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

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JOINT CIVIL SOCIETY LETTER

Putting a Just Transition at the Heart of the Climate Bank Roadmap 2.0

Dear Board of Directors,

We hope this message finds you well. In the incoming month, you will deliberate on the second phase of the Bank's Climate Bank Roadmap (2026-2030). As a network of 19 civil society organisations and labour unions, we welcome that the European Investment Bank (EIB) is updating its climate strategy for the upcoming five years and that the EIB is showing continued commitment to enhance climate finance as its number one priority in its 2024-2027 Strategic Roadmap, which President Calviño also mentioned in the speech she addressed at the Board of Governors in June this year.

The Climate Bank Roadmap stemmed from the pioneering role that the Bank has played by deciding to stop financing fossil fuel projects. Today, we call on the Bank to be once again a pioneer. At a time when Europe faces increased economic, environmental and social challenges, we call on the Bank to put a just transition at the heart of the Climate Bank Roadmap 2.0. Support for industry should forcefully reclaim comprehensive decarbonisation and ensure quality jobs and sustainable, affordable public services.

To be a pioneer into the next phase of the Climate Bank Roadmap, the EIB Group must adopt an holistic approach to improve its climate finance methodology and practice. The Bank must implement enhanced environmental and social criteria when appraising projects, especially when supporting industry, through direct and indirect lending, and improve its methodology by upholding robust frameworks and improving transparency. Finally we encourage the Bank to recognise and support the public sector's strategic role in providing a just transition.

1. Guide industry business models towards social and environmental objectives

As the competitiveness agenda of the Commission is set to define the strategic priorities of the incoming years, decarbonising European industries risks being pushed into the background. EIB lending operations must become more impactful by tackling the diverse EU objectives jointly: public finance for European industry must tackle climate change, protect the environment and lead to positive social outcomes.

The de-risking approach that the Bank is endorsing in support of the REPowerEU program and the Clean Industrial Deal raises concerns on the environmental and social impact of both financed projects and counterparties' broader activities. Although the use of public guarantees might be sensible for specific strategic sectors and technologies, support should go to companies that implement transition plans and reinvest their own resources into business models that fully decarbonise, focus on proven sustainable and affordable solutions and high quality jobs.

These are fundamental rights, but pursuing these environmental and social objectives are also forward-looking economic policies as they form the basis of a long-term stable economy. As highlighted in the Draghi report and the Clean Industrial Deal, decarbonisation and reduced fossil fuel reliance is not only needed to tackle climate change, but is also a requirement to preserve overall economic stability. The industry that does not decarbonise today will be stuck in an increasingly obsolete fossil economy and contribute to the rising economic costs of environmental breakdown. These concerns are further justified by Counter Balance's recent findings, showing that the €10 billion in EIB loans still goes to companies and financial intermediaries expanding the production of fossil fuels. This openly contradicts with the bottom line which the EIB has set as part of the PATH framework to align itself to the ambitions of the Paris agreement: to only secure contracts with counterparties which are no longer investing in long-lived assets significantly increasing emissions, prolonging the life of fossil fuels. This discrepancy is due to existing exemptions that the Bank's Energy Lending Policy allows for in support of RePowerEU - and insufficiently robust climate criteria and transition plans. The new Energy Sector Orientation Policy should end exemptions and strengthen these criteria and transition plans.

Finally, the support of the REPowerEU program and the Clean Industrial Deal through two indirect lending envelopes - the Pan-EU Wind power package and the Pan-EU power grid package - raises concerns on the eligibility criteria and social and environmental assessment of such projects. Indirect lending operations must be appraised against the same strong environmental and social criteria implemented in direct lending operations. Therefore we consider the Environmental and Social Standard n.11 as poorly endorsing the need to hold FIs accountable for their use of public resources, as it does not introduce binding requirements to the due diligence assessment of sub-projects. Moreover, public support for industry should come with company-wide environmental and social conditions which lead clients to reinvest their own resources into business models that fully decarbonise and provide public benefits.

2. Increase ambition and transparency of climate action & environmental sustainability (CA&ES) spending to increase pressure on counterparties to decarbonise and adopt social criteria

We acknowledge the Bank's recent reforms to enhance transparency and sustainability reporting, namely the 2022 reform of the Environmental and Social Standards (ESS), the inclusion of Standard 11 and the 2023 review of the PATH framework aimed at restricting the Bank's support against consideration of the wider activities of the counterparty. Moreover, we welcome the EIB's stated engagement to improve the tracking and reporting framework for measuring its share of CA&ES financing through the continued publication of CA&ES tracking definitions and data.

