



Sustainable Finance
*Thoughts from the “frontline”
at EIB*

Presentation to JRC Summer School - September 2020
Nancy Saich, EIB Chief Climate Change Expert
(Member of the EU TEG)

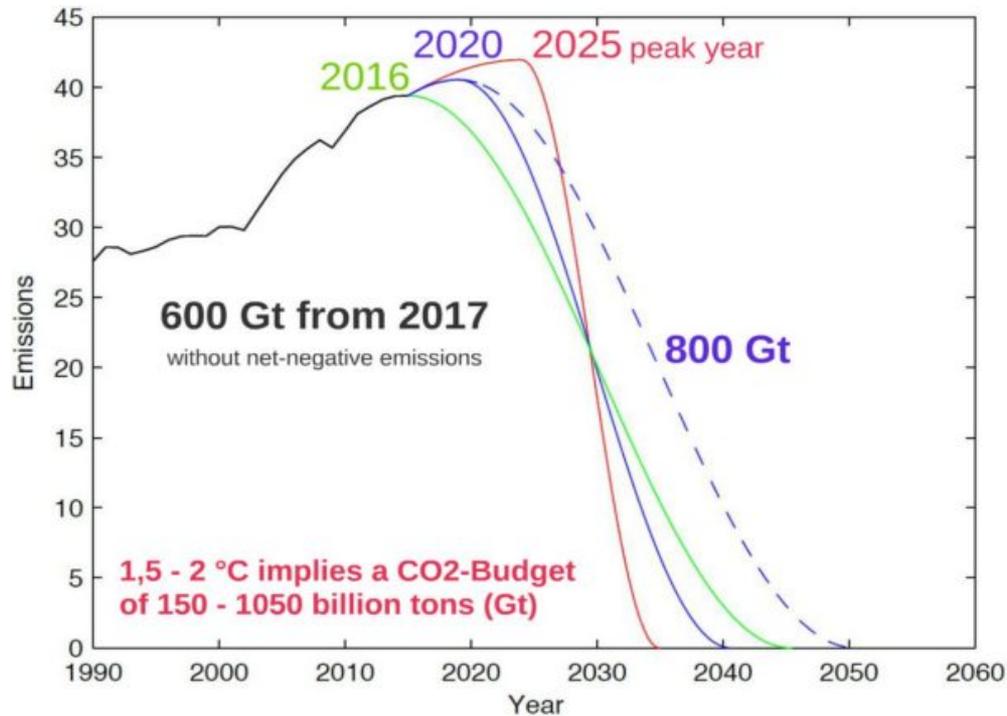


EIB Climate Action – a brief history



- Efforts to mitigate/adapt to climate change are a policy priority
- **Global target that more than 25% of total EIB lending goes towards Climate Action – currently at 31% for 2019**
- EIB assesses, reports and is externally audited on the GHG emissions - **carbon footprint - of its investment projects**
- EIB is **carbon neutral** – compensating its own residual emissions
- In 2015 - EIB Board approved the **EIB Climate Strategy**
- **At Paris, MDBs pledged to increase climate finance, and launched the Principles for Mainstreaming Climate Action**
- This was a solid position on climate mainstreaming in 2015 **But we are no longer in 2015**
- **The IPCC 2019 reports highlight the 1.5°C temperature goal**
- **UNEP Gap study: 50% GHG emissions drop needed by 2030**
- **WEF 2020: climate and environment are top 5 global risks, and extreme weather events increase in Europe and globally.**

2020-30: the critical decade for our Climate and our Environment (the planet will be still there)



Graphic (Sources: Stefan Rahmstorf/Global Carbon Project
<http://GO.NATURE.COM/2RCPCR>
[RU](#)

If we continue to delay reducing GHG emissions, we make it harder to achieve 1.5 degrees temperature target – with **massive impacts on people and nature** (ref IPCC 1.5°C reports).

