

## Public consultation webinars on the EIB Group's Environmental and Social Framework

### Webinar on **Standard 5 – Climate Change**

Thursday 1 July 2021

#### Summary of discussions

##### Objective

The European Investment Bank (EIB) is hosting a series of 13 webinars in the context of the public consultation on the EIB Group Environmental and Social Sustainability Framework (ESSF), open from 3 June to 6 August 2021. The overall objective of the webinars is to facilitate dialogue with stakeholders on the EIB Group Environmental and Social Policy (hereinafter “the Policy”) and Standards.

On 1 July 2021, the EIB hosted a webinar on Standard 5 – Climate Change. The Standard outlines the responsibilities of the promoters with respect to climate change mitigation and adaptation. It recognises the role of finance in supporting low-carbon and climate-resilient development; in addressing climate change by reducing greenhouse gas emissions; and in building resilience and adaptive capacity to cope with current and future climate change-induced impacts.

##### Introduction

The EIB welcomed the 89 webinar attendees (71 external, 18 EIB Group staff) and explained the webinar housekeeping rules and arrangements to ensure an effective discussion, noting that participant statements would not be attributed to individuals or organisations in the summary report and any comments made during the discussion would not be considered as formal contributions. The EIB invited participants to submit their written contributions to the public consultation by 6 August 2021 on the public consultation [website](#).

The EIB then delivered a [presentation](#) on Standard 5: Climate Change. It summarized the background to the public consultation, the ESSF currently in force, and the main changes to the Standard under consideration. The floor then opened for discussion.

##### Discussion

###### Agriculture

A participant began the discussion by asking about the **report** recently published by the European Court of Auditors on **the Common Agricultural Policy (CAP) and climate change**. The participant wanted to know how the EIB would take these findings into account and how Standard 5 would ensure that EIB financing does not follow a similar route. The EIB agreed that the link between emissions and agriculture has to be addressed. The panel emphasised that the Bank is continuously trying to adapt to lessons learned and thus, if necessary, they would include provisions in the Standard based on the findings from the Court of Auditors. The EIB further explained that the next steps in agriculture would be more clear following the revision of the CAP currently taking place.

Also on agriculture, a representative of a non-governmental organisation (NGO) suggested that the EIB strengthen its impact by financing projects and sectors that contribute to a **net zero future**, pointing to **plant-based agriculture** as an example. The panel noted that the Bank is taking several actions in

agriculture to meet urgent transition needs. Among others, the EIB is looking at emissions reductions in livestock production, avoidance of food waste, increasing food storage, financing efficient agriculture equipment, and improving water storage and usage. The panel encouraged participants to look at the EIB Group Climate Bank Roadmap (CBR) for sector-specific requirements, including those relating to agriculture.

### Paris alignment

Several participants raised questions on **Paris alignment**. More specifically, two participants wanted to know how the EIB would overcome the **discrepancies between Paris alignment and the EU Taxonomy**. The panel first highlighted that, despite stakeholders' different opinions of several criteria, it is a big step forward to have the delegated act on substantial contributions to climate change mitigation and adaptation adopted. The EIB explained that, from the point of view of Paris alignment with the temperature goal, the Bank uses Do No Significant Harm (DNSH) as a floor for financing projects. On green finance, the EIB has strict requirements in the areas of concern (e.g. forestry) in order to meet the sustainability criteria of EU legislation. On discrepancies more broadly, the EIB reminded participants that there can often be an inherent discrepancy between the Taxonomy regulation and current legislation, which, having been put in place at a certain point in time may be lagging in comparison with the Taxonomy which has a forward looking aspect. The panel explained that the bank has chosen to start aligning its green tracking with the Taxonomy. They agreed that there were differences and challenges (e.g. with biofuels and biogas) but this is a natural part of ongoing Taxonomy discussions.

Also on Paris alignment, one participant asked how Standard 5 will support the EU's strategic objective of meeting **Paris alignment commitments inside and outside the EU**. The panel explained that the EIB framework to Paris alignment is laid out in the CBR. Going into further detail on this, the panel explained that this framework has two pillars, (1) the application of DNSH to climate change mitigation and adaptation, and (2) joint work of MDBs informing the identification of supported and not supported activities. Standard 5 lays down key parts of this work that our clients must adhere to in their EIB-funded projects. Beyond this, the EIB is also working to develop guidelines for the broader activities of counterparts with which it engages in order to support them in their alignment with decarbonisation pathways and the development of pathways to address physical climate risks, taking into consideration international and national commitments (such as the Paris Agreement and NDCs) as well as the local operating environment and principles of EU legislation for operations outside the EU.

Building on the panel's references to the DNSH criteria, one participant asked whether compliance with DNSH and greenhouse gas emission thresholds should be **verified by an independent third party**. The panel explained that for its own reporting, the Bank follows robust reporting standards and does have third-party verification of its GHG reporting. However, clients vary and what may be appropriate for some may not be appropriate for others. The Bank was therefore not thinking of making third-party verification a blanket requirement. The panel re-assured the participant that the Bank focuses on collecting the necessary technical information from the potential clients and then this information is used by the Bank's sectoral experts to make an appropriate judgement on GHG and on other climate-related due diligence aspects.

