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The EIB's environmental activities in 2005

EIB's environmental lending

The main issues addressed by EIB environmental lending are tackling climate change (especially in the fields of energy efficiency and renewable energy), protecting nature and other natural resources, reducing the impact of the environment on human health, promoting the sustainable use of natural resources and improving the quality of life in the urban environment. The EIB's environmental unit (ENVU) along with the environmental assessment group (ENVAG), both located in the Projects Directorate, assures the quality and consistency of the environmental assessment throughout the project cycle in all operations of the Bank. The protection and improvement of the environment has been assigned as a special responsibility to one of the members of the EIB's Management Committee.

The Bank also pays particular attention to a range of social issues in countries outside the EU, where legal frameworks may be weak and/or weakly enforced, to protect the interests of affected people and their communities.

2005: Consolidated lending for environmental sustainability

In 2005, the EIB's *individual loans*¹ for investment projects driven by environmental considerations totalled EUR 12.3 billion, of which EUR 10.9 billion in the EU-25 and EUR 1.4 billion in partner countries. The Bank's operational target of devoting between 30% and 35% of all individual loans in the EU-25 to projects safeguarding and enhancing the environment was therefore achieved, with the share of environmental lending reaching 33%² (see Table 1).

The EUR 10.9 billion does not include small-scale environmental schemes carried out, for instance, by local authorities and financed through *global loans*³. In 2005, the EIB advanced EUR 10.1 billion in global loans. Most global loans have multiple objectives; many projects may qualify for one or more objectives, including the environment. In addition, the EIB provides dedicated environmental global loans. In 2005, the EIB advanced EUR 210 million for two such environmental global loans in Austria and Germany.

In the Acceding (Bulgaria and Romania) and Accession (Croatia and Turkey) Countries the percentage was even higher with EUR 853 million devoted to environmental projects. In the Mediterranean partner countries, EUR 260 million in total individual loans was advanced for environmental schemes. A further EUR 90.1 million went to environmental projects in the ACP (Africa, Caribbean and Pacific) countries, EUR 85 million to a project in South Africa, EUR 60 million in Russia, and EUR 42.1 million in Asia, all contributing to the Bank's overarching goal of promoting sustainable development in the partner countries.

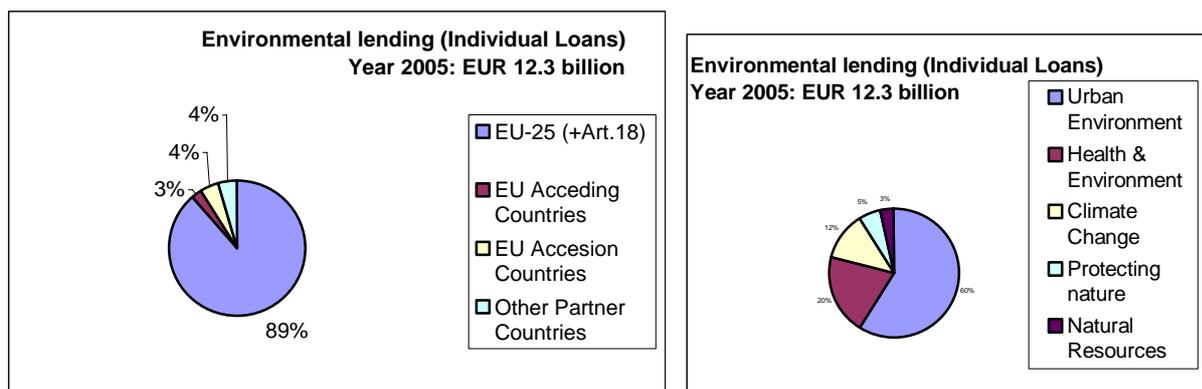
Table 1 : Share of environmental loans in 2005 (in EUR million)

	Individual Loans	Environmental Objective	%
EU-25	33 293	10 923	33
EU Accession and Acceding Countries	1 529	853	56
Total EU-25+EU Accession and Acceding Countries	34 822	11 776	34
Other Partner Countries	2 456	537	22
Total	37 277	12 313	33

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 onlend the proceeds for small or medium-scale investment projects (EUR 40 000 – 25 million) meeting the Bank's criteria.



