

➤ €1 TRILLION FOR <1.5°C

**CLIMATE AND ENVIRONMENTAL AMBITIONS OF
THE EUROPEAN INVESTMENT BANK GROUP**



THE PROBLEM

Human industrial activity has already caused about 1°C of global warming. At the current rate of emissions, the world will warm on average by around 3.5 to 4°C by the end of the century. This would be unprecedented for humans, presenting a risk to life as we know it. It would wipe out close to 70% of all plant species, around half of all mammals and more than a third of birds. The life-threatening impact on health of climate change, environmental pollution and ecosystem collapse, through poor air quality, heatwaves and risks to food security and livelihoods, is already being felt.

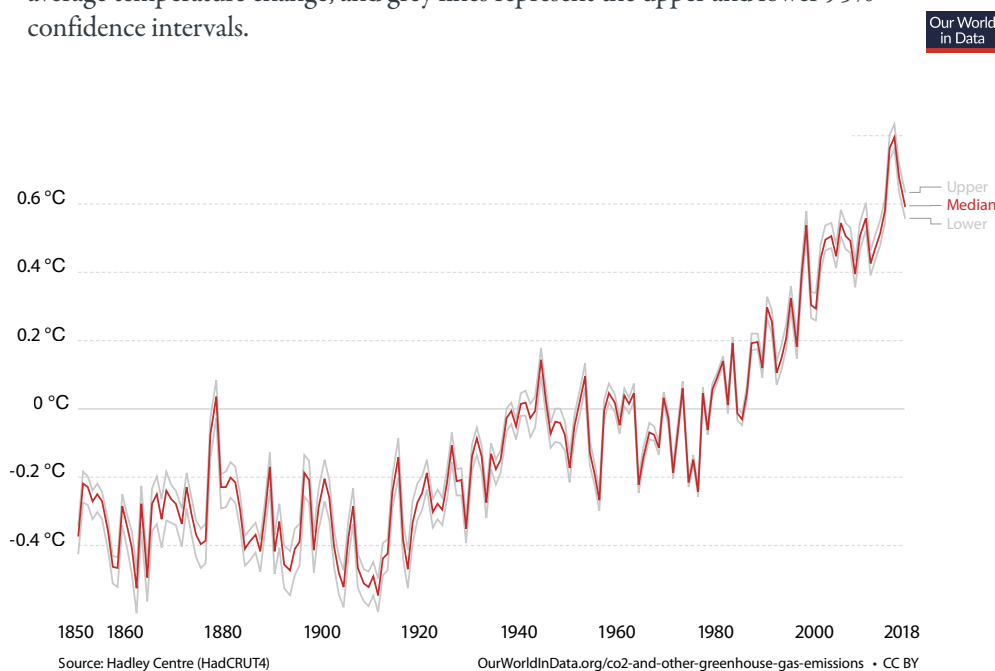
THE WAY FORWARD

This disruption is **not inevitable**. Under the Paris Agreement, nearly all governments throughout the world agreed to maintain global warming well below 2°C and to pursue efforts towards limiting it to 1.5°C.

To reach the 1.5°C target, we must emit less than 580 gigatonnes of CO₂. That's our carbon budget – forever. At the current rate of about 37 gigatonnes per year, we will have exhausted this by 2032. We need to decarbonise quickly, and the next decade will be critical. We also need urgent action on the planet's biodiversity loss, ocean pollution and ecosystem collapses. The whole financial system needs to make the connection between climate change, environmental sustainability, and their impacts on people.

Average temperature anomaly, global

Global average land-sea temperature anomaly relative to the 1961-1990 average temperature in degrees Celsius (°C). The red line represents the median average temperature change, and grey lines represent the upper and lower 95% confidence intervals.



ADDRESSING MARKET FAILURES

It is natural for a public bank to focus on climate action. Climate change has been famously described as the greatest market failure ever seen. The market participants who cause climate change have not had to shoulder its costs. This is why it is up to the public sector to take action, including through policies to change incentives for consumers and producers, and increased investment. In Europe, it is estimated that investment in energy systems will need to almost double over the next decade – up to €400 billion per year.

Public banks can help foster this investment in climate action and environmental sustainability more broadly. They can invest in long-term infrastructure projects and in the innovation required for the transition to a low-carbon, climate-resilient and sustainable future: for example, investment in a large-scale battery that can be charged during times of excess wind and sun, and discharged in periods of shortage. Public banks can also help increase investment in those areas where the rate of investment remains too slow. This is the case for the renovation of homes to make them more energy-efficient – tackling climate change whilst providing immediate, tangible social benefits.





WHAT IS THE EUROPEAN INVESTMENT BANK?

The European Investment Bank (EIB) is the lending arm of the European Union. Europe is leading the way in climate action globally. It has agreed an ambitious climate and energy package for 2030 and is currently discussing becoming a net-zero-carbon continent by 2050.



The European Investment Bank is the pioneer of green bonds.

We are a leading multilateral financial institution and one of the largest providers of climate finance in the world. The EIB Group consists of the European Investment Bank and the European Investment Fund (EIF). The EIF specialises in finance for small businesses and mid-caps. Financing by the Group in 2019 amounted to more than €72 billion. 31% of the European Investment Bank's financing went to support climate action in 2019.

