiplication of local successful innovative financing mechanisms.
- The EIB should develop facilities aggregating small projects and facilitate funding, for example through the development of robust green bonds and green asset backed securitisation and the REPIN platform.
- Active dissemination of successful projects as well as increased awareness raising are critical for mobilising commercial banks.
- It would be useful to extend the scope of the European Energy Efficiency Fund and the Marguerite Fund to cover smaller projects and to develop such tools in the waste management and water resources sector as well as in the energy efficiency in the industry.
- The EIB could support cooperative platforms such as Energy4All in the UK or REScoop.eu at the European level, which help developing RES cooperatives;
- The pilot financial instruments, linked to the Life Programme (2014-2017), the Natural Capital budget.

The Bank is cognisant of the need for offtake performance guarantees for small infrastructure project promoters. It should also be noted that the EIB can get involved at pre tender stage, allowing benefits of EIB support to be reflected in bids (two steps Project Finance/PPP).
Financing Facility (NCFF) and the Private Finance for Energy Efficiency (PF4EE), and especially their indirect loans and equity investments that take smaller projects of public authorities into account are a good initiative from the EIB. More clarity and appropriate flexibility is needed within the two newly established instruments, the Private Finance for Energy Efficiency and Natural Capital Financing Facility to meet climate policy objectives at local and regional level.

**EIB lending – The Project Bond Initiative**

The Project Bond Initiative so far is counter-productive for EU climate targets. The Commission and the EIB should urgently refocus it on low-carbon projects by ending support to high carbon projects and by expanding its scope to renewable energy production and energy efficiency projects.

Public banks continue to play a key role in catalysing private sector investment into the low carbon economy. Instruments such as the Project Bonds will continue to be important. However, they will only serve the low carbon sector properly if the case is made the European Commission to refocus the Connecting Europe Facility/Projects of Common Interest list onto climate resilient investments that are in line with projected demand and meet 2030 climate and energy targets. This is currently not the case.

The PBI mechanism is not climate friendly, because it finances motorways and gas infrastructure, leading to fossil fuel lock-in. In addition, the centralisation of energy production cements the role of big energy companies. Private providers must not be allowed to make excessive profits at the expense of consumers and taxpayers.

**WWF, E3G, Counter Balance**

The Project Bond Initiative (PBI) is joint initiative between the European Commission and the EIB designed to catalyse additional capital markets debt financing for trans-European transport networks (TEN-T), trans-European energy networks (TEN-E), ICT and broadband.

The PBI is funded by the European Commission through the Connecting Europe Facility. It is the Commission in consultation with Member States who sets and defines the priority network investments. The Bank’s mandate is to support these, provided that they satisfactorily comply with the Bank’s internal due diligence process.

Given the focus on TENs, the PBI does not have an exclusive focus on climate action and excludes energy generation projects. However, the PBI has supported two EIB climate action projects, the Greater Gabbard and the Gwynt y Môr offshore transmission projects.
| 25 | EIB Blending – Instruments | Blending grants with loans can strengthen the impact of EIB as it allows mobilising more resources than those allocated to the EIB and share/redistribute project risks across public actors. Some stakeholders mention that EIB should reinforce access to blended schemes that mix subsidies with reimbursable preferential loans under the following circumstances:

- Blending should be used when “additionality” can be demonstrated, i.e. where private investment is not present.
- The EIB should focus in particular on bringing investors in at construction stage and recycling capital through asset-backed securitisation;
- The added value of the EIB is in blending Cohesion and Structural Funds with financial instruments that enables support of the whole project lifecycle;
- The Bank should promote first full transparency and accountability and ensure that development objectives are the primary objectives of the projects supported in blending mechanisms engaged.
- Blending helps mobilize funds in innovative low-carbon projects, often perceived as having technology and other project-based risks that make them less attractive to many investors. The mobilisation or crowding in of the private sector is therefore paramount for many of the EIB Blending Instruments.

The Bank agrees that blending grants with loans can help to mobilise funds in innovative low-carbon projects. These are often perceived as having technology and other project-based risks that make them less attractive to many investors. The mobilisation or crowding in of the private sector is therefore paramount for many of the EIB Blending Instruments.

To increase the financial impact of its climate action, the Bank is also assessing how to better engage institutional investors in the financing of low carbon projects through asset-backed securitisation. One proposal is a Renewable Energy Platform for Institutional Investors (REPIN), which seeks to engage institutional investors in the financing of renewable energy via an asset-backed securitisation or other forms of asset-backed bonds. |

Veolia, CEZ Group, GCCSI, E3G, Bankwatch, ANND, Alstom, French Government |
| 26 | **EIB – Increased channelling of European Commission grants** | Some stakeholders raise that channelling EU grants yields few additional opportunities for the EIB to generate supplemental financial resources in which to award concessional and non-concessional loans and guarantees. The EIB should use the EU grants it channels to leverage private investment in locally base projects for supporting investment in local authorities with budgetary constraints. The bank should also extend programmes such as ELENA in new Member States. | GCOSI, Mott MacDonald | While the Bank agrees that grants alone may not always be sufficient to create new opportunities for EIB financing, it should be noted that the EIB has developed a significant number of instruments based on grant money received, achieving a significant multiplier effect. GEEREF for example is a fund-of-funds model that leverages grants in multiple layers with a first loss mechanism. It has supported 15 clean energy infrastructure funds across Asia, Africa and Latin America in its first tranche. These funds then deliver additional capital through co-investment and debt into the underlying projects, creating a multiplier effect for GEEREF investors of nearly 50 times. Concessional funds can be mobilised to leverage private investment into climate action projects. The Bank will explore the possibility to create of a Trust Fund or a climate finance facility to ensure stable sources of funding for increasing the pipeline of projects (see section 1d of the EIB Climate Strategy). |
### 6. Private sector leveraging

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<tr>
<td>27</td>
<td>Private sector leverage</td>
<td>EGEC, GCCSI, Alstom, REN, EuroACE CDP, Energy Cities, PlasticsEurope</td>
<td>The EIB has a very good track record at crowding-in the private sector and the mobilisation of private finance is an explicit objective designing new products and instruments. The Bank has identified the need to shift to high impact climate action operations both in sectors and in financial innovation (see section 1b of the EIB Climate Strategy). The Banks seeks to continue developing new and innovative products with a particular focus to mobilise private finance for climate action projects. A good example for leveragin-in private investors are layered funds that offer different risk tranches to investors and can issue notes for the top slice of these funds. The EIB sponsored Green for Growth Fund recently successfully issued notes to private investors and the EIB aims to continue developing similar fund structures in the future. Another example is the successful fundraising campaign that closed in June 2015 for the Global Energy Efficiency and Renewable Energy Fund[^22], a fund of funds investing in private equity funds which focus on renewable energy and energy efficiency projects in emerging markets. GEEREF was able to raise more than EUR 110m from private investors in addition to the EUR 112m of public funds provided by the European Union, Germany and Norway and therefore demonstrated that it is possible to raise private capital for low carbon projects.</td>
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Leveraging on the bank’s risk taking capabilities could help diversify the risks and give additional chances to the projects to fly (especially the projects requiring important upfront capex and opex support). This is more challenging for certain Member States and companies than others. There are several reasons for an inadequate return/risk profile. EIB could look to increase its own propensity to support pre-commercial demonstration projects through more targeted programmes enhancing its own risk taking capabilities (under the EFSI framework). Different financial instruments should be available to mitigate the risk of overleverage. In this regard, straight equity funding instruments can be valuable complementary options.

