The European Investment Bank (EIB) made history with its decision to stop financing fossil fuel energy from 2022 onwards. By adopting the PATH Framework in October 2021, it seemed the EIB had finally set the conditions requiring its clients to disclose information on their corporate-level emissions, as well as decarbonisation plans. But a year later, it made a U-turn.

The EIB’s move to adopt the framework followed criticism that it had failed to take concrete measures to restrict its financing of **high-carbon companies**. Research that we conducted in 2018 showed that despite eliminating direct financing for coal projects (both in the mining sector and in energy production), the EIB was still indirectly financing the coal sector. Between 2013 and 2017, the EIB provided **EUR 3.9 billion** to several companies that either had a high share of coal in their power and heat generation portfolios or planned to develop new coal power capacity.

The PATH Framework was supposed to revolutionise the EIB’s approach to financing corporations whose climate impacts go beyond EIB-financed projects due to their operations in high-emission sectors, such as oil and gas extraction or steel and fertiliser production. It acknowledged its support of companies that continue to engage in activities at odds with the long-term goals of the **Paris Agreement**, and that the Bank must therefore ‘address legitimate concerns from stakeholders around the risk of “greenwashing”’.

But the Framework had yet to be even fully implemented when the EIB suddenly announced it would relax the rules for companies involved in the most polluting activities incompatible with the Paris Agreement, such as fresh investments in new high-carbon oil production techniques, thermal coal mines or coal-fired power plants. Originally, these companies were restricted by the Framework and could only, in exceptional cases, access financing for innovative low-carbon projects involving carbon capture, utilisation and storage, renewable hydrogen, advanced biofuels, deep geothermal energy or floating offshore wind. Now they are off the hook, free to access financing for all renewable energy projects as well as electric vehicle charging stations.

The EIB’s recent loans to energy companies Polska Grupa Energetyczna (PGE, Poland) and Repsol (Spain) show that the sieve-like PATH Framework has done nothing to stop major oil, coal and gas corporates from continuing their dirty business of polluting the planet. Effectively given carte blanche, they are now able to run their environmentally- and climate-damaging operations while simultaneously accessing attractive public loans.

The case of PGE

The EIB is a long-term financier of Poland’s state-owned utility PGE. In 2022, PGE received EUR 725 million from the Bank to modernise its electricity distribution infrastructure,

supplementing the three other existing EIB loans on its balance sheet.
PGE is Poland’s biggest coal-heavy energy utility, responsible for approximately 40 per cent of the country’s electricity generation. It produces energy on a vast scale. Based on 2021 figures, 89 per cent is produced from burning hard coal and brown coal (lignite) and 6 per cent from gas, but a measly 4.4 per cent of the company’s energy production comes from renewable energy sources. In 2021, PGE’s production of electricity from lignite increased by 25 per cent in comparison to 2020, while its production of electricity from hard coal also increased by 20 per cent. Over the same period, renewable electricity production remained at the same minimal level. PGE operates two open-pit mines (Bełchatów and Turów), which delivered almost 47.2 million tonnes of lignite in 2021, increasing extraction by 18 per cent in comparison to 2020. The company is also a shareholder in hard coal mining group Polska Grupa Górnicza (PGG).
PGE, which owns and operates the notorious 5.3 GW brown coal-fuelled power plant in Bełchatów (the largest in Europe), remains one of the biggest carbon dioxide emitters in Europe. In 2022, PGE started selling coal and lignite for heating purposes to external institutions and individual consumers. The use of lignite for home heating had been illegal before the latest legislative changes to address coal shortages were introduced in 2022. Despite knowing that combustion of lignite is extremely toxic, especially when used by individuals to heat their homes, PGE continues to sell it to consumers regardless.

PGE’s greenwashing strategy of reaching climate neutrality by 2050 and its anti-EU public campaign

In 2020, PGE announced a new strategy aimed at achieving climate neutrality by 2050. However, the EIB failed to ensure that the company submit its strategy under the PATH Framework criteria. Instead, it granted the company a one-year period to update its strategy. In 2020, Greenpeace filed a lawsuit against PGE – the largest ever filed in **Poland** – demanding it halt all fossil fuel investments. During the court proceedings, PGE refused to deliver a decarbonisation plan for its part in producing electricity from coal. Serious doubts remain as to whether the company ever plans to deliver a sound decarbonisation strategy in line with the PATH Framework, which requires the strategy to address all activities, including lignite mining and fossil fuel-based electricity production. For now, PGE’s current preference is to rely on the indulgence of its lender.
Shortly after announcing its climate neutrality strategy, the company added 2.3 gigawatts (GW) in brand new coal capacity to be used for at least the next 30 to 40 years: 900 megawatts (MW) each for two new hard-coal-fired units in Opole; and approximately 500 MW for a new lignite-powered unit in Turów. And if the pattern of the company’s capital

expenditure is anything to go by, PGE is only going to follow one path – in the last six years, the PGE group has spent a meagre 3.5 per cent of its investments on renewable energy sources (4 per cent in 2021).

