European Investment Bank
The EU bank

JORNADA TÉCNICA

DOBLE cero:
0 Emisiones – 0 Congestión

EL COMPROMISO DEL BEI CON EL CAMBIO CLIMATICO
Líneas de colaboración con las Administraciones Locales

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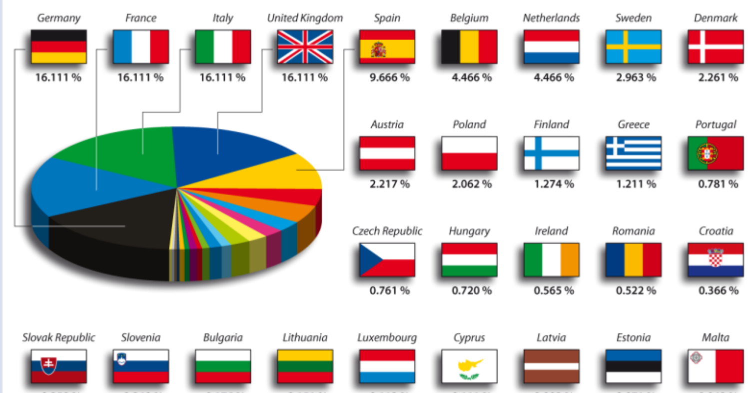
Madrid, 10 y 11 de Diciembre de 2015

The Bank promoting EU objectives

European Investment Bank
The EU bank

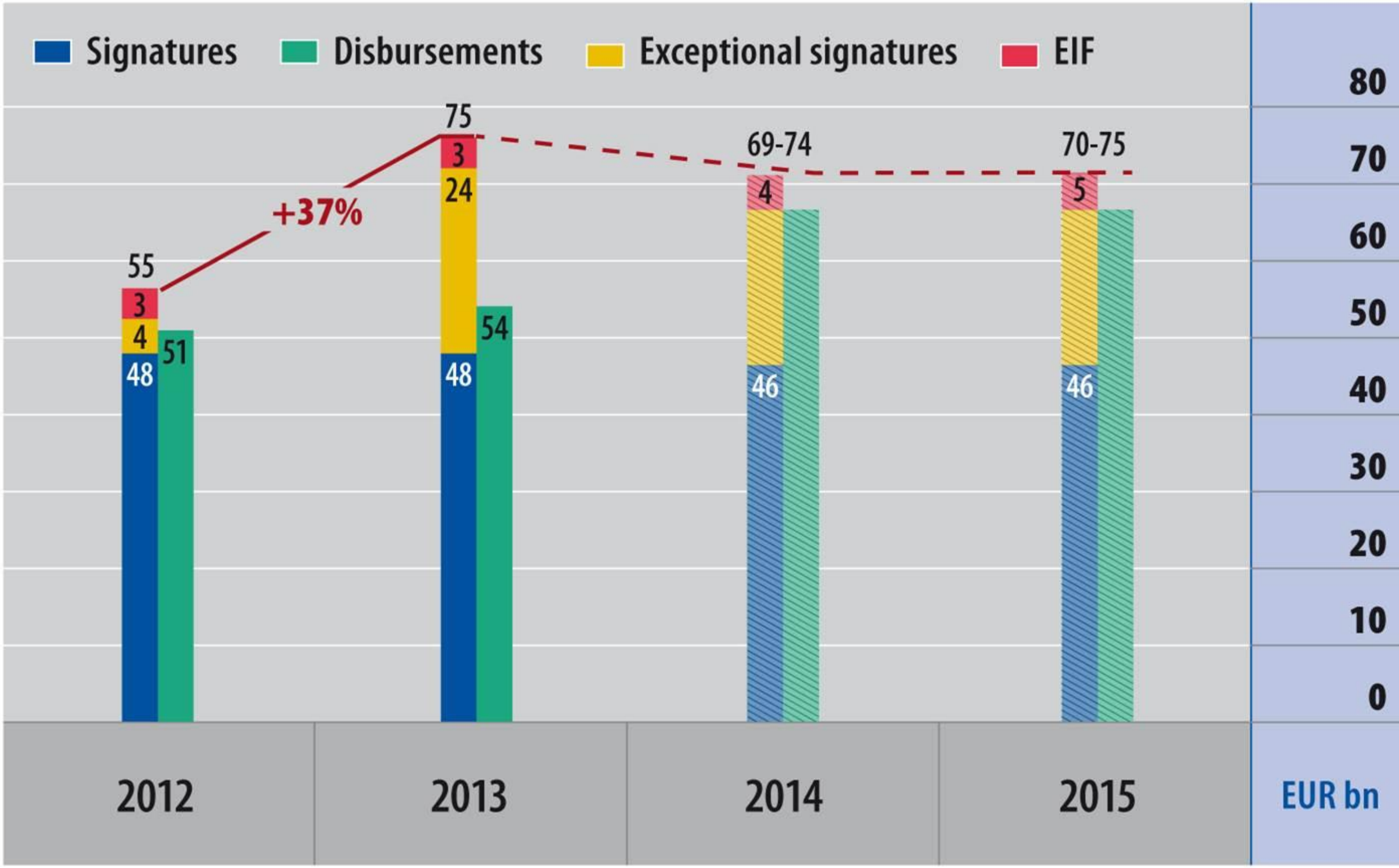
- EU's financing arm, established by the Treaty of Rome (1958)
- Promoting EU objectives
  - Convergence and social cohesion
  - Growth & Employment
  - Support to small and medium-sized enterprises (SMEs)
  - Environmental sustainability, including Climate Change Action
  - Knowledge Economy & RDI
  - Trans-European Networks (TENs)
  - Basic infrastructures & services
  - Sustainable, competitive and secure energy
  - Sustainability of natural resources
- Providing long term financial support