The catalytic role of the Bank’s investments is important, and an expansion of the Bank’s investments in other vehicles, such as...

[^22]: GEEREF - [http://geeref.com/](http://geeref.com/)
Responsible investment and infrastructure funds, could leverage a considerable shift in private finance. The EIB can best support private sector investment through measures which promote long-term certainty and reduce private sector risk, e.g. by:

- Setting long-term targets;
- Creating financial products which reduce investment risk for private investors in climate action projects;
- Providing co-financing facilities;
- Launching climate bonds and/or become the seed financier of more climate bonds;
- Investing more or exclusively in low carbon, resource-efficient, climate resilient technologies and encourage other investors to do the same;
- Setting lower hurdle rates for these investments.

Hybrid instruments such as hybrid bonds often placed by utilities in the capital markets can also have valuable merits, in particular if combined with risk mitigation features provided by EU entities such as EIB.

In particular, for energy efficiency, a framework that increases private sector investment to boost financing of energy efficiency in projects in emerging markets.

In addition, the EIB supports infrastructure and environmental equity funds that finance EIB eligible projects. The high due diligence standards behind any EIB investment is often perceived as a ‘seal of approval’ and can therefore catalyse additional public and private investments that otherwise would not necessarily invest in these funds. This activity will continue and is expected to grow under the Investment Plan of Europe (IPE).

In relations to energy efficiency, the EIB and the European Commission launched the Private Finance for Energy Efficiency instrument, which aims to address the limited access to adequate and affordable commercial financing for energy efficiency investments. The instrument is funded by the EU budget (LIFE programme) and provides portfolio-based credit risk protection for participating banks to increase private lending in the area of energy efficiency. The EIB and EC will assess this instrument after its pilot phase to decide on a further roll-out.

The EFSI regulation (article 5 of the Regulation (EU) 2015/1017 of the European Parliament) requires that when lending under IPE, the Bank needs to demonstrate additionality, meaning that it should support operations which address market failures or sub-optimal investment situations and which could not have been carried out in the period during which the EU guarantee can be used, or not to the same extent, by the EIB, the EIF or under existing Union financial instruments without EFSI support. Projects supported by the EFSI shall typically have a higher risk profile than projects supported by EIB normal operations and the EFSI.

PF4EE - http://www.eib.org/products/blending/pf4ee
buildings is crucial. It is imperative that the EIB uses every opportunity to incentivise private investment. Financing should be structured to use all available instruments, enable more ambitious levels of renovation, actors have access to technical EU-level assistance programmes, there is greater availability of guarantee funds to de-risk potential investment losses, red tape is reduced for entities seeking loans.

Some stakeholders say that the EIB could provide risk capital and help leverage private sector lending for intact ecosystem services (adaptation), for example through the Natural Capital Financing Facility (NCFF).

| 28 | Monetisation of ecosystem services | One stakeholder opposes the monetisation of biodiversity and the NCFF and that the EIB should not enter the new business of Payments for Ecosystem Services and Biodiversity Offsetting. Other stakeholders suggest that EIB should reconsider its involvement in market-based mechanisms as part of its climate action. So far the Bank’s ideological bias in favour of market-based mechanisms has not allowed for an open-ended debate about what role, if any, the EU house bank should play in climate finance. Consequently REDD projects and offsetting mechanisms should not be part of the EIB climate policy, and the EIB should divest from the Althelia Climate Fund. We warn against including and using the carbon credits, since ETS and the use of Clean Development Mechanisms shows after several years of experience that they do not portfolio shall have overall a higher risk profile than the portfolio of investments supported by the EIB under its normal investment policies. |

Bankwatch

The Bank welcomes the views of stakeholders regarding the efforts of valuing environmental services. Climate change precisely results from the absence of a “carbon cost” to society and therefore it is considered a market failure, i.e. damages from pollution are not accounted for. The Bank supports the design of various policy instruments that make use of economic incentives for environmental management. The Bank believes that market incentives (emission permits, pollution offset-systems), together with standards, regulation and subsidies / taxes, have an important role to play in environmental policy and will continue to explore how to best support environmental policy in an efficient way through financial innovation.

In relation to biodiversity and ecosystem services, the EIB combines its financing and fund from the EU budget (LIFE Programme) in the Natural Capital Financing Facility24. The NCFF will promote the conservation,
| Public–Private Partnerships | The private sector finance that the EIB is promoting (through PPPs) should be critically assessed. It should be noted that strengthened leverage of private bodies in sectors providing basic services (water, sanitation, energy, transport) could result in violations of the full enjoyment of these rights by the people. Thus the EIB should refrain from financing PPP projects unless legal frameworks that protect the rights of the communities and indicates the responsibilities of each party in the partnership is present. By treating infrastructure as an asset class and using public funds to attract the private sector, the population becomes vulnerable to the changing winds of the market and future energy needs. The constant stream of profit required by investors trumps the real needs of the population. With infrastructure so critical to the everyday life, it is hard to see how side-lining the public’s role in the management of infrastructure could be beneficial at all for EU citizens. When public money is scarce Public–Private cooperation is an efficient way to invest in public administration. Capital injections should focus not only on quantitative leverage in general but also on quality investments with qualitative leverage (education, training, ANND, Climate Alliance, ADCON-PPP, Veolia) | The European PPP Expertise Centre (EPEC) is an initiative involving the EIB, the European Commission and European Union Member States and Candidate Countries. EPEC helps strengthen the capacity of its public sector members to enter into Public Private Partnership (PPP) transactions. With the support of a full time team made up of experienced PPP professionals, EPEC’s Members share experience and expertise, analysis and best practice relating to all aspects of PPPs. In reply to the more general concern about protecting the population (taxpayers) from failed investments in infrastructure, the Bank carefully appraises all its investments to avoid financing projects that are not economically beneficial to society. Obviously, appraisals are normally based on best supply/demand estimates, existing regulations, operating assumptions and stress testing under different scenarios at the time of project development. Unexpected changes in market, regulations or operational conditions can occur that invalidate these original estimates and assumptions ex-post and give as result impaired investments and stranded costs. While this is always a possibility, the Bank strives to continuously improve its economic appraisal to avoid making investment decisions that are uneconomic and result in net costs to society. |
energy efficiency, CO₂ emissions etc.) For example technical assistance based on economic leverage is very useful to make European projects more efficient, but sometimes “forces” one to forget about low investment/high energy saving projects.

