

Aligning the EIB Group's activities with the goals and principles of the Paris Agreement

Webinar 1 - Monday 23 March 2020 (13h30-15h00)

Summary of discussions

EXECUTIVE SUMMARY

Over 300 participants joined this webinar and exchanged with 7 experts from the European Investment Bank (EIB) Group¹ on its decision to align its activities with the goals and principles of the Paris Agreement. In practice, this means that while the EIB aims to increase the share of its financing dedicated to climate action and environmental sustainability to 50% by 2025, it also has to ensure that the other 50% is consistent with and does not undermine its climate mitigation and adaptation objectives.

The European Union (EU) has taken a leadership role with the adoption of a long-term climate strategy and the European Green Deal. We, as the EU Climate Bank, have to ensure that **our financing** is aligned with climate targets, help **our clients** reduce emissions and build climate change resilience, and **be transparent** about our activities and progress towards our goals.

A large spectrum of stakeholders, (including NGOs, corporates, consultants, and academics) took the floor to exchange with the panel. Here is a brief summary of the main topics discussed:

- The alignment of the EIB Group's Climate Bank Roadmap (CBR) with the **EU taxonomy**, which the EIB confirmed it supported as a powerful tool and common language for working with other banks.
- Requiring high-emitting clients to commit to **decarbonisation plans** and climate-friendly transitions before receiving EIB Group financing was also raised on several occasions. The question is, how should this transition take place and with what criteria?
- Similarly, some also believed that the EIB should rule out financing altogether for certain **high-emitting activities** from key sectors, such as transport and heavy industry. Another participant pointed out that low-carbon solutions are available at scale for all modes of transport and provide additional benefits in term of safety, pollution and sustainable development. The EIB should promote their implementation.

¹ The EIB Group is composed of the European Investment Bank (EIB) and the European Investment Fund (EIF).

- Several participants raised the need for the EIB Group to **increase its support for small, heterogeneous projects** and fill the investment gap for small- and medium-sized enterprises (SMEs) and innovation. The European Investment Fund (EIF) outlined its long-standing cooperation with over 600 funds and 550 banks and the types of advice and financing that can be provided to universities and start-ups to support innovation.
- The EIB's **activities in developing countries** was another area of interest for participants. Was the EIB going to be more ambitious than simply align with Nationally Determined Contributions (NDCs), or could it support the industrial development of countries struggling to implement the Paris Agreement? Whilst climate change is global, differences in local situations must be taken into account.
- Scaling up and rolling out **market solutions that reduce greenhouse (GHG) emissions** was another suggestion made, so that quicker and more significant emissions reductions could be achieved.
- Several participants proposed taking a **circular economy** approach, reducing demand and externalities in the economy. The EIB recalled that the circular economy is one of the key objectives of the EU taxonomy.
- In light of the current COVID-19 crisis, a participant asked how the EIB could ensure that recent **monetary policy** decisions and **stimulus packages** support the objectives of the Paris Agreement. In this regard, the EIB is actively helping financial intermediaries and investment funds make climate-friendly investment decisions.

The EIB invited stakeholders, in their formal contributions to this process, to, for example:

- indicate what the EIB should or should not do in order to **ensure that its operations are Paris-aligned**;
- confirm **what types of projects** the EIB should or should not finance and justify divergences from the EU taxonomy;
- suggest how to incentivise our private- and public-sector clients to focus on innovation that contributes to climate change and wider sustainability goals, and **what types of financial instruments** or support they would need from the EIB;
- elaborate on how the **transition of high-emitting clients** should take place and what criteria the EIB should apply to decide whether or not to finance a project;
- show how EIB could help **build capacity for business** to report against the EU taxonomy, which will be obligatory from 2022 onward; and
- make suggestions about how we can **make circular economy mainstream**, in sectors such as industry, transport and waste.

The EIB also took the opportunity to clarify that, from the end of this year, all its activities will have to be Paris-aligned, therefore all aspects related to GHG emissions, e.g. transport from a climate perspective, will be dealt with under the CBR. It is important for the EIB Group to have clear criteria that can be applied to monitor progress towards climate action and environmental sustainability targets.

The EIB Group would like to thank all participants for their active participation and their continued support on this important topic.

FULL REPORT

The European Investment Bank (EIB) Group welcomed the over 300 webinar participants and informed them that the slides, videos and a summary of the webinar will be uploaded on the dedicated stakeholder engagement web page.² Statements made during the webinar will not be attributed to individuals unless expressly requested.

EIB **Vice-President Emma Navarro** delivered a **welcome address**. She thanked participants for joining the webinar and explained that the coronavirus crisis prevented the EIB from holding an in person event as planned. However, and while we are focusing on the immediate actions to respond to the current health crisis, the EIB does not forget the climate crisis. A healthy environment is the basis for a healthy and resilient society. Vice-President Navarro recalled the EIB's environmental and climate commitments³ and the collaboration with the European Commission to sustain the transition to a low-carbon, climate neutral economy by 2050. The purpose of this stakeholder engagement is to listen to our stakeholders, discuss the key questions that we face as we pursue this goal, and receive their written contributions to the EIB Group's Climate Bank Roadmap (CBR).

