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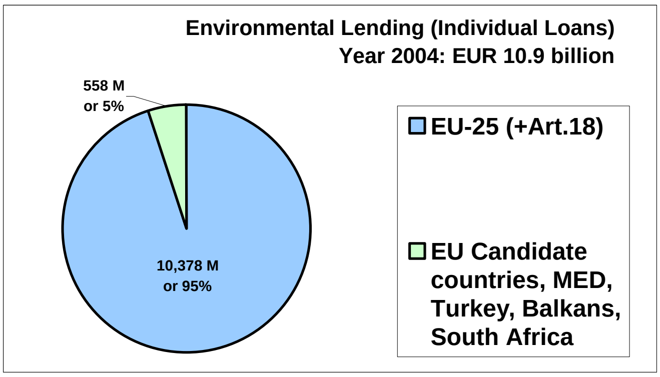
The EIB's environmental activities in 2004

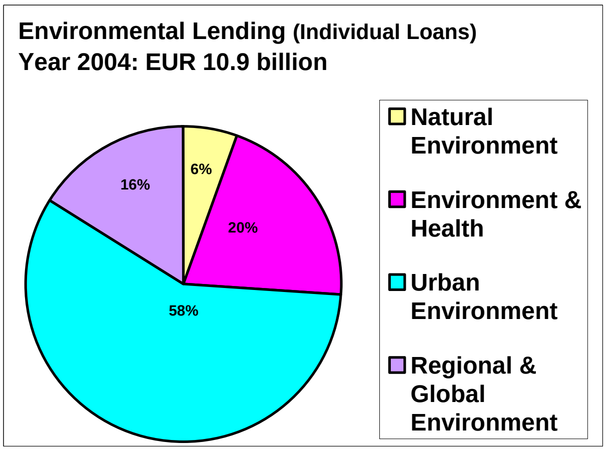
Overall consolidation of environmental lending

In 2004, the EIB's *individual loans*[1] for investment projects driven by environmental considerations totalled EUR 10.9 billion, of which EUR 10.4 billion in the EU-25. With EUR 9.8 billion of individual loans within the EU-15 and EUR 0.6 billion in the 10 new Member States going to environmental projects, the Bank's operational target of devoting between 30% and 35% of all individual loans in the EU-25 to environmental projects was in fact exceeded with 36.1%[2] (see Table 1). The EUR 10.4 billion does not include small-scale environmental schemes carried out by local authorities and financed through *global loans*[3]. It is estimated that such loans amounted to an additional EUR 2.3 billion for environmental protection. In the Accession Countries (Bulgaria and Romania) the percentage was even higher. In the Mediterranean Partner Countries (MPCs), EUR 199 million in total individual loans was advanced for environmental schemes. A further EUR 100 million went on an environmental project in South Africa, EUR 55 million on a project in Turkey, and EUR 175 million on the Balkans, all contributing to the Bank's overarching goal of promoting sustainable development in the partner countries.

Table 1 : Share of environmental loans in 2004 (in EUR million)

	Individual Loans	Objective Environment	%
EU-25	28 775.90	10 378.00	36.10
EU Accession Countries	49.00	29.00	59.20
Total EU-25+EU Accession Countries	**28 824.90**	**10 407.00**	36.10
Other Partners Countries	2 622.70	529.00	20.20
Total	**31 447.60**	**10 936.00**	**34.80**





1 EIB direct financing for large scale projects (over EUR 25 million)

2 The target is incorporated in the Bank's Corporate Operational Plan (COP), which ranks environmental protection and improvement among the EIB's main operational priorities.

3 Global loans are EIB indirect financing, i.e. credit lines made available to banks or financial institutions that on lend the proceeds for small or medium-scale investment projects (EUR 40,000 – 25 million) meeting the Bank's criteria.

Environmental lending highlights[4]

More than half of Bank environmental lending was directed throughout the EU to the **urban environment** (EUR 6.1 billion), of which EUR 2.3 billion went to **urban public transport** projects such as metro, light rail and tramway systems, and EUR 3.2 billion to **urban renewal schemes**, mainly financing regional or major municipalities' investment programmes. A considerable number of social housing and school renovation projects were also supported throughout the EU.

