

Increasing environmental sustainability investments and leaving no one behind

Webinar 4 - Thursday 26 March 2020 (15h30-17h00)

Summary of discussions

EXECUTIVE SUMMARY

Over 200 participants joined this webinar and exchanged with 9 EIB Group¹ experts on environmental and social (E&S) sustainability. Research on planetary boundaries shows that the biosphere and geochemical boundaries have already been exceeded. Climate change can cause major biodiversity loss. For the World Economic Forum, environmental risks are the five most important long-term risks to the economy. Biodiversity loss is at the top of the list.

The Paris Agreement takes into account the need for a “just transition” and states that Climate Action needs to not only respect but also promote a range of human rights, including but not limited to gender equality, the rights of indigenous peoples, local communities, migrants and children. While it is critical to accelerate inclusive Climate Action to secure peoples incomes, food and water security, gender equality and avoid health impacts, forced migration and conflicts it is also essential to ensure the creation of “decent work” and “quality jobs” in transition regions.

It is therefore clear that **action on climate change must promote E&S sustainability** more broadly. Depending on how climate mitigation and adaptation projects are designed and carried out, they may have positive effects, known as synergies, or negative effects, known as trade-offs, on social development and other SDGs (IPCC, 2018).

The EIB Group takes a **holistic approach to E&S sustainability, of which climate change is an integral part**. This is in line with the 2030 Agenda for Sustainable Development (2030 Agenda), the Sustainable Development Goals (SDGs), the Paris Agreement and the European Green Deal.

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

- the need for **behavioural changes by individuals**, through investment operations, and the need to take a **holistic approach**;

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

- the potential for **off-grid electrification in developing countries** to improve energy access, with wider socio-economic benefits, for rural communities while reducing greenhouse gas (GHG) emissions;
- **nature-based solutions'** capacity to achieve synergies between climate change and biodiversity;
- supporting all socio-economic dimensions of the **'just transition' not only inside but also outside the EU**;
- working closely with **regions and municipalities** to combine different types of urban plans, as well as bottom-up plans which bring together local authorities, business and civil society organisations;
- **the need for additional financial and human resources**, with appropriate skills, to implement and enforce the EIB's holistic E&S approach;
- the specific situation of the **heating sector**, and the importance of rolling out low-carbon solutions immediately to avoid 'lock-in' scenarios;

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 200 webinar participants and informed them that the slides, videos and 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 outlined the practical arrangements for the stakeholder engagement, notably the **key milestones** of 24 April – first deadline for contributions, end-May – stakeholder 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 being presented at the COP26 in Glasgow in November 2020.

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>

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>

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. Significant capital stock must be replaced. 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.

This webinar was dedicated to environmental and social (E&S) sustainability. Research on planetary boundaries shows that the biosphere and geochemical boundaries have already been exceeded. Climate change can cause major biodiversity loss. For the World Economic Forum, environmental risks are the five most important long-term risks to the economy. Biodiversity loss is at the top of the list. All this means that humanity is destroying the natural environment and food chains on which it depends.

The Paris Agreement takes into account the need for a "just transition" and states that Climate Action needs to not only respect but also promote a range of human rights, including but not limited to gender equality, the rights of indigenous peoples, local communities, migrants and children. While it is critical to accelerate inclusive Climate Action to secure peoples incomes, food and water security, gender equality and avoid health impacts, forced migration and conflicts it is also essential to ensure the creation of "decent work" and "quality jobs" in transition regions.

It is therefore clear that **action on climate must promote E&S sustainability** more broadly. Depending on how climate mitigation and adaptation projects are designed and carried out, they may have positive effects, known as synergies, or negative effects, known as trade-offs, on social development and other SDGs (IPCC, 2018).

The EIB Group takes a **holistic approach to E&S sustainability, of which climate is an integral part**. This is in line with the 2030 Agenda for Sustainable Development (2030 Agenda), the Sustainable Development Goals (SDGs), the Paris Agreement and the European Green Deal.

We pursue this approach through **sustainable finance**. Our E&S standards guide our investment decisions. Our counterparts have to comply with relevant standards. We want to enhance our due diligence, monitoring and reporting systems, our transparency and accountability. We also want to promote a positive agenda, providing finance and mobilising resources in favour of operations that deliver positive climate, environment and social impacts.

We have set ourselves the **ambitious target of investing €30-35bn per year in climate action and environmental sustainability** projects. The Paris Agreement and

the EU taxonomy for sustainable activities emphasise that climate action should promote a range of human rights. We are therefore developing an operational approach to promote synergies between climate action, environmental sustainability, social development and a socially fair transition. We are working closely with our Projects Directorate and Advisory Services to promote a **just transition** in which environmental damage is repaired, key transport and communication infrastructure is built, affected regions attract new activities, jobs are created and workers are supported through retraining, upscaling and counselling.

As the floor opens for discussion, a participant highlighted that protecting the environment and reducing greenhouse gas (GHG) emissions require **behavioural changes by individuals**. The EIB explained that we work with our counterparts to find ways to support behavioural change. For example, in urban projects, we take a multi-sector approach, promoting cycling and walking. Our advisory services promote awareness raising and training to ensure that local people understand the projects and contribute to their success. The EIF actively engages with social impact funds and has experimented with linking financial incentives to social performance.

A participant active in the energy sector noted that **off-grid electrification in developing countries** has great potential to improve energy access while reducing GHG emissions. The EIB agreed that renewable off-grid solutions are important climate actions that can also help address poverty and gender equality issues in developing markets. Their success often depends on aggregation. We are involved in several relevant initiatives, such as the Renewable Energy Performance Platform and D-Light with pay-as-you-go schemes that help people access clean energy and reduce their dependence on biofuels.