The economic crisis: EIB Group response

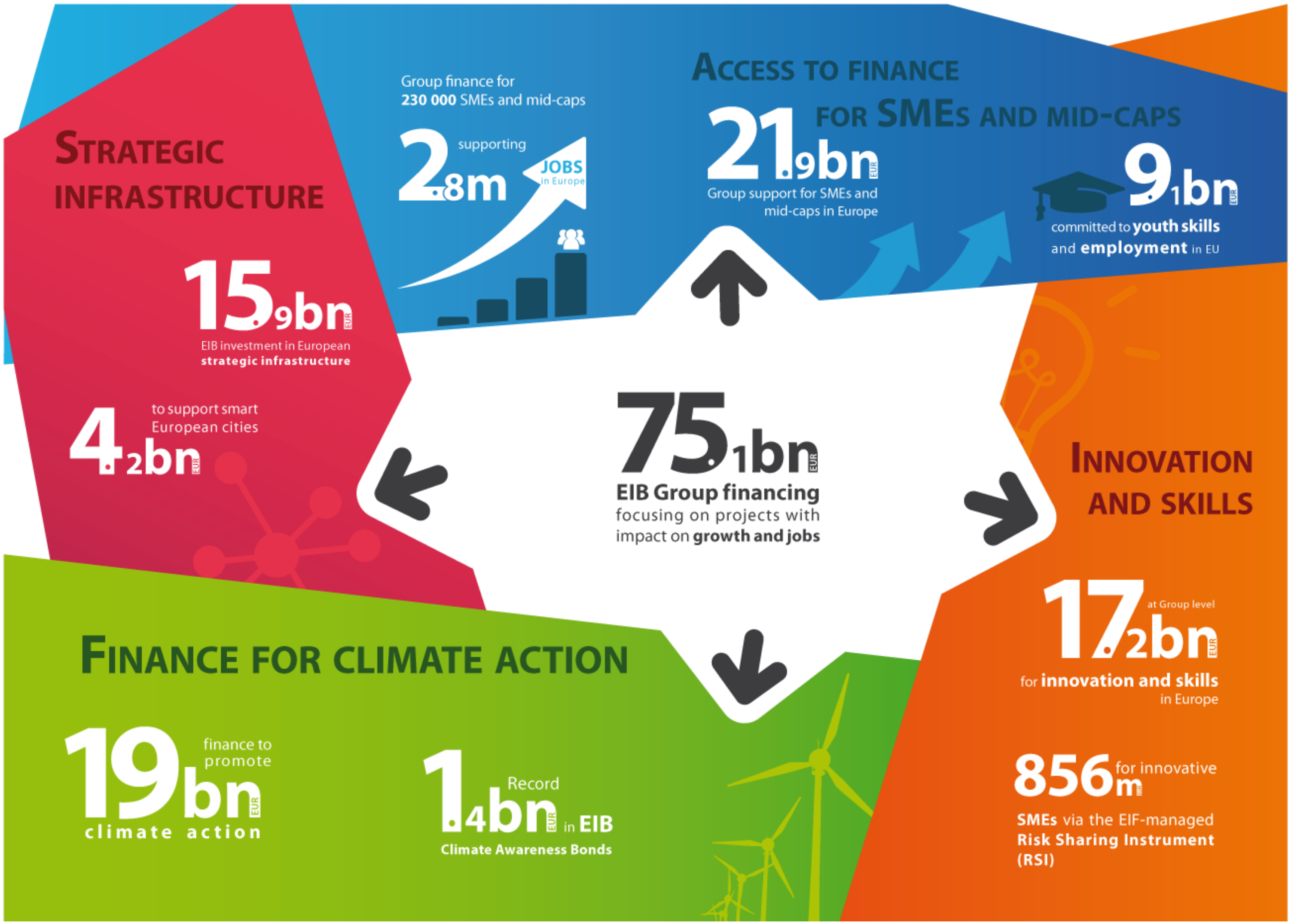
More Lending	Substantial increase since 2008
Better Offer	New products More advice New clients Attracting more investors
Higher Risk	Special activities InnovFin

