Press briefing Tuesday 24 July 2013

For immediate release

E3G

European Investment Bank Turns Away from Coal Financing as a New Emissions Performance Standard is Agreed

European Investment Bank (EIB) Board of Directors met in Luxembourg yesterday to discuss and adopt a new set of screening and assessment criteria for lending to energy projects. The criteria – set out in the "EIB and Energy: Delivering Growth, Security and Sustainability"[1] - include a world first for any public bank: an Emissions Performance Standard (EPS)[2].

In the first instance the EPS will be set at 550gCO2/kWh. This will rule out any further lending to regular coal and lignite power plants (although it will for time-being allow the financing of the most advanced coal technology if it includes biomass cofiring/heat capture).

The standard – which is benchmarked to the emission reductions required by the ETS Directive (2009/29/EC) – will be applied to both new and refurbished plant. It has emerged that during the board meeting there was strong support from a number of Directors for a tighter standard of 450gCO2/kWh. This would probably rule out lending to unabated coal and lignite plant altogether. There was also a strong push to tighten up exemptions, which will be discussed again in the Autumn[3].

Ingrid Holmes, Associate Director at E3G said today: "The vote to introduce an EPS represents a step-change in the EU's fight against climate change – and puts the bankers ahead of politicians in terms of tangible action. With several Directors pushing for 450gCO2/kWh at the meeting, I'd expect to see it tightened further over next 12 months, as the politics of the EU's broader approach to 2030 targets is settled."

Other notable wins in the document include:

- A commitment to continue to finance mature and emerging renewable energy technologies;
- A commitment to streamline its approach to financing energy efficiency to fit the programme-based opportunities that should emerge as a result of Member State implementing the Energy Efficiency Directive;
- A commitment to focus on finacning energy networks to facilitate delivery of a single market.

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Notes

1. The relevant EIB documents can be found here – final versions are likely to be available toward the end of the week http://www.eib.org/about/partners/cso/consultations/item/public-consultation-on-eibs-energy-lending-policy.htm

2. An EPS sets a cap on the amount of CO2 that can be emitted either by a portfolio of assets over time or on specific plant. In the EIB's case it has selected an EPS that restricts emissions from specific plant. Setting the

EPS standard at 550gCO2/kWh acts as a 'backstop' to unabated conventional coal and lignite power plant. An EPS of 450gCO2/kWh would preclude lending to any unabated coal; 350 gCO2/kWh would preclude lending to all but the most efficient gas-fired plant and 300 gCO2/kWh would enable only investments in the cleanest gas-fired plant fitted with CHP and/or gas, coal and lignite fitted with CCS. The only other example of an EPS is HSBC, which does not lend to coal projects with carbon emissions above 550 gCO2/kWh (or 850 gCO2/kWh in developing countries). However, this applies only to projects above 500 MW capacity.

3. These are currently set out as being under limited circumstance: on the basis of security of supply for very small island/isolated systems inside the EU and for poverty alleviation in limited cases outside the EU.