More delay requires even faster GHG reductions (ref latest **UNEP GAP report**); technology shifts; more money; and creates **higher risks of an UNJUST transition for people affected**, as capital flies away from emitting sectors so fast it causes major job losses and economic crises.

2020-30: the critical decade for our lives and our jobs:

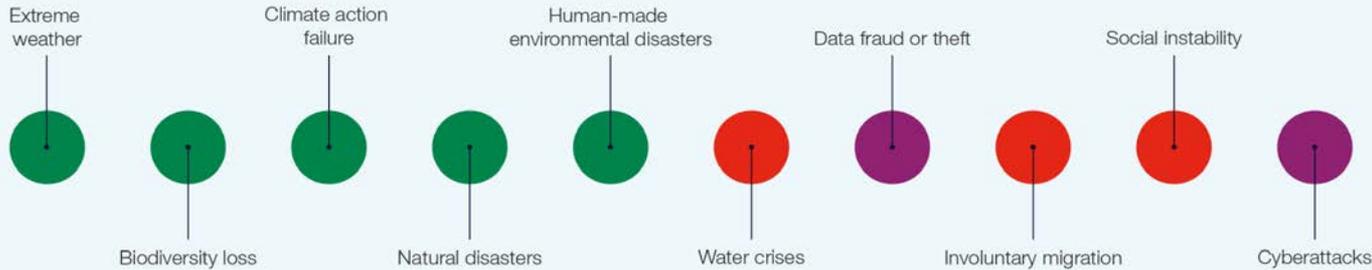
WEF Global Risks Report January 2020 – «For the first time in the survey's 10-year outlook, the **top five global risks in terms of likelihood are all environmental**»