A strong response to the crisis



European Investment Bank The EU bank

2013 in figures (77 bn in 2014)

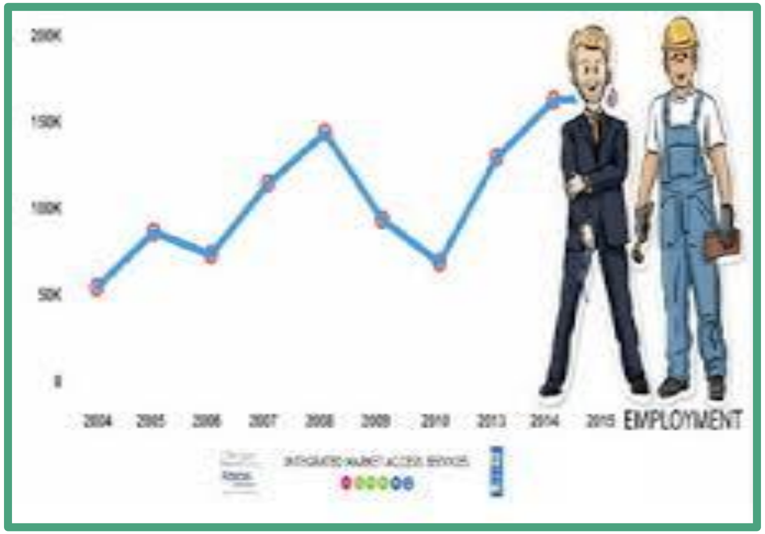


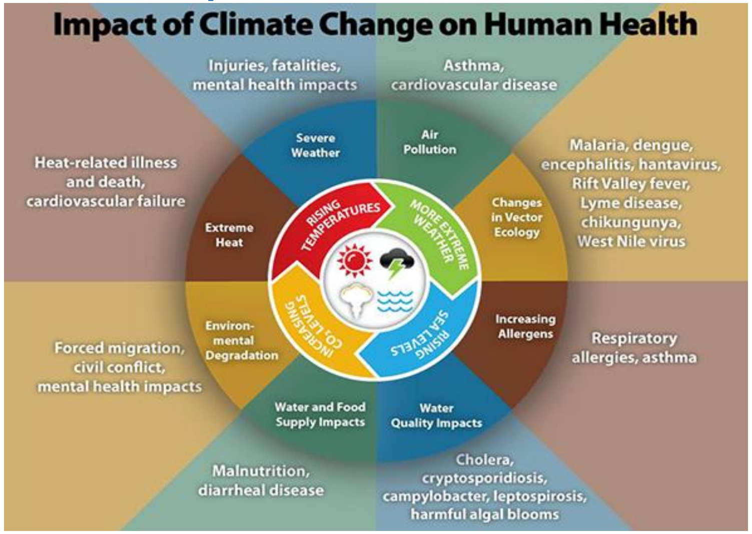
The two major current priorities

Growth and Employment

European Fund for Strategic Investments (EFSI)

- Strategic infrastructure including digital, transport and energy
- Education, research, development and innovation
- Expansion of renewable energy and resource efficiency
- Support for smaller businesses and midcap companies

