EIB’s approach to supporting climate action

Public Consultation Meeting

Brussels, 12th February 2015
## Agenda

<table>
<thead>
<tr>
<th>Time</th>
<th>Event</th>
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<tbody>
<tr>
<td>10:00 – 10:15</td>
<td>Welcome address by Jonathan Taylor, Vice-President, European Investment Bank</td>
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<tr>
<td>10:15 – 11:00</td>
<td>Presentation of the Bank’s approach to supporting climate action and key issues for consultation</td>
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<tr>
<td>11:00 – 12:30</td>
<td>Open session for questions and comments</td>
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<tr>
<td>12:30 – 14:00</td>
<td>Networking lunch</td>
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Public consultation - Timetable

12th January 2015
Launch of the public consultation and publication of information on the EIB website

16th March 2015
Deadline for submission of written comments

3Q2015
Approval of the Bank’s climate action strategic orientations by EIB’s Board of Directors and publication of Consultation Report on EIB website
Reference framework

Art. 11 of TFEU / Treaty of Lisbon

Charter of Fundamental Rights of the EU

International best practices

EIB Statement of Environmental and Social Principles and Standards (2009)

Highest-level framework of the EIB articulating commitment to environmental and social sustainability
Climate Change Mitigation

- **2007**: Energy Action Plan – ambitious 20-20-20 targets to be attained by 2020
- **2011**: Roadmap for moving to a competitive low carbon economy by 2050
- **2014**: *2030 framework for climate and energy policies* - adopted by EU Council on 24th October

### GHG emissions reduction
- **2020**: 20%

### Renewable Energy
- **2020**: 20%

### Energy Efficiency
- **2020**: 20%

### 2030
- **40%**: Binding target at EU level
- **Reform of EU emissions trading system (ETS)**

### Climate Change Adaptation
- **2013**: EU Adaptation Strategy

- **27%**: Binding target at EU level
- **Indicative target at EU level**
To **integrate** climate considerations effectively into all EIB activities and practices

To **catalyse** private sector financial flows using EIB financial leverage and capacity to innovate.

To provide a range of **climate finance** solutions, for both mitigation and adaptation purposes, as part of the EU response to the climate challenge.

To **engage** constructively with a wide range of external stakeholders
Mainstreaming Climate Action

Ranking EIB portfolio by GHG emissions

Low carbon  Carbon intensive

Support to climate action projects

Integration of climate aspects into all Investment Projects (environmental due diligence, carbon foot-printing, economic assessment incl. shadow price of carbon, climate resilience)

Additional safeguards for carbon intensive projects
**Mainstreaming climate action – portfolio level**

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Renewable Energy</td>
<td>Electricity, heat or fuel production from renewable sources, related component manufacturing facilities and associated infrastructure.</td>
</tr>
<tr>
<td>Energy Efficiency</td>
<td>Projects justified on the basis of cost-benefit analysis – NPV of cost of the project over its life &lt; NPV of energy saved, incl. externalities.</td>
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<tr>
<td>Sustainable Transport</td>
<td>Transport projects resulting in reduction of GHG emissions through modal shift and/or more efficient operation in a single mode.</td>
</tr>
<tr>
<td>Forestry and Land Use</td>
<td>Biological sequestration projects that sequester or conserve CO₂-equivalent.</td>
</tr>
<tr>
<td>Research, Development &amp; Innovation</td>
<td>RDI activities in areas of energy efficiency and low-carbon technologies, including deployment of breakthrough innovation.</td>
</tr>
<tr>
<td>Adaptation</td>
<td>Projects and/or measures to increase climate resilience of vulnerable infrastructure/areas, such as e.g. flood control, drought management.</td>
</tr>
<tr>
<td>GHG capture or avoidance</td>
<td>Projects with demonstrable substantial reductions in GHG emissions, e.g. methane capture or avoidance projects from waste water treatment.</td>
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Mainstreaming climate action - sector level

Adoption of **sector lending policies** guiding project selection towards climate-friendly investments

- **Energy**: prioritisation of renewable energy, energy efficiency; introduction of Emissions Performance Standard for fossil fuel generation

- **Transport**: prioritisation of railways, inland waterways, maritime projects and urban transport + RDI in automotive for cleaner vehicles. High ERR requirement for motorways and airports

- **Water**: focus on water efficiency, demand-side management (DSM) and leakage reduction, reducing the need for carbon-intensive water treatment and pumping. Specific requirements for desalination plants.

