



Investing in sustainable infrastructure: key trends and challenges from the EU bank's perspective

2 December 2021



European
Investment
Bank

The EU bank



EUROPEAN
INVESTMENT
FUND

The EIB: the Bank of the European Union

- *Improving quality of life in Europe and beyond*



The world's largest
multilateral lender



Leading provider of climate
finance



Governed by the EU
Member States

EIB at a glance



The lending arm of the EU since 1958



Specialist provider of risk finance to small and medium-sized enterprises

Largest multilateral lender and borrower in the world

- | We raise our funds on the international capital markets
- | We pass on favourable borrowing conditions to clients

>€1.5 trillion invested since 1985

- | More than 14,000 projects in over 160 countries
- | Crowding-in bank: € 4.5 trillion overall investment supported

Headquartered in Luxembourg

- | Around 3,500 staff, including finance professionals, engineers, economists & socio-environmental experts
- | 51 offices around the world

Our priorities



Infrastructure



**Climate and environmental
sustainability**



Innovation and skills



**Small and medium-sized
enterprises**



Cohesion



Development

2020 Green financing: €26 billion, or 40% of total financing



CLIMATE CHANGE ADAPTATION

€2.4 billion



RENEWABLE ENERGY

€3.9 billion



RESEARCH, DEVELOPMENT AND INNOVATION

€1.1 billion



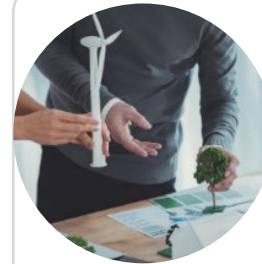
ENERGY EFFICIENCY

€5.7 billion



LOWER CARBON TRANSPORT

€8.1 billion



OTHER CLIMATE CHANGE MITIGATION

€2.9 billion

The EU Climate Bank's ambition for the critical decade

- Support **€1trillion** in climate action and environmental sustainability by the EIB Group **from 2021 to 2030**; facilitating widespread participation from the private sector
- Climate action and environmental sustainability to reach **50%** of EIB financing annually **by 2025 and beyond**
- **Align** all EIB Group financing (Lending, Advisory, Treasury) with the Paris Agreement **by end of 2020**
- **Stop** supporting **traditional fossil fuel investments** by **end of 2021**, increase financing for climate change **adaptation** and support a **just and socially fair transition**

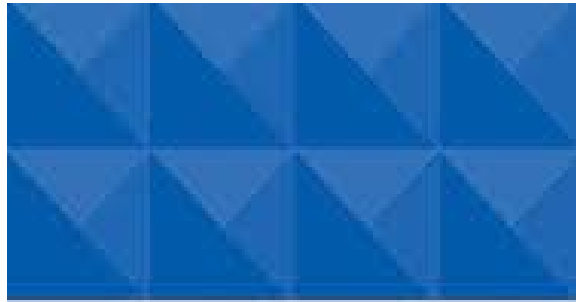
EIB's approach to financing infrastructure

- Improving the interconnectedness (of people, markets, economies) while making infrastructure more resilient and sustainable
- Reliable and smart infrastructure as a key for economic growth, sustainability, competitiveness and job creation
- Investments in energy, water and transport infrastructure networks as well as urban development with important social infrastructure for health and education
- Investments in line with EIB's E&S Standards



“EU Climate Bank” and Roadmap 2021 – 2025

“Transforming the way we do business” - ***A coherent approach to policy*** (including development of a **new E&S Policy** and **a review of E&S Standards**)



EIB Group
Climate Bank Roadmap
2021-2025
November 2020



- **January 2022:** Ensure alignment with Do No Significant Harm criteria for activities substantially contributing to climate objectives (i.e. apply DNSH to climate action projects);
- **June 2022:** Ensure alignment with Do No Significant Harm criteria for activities substantially contributing to the remaining four environmental objectives and **all other** EIB Group investments;
- **June 2022:** Ensure alignment with Minimum Social Safeguards requirements for climate action and environmental sustainability and all other EIB Group investments.

Windfarms Prinzendorf and Powi: fiscal sustainability and innovative financing

Implementation and operation of three wind farms in Lower Austria, totalling up to 80 MW.

Amount: EUR 63m
Country: Austria
Signed: June 2020



Investment rationale:

- The development of wind energy supports EU and national targets for renewable energy generation and contributes to the Bank's renewable energy objectives. The project further contributes to the Bank's priority objectives for climate action.

Key insights:

- Austria's infrastructure is conceived within a framework that comprehensively takes account of debt, budgeting concerns and other fiscal vulnerabilities.
- Mobilizing private sector participation and long-term private finance for wind farms addressed the problems of complexity, risk and insufficient availability of long-term funding from commercial banks or public sources.
- The EIB "Windfarms Prinzendorf and Powi" operation contributes to key national targets, financing low-carbon infrastructure in preferential development zones.

