Representation on
Phase 2 of the EIB Group Climate Bank Roadmap and Energy Sector Orientation

22/08/25

This document takes the 3 main questions posed at the EIB stakeholder day on 17th July as its theme.

1) Ambition

Given the multiple challenges currently facing Europe (security, competitiveness, affordability), what considerations should inform the EIB Group's ambition on climate action and environmental sustainability for the 2026–2030 period?

The EIB truly has potential to become 'the Climate Bank'. The scale of its operations, the scope of its vision to date and the capacity of its management and specialist personnel supply all relevant ingredients.

However the challenges of climate change, biodiversity loss and general environmental sustainability are both urgent and massive. Ability to address these in time and with sufficient effectiveness is complicated by strong lobbying from sectional interests and a problematic shift in opinion among key decision takers.

Considerations to inform EIB strategy:

1.1) The need to promote an effective strategy on climate action and environmental sustainability

This is needed alongside the demonstration of leadership by example of EIB investments. It will further engage EIB's already considerable research and communications functions.

Outputs should include:

- *Confirming the inter-relatedness* of climate, biodiversity and economic performance
- *Illustrating the economic value arising from effective address of both climate change and biodiversity loss* (using KPIs including Gross Value Added, high tech employment, innovative multiplier effect, productivity, footloose enterprise for regional policy) and highlighting how to maximise this value
- *Clarifying the costs to the economy*, as well as environment, of insufficiently robust policy and budgetary effectiveness in addressing those two challenges. This should involve i) quantification of the overall impact both current and future under different scenario and ii) collation of all impacts on the corporate sector
- *Demonstrating the relative cost-benefit of the main forms of action*, in the context of scarce overall capital, while highlighting examples of good practice and indicating where outcomes are problematic (as with forest bioenergy)
- *Promoting the above cost-benefit assessment to inform investment priorities* and institutional ratings – for example, in the latter case linkage to the Dow S&P Clean Energy Index

1.2) **The need to demonstrate that such strategy is based on sound science and sound economics**

At a critical moment when climate change with all its costs is accelerating, and budgets are shrinking in proportion to the challenge, significant official subsidy and policy support is still being provided for major initiatives such as forest bioenergy.

This currently provides over 50% of so-called 'renewable' energy in the EU, and will expand rapidly if highly expensive Bioenergy with Carbon

Capture & Storage (BECCS) is adopted as a mainline procedure[1]. Current annual subsidies of around 7.5 billion Euro could grow to over 35 billion by 2050.

Yet forest bioenergy produces higher CO2 equivalent emissions than the fossil fuels it is meant to replace [see Appendix 1], worsens climate change, destroys large areas of biodiversity-rich forest and carries very large direct and opportunity costs for the economy while delivering negligible gain.

This in turn:

a) provides unfortunate justification for resistance to adequate budgeting for climate activities generally and

b) strengthens cynicism about the credibility of climate change itself, if its proponents can be seen to act in such a counter-factual manner.

Despite ever clearer evidence of climate change, both these tendencies are currently strengthened by shifts in European, US and global political outlooks.

1.3) Transparency of lending

Although not discussed at the 17th July Strategy Review, this has cropped up as an issue on previous occasions. There is a need for EIB to lead by example - maximising transparency of rationale for allocation of EIB lending (ensuring this is contractually feasible), including use of funding by intermediates.

Given the high credibility of EIB itself and its general lending policies, such transparency could be of considerable value in informing good investment practice generally.

Equally, where EIB is no longer supporting investment because this is not felt to be appropriate for whatever reason, this too should be made clear. To reference an example from a key private sector investment indicator, Drax (UK registered) and Albioma (France registered), leading producers of forest bioenergy, were both removed from the high profile Dow S&P Clean Energy Index because their product emissions were considered too high[2] - an almost universal issue with forest bioenergy.