The EIB as an institution can actively promote the improvement of PPPs, by for instance reviewing the public and private accounting treatment for energy performance contracts and ESCO facilities.

The EIB could use some of its own resources to support PPPs through partnership building, facilitating the dialogue and creating a safe space for partners to discuss and identify common goals. These PPPs will need to be country driven and sector specific, but we are also seeing more and more interesting proposals in “Cross Sector” partnerships - such as Climate Smart Agriculture.

Financing instruments (debt or equity) should enable projects bearers to adapt to various risks allocations that are required by project participants. It is necessary to favour a moderate risk profile for PPP projects within the environmental sector, with a balanced split of risks between the organising authorities, the industrial operators and the financial investors. Therefore, we are in favour of further development of specific, sector-based investment funds and facilities, to which the EIB provides guarantees and, which can take majority stakes in innovative and infrastructure projects.

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<th>30</th>
<th>Green Bonds – Climate Awareness Bonds</th>
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<tr>
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<td>The EIB’s pioneering role in the green bonds market has been picked by some of the stakeholders. The following points have been raised:</td>
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<td></td>
<td>– Building on its experience, the EIB should support the development of a robust, credible and fully developed</td>
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<td>French Government, GCCSI, KommunalKredit</td>
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The EIB has been the first IFI to issue a Green Bond in 2007, building up significant knowledge and experience with all aspects of Green Bonds in the last 8 years. Leading by example, the EIB is the largest issuer to date in this segment (June 2015) and has the largest and longest green benchmarks. The EIB has contributed actively to the 2015 Green Bond Principles, as well as to the proposal for a harmonised framework for
The EIB could collect more finance from the capital market that could be channelled towards climate friendly investments by building upon the positive experience with the Climate Awareness Bonds (green bonds).

In a similar way to the EIB’s successful green bonds that earmark proceeds for energy efficiency and renewable energy projects, the EIB could consider earmarking proceeds entirely or in large part for adaptation projects. For example, World Bank/SEB Green Bonds channel funds from Scandinavian institutional investors to climate change measures, with approximately 20% of the proceeds aimed at financing adaptation measures including flood protection, food security and sustainable forest management.

The Bank should issue green bonds to also support low carbon RDI and Green Bond Impact Reporting, both announced on 27 March 2015. In its 2014 CAB Newsletter, the Bank has publicly disclosed the details of its issuance, administration and reporting practice, providing the market with a best practice reference. In the same Newsletter, the EIB was also the first to test the harmonised approach with publication of a comprehensive impact reporting table. Consistent with its 2015-2017 COP and the EIB Climate Strategy (see section 1e), the Bank is committed to the sustainable development of the Green Bond market and therefore also actively engaged in the dissemination of information and the debate of technical details.

Regarding extending the sector coverage of EIB Green Bonds (labelled Climate Awareness Bonds, CABs) EIB is engaged in all areas of Climate Action, including adaptation. Presently, CABs have a focus on Renewable Energy and Energy Efficiency for two main reasons. The first one is the consistency of the relevant policy framework, in the sense that there are national mitigation obligations in line with Art. 194 c) of the Lisbon Treaty, the Energy Action Plan adopted by the European Council in 2007 - the year of EIB’s first CAB issue, and the 2030 EU Climate and Energy Policy Framework approved by the EU Council in October 2014. The EU objectives in these areas are crucial in the context of the UNFCCC - COP 21 that is taking place in December 2015. Secondly, within these two policy objectives, the Bank selects only the best available technologies and the financing instruments under EIB’s quality check, thereby providing investors with a link to the most representative activities of the Bank in the area of climate finance.

The disbursement volumes involved continue to allow issuance of CABs in the large size requested by the market for liquidity purposes and permit the provision of relevant information to external stakeholders.
### 7. Climate Action outside the EU

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| EIB lending - External lending | A number of stakeholders mention the role of the EIB in facilitating growth and development outside the EU if possible, through existing forums and partnerships, rather than create any new ones in an area that is already very complex. The exception would be instances where the EIB has an opportunity to reduce the level of complexity by taking a leadership role and bringing other actors together towards joint action. The EIB should foster more climate resilient low carbon growth outside the EU by improving legal framework conditions, addressing market failures and phasing out incentives for high-carbon investments. Stakeholders mention the following:  
- The EIB should encourage a stable policy environment that is less exposed to individual country-specific economic and political policies; encourage countries to co-ordinate their internal institutions to access, manage and use climate finance in an effective manner; and reduce the fragmentation of international climate finance by improvement of interagency co-ordination.  
- The European initiatives, Covenant of Mayors and the Mayors Adapt, could also serve as an example of multi-level governance beyond EU borders. They could be used as a means to do decentralized cooperation towards low and middle-income countries outside the EU. Financing is needed to be realised within a regulatory environment that is often challenging, including the lack of a stable investment framework, and frequently subsidies for polluting energy sources. The role of the Bank in this sense is to continue sharing best practices and when possible, try to influence regulations and investment frameworks towards increased transparency and stability. | ANND, WB CMI, Mr. Grammig |  
|                        |                                                                                                                                                                                                                               |                           | The EIB supports EU policy in the fight against climate change and is committed to establish itself as a leading multilateral provider of climate finance, supporting low carbon and climate resilient growth outside as well as inside the Union. As the EU Bank, it also supports the EU commitments under the UN Framework Convention on Climate Change. Within this overarching goal, much groundwork has been put in place in the Bank over the last years through developing and applying appropriate standards and financial instruments. Although the potential is large, it needs to be realised within a regulatory environment that is often challenging, including the lack of a stable investment framework, and frequently subsidies for polluting energy sources. The role of the Bank in this sense is to continue sharing best practices and when possible, try to influence regulations and investment frameworks towards increased transparency and stability.  
|                        |                                                                                                                                                                                                                               |                           | The Bank is fully committed to further reinforce its climate action outside the EU, together with the Commission and EEAS. Its Climate Strategy applies to all regions within and outside the EU. In this sense, the Bank will make its best endeavours to:  
1. Adopt a more proactive approach in supporting mitigation projects with particular emphasis in high impact mitigation projects. In particular, the Bank will work together with national governments to distil the Intended Nationally Determined Contributions (INDC) under the UNFCCC into concrete projects |                           |
issues such as SE4all and the Green Climate Fund could use the European experience as a model to support city to city exchange between the European and non-European countries and thus build local capacities on energy management and planning.

- More lending (than the current 10% of total EIB activities) should be dedicated to climate change related projects in the southern countries of the Mediterranean region, particularly outreaching municipalities.

- There were several comments on the areas of priority for lending outside the EU including:
  - Balanced objectives of access to power, environmental impact, diversity & reliability of supply through a balanced portfolio of energy and power technologies.
  - Resource efficiency
  - Move away from fossil investments
  - Promote technology transfer of low carbon technologies.
  - Measures which also promote employment and R&D investment in the EU

- The EIB should promote adherence to UNFCCC Article 7. Total adaptation and mitigation financial requirements of developing countries could well add up to at least $1,000 billion a year.