We have more than 60 years of experience and expertise in financing projects. Headquartered in Luxembourg, we have a network of local and regional offices in Europe and beyond. We help the economy, create jobs, promote equality and improve lives for EU citizens and for people in developing countries.

The European Investment Bank issued the world's first green bond: the Climate Awareness Bond in 2007. We have been an active participant in this growing market for investors eager to finance climate action.

The EIB will continue to exchange best practices and work together with other multilateral development banks and national promotional banks to maximise the impact of our work on climate action and environmental sustainability, prioritising a socially inclusive approach.



WHAT WE WILL DO

In November 2019, the Board of Directors of the European Investment Bank approved an **increase in the share of our support dedicated to climate action and environmental sustainability investments to 50% by 2025**, including increased support for climate change adaptation and resilience. This target means an expected volume of €30 billion per year.

But that will not be enough. The level of financial support from any one public source, including the European Investment Bank, inevitably meets only a fraction of the global need. The majority of investment will have to come from the private sector. The EIB's business model is built around mobilising additional financing by the private sector for projects that we support. Our positive appraisal of an investment is often seen as a seal of approval by the market, signalling to other investors that the project is bankable. Several European Investment Bank products also reduce the risk profile of an asset, thus making it easier for private and other public financiers to invest. This is how we aim to support more than **€1 trillion of climate action and environmental sustainability investments** over the decade leading up to 2030.



**We commit
to full
alignment
with the Paris
Agreement by the
end of 2020.**

WHAT WE WILL NOT DO

Given the seriousness of the climate and environment emergency we face, there would be little point in dedicating 50% of financing to climate action and environmental sustainability, if we were to use the other 50% to support projects that are inconsistent with the Paris Agreement. This is why we are also committing to alignment of all our financing activities with the goals of the Paris Agreement by the end of 2020. Specifically, the Agreement stipulates that we must make “finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development.” As the EIB provides long-term financing, the projects we support must be economically sustainable for years to come. This means two things: first, in industries where reducing emissions has until now proven difficult, we need to make sure we only finance projects that make it feasible for the industry to shift to a low-carbon business model, as such solutions become increasingly available. Second, we need to ensure that all our projects take account of the risk of current and future climate change, and manage these risks appropriately.



OUR NEW ENERGY LENDING POLICY

In November 2019, the Board of Directors of the European Investment Bank approved a new Energy Lending Policy. The product of an extensive public consultation process that included 150 written submissions from concerned organisations and individuals and petitions signed by more than 30 000 people, this policy will phase out financing for energy projects reliant on traditional fossil fuel power.

Our energy lending will support:

- energy-efficiency projects, including a new European initiative for building renovation. This builds on €17 billion of EIB support over the past five years;
- decarbonisation of the energy supply to help Europe achieve its target of at least 32% of all energy consumption coming from renewable energy;
- electricity grids to help connect new sources of low-carbon energy;
- innovation in energy production, storage and use – for example in electric cars.

As from the end of 2021, the EIB will no longer finance:

- upstream oil and natural gas production;
- traditional gas network infrastructure, except for projects designed to integrate low-carbon gases;
- power generation technologies resulting in greenhouse gas emissions above 250 grams per kilowatt of electricity;
- large-scale heat production based on unabated oil, natural gas, coal or peat.



**We will
phase out
financing
of conventional
fossil fuel energy
projects.**



A JUST TRANSITION

The European Union recognises that the regions that are most dependent on fossil fuels need support in the transition to a climate-friendly future. While we forecast that green energy will create around 500 000 jobs in Europe over the coming decades, we must pay special attention to those areas where coal mines and other CO₂-intensive production processes have historically been a major source of employment and economic activity. Necessary measures include opportunities for retraining and the attraction of new jobs to these areas. The European Investment Bank is committed to working with the European Commission to facilitate a just transition.

Overall, a more climate-conscious energy policy can have positive social impacts. Millions of people in Europe currently struggle with energy poverty. Projects improving the energy efficiency of housing across the continent will not only result in reduced CO₂ emissions; they will also cut energy bills.

SUSTAINABLE DEVELOPMENT

We must prioritise and design climate investments that maximise synergies with other Sustainable Development Goals.

Climate change and environmental degradation are having a significant impact on people across different parts of the world. Investing in climate action can help secure people's incomes, livelihoods and food security, limit damage to their health and reduce forced displacements. By targeting less than 1.5 degrees C of global warming we can reduce the number of people exposed to climate risks and vulnerable to poverty by between 62 million and 457 million worldwide.

We will invest in climate change mitigation measures with high social impact, such as small-scale and off-grid renewable energy to provide access to clean and affordable energy; and climate change adaptation measures to protect infrastructure, social assets and economic systems from the disruptive effects of climate change. We will also invest in measures to enhance climate resilience for people and farmers in regions particularly impacted by climate change.

A key to further climate action is empowering individuals to change behaviours. The EIB will continue to invest in social impact sectors such as health, education, women's entrepreneurship and access to finance.



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