TOP 10 RISKS OVER THE NEXT 10 YEARS

Long-Term Risk Outlook: Likelihood



Global Shapers

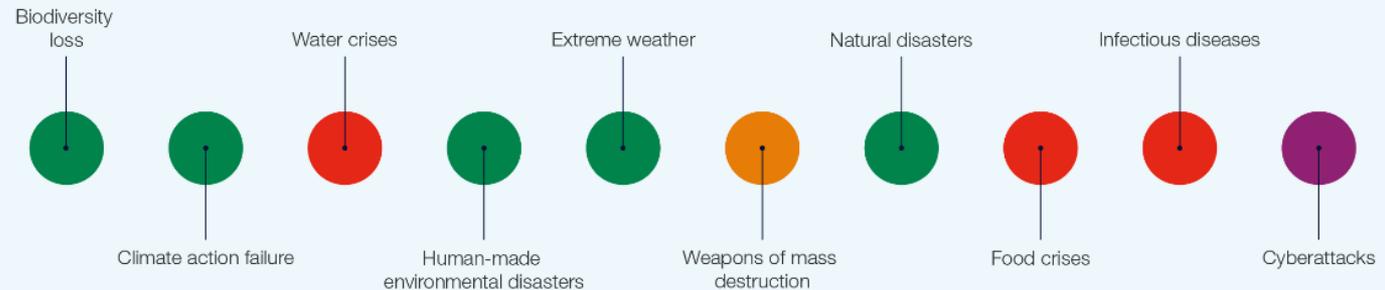


TOP 10 RISKS OVER THE NEXT 10 YEARS

Long-Term Risk Outlook: Impact

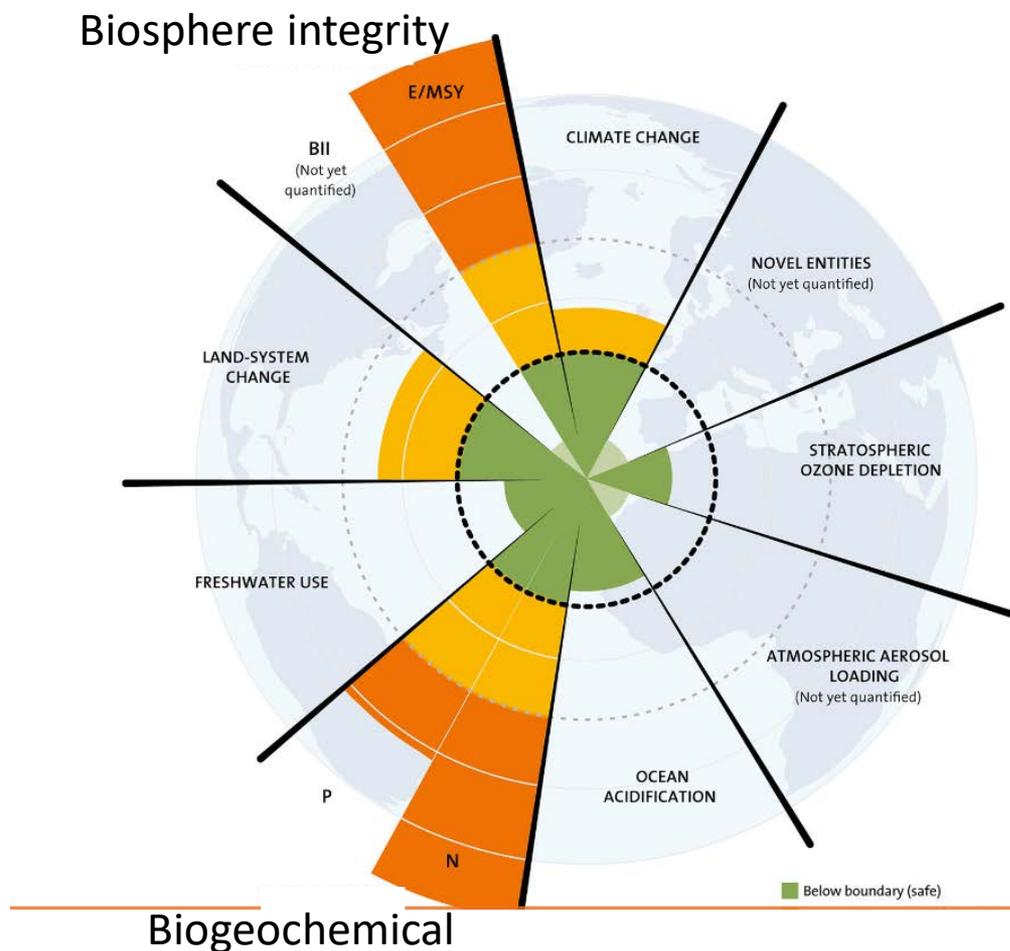


Global Shapers



.. And in **impact** terms **Biodiversity loss** is the greatest risk

Planetary Emergency – a closer look at our planetary boundaries:



Stockholm Resilience
Centre, Stockholm
University:
[https://www.stockholm
resilience.org/research/
research-news/2015-
01-15-planetary-
boundaries---an-
update.html](https://www.stockholmresilience.org/research/research-news/2015-01-15-planetary-boundaries---an-update.html)

Before moving back to climate change, it is important to remember that we face a dual planetary emergency - we have another existential threat facing us....
Will natural capital solutions be available when we need them?

