

The EIB is suspending funding for fossil fuels, which will dramatically increase the prices of coal and gas energy projects

From the end of 2021, the European Investment Bank (EIB) will cease financing projects that rely on fossil fuels - coal, gas or oil. The European Union Investment Bank will divert funding to energy efficiency and renewable energy projects.

The EIB still leaves the door open to finance fossil fuel projects, but only with reduced carbon dioxide emissions - the upper limit is 250 grams per kilowatt-hour of electricity generated. The limit is even lower for gas power plants, with the exception of combined power plants. By comparison, Bulgarian lignite thermal power plants emit 1.2 kilograms of CO₂ per KWh.

Adoption of the decision of the EIB Board of Directors was delayed by two months as some members, who are also shareholders of the bank, were not satisfied with the decision. For example, Germany and the European Commission have lobbied not to rush. The meeting lasted more than 11 hours, Bank Vice President Andrew McDowell wrote on twitter, and an agreement was reached late at night.

Finally, according to information from the Greens in the European Parliament, 19 Member States, including Bulgaria, voted in favor of a shift in EIB policy. Poland, Hungary and Romania were against, with six countries abstaining.

Because of these objections, the EIB will implement its new policy from 2021, not 2020, as originally planned.

The new European Commission, led by Ursula von der Leyen, even proposes to transform the financial institution into a Climate Bank. The aim of the European Commission is to conclude one billion euros worth of investments, private and public, through EIB financing over the next ten years, to enable the transition of European economies to cleaner energy. "Climate is a major issue in the political agenda of our time," EIB President Werner Hoyer said in a separate statement, calling the bank's decision to drop support for fossil fuels a "quantum leap."

A determined lender

The EIB currently has a loan portfolio worth half a billion euros and is a major creditor of major infrastructure projects in the EU. Last year, the bank provided two billion euros in loans for various energy projects that rely on fossil fuels. In total, since 2013, the EIB has funded such projects with € 13.4 billion, while in the same period it has supported € 65 billion with renewable energy and energy efficiency projects.

In Bulgaria, just a month ago, the EIB allocated € 110 million to build gas interconnection with Greece, and € 67 million could be allocated to the city of Sofia to build a cogeneration

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plant using recycled waste from Sofia.

EIB financing is crucial for a number of projects, as the bank can afford long-term loans with relatively high risk.

Big financial turnaround

The EIB's decision comes amidst the ambitions of most EU countries to achieve a climate-neutral economy by 2050. New European Commission President Ursula von der Leyen has asked 27 countries to dramatically increase ambition to reduce CO2 emissions by 2030. Although less than a year ago, a new European regulation was adopted, requiring 40% emission reductions from 1990 levels, Von der Leyen insists on a 55% reduction in the next decade.

The European Central Bank could also soon follow the EIB's example. New Governor Christine Lagarde is committed to bringing climate change into the focus of this financial institution.

The ECB is currently considering accepting changes to its stress tests by including climate risks. Therefore, banks' financial exposure through high carbon projects could be reconsidered as liabilities in their balance sheets. This will dramatically dampen banks' appetite for financing coal or gas projects.

Source: capital.bg