- The EIB should differentiate between different TA formats for NAMAs and NAPAs. This would increase TA ownership and improve the willingness to receive and which are bankable and which the private sector can support. Technical assistance, concessional financing and risk-bearing capital can leverage the impact of projects substantially, especially in a more challenging environment. In this context, the EU Regional Blending Facilities - or other existing or potential sources of grant finance - play a crucial role (see section 1 of the EIB Climate Strategy).

2. Work towards improving climate resilience in most vulnerable countries through improved project screening, increased financing of high quality demonstration adaptation projects, and technical assistance targeted for adaptation, including training and support for financial intermediaries (see section 2 of the EIB Climate Strategy).

3. Continue and improve the collaboration with EU, Member States and with other financial institutions. The Bank recognises that both of the areas identified above – supporting the move to low emission development strategies and more effective adaptation would much benefit from a more structured alignment between the Bank and the Commission, the European External Action Service, the pre-programming exercises of EU delegations, and the resulting country operational programmes. The Bank already collaborates with other European bilateral institutions, International Financial Institutions (IFIs) and Multilateral Development Banks (MDBs) at various levels ranging from upstream sharing of best practices and sector policy development, to specific project co-financing on the ground (including in the context of the various EU blending facilities).

With regards to the Mediterranean region specifically, the Bank’s effort to support the economic and social development is brought together under FEMIP, which supports growth and job creation. The Bank supports the private sector (SMEs and industrial sector), improved infrastructure in
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<tbody>
<tr>
<td>32</td>
<td>EIB lending - GCF</td>
<td>A number of stakeholders commented positively on the role of the EIB in the Green Climate Fund (GCF). In addition:</td>
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<td>– Given that EIB will be channelling a huge amount of funds through the Green Climate Fund (GCF) it is inevitable that this money will be spent according to GCF’s priorities. The remaining portion of EIB’s lending will continue to be driven by EU policy priorities. It would be sensible to build in some flexibility to reflect the likelihood of calls for change and scaling-up, so that the bank can respond to those quickly, e.g. if the EU makes a new pledge on climate finance at the UNFCCC COP21.</td>
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<td>– The EIB could champion a CCS project in a developing country through the GCF’s ‘mitigation investment window’, leveraging EIB, GCF, private and public funding sources.</td>
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<td>– The EIB could take up the role of transferring GCF grants to “executing entities” and transfer GCF loans.</td>
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<td>– The EIB could also be a potential channel of additional capital flows into the GCF and mobilising capital. The EIB could partner with nations to help design investment programmes, as well as enhance their administrative and project management capacity as this will ultimately reduce the risks associated with project delivery.</td>
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<td>The Bank has applied to become accredited as implementing entity of the Green Climate Fund (GCF). Once designated as implementing entity, the Bank will most likely be channelling additional funds to climate change mitigation and adaptation projects directly or through intermediated lending or “executing agencies”.</td>
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<td>Despite the significant uncertainties regarding the final operational procedures and regulations that will determine the functioning of the GCF, it is foreseen that the Bank will be applying its same appraisal criteria and processes also for projects financed with GCF funds. Therefore, projects (CCS or others) that are bankable under these criteria will be supported. It is also envisaged that part of GCF funds will be made available to implement innovative financial structures that allow risk sharing and credit enhancement.</td>
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<td></td>
<td>In addition, technical assistance will also be made available to build the pipeline, manage and implement the projects as well as to help with capacity building if needed.</td>
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<td>The Bank is already working with the European Commission and increased collaboration regarding the coordination with the GCF is expected once the Bank is accredited. Internally, the operational and resources implications from this accreditation are currently being carefully assessed with the goal of maximising the impact of the Bank’s GCF operations.</td>
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</table>

Issues Matrix Climate Action Review – Annex 3 to consultation report
## 8. Technical assistance and advisory services

<table>
<thead>
<tr>
<th>Topic</th>
<th>Summary of stakeholder comment</th>
<th>Stakeholder</th>
<th>Review Panel’s Response/ Bank’s reasoned position</th>
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<tr>
<td>33</td>
<td>Several stakeholders praised technical assistance as critical, because it builds capacities of the public sector and enables working with the private sector more efficiently and that technical assistance can assist project owners in acquiring funding. Therefore, the EIB should significantly scale up its technical assistance capacity with a priority for “no regrets” sectors delivering multiple benefits (for example, energy and resource efficiency), in cooperation with the Commission where relevant. In particular, the EIB should upscale technical assistance programmes and advisory services for local and regional authorities to enable that smaller projects are considered and new ways of bundling projects developed and promoted. There is a need to continue providing technical assistance, including in non-EU countries, to unlock some projects development and to facilitate European large companies and SMEs to access new markets. Another point on which the EIB should focus is the provision of technical assistance through networks like the Covenant of Mayors and through an enlarged ELENA to increase the take-up of funding</td>
<td>Climate Alliance, WWF, Veolia, E3G, KommunalKredit AT, Committee of the Regions, Bankwatch, CDP, EGEC, ADCON-PPP, EuroACE, Mott MacDonald, Eurogas, GCCSI, CEZ Group, French Government, Mr Grammig</td>
<td>The EIB Group’s services aim to enhance the quality of preparation and implementation of projects. They therefore play a critical role in the Bank’s continued effort to enhance access to and mobilize finance for sustainable investments in support of Climate Action. In addition to project-specific support, the Bank also provides advisory services in institutional capacity-building and in knowledge management, sharing good practice also with regard to environmental and social considerations, etc. In its new Climate Strategy (see section 1d under Reinforcing the impact of our climate operations section) the Bank commits to enhance its pipeline of bankable projects aiming at higher impact and value-added with a stronger focus on adaptation, both inside and outside the EU. In this context, the EIB is therefore committing to reinforce its advisory activities offer in support of Climate Action to facilitate better design and preparation, ultimately leading to more effective implementation and access to finance. As part of this effort, the Bank also aims at broadening the range of potential beneficiaries supported, including those with less developed in-house capacity and promoting smaller scale and/or more</td>
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</table>
options in municipalities, especially in peripheral regions.

Technical advisory and support services are seen as important to lower investment barriers. This could include designing investment programmes, building administrative and project management capacity, which can reduce project costs and mitigate project risks. Technical assistance should support countries to develop enabling policies, regulations and instruments to attract the private sector and create new markets. Technical assistance should be accompanied by project development and implementation assistance/coaching during the whole term and focus on the capacity-building aspects.

Finally, technical advisory services should incrementally lead to a more common approved set of model contracts and standards and help in the design and implementation of innovative financial instruments, particularly in the areas where project pipeline is underdeveloped, such as adaptation. Advisory services provided by the EIB are essential so that the project bearers could effectively use innovative financial instruments. Technical assistance can also be used to help Member States develop national financing strategies/capital raising plans around which dialogue between investors, the EIB, Commission and Member State Government can be generated to develop best value PPP structures and instruments to connect capital to the climate resilient investments that need it.

complex projects.

