

Signing the Paris Agreement is an important step in Europe's contribution to the global effort to tackle the climate crisis.

But funding this commitment necessarily passes through the public coffers. To kick-start the much-needed energy transition- by swiftly cutting emissions to reach the global carbon neutrality the Paris Agreement prescribes for the second half of this century -a change of paradigm in public investments in energy infrastructure is needed.

But current trends in European public finance - namely the energy investments of the European Investment Bank, the European Bank for Reconstruction and Development and the European Regional Development and Cohesion Funds - demonstrate a worrisome tendency towards business as usual.

As the EU's house bank, the EIB does certainly financing renewable energy projects, but this support is overshadowed by its investments in fossil fuels. From 2013 to 2015, the EIB's lending for renewables decreased from almost EUR 3 billion to less than EUR 2 billion. At the same time, investments in fossil fuel projects reached stable level of over EUR 2 billion annually. The EIB is also expected to extend Europe's largest ever loan - EUR 2 billion - for the dubious Trans Adriatic Pipeline, one part the immense import infrastructure known as the Southern Gas Corridor. The bank is also considering another billion euros for the Trans Anatolian Pipeline, another piece of that import puzzle.

The EIB has repeatedly voiced its commitment to tackling climate change, but the actions of the world's largest public lender must better match its rhetoric. In its revised climate strategy adopted last September, the bank set aside just a quarter of its EU portfolio for 'climate lending'. This portion includes loans for renewable energy, energy efficiency, sustainable transport, afforestation and adaptation to climate change.

In some EU countries the share of EIB investments in climate-related projects is considerably larger than in others. A Bankwatch analysis shows that between 2013 and 2015, the EU's richer members received the lion's share of this climate finance, averaging 39 per cent of all EIB loans. At the same time, in 18 other EU countries, climate action finance registered an average of 18 per cent of total EIB loans.

Energy efficiency is one area where EIB investments can make a difference. Energy intensity varies widely across the EU. But according to our analysis, five EU countries received EIB loans for energy efficiency amounting to two to four times the EU average of 3.6 per cent of the total loans. At the same time, in five of the ten most energy intensive EU economies, EIB lending for energy efficiency was below the EU average. If the EIB focuses on boosting energy efficiency especially in these five countries (Estonia, Bulgaria, Slovakia, Poland and Netherlands) it could make a substantial contribution to lessening these

countries' dependency on fossil fuels.

The EIB is not the only financial tool at the EU's disposal that can help bloc cut its emissions. Central and eastern European Member States are dependent on European Structural and Investment Funds, yet are reluctant to make any strong climate commitments. Instead of using EU funds for catalysing a transition to a decarbonised, renewables-based and resource-saving economy that respects the planet's boundaries, their investment approach mostly maintains the fossil fuels-based, energy-intensive economy that threatens the long-term sustainability of European societies. Bankwatch research reveals that for CEE countries, only 7 per cent of the EUR 178 billion in EU funds will be invested into renewables, energy efficiency and smart grids, and that the integration of climate considerations into all plans and projects – as required under EU law – remains superficial. At the same time, road infrastructure receives the highest share of EU funds for the transport sector at more than 50 per cent, whereas sustainable transport modes beyond railways are marginalised. These nine CEE countries will spend only EUR 30.5 billion on climate action, which is little more than 17 per cent of their total EU funds allocations. In addition, the EBRD has also come up short on its climate rhetoric. While the bank is well aware of the economic risk of continued investments in fossil fuels – recently it even explicitly warned governments of oil, gas and coal exposure – it has so far failed to change course. The EBRD has been disturbingly generous with support for fossil fuel projects. This trend is particularly evident in hydrocarbon rich countries like Azerbaijan, where EBRD loans for gas and oil only serve to perpetuate fossil fuel dependency – on which the current authoritarian regime has built its power – and blocks the energy, economic and political transformation the country desperately needs.

In the EU's southern and eastern neighbouring regions, energy lending from both the EIB and the EBRD has been overwhelmingly dominated by fossil fuels. A recent Bankwatch study found that during the period 2007-2014, hydrocarbon projects in the European Neighbourhood have received three times more support than sustainable energy ones. The EIB alone supported fossil fuel projects to the tune of EUR 3.2 billion, and extended merely a fourth of this amount, EUR 780 million, to energy efficiency and renewable energy projects.

So while the Paris Agreement signals the twilight of the fossil fuel era, EU public money seems unable to let go of the types of projects at the root of the climate crisis. The signing of the Paris Agreement should be the cue for the reform of Europe's public financial institutions. EU governments, who are shareholders in the EIB and EBRD, must ensure that financing for sustainable energy is not simply a green veneer to mask the banks'



For European public finance, where will all roads lead from Paris

unsustainable hydrocarbon portfolios.

source: bankwatch.org