A representative of an MDB called on the panel to provide further insight on **low-carbon pathways**, notably how the EIB defines them and what guidance it provides to promoters to achieve low carbon pathways. The panel pointed to the work done by the EIB in the CBR, which lays out our different sectoral approaches, and highlighted the commitment to developing guidelines for counterparts, which involves close understanding of low carbon pathways, but which remain a work in progress for several sectors. The panel also pointed out the work done by the EU, which is also working on adapting sectoral pathways to the new 2030 targets.

### Miscellaneous

One participant raised a question concerning **Climate Resilience and Vulnerability Assessments (CRVAs)**. Pointing out that these are often costly and time consuming, they asked how transaction costs could be kept at a reasonable minimum. The panel explained that the EIB works to support clients in carrying out this assessment. The EIB also added that the analysis is for material risks and it depends on the type of project, and thus does not necessarily have to be very costly.

Two participants raised questions on **co-financing**, namely on how the EIB coordinates with other financing institutions in projects in developing countries outside the EU, and whether the EIB ensures other IFIs involved in co-financing projects align with EIB Standards. On the former, the panel explained that this is often done in partnership with other entities, with several options to choose from (e.g. other IFIs, MDBs, the UNDP, the Green Climate Fund, among others). Regarding co-financing with other IFIs, the panel noted that they constantly exchange with peer institutions to ensure alignment. Examples include the MDBs Heads of Environmental and Social Policies WG that meets twice a year to align approach to wider environmental and social aspects, including climate-related, as well as the IFI group on Greenhouse Gas accounting.

A representative of an NGO wanted to know whether the EIB could consider including **animal welfare** in its climate strategy. The panel noted that this topic had been discussed in a prior webinar, on Standard 4. They re-iterated that colleagues from the sector department were working on a good practice guidance note addressing animal welfare.

Several participants raised concern over the **ambiguity** of the Standard. First, a representative of an NGO noted that the requirement of “aligning to the principles of EU legislation” for projects outside the EU was too vague. The panel clarified that the requirements of Standard 5 should be read in conjunction with Standard 1, which has specific requirements with regards to addressing climate change mitigation and adaptation as part of the Environmental and Social Impact Assessment (ESIA). The panel welcomed suggestions for rewording. A representative of an association highlighted that references to the EU Green Deal and supporting policies should be more precise. The panel agreed to look into the options for clarifying the reference, while pointing out that the Green Deal covered multiple policies and regulations.

One participant wanted to know how the Standard would consider **supply chain emissions** for projects supported by the EIB. The panel noted that the EIB looks at Scope 3 emissions when these are significant (e.g. vehicles on transport infrastructure), but agreed that there are lifecycle emissions that they do not account for. The panel further noted that the Bank had several areas they wanted to address in the future and once again pointed to the CBR, where it has note the work planned on this. They welcomed suggestions on how to improve Standard 5 on this point.

One representative of an NGO asked the panel how the EIB would ensure adaptation projects do not result in **unsustainable climate debt**. The panel underlined several actions the EIB does to ensure vulnerable countries are not forced into debt. Beyond being guided by IMF recommendations, the EIB conducts a cost-benefit analysis of the project to ensure debt can be paid back and, from a financial aspect, looks at different deal structures to ensure lending is viable. The EIB also works with clients to crowd in appropriate concessional funding through other MBDs or international and bilateral agencies to support clients throughout the project.

Pointing to the commitment of the EU to a **Just Transition**, one representative of an organisation wanted to know whether it would be possible to include Just Transition in Standard 5. The panel thanked the participant for this suggestion, which they would discuss with social colleagues working on developing the Bank’s approach to Just Transition.

One participant wanted to know how **loss and damage** is taken into account in economic analyses of project appraisal. The panel highlighted that the EIB follows the discussions under the international climate

policy debate on loss and damage. They further explained that loss and damage is addressed by ensuring an adequate project-level management of physical climate risks, where the project integrates adequate adaptation measures on the basis of data on potential impacts.

A final comment came from a participant who hoped that climate-**vulnerability and adaptation** projects and activities would be given equal consideration to the mitigation ones, especially for projects funded outside of the EU. The panel agreed that more volume of adaptation finance was needed but did not expect the Bank to have an equal volume going forward. They further explained that even though the EIB has supported adaptation for years and doubled its financing in 2020, it was still at a low level –the panel highlighted challenges to this, pointing to the fact that it is often hard to do adaptation in every project as it can be difficult especially for the public sector and partners in developing countries to assess the vulnerability, which may require extra studies. The panel encouraged participants to bring their comments on this topic, also for the forthcoming EIB Adaptation Plan.

### Concluding remarks

The EIB thanked participants for their constructive participation, which allows the review of the ESSF to benefit from the expertise of a wide range of individuals and organisations. The EIB reiterated the invitation to submit written contributions by 6 August 2021 on the public consultation [website](#). After this date, the EIB will start publishing the written contributions received. 15 working days ahead of the Board of Directors meeting during which the revised ESSF will be discussed, a draft revised EIB-ESSF, reasoned responses to the contributions and a draft consultation report will also be published.