Following Vice-President Navarro's address, the EIB reiterated that today's coronavirus crisis reinforced our conviction that we **need to act quickly and decisively** to address tomorrow's climate crisis.

Why does the EIB have a special role to play in tackling the climate crisis? For several reasons. We have to replace most of our capital stock. The enormous amount of capital needed to address climate change requires cooperation among financiers. We must support innovation. We are leaders in climate action and are determined to uphold a high level of ambition in this area.

The EIB Energy Lending Policy demonstrated that **cooperation with stakeholders** delivers great results. We look forward to effective cooperation on the CBR too.

The EIB aims to increase the share of its financing dedicated to climate action and environmental sustainability to 50% by 2025. At the same time, we have to ensure that the other 50% is consistent with our climate goals – this is what we refer to as **“Paris alignment”**. We would like to hear from you what we should or should not do in order to ensure that these operations are Paris aligned.

The EIB outlined the practical arrangements for the stakeholder engagement, notably the **key milestones** of 24 April – first deadline for contributions, end-May – stakeholder

² <https://www.eib.org/en/about/partners/cso/consultations/item/cb-roadmap-stakeholder-engagement>

³ <https://www.eib.org/en/press/all/2019-313-eu-bank-launches-ambitious-new-climate-strategy-and-energy-lending-policy>

engagement event, and 12 June – final deadline for contributions.⁴ The expectation is that the CBR will be submitted to the EIB Board of Directors in September-October with a view to be presented at the COP26 in Glasgow in November 2020.

The EIB recalled its **earlier work on climate**. We were early adopters of climate finance targets, climate footprint methodologies and commitments to offset our own emissions. In 2015 we adopted, following public consultation, the EIB Climate Strategy.⁵ We have worked intensely with multilateral development banks (MDBs) and in Paris we stepped up our climate finance commitments.

The latest available evidence shows that **greenhouse gas (GHG) emissions must be reduced steeply within this critical decade**.

The European Union (EU) has taken a leadership role with the adoption of a long-term climate strategy and the European Green Deal. We, as the EU Climate Bank, have to ensure that **our financing** is aligned with climate targets, help **our clients** reduce emissions and build climate change resilience, and **be transparent** about our activities and progress towards our goals.

Paris alignment implies consistency across activities and objectives. In addition to the 50% climate finance, we must ensure that all our activities are compatible with the 1.5°C degree target, are climate resilient, support a just transition and comply with our environmental and social standards.

We must not forget that, **in certain sectors, rapid reductions in GHG emissions are extremely difficult to achieve**. Yet, delaying action would require more reliance on negative emissions technologies in the future. Reforestation can sequester carbon dioxide from the atmosphere, but we should not bet that other **negative emissions technologies** will become available soon enough and at large enough scale.

As the floor opened for discussion, a participant working for a sustainability company suggested that the **EIB CBR should be aligned to the EU taxonomy** for sustainable activities. The EIB confirmed the Bank's support for the taxonomy, which provides a powerful tool and common language for working with other banks. Moreover, the taxonomy establishes the important principle that, while you pursue an objective, you should not undermine others. The EIB implements this principle by ensuring that our climate action is consistent with our environmental and social objectives, for example in relation to biodiversity, circular economy, sustainable water use and pollution. At the same time, the CBR has a broader scope than the EU taxonomy in terms of objectives and economic sectors.

A participant representing a climate change consultancy noted that there is an investment gap for buildings, small- and medium-sized enterprises (SMEs) and innovation. Can the EIB **support small, heterogeneous projects** that are required to achieve a carbon neutral economy?

⁴ You can find an overview of the process on the dedicated stakeholder engagement web page: <https://www.eib.org/en/about/partners/cso/consultations/item/cb-roadmap-stakeholder-engagement>

⁵ <https://www.eib.org/en/publications/eib-climate-strategy>

The EIF recalled our long-standing cooperation with over 600 funds and 550 banks that support **investments in SMEs and smaller projects**. We are engaging with them to help design targeted products. At the same time, we are developing due diligence and monitoring approaches that are adapted to small projects, for example in the fields of energy efficiency and housing. To support innovation, we provide universities and start-ups with advice and financing and are exploring how we can create continuous ecosystems that promote **research, start-ups and growth** to global companies.

Innovation is one of the key priorities for the EIB too. We face two main questions – how to incentivise our private- and public-sector clients to focus on innovation that contributes to climate and sustainability goals, and what types of financial instruments or support they would need from the EIB. We would welcome feedback from stakeholders in these regards.