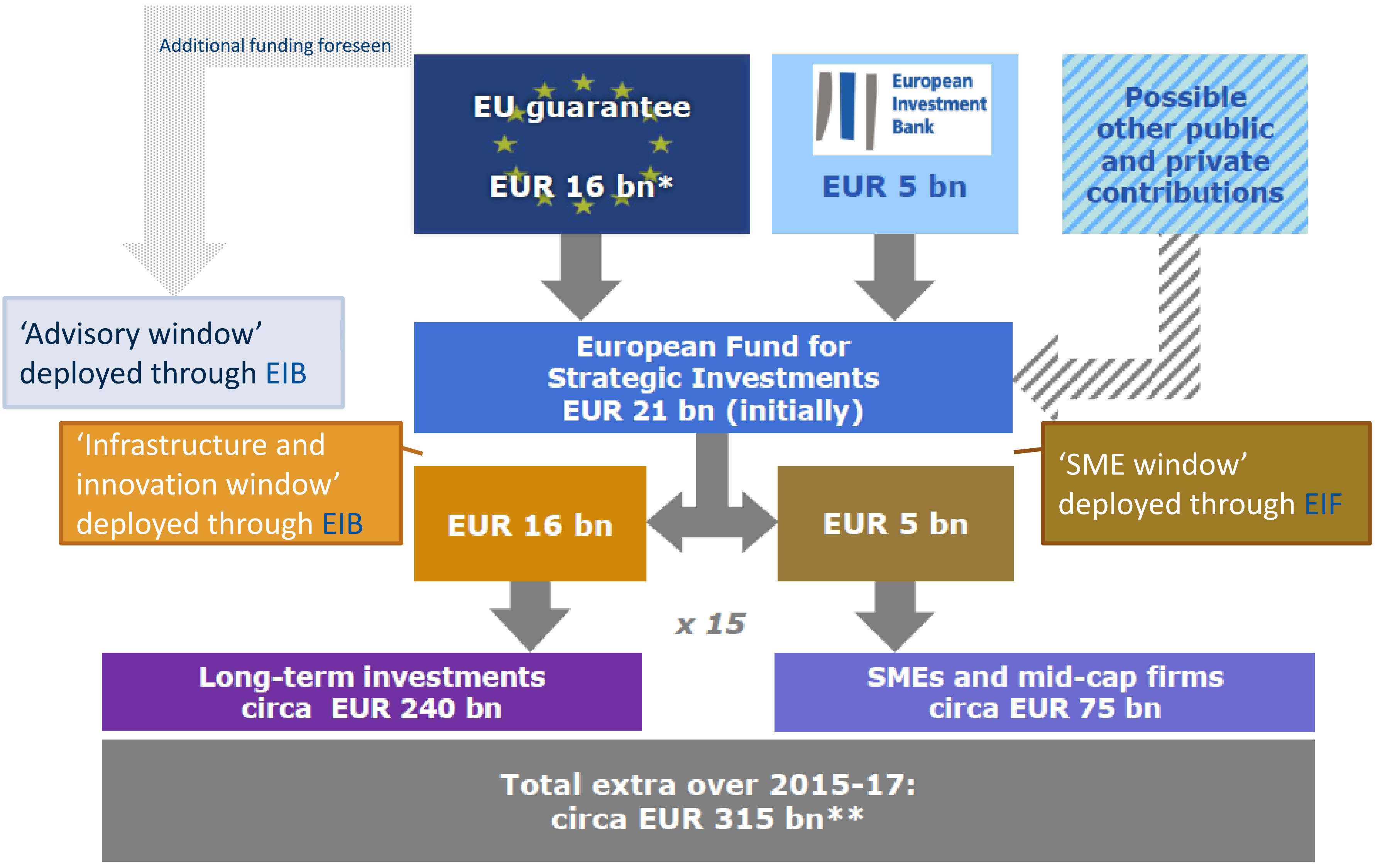




Climate Change

(ex-post) **Mitigation** measures and (ex-ante) **Adaptation** actions, including resource effciency and natural & man-made disasters

European Fund for Strategic Investments



The climate change

➢The scientific community at large recognises that climate change is taking place due to a complex ocean-land-air relationship driven by greenhouse gas (GHG) emissions mainly generated by human activities.

➢The urgent need to combat the threats that climate change poses to health, the environment and the economy as a result of global warming is felt extensively at the international level.

➢The European Union (EU) has taken a clear and increasingly strong political leadership in this regard and made climate change mitigation and adaptation a top policy priority.

EU objectives

- The EU has committed to achieving a 20% reduction of greenhouse gas emissions compared to 1990 levels and endorsed a binding target of a 20% share of renewable energies in the overall EU energy mix, with a binding minimum 10% share of fuels from renewable sources (biofuels, hydrogen, ‘green’ electricity, etc.) in transport by 2020.
- Furthermore, it has signed up to cut energy consumption by 20% of projected 2020 levels by improving energy efficiency.
- The EIB has committed to allocating a minimum of 20% of its invesments to projects in the energy sector that promote the use of sustainable energies.

Climate change and the EIB

Award: Climate change lender of the year 2009

As the long-term lending body of the EU, the fight against climate change has also become a priority for the European Investment Bank (EIB).

The EIB's financing activities in this area reflect the Bank's mandate to implement EU policy and legislative initiatives, in particular in the energy efficiency and renewable energy sectors, including international commitments embraced by the Union.

Climate change: challenges for the EIB

- Climate change poses significant risks to the EIB's project portfolio across several sectors in- and outside Europe.
- Climate sensitive projects might be exposed to reduction in asset value, lower rates of return or even default.
- National Adaptation Plans for Action, when they exist, are often not mainstreamed into national policies.
- There is an urgent need in many countries for accessing financial resources and acquiring knowledge on good practices.
- Additional financial resources, besides grants, need to be combined with tailored technical assistance for project preparation and capacity building.
- Mainstreaming of adaptation into EIB project cycle management is currently under way.