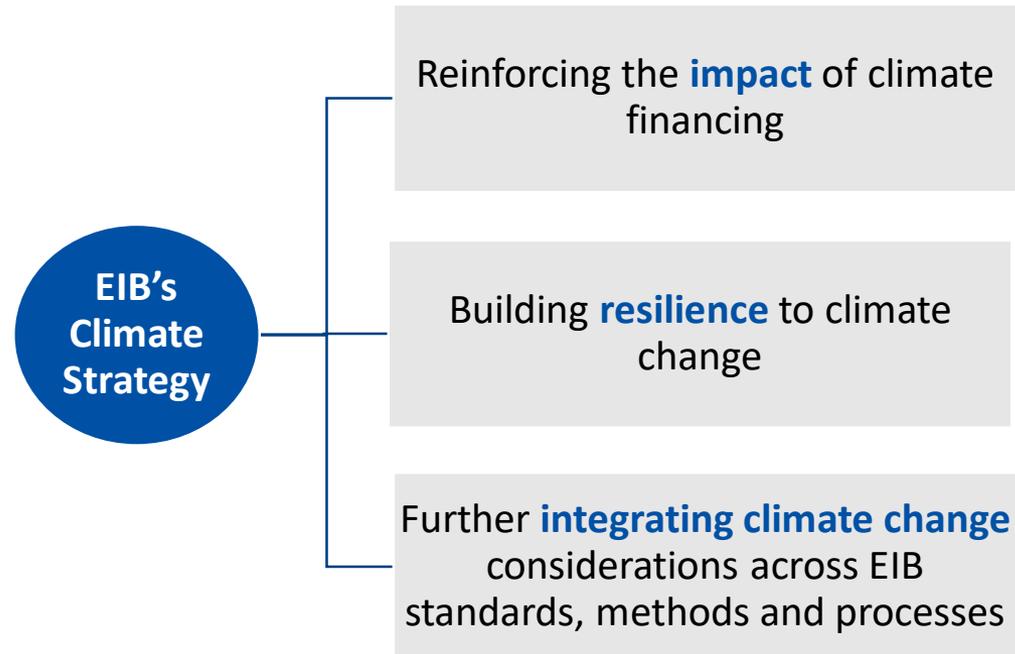


<https://www.ipbes.net/global-assessment-biodiversity-ecosystem-services>

This is not just a threat to nature – but to humans too – because amongst many other problems - we are destroying our food supply.

We are reviewing our 2015 Climate Strategy

EIB's 2015 Climate Strategy focuses on three key-areas.