One of the pillars of the Investment Plan for Europe is the creation of the European Investment Advisory Hub (EIAH) that will provide strengthened support for project development and preparation across the Union, by building on the expertise of the Commission, the EIB, national promotional banks and institutions and the managing authorities of the ESIF. The support will include project design and preparation, the use of innovative financial instruments and the design of public-private partnerships. Being endowed with additional budgetary resources from the European Union, it is anticipated that EIAH will allow for reinforcement in key priority areas, including climate action. It will build upon good practices in existing programmes such as European Local ENergy Assistance (ELENA) and will also work to support a broader use of decentralised financial instruments within the Union in climate action. EIAH will provide for a stronger local presence, expected to facilitate engagement with regional promoters, and for a reinforced collaboration network with national promotional institutions and other relevant actors whose presence on the ground and expertise will be leveraged.

Furthermore, the Bank will work to facilitate access to finance for research and innovative technologies in segments also relevant to Climate Action, aiming to develop instruments which allow for their demonstration and ultimate commercialisation.

Outside EU, it is envisaged that the Bank will progressively step up its technical assistance activities for operations outside the European Union, in

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Some stakeholders raised the issue of unbalanced lending among EU Member States. Particularly they signalled that the share of EIB climate action in CEE countries and lower income Member States is small. Some of the comments were:

- Investments in energy efficiency, renewable energy, smart energy infrastructure and sustainable transport systems remain untapped in lower income Member States. Nevertheless, the share of EIB climate action lending in these countries is small. Addressing prevailing market failures needs to be a top priority of EIB’s financing activities in lower income Member States. Assessing, improving and setting up new financial instruments as well as technical assistance and advisory services tailored to market situations in these countries is a key prerequisite to overcome barriers.

- The EIB needs to significantly increase its presence in energy efficiency funding in the CEE countries. The EIB needs to increase promotion of its energy efficiency instruments in these countries. It is necessary to build closer ties with cities and other stakeholders in the CEE countries to overcome administrative, legal and institutional barriers.

- Simplification of appraisal procedures together with

The EIB recognises the geographical unbalance of investment in particular in the new Member States. This is driven by a number of different factors including investment climate, demand from the market, risk-profile or regional and EU policy frameworks and mandates. Finally, access to finance, shorter tenors, and cost of capital has become a major challenge in some markets.

While the Bank tries to strike a careful balance in providing support to all EU Member States as well as external mandates, the final climate action portfolio reflects these more general trends.

Nevertheless, climate action potential will continue to be explored in all countries of operation and should happen where it is most effective and technical assistance will continue to be used where feasible to tackle existing barriers. The JASPERS partnership with the European Commission (Directorate General for Regional Policy), the European Bank for Reconstruction and Development (EBRD) and Kreditanstalt für Wiederaufbau (KfW) is a successful example of the efforts in this sense. It is a technical assistance facility for the twelve EU countries which joined the EU in 2004 and 2007. It provides the Member States concerned with the support they need for all stages of the project cycle - from the initial identification of a project through to the decision to provide EU grant assistance- to prepare high quality major projects, which will be co-financed by EU funds.
increased TA may be a starting point to tackle implementing limits (barriers to increase lending in particular regions.

In regards to the request for simplified appraisal procedures, please refer to topic 40 of this Issues Matrix.
## 9. Bank’s activities outreach: role of financial intermediaries to reach smaller projects and actors

<table>
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<tr>
<th>Topic</th>
<th>Summary of stakeholder comment</th>
<th>Stakeholder</th>
<th>Review Panel’s Response/ Bank’s reasoned position</th>
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<tbody>
<tr>
<td>35</td>
<td>Improving EIB’s outreach</td>
<td>A majority of stakeholders emphasise the importance of increasing outreach of the EIB activities and while some acknowledge the efforts made to organise regular open consultations and direct exchanges with external stakeholders, in general they suggest:</td>
<td>EGEC, Alstom, WWF, Worldbank-CMI, GCCSI, Energy Cities, Committee of the Regions, Alstom, CDP, Eurogas, Mott MacDonald, E3G, 2°Investing, French Government</td>
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<td>− An extra effort should be made to enhance the bilateral dialogue with sectorial organisations, better involve local authorities and unlock small-scale financing.</td>
<td>The EIB is already engaging with stakeholders at various levels and in different fora. This public consultation is one example of how the EIB is soliciting views while entering in direct exchange with external stakeholders. This engagement usually includes stakeholders at global, regional, national and local level as well as different types of counterparts, ranging from EU institutions, public authorities, international organisations, financial institutions, academia, civil society organisations, business and expert networks. Also, all projects that the EIB intends to finance are published on the Bank’s website, at least 30 days ahead of their approval by the Board of Directors.</td>
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<td>− The EIB should inform e.g. industry players and members of civil society on a transparent &amp; public (web site) basis, the present &amp; future opportunities when EIB intends to finance a project.</td>
<td>The Bank regularly organises and participates to workshops and events where it finds itself in direct contact and exchange with stakeholders, on a broad range of topics. Information about upcoming events can be found on the EIB website. The Bank is open to suggestions on potential themes and takes note of the proposals made.</td>
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<td>− The EIB should make documents and tools accessible to non-experts The EIB could consider publishing an EIB financing guidebook on climate specifically targeting local and regional authorities. It would be in plain language, available in several languages and updated regularly.</td>
<td>The EIB Institute is a further pillar of the Bank’s public engagement and promote initiatives for the common good in Europe, including the awarding of prizes, grants and sponsorship for innovative approaches to e.g. economic and social challenges.</td>
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<td>− The exchange of information with stakeholders should become more regular and structured, especially when taking crucial decisions affecting screening and assessment criteria. This could be achieved through the</td>
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| 36 | **Cooperation with financial institutions, including Multilateral Development Banks (MDBs) and other organisations** | Many stakeholders comment on the EIB cooperating with financial institutions, civil organisation and governmental organisations and encourage the EIB to cooperate more.

In regards to cooperating with other financial institutions, stakeholders suggest that the Bank could improve collaboration by:

- facilitating better co-ordination and co-operation amongst institutions financing climate interventions and pooling resources with other financial partners to enlarge the means available to support investment in the real economy in the EU;

- engaging with others in sharing best practice in the area of Mott MacDonald, WWF, CDP, Alstom, Energy cities, E3G, UITP, EuroACE, EGEC, CEZ Group, French Government, 2 Investing Initiative, Veolia

The Bank is always a co-financier of projects, either directly with other investors or indirectly through financial intermediaries. In this sense, it maintains close collaboration with a significant number of financial institutions – the main limit being the counterparty credit risk – in all regions.

When co-financing through financial intermediaries, the Bank requires the application of its environmental and social standards and third parties commit contractually to align with them. The Bank regularly monitors their implementation. See topic 39 of this Matrix for more examples of cooperation with financial intermediaries.