Climate change: the EIB objectives

□ To provide a range of climate finance solutions, for both mitigation and adaptation purposes, as part of the EU response to the climate challenge.

□ To catalyze private sector financial flows using EIB financial leverage and capacity to innovate.

□ To integrate climate considerations effectively into all EIB activities and practices, including those related to the project cycle, the sector lending policies and the project-specific performance standards, as well as into the way the EIB manages its own facilities.

□ To engage constructively with a wide range of external stakeholders, recognizing a common interest in and shared responsibility for coordinated climate action, specifically in the interests of developing and applying cost-effective finance and harmonised good practices.

The way forward: internal

- Further mainstream adaptation into project cycle, including systematic screening of projects with high vulnerability profiles.
- Based on the experience gained in flood risk management projects, develop sector-specific climate risk tools to facilitate harmonised approaches to project due diligence.
- Define, jointly with other funding institutions, a sound methodology through which the cost of adaptation components can be assessed and tracked over time.
- Further tailor the EIB's portfolio of financial products to better respond to adaptation funding needs.
- Consider the creation of a Climate Risk Management Centre to support knowledge sharing among EIB financial and technical expertise.

The way forward: exernal

- ➢Pro-actively support identification and development of projects improving climate resilience, also through dissemination of good practices.
- ➢Increase the capacity of beneficiaries to absorb and allocate adaptation funding effectively.
- ➢Use technical assistance to support clients in integrated climate risk assessment.
- ➢Work with clients to systematically include parameters to address climate change impacts in project planning and design.
- ➢Collaborate with the EC and other financiers to share knowledge, use synergy effects and develop appropriate co-financing mechanisms.

The integration of climate change into the EIB's decision making process

- Carbon footprint assessment of financed projects, using methodologies adapted to each sector;
- CO_2 emissions costs assessment of thermal power projects, taking such costs into account to calculate project profitability;
- Impact assessment of road infrastructure projects, measuring CO_2 emissions produced by the vehicles using them;
- Systematic assessment of projects to evaluate climate risks and prompting to change project planning to include these risks;
- Systematic assessment of projects from the first steps of the process to identify potential carbon credit. The possibility to give technical assistance to the Promoter to make the most of these opportunities is also considered.

Policy (1): Renewal energies

In the energy sector the Bank's activities contribute to broad EU policy objectives, such as:

- **environmental sustainability – reduced CO2 emissions and cleaner energy to reduce the negative impact of energy production and consumption;**
- **competitiveness in energy supply – a key consideration for the EU's economic development given the importance of energy in our modern economy, and;**
- **security of supply – reducing and diversifying Europe's dependence on external energy supplies.**

The EIB will only finance new coal and lignite power plants if they replace old ones and result in a reduction in CO2 emissions of at least 20%.

Policy (2): Energy Efficiency

- Energy efficiency improvements in buildings could result in savings of up to 30% in energy, 25% in urban transport, another 25% in the manufacturing industry and up to 20% or more in energy generation, transport and distribution. In financial terms the loss may be estimated at roughly EUR 60 bn a year.
- The pay-offs of improved energy efficiency go far beyond direct savings on energy bills. Better energy efficiency lowers costs and improves competitiveness in the production of goods and delivery of services.
- Energy efficiency investment projects also create jobs. In the building sector, for example, the retrofitting of older buildings and the construction of new, efficient ones requires new construction materials, climate control and lighting, and the materials themselves must be produced in energy-efficient ways.

Policy (3) : Forestry and land use

- Forestry has a significant role to play in reducing greenhouse gas emissions. The total carbon content of forest ecosystems worldwide was estimated at 638Gt for 2005, more than is contained in the entire atmosphere. At the same time, deforestation is responsible for over 17% of global carbon emissions.
- More than half a billion people live in extreme poverty and depend on forests for their livelihoods. Forest ecosystems are home to over 80% of the world's terrestrial Biodiversity.
- Forestry can help lower emissions at a relatively low cost while at the same time contributing to climate change adaptation and sustainable development. Low-risk sustainable investments have become highly attractive, and forestry and forest-based industries can offer a creditworthy basis for long-term investment.

Policy (4): RDI

- The EIB is increasing its invesments in innovative technologies such as:
  - photovoltaic panels
  - offshore windmills
  - concentrated solar power
  - second generation biofuels

- Recently particular attention has been paid to research and development activities in the following fields:
  - Engines and fuels that decrease emissions coming from cars and planes
  - Small size, more energy-efficient cars

European Clean Transport Facility (ECTF)

- The European Clean Transport Facility (ECTF) is a major EIB financing programme approved by the Economic and Financial Affairs Council of the European Union (ECOFIN) on Dec 2, 2008 to support investments targeting research, development and innovation in the areas of emissions reduction and energy efficiency in the European transport industry. The ECTF will amount to EUR 4bn per year and targets automotive (manufacturers/suppliers), railroad, aircraft and shipping industries.