- **Heavy industry**: application of BAT resulting in emission limit values and energy consumption in line with EU directives
Climate considerations are being progressively integrated into all of the EIB’s operations and internal processes.

- Assessing the project’s carbon footprint
- Incorporating in the project’s analysis the economic cost of carbon
- Systematic screening for climate change vulnerability
- Identifying energy efficiency opportunities (energy audits)
- Building staff awareness, capacity and expertise
- Carbon credit potential assessment
EIB Climate Action

EIB climate action loan signatures
(in EUR m and percentage of total annual loan signatures)

Total signed for climate action in 2009-2013: EUR 88bn
EIB Climate Action Lending 2009-2013 outside EU (bn EUR)

- South Africa: 39%
- Russia, E.Europe, Sth. Caucasus: 22%
- Pre Accession countries: 21%
- Mediterranean countries: 10%
- Asia and Latin America: 58%
- ACP States and OCT: 12%
Engaging with external stakeholders

Common interest in and shared responsibility for coordinated climate action

- UN Sustainable Energy For All (SE4ALL) initiative
- EIB Observer status at the UNFCCC Conference of Parties meetings
- Member of CCAC - Climate and Clean Air Coalition
- Green Climate Fund

Information disclosure

- EIB Transparency Policy – Information disclosure
- Public consultations of relevant sector policies
- Climate-related performance of projects (ESDS, GHG footprint, …)
The EIB has an extensive range of instruments to finance public and private sectors at investment and sub-investment grades of risk to its disposal.
Innovative climate finance products

In addition to the more traditional financing products, EIB offers a number of innovative climate finance products coupled with technical and financial advice to engage the private sectors to provide:

- **Flexibility** in terms of broader eligibility of expenditure and in the use of funds for equity, debt and guarantee investment

- **Leverage effect** - encouraging private and public sector commitment of investment, project implementation and management experience

- **Catalytic effect** - enhancing the investment market complements other initiatives and additional sources of funding (including institutional investors)

- **Expertise and creativity** - our expertise and rigorous due diligence help meet the highest standards.
Core climate finance products & structures

- Equity funds - clean energy, carbon and environmental assets - multiple funds
- Structured finance - layered/institutional funds, credit enhancement, securitisation - GGF, EEEF
- Loan substitutes
- Natural Capital Financing Facility
- Energy Efficiency - DEEP Green/PF4EE
EIB Climate Awareness Bonds – key features

- Scale: Leading Green Bond issuer in 2014 (EUR 4.3bn)
- Liquidity: Largest green bond (EUR 2.6bn), liquid size in USD and GBP
- Capacity: Large flow of climate action lending
- Green Bond curve in EUR: two references in 5- and 12-yr tenors
- Clear sector focus: Projects in Renewable Energy and Energy Efficiency
- Quality: Project due diligence expertise, applying high EU standards
- Transparency: Detailed reporting on use of proceeds (audited sustainability report + dedicated newsletter) and policies (required as Aarhus signatory). Project impact reporting under development
- Verification / audit: external audit of reporting on the use of proceeds
- Exposure to EIB credit, not projects: CABs rated pari passu with other EIB bonds (AAA/Aaa/AAA)
- No premium charged - priced like other EIB bonds of same size & maturity
- Open to SRI and mainstream investors
Climate Awareness Bond issuance

- EIB - one of the largest issuers of green bonds with EUR 7.6bn equiv. raised to date
- 2014: first EIB CAB in USD (USD 1bn), GBP (GBP 500m), CHF and JPY
- EUR CAB due 11/2019 - largest outstanding green bond in the market (at EUR 2.6bn)
- Building the Green Bond curve in EUR - new point reference at the long end (EUR 1bn due 2026)

**Outstanding environmental bonds issued by MDBs (size > USD 100m)**

- EIB - one of the largest issuers of green bonds with EUR 7.6bn equiv. raised to date
- 2014: first EIB CAB in USD (USD 1bn), GBP (GBP 500m), CHF and JPY
- EUR CAB due 11/2019 - largest outstanding green bond in the market (at EUR 2.6bn)
- Building the Green Bond curve in EUR - new point reference at the long end (EUR 1bn due 2026)

**EIB CAB issuance by currency**

- EUR 55%
- SEK 13%
- USD 10%
- GBP 8%
- CHF 4%
- ZAR 4%
- JPY 1%
- TRY 1%
- BRL (JPY) 2%
- AUD 2%
- AFDB 5%
- ADB 2%
- NIB 5%
- IBRD 23%
- EIB 48%

**Source:** market data collected by Credit Agricole CIB; as of 20 January 2015
To integrate climate considerations effectively into all EIB activities and practices.