The Bank tries to share best practices and similarly, is open to learn and take inspiration from others' experiences in climate finance. In particular |

| organization of workshops or the set-up of dedicated working groups.  
- The Bank can also consider using prizes for innovation extras a tool for outreach to civil society, think tanks, academia and the business community.  
- The expertise acquired by the EIB through its support to NER 300, on topic such as Capture Carbon & Storage, is highly valuable and EIB expertise on project bankability / viability is key for addressing introduction of new technologies, identifying the volume of grant element and promoting the case to EU Member States.  
- The EIB can improve its climate action with a better connection with work and research being undertaken outside the Bank. | A lot of information is already available at the Bank’s website (in the three official languages of the Bank) but the EIB takes note and will examine possibilities of improving the visibility and user-friendliness of information which is currently provided.

The EIB is keen to continue strengthening its engagement with stakeholders and takes note of the different suggestions how and around which subjects to further deepen and improve its outreach activities.

The Bank is preparing internal action plans to implement its Climate Strategy and will include considerations on how to improve the external outreach and communication. |
climate action and ‘green’ standards or take inspiration from other institutions more active in other regions;

- working more with other financial institutions and local authorities to better reach smaller scale projects like energy efficiency;

- stimulating commercial banks to be active in energy efficiency and circulate a better understanding of energy efficiency as a non-hazardous business investment.

Increased awareness-raising about the complementarity of the EIB funds with other EU funding streams is also to be encouraged.

One stakeholder signals that financial intermediaries with dubious environmental and social track record should not be part of the EIB climate action.

In particular, some stakeholders have signalled that the Bank could increase collaboration with other MDBs, promoting their ambitious climate policy goals and coordinating to align the various selection criteria and focus on addressing financing gaps to help achieve INDC objectives in low and middle income countries. MDBs should also release a joint statement with ambitious climate commitments at the COP 21 to send a strong global signal and work together to build on their commitment at Rio+20 so that the Sustainable Development Goals can be realised. EIB could also support the establishment of climate finance tracking systems within the EIB and work with other

within the MDBs and IFIs community, the Bank maintains a continuous dialogue, mostly in harmonisation of approaches to climate action for tracking purposes but also in many other fronts. The MDB community is highly engaged with the UN climate and development goals and all climate actions are intended to support these global goals. Joint activities towards COP21 are gearing up.

The Bank is also actively working in the identification of financing gaps for the implementation of INDC objectives. In the FEMIP region, it is currently implementing a technical assistance programme to support the development, design and implementation of INDCs in the region. The Bank tries certainly to coordinate with other MDBs and IFIs for technical assistance and/or financing. Some limitations to this coordination may however remain, not due to lack of willingness to reduce the burden for project promoters but because of different governing and reporting rules of the different institutions. When possible the Bank endeavours to coordinate and optimise appraisal processes.

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**International Financial Institutions (IFIs)** on common methodologies for improved and transparent reporting of dedicated climate finance streams. The different methodologies currently used by IFIs in tracking green finance, impede insight into the impact of the investments and prevent private sector investors from comparing and choosing their preferred option. Some stakeholders see evolving reporting standards as critical to a broad community, not only the IFIs but UNFCC institutions, private sector and broader civil society.

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| 37 | **EIB Lending** – reach to smaller projects and local actors |
|-----------------------------------------------|
| Several stakeholders have commented on the need of the EIB to address small and decentralised projects to maximise local impacts (jobs, innovation drivers, awareness raising, energy efficiency and potential to reduce energy dependency and energy poverty due to the diversification of projects, effective way of providing additional private sector investment, etc.). |

They have provided the following additional comments around the creation of cooperative platforms with presence at local level:

- The EIB could work on creating local hubs for financing climate action that serve as aggregators of projects, and provide project development and technical assistance. They could thereafter become the local relays of the EIB’s climate actions. Successful examples are the Covenant of Mayors and through an enlarged ELENA.
- The EIB should develop its partnerships with local communities to efficiently reduce the number of people not having access to electricity, and create a momentum for renewable energy in developing countries.
- More innovative financial instruments should be developed to channel funds to develop local cooperatives, to better catalyse citizens’ investments.
- EIB could develop new instruments targeting bundled Coopseurope, WWF, Climate Alliance, EGEC, Veolia, Energy Cities, EuroACE, GCCSI, Coopseurope, ANND; French Government

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The Bank makes loans to local banks and other intermediaries which subsequently "on-lend" to final beneficiaries. This is the only way that the Bank’s favourable lending conditions can be transferred to Small-and-medium-sized businesses, mid-Cap businesses, some local authorities, etc.

Intermediated lending (via global loans or framework loans to local financial institutions) in sectors and activities where the Bank can provide “additionality” or value to the offer of commercial banks, is therefore a significant part of the Bank activities. The Bank is also actively seeking – together with Member States, the Commission and national promotional banks – to enhance cooperation and optimise resources so as to address the longer-term challenges of the EU in an environment of gradual, but still fragile, recovery of the European economies.

One of the pillars of the Investment Plan for Europe is the creation of the EIAH as described in topic 33 of this Matrix above.

It is expected that the EU guarantee provided by EFSI (backed by the EU budget) will allow the Bank to enter into new operations and sectors with client with higher risk profiles. EFSI will allow the Bank to do more of the successful work the EIB has done in the past unlocking investment needed to reduce energy use and cut emissions. Projects with the EFSI...
| 38 | EIB Lending – Local authorities | Several stakeholders mention that it is important for the EIB to closely cooperate with local authorities, in particular on the social and environmental impacts of projects. The consultation process must be participatory, transparent and inclusive. The local level is crucial to reach the EU 2030 targets for energy efficiency, renewable energy and emission reductions. Local ANND, Veolia, EGECE, Energy Cities, Climate Alliance, Committee of the Regions, Bankwatch. | The Bank’s Environmental and Social Standards require that project promoters take into account environmental and social considerations in the selection of alternatives, for cumulative and large-scale effects to be addressed, and a participatory approach applied in the engagement with project-affected individuals, communities, as well as other relevant stakeholders. The effective application of these requirements are checked |
authorities are responsible for implementing measures in this direction and simultaneously, creating mutual benefits in boosting the local economy, attracting new investments and creating sustainable jobs.

In addition they mention the following:

- Some stakeholders mention the Covenant of Mayors (climate mitigation) and Mayors Adapt (climate adaptation) as good examples of local action and ask for more support from the EIB for these initiatives, e.g. through preferential financing.
- The EIB could increase its outreach to local authorities by increasing dedicated tools such as ELENA or JESSICA and by building a direct partnership with them.
- EIB’s screening and assessment criteria is usually too high for small and medium cooperatives. To have a better outreach to civil society, EIB should focus on lending and supporting citizen-based RES initiatives. By including local actors, the projects are developed taking into account local needs and keeping benefits within the local community. Some stakeholders have identified that financial and patrimonial guarantees demanded by financial institutions to get loans are a major obstacle for cooperatives.
- The EIB should continuously support the streamlining, blending and optimisation the use of European Structural Coopseurope, Federal Govt of Germany during project appraisal due diligence27.