Paris Agreement (Article 2.1.c) sets a goal of making “finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”.

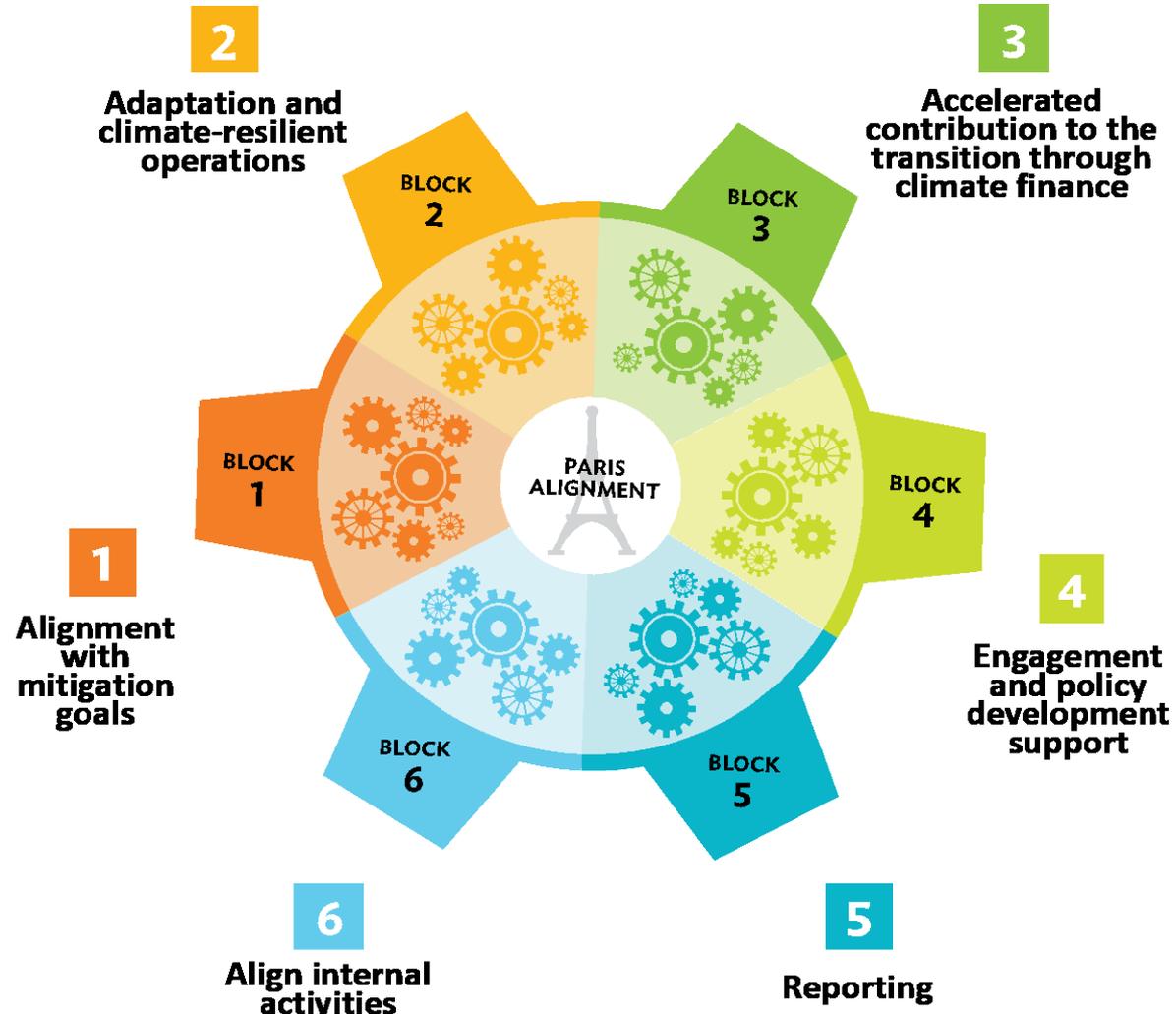
EIBG is working with MDBs and is also laying out its **Climate Bank Roadmap 2021-25**, supporting EU climate policy, and targeting the 1.5°C temperature limit

