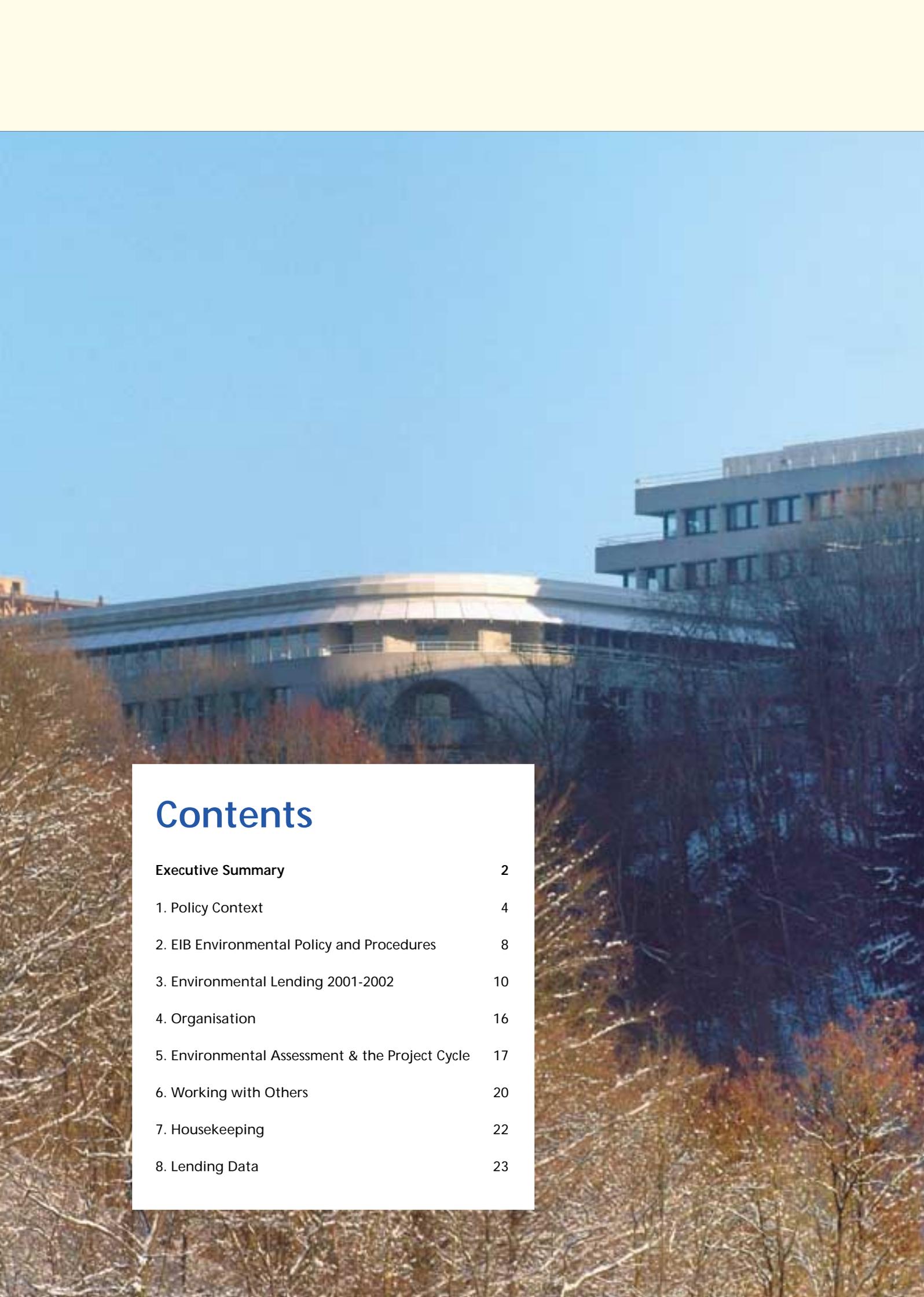




Environmental Report *2001-2002*





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President's Foreword:

I am very pleased to be able to present the first Environmental Report of the European Investment Bank (EIB). The Report has been prepared by its recently established Environmental Unit.

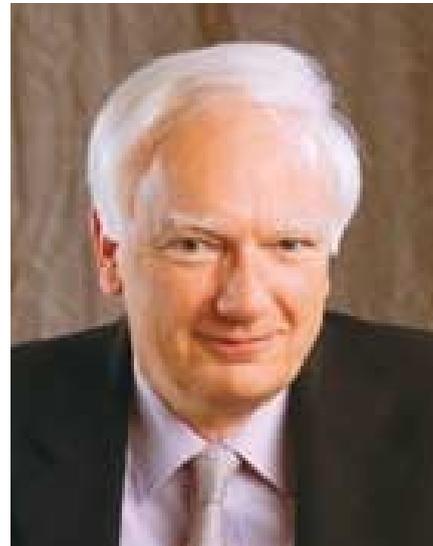
It underlines the EIB's commitment to protecting and improving the natural and built environment according to European Union policy objectives. In its 45 years of existence, the Bank has developed considerable expertise and experience on environmental matters. It uses these skills to promote investment contributing to sustainable development.

The Report provides an account of recent environmental developments at the EIB, including new policy initiatives, changes in its environmental organisation and environmental lending in 2001-2002, defined by its status as a European institution.

As the first EIB Report of its kind, it will be the benchmark against which future environmental reporting of the Bank will be measured, as well as the basis for discussion of environmental matters between the Bank and interested stakeholders.

The last few years have witnessed a major evolution in environmental matters at the EIB. The Bank is today better equipped to face the environmental challenges of the future and plans to report on these on a regular basis.

I hope you enjoy reading our Report. I welcome your comments.



Philippe Maystadt
President of the EIB

Executive Summary

The “EIB Environmental Report, 2001-2002” for the first time in a single document describes the environmental resources of the Bank, its approach to environmental issues and its recent environmental lending activity. The protection and improvement of the natural and built environment through its financing activities is firmly established as one of the main objectives of the Bank.

Main Environmental Achievements, 2001-2002

- New policies for climate change and renewable energy.
- Rising trend of environmental lending, to EUR 17.9 billion in 2001-2002.
- Consolidation of environmental assessment practices.
- Reorganisation and reinforcement of internal environmental resources.
- Greater cooperation with the European Commission (Directorate General for the Environment) and other third parties.

□ Environmental policies and lending objectives that promote sustainable development are outlined in Chapters 1 and 2.

□ The core of the Report, Chapter 3, describes the environmental lending of the EIB in 2001-2002. Approximately one-third of Bank financing is allocated to projects that are driven by environmental considerations. Many at the same time also contribute to other EIB policy objectives such as regional development and the promotion of information and communication technology. Most environmental lending by the Bank is in the fields of water, wastewater, solid waste and air pollution control, urban renewal and urban transport, industrial improvements, and energy efficiency and renewable energy projects.

□ In 2002, reflecting the increasingly varied and demanding environmental agenda, the EIB reinforced the organisation of environmental matters to ensure consistency, transparency and

the best use of its expertise (Chapter 4). The new environmental organisation of the Bank is responsible for the appropriate and consistent application and further development of its environmental policies and procedures. The environmental assessment process is explained in Chapter 5.

□ The EIB does not work in isolation, but engages in dialogue with other parties. Chapter 6, “Working with Others”, describes some of the main relationships of cooperation and collaboration on environmental matters that have evolved in recent years. Chapter 7 illustrates the manner in which the Bank is addressing its own environmental “housekeeping”.