[1] See response document on transitional support to BECCS https://drive.google.com/file/d/10vSd9oLZgEUD2av2V3CUbSDir8HP_Yrk/view

[2] https://www.theguardian.com/business/2021/oct/19/drax-dropped-from-index-of-green-energy-firms-amid-biomass-doubts

1.4) Capacity Building

A fundamental issue impeding adequate funding and policy provision for address of climate change and environmental sustainability is lack of specialist capacity:

- For the conservation sector: understanding of economic valuation, financial management and enterprise implementation
- For land users, funders and intermediary agencies: understanding of environmental principles, ecological management and targets

It would greatly enhance the EIB's status and capacity as The Climate Bank if it were to support a comprehensive capacity building strategy, involving: training, consultancy, mentoring, secondment and, in the longer run, multiple speciality qualifications.

Wild Europe is currently developing an overview for such a strategy. Benefits could include:

- Much wider joint development of financial instruments for conveying private sector capital to environmental projects, generally enabling more effective project outcomes
- A lower rate level of greenwashing and resource misallocation
- Greater opportunity for collaboration between conservation and land user 'sectors', developed from recognition of common ground
- Fuller participation by conservation NGOs in usage of PES and other sources of funding from the private sector (many currently reject all offsets and credit usage)
- Thus greater potential to fill the large and growing funding gap impeding necessary scale and speed of address for climate change and environmental sustainability
- Greater capacity for environmentalists to promote the economic benefits of sound environmental policies and projects, together with adequate budgeting for these – and to take a contemporary example, thus using arguments from the 'competitiveness' agenda rather than combating them

2) Policy impact

As a public bank and multilateral development bank, on which areas of the green transition should the EIB Group focus its financial and advisory support in the next phase, both inside and outside the EU?

2.1 Sectoral focus of financial support

While supporting appropriate actions, there is a need for strategy to to ensure avoidance of inappropriate investment, and target the most cost-effective means of addressing climate change and biodiversity loss through the green transition.

Bearing in mind the above considerations, funding is proposed for investment in the following categories:

- 'Genuine' renewables: wind, solar, marine, geothermal, heat pumps. In the longer run, green hydrogen (using genuine renewables rather than forest biomass)
- Supporting infrastructure: transmission lines including cross-border interconnections, storage, smart grids, recharging networks
- Demand suppression enterprise: insulation, recycling, fuel efficiency, individual sector decarbonisation (cement, steel etc)
- Protection and restoration of carbon absorbent ecosystems: natural forest, wetland, sea marsh, near shore

The Renewable Energy & Climate Change Strategy (RECCS) project[3] commissioned by Wild Europe from Trinomics Consultants, energy advisors to the European Commission, proposes reallocation of subsidies from forest bioenergy, geared up by incentivised matched funding.

[3] See Renewable Energy & Climate Change Report 2024 https://www.reccs.eu

In the course of this exercise the it calculates the relative cost - benefit of up-geared subsidy reallocation within each of these categories, which can be assessed and prioritised.

The overall package includes the following outputs:

- By 2030 emission savings on 177 MtCO2e pa – 15% of EU net zero goal, rising to 26% by 2050
- Cost savings of around 40 billion EUR by 2050 [even with highly expensive BECCS applied, forest bioenergy will still have higher emissions than 'genuine' renewables] – electricity is around 25% of the cost from forest bioenergy, hear around 30&
- Delivering an additional 94 billion in Gross Value Added with 1.6 million extra (high tech) jobs by 2050
- 50% of industrial final energy supplied by heat pumps and 8.8 million households undergoing deep renovation (insulation) by 2050
- Carbon sinks, currently diminishing, restored and a massive hectarage of additional biodiversity-rich ecosystems conserved
- Security of supply is in general greatly improved. If the provision chain for rare minerals can be secured (for which a strategy is currently being implemented), components can be produced within the home economy, provision of raw materials (including sun & air) can be predominantly local, supply is relatively elastic, price is much lower and relatively stable, and risks from environmental impact and public activism are also low – all compared to forest bioenergy

In addition to their environmental impact, the above benefits from subsidy reallocation would contribute significantly to competitiveness, counter-inflationary and even security agendas. Decisions in the EU and UK are imminent, particularly on go-ahead for BECCS, and EIB will need a transparent policy stance here.