We must **help small clients access the available financing facilities**. Our advisory work under programmes such as the European Local Energy Assistance (ELENA) and the Smart Finance for Smart Buildings initiative indicates that project promoters need more than long-term finance on competitive terms. They need technical advice and financial support that combines reimbursable loan with non-reimbursable grant funding.

A participant representing green political parties suggested that the EIB should broaden the scope of the CBR to also cover **sustainable development goals (SDGs)**. The EIB agreed we must look at climate through the lens of environmental and social sustainability. Paris alignment and support for SDGs are not contradictory but synergistic objectives. At the same time, there is benefit in the CBR focusing on climate, as emissions reductions and climate resilience are necessary conditions to achieve SDGs.

Several participants from environmental non-governmental organisations (NGOs) proposed that the EIB should **require high-carbon clients to commit to decarbonisation plans**. The EIB explained that we need to discuss with companies, particularly those that rely heavily on fossil fuels, to help their climate friendly transition. The questions are how that transition should take place and what criteria the EIB should apply to decide whether or not to finance a project.

A private-sector participant asked how to ensure that recent **monetary policy** decisions and **stimulus packages** support the objectives of the Paris Agreement. In this regard, the EIB is actively helping financial intermediaries and investment funds make climate friendly investment decisions.

A representative of development and humanitarian agencies highlighted the importance of **adaptation** to climate change. The EIB recalled that it uses a climate risk assessment tool to identify and mitigate risks of individual projects. At the same time, the EIB actively engages governments in more vulnerable regions to support adaptation to climate change.

The question was also raised if, in its activities in **developing countries**, the EIB will merely align to **nationally determined contributions (NDCs)** or pursue more ambitious objectives. The EIB acknowledged that NDCs put forward so far are not

sufficient to reach the targets of the Paris Agreement. The EIB aims to promote cost-effective low-carbon technologies to help developing countries leapfrog to sustainable development. However, while some technologies have global applicability, others do not. For example, it is difficult to electrify transport in a country that lacks the necessary electricity infrastructure. Climate is a global commons, but we must take into account differences in local situations.

An NGO representative proposed that the CBR should explicitly **rule out EIB financing for certain high-carbon activities from key sectors, such as transport and heavy industry**. Another participant stated that low-carbon solutions are available at scale for all modes of transport and provide additional benefits in term of safety, pollution and sustainable development. The EIB should promote their implementation. The EIB invited stakeholders to indicate what projects the EIB should or should not finance and justify divergences from the EU taxonomy.

A representative of universities highlighted that EU research and innovation facilities have helped **develop and bring to market solutions that reduce GHG emissions**. The EIB should contribute to rolling out and scaling up these solutions, so quicker and more significant emissions reductions can be achieved.

A representative of a development NGO suggested that the EIB should help **developing countries** for which it is more difficult to implement the Paris Agreement by supporting their industrial development.

Another participant noted that better monitoring of the impact of small-scale projects such as **energy efficiency improvements in buildings** could help identify the best performing approaches on which to focus investments. The EIB explained that both the Bank and the EIF already work with financial intermediaries and national banks to identify and promote good practices. The monitoring and reporting approach, e.g. at portfolio level, should send the right incentives to project promoters without placing a disproportionate burden upon small projects.

A representative of an environmental NGO enquired about the **relationship between the CBR and EIB's sectoral lending policies**, for example on transport. The EIB clarified that from the end of this year all our activities will have to be Paris aligned, therefore all aspects related to GHG emissions, e.g. transport from a climate perspective, will be dealt with under the CBR. It is important for us to have clear criteria that we can apply to monitor progress towards climate targets.

Several participants proposed taking a **circular economy** approach, reducing demand and externalities in the economy. The EIB recalled that the circular economy is one of the key objectives of the EU taxonomy. While it is important to reduce demand in the power sector, a broader approach that considers whole value chains is more relevant for other sectors. The EIB has adopted a Circular Economy Guide⁶ and contributed to the EU taxonomy through the circular economy working group. The EIB welcomes suggestions from stakeholders about how we can make circular economy mainstream, in sectors such as industry, transport and waste.

⁶ <https://www.eib.org/en/publications/the-eib-in-the-circular-economy-guide>

A participant shared his firm's experience about **applying the EU taxonomy to a business**. Eventually, companies will have to consider the implications of such an analysis on their activities, business decisions and financial results. The EIB recalled that companies will have to start reporting against the taxonomy from 2022. It is necessary to build capacity, as reporting requirements are different from environmental, social and governance (ESG) frameworks. The EIB is interested to hear how we can help.

In closing the webinar, the EIB thanked attendees for their participation and constructive comments. The fact that we are holding these webinars despite the challenging circumstances shows our commitment to climate objectives, transparency and dialogue with stakeholders. We therefore **look forward to receiving written contributions** to this stakeholder engagement initiative.⁷

⁷ You can find the key questions and submit your contribution on the dedicated stakeholder engagement web page: <https://www.eib.org/en/about/partners/cso/consultations/item/cb-roadmap-stakeholder-engagement>