The Report is illustrated throughout using historic data and in particular, data for the 2001-2002 period. Lending Data is provided in Chapter 8.



Illustrative Environmental Projects, 2001-2002

- **Flood Prevention in the Czech Republic**, forms part of the National Flood Protection Strategy. The project has an independent environmental expert to advise on the EIA, coordinate the implementation of mitigation measures and address inquiries on environmental issues, improving the promoter's capacity in managing sensitive environmental investments.
- **Municipality of Budapest**, focusing on the regeneration of inner-city areas, involving rehabilitation of housing and environmental improvements, such as traffic calming, landscaping and new street furniture, to create more sustainable communities.
- **Mallorca Solid Waste Management, Spain**, is the second phase of a modern, low environmental impact solid waste management system for the island. The first phase, a waste incineration plant with energy recovery also financed by the EIB, was completed in 1998. Phase two complements this with recycling centres, composting plants for treating organic waste and sewage sludge from wastewater treatment plants, and a secure landfill for disposing of fly ash and flue gas cleaning residues from the incinerator.
- **Jämtkraft Combined Heat and Power, Sweden**, involves the construction of a bio-fuelled combined heat and power plant in Östersund, Central Sweden, in a region where pipeline gas is not yet available. The project provides electricity for the public grid and hot water that is supplied to the local district-heating network. The plant is capable of burning a wide range of bio-fuels, including bark, forestry trimmings and waste from sawmills.
- **Renewable Energy Schemes, Italy**, involving the renovation, expansion and construction of small renewable energy schemes (geothermal, small scale hydro and wind farms) with total generating capacity of about 700 MW, that will also contribute to regional development in Tuscany.



Geothermal Project, Italy



*Flood reconstruction
and flood defence*

1. Policy Context

The core mission of the EIB is to contribute to the implementation of projects that promote the EU's economic and social priorities.

As the EU's long-term lending organisation, the EIB is policy driven, playing an active role in implementing European environmental policy.

In response to EU policy, the Bank formulates and quantifies priorities and targets, presented annually for a rolling three-year period in the COP.

The COP foresees a gradual increase in lending targets for the environment to move towards 25-33% of the EIB's overall lending activity in the EU and the Accession Countries.

The EIB is supporting the EU Water and Renewable Energy Initiatives launched at the WSSD, and has established its own target for Renewable Energy.

Finally, in general, the Bank promotes environmental projects of European interest. This includes involvement in regional initiatives in the Mediterranean, Baltic and north west Russia, Danube and Black Sea regions.

The COP is translated into annual business plans to guide the activities of its lending Directorates.

EU Enlargement and the Environment

Preparation for EU accession, has already led to significant environmental improvement in the 10 Accession Countries: strengthening the capacity for environmental management; the gradual introduction of the legal and administrative frameworks for compliance with the EU environmental law and policy; and investment and grant financing of environmental infrastructure projects.

In these countries, the EIB advanced EUR 1.8 billion in environmental loans in 2001-2002, often alongside grants from the European Commission and donor countries, as well as loans from other financial institutions.

Wind Farm, Tetouan, Morocco

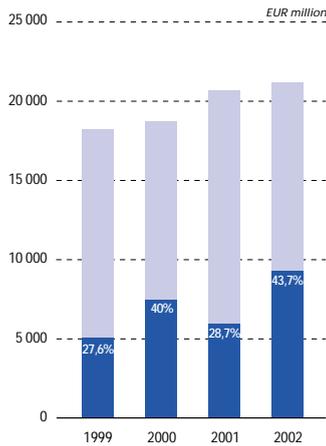




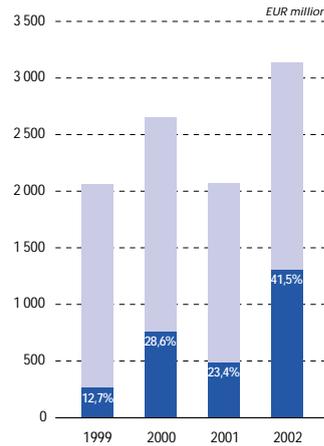
Environmental Lending for Individual Projects 1999-2002 (as a proportion of total lending)

- Environmental Lending
- Non Environmental Lending

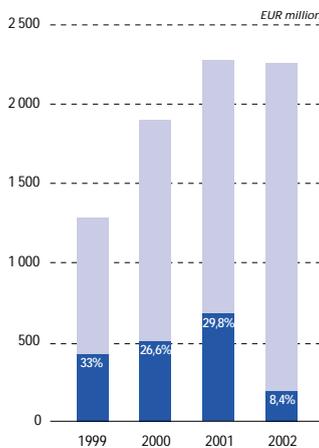
1. in the EU



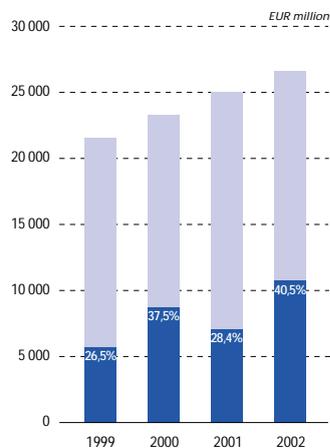
2. in the Accession Countries



3. in Other countries



4. Total Lending



Wastewater Treatment Plant,
Republic of South Africa



The 5 Main Operational Priorities of the EIB

- Regional development and economic and social cohesion of the EU (the Bank's leading priority).
- Implementation of the Innovation 2000 Initiative.
- Environmental protection and improvement.
- Preparation of Candidate Countries for accession.
- Support of EU development and cooperation policies with Partner Countries.

Key EU Environmental Policy Instruments

- The environmental objectives of the EC Treaty (Article 174).
- The 6th Environment Action Programme (2001-2010) establishes four key areas for action: Climate Change, Nature/Biodiversity, Environment and Health, and the Sustainable Use of Natural Resources and Management of Waste.
- The Environmental Acquis, the legal framework of the European Union, applicable to all present and future Member States.

History

Technical staff at the EIB started to conduct a formal review of the environmental acceptability of projects in the early 1970s. Since then, the degree and extent of the Bank's involvement in environmental issues has expanded in line with developments in the policies

and priorities of the European Union (EU) and its Member States.

Protecting and enhancing the environment is now one of the top lending priorities in the EIB's Corporate Operational Plan (COP) and a key element in its appraisal of projects.



Water Infrastructure, Ouagadougou, Burkina Faso



Urban Infrastructure, Vantaa, Finland



Solid Waste Treatment Plant, Portugal

EIB Policy Timeline internal / external

1972

- EIB begins to include a review of the environmental impact in project appraisals

1973

- First European Community Environmental Action Programme

1984

- Board of Governors' decision on setting environment as a central EIB objective

1986

- EIB initiates first EIB/Commission workshops on the environment

1987

- Single European Act
- World Commission on Environment and Development - Brundtland Report, defining sustainable development

1990

- Launch of Mediterranean Environmental Programme (METAP) by the European Commission, World Bank, the UNDP and the EIB

early 1990s

- Launch of several regional environmental initiatives (Baltic Sea, Danube, Environment for Europe)

1992

- First NGO report on EIB's environmental lending "Greening the EIB", a report by WWF International

1993

- 25% of lending for environmental projects achieved

1995

- Appointment of an Environmental Coordinator



TGV, France

1996

- EIB Environmental Policy Statement

2000

- EIB Corporate Operational Plan (2000-2002) establishes "Environment" as one of its corporate lending priorities
- Sixth EU Environment Action Programme
- European Climate Change Programme

2001

- EIB Environmental Statement
- EU Strategy for Sustainable Development
- EIB and Sustainable Development
- EIB and Climate Change
- Creation of an Environmental Steering Group, Environmental Assessment Group and Environment Unit within the Bank

2002

- EIB Environmental Procedures
- EIB Support for Renewable Energy
- A new inter-institutional agreement between the EIB and the European Commission (DG Environment)

The EIB and Sustainable Development

The EIB aims to protect and enhance the environment within the broader context of promoting sustainable development. This approach, derived from EU policy, is described in "The European Investment Bank and its Contribution to Sustainable Development".