2.2 Key elements of investment policy

It would be beneficial and influential to combine the examples from EIB's own investment portfolio with EIB representation on key government/EC policies needed to enhance investment effectiveness in addressing climate change and biodiversity loss (see item 3. on policies below)

- Promote modular blended finance structures: easy to replicate, adaptable to diverse investments and, in the case of natural capital, ecosystems
- Promote standardized green bonds and sustainability-linked loans tied to high-integrity nature KPIs
- Focus on projects that are promising investments but less likely to attract initial private sector funding because they are 1) in their early stages and need volume growth to achieve scale economies; 2) innovative and may thus require substantial upfront funding in R&D with low short to medium term Return on Capital; 3) being developed by SMEs too small to secure loan finance at advantageous rates and unwilling to dilute equity by using venture capital
- Gear up and incentivise investments and encourage public-private partnerships, both generally and in specific situations. The latter could include universities and research institutes (with advice on new process development where technical expertise may not be matched by enterprise experience)
- Likewise aim at sectors not inherently profitable but of high strategic or social importance in addressing climate change – eg further elements of decarbonisation in hard-to-abate sectors, the recycling and repair economy, faster provision of renewable infrastructure, insulation of social housing though joint schemes with local authorities
- Promote leadership in the investment sector with key focus on good ecological and investment practice in selection of projects, clarity of definitions and objectives, rigorous monitoring, rapid realignment and strong corrective action where necessary. [This segment is repeated in Section 3 below]

This could also help significantly to allay concerns among general public, media and significant elements of the conservation sector about misallocation of scarce funding and greenwashing

- Be the first multilateral development bank to adopt a "No Net Loss of Natural Carbon" investment policy.
- Launch an EIB Nature Capital Facility as a flagship green finance instrument: promoting partnerships with funding intermediaries, supporting blended finance and lowering risk
- Promote integration of biodiversity and climate targets at the portfolio level, not just project level, in the investment sector
- Promote publication of avoided emissions metrics alongside financed emissions

2.3 Representation on key policy issues

- *Enhance promotion of clean technology to the investment markets* – eg with assessment of potential for establishment of Clean Tech and Energy Indices within stock exchanges: regionalised and broader-based equivalents of the Dow S&P Clean Energy Index
- *Support for cessation of subsidies to commercial scale forest bioenergy* – still a key element of the 'green transition' – and their reallocation, geared up by matched funding, to genuine and effective means of addressing climate change (see RECCS project above)
- *Promotion of legislation to strengthen recycling* – eg taxes on single use plastic, national recycling mandates, energy efficiency standards, stipulation of product durability particularly in the household appliances market
- *Improving tax-based incentives for installation of insulation*, both residential and commercial
- *Establishment of an EU carbon integrity standard* for nature-based credits to guide finance
- *Promote mandatory ecosystem service accounting* in project appraisal

- *Promote investment in restoration and strict protection of large carbon absorbent ecosystems* (natural forests, wetlands and litoral/salt marsh habitats) as a highly cost-effective key action in the strategy to address climate change. Management by natural processes and non-intervention can provide a crucial means of securing objectives for: 1) climate: mitigation (stability and growth of carbon stocks), resilience, adaptation, flood mitigation, ecotourism among the benefits. 2) biodiversity recovery over very large areas

- *Continuity of PES funding within Protected Areas*

  Support continuity of funding provided by payments from ecosystem services (PES) that address climate change and biodiversity recovery even after Protected Area status has been designated and 'additionality' technically ceases. This appears a technical detail, but it is crucial if PES to have maximum potential to incentivise the largescale conservation of natural ecosystem essential for restoring carbon sinks and thus strengthening mitigation of climate change

- *Clarification of 'real' carbon accounting* with decision takers on different fuel sources, based on calculation of actual CO2 equivalent emissions applied to product life cycle.