To catalyse private sector financial flows using EIB financial leverage and capacity to innovate.

To provide a range of climate finance solutions, for both mitigation and adaptation purposes, as part of the EU response to the climate challenge.

To engage constructively with a wide range of external stakeholders.

Climate is a key element of sustainable development, alongside other environmental, social and economic issues which together impact upon communities, vital ecosystems and international stability. Climate change and the associated increase in extreme weather variability is a major international challenge of the 21st century.

Dealing with climate change is one of the keys to achieving environmental sustainability and the overarching goal of sustainable development.

The European Union (EU) is a leader on climate action. As the EU bank owned by the Member States, the European Investment Bank (EIB) considers climate action to be of strategic importance and its activities, both within and outside Europe, support the climate policy set by the EU.

The consequences of climate change will have serious social and economic impacts in the EU and globally in the coming decades. Growth and development gains made in both developed and developing countries may be put at risk by climate change. To counter this, the EIB applies an ambitious and comprehensive approach to climate change, as part of its overall sustainability framework.

This “Statement on Climate Action” presents the EIB’s objectives and approaches in support of EU leadership on climate issues. The Statement guides EIB activities today and will continue doing so in the future.
EIB’s approach to supporting climate action

Key issues for discussion
Key issues for discussion – EIB lending

Theme 1
Is a volume-based lending target appropriate? How should the lending target evolve with global policy development? Is the current list of climate action eligible projects adequate?

Theme 3
How can the Bank increase its support for European RDI and emerging low carbon technologies? How can energy-intensive industries be best supported?

Theme 5
How can GHG better inform the Bank’s internal decision-making? The integration of a price of carbon, does it reflect issues such as carbon lock-in? How can the Bank further improve cross sectoral EE and resilience?
Key issues for discussion – EIB catalysing, blending and advising roles

Theme 2

How can the Bank further improve the solutions it is providing to foster climate resilient low carbon growth, both within and outside the EU?

EIB role for technical assistance and increased channeling of EU grants?

Theme 4

How can the EIB attract private sector investment?

What sort of financing structures?

Is the current EIB product portfolio appropriate to meet climate finance needs?

How can the Bank best employ the joint EC-EIB blending and advisory services in support of climate action?
Key issues for discussion – Engaging

Theme 6
How can the Bank improve its outreach on climate action issues to civil society, think-tanks, academia and the business community?

Theme 7
How could the Bank develop its international leadership and collaboration further to support the global climate finance debate?

What partnerships should the Bank develop in support to mitigation and adaptation projects in low and middle-income countries?
EIB’s approach to supporting climate action

Q & A
Thank you
Conservative thresholds for the selection of projects

Energy sector – selection of fossil fuel generation projects based on an Emissions Performance Standard – EPS (> 550 gCO₂/kWh-e) – established in July 2013

EIB Energy Lending Criteria: [http://www.eib.org/infocentre/publications/all/eib-energy-lending-criteria.htm](http://www.eib.org/infocentre/publications/all/eib-energy-lending-criteria.htm)
Conservative thresholds for the evaluation of projects

- Economic appraisal of projects to include benefits for society at large
- Accounting for environmental externalities through incorporation of an *economic price of carbon*, which converts future GHG emissions into euros
- Economic price of carbon - not market-based; penalising highly carbon-intensive technologies

3 scenarios for economic price of carbon (in constant 2006 EUR/tCO₂eq)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Value 2010 emission</th>
<th>Value 2030 emission</th>
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<tbody>
<tr>
<td>High</td>
<td>40</td>
<td>80</td>
</tr>
<tr>
<td>Base</td>
<td>25</td>
<td>45</td>
</tr>
<tr>
<td>Low</td>
<td>10</td>
<td>15</td>
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High scenario used for mature RE technologies

EIB - only IFI to consistently incorporate economic price of carbon in appraisal of all projects