Within the EU and the Accession Countries, the EIB aims:

- To foster balanced development;
- To protect and improve the natural and urban environment, according to EU priorities;
- To promote innovation and the development of a knowledge-based economy for growth and employment.

Outside of Europe, the Bank aims:

- To be guided by EU principles and standards of environmental and social policy and law;
- To encourage its partners, including promoters from the European private sector, to apply international good practice;
- To promote efficient management of local natural resources, including those in the water and energy sectors in line with the EU sector priorities at the World Summit on Sustainable Development (WSSD), Johannesburg, 2002;
- To promote the transfer of new technologies and good management practices through financing direct foreign private investment notably through European Companies.

2. EIB Environmental Policy and Procedures

The EIB's environmental policy has been drawn up in response to evolving EU policy objectives, as well as taking into account the objectives and constraints incorporated in its Statute, EU legislation and other expressions of EU policy, and a need to be accountable to its stakeholders.

The EIB's environmental objectives have been consolidated and are presented in the Environmental Statement, which includes an outline of the eligibility criteria for environmental projects.

As part of the project appraisal process, the environmental accept-

ability of every project financed by the Bank is reviewed. Technical experts conduct this assessment in accordance with the environmental procedures of the Bank, to ensure consistency and the use of best practice. The environmental procedures are updated regularly, taking on board changes in

EU policy and legislation, technical progress and experience.

The EIB is developing new investment areas on climate change and renewable energy. These are high on both the EU Member States' and EU's political and environmental agendas.

Following the Kyoto Protocol to the UN Framework Convention on Climate Change, the EU is committed to reduce the amount of greenhouse gases emitted and in parallel, to increase the amount of renewable energy it uses. This requires significant investment.

The EIB has issued two policy papers highlighting its commitment to these objectives and to tackling the barriers to lending in these areas. This includes investigating new mechanisms for financing, review of appraisal techniques and close cooperation to optimise lending with the Commission and other parties.

Within the broader context the EIB, through its Information Policy, aims to provide greater third party access to information on the environment, including the projects it intends to finance, in accordance with the main principles of the Århus Convention.

Climate Change

The EIB issued its policy on climate change in 2001 and has since continued to develop its working practices and activities. The Bank recognises climate change as one of the most critical environmental issues in terms of its implications for sustainable development.

In terms of project assessment, the EIB is identifying significant emissions of greenhouse gases and including this in its economic appraisal.

In addition to financing projects that reduce emissions of greenhouse gases, the EIB is exploring, with various third parties, the scope for promoting the flexible mechanisms of the Kyoto Protocol, especially Joint Implementation in the Candidate Countries and the Clean Development Mechanism associated with the transfer of appropriate technologies to developing countries.



Environmental Impact Assessment

The principles and practices of Environmental Impact Assessment (EIA) referred to by the EIB are provided in EU legislation, EIA Directive 85/337/EEC as amended by 97/11/EC.

For projects within the EU, the EIB requires compliance with both EU and national EIA legislation. Where relevant, the recommendations of the Environmental Study are integrated into the design and implementation of the project.

For projects outside of the EU, the EIB uses the principles established in the Directives as a guide. In particular, an EIA should include an assessment of alternatives, identification of the likely significant effects of the project, appropriate mitigation and compensation measures, public consultation and a non-technical summary.

Wastewater Treatment, Turkey



Wastewater Treatment Plant, Stockholm, Sweden



Cooperation with the European Commission

The EIB works with the Commission in a number of areas. The Commission initiates the policy of the EU that directs the operational activity of the Bank. Specialists from the Bank may contribute to technical working groups involved in the policy making process, as well as cooperating with the grant financing activities of the Commission. A number of distinct areas of collaboration include:

- Active liaison and cooperation with DG Environment, including a new inter-institutional agreement (May 2002) to enhance cooperation, harmonisation and synergy concerning environmental issues between the two parties;
- Co-financing of environmental projects through programmes such as ISPA, the European Regional Development Fund and the Cohesion Fund;
- Contribution to the European Climate Change Programme;
- Participation in the DABLAS Task Force (environmental projects in the Black Sea and Danube catchment area) and the Northern Dimension Environmental Partnership;
- The EIB is one of the four members (World Bank, UNDP, the European Commission and the EIB) of the Mediterranean Technical Assistance Programme (METAP), providing assistance with the preparation of projects in the region that seek to reduce the effect of environmental degradation.

3. Environmental Lending 2001-2002

In 2001-2002, EUR 17.9 billion of individual environmental loans were approved by the EIB.

This figure excludes global loans, ie lending via financial intermediaries, or individual loans where environmental protection is not the primary objective of the project.

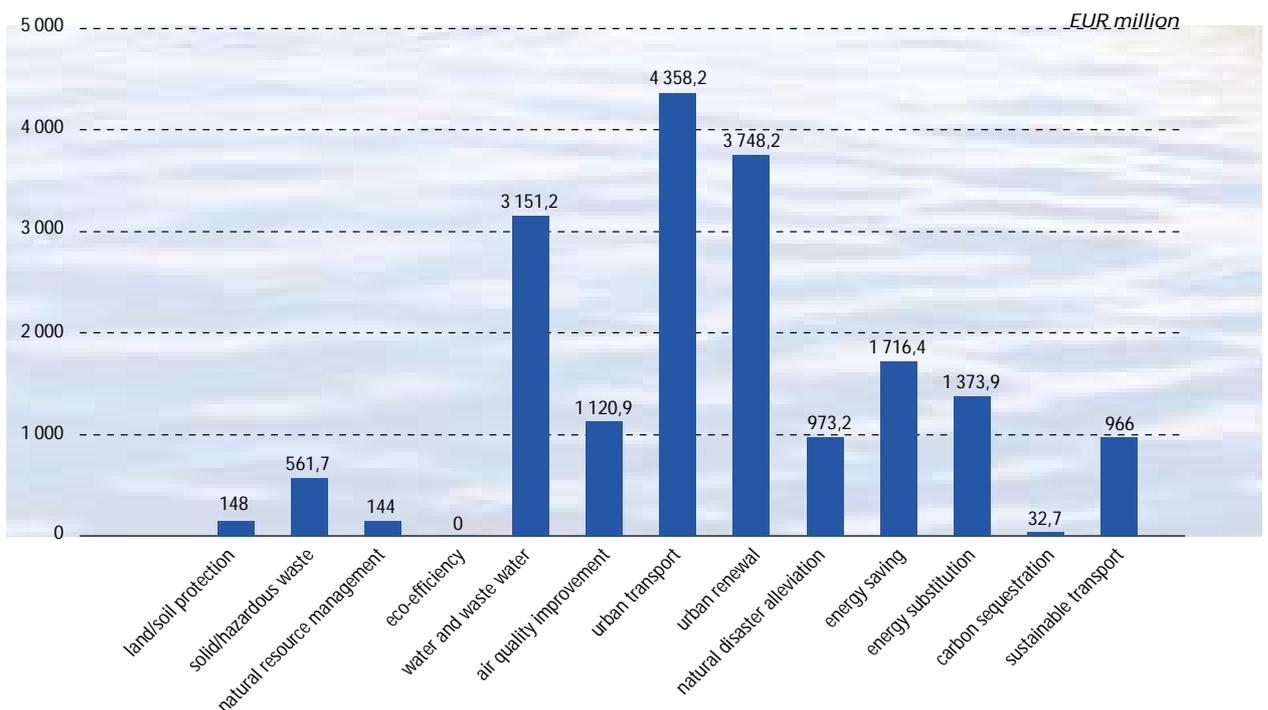
Under global loan arrangements, the EIB finance may go towards small and medium scale investments with environmental objectives, eg for the provision of environmental services and to promote eco-efficiency.