Environmental lending highlights⁴

In 2005, the EIB provided direct financing for 97 environmental projects. More than half of Bank environmental lending was directed throughout the EU to the **urban environment** (EUR 6.8 billion), of which EUR 4.9 billion went to **sustainable urban public transport** projects such as metro, light rail and tramway systems, and EUR 1.8 billion to **urban renewal schemes**, mainly financing regional or major municipalities' investment programmes. A considerable number of social housing projects were supported in the UK, Italy and Portugal.

In 2005, the Bank provided EUR 2.5 billion (EUR 2.3 billion of which in the EU-25) in financing for projects improving the environment in terms of **air and water quality** (water supply and sanitation schemes) and **reducing industrial pollution**, with a direct impact on human health and the natural environment.

Projects financed by the EIB for **tackling climate change** in the fields of **energy efficiency and renewable energy** corresponded in 2005 to EUR 1.5 billion, of which EUR 1.1 billion went to projects located in the EU-25.

EUR 678 million worth of EIB loans went to projects that helped to protect **nature and natural eco-systems** (flood defence and natural disasters) and EUR 438 million to projects in the sectors of **sustainable use of natural resources and waste management**

Climate change

In 2005, the EIB continued the preparation of, and made a start in implementing, some of the climate change initiatives that it had launched the year before.

The EUR 500 million **Climate Change Financing Facility** (CCFF) has now become operational. Half of its EUR 400 million sub-window allocated to emission reduction projects within the European Union, undertaken by companies operating under the EU Emissions Trading Scheme (launched in January 2005), has already been committed. This was done by approving the financing of the modernisation and environmental upgrading of pulp and paper mills in Portugal and the construction and operation of two run-of-river hydro-power plants in Slovenia. Other potential projects for this facility are under preparation.

First candidate projects have been identified for the **Climate Change Technical Assistance Facility** (CCTAF), which provides conditional grant financing for carbon credit development under the Clean Development Mechanism (CDM) and Joint Implementation (JI) schemes of the Kyoto Protocol. At the end of 2005, the EIB was finalising procedures for tendering of consultants to carry out carbon credit development work for such projects.

The EIB continued working with the World Bank, the EBRD and other institutions on the preparation of **carbon funds**. Such funds would operate as compliance funds but would have different structures and activities so that they would complement each other.

The EIB also continued bilateral and multilateral discussions with other European financial institutions on possible cooperation for promoting CDM and JI projects and strengthening the carbon market.

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

Renewable energy (RE)

Loans for renewable energy projects totalled some EUR 484 million in 2005, of which EUR 352 million in the EU 25. The Bank remains committed to its goal of gradually increasing its lending for RE to up to 50% of its financing for new electricity generation in the EU-25 on average by 2008-2010, in order to further support the EU's policy objectives of increased use of renewable energy and reduced greenhouse gas emissions, including the EU's target of 22% of electricity generation being accounted for by RE. In fact, already in 2005, 64% of EIB lending for new electricity generation projects was for renewable energies.

In line with the Lisbon agenda and the EIB's support for RTD, the Bank is also stepping up its funding of RE projects involving new and innovative technologies that can demonstrate they have the potential to become economically viable within a reasonable timeframe. Examples include a loan for R&D activities for enhancing the performance of wind-driven electricity generators (Spain) and an offshore wind farm project (UK) that is considered to have a high demonstration value for the industry.

In addition, the Bank has continued to diversify its RE lending by financing alternative technologies such as geothermal energy (Kenya and Portugal).

For further information on the EIB, visit its website www.eib.org.

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