



# **EIB and sustainability**

**In the context of Johannesburg**

**--- expectations and challenges ---**

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- ∞ Johannesburg and the environment
- ∞ EU today & EU tomorrow
- ∞ Six opportunities for EIB
- ∞ A new context for EIB
- ∞ Recommendations for EIB





# 1992

”1.1. Humanity stands at a defining moment in history. We are confronted with a perpetuation of disparities between and within nations, a worsening of poverty, hunger, ill health and illiteracy, and the continuing deterioration of the ecosystems on which we depend for our well-being.”

Report of the United Nations Conference on Environment and Development

Agenda 21

Rio de Janeiro, 3-14 June 1992, Chapter 1





# 1997

"We acknowledge that a number of positive results have been achieved, but we are **deeply concerned that the overall trends with respect to sustainable development are worse today than they were in 1992.** We emphasize that the implementation of Agenda 21 in a comprehensive manner remains vitally important and is more urgent now than ever."

The Commission on Sustainable Development  
Rio +5  
New York, June 1997, Statement of Commitment





# Living Planet Index

Figure 1: Living Planet Index, 1970-1999

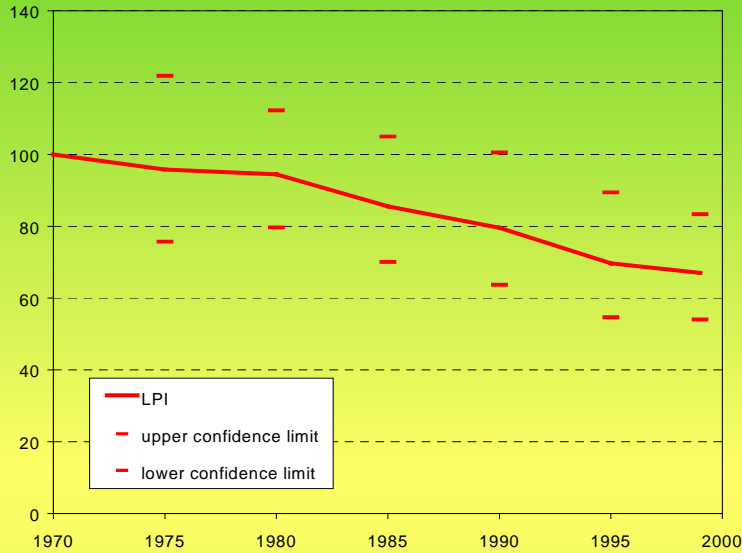


Figure 3: Forest Species Population Index

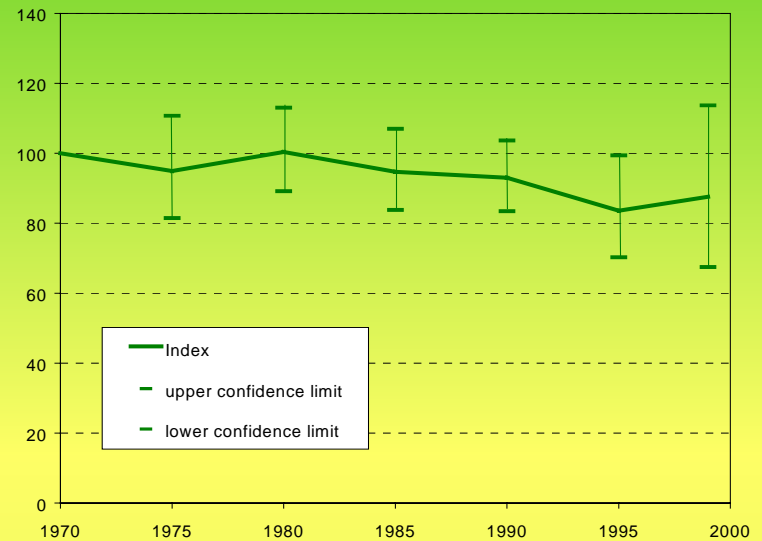


Figure 4: Freshwater Species Population Index

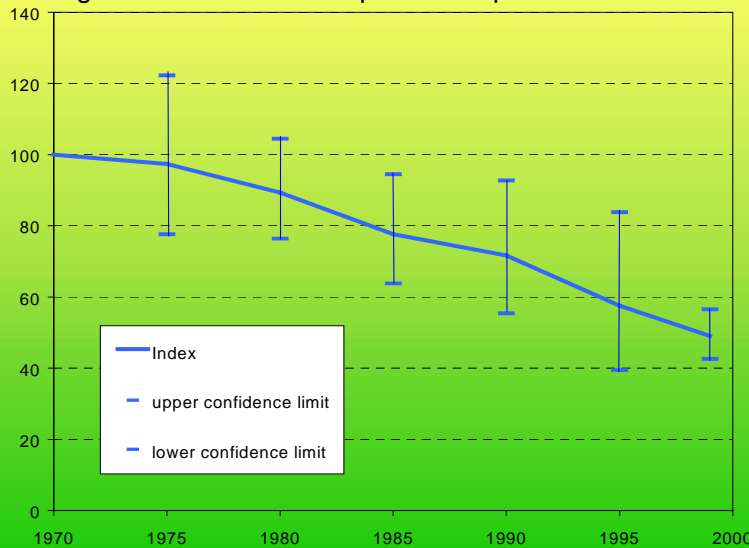
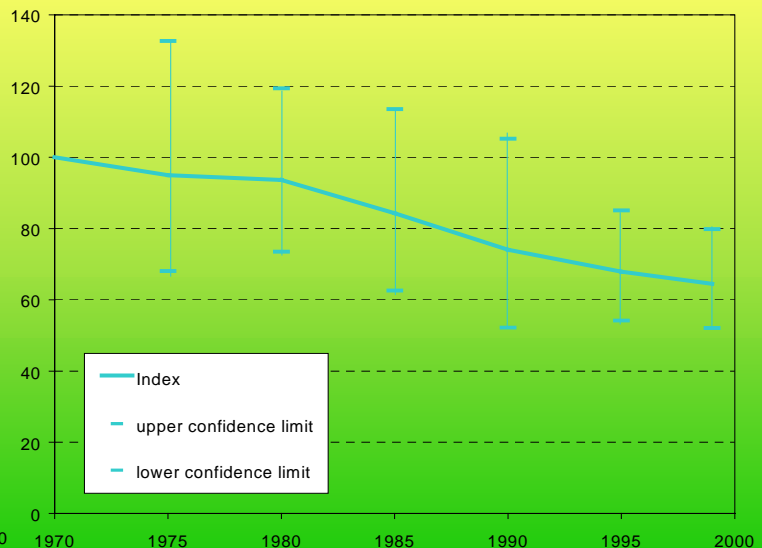


Figure 5: Marine Species Population Index





## **In the European Union:**

- **38% of bird species are threatened**
- **45% of butterflies are threatened**
- **60 % of wetlands have been lost in NW Europe**
- **66% of tree are suffering from pollution**
- **soil erosion is creating deserts**

*(6th Environmental Action Programme 2001-2010)*





## EU Today

- A single market of 360 million people
- The world's second largest economy
- The biggest importer and the second largest exporter of agricultural products in the world
- The biggest source of development aid
- The second largest source of foreign direct investment





## EU Tomorrow

- Enlargement of EU to 27-28 countries
- 500 million people by 2003-2006
- A Mediterranean Free-trade zone (MFTZ) of 800 million people
- EU as a major political player in international relations





## EIB

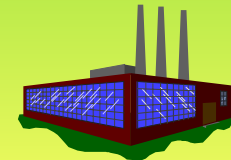
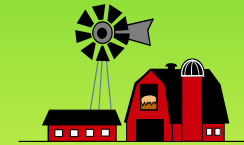
Created in 1958 under the Treaty of Rome, the European Investment Bank is the financing institution of the European Union.