The Bank agrees that the local level is crucial to achieve climate objectives and seeks to develop new collaboration opportunities with local authorities. Although much has been achieved by the examples mentioned by stakeholders, more remains to be done, particularly in local capacity building. In fact, one of the main strategic action areas identified in the EIB Climate Strategy goes in this direction of increasing impact of our climate action by reaching smaller and local projects and complementing finance with advisory services (see section 1d of the EIB Climate Strategy). One of the main current barriers in some countries is fiscal discipline and budgetary constraints that significantly reduce the capability of local authorities to borrow from the EIB. The Bank is actively promoting private-public-partnerships (PPPs) or other instruments with local authorities to attract private sector finance.

As it was mentioned above, it is expected that in the new EFSI framework, the Bank will be able to develop new risk sharing instruments and provide technical assistance to better tackle the current barriers. Lending under the proposed IPE should enable sound investment projects to go ahead, which would otherwise encounter financial barriers and not receive financing on appropriate terms. However, the Bank must still respect its own available resources and risk bearing capacity, so as not to endanger its creditworthiness and AAA rating which underpins its borrowing capabilities.

The Bank remains open to sharing experience with local authorities

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and Investments funds, Horizon 2020 and the new European Fund for Strategic Investments to provide adequate financing instruments for energy efficiency projects.

- The local authorities should have an important role in the one stop shop investment advisory "Hub".

particular on new collaborative platforms to further develop the multiple existing instruments or to develop new products and instruments. For example, the Bank has recently contributed to the launch of Fi-compass, a platform for advisory services on financial instruments under the ESIF and microfinance under the Programme for Employment and Social Innovation (EaSI). Fi-compass is designed to support ESIF managing authorities, EaSI microfinance providers and other interested parties, by providing practical know-how and learning tools on financial instruments.

| EIB Lending - Financial intermediaries | Most stakeholders agree that it is necessary to work with financial intermediaries to reach smaller projects. However, some stakeholders also see issues around transparency and accountability in working with financial intermediaries. They mention the following:
- The EIB's standards on climate action should also be applied by financial intermediaries. The Bank should develop a methodology on how to ensure high standards for projects financed through intermediaries and make the results transparent. Some financial intermediaries are failing to reach International Finance Institutions standards on safeguards, transparency, accountability and public participation.
- The use of financial intermediaries should not be part of the climate action portfolio of the EIB. Only fully transparent projects financed through financial intermediaries should be counted as Climate Action.
- The EIB should strengthen the transparency requirements for financial intermediaries. Claimed climate benefits through financial intermediaries should be systematically substantiated with relevant data and qualitative information. |

Counter Balance, CAN, Federal Govt of Germany, Climate Alliance WWF, Coopseurope, Bankwatch

Financial intermediaries channelling EIB funds to final beneficiaries are legally bound to apply EIB standards in the selection of their operations. This is included in their financial contracts with the EIB.

The appraisal due diligence of financial intermediaries includes a specific assessment on their capacity to implement these. EIB works extensively with and through national and regional financial and technical intermediaries all around the world. As part of this work, the Bank regularly provides capacity building support in many sectors, as well as specific technical assistance focussed on developing local skills to support project development and project operation, but also to strengthen local planning and ownership of the development and projects that EIB supports. In recent years this has increasingly included capacity building and technical support for Climate Action and the new Climate Strategy commits the Bank to continue in this line (see section 1). .

The EIB has worked with small regional development banks to develop both their in-house climate expertise, and to help them extend their capacity building programmes for their own clients further and deeper into climate action. An example of this work is capacity building and technical cooperation with the Caribbean Development Bank (CDB) – from 2012 to date - supporting a programme of capacity building and climate risk and vulnerability assessments in the CDB’s Borrowing Member Countries, as

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well as within CDB’s technical departments. This has resulted in an improved pipeline of adaptation projects for the CDB, as well as supporting their aim to improve the climate resilience of all the infrastructure projects CDB finances. Another example is the general capacity building support provided by EIB to the West African Development Bank (BOAD, Banque Ouest-Africaine de Développement) (2013 to date) for internal capacity building on climate action and improved mainstreaming of climate risks and climate opportunities into the BOAD project portfolio. Both these capacity building and TA programmes were provided using EU donor funds and are being carried out in parallel to a line of credit to that regional bank.

Regarding the climate benefits alleged from intermediated operations, only operations that have specific eligibilities that fall in the Bank’s list of climate action activities, are accounted for as climate action lending. In many occasions, and after analysing the pipeline of operations from the financial intermediaries, only a percentage of the entire operation is classified as climate action.
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<td><strong>40</strong> Simplification of appraisal procedures</td>
<td>Some stakeholders have suggested the possibility to streamline the steps in climate finance allocation processes by the operating entities and simplify appraisal procedures. Together with increased TA this is considered that could be a starting point to tackle implementing limits (barriers to increase lending in particular regions).</td>
<td>CEZ Group, EuroACE</td>
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<td><strong>41</strong> Consultation process</td>
<td>The EIB should commit to at least one month period for the consultation between the moment the final draft policy is published and the adoption of the CA Strategy Paper by the EIB Board.</td>
<td>WWF</td>
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The due diligence procedures needs to achieve a balance between the information demands placed on clients and the need for sound professional due diligence. A professional due diligence exercise is systematically carried out by the EIB optimizing quality with stakeholders within a realistically time schedule throughout the project cycle, including monitoring. Outside the EU, the Bank was requested by the European Parliament and Council to reinforce its appraisal of environmental, social and development aspects of projects, including human rights and conflict related risks by promoting local consultation with public authorities and civil society.

The EIB seeks to apply the principle of proportionality and is open to discuss additional streamlining opportunities for its processes.

The Bank expects to publish the Draft Climate Strategy at least one month before its discussion at the Board and subsequent adoption.
## 10. Climate Action lending related methodologies