Despite having developed a reporting system focused on outcome- and output-based indicators, information on financing volumes allocated to different project categories within CA&ES remains limited. Indeed, the EIB does not currently present aggregated financial information across all climate action categories outlined in its methodology, therefore de facto limiting the transparency of its spending. Additionally, there have been recent information disclosure failures when it comes to the environmental and social appraisal of direct lending, as already reported by the European Ombudsman in 2022. We are concerned that this limited transparency will be further exacerbated by the lifting of sustainability reporting generated by the Commission's agenda, namely the postponed implementation of the Corporate Sustainability Reporting Directive (CSRD), together with the ongoing reformulation of both the European Sustainability Reporting Standards (ESRS) and Do No Significant Harm principle.

3. Mobilise the public sector to support a just transition

The EIB was already the main implementer of the Just Transition Mechanism and has acquired a key role in implementing the Pan-European investment platform for sustainable and affordable housing. Delivering a just transition is key to ensure everyone has access to accessible and affordable climate solutions, which tackle energy, housing and mobility poverty, provide training and jobs and help communities most affected by climate change or the transition. Providing these solutions is also key to tackling inequality in the context of the cost of living crisis and ensuring a strong support in society for strong climate action.

Our recommendations

To ensure the EIB's future operations tackle such a multifaceted system of objectives, we call on the Bank to:

Industry support and criteria for counterparties

1. Build on and strengthen the existing PATH Framework to enhance the sustainability reporting, climate criteria and transition plans of supported companies. Ensure that climate criteria for companies are fully Paris aligned, exemptions to comply with these criteria are taken away and ensure client companies' transition plans lead to a swift phase out of fossil fuels and CO2 emissions, which should include introducing a binding suspension clause to stop financing when the targets are not met. Finally, criteria for financial intermediaries should include, but go beyond the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and include criteria limiting and phasing out investments in fossil fuels.
2. Ensure that support for industry also meets the stated goal of 'inclusive prosperity', which should encompass pursuing positive social positive impacts in all climate finance. For this, the PATH framework should be further strengthened to also include broader environmental and social conditionalities for counterparties including both corporates and financial intermediaries to reduce resource - and energy use and ensure public interest. Clients' business models and activities, including clean tech development, should contribute to affordable and environmentally-friendly access to essential services such as clean public transportation, job quality, sustainability, and enable technology transfer outside of the EU. It should also distribute funding fairly within the EU to avoid deepening internal inequalities.
3. Ensure that these environmental and social conditionalities lead beneficiaries of financial support to demonstrate a high reinvestment rate into decarbonisation, clean technologies and proven sustainable solutions that provide public benefits.
4. Recognise and empower the public sector (the main recipient of its climate finance) in providing effective climate solutions at scale and increased affordability. Support democratically governed public energy companies with strong climate plans which can help achieve a faster, more efficient and more affordable energy transition.

Climate targets and Implementing framework

5. Increase climate and environmental finance targets by following the example of the Asian Development Bank and increasing the threshold towards at least 75%.
6. Strengthen and adapt the existing climate finance methodology to stop its support for projects extending the life of fossil fuels and other highly polluting activities, including Carbon Capture and Storage (CCS), motorways, highways, port and airport expansions, industrial livestock farming and biofuels. Adopt strict criteria for hydrogen, bioenergy and hydropower. Do not support fossil based hydrogen and ensure that only hydrogen produced using renewable energy is supported and only when it is proven to be the most efficient option, it is produced for local use and does not divert renewable energy from direct electricity needs.
7. Ensure a robust implementation of the DNSH principle as a member of the EU Platform of Sustainable Finance across all financed projects.
8. Promote the thorough adoption of the New Collective Quantified Goal and the Common Approach to Measuring Climate Results to redirect increasing resources to low-income countries in the Global South (chiefly Least Developed Countries) through increasing highly concessional loans that implement human rights due diligence.
9. Enhance the transparency of the Climate Risk Assessment system by explaining its use in more detail and making the methodology publicly available to strengthen accountability and build trust. The updated Roadmap should include information related to the announced Biodiversity Risk Assessment system. Moreover, strengthen the transparency and accessibility of data on the EIB's climate action and environmental sustainability (CA&ES) lending by disclosing sectoral and regional finance data, shortening the publication delay, and improving reporting on the use of EU programmes such as the Just Transition Fund and InvestEU.
10. Enhance transparency by disaggregating all spending and discloses financing volumes by project type in line with its own sectoral methodology for climate action and environmental sustainability. Moreover, the EIB should provide more visibility to its CA&ES spending on its website and reduce the time lag between intervention and reporting data.
11. Increase adaptation finance. As the impacts of climate change worsen, this becomes increasingly important. The vast majority of estimated adaptation needs in developing countries are typically publicly funded with a small proportion of commercially viable adaptation opportunities typically concentrated in agriculture, water and infrastructure. The bank should increase its target to match the ambition of other MDBs on adaptation finance, towards a 50% adaptation target.