With its banking resources, it supports projects **giving practical expression to EU objectives in the Union and 120 other countries throughout the world.**





# EIB in a world of financial actors





# Six challenges for the financial sector

- six opportunities for EIB?

1. Sustainable development requires investments with long payback. Financial markets seek short-term payback.
2. Efforts towards eco-efficiency by a company often reduce present earnings in favour of future potentials. Financial markets favour companies with high present earnings over those with future potentials.
3. Given low resource prices and the ability of business to keep costs for much environmental damage "external" to their own balance sheet, the profitability of becoming eco-efficient is reduced. Eco-efficient companies are often not preferred by financial markets.





## **Six challenges for the financial sector**

- six opportunities for EIB?

4. Sustainable development requires massive investments in developing countries. Financial markets put a high risk premium on investments in developing countries.
5. Accounting and reporting system do not adequately convey potential environmental risks or opportunities. Financial markets are based on biased information.
6. Sustainable development is concerned with the importance of the future. Financial markets discount the future routinely and heavily.





## A new context for EIB

”No overall positive trends can be depicted within the scope of the outlooks. For most of the issues there has either been insufficient progress towards recovery of a healthy environment, or unfavourable underlying developments... **environmental action need to be integrated more closely into economic measures.**”

Environment in the European Union at the turn of the century  
European Environment Agency, 1999





## A new context for EIB

“Environmental protection requirements **must** be integrated into the definition and implementation of the Community policies and activities referred to in Article 3, in particular with a view to **promoting sustainable development.**”

Treaty of Amsterdam,  
article 6, June 1999





# A window of opportunity for proactive work

Combating climate change

To enhance the Union's efforts in this area, the European Council:

*invites* the European Investment Bank to promote the Sustainable Development Strategy and to cooperate with the Commission in implementing the EU policy on climate change.