Poland Affordable Housing Programme: Szczecin

Szczecin Affordable Housing Green Infra

*Green Infrastructure in Social
Housing*

Amount: EUR 0.75m

Country: Poland

Approved: February 2020



Investment rationale:

- Integration of green elements in social housing projects provide a number of biodiversity and climate resilience benefits. Importantly, improving the character of social housing in this manner enhances liveability and perception of such accommodation.

- EIB is engaging with Polish cities for integration of greening and biodiversity enhancing measures in social housing projects under a countrywide EIB programme for affordable housing in Poland.
- In 2020, EIB approved a EUR 0.75m loan for greening measures as part of redevelopment of social housing blocks in the centre of Szczecin, implemented by one Szczecin social housing associations in the period 2020-2023.
- The loan will finance the integration of green roofs, urban farming plots, rainwater collection systems and other green elements in the works. The integration of these elements will clearly distinguish this social housing development from other developments in Poland to date. Technical Assistance will be provided to develop and refine the greening measures.

INELFE – Electricity Interconnection France - Spain

INELFE - Electricity
Interconnection
France-Spain
*High Voltage Direct Current
(HVDC) cable link
interconnecting France and
Spain across Catalan Pyrenees*

Amount: EUR 672.8
Country: France-Spain



Investment rationale:

- TEN-E priority project of European interest
- Length 64.5 km. Cables entirely underground alongside existing transport infrastructures (high speed train, motor ways);
- Dedicated tunnel through the Pyrenees (8.5 km, inner diameter 3.5 m).

First electricity interconnector that legitimated the use of underground cable transmission in alternative to conventional overhead solutions.


Despite route changes proposed over the years (1996, 2002, 2004) the conventional overhead design was held up by public acceptance and environmental protection issues for more than 2 decades.

The use HVDC cable transmission was dictated by the length and the capacity of the interconnector. For such length and capacity, HVAC cable transmission is not a practicable technical alternative.

In conclusion: the project was the exceptional response to exceptional challenges in implementing conventional investments.

Gender-smart Climate Infrastructure: Pune and Bangalore Metro (featured in 2x Gender-Smart Climate Finance Guide)

Key insights:

- New lines are estimated to **save 29 million hours in travel time**, while **reducing GHG emissions and improving air quality** in both cities.
 - **Passengers:** time savings are critical for women juggling both work life and unpaid care work; dedicated coaches for women; night-time patrols of platforms by security personnel (including women security guards).
- 
- **Solar-powered electric vehicles** will be provided to transport passengers between stops and final destinations. This will make the 'last mile' of journeys not only more secure but also more accessible by all.
 - **Employment:** To make workplace more inclusive, 33% of its positions as drivers and station controllers will be filled by women. Crèche facilities are provided for employees, and women drivers have a separate recreational facility.

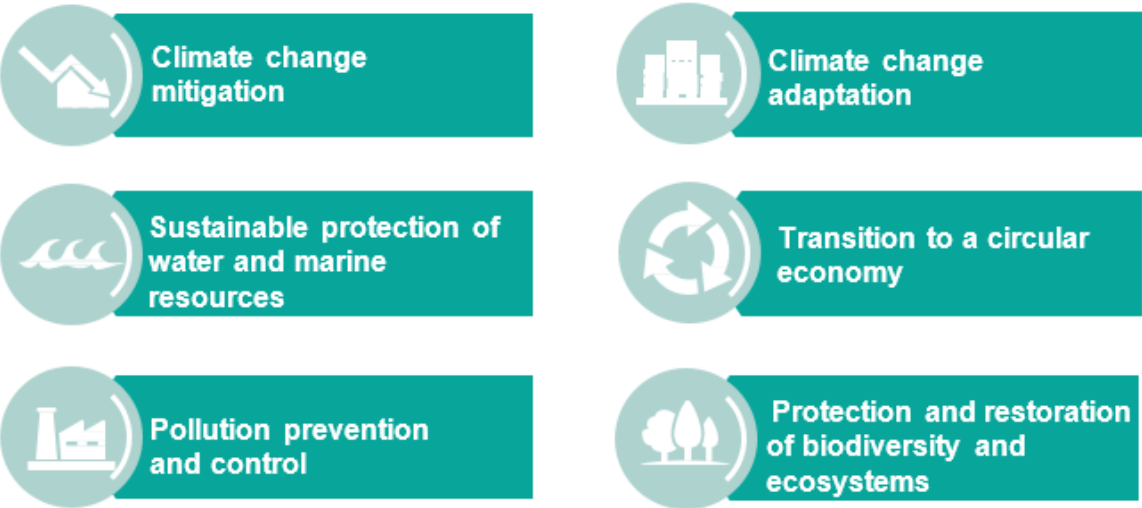
Key trends: Alignment to the EU Taxonomy