Policy (5): Natural disasters recovery/prevention

"Guide for preparation of flood risk management schemes" (2007), covering:

1. Risk analysis – hazard sources, pathways and vulnerability of receptors.
2. Risk management – pre-flood measures and flood emergency management.
3. Technological integration – decision support and uncertainty.
4. Pilot applications – for river, estuary and coastal sites.
5. Training and knowledge uptake – guidance for professionals, public information and educational material.
6. Networking, review and assessment.
7. Co-ordination and management.

Eligibility criteria currently under revision to incorporate man-made disasters and to enlarge financial support

Approaches I: Finance and Instruments

- To define climate finance activity - in both borrowing and lending terms - based on objective and transparent criteria, and to set meaningful targets for climate financing.
- To prioritise the research, development and implementation of projects with high potential for change in favour of lowcarbon and climate-resilient solutions, especially in the field of energy but also in other sectors.
- To help develop the green bond market as a significant source of incremental climate finance consistent with stringent performance standards.
- To develop and apply a range of innovative financial instruments.
- To increase and catalyze climate finance activity, particularly in developing countries, which offer cost-effective carbon emissions reduction opportunities but need help to move from conventional high to low carbon emissions pathways, and to support their climate-resilient development.
- To design, test and apply a set of complementary technical advisory and support services to lower investment barriers.

Approaches II: Project Performance Standards and Practices

- **To assess and mitigate any significant climate-related adverse economic, environmental and social impacts of EIB projects.**
- **To promote risk management approaches to increase the resilience of assets, communities and ecosystems related to EIB projects.**
- **To apply a human rights-based approach to climate change mitigation and adaptation by considering the climate-related social aspects of EIB projects.**
- **To measure the carbon footprint of the projects it finances according to good international practices. Where appropriate, to use this information to inform sector lending policies and approaches to projects that have significant greenhouse gas emission implications.**
- **To apply an appropriate economic price of carbon in its project-^specific analyses in order to inform the EIB financing decision.**
- **To systematically assess the scope for cost-effective improvements in resource use, in particular energy efficiency in EIB projects.**
- **To identify and develop the potential for tradeable carbon and other related environmental credits to be generated and commercialized within regulated and voluntary markets.**

Approaches III: Information, Communication and Engagement

- To disclose information according to the EIB Transparency Policy to illustrate the climate activities of the EIB and their implications.

- To report on the climate-related performance of projects through the development and application of mitigation and adaptation indicators along the project cycle.

- To promote a shared responsibility for coordinated climate action among a range of external stakeholders, encouraging its partners to match its own high level of ambition, and leading example.

Our products

We help to catalyse investment

LENDING	BLENDING	ADVISING
Loans (individual, multi-sector, multi-component projects) But also: Guarantees (trade financing) Equity participation (investment funds)	Combining EIB finance with EU budget (SPL projects) (Project Bond Initiative) Higher risk projects for innovation (RSFF) and Youth Employment	Advisory Services: Prepare & implement projects (JASPERS) Independent Quality Review Support for public / private partnerships (EPEC)

Attracting FUNDING for long-term growth

Financial instruments

- Loan due diligence on the basis of technical, financial, environmental and social criteria
- Loans for sovereign, sub-sovereign and corporate clients with long tenors
- Funding of up to 75% of total cost for climate change projects, co-funding with European Commission, IFI/BFIs and commercial banks
- Technical Assistance with special focus on climate change mitigation and adaptation
- Financial and technical value added

Carbon Funds

- In cooperation with the World Bank, the EIB has launched the **Carbon Fund for Europe (CFE**), which acquires emission credits on behalf of its participants and helps sponsors develop projects intended to reduce greenhouse gas emissions.
- Tailored to promote projects generating carbon credits from 2012 onwards, the **Post-2012 Carbon Fund** is an initiative developed by the EIB and four other public finance institutions (Caisse des Dépôts, Instituto de Crédito Oficial, KfW Bankengruppe and the Nordic Investment Bank) with a view to bolstering confidence in the establishment of a regulatory regime beyond the Kyoto regime. The Post-2012 Carbon Fund has a budget of EUR 125 m and is the first of its kind.
- The joint EIB/KfW (Kreditanstalt für Wiederaufbau) **Carbon Purchase Programme** is designed to help EU small and medium-sized enterprises (SMEs) that need to comply with the EU's Emissions Trading Scheme. The programme also supports projects located in the poorest countries identified as the Least Developed Countries (LDCs) and Kyoto Programmes of Activities (PoAs). The EIB-KfW Carbon Programme II covers both Kyoto and post-Kyoto emission credits.
- The **Multilateral Carbon Credit Fund (MCCF)** was created by the EIB and the European Bank for Reconstruction and Development (EBRD) with a view to developing the carbon market in countries from Central and Eastern Europe through to Central Asia. The aim is to help them meet mandatory and voluntary emission reduction targets. EUR 190 m raised by the MCCF mainly serves project-based carbon credits, but also green investment schemes.
- The first carbon fund in French-speaking Africa and first national fund co-established by the EIB, the **Fonds Capital Carbone Maroc (FCCM)** supports CDM projects by acquiring carbon credits over the period 2008-2017.