Examples of Global Loans for Environmental Protection

In 2002, the Bank provided a global loan to KfW for the financing of small and medium-sized projects in Germany, contributing towards environmental protection and rational use of energy and for investments in housing rehabilitation and modernisation for a sustainable reduction of CO₂ emissions and an improved energy balance.

The Bank also signed a loan to Banca Verde, Italy, for financing small and medium sized projects promoting renewable energy.

Environmental Lending for Individual Projects, 2001-2002





The majority of environmental lending concerns:

- The provision of environmental services, especially water, waste water and solid waste;
- Industrial pollution prevention and control;
- Urban renewal, including public transport;
- Energy efficiency and renewable energy, linked to the EIB Climate Change Policy.

Environmental Services

Water

Investment in the water sector includes sewage collection and treatment, the supply of potable water and flood protection schemes, within a context of sustainable integrated water resource management according to the objectives and principles of the EU Water Framework Directive (2000/ 60/EC). Overall, the projects have a positive impact on human health and the environment, contributing to the objectives of sustainable development.

Over the past decade, the majority of investment in the EU for this sector has been to complete sewage collection systems and provide appropriate standards of wastewater treatment in line with the Urban Wastewater Treatment Directive (92/271/EEC). This is now becoming the major focus for EIB investment in the Accession Countries.

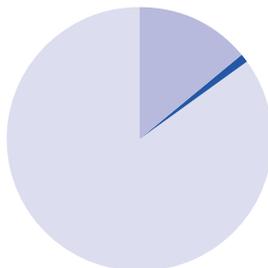
EIB support for flood reconstruction investments and flood defence measures has also gained in importance. Whilst capitalizing on its

Environmental Lending in the Water Sector, by Region, 2001-2002

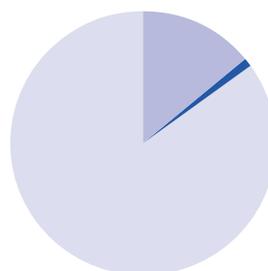
(as a proportion of total environmental lending for individual projects)



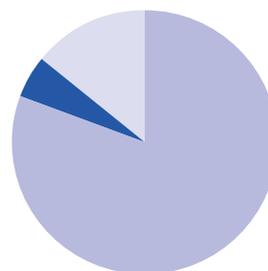
in the EU



in the Accession Countries



in Other Countries



capacity to quickly mobilize funds for emergency measures, the Bank aims to complement such repair works with long-term strategies to improve flood

Solid Waste Management, Mallorca, Spain



risk management and ensure adequate maintenance of flood defences.

Outside Europe, the EIB gives priority to support investments for improving the performance of water distribution networks and reducing water shortages as well as to develop adequate wastewater collection and treatment systems in urban and peri-urban areas.

Waste Management

Investment in domestic solid waste management during the past 15 years has focused on waste-to-energy projects within the EU, driven by increasingly stringent policy and legislation, eg the Framework Directive on Waste (75/442/EEC).

The EU Incineration Directive (2000/76/EC) imposes strict requirements regarding the emission of atmospheric pollutants. Together with an increased demand for the production of combined heat and power, this has required significant additional investment in many countries.

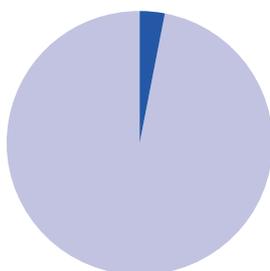
The EU Landfill Directive (1999/ 31/EC) imposes standards for landfill construction and operation, as well as requiring a reduction in

Environmental Lending in the Waste Sector, by Region, 2001-2002

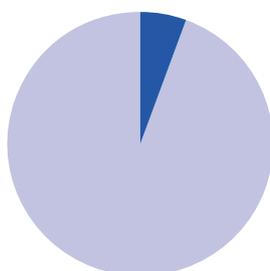
(as a proportion of total
environmental lending for
individual projects)

- Waste Management
- All Other Environmental Lending

in the EU



in the Accession Countries



the proportion of biodegradable waste. This increases the pressure to separate the “green” portion of the waste stream and treat it by composting or other biological processes, resulting in a growing demand for investment for sorting and biological treatment facilities.

Outside the EU, activities are focussed on supporting the development of sound waste management strategies in the Partner Countries and preparing the Accession Countries for membership of the EU. In the latter case, co-financing

with the European Commission is becoming increasingly important.

Industrial Pollution Prevention and Control

For all projects in the industrial sector, before financing as well as at project completion, safety and environmental aspects are carefully analysed by the Bank’s technical experts. The assessment, which may include a visit to the project

site, evaluates the environmental capability of the promoter and the environmental impact of the project.

During appraisal, compliance with EU legislation and implementation of proposed mitigation and compensation measures are verified and the promoter is encouraged to apply best environmental practices. The Bank particularly seeks to support projects of innovative content aiming at the

The EU Water Initiative

The EIB is actively participating in the multi-stakeholder forum and working groups to support the implementation of the EU Water Initiative. This includes dialogue between representatives of EU Member States, the European Commission, the EIB, Non-Governmental Organisations (NGOs) and private sector companies, concerning topics such as Water and Sanitation, and Financial Strategies.

Despite the absence of new concessional funding, the Water Initiative could provide significant synergy in the sector, particularly by strengthening the coordination among stakeholders and the donor community to make effective use of the available funding.

The proper mix of grants and loans to projects and programmes based on a sector-wide approach could accelerate investment and extend services to populations who presently do not have access to potable water. Grants would support capacity building of promoters and project preparation, the major constraint of project development in the water sector, and make loans affordable to the low-income population. The coordination of donors may also remove the different requirements placed on recipient countries in their application for funds.

The United Nations is carrying out a “World Water Assessment Programme” that will identify and quantify the targeted population and define indicators for monitoring the progress towards achieving the targets agreed at the WSSD.

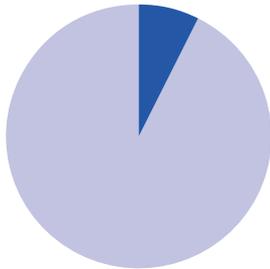


Environmental Lending for Air Quality Improvement, by Region, 2001-2002

(as a proportion of total environmental lending for individual projects)

- Air Quality
- All Other Environmental Lending

in the EU



development of state of the art industrial process technologies and products with better environmental features.

Urban Renewal (including urban public transport)

The EU recognises the importance of cities, encouraging the regeneration of urban areas and infrastructure as part of urban renewal programmes.