Paris alignment is about all finance flows.

EIB's internal strategy review contributed to the MDB approach

Six building blocks and principles jointly agreed by the MDBs as core areas for aligning with the Paris Agreement

The MDB «Six Building Blocks» framework was launched at COP24 and progress on the joint work was shared at COP25.

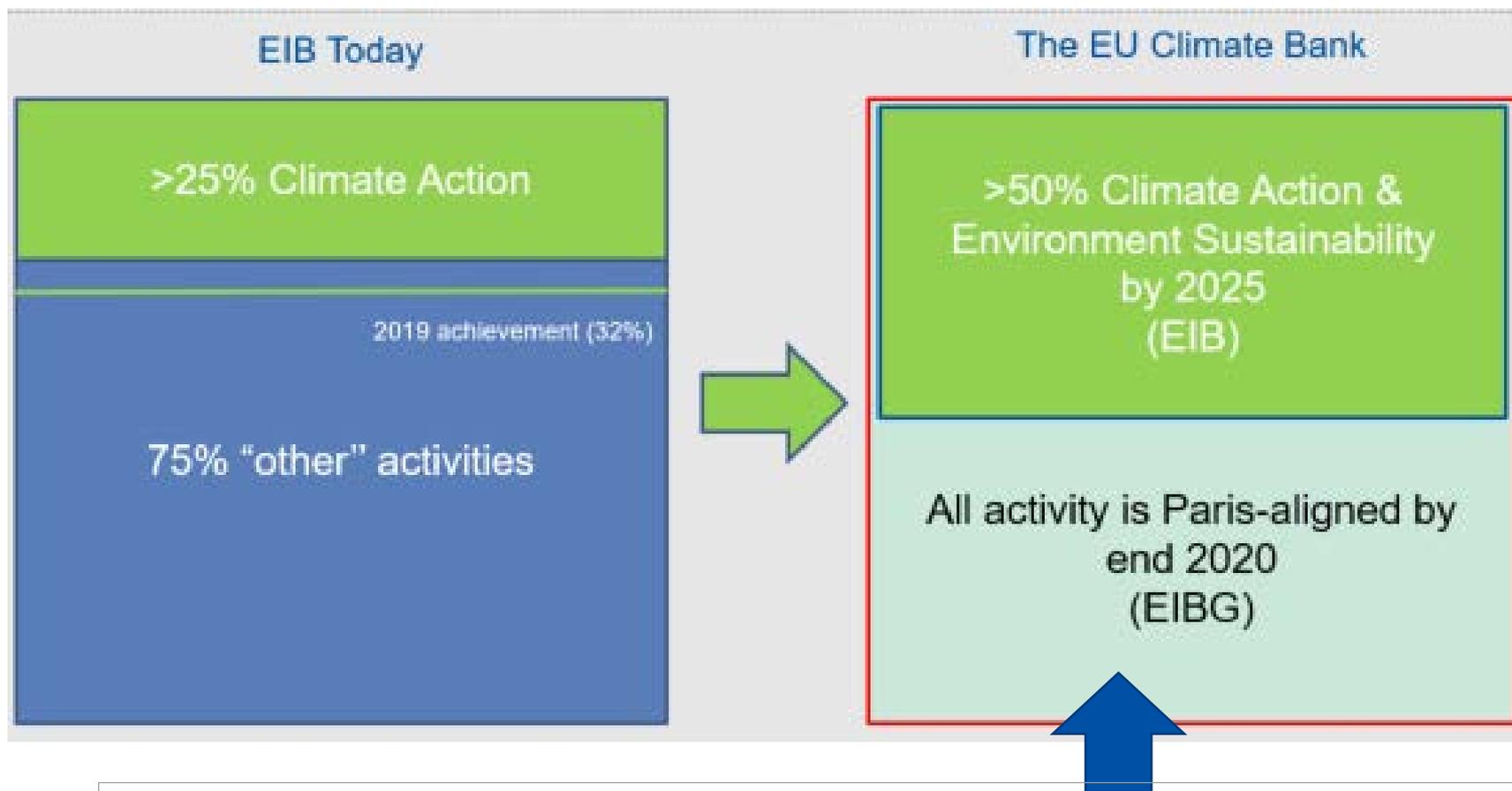


The EU's Climate Bank

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

Paris alignment of EIBG new operations:

For new lending operations:



NB What is NOT GREEN is not automatically "BROWN" or "Not Paris aligned"

