

- Protection and improvement of the environment is of central concern to the European Investment Bank (EIB)
- The EIB applies the highest environmental standards – those established by the European Union
- The EIB's approach to environmental issues is proactive – both in financing environmental projects and in how it manages all its lending
- In its lending, the EIB supports investment that directly protects and improves the environment
- The EIB carefully assesses the environmental impact of all other projects it finances, ensuring the necessary mitigating measures are in place

Summary

The European Investment Bank (EIB) is a public institution driven by the policy objectives of the European Union (EU). The Bank finances projects that protect and improve the natural and built environment and promote social well-being in the interests of sustainable development.

The EIB takes a proactive approach to lending for the environment, guided by European Union environmental policies, some of the strictest and best developed in the World. In its activities, as an EU body, the Bank works closely with other EU institutions.

The EIB finances projects that help directly to improve and protect the environment. When financing other kinds of investment, the Bank supports action that minimizes any adverse environmental impacts. By applying EU environmental policies as its benchmark, the Bank's approach to safeguarding the environment is at least equivalent to international good practice, such as the "Equator Principles" (2003).

The EIB ensures that all projects it finances:

- Comply with EU environmental policies and standards;
- Take into account local conditions and law in regions outside the EU, as well as EU standards as a benchmark;
- Comply with the EU's Directive on Environmental Impact Assessment;
- Apply "best available techniques", as appropriate (e.g. industrial projects);
- Apply good environmental management practices during project implementation and operation;
- Adhere to international good environmental practice;
- In developing countries, accord with internationally recognised social safeguard measures, including labour standards.

¹ Approved by the Board of Directors, 5 May 2004

Introduction

The European Investment Bank adopted its first “Environmental Policy Statement” in 1996. This was revised in 2002. The new 2004 Environmental Statement follows significant changes in the Bank and its environmental policy framework. Its focus is on EIB lending activities.

The 2004 Environmental Statement focuses on the twin pillars of the EIB approach to the environment:

- To contribute to an improvement in the environment by financing environmental projects;
- To encourage investment that mitigates adverse environmental impacts and maximises potential positive ones.

The Statement also outlines the internal environmental organization of the EIB, the disclosure of environmental information and how the Bank works with others.

The 2004 Environmental Statement places a new emphasis on social issues in developing countries as an integral part of the EIB’s environmental work.

The EIB applies a relatively broad definition of the term “environment” to cover the natural environment, the human living and working environment as well as a number of social aspects. Together, these contribute to the sustainable development of the regions and countries in which the Bank operates.

Further information on the EIB’s activities in the environmental field can be found in its Environmental Reports and other related papers, including the collection of “EIB Sustainable Development and Environmental Documents” (2002), on the Bank’s website: www.eib.org.

Protecting and Improving the Environment

The EIB finances projects that maximise the benefits for the environment.

The EIB is a public bank whose role is to finance projects that promote European Union policy objectives.

In the field of the environment, EU policy is outlined in its Treaty and detailed in the large body of secondary legislation that supports the objectives and principles of the Treaty as well as through a variety of policy documents. The sixth “Environmental Action Programme” sets the major EU environmental priorities and objectives in support of sustainable development up to 2010 (“Environment 2010: Our future, our choice” (2001) ([Box 1](#)).

Box 1

EC Environmental Policy

The EU Sixth Environmental Action Programme

- Tackling Climate Change
- Protecting Nature and Biodiversity
- Addressing Environment-Health Issues
- Ensuring the Sustainable Management of Natural Resources and Waste

- The Thematic Strategy on the Urban Environment
- The Environmental Technologies Action Plan

Key EC Environmental Directives

- Urban Waste Water (1998)
- Water Framework (2000)
- Air Quality Framework (1996)
- Large Combustion Plant (2001)
- Waste Framework (1991)
- Integrated Pollution Prevention and Control (1996)
- Environmental Impact Assessment (1997)
- Natura 2000, Habitats (1992) and Birds (1979)
- European Emissions Trading Scheme (2003)
- Public Access to Environmental Information (1990)

The environmental lending objectives of the EIB are described in its Corporate Operational Plan (2004) (http://www.eib.org/Attachments/strategies/cop_en.pdf). The Bank aims at ensuring that environmental investment accounts for a high per cent of its lending within the EU. This includes also environmental lending in urban areas in which about 80% of the EU population lives. It also aims to promote investment in renewable energy projects and in cleaner production, especially in a reduction of greenhouse gas emissions. It supports the EU initiatives in the water and energy sectors launched at the World Summit on Sustainable Development in December 2002 in recognition of the Millennium Development Goals. The current environmental lending targets of the Bank are in [Box 2](#).

Box 2

Main EIB Environmental Lending Targets

- Environmental lending in the EU = 30-35% of total EU lending
- Renewable energy lending to reach up to 50% of the Bank's total financing for new electricity generation capacity in the EU by 2008-10
- Lending for projects that result in a reduction of CO₂ to be EUR 500 m in the period 2004-06

Under its environmental lending, the EIB includes projects that address a number of environmental issues ([Box 3](#)). Environmental projects often also contribute to other key lending objectives of the Bank, such as regional development and economic and social cohesion within the EU, research and development of new technologies and EU policy in Partner Countries.

Box 3

Main Issues Addressed by EIB Environmental Lending

- Tackling climate change, e.g. energy efficiency and renewable energy
- Protecting nature and other natural resources
- Reducing the impact of the environment on human health, e.g. the supply of safe drinking water and waste water treatment and improvements to air quality
- Promoting the sustainable use of natural resources, e.g. waste management
- Improving the quality of life in the urban environment, e.g. urban transport and urban renewal

In all its lending activities, the EIB applies core environmental and social safeguard measures that are, as a minimum, equivalent to international good practice.