Investment Funds

- **Risk-Sharing Finance Facility:** aims to promote investment in the research and innovation sector;
- **European Clean Transport Facility:** encourages investments from the research and development phase to the production of more efficient vehicles;
- **MARGUERITE:** fund established with other European Financial Institutions to support the European Economic Recovery Plan launched by the European Commission. This fund brings equity and near equity to projects in the sectors of energy, sustainable energy, and transport;
- **Facility for Energy Sustainability and Security of Supply (ESF):** promotes processes of clean energetic growth through technology transfers between EU and developing countries;
- **Global Energy Efficiency and Renewable Energy Fund (GEEREF):** a fund investing in local capital risk funds boosting private investments in sustainable energies and in energetic efficiency projects in developing countries and transitional economies.

EIB project requirements: the « three pillars »

European Investment Bank

Eligibility = consistency with EU priorities

Technical quality and economic soundness

Financial viability and adequate security

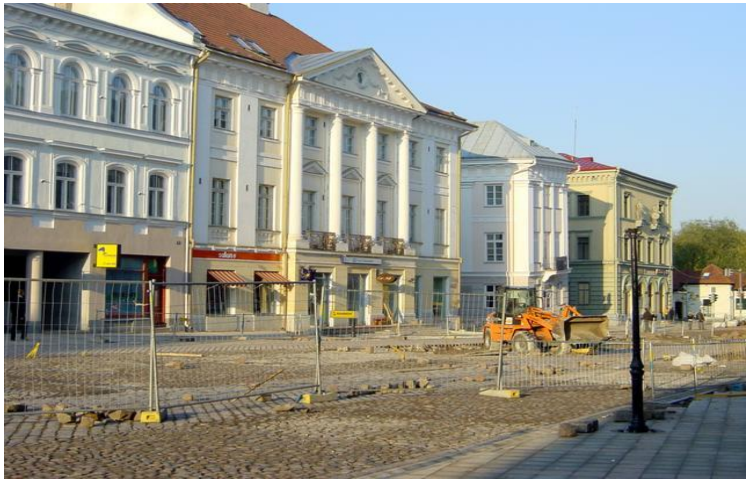
Comply with procurement and environmental protection regulations

A project assessment with many facets

EIB financing the Urban Sector

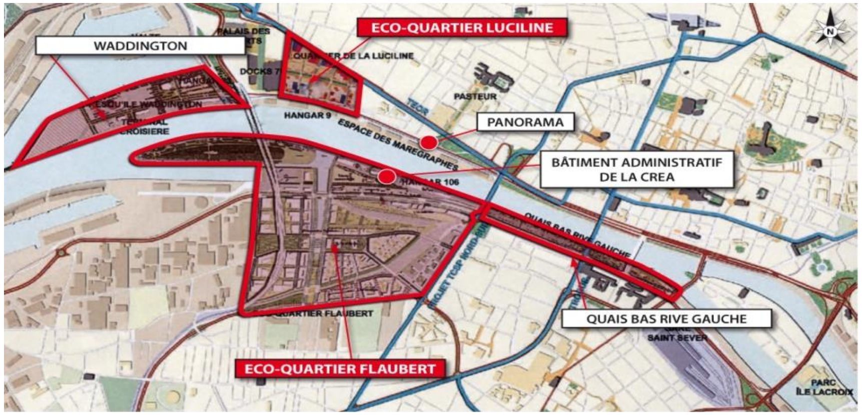
- Core activity in the urban sector
  - Urban development and renewal (namely infrastructures)
  - Social/affordable housing and fight against social exclusion
  - Individual buildings of community interest, including energy efficiency actions
  - Protection/rehabilitation of Historic and Cultural heritage
  - Improvement of public transport, soft modes, traffic calming, modal interchanges, clean vehicles
- Complementary activity
  - Education and health facilities
  - Water, waste and improvement of the environment
  - Utilities, including district heating & street lighting
  - Natural and man-made disasters (prevention/mitigation of effects)