EIB lending strategy for urban renewal reflects EU policy, seeking to curtail sub-urbanisation pressures, prevent sprawl and reduce demand for development of scarce land resources in outlying rural areas. The geographical consolidation of cities is also more energy efficient, reducing the demand for car travel and facilitating public transport usage.

Case Study

After extensive project preparation, in July 2002, the EIB signed a EUR 20 million loan with the Republic of Slovenia to co-finance the decommissioning of a former uranium mine.

The project includes closure of the mine and management of its waste stockpile, the mill site and the tailings site according to international standards, satisfying relevant EU legislation. The project was developed in close cooperation with the Slovenian Ministry of Environment and Spatial Planning.

As part of the project appraisal, international experts audited the decommissioning work already carried out on site, as well as future development plans. The same group of experts will continue to monitor the work until expected completion in 2006.

The environmental and health benefits of this project are significant, both in the short and long term. Short-term benefits concern the removal of polluting material from the above ground area, potentially harmful to humans when contaminating the water or air. The long-term benefits relate to the overall stability of the mine and the risk of seismic activity and landslides in the area. Such an event could release both radium and uranium into the watercourses and radon into air. By stabilizing the mine, the risk of such an event occurring should be reduced. The benefits of this interaction are difficult to measure, given that the perceived benefits/reduction in risk could span 1000 years and more.

Encouraging the transfer of freight from road to rail

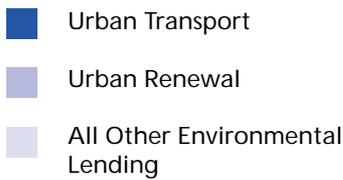


The rich cultural and architectural legacy of older cities has been recognised as a valuable resource in the rejuvenation of urban areas, as has the need to embrace economic development and social planning as part of a more holistic approach to "urban regeneration" and the creation of more sustainable urban communities.

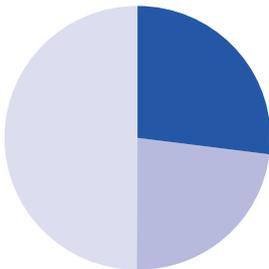
Most cities have an urban development plan within which areas showing signs of physical decay

Investment in Urban Transport and Urban Renewal Projects, by Region, 2001-2002

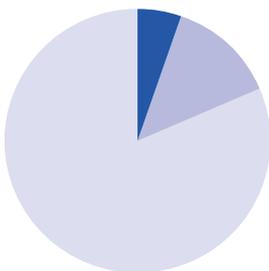
(as a proportion of total environmental lending for individual projects)



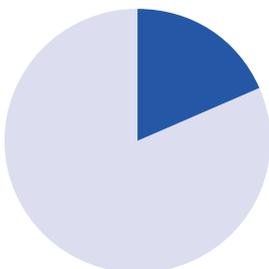
in the EU



in the Accession Countries



in Other Countries



and more generalised social and economic deprivation, are identified as requiring special attention. These are the "action areas" usually specified in any urban renewal/

regeneration plan or strategy, and tend to be a focus for EIB activity. Such plans are by definition geographically specific and are likely to be multi-sector orientated, promoting mixed-use development to optimise land-use, improve the physical environment, and encourage economic and social sustainability, leading to an improvement in the quality of life.

In 2001-2002, the EIB provided EUR 3.8 billion for urban renewal projects.

Many urban transport projects also contribute positively to the environment and human health, for example providing or upgrading public transport infrastructure, reducing congestion, diverting traffic from sensitive areas and encouraging the transfer of freight from road to rail. Environmental appraisal is a major part of all transport projects and care is taken to ensure any mitigation or compensation measures are implemented.

Energy Efficiency and Renewable Energy

The Bank's environmental lending activities in the energy sector cover a very broad range of investments, from upstream exploration and production of primary resources, to supply of energy in its various forms (electricity, natural gas, petroleum products, district heat, process steam, etc).

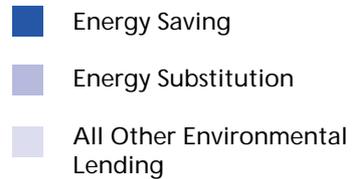
Emphasis is placed not only on satisfying demand for energy in a safe and reliable manner, but also on the rational and efficient use of energy. In this respect, the progressive introduction of natural gas

supplies in Europe and the increased use of efficient and environmentally friendly gas-fired combined-cycle generation plant including combined heat and power production has formed an important part of the Bank's energy lending in recent years. Particular focus has also been placed on further supporting the development of renewable energy sources.

The Bank has been financing renewable energy projects since

Investment in Energy Saving and Energy Substitution, by Region, 2001-2002

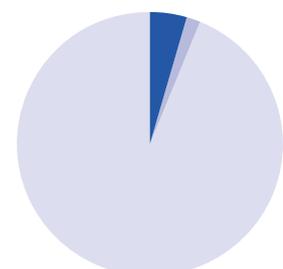
(as a proportion of total environmental lending for individual projects)



in the EU



in the Accession Countries





the 1970s, concentrating mainly on the more commercially and technically developed projects, such as hydroelectric and geothermal schemes. Biomass lending has increased in recent years; wind projects have been particularly strong in countries such as Germany, Spain, Italy and Denmark, with the focus now shifting from small to large-scale applications, and from onshore to offshore locations.

Lending in the renewable sector was constrained in the past by the small scale of individual schemes and immature technology. In contrast, institutional frameworks and technological advances are likely to encourage increased investment in this sector both inside and outside the EU in the future.

In addition to increased direct lending (including continued support for large-scale hydroelectric, geothermal, wind energy and biomass projects), there may also be some potential for lending to specialist intermediaries with adequate resources to assess and manage smaller-scale renewable energy schemes, using selection criteria agreed with the EIB. This

would also encourage investment in de-centralised power production.

In support for the EU policy of boosting renewable energy production, the EIB has set a target to at least double the share of renewable energy in its total energy sector financing over the next five years.

To help promote the development and application of renewable

energy technology, the EIB will also consider financing upstream research and development in this sector, including the manufacturing of industrial equipment as well as renewable energy generation itself. Bank support for renewable energy investment will also be closely co-ordinated with the activities and grants of the European Commission.

Renewable Energy Generation, UK



Urban Renewal, Hamburg, Germany



Ex-post Evaluation of EIB Lending

The Evaluation Department (EV) of the EIB evaluates the performance and achievements of the Bank according to its Statute and major policy objectives, with the assistance of independent experts. Lessons learnt help to improve the efficiency of all stages of the project cycle.

Thematic evaluations are carried out to assess the quality of the projects financed, the contribution of the EIB to the investment and its contribution to achieving EU policy objectives. Environmental issues may be considered directly, eg financing of environmental projects, or indirectly. Evaluation reports may be found on the Bank's website.

4. Organisation

Environmental issues are a priority at all levels within the EIB. The EIB took major steps during 2001-2002 to improve its internal organisation and management of environmental issues.

The Board of Governors has provided the necessary broad decision to establish environmental protection as a central lending objective. The Board of Directors is responsible for guiding the environmental direction of the Bank, endorsing high-level environmental policy documents. On the Bank's Management Committee, one of the Vice Presidents is responsible for overseeing the environmental issues in its day-to-day work.

The environment is considered throughout the life cycle of the project and across Directorates within the EIB. Multi-disciplinary teams undertake an assessment of projects financed by the Bank; this includes an environmental assessment by sector specialists. The assessment is facilitated by a number of internal organisational arrangements, supported by policies, procedures and guidance notes.