  There are concerns that investors are currently being misled on a very large scale by inaccurate claims of carbon emissions from forest bioenergy.

  Current carbon accounting rules as advised by IPCC count emissions at point of felling (without taking into consideration loss of ongoing sequestration capacity), where they are consolidated and lost in overall national carbon accounting frameworks, but enabling power generators to inappropriately classify this fuel stock as carbon neutral.

  In 2023 Drax, a major supplier of forest bioenergy based in the UK, was told by its own Advisory Board, headed by John Beddington former Chief Scientific Advisor to the UK government, that it

should no longer claim its products were carbon neutral[4]. That same issue applies across the forest bioenergy sector.

3) Robust and simple

How can the EIB Group strike the right balance between simplifying access to finance and maintaining strong frameworks to support climate action and environmental sustainability?

There is a momentum currently to reduce the 'burden of administration' generally on business, within which simplification of access to funding is one element.

In part this is an extension of a healthy ongoing endeavour to prune unnecessary costs and official regulations that hinder business productivity. However there is also a growing shift towards free market principles for party political and quasi-ideological benefit, rather than practical economic and environmental consideration.

This situation risks undermining the outcomes for which funding is supplied in the first place, and may paradoxically end up discouraging funders.

At the same time if simplicity is to be adopted without losing essential robustness, clear guidelines need to be followed:

The right balance would thus involve:

- *Clarity of definitions, objectives and outcomes* related to each policy, project and funding instrument

- *Effective measurability of the above* (KPAs, ROCE net of subsidies, EIA including real time net emissions etc). Strong MRV requirements for carbon/nature impact are important to ensure credibility with capital markets.

[4] https://news.sky.com/story/power-giant-drax-told-by-own-advisers-to-stop-calling-biomass-carbon-neutral-12866031

- *A rigorous system for monitoring, adjustment and enforcement*, with penalties set at levels that deter abuse or even withdrawal of funding support where terms have been abused: Sovereign Bonds being a good example here of interest and other penalties that have been too low.

- *Retaining strong focus on potential to secure natural capital funding*, and criteria required for this. There is little point in simplification of access to funding if this undermines the ability to actually secure that funding because insufficient information remains to make informed choices about the best investments and achieve desired outcomes.

  Example. This is a problem with development of a suitably robust Forest Monitoring Law currently; opposition by land users and their representatives in the European Parliament to the 'administrative burden' of such robustness may lead to insufficiently thorough data collection which undermines future ability to implement or prove benefits and thus gain natural funding, including carbon or biodiversity credits. This in turn diminishes incentives for protection and restoration of carbon absorbent forest so important for climate mitigation and resilience. It also paradoxically deprives this same objecting foresters and landowners of potential income.

  The same issues compromised effectiveness during development of the Nature Restoration Law, with the impact of this on ability to attract natural capital funding from the private sector in particular, yet to be assessed.