EIB activity in the urban sector



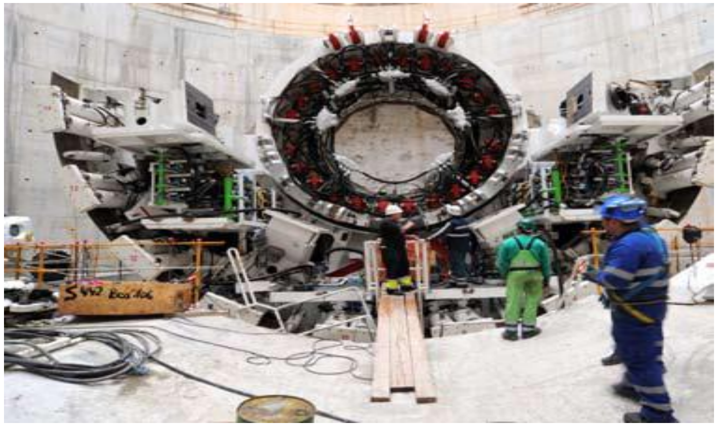
Types of Urban Projects

- Loans to cities or urban developers for regeneration or development of urban districts;
- Multi-sector Framework Loans - FL - (e.g. cultural and social facilities, schools, public transport, urban roads, water and waste-water management, solid waste management, tourism, etc.) to fund City investment programs: FL provide flexibility in terms of project implementation.
- Social housing program loans (rental social housing);
- Equity investments in urban development, brownfield or revolving funds
- Loans for major public buildings



EIB financing cleanliness and energy efficiency in the urban transport sector

A major challenge for the EIB's involvement in public transport is to support solutions that strike a balance between the growing demand for mobility and the quality of the urban environment.



Particularly in the new Member States and the Pre-accession countries, this entails limits on the indiscriminate proliferation of new infrastructure and leads to the implementation of rational long-term planning processes.

The Smart City concept is closely linked to other city visions

Driver	City vision
Sustainable development	**Sustainable City** Three dimensions in the long term: economic, emvironmental and social
Ecology and environmental protection	**Eco/Green city** Emphasis on environmental protection
Climate change	**Resilient City** Emphasis on adaptation and risk management
Social Inclusion and cohesion	**Inclusive city** Emphasis on social and economic issues to promote more equitable place-making and social inclusion

Smart City

A new paradigm or an enabler?

Joint sattement by the Multi-lateral Development Banks at Paris, COP21.

Delivering Climate Change Action at Scale:
Our Commitment to Implementation (relevant points)

- **We already provide policy, advisory, financial, and technical support to countries as they transition toward a lower carbon, more climate resilient future.**
- **We have a strong record of working with partners to finance investments that address the effects of climate change. Since 2011, we have collectively committed an average of US$26.5 billion a year in climate finance for developing and emerging countries.**
- **We use our global reach, technical expertise, and local knowledge to tackle climate change at all levels – from policy through operations. We also have the convening power to bring many actors to work with our public and private sector clients.**
- **We are committed to providing the best solutions for our clients and the world's poorest. With our member countries in the lead, we will respond ambitiously to this great challenge.**

Signed: African development Bank, Asian Development Bank, European Bank for Reconstruction and Development, European Investment Bank, Inter-American Development Bank and the World Bank Group.

Joint sattement by the Multi-lateral Development Banks at Paris, COP21.

- The **African Development Bank** announced that it would triple its climate financing to reach nearly US$5 billion annually by 2020.
- The **Asian Development Bank** announced that it would more than double its annual climate financing, up to US$6 billion by 2020. US$4 billion will be for mitigation, US$2 billion for adaptation.
- The **European Bank for Reconstruction and Development** indicated that it would increase the share of environment/ climate financing from 25 percent to 40 percent of annual commitments by 2020; this will provide US$20 billion over the next five years, versus US$20 billion over the last ten years.
- The **European Investment Bank** will finance US$20 billion a year globally for the next five years under its recently announced climate strategy commitments, a total of US$100 billion, equal to at least 25% of its overall lending for the period. In order to strengthen the impact of EIB's financing, notably in developing countries, the EIB aims to increase its lending for climate action in those countries to 35 percent of total lending by 2020.
- The **Inter-American Development Bank** announced its aim to double the volume of its climate finance by 2020, provided support of its Governors, this would mean increasing from an average of 14 percent of annual commitments over the last three years to 25-30 percent average commitment by 2020.
- The **World Bank Group**, provided support of its Governors, pledged a one-third increase in climate financing, from 21 percent to 28 percent of annual commitments by 2020. If financial capacity were maintained at today’s level in real terms, this means reaching US$16 billion a year in public finance. The Bank Group intends to continue leveraging its current levels of co-financing for climate-related projects, which could mean up to an additional US$13 billion a year in 2020. The direct financing and leveraged co-financing together represent an estimated US$29 billion.

Thank you !

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