To: EIB Board of Directors
European Investment Bank
Boulevard Konrad Adenauer 100
Luxembourg

14 October 2024

JOINT CIVIL SOCIETY LETTER

HALT INVESTMENTS FOR THE EXTRACTION OF CRITICAL RAW MATERIALS

Dear EIB Board,

We, the undersigned civil society organisations, are writing to you to raise our concerns about the Bank's financing of critical raw materials projects.

Last year, the EIB announced its support for the EU's Green Deal Industrial Plan and Critical Raw Materials Act (CRMA), including through its new Strategic Tech-EU program. After not having financed mining projects for the past 10 years, the EIB's Board of Directors expanded the scope of eligible sectors to include extraction, processing, and recycling of critical raw materials.

Indeed, in 2024 the EIB signed its first mining project in the EU[1], and became a partner in the Mineral Security Partnership (MSP) for cooperation and financing in the area of critical raw materials.

The EIB also concluded a critical raw materials investment partnership with Rwanda, its first such partnership with an African country, supporting the CRMA's implementation. The Commission signed an agreement with Rwanda on raw materials as well in the framework of the Global Gateway. These agreements were signed despite the ongoing armed conflict in the Democratic Republic of the Congo linked to mineral resources, in which, according to the UN, Rwanda is involved. Civil society in the DRC has called for cancellation of the Commission's deal due to the link between the raw materials trade, human rights violations and the conflict in the region.[2]

As you might know, the Bank's track record with supporting mining projects is highly problematic. In 2005, the EIB financed the Mopani Copper Mine in Zambia, which resulted in devastating environmental impacts and failed to contribute to Zambia's economy and local communities. Moreover, Glencore – the main shareholder in the company that own the mine, with an already large turnover and a negative environmental and human rights track record[3] – used transfer pricing as a way to avoid paying taxes in Zambia.[4]

1 EIB (2024) Keliber battery grade lithium production.
2 Actualite.cd (2024) La LUCHA demande la suspension de l'accord UE-Rwanda pour éviter le blanchiment des minerais de sang en RDC.
3 Oxfam (2023) A Toxic Legacy: Glencore's Footprint in Colombia and Peru: European banks and investors must take responsibility.
4 Counter Balance (2010) The Mopani copper mine, Zambia: How European development money has fed a mining scandal.

The Ambatovy Nickel Mine in Madagascar, a major nickel-cobalt mine funded by the EIB since 2007, also failed to bring economic development to the region. It caused numerous damaging social and environmental impacts on the surrounding area and local communities, ranging from displacement of population to sulphur-dioxide leaks and pollution of water resources. The project's economic difficulties led to workers' layoffs and prolonged social tensions related to the project.[5] Yet, complaints of negative impacts brought forward by the local communities were not addressed by the Bank's complaints mechanism, and escalated to the level of involvement of the European Ombudsman in 2017, who ruled that the EIB mishandled the case and highlighted the poor monitoring of the project's implementation.[6]

In this context, the European Parliament called on the EIB already in 2011 to improve its assessment of its mining projects' impact on development, and more than 50 MEPs questioned the EIB's ability to deal with such investments, calling for a 'moratorium on EU public financing for mining projects until adequate standards and regulations are in place.' Until this year, the Bank paused its direct financing of mining activities and recognised that mining projects entail substantial environmental and social risks by excluding them from its intermediated loans (while allowing for exceptions).

Now, as the EIB resumes its investments in critical raw materials extraction and processing, we regret to highlight that little has changed despite several revisions in the past decade, and the EIB's standards are still far from adequate.[7] The Bank:

- falls behind other multilateral development banks (MDBs) in terms of its human rights policies[8], with no clear and effective human rights due diligence and strategy in place;
- relies on project promoters to provide environmental and social impact assessment, and relies on self-monitoring and self-reporting by EIB clients with no independent verification;
- has weak transparency and disclosure practices, criticised by the European Ombudsman also for lagging behind other MDBs[9];
- does not have an independent functioning complaints mechanism capable of effectively addressing and redressing grievances;
- does not include meaningful public participation in its planning, appraisal and monitoring processes, and does not adequately monitor stakeholder engagement in its projects it finances (including the Free Prior Informed Consent (FPIC) of Indigenous communities)
- does not have an adequate and transparent assessment of the development additionality of its projects;