Themes of EIB's 2019 Energy Lending Policy



Unlocking energy efficiency



Decarbonising energy supply



Supporting innovative technologies
and new types of energy infrastructure



Securing the enabling infrastructure

EUR

75 bn

2016-2019

€19.3 billion
Climate action investments

2018

Research,
develop-
ment and
innovation

Energy
efficiency

Other
climate
change
mitigation

€1bn

€4.6bn

Renewable
energy

€3.9bn

Lower
carbon
transport

€7.6bn

€1.4bn

Climate
change
adaptation

€800m



Taxonomy: the 6 environmental objectives

Climate -
Addressed
by TEG

Equivalent to EIB/MDB Climate Finance



Climate change
mitigation



Climate change
adaptation



Sustainable protection of
water and marine
resources



Transition to a circular
economy



Pollution prevention
and control



Protection and restoration
of biodiversity and
ecosystems

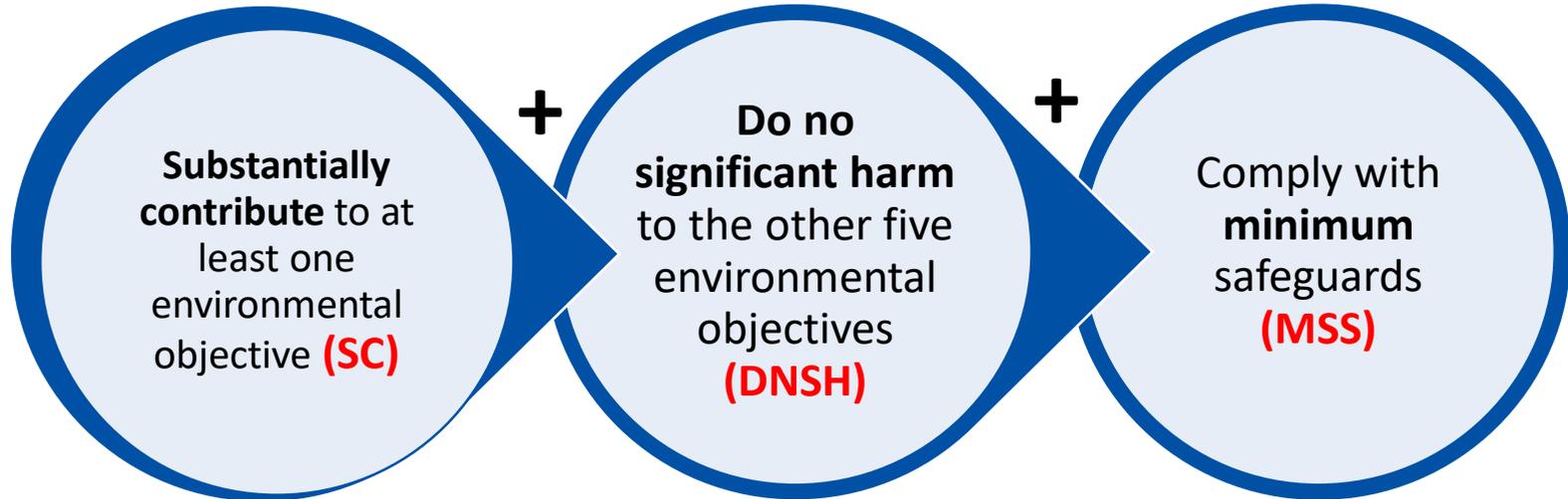
To be addressed 2020-2021 by
Commission and EU Platform

Question – where is Paris alignment?
– is it DNSH to CC objectives?

Taxonomy at a glance –

Must be making a Substantial Contribution (SC) to one of six environmental objectives to be **Green**

But - what is this Do No Significant Harm thing (DNSH) ?
And Minimum Social Safeguards (MSS)?

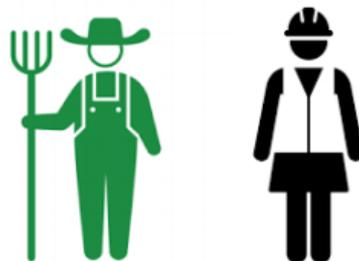


This is not easy to implement – but the Taxonomy creates a **common language** to tackle the Climate and Environmental emergencies we face – this will support capacity building in the financial sector and in companies

The social dimensions of climate change



Place of living



Source of income +
Wealthy or Poor



Young and Old



Indigenous People



Women and Men

- Limiting warming to 1.5 degrees could reduce the number of people exposed to climate risks and vulnerable to poverty by between **62 and 457 million people worldwide**
- Depending on how climate mitigation and adaptation projects are designed and carried out, they may have synergies or trade-offs with social development

Source: IPCC

Social justice in climate action is vital ... but many high social impact investments are not linked to climate or the environment – for that we need a **Social Taxonomy**

Thank-you!

www.eib.org

<https://www.eib.org/en/projects/priorities/climate-and-environment/index.htm>

<https://www.eib.org/en/about/partners/cso/consultations/item/cb-roadmap-stakeholder-engagement.htm>

And some bedtime reading! (EIB is on page 135)

https://www.eca.europa.eu/Lists/ECADocuments/JOURNAL20_02/JOURNAL20_02_EN.pdf

@EIB