EIB green investment to be tracked against emerging Taxonomy criteria



Figure 1 – Six environmental goals of the EU Taxonomy

Figure 2 – General approach of the EU Taxonomy



Circular Economy: Examples of Sectors/Activities

	Financed in the past	To be financed more of in the future
Industries/ Services	Resource efficiency, closure of material loops in production; Paper, metal, plastic scrap and other industrial waste recycling	Circular design of products and materials; Advanced manufacturing technology enabling 'circular' production (3D printing); Product-as-a-service, sharing business models; Reverse logistics for used products and materials enabling reuse and recycling; Remanufacturing of used products and components.
Agriculture /Bioeconomy	Resource efficiency, closure of material loops in production; Food waste reduction; Material (and energetic) valorisation of biomass waste and residues.	Bio-refineries with cascading value extraction from biomass waste and residues (e.g. food, feed, nutrients and chemicals)
Waste	Separate collection, sorting and material recovery from source segregated municipal wastes (e.g. packaging waste, bio-waste, electronic waste, construction and demolition waste)	Separate collection of special waste streams, including take-back systems; Advanced (mechanical and chemical) recycling Cascading value extraction from municipal bio-waste Digital platforms for trading of secondary raw materials

Circular Economy: Examples of Sectors/Activities

	Financed in the past	To be financed more of in the future
Water	Sewage sludge treatment and recovery in biogas plants Municipal and industrial wastewater reuse/recycling	Cascading value extraction from municipal sewage sludge (e.g. nutrients, chemicals) Advanced wastewater treatment enabling water reuse/recycling Decentralized wastewater and rainwater management systems (e.g. for new urban districts)
Transport	Refurbishment of rolling stock aimed at life-extension	Incorporation of 'circular' design in transport infrastructure, rolling stock, vehicle batteries
Urban development /Buildings	Remediation of brownfield sites for urban redevelopment	Green buildings and districts incorporating 'circular' design (new built and refurbishments) Repurposing or buildings and urban infrastructure
Energy	N/A (* Energy efficiency improvements and renewable energy recovery from waste are no longer 'circular' project categories per se, but integral elements of CE projects)	Incorporation of 'circular' design in energy infrastructure and equipment Increased use of 'circular' materials in energy renovation of buildings

Examples of Sectors/Activities to be Excluded from Financing

Energy intensive industry

- Greenfield or substantial expansions of Energy Intensive Industry production predominantly based on traditional high-carbon processes
- Projects with an economic life beyond 2035 – i.e. well before the time by which the plant needs to be fully decarbonised

Mobility

- Maritime vessels using only conventional fuels (i.e. HFO, MDO, MGO)
- Conventionally fuelled aircraft and airport capacity expansions
- Requirements for support will be tightened (e.g. for road expansion projects and for mobile assets like river barges, trains, buses, cars, vans and trucks)

RDI

- RDI in products dedicated exclusively to coal, oil or gas sectors
- Internal Combustion Engines
- Conventional fuelled ships and conventional aircraft or fossil-based power generation

Challenges in financing sustainable infrastructure

- Regulatory framework gaps
- Increased requirements (e.g. EU Taxonomy) vs. potential negative impacts on business
- Comprehensive assessment of process/substance vs. push for quick decisions
- Lack of promoter's capacity to ensure implementation of E&S standards
- Requirements and reality do not match (e.g. DNSH principles and current practice of SEA/EIA)
- Public sensitivity
- Need for internationally standardized good practice

Way forward

- Clear criteria for applying “green” financing
- Harmonization of approaches
- Alignment of counterparties
- Streamlining of the processes/assessments (e.g. SEA/EIA and DNSH?)
- Continue working in partnerships
 - MDBs: co-financing, harmonization and knowledge-sharing
 - UN agencies: upstream support, knowledge sharing and dissemination of best practices
 - Other stakeholders
 - Cities, NGOs, think tanks etc.

Key message no1

- Since the beginning of its operations in 1958, the EIB has provided long-term finance to support the development of infrastructure.
- Today, as the EU Climate bank, the EIB plays a significant role in shaping a low-carbon, climate resilient, environmentally sustainable future in Europe and beyond, while leaving no one behind.

Key message no2

- The new EIB Group Environmental and Social Sustainability Policy, which is currently being finalized, puts sustainable finance as its operating model.
- The revised E&S Standards will ensure that EIB is not financing projects that are unacceptable on Environmental, Climate and Social (ECS) grounds, taking into account:
 - sectoral policy development,
 - the exclusions under the EU Taxonomy Regulation as related to the DNSH criteria,
 - and the environmental and social commitments made by the EIB.

Key message no3

- The EIB is working closely with peers and other partners to narrow the infrastructure financing gap, while spearheading best practices in terms of sustainability and develop joint initiatives on sustainable infrastructure policy and partnerships, including with MDBs, G20, UN agencies but also cities, non-profit organizations, etc.

Thank you!

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