A representative of green political parties recommended that **the EIB Group's standards should be aligned to the 2030 Agenda, the Paris Agreement and the European Green Deal**. The EIB confirmed that we aim to achieve the necessary alignment as part of the review of our E&S framework, which will include a public consultation.

It was also suggested that **nature-based solutions can achieve synergy between climate and biodiversity**. The EIB explained that, together with the European Commission, we are supporting nature-based solutions through the Natural Capital Financing Facility (NCFF).⁵ While the NCFF is of limited size, it has given us precious experience with nature-based solutions and demonstrated their viability.

Another participant asked how the EIB Group will support **just transition outside the EU**. The EIB explained that efforts have so far focused primarily on the EU and rely on EU grants as well as EIB loans.

A specific question concerned **partnerships with small island states**. The EIB explained that, in these regions, there can be both synergies and trade-offs between environmental and social needs. For example, there may be interest in developing a water desalination plant, which is energy intensive, to provide drinking water. On the other hand, people's incomes and livelihoods in small island states are heavily

⁵ <https://www.eib.org/en/products/blending/ncff/index.htm>

dependent on the environment and natural resources and halting climate change is essential to secure those. It is therefore important to take a holistic approach – you cannot separate social development, climate action and environmental sustainability.

A participant suggested that the EIB Group should **work closely with regions and municipalities**. The EIB explained that, when working on just transition, we promote comprehensive strategies for the future development of the region. Often, E&S rehabilitation is a key component of these strategies. East Germany provides good examples in this regard. Within the context of the Coal Regions in Transition Initiative, our advisory services support eight Member States through project advice, technical assistance and funding.

A representative of development and environmental non-governmental organisations (NGOs) suggested that the EIB Group may need additional **financial and human resources to implement and enforce its holistic E&S approach**. The EIB explained that we have excellent expertise in house, but will monitor if any gap appears as we progress on our work. We are also considering how best to allocate limited resources and potentially procure additional funds.

Another participant representing environmental NGOs suggested that **bottom-up plans bringing together local authorities, business and civil society organisations** are key for the just transition. He also highlighted that regions need tangible results quickly – they cannot rely on long-term solutions only. The EIB shared its experience in transition regions, which shows that a whole of government approach is necessary to plan and cover the cost of the transition. The key principles of fair treatment of regions and subsidiarity should be followed. The EIB acknowledges that ensuring ownership of lower levels of government and local stakeholders in shaping transition plans increases the probability of a successful transition.

Several participants shared views on the **heating sector**. They included replacing coal with renewable energy sources, without relying on natural gas as a transition fuel; using waste heat for district heating and cooling in urban areas and heat pumps in rural ones; using heating demand maps to plan infrastructure. The EIB explained that both energy efficiency improvements and low-carbon heating sources are important. The EIB agrees that it is desirable to roll out low-carbon solutions immediately. When highly energy efficient gas boilers are used as a temporary solution, the EIB encourages clients to plan for low-carbon heating solutions as a next step. This approach avoids lock-in while ensuring continuity of heat supply. Our advisory services assist clients in developing fast-track solutions to decarbonise heating.

A representative of local governments also shared experience with **combining different types of urban plans** (e.g. on mobility, energy, climate) to deliver greater impacts and benefits.

A participant asked **what kind of entrepreneurship the EIB Group promotes**. The EIF outlined our work to create ecosystems to develop a good idea from university through start-up to global company. We want to extend this experience from the life sciences and digital economy sectors to the green economy. We need to build scale and find enough entrepreneurs to take that up. The EIB also highlighted the importance of female entrepreneurship, which we support through dedicated credit lines and

technical assistance for financial intermediaries to better serve female clients in Europe and beyond.

Another participant noted that **short-term pollutants**, such as black carbon and methane, have a negative impact on air quality and sustainable development. The EIB agreed that tackling short-term pollutants is a win-win solution for climate and development. We are currently assessing how to better address this issue.

The suggestion was also made that **the EIB Group could help build the capacity of financial institutions on sustainability**. The EIB explained that capacity building is one of the main priorities of the advisory services we provide to financial institutions, governments and other counterparts. We are keen to share our experience and do so at different levels of government and in different areas. We do not support only environment ministries, but also finance ministers, for example on green budget and public procurement.

A participant working for a sustainability consultancy welcomed **the EIB Group's focus on social aspects of climate change**, which are often not emphasised as much as the environmental ones. He noted a specific challenge with the **rights of indigenous peoples (IPs)** – the term can have different meanings in different places. The EIB agreed that it is important to clarify the definition of IPs. This is one of the considerations in for the review of our E&S standards, together with guidance on IPs engagement. The EIB has recently also published a guidance note on the Engagement of Indigenous People and Local Communities in the Arctic as one step in this process.

A representative of environmental NGOs stated that the **application of E&S standards** should be improved by clarifying the applicable rules for projects promoters, by more in-depth monitoring and by increasing transparency towards local stakeholders and project-affected people. The EIB recalled that it plans to review its E&S standards with a view to adopting an EIB Group E&S sustainability policy. One of the main objectives is to make the requirements clearer for counterparts, avoiding duplications and overlaps. Dedicated rules for financial intermediaries are also envisaged. An enhanced due diligence process, covering the whole project life cycle, is intended to further reinforce monitoring and reporting.

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.⁶

⁶ 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>