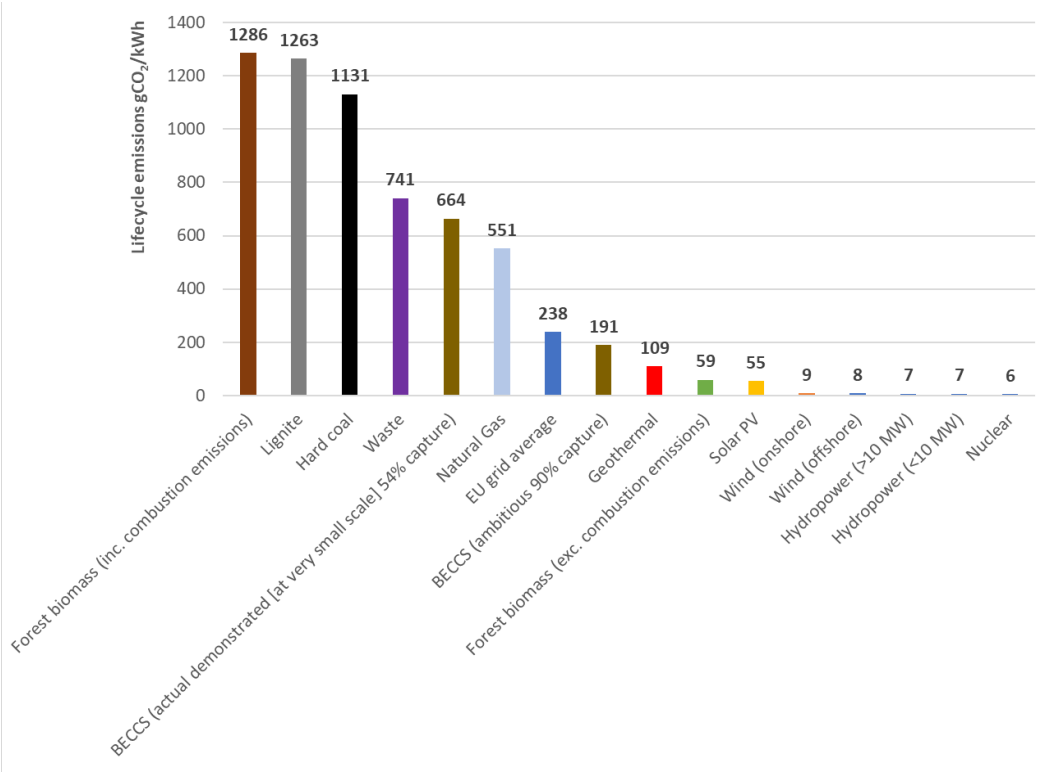
- *Equally, consideration of costs* must include not just short-term expenditure on admin time and systems that falls on individual businesses (manufacturing, service, forestry or farm), but the longer-term external costs borne by all if the result is an ineffective or even negative impact on climate change and biodiversity loss as a result of inadequate information or insufficiently rigorous implementation or monitoring.

  Farming, forestry and fisheries – vital those these sectors obviously are – plus commercial wood bioenergy produce roughly

2.5 – 3%[5] of European GDP in the EU, yet the costs for the other 97% of the economy from negative impacts on climate change and biodiversity loss are not being adequately considered where practices in those sectors may be problematic

Appendix I

Total lifecycle emissions of different energy technologies in the EU gCO_2e/kWh



5 https://ec.europa.eu/eurostat/statistics-explained/index.php/Performance_of_the_agricultural_sector https://www.europarl.europa.eu/factsheets/en/sheet/105/the-european-union-and-forests

Appendix II

Background to Wild Europe

Wild Europe is a small environmental foundation initiated in London, with other locations in Brussels and Gyor (outside Budapest). It focuses principally on protection and restoration of large natural ecosystem areas. In parallel, it seeks to achieve economic, enterprise and social benefits for individuals, local communities and society in general.

We were recommended to the European Commission by a European Parliament Resolution in 2009, the year of its formal launch by Vaclav Havel former President of the Czech Republic, with a vote of approval by 538 MEPs. Trustees include Ladislav Miko, former director of natural environment at the European Commission's DG Environment and Erika Vada Bela, Vice Chair of World Council on Protected Areas (WCPA) for Europe.

In addition to eight consultants from Trinomics, the Advisory Group for our RECCS project includes Professor Mike Norton, Head of Environmental Policy for the European Academies of Science Advisory Council (EASAC, ret); Arjun Flora, Director of the Institute of energy Economics and Financial Analysis (IEEFA, EU and US); Duncan Brack, former Senior Analyst with Chatham House (Royal Institute of International Affairs, UK) and Peter Riggs (Pivot Point Consultancy US) among others.

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