NGO Briefing paper

The EIB energy policy revision process

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CEE bankwatch network

CEE Bankwatch Network's mission is to prevent environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

Background

The EIB's energy policy drafted in July 2007[1] and generally oriented towards the goal of reducing EU greenhouse gas (GHG) emissions 20 percent by 2020 compared to 1990 levels, is currently not yet in line with more recent EU policy developments requiring 80 to 95 percent cuts in GHG emissions and an almost total decarbonisation of the energy sector by 2050[2].Moreover the new European Council and Parliament decision to guarantee EIB financing outside the EU stipulates that "the EIB shall, in cooperation with the Commission, present by 2012 a strategy on how to gradually and steadily increase under its external mandate the percentage of projects promoting the reduction of CO2 emissions and phase out financing projects detrimental to the achievement of the EU climate objectives."

CEE Bankwatch Network is working to ensure that the EIB's shareholders, the Member States of the EU, will not sacrifice national and EU climate commitments, particulary in times when scarce top-rated sources of public finance are being considered as the backstop to the eurozone crisis.

Why is the revision of the EIB energy policy important?

In the EIB's own words, "The EIB [is] the largest international non-sovereign lender and borrower [...]" and "in 2010, some 88 percent of total EIB financing (EUR 72 billion) went to projects in the EU[3]". Since 2006 the EIB has increased its energy lending from EUR 4 billion to EUR 14.6 billion by 2010[4]. The EIB energy policy thus has important implications for the EU energy sector and its development in the comming decades.

At the same time, the EIB's current energy policy has not been formally consulted with the public. During a meeting with civil society organisations in October 2011 the EIB announced it would begin a revision of its energy lending policy in 2012 and solicit public input. The current energy policy is not effective from the perspective of climate safeguarding. Since the EIB adopted the policy in 2007, lending to fossil fuel projects has gradually increased, reaching EUR 5 billion in 2010. Furthermore, the policy is not stringent enough to restrict EIB support for coal power plants like in Germany, Poland and Slovenia[5].

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[1] European Investment Bank „Clean energy for Europe. The EIB reinforced contribution“ http://www.eib.org/about/publications/clean-energy-for-europe.htm

[2] European Council conclusions, October 2009 and February 2011; EC communication: "A Roadmap for moving to a competitive low carbon economy in 2050, March 2011, COM(2011) 112 final.

[3] European Investment Bank, http://www.eib.org/about/index.htm, visited on 26.11.2011.

[4] European Investment Bank, http://www.eib.org/projects/topics/energy/index.htm, visited on 26.11.2011.

[5] Upcoming study of CEE Banwkatch Network analysing the EIB energy lending in 2007-2010.

A new EIB energy policy is also needed in order to prioritise the considerable amount of new investments in the European power sector required to replace dated capacity and infrastructure and to meet EU environmental legislative requirements. As supported by a recent Chatham House report, “the purpose of any specific sector investment policy should be twofold: first to guide internal development and decisions within an institution on the types of projects and finance which are to be encouraged and supported; and, second, to demonstrate externally the views and values of the institution on the risks and opportunities of particular financial activities. These twin purposes require a discussion of the overriding risks and rationale of the policy, while also giving guidance on technical aspects of the fast-moving technologies and the scope of the financial vehicles to which the policy should apply”[6].

The process for the EIB's energy policy review

As with similar policy revisions like the EIB's transport lending policy, the energy lending proccess can be assumed to include similar stages. First the EIB is likely to launch the consultation process with a document that summerises the current energy policy and outlines the areas that bank will focus on during the revision. The current energy lending policy may be treated as a first draft of the policy for comments. At this moment there is space to advocate certain demands be included in the new policy, and in particular Bankwatch has been working throughout 2011 to prohibit coal financing and aims to insert this ban in the new EIB energy policy. Overall this first stage will give tells about what can then be expected in the new policy.

During the next phase of the review process, it is likely that the EIB will collect written inputs from interested stakeholders and then later convene public meetings to receive comments and opinions about EIB energy lending. This process may take up to several months, with consultation meetings expected to be announced in 2012. Throughout this time energy lending policy will remain a valid document.

The EIB will set a deadline for submitting written inputs, after which it can take up to several months for EIB internal services to review and consider the comments and prepare responses. This revision will conclude when stakeholder contributions with EIB responses are published together with the new final draft of the policy two to three weeks prior to the planned approval by the Board of Directors.

If the revision of the transport lending policy provides any insights, then special interest business lobbies will participate as well during the review of the energy lending policy. These powerful business groups have better access to EIB Management and key employees than nongovernmental organisations, so better coordination among NGOs is imperative to achieve policy change. It is also important to find other allies like individual Member State governments, the European Commission (to an extent) and other business associations, like renewable and energy efficiency lobby groups.

NGOs must provide timely interventions, so now is the time to build alliances and agree a division of labour among participating organisations. An important first step is to identify the positions towards the EIB and its energy lending within key Member States and to what extent these governments could advocate key NGO demands during the policy revision process.

For more information

Kuba Gogolewski
Energy Campaigner
CEE Bankwatch Network
Tel: +48 228920086
Email: kuba.gogolewski@bankwatch.org

or

Piotr Trzaskowski
Climate and energy coordinator
CEE Bankwatch Network
Tel: +48 509 162 988
E-mail: piotrt@bankwatch.org

6 Antony Froggatt, http://www.chathamhouse.org/publications/papers/view/179499 , Chatham House, November 2011, p. 10.