The Environmental Steering Committee (ENVSC) is an inter-Directorate Committee made

up of senior management. The Committee has the responsibility to advise on the strategic environmental issues, direct the environmental policy of the Bank and may intervene on complex or controversial proj-

ects. The Committee members include Directors from the Projects Directorate, Operations, Secretary General, Evaluation, the Legal Department, as well as Credit Risk and Information services.

New Environmental Structure

The new structure built on existing skills and expertise within the Bank, including those specialist engineers and economists working within the Projects Directorate.

The new structure was put into effect in November 2001, the key outputs can be summarised as:

- Promoting the environmental orientation of the Business Plan of the lending Directorates;
- Encouraging the wider and more efficient access to environmental information;
- Addressing environmental issues earlier in the project cycle;
- Implementation of an environmental quality control process for project appraisal;
- Improvement of internal environmental assessment procedures;
- Development of an environmental training programme;
- Active liaison with DG Environment and other third parties.

In addition the Environment Unit provides a focus for the environmental activities of the Bank. In 2002, the Unit produced:

- Statements on the EIB approach to Sustainable Development and the Environment;
- A review and development of internal environmental procedures, including guidance on biodiversity;
- Initiation of various studies and reports, including a study to mainstream climate change issues;
- Contribution to the European Climate Change Programme, including participation in a study managed by the Commission.



Within the Projects Directorate, there is a group of environmental experts made up of engineers and economists from each

Department. This Environmental Assessment Group (ENVAG) is responsible for safeguarding the application of the Bank's environmental policies and procedures throughout the project cycle. A member of ENVAG is consulted as part of every project appraisal. In addition, the Group meets regularly to review procedural, technical and policy issues to formulate best practice for the Bank. The Environmental Co-ordinator chairs the Group.

The Environment Unit, headed by the Environmental Co-ordinator, supports the environmental work

of the EIB, both within the Projects Directorate and across other Directorates of the Bank. The Unit is responsible for developing and monitoring the application of environmental policies and procedures, and providing a centre of information and knowledge on general environmental issues and policy development. The Unit also works closely with other multilateral financial institutions, environmental experts and the Commission to ensure that the Bank is well informed on current policy issues and best practice.

5. Environmental Assessment and the Project Cycle

Environmental issues are considered for all projects financed by the Bank throughout the project cycle, ie from the identification of projects, through to pre-appraisal, appraisal, implementation/monitoring and completion. The project cycle and the environmental procedures are summarised and available on the Bank's website.

In 2001-2002, the Bank signed EUR 76.4 billion in loans (EUR 51.6 billion as individual loans and EUR 24.8 billion as global loans through financial intermediaries), for a total of 720 projects (479 and 241, respectively). All projects are subject to an appropriate environmental assessment as part of the

Bank's overall project appraisal. A large proportion of the projects financed by the Bank include environmental benefits, albeit often not the main reason for financing.

Of the total lending for individual projects, EUR 17.9 billion (or 35%) went to projects meeting the EIB's

environmental eligibility criteria⁽¹⁾, ie supporting EU environmental policy objectives. The eligibility criteria are the basis for EIB reporting on environmental lending.

When a project is considered for financing, the Bank identifies the issues and risks associated with the project where particular attention may be required during appraisal. This includes requesting an EIA where necessary according to EU law.

During appraisal, the economic, technical, financial and environ-

⁽¹⁾ Environmental eligibility is covered by article 267 (c) of the EC Treaty

Environmental Eligibility Criteria

Natural Environment, Nature

Soil Protection; Waste/Resource Management;
Eco-Efficiency

Environment and Health

Water & Waste Water Treatment; Air Quality Improvement

Urban Environment

Urban/Sub-Urban Public Transport; Urban Renewal;
Natural Disaster Alleviation

Regional and Global Environment, including Climate Change

Energy Saving; Energy Substitution; Carbon Sequestration;
Sustainable Transport

mental characteristics of the project are assessed. The Appraisal Report may recommend an environmental covenant to be included in the Loan Contract or a requirement for performance monitoring, eg an environmental indicator.

The environmental assessment looks at specific sector related issues, as well as crosscutting issues, such as biodiversity and climate change.

In line with its policy on sustainable development, the EIB routinely incorporates a number of other related issues into its environmental assessment, eg social assessment. The Bank intends to explore the scope for a more systematic approach to these issues in the future.

Once the project appraisal is complete and the loan has been agreed, the EIB monitors, where

required, the progress of the project. On project completion, the Bank carries out ex-post evaluation on a selective basis, following a thematic and sector approach. Independent evaluators conduct the review, the results of which are available on the Bank's website. The reports also include recommendations for future activity and improvements.

Social Assessment

The EIB takes social issues into account where appropriate as an integral part of its economic and environmental assessment of individual projects. Such issues include considerations related to poverty alleviation, the quality of life, human rights, occupational health and safety, core labour issues, disputed territories, resettlement, indigenous people and cultural heritage in line with established international standards.

The EIB's approach to social assessment is being developed in accordance with its policy to promote sustainable development.

Biodiversity

The EIB considers biodiversity within its overall assessment of projects in accordance with the EU policy objectives in the 6th Environment Action Programme and the Habitats Directive. More specifically, within the EU, the Bank considers the potential impact of a project on the network of sites established under the Birds and Habitats

Directive, known as Natura 2000. The process of developing the Natura 2000 is now also taking place in the Accession Countries.

When the EIB carries out its environmental assessment of a project, any potential loss of biodiversity is identified and proposals agreed with the promoter for that loss to be prevented, mitigated and/or compensated.



Environmental Assessment

The conclusions and recommendations of the environmental assessment form part of the overall appraisal report and, where appropriate, are carried through to the loan agreement.

The environmental assessment of a project covers 3 main areas:

- The capability and experience of the promoter;
- The policy and legal framework in the country or region where the project is to be carried out; and
- The positive and/or negative impact of the project on the local, regional and global environment, including where relevant the proposed mitigation and/or compensatory measures during construction and operation.

The following factors are taken into account:

- The environmental capability of the promoter is assessed on the basis of past experience with the Bank and whether the promoter has an environmental management system or procedures in place to manage the environmental aspects of the project.
- The Bank will review the institutional framework, environmental laws and policy in place to control the environmental impact of the project. As a rule, all EIB projects should comply with national and EU standards. In EU candidate countries, where EU standards exceed national standards and a negotiated transition period provides a longer deadline for implementation, the EIB will seek a phased approach for the project to achieve compliance with EU standards. For other countries, ie in either EU or countries that are candidates for EU Membership, the principles of EU standards will be looked to and applied appropriately.

- The environmental assessment of the specific project takes place with regard to the local, regional and global environment. Consideration is given to the natural and built environment, as well as the potential impact on society and human health.
- Where an EIA is required under European legislation, the EIB will focus on a number of essential features for assuring its acceptability. Outside of the EU, the process and content of the EIA should be similar to the requirements of EU legislation. Third party concerns should also be identified at the earliest opportunity, to identify risks to the project and to the environment.
- The project is checked to see whether or not it will impact upon any nature conservation sites designated under either national, European or international law.
- A site visit may be made as part of the appraisal, giving staff the opportunity to identify any potential threats or benefits the project may bring to the local environment. In particular, the project is examined in terms of its location, construction, operation and products, for environmental acceptability. Where necessary, mitigation and/or compensation measures may be identified and incorporated into the project.