In early 2022, PGE along with other Polish energy utilities launched a controversial anti-EU ‘light bulb campaign’. Huge billboards displayed across the country pushed the misleading narrative that EU climate policies equate to expensive energy costs and high prices. The campaign cost PLN 12 million. The Polish Advertising Council stated that the campaign breached standards of reliable advertising by falsely claiming 60 per cent of energy production costs were directly caused by the EU’s climate policy. The Council concluded that the campaign’s real aim was to reduce the responsibility of the energy companies for the increase in energy prices.

In its response to the campaign, the European Commission rejected the idea that EU climate policy is responsible for 60 per cent of consumer electricity bills, claiming it to be inaccurate.

The case of Repsol

Repsol, a **fossil energy** multinational and Spain’s top greenhouse gas emitter, is also benefiting from EIB financial support. In December 2022, the Bank signed a EUR 120 million loan for Repsol’s first biofuels plant, enabled by a newly introduced ‘exception’ under the PATH Framework.

Located in Cartagena, **Spain,** the plant is intended to produce fuels for transport ‘from different types of waste primarily from the agri-food industry, such as used cooking oils’, according to the EIB. But these so-called innovative fuels are also deeply problematic. One of the plant’s products, hydrotreated vegetable oil (HVO), is often synthesised from palm oil, the exploitation of which has led to extensive deforestation and human rights violations. In 2016, the European Commission designated palm-oil-based biofuels as a high-risk indirect land use change (ILUC) biofuel and, in 2019, decided to initiate a complete phase-out given its catastrophic environmental and social implications. Producing HVO from palm oil can hardly be considered sustainable by any yardstick, let alone a legitimate use of EU public money.

In justifying its loan for the project, the EIB claims it is ‘supporting Repsol’s decarbonisation strategy’. But even if this project were ever to be deemed environmentally sound, it’s only a drop in the dirty bucket that is Repsol’s fossil fuel business. Even the EIB has acknowledged that Repsol, which is also engaged in shale and oil production, pursues ‘activities that are considered incompatible with the Paris Agreement in the **PATH framework**’. Yet the Bank has sought to legitimise its support for Repsol by focusing on the ‘innovative nature’ of the

project while ignoring the multinational’s core business.
Apart from being a repeat climate offender, Repsol also has a dismal human rights and environmental track record. In January 2022, a Repsol-owned refinery was behind a major oil spill on the coast of Peru. Nearly 12,000 barrels of oil contaminated the ocean and coasts, dealing a devastating blow to approximately 3,000 families, many of whom depend on fishing and tourism for their livelihoods. In their report on the spill, UN agencies UNEP and OCHA state: ‘Vulnerable communities who rely on the sea are facing uncertain futures amid beach closure, safety concerns and limited options.’
In late February, activists from the environmental group Ecologistas en Acción staged a protest in Madrid in solidarity with the Peruvian fisherfolk affected, demanding Repsol be held accountable for the vast damage wrought by the spill.
As a result of its role in the environmental catastrophe, Repsol has thus far been issued with over EUR 16 million in fines by the Peruvian authorities. With local ecosystems not expected to recover for many years, farmers who depend on them for their livelihoods are now demanding just reparation.
Quite apart from the environmental and humanitarian consequences of Repsol’s actions, it is morally unacceptable that EU public funds should be used to support a major, discredited energy multinational that raked in a net income of EUR 3.2 billion within the first nine months of 2022 alone.
It is ludicrous for the self-styled ‘EU climate bank’ to be channelling public money into fossil fuel companies such as PGE and Repsol. By financing their so-called **‘sustainable energy projects’,** the EIB has not only turned a blind eye to the core business of companies that have made fortunes on the back of a historic energy crisis, but has also made itself complicit in their brazen attempts at greenwashing.

Source: Bankwatch network