Just transition

12. Prioritise a just transformation with a holistic approach across sectors to cover all regions. This should include targeted financing based on social needs for sustainable solutions, a balanced geographical spread inside the EU and more resources for low-income countries outside the EU. Moreover, all projects should be checked to ensure any climate finance is compatible with the needs for a just transition that respects human rights and protects the environment.
13. Make a plan to support public actors, especially local governments, to provide essential green public services in key sectors, such as sustainable and affordable housing, energy and transport. This could be done by adapting and expanding the Public Sector Loan Facility. In the housing sector, the Bank should improve its definition of affordable housing to target those most in need, limit the role of for-profit investors and ensure sufficient funds are available for the housing needs of lowest incomes. In

the transport sector, this could be done by prioritising support for collective mobility, including public transport, biking infrastructure, social EV-leasing and car-sharing schemes.

14. Provide climate finance outside the EU in the form of increased concessional loans for projects with high development additionality that tackle energy poverty, transfer technology and prioritise high added value in the local economy, job creation and support for local communities, while respecting human rights and protecting the environment. This should include improving its human rights due diligence and project assessments and increasing support for the Least Developed Countries.
15. The clean tech strategy of the EU is also linked to acquiring more access to critical raw materials. The EIB should first of all pursue resource efficiency by supporting the scaling up of Europe's recycling industry and reserve support for battery and EV production that minimises environmental impacts and the needs for raw materials. Any mining projects must come with high social and environmental safeguards inside and outside the EU, including protections against displacement, land grabs, local water pollution and deforestation. In the past some mining projects financed by the EIB have led to serious human rights and environmental violations. The Bank should strengthen its human rights and environmental due diligence - which is currently weaker than its MDB peers - before financing any mining project.

In conclusion, although the Bank is currently meeting its climate finance targets, chiefly with respect to mitigation, fulfilling the ambition to be the Climate Bank requires the Bank to strengthen the previous Climate Bank Roadmap. We call for a renewed focus of public finance in public service projects which can combine strong climate action with long-term economic viability and public benefits. In its support for the private sector, we urge the Bank to take a leading role to steer business models towards decarbonisation, reducing resource use and supporting high quality jobs and public benefits.

As a network of 19 CSOs and labour unions monitoring the social and environmental impacts of the EIB' activities in Europe and globally, we strongly recommend the Board of Directors to adopt a Climate Bank Roadmap 2.0 that meets today's environmental and social challenges.

We thank you for considering these crucial issues.

Kind Regards,

SIGNATORIES

ActionAid Denmark / Nordic Center for Sustainable Finance

CEE Bankwatch Network

Climate Action Network (CAN) Europe

Counter Balance

Eurodad

European Environmental Bureau

European Public Service Union (EPSU)

Fern

Friends of the Earth Europe

Food & Water Action Europe

Jamaa Resource Initiatives

MenaFem Movement for Economic, Development, and Ecological Justice

New Economics Foundation

Positive Money Europe

ReCommon

Salud por Derecho

Sustainable Energy Finance Association (SEFA)

Transport & Environment (T&E)

Urgewald

SIGNATORIES

EEB European Environmental Bureau

Counter Balance Challenging Public Investment Banks

CEE Bankwatch Network

T&E

fern MAKING EUROPE WORK FOR PEOPLE & FORESTS

EPSU EUROPEAN PUBLIC SERVICE UNION

Jamaa Resource Initiatives Promoting the Spirit of Ubuntu

positivemoney

CAN CLIMATE ACTION NETWORK Europe

FOOD & WATER ACTION EUROPE

sefa Sustainable Energy Finance Association

urgewald

SALUD por DERECHO Right to health foundation

Re Com mon

eurodad european network on debt and development

Friends of the Earth Europe

MENAFEM MenaFem Movement for Economic, Development And Ecological Justice

NEW ECONOMICS FOUNDATION

NORDIC CENTER FOR SUSTAINABLE FINANCE

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