The overall assessment determines the environmental acceptability of the project for EIB-financing. Where necessary, a level of environmental monitoring may be recommended to take account of the findings of the assessment. Such requirements, or others determined during appraisal, may become conditions of the finance contract.

6. Working with Others

Generally, by promoting EU policy, the EIB supports individual Member States by providing finance to fulfil their respective policy objectives, including for priority investments in the field of the environment. The Bank is also accountable to them as its shareholders.

Inter-Institutional Co-operation

The EIB works closely with the European Commission; for instance, through policy dialogue and co-financing and accepts specific EU financing mandates from the

European Council, often within the framework of the EU's external relations and development cooperation policies. It also maintains contacts with other EU institutions, in particular with the European Parliament, as well as the European Economic & Social Committee.

Environmental Events

In 2001-2002, the Bank has participated in a number of key external events, including:

- A workshop on the European Biodiversity Resourcing Initiative, organised by the European Centre for Nature Conservation (ECNC) and the Swiss Agency for Environment, Forests and Landscape (SAEFL) (December 2001);
- The roundtable on the Euro-Mediterranean Sustainable Development Strategy, organised by the European Parliament and the WWF (January 2002);
- 10th OSCE Economic Forum on co-operation for the sustainable use and the protection of water quality (May 2002);
- The World Summit on Sustainable Development in Johannesburg (September 2002);
- First meeting of the Parties, Århus Convention in Lucca, Italy, (October 2002).



As well as reporting to shareholders, the EIB actively engages in dialogue with others to develop and improve its own policy and procedures. It encourages promoters to discuss projects with interested parties. The Bank also contributes to a number of working groups, exchanging ideas and experience in environmental assessment and in optimising environmental investment.

The Financial and Business Community

The EIB has an ongoing relationship with a large number of other financial institutions. This includes co-financing projects or providing lines of credit for the financing of smaller investments. In the latter case, the EIB currently works with more than 180 banks and other financial institutions throughout its regions of activity.

The relationship between the EIB and other financial institutions



also includes the exchange of information and best practice concerning the environmental assessment of projects. In particular, the Bank has been instrumental in setting up the EIB SP-IMI Forum, facilitating an exchange of ideas and discussion on common environmental issues. The Bank works closely with the other Multilateral Financial Institutions (MFI). In December 2002, the EIB hosted the MFI Environment Sub-Group that, among other things aims to harmonise environmental assessment.

The EIB also works with the business sector to develop guidelines for environmental assessment and ensure they are practical to a huge variety of projects all over the world.

Civil Society

The Bank discusses environmental issues with NGO's periodically at EIB-NGO workshops held at different locations around Europe.

NGO Workshops

As part of its dialogue with civil society, the EIB holds regular workshops for NGOs on topics of common interest. Biannual workshops are organised regionally within and outside the EU. The agenda for each Workshop is drawn up in co-operation with interested NGOs. EIB staff and members of the Board of Directors participate in the discussions.

June 2001, Brussels

The Information Policy of the EIB

November 2001, London

Development and environmental issues

June 2002, Copenhagen

Sustainable development; the Baltic Sea; the Information Policy of the EIB

In parallel to the workshops, EIB staff participate in roundtable discussions and conferences that are organised by NGOs to discuss EIB related topics.

These events focus on topics identified by interested NGO's, including horizontal subjects and individual projects. Many of the topics discussed so far fall within the environmental arena, for example, climate change, renewable energy,

biodiversity, water and environmental impact assessment.

In the course of a year, EIB staff attend a significant number of events that provide an occasion to discuss environmental issues.

Waste Incinerator, Alkmaar, The Netherlands



7. Housekeeping

Most of the 1100 staff of the EIB are located at its headquarters in Luxembourg. At this site, the Bank applies a number of practices that aim to reduce its impact on the environment, including water and energy management, waste sorting and recycling and “green” procurement.

The EIB has advance plans to extend the premises of its headquarters to accommodate growth in the next 5 years; environmental considerations are key to the design of the new building.

The expansion of its headquarters provides the EIB with an opportu-

nity to review its environmental practices in accordance with the latest environmental management standards. Progress in this matter will be reported in more detail in the next EIB Environmental Report.

Recent and Foreseen Improvements in Environmental Management at EIB Headquarters

- Increase in fuel efficiency by switching supply to a nearby combined heat and power facility.
- Gradual reduction of on-site emissions of carbon dioxide.
- Removal of on-site bulk fuel storage.

The New Building

The terms of reference for the architect and designer competition included strict health, safety and environmental criteria ensuring that the building has a minimal impact on the environment, including:

- Best practice for building energy consumption
- Use of sustainable construction materials, eg Forest Stewardship Council certified timber
- Avoiding the use of harmful materials
- Construction methods in accordance with best environmental practice





8. Lending Data

Environmental Lending, 2001-2002, by Eligibility for Individual Projects

Country	Total 2001/2002	Environmental	%	Natural env.	Env. & health	Urban env.	Regional & global env.
EU	418 881,4	15 202	36%	776	3 244	8 256	3 897
Candidate Countries	5215	1 788	34%	148	329	1 301	110
Other Countries	4 533,5	868	19%	40	700	205	33
Total	51 629,9	17 858	35%	964	4 273	9 762	4 040

Please note that the totals for the different categories of environmental lending do not correspond with the total environmental lending as projects may be assigned to more than one category.

Environmental Loans 2001-2002

Country	Description	Amount (EUR m)	Country	Description	Amount (EUR m)
EU					
Austria	Simmering Wastewater Treatment A+B _____	62.5	France	Tampere Infrastructure (urban infrastructure & co-gen rehabilitation) B _____	16.8
	Linz Urban Transport A _____	30.0		Turku Water & Wastewater Infrastructure _____	50.0
	BIG Infrastructure A+B _____	250.0		Helsinki-Leppavaara City Rail _____	80.0
	Borealis Borstar Technology Schwechat _____	52.0		Vantaa Urban Infrastructure A+B _____	65.0
	Niederoesterreich Energy Conservation A _____	30.0		Housing Fund of Finland _____	300.0
	Vienna Urban Renewal (housing) A+B _____	75.0		Total _____	562.3
	Total _____	499.5			
Belgium	Aquafin Wastewater Treatment IV B+VA _____	175.0		TDU Lille (waste treatment centre) B, C+D _____	62.0
	Total _____	175.0		TDU Melun (waste treatment centre) _____	45.0
Denmark	Elsam Off Shore Wind Farm _____	50.1		Cofiroute A 86 B Urban Transport Phase I _____	200.0
	Oerestad Urban Transport - City Line E,F+G _____	264.1		Toulouse Metro IIA _____	100.0
	Total _____	314.2		Kabel Metal Europa Environmental Investment A, B+C _____	11.5
Finland	Oulu Infrastructure (wastewater & water, district heating rehabilitation) A+B _____	50.5		Sonae Lure/Le Creusot/Ussel Modernisation _____	50.0
				SNCF TGV Rames _____	200.0
				Peugeot Tremery II _____	120.0