*Presidency Conclusions  
Göteborg, 15 and 16 June 2001*





# Recomendations

- Short term

1. Develop sustainability indicators
2. Develop a report back system that annually analyse how far EIB have moved in relation to the sustainability targets developed
3. Develop a strategy for implementing the SDS and the guidelines from Baltic 21, with inclusion of (biodiversity) performance indicators and analytical tools
4. Develop a system for evaluating (large) investments from a sustainable perspective (both long and short term) ex ante/ post
5. Create a project inspection panel that use information from the evaluation unit
6. Use privileged access and dialogue to private sector to stress the Bank's commitment to sustainable development
7. Develop Micro credit schemes, and sustainable global loans
8. Improve the transparency and accountability





# Recomendations

- Short term, energy and biodiversity

1. Create a special arm working with energy efficiency and renewable energy. Set portfolio target in this area.
2. Develop a long-term strategy for meeting the EU:s climate targets (both short term and long term) including measuring the banks climate foot print
3. Insist on strengthened enforcement of the Habitats Directive, N2000 and Birds Directive in Bank operations
4. Inform the EIB Projects Directorate of the importance of the Gothenburg Council biodiversity commitment and increase staff training





“Never doubt that a small group of thoughtful committed citizens can change the world; indeed it’s the only thing that ever has.”

*Margaret Mead 1901-1978*





# Detailed recommendations

- Climate change
- Biodiversity





# Detailed recommendations

- Climate change
- Natural resources





# Climate change

- The trend in EU, -8% by 2012, -60 to 90% in the next century

**Table: Projected growth of greenhouse gas emissions between 1990 and 2010**

Mt CO2 eq.	<i>1990</i>	<i>Baseline 2010</i>	<i>growth 2010/1990</i>
Energy Supply	1421,7	1276,6	-10,2%
Industry	757,1	686,1	-9,4%
<b>Transport</b>	<b>753,1</b>	<b>1098,2</b>	<b>45,8%</b>
Households	447,5	440,0	-1,7%
Private and public services	175,6	188,9	7,6%
Agriculture	417,0	397,6	-4,7%
Waste	166,4	137,3	-17,5%
<b>Total</b>	<b>4138,3</b>	<b>4224,8</b>	<b>2,1%</b>

How much of the investments above are going to be stranded costs given that we shall meet our long term targets?





# **Two ways for EIB to start a process to reduce its contribution to CO2-emissions**

**I. Disclose EIB's GHG contribution**

**II. Improve possibilities for GHG-reducing investments**





## **I. In order to find credible GHG accounting methods, with the focus on CO<sub>2</sub>, EIB should together with all relevant stakeholders:**

1. Identify and categorise the parts of EIB's portfolio that:
  - a. Result in the largest reductions of GHG
  - b. Are the biggest contributors of GHG
  - c. Are cutting edge sustainable (i.e. decentralised renewable energy production, telecom solutions that reduces traffic, etc).
  
2. Propose measures/methods that could be used by EIB for GHG accounting and propose to which categories of investments it should be applied. Special attention should be given to solutions like ICT that are crucial for long-term reductions, but whose direct impact, through energy consumption, on GHG-emissions usually are small.
  
3. Conduct an initial assessment of EIB's GHG footprint of ten chosen projects in three key sectors: (1) one power development project and/or export of supporting components, (2) one transportation infrastructure project and/or export of supporting components, (3) and one investment in ICT infrastructure.
  
4. Propose a suitable way to publish GHG-assessment of EIB's portfolio.
  
5. Produce and publish a final report that summarises points A 1 - 4. This work should build on EIB's experience and use the result from the study "The Quantification and Valuation of Environmental Externalities - The Case of Global Warming and Climate Change"





## II. In order to find suggestions of how EIB could improve the possibilities for GHG-reducing investments EIB should explore the following, and recommend measures when needed:

1. How EIB could systematically consult with, and target the sustainable energy technologies (SET) sector when designing and marketing their products, especially SME products.
2. How EIB could introduce portfolio targets for SET support (such as SETs' share of total portfolio, share of renewables, projects above benchmark emissions in recipient countries, etc.)
3. Produce a final report that summarises points B 1-2.





## Natural resources

The extracting industry is important in providing needed natural resources that are used in every aspect of our modern lives. However it is also an industry that if not well managed can lead to serious degradation of the environment and negatively impact the well being of people in, around and downstream of the extraction.

In order to improve EIB's contribution to sustainability and ability to assess the quality of the projects that they finance the bank could use two groups. EIB would not finance projects in group 1 and the circumstances in group 2 would require increased attention and due diligence in the risk approval process:

### **Example of Group 1 projects:**

- **The Project is in or in proximity to an IUCN I – VI category protected area (NO-GO zone)**

### **Examples of Group 2 projects:**

- **The Project is in or in proximity to a World Heritage site**
- **The Project will result in direct or indirect risk to intact primary or high conservation value forest**
- **The Project is in an area where affected indigenous people's interests are not addressed within an appropriate agreement supporting the project's development**





# Recomendations

- Long term

- 1. The owners of the bank must evaluate what conditions the bank must meet in order to contribute to a sustainable development.**
- 2. The bank must develop a strategy for its role in the wider financial system both within EU and the global financial system (reporting, screening, investment criterias, financial rating)**