Moreover, the Bank's support to the CRMA comes amidst criticism of civil society globally of the Act's provisions, such as not addressing global demand reduction, failing to properly include enforceable human rights protections for affected communities (including FPIC), speeding up

5 Counter Balance (2019) Out for Summer, Episode 1: The Ambatovy mine in Madagascar - How the EIB is sweeping a development fiasco under the rug.
6 Counter Balance (2019) Development in Reverse - Episode 1: Ombudsman bashes EIB for mishandling a mining fiasco.
7 Counter Balance (2022) A Missed Opportunity for Due Diligence at the EU Bank.
8 FIDH and CEE Bankwatch Network (2024) More than money: Public development banks must strengthen human rights safeguards.
9 European Ombudsman (2024) Publication of environmental information by banks – a study commissioned by the EPRS.

of the process to obtain project permits promoting trade agreements despite risks, and lacking transparency and robust mechanisms to include the voices of civil society.[10]

In its global operations, the Bank prioritises the EU's Global Gateway strategy, which intends to advance critical raw materials projects in the Global South backed with funding from the EU's development budget. However, the Global Gateway lacks clear development orientation and contradicts the EU's key development cooperation objective of eradicating poverty. Recent research reveals that the strategy supports business opportunities for European companies while sidelining necessary pro-poor investments in public services and infrastructure which do not offer attractive returns, and risking negative human rights, environmental and economic impacts.[11]

We are also concerned about the Bank's cooperation with export credit agencies (ECAs), including the so-called 'enhanced coordination' which includes projects on critical raw materials.[12] Financing by development finance institutions and ECAs is also promoted under the MSP Financing Network. However, ECAs lack transparency, accountability, and adequate human rights and environmental standards, and do not have a development mandate. Their highly problematic track record with regard to human rights violations[13], including in the extractive sector, makes them unfit for financing of any such projects.[14]

In addition, last year the European Parliament stressed that "negative social and environmental impact of the extractive industries risks becoming more severe in the future" and recognised the development limitations of such projects, including the lack of fiscal space for developing countries to facilitate sustainable development, referring to needed steps ranging from debt cancellation to ending tax havens, a right to use trade restrictions and policies for local development, and reduced resource use in Europe.[15]

In the absence of these steps, it is crucial for the EIB to recognise these systemic limitations that obstruct positive development impacts of extractive projects in the Global South, alongside the high risk of the well-documented manifold negative impacts of such projects.

At a time when investments in a just transition must be prioritised globally, the Bank must urgently close the gaps in its standards before advancing its investments in any critical raw materials projects, as recently suggested in the Draghi report.

The Bank must develop a comprehensive critical raw materials strategy that is centred at efficiency, recycling, circular and spiral economy, and sustainability. Given the ecological boundaries and scarcity of resources available on the planet, it is crucial that the investments of the EU's largest public banks do not reward a handful of large corporations and unsustainable luxury goods for the rich, and prioritise projects with large social, environmental and developmental benefits addressing people's needs.

10 The European Environmental Bureau (2023) A Position Paper on the Critical Raw Materials Legislation.

11 Counter Balance, Eurodad (2024) Who profits from the Global Gateway?

12 European Parliament (2023) Parliamentary question: Enhanced coordination of development finance and export credits.

13 Politico (2024) All Must Be Beheaded, and ReCommon (2024) 'Was France's Total aware of potential war crimes in Mozambique? Its mega gas project guaranteed by the Italian SACE' (transl.).

14 SwedWatch (2023) Key considerations for sustainable European export finance, and Counter Balance (2024) No role for export credits in the EU's development finance.

15 European Parliament (2023) Role of EU development policy in transforming the extractive industries for sustainable development in developing countries.

SIGNATORIES

Counter Balance
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