<i>Country</i>	<i>Description</i>	<i>Amount (EUR m)</i>	<i>Country</i>	<i>Description</i>	<i>Amount (EUR m)</i>
	Brittany Railway Modernisation A+B _____	126.0	Greece	Athens Tramway _____	100.0
	Total _____	914,5		Olympic Games Athens 2004 (urban infrastructure) A _____	500.0
Germany	Schwarze Pumpe Lignite Power 2B ____	179		Total _____	600.0
	Trier Water Infrastructure _____	34,4	Italy	Venice Lagoon Protection & Wastewater Infrastructure _____	25.8
	Mannheim Infrastructure Urban Renewal B _____	14.0		Salerno Urban Renewal A _____	25.0
	Boehringer Ingelheim (investment in new plant) C, D, E+F _____	70.0		Rimini Urban Renewal _____	40.0
	Leipzig Infrastructure Urban Renewal A+B _____	85.0		Kabel Metal Europa (environmental investment) A, B+C _____	35.8
	Hamburg Wastewater Treatment D _____	129.5		Emilia Region Urban Renewal _____	25.0
	B 31 OST / Freiburg-Kirchzarten A ____	94.5		Lecce Urban Renewal 2000-2006 ____	25.0
	Talsperren Thueringen (water storage) A _____	32.6		Reconstruction and Flood Prevention Tuscany _____	61.7
	Coking Plant Upgrade Duisburg A+B+C+D _____	400.0		Reconstruction and Flood Prevention Val D'Aosta _____	54.7
	Urban Infrastructure (education) Northern Germany B _____	24.0		Florence Urban Renewal III A ____	100.0
	Kabel Metal Europa (environmental investment) A, B+C _____	22.7		ENEL Upgrade of Power Plants to Gas and CCGT _____	500.0
	Sachsen-Anhalt Environment Programme (water) _____	185.0		Urban Renewal Basilicata _____	154.7
	Niedersachsen Urban Renewal _____	75.0		API Refinery Environmental Investment III A+B _____	30.0
	Sonae Nettgau (environmental investment) _____	50.0		Aerial Fire Fighting Equipment for Forest Protection _____	94.0
	Niedersachsen Flood Barrage _____	110.0		San Paolo IMI Modernisation & Expansion _____	38.7
	Port of Hamburg Urban Renewal A ____	15.0		Venice Hotel San Clemente _____	30.0
	RWE Solar Modules _____	70.0		ERGA Renewable Energy (including small hydro) _____	300.0
	Brandenburg Infrastructure _____	102.5		ENI Power CCGT 1 A _____	200.0
	Berlin Water Treatment A+B _____	215.0		Regional Development Programme POR 2000-06 _____	150.0
	Ruhrgebiet Wastewater Infrastructure A _____	21.7		Bologna Urban Renewal III _____	150.0
	Urban Renewal Berlin A _____	100.0		AEM Milan Conversion to CCGT & Hydro Expansion _____	100.0
	Sachsen Urban Renewal (including social housing) A _____	50.0		Urban Renewal Ferrara Province A+B ____	65.0
	Total _____	2 079.9		Trenitalia Aquisition & Upgrading of Rolling Stock _____	640.0
				Total _____	2 845.5

Country	Description	Amount (EUR m)	Country	Description	Amount (EUR m)			
Sweden	Stockholm District Heat & Power II (S) C _____	27.7	Accession Countries	Czech Republic	Prague Municipal Water Infrastructure B _____	70.0		
	Stockholm Ring Road Southern Link B+C _____	270.1			Prague Metro B _____	75.0		
	Eskilstuna Combined Heat & Power B+C _____	18.5			Czech Republic Flood Prevention _____	60.0		
	VAGN 2000 Rolling Stock for Stockholm Metro I+II _____	209.9			Flood Damage (2002) Reconstruction _____	400.0		
	Norrkoping Urban Renewal A+B _____	76.9			Total _____	605.0		
	Jamtkraft Combined Heat & Power _____	30.6			Hungary	Hungary Wastewater & Waste Infrastructure _____	43.0	
	Vagverket-Gotaleden Road Tunnel A _____	65.9				Budapest Infrastructure AFI (M2-road rehabilitation) A _____	125.0	
	Sydvatten Drinking Water Supply II _____	14.9				Budapest Infrastructure AFI (Tramcar 2) B _____	75.0	
	Total _____	714.3				Hungary Flood Damage Reconstruction _____	60.0	
	United Kingdom	Regional Bus Renewal _____			67.0	Environment Sector Loan II (ISPA) _____	80.0	
		HSBC Passenger Rolling Stock _____			163.6	Total _____	383.0	
		Yorkshire Water XI _____			160.3	Latvia	Latvenergo II Distribution & CCGT-CHP _____	80.0
		London Underground PPP 1 _____			469.1		Total _____	80.0
		Sunderland Urban Renewal _____			122.7	Poland	Szczecin Water & Wastewater Infrastructure _____	20.0
Severn Trent Water IX _____		240.5	Lodz Wastewater & Municipal Infrastructure _____	31.0				
Halifax PLC Urban Renewal _____		240.5	Poland Flood Damage Reconstruction II _____	250.0				
United Utilities Distribution (including Renewables) A _____		144.3	Saturn Energy Company, CHP _____	30.0				
Abbey National PLC Urban Renewal _____		244.7						
SSE Renewable Energy Generation _____		156.1						
Princes Food & Drinks II (modernisation) _____		39.9						
TRANSCO Gas Transmission _____		323.2						
Northumbrian Water XII _____		127.1						
Seaboard Powerlink (PFI power supply to London Underground) _____		71.1						
Total _____		2 570.1						
TOTAL EU _____		15 162.1						
Article 18								
Iceland	Reykjavik Water and Electricity Distribution (EFTA) _____	39.4						
	Total _____	39.4						

Water treatment plant, Jakarta, Indonesia





Country	Description	Amount (EUR m)
	BGK-Urban Renewal (social housing)	200.0
	Poznan Urban Renewal & Housing A	13.0
	Total	544.0
Romania	Romania Municipal Water Infrastructure	55.0
	Romania Sulina Canal Bank Protection	38.0
	Romanian Bank Urban Renewal A+B	23.0
	Total	116.0
Slovak Republic	Water & Wastewater Infrastructure	30.0
	Total	30.0
Slovenia	Zirovski VRH Mine Closure & Waste Management	20.0
	Environment Sector Framework Loan	10.0
	Total	30.0
TOTAL Accession Countries		1 788.0
Partner countries		
ACP		
Burkina Faso	AEP Ouagadougou Water Infrastructure	14.0
	Total	14.0
Jamaica	Port Antonio Water & Wastewater Treatment	15.0
	Total	15.0
Mauritius	Plaines Wilhems Sewerage System & Treatment	35.0
	CWA Improvement of Water Supply	20.0
	Total	55.0
Senegal	Water Supply to Dakar II	16.0
	Total	16.0
TOTAL Partner Countries		100.0



Metro, Cairo, Egypt

Med & Balkans

Algeria	Taksebt Alger Water	225.0
	Reconstruction after Floods	45.0
	Total	270.0
Egypt	Cairo Metro Line Extension II	50.0
	Total	50.0
Morocco	ONEP Drinking Water III	50.0
	ONEP Protection of the Environment IV	20.0
	Rehabilitation of Agricultural Irrigation Equipment	40.0
	Total	110.0
Tunisia	Reinforcement of Drinking Water in Sahel & Stax Region	95.0
	Total	95
Turkey	Mersin Wastewater Treatment	60.0
	Eskisehir Urban Development (water and urban transport)	110.0
	Municipal Water Infrastructure Turkey	40.0
	Total	210.0
TOTAL Med & Balkans		735.0
Central & Latin America		
Brazil	Veracel Forestry (carbon sequestration)	32.7
	Total	32.7
TOTAL Central & Latin America		32.7

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