EUROPEAN INVESTMENT BANK (EIB) APPROACH TO SUPPORTING CLIMATE ACTION
UITP RESPONSE

Summary
It is in Europe’s economic self interest that the EIB scale up funding on public transport even without considering its climate benefits. The EU recognises the importance of stepping up ambition on climate action so it is essential that further investments are shifted to low carbon alternatives, such as new and existing public transport systems. By committing its real financial firepower to meet global and European climate challenges, the EIB can play a leading role at the Paris COP 21 and the implementation of the EU’s and international policy goals.

Introduction
Transport is responsible for around a quarter of EU greenhouse gas (GHG) emissions making it the second biggest greenhouse gas emitting sector after energy. Road transport alone contributes about one-fifth of the EU’s total emissions of carbon dioxide (CO₂). While emissions from other sectors are generally falling, those from transport have continued to increase largely due to increased emissions from private vehicles which is driven by investments which encourage more car use.

UITP welcomes the review of EIBs approach to climate action and support for low-carbon investment in public transport. UITP is of the view that the solution that public transport offers needs to be furthered by EIB lending. Public transport’s carbon footprint has an inverse relationship to the wider regions carbon footprint. This means that the GHG emissions will go down if public transport’s footprint increases, for example in large cities every additional tonne due to more public transport delivers a reduction of up to 7 tonnes of wider CO₂. By making mobility in cities more efficient and resilient, it also creates economic opportunities, enables trade, facilitates access to markets and services and makes efficient use of resources, especially since mobility is projected to increase in the future. As public transport forms the backbone of any efficient urban mobility system, adequate public transport provision helps make cities more dynamic and competitive as well as create more jobs. So given that cities are fundamental in meeting transport goals and public transport’s role in driving low carbon, resilient growth it must be at the forefront of EIB lending.
Invest to save with public transport

Long-term mobility patterns and future level of GHG emissions are determined by today’s transport investment choices. If we do not reduce emissions smartly now, we will have to reduce them by significant annual amounts later, which is more expensive to do. There is now a clear understanding that investment in public transport will have strong economic benefits for countries while helping to substantially reduce total costs. It is therefore in Europe’s economic self interest that the EIB scale up funding on public transport even without considering its climate benefits. Urban transformation through public transport, modal shift for passenger mobility, transport infrastructure supply and demand, or cross-sector policy integration, are key aspects that will determine how sustainable a country’s growth path will be in the long run and public transport can ensure that this path is a better low carbon one.

Doubling the market share of public transport by 2025 would meet the EU’s immediate climate objectives and ensure security of energy supply, but this will require a sufficient lending policy that is geared towards low carbon public transport. Existing urban public transport services need sufficient funding just to maintain current service levels and quality, for example the renewal of the old part of the bus fleet. Meanwhile, large-scale investments will be required in the future to upgrade and modernise existing infrastructure and fund new infrastructure projects to cater for the growing demands for public transport. The EIB’s decisions are therefore vital when it comes to funding public transport and the delivery of the EU’s policies. It is clear that it will need to scale up low carbon investments in public transport if climate and energy goals are to be met.

Emerging technologies

Electromobility is an area that will need special consideration in that developing electric public and private vehicles (EVs) alone is just part of the answer. The EV infrastructure and charging services market in Europe is still at an early stage of its development. However, more and more cities are setting up pilot projects to test EVs and related infrastructure, notably in the field of public transport. The EIB can support EV infrastructure promoters in various types of projects, ranging from pure research and development to manufacturing and the implementation of the related infrastructure but these investments are likely to be costly. It is important that improving the efficiency of one mode of transport does not divert attention away

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from the urgent need to develop a sustainable transport system in Europe that encourages a modal shift to public transport and avoids unnecessary travel.

**Roadmap for a low carbon transport future**

It is not clear whether the current target of a fixed 25% total lending policy to support climate action of which around 40% goes to sustainable transport projects, of which a smaller proportion is then directed at sustainable urban transport, is sufficient to meet the EU’s goals in the transport sector. The EIB should undertake an assessment to determine this.

The current system that carbon intensive modes of transport must ensure that mobility benefits outweighs climate costs is not sufficient and devalues benefits made by low carbon public transport, which also ensures enhanced mobility while delivering significant co-benefits. UITP recommends that the EIB undertake an assessment of its entire transport investment portfolio to determine whether its funding approach is sufficient to meet EU goals. There is a risk that treating climate action as a standalone silo within EIB lending will not be enough to meet the EU’s climate and energy objectives.

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. These EIB investments should go beyond looking at purely infrastructure investments, but they should look to ensure a more strategic, coordinated approach to intermodality within cities that can support modal shift to public transport more generally.

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.

**Engaging the private sector**

Being able to announce such a roadmap would provide confidence to the private sector where to invest in which will be essential to the delivery of the Europe’s new Investment Plan. In addition, creating clear revenue models for the operation of transport infrastructure and services will be important to incentivise the private sector to increase its engagement with the development and operation of low carbon public transport infrastructure and services.
Leadership and collaboration with other multilateral development banks (MDB)

The EIB recognises the importance of coordinated MDB action on ideas and financing on climate action. This commitment to lead by example was reaffirmed through a joint statement issued in advance of the United Nations Secretary-General’s UN Climate Summit on 23rd September 2014. The MDB commitment at Rio+20 to provide more than $175 billion to sustainable transport over the next decade is also a positive development.

The EIB can play a leading role in the promotion of the system wide avoid3-shift-improve approach to MDB transport lending as this would better support the international climate debate on sustainable transport lending. UITP also encourages the EIB to work with MDBs to build on their commitment at Rio+20 to help scale up sustainable transport lending so that the Sustainable Development Goals to be agreed can be realised, includes a proposed urban goal (11.2) which calls for “expanding public transport”. In the medium term, this has the potential to help countries realize the transport initiatives launched at the UN Climate Summit, which includes UITP’s goal to double the market share of public transport worldwide by 2025. These initiatives can help put the transport sector on a new track towards a low-carbon future and save trillions of dollars in fuel costs in the process. The International Energy Agency estimates that a shift to sustainable, low-carbon transport by the middle of the century could save governments, companies and individuals up to US$70 trillion.

EIB can play a leading role at COP21

The EIB, the biggest multilateral public bank in the world by lending volume, can and should play a leading at the Paris COP 21 meeting in December 2015. The EIB has the financial means and the policy tools to direct other market players in both the private and public sectors which will allow for accelerated and strong climate action.

In the build up to COP21, it is highly likely there will be an “emissions gap” between what countries pledge and what needs to be done to avoid dangerous climate change. This would lead to considerable pressure on countries to raise their commitments in the run up to Paris. There is a major risk that this will lead to a pessimistic message on the value of the climate talks as many countries will be

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3 Reduce and avoid demand for emission-intensive private transport modes while facilitating the increased mobility of people, goods and information and ensuring that efficient transport is devised around smart integrated infrastructure, connected public transport and mobility planning.
unable to come up with revised numbers in time given the nature of the policy making process.

By committing its real financial firepower to meet global and European climate challenges, the EIB can ensure that this year’s climate talks are seen as a success in that further climate mitigation can be realised to help countries increase the level of ambition pledged and beyond. By committing to a roadmap that all future investment in the transport sector will be geared towards low carbon investments, like public transport, it will highlight that the further mitigation action needed can be realised. Announcing this at the COP21 would provide a strong signal to the international community and help engage the private sector in contributing to the $100bn target of additional climate finance by 2020.