In 2004, the Bank provided EUR 2.2 billion financing (+/- 90% of which in the EU-25) for projects improving the environment in terms of **air and water quality** (water supply and sanitation schemes), with a direct impact on human health and the natural environment. EUR 0.6 billion EIB loans went to projects in the sectors of **solid and hazardous waste management, reduced land pollution** through industrial activities (Tunisia) and **flood protection** schemes (in Lower Saxony, Germany).

Projects financed by the EIB in the fields of **energy saving and energy substitution** corresponded in 2004 to EUR 1.0 billion while the Bank supported **sustainable transport** (railway) projects with some 0.6 billion loans. These projects were almost all located in the EU-25.

Climate change

In early 2004 the Bank launched three new climate change initiatives:

- the EUR 500m Climate Change Financing Facility (CCFF) — of which EUR 100m is allocated for Clean Development Mechanism (CDM) and JI (Joint Implementation) projects — in support of European businesses participating in the EU's Emissions Trading Scheme (ETS), starting on 1 January 2005;
- the EUR 10m Climate Change Technical Assistance Facility (CCTAF), designed to provide conditional grant finance for preparing JI and CDM projects;
- and the "Pan-European Carbon Fund" (PECF), which is now under detailed discussion with the World Bank.

2004 was a year of preparation, during which the Bank elaborated the Operational Guidelines of the CCFF and CCTAF. Concerning JI and CDM, a small number of projects that should generate carbon credits have been identified so far under the CCTAF but will not be finalised until 2005 or later. In 2004, the World Bank and the EIB also worked together closely on setting up a new compliance fund, the PECF, on which the two banks signed a Memorandum of Understanding in December 2004. The PECF will be the first multilateral fund set up specifically to help EU Member States and European corporations, as the target investors, to fulfil their respective greenhouse gas emissions obligations under EU legislation and in accordance with the EU's climate change policy in support of the Kyoto Protocol.

Renewable energy (RE)

By 2003 the Bank had already met its target of doubling the financing of renewable energy projects as a proportion of its total energy sector financing (from 7% in 2002 to 15% in 2003). In order to further support the EU's policy objectives of increased use of renewable energy and reduced greenhouse gas emissions, the Bank undertook a in 2004 to increase its lending for RE by up to 50% of its financing for new electricity generation in the EU-25 by 2010. This is in line with the EU´s target of 22% of electricity generation being accounted for by RE. On current trends, this new target will represent some EUR 700 million a year for RE generation by 2010. A similar focus will be applied to lending for new renewable energy generating capacity outside the EU.

Loans for renewable energy projects totalled some EUR 287 million in 2004. In addition, there is an outstanding amount of approximately EUR 500 million of renewable energy projects that have been approved by the Board of Directors but not yet signed. The Bank will aim to achieve greater diversification of its RE lending by embracing different new technologies, complementing the hydro and wind components that dominate the Bank's current RE portfolio.

In order to promote greater use of renewable energy the Bank, in line with the Lisbon Agenda and the EIB's support for RTD, is also considering stepping up its funding of renewable energy projects involving new and

4 As certain projects meet several sub-objectives, the various headings cannot meaningfully be added together.

innovative technologies thatare able to demonstrate that they have the potential to become economically viable within a reasonable time frame, such as concentrating solar power (including hybrid schemes), hydrogen applications and fuel cells, bio-fuels and marine applications (wave and tidal power). According to this approach, the criteria for the economic viability of renewable energy investments would incorporate externalities such as the mitigation of oil price risk, conservation of natural resources, diversification of energy sources and a reduced dependence on imported fuels).

EU Water Initiative

The EIB is helping to achieve the UN's Millennium Development Goals (MDGs). Through the new EUR 500 million ACP-EU Water Facility (EUR 250 million allocated in November 2004), the Bank intends to increase substantially the level of its activity in the water supply, wastewater and sanitation sector in the ACP countries. Half a dozen water projects are already at an advanced stage in the pipeline. The Bank will thus support the achievement of the Millennium Development Goals in water and sanitation by improving access to these basic services for the people of the ACP countries.

For more information on the EIB, visit the internet site www.eib.org.

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