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<tr>
<td>42 EIB lending - GHG Methodology</td>
<td>Several stakeholders say that gathering project or sector level GHG results significantly enhance the Bank’s expertise in the field of low carbon technologies and that is one of the most practical measures to embed climate change issues in the decision making process. It decreases the information asymmetry and enables the Bank to tailor its products to the needs of its clients. This however, suffers from serious limitations. GHG emissions are a poor indicator of ‘climate performance’, as the reference usually considered with GHG emissions is the baseline trajectory, and not the targeted pathway of emissions. The GHG emissions from EIB lending should be assessed at a macro-level to see whether they are in line with a country’s decarbonisation target/ 2°C objective. An aggregated GHG emissions figure at Bank level can be interesting as a kind of annual absolute impact on climate, but it is difficult to determine whether it is a good or a bad outcome. The Bank should also have clear requirements for the project owner or its operators to regularly monitor and report their GHG emissions in accordance to established GHG accounting and reporting standards and increase the transparency of the companies involved in the project requesting disclosure of Scope 1, 2 &amp; 3 of their activities. It is also important to try to understand the overall impact of the bank’s activity beyond lending. Perhaps an approach could be</td>
<td>CEZ Group, WWF, 2°Investing, CAN, Bankwatch, Mott MacDonald, EGEC, CDP, Federal Govt of Germany, EGEC</td>
<td>The Bank has been calculating the GHG footprint of the projects it finances for six years and has developed significant experience in this period. The GHG footprint is used just as an appraisal tool and EIB agrees that quantifying the GHG emissions of an investment is not necessarily a sufficient indicator for the climate performance of an investment. It has to be recalled that the calculation of the carbon footprint of a project primarily serves to incorporate the cost of environmental externalities into the project cash flows (by multiplying the carbon emissions by a shadow cost of carbon). The probably limited additional value of the footprint is not considered a weakness of the methodology, because it can still be used to compare two different alternatives of a project. In addition, the carbon footprint of the investment is only one of the indicators for ‘climate performance’. The EIB has sector policies that can be used to exclude certain types of projects that are not in line with the transition to a low carbon economy. In addition there is also the climate action eligibility list which is also an indicator of the ‘climate performance’ of the project. This makes sure that not everything that saves GHG emissions is automatically counted as climate action. Regardless of the above, the suggestion for creating a baseline that is correlated to a 2°C pathway is interesting. The EIB is interested in exploring the possibilities for doing so and is open for suggestions. In the new Climate Strategy, the Bank commits itself to define high impact</td>
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developed for target-setting and reporting which is analogous to emissions reporting scopes under the GHG Protocol.

A number of stakeholders mention that the EIB should assess/report their emissions at a sector or country level. They state the following:

- Integrating a cost of carbon helps to inform decision-making at the project level but at the portfolio level decisions will need to be taken that reflect the contribution of projects to absolute and relative emissions targets, particularly as large investments in emissions intensive industries will skew the performance of the portfolio dramatically;

- The Bank project selection process should better assess project externalities by improving its greenhouse gas accounting methodology, and by assessing the Levelised Cost of Energy (LCOE), system costs and externalities (climate, human health) of all its energy-related funded projects.

Some stakeholders suggest improvements to the Bank’s GHG methodology:

- The EIB does not count the whole project’s CO2 emissions, but only a proportion according to how much of the project it financed although its financing often determines a project’s realisation.

- The Bank should review its climate policy by improving its greenhouse gas accounting methodology to include all greenhouse gases and particulate matter that also have serious impacts on climate and air quality.

projects and both the GHG methodology as well as the 2°C scenarios/roadmaps will be used to define this typology of projects (see section 1c of the EIB Climate Strategy).

The Bank agrees on the additional informational benefit of calculating scope 3 emissions, but this should be weighed against the resources and the information available. Currently, there is not enough data. This absence of data would require a large number of assumptions that would necessarily bring additional discretion or subjectivity to the methodology. When assessing the indirect emissions it is also difficult to establish the baseline or reference scenario and methodologies would need to be adopted for each sector. It might be more efficient to tackle investments with large scope 3 emissions (for example the production of vehicles with large emissions in the use phase) through a sector approach, through e.g. the transport screening and assessment criteria. The EIB is currently considering how to deal with emissions from the construction phase in the methodology. In the new Climate Strategy, the Bank proposes to give further consideration to life cycle and Scope 3 emissions.

Regarding the choices for baselines, the EIB methodology has adapted WRI’s GHG Protocol and uses as baseline the most likely alternative which can meet the required output in technical terms and is credible in terms of economic and regulatory requirements and not necessarily the most "environmentally, economically and socially sustainable option". The EIB is working on the harmonisation of the carbon footprinting methodology together with other IFIs and is planning to extend this to energy efficiency measures in power generation and other sectors.

Regarding intermediated lending, the Bank is aware of the need to look at its climate impact. However, such an exercise would have to be reasonable, workable and useful for financial intermediaries. For most of them it is difficult to obtain the required data from the final beneficiaries...
<table>
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<th>The EIB should improve its carbon footprinting methodology by accounting for Scope 3 emissions in relevant sectors, including emissions from the construction phase of projects and establishing the baseline as the most environmentally, economically and socially sustainable option; in particular, for gas pipelines, the exclusion of the actual combustion of the gas delivered by the new pipelines is negating the real impact of these investments.</th>
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<td>It is also necessary to cover EIB’s support to financial intermediaries with the carbon footprint methodology;</td>
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<tr>
<td>The EIB Climate Policy must include an obligation to periodically review Carbon Footprint Methodology.</td>
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and to provide sufficient capacity to do this. The EIB will develop a methodology to assess the climate impacts of intermediated lending together with the intermediaries. This approach should be focused on what they can reasonably deliver and / or on what can be reasonably justified and estimated.

The EIB is currently exploring the possibilities for using its aggregated GHG emissions and would be happy to discuss the possibilities with stakeholders.

EIB publishes both carbon footprint figures, the total emissions from the project and the proportion of emissions “financed”. The EIB includes the whole emissions of the investment on the Environmental and Social Datasheets (ESDS) and only takes the proportion of the emissions for determining the aggregated footprint of the bank. This is considered appropriate because this constitutes the Bank’s footprint. In addition, the bank doesn’t claim 100% of the emissions, but also not 100% of the savings/avoided emissions.

The carbon footprinting methodology of the EIB already includes the seven gases listed in the Kyoto Protocol, namely: carbon dioxide (CO2); methane (CH4); nitrous oxide (N2O); hydrofluorocarbons (HFCs); perfluorocarbons (PFCs); sulphur hexafluoride (SF6); and nitrogen trifluoride (NF3). The EIB is also looking into short-lived climate pollutants, even though it might not be opportune to include them in the carbon footprinting methodology. The EIB is also an active member of the Climate and Clean Air Coalition (CCAC).

There are currently no formal commitments to periodically update the carbon footprinting methodology. However, the emission factors of the methodology are updated every year and provide an opportunity to review the methodology. In addition, the developments in the IFI working group on harmonised GHG accounting leads to discussions that often forms the
| 43 | Tracking, monitoring and evaluation framework | Accompanying the individual investments there needs to be a rigorous monitoring and evaluation framework for climate mitigation and adaptation projects to ensure that they are serving the purpose, providing measurable benefits and not adversely impacting other sectors (i.e. biodiversity). Transparency around measurement of environmental impacts from its lending portfolio would help encourage other investors to follow suit and think strategically about how investments might be optimized for the maximum positive environmental effect. | Mott MacDonald, Kommunalkredit AT, CDP, GCCSI |

The Bank’s goal is to finance projects that deliver the expected objectives with the minimum adverse impacts, broadly understood, as possible. To this end, prior to consider their financing, individual investments are subject to a thorough due diligence process where environmental social and economic impacts are carefully assessed and where monitoring plans during implementation and operation are key integrate components of the appraisal. The Bank is working on new metrics and methodologies to try to incorporate better full impacts of projects in its appraisal due diligence.

Periodically, the internal Evaluation department of the Bank thoroughly reviews particular activities of the Bank and issue recommendations. Evaluation reports are publicly available at the Bank’s external website.