EU environmental policies exert the most influence in the EIB's approach to financing projects, both non-environmental as much as environmental. The Bank also takes into account, as appropriate, the policies and practices of other Multilateral Financial Institutions (MFIs) as well as other sources of international good practice. The Bank endorses the "UNEP Statement by Financial Institutions on Environment and Sustainable Development" (1992, revised 1997) <http://unepfi.net/fii/english.htm>. The EIB's approach is equivalent to the "Equator Principles" (2003) http://www.equator-principles.com/documents/Equator_Principles.pdf adopted by a number of commercial banks and based on the International Finance Corporation (IFC) guidelines. The Bank subscribes to these principles when operating outside the EU.

In its lending activities, the EIB applies "the precautionary principle and the principles that preventive action should be taken, that environmental damage should as a priority be rectified at source and that the polluter should pay" (EC Treaty, Article 174).

Within the 25 EU Member States and the Candidate Countries, projects financed by the EIB comply with the principles and standards set by both EU ([Box 1](#)) and national environmental legislation, including requirements on occupational health and safety. Where different laws impose different requirements, the stricter applies. The Bank carries out its due diligence based on the available evidence, including the necessary authorisations and permits issued in conformity with the appropriate legislation of the host

country. For projects located in the EU, the Bank applies a presumption of legality and that national legislation conforms with EU legislation, where appropriate. The promoter is responsible for compliance, whilst regulatory and enforcement tasks are the responsibility of the competent authorities.

☐ In regions outside the EU and the Candidate Countries, projects must comply with the principles and standards set by EU policies, subject to local conditions and law. Issues taken into account include income per head, institutional capacity and the costs and benefits of alternative standards. In certain circumstances, higher environmental standards may be introduced in stages; in others, a project may be designed in anticipation of future higher standards. Again, the EIB applies a presumption of legality, based on the necessary authorisations to construct and operate the project, supported by other available evidence, its own assessment and loan covenants.

☐ The project should comply with any obligations and standards of multilateral environmental agreements to which the host country - and/or the EU in the case of a Member State - is a party.

☐ The EIB requires that all projects likely to have a significant effect on the environment be subject to an Environmental Impact Assessment (EIA), according to the definitions and requirements of Directive 85/337/EEC, amended by Directive 97/11/EC. Annex I of the Directive lists the types of project for which an EIA is mandatory and Annex II the types of project for which the need to carry out an EIA is decided by the competent authorities. The EIA, which includes public consultation, is the responsibility of the promoter and the competent authorities. It should be completed and its main findings and recommendations must satisfy the requirements of the Bank prior to disbursement. The Bank may request more studies if necessary ([Box 4](#)).

Box 4

The EIA Requirements of the EIB

- All projects that have a significant effect on the environment require an EIA, including public consultation, according to Directive 85/337/EEC, amended by Directive 97/11/EC
- The Environmental Impact Statement (for non-EU countries) and the Non-Technical Summary (for all countries) of the EIA are made available to the public through the EIB Website

☐ Projects financed by the EIB must safeguard biodiversity. In support of the general approach described in the sixth “Environmental Action Programme” and the principles of Directive 92/43/EEC (Habitats), the Bank requires an appropriate assessment of the biodiversity effects of a project, including a detailed assessment of any likely significant effect on protected sites and/or species. Where the effect is likely to be significant, it requires the identification and implementation of appropriate mitigation and compensation measures, as a contractual undertaking.

☐ For industrial installations, the EIB promotes the application of “best available techniques” (BAT), according to the guidelines associated with Directive 96/61/EC (Integrated Pollution Protection and Control) and other best practice guides (e.g. the “Pollution Prevention and Abatement Handbook - Toward Cleaner Production”, World Bank Group, 1998). The Bank seeks to promote the development of products and processes that make efficient use of resources during their manufacture and use, respectively, as well as appropriate end of life solutions, including decommissioning. It aims to promote the development and transfer of appropriate European environmental technologies to other regions of the World.

The EIB also uses other international guidelines and standards to assist in its assessment of the environmental acceptability of projects:

☐ The EIB seeks to promote the development and implementation of good environmental management practices in project implementation and operation, such as those enshrined in the EU’s Environmental Management and Audit System (EMAS) and ISO 14000

☐ The EIB is guided by the findings and recommendations of recognised international good practice for particular sectors. The Bank follows closely relevant international debates, such as those on the findings and recommendations of the “World Commission on Dams” (2000).

□ In regions where EU and/or national social standards do not exist or are inappropriate, the EIB uses other guidelines of good international practice. In particular, the Bank takes into account the IFC Safeguard Policies on indigenous peoples, involuntary resettlement and cultural property as well as the core labour standards that apply to members of the International Labour Organization (ILO). In such matters, the Bank coordinates its approach with the European Commission, responsible for external assistance to developing countries.

Organisation and Approach

The EIB is organised to ensure that environmental considerations are taken into account throughout the project cycle.

The structure and staffing of the EIB reflects the importance the Bank attaches to achieving a large volume of environmental lending and ensuring that all its projects satisfy its core environmental principles.

An explanation of the environmental organization of the EIB can be found in the “Environmental Report 2003”.

The internal procedures of the EIB require that work on the environment be undertaken, as appropriate, throughout the project cycle (“The Project Cycle at the European Investment Bank”, 2001) (EIB website: www.eib.org).

Projects are screened at the identification stage for their potential to generate environmental benefits and to identify their environmental risks. This helps to determine the nature and form of the environmental assessment to be carried out during the cycle.

The environmental assessment covers due diligence and an assessment of the environmental impact of the project and the proposed mitigation and compensation measures. The EIB may decide not to support a project for environmental reasons. The Bank can provide technical assistance for environmental studies and other environment-related work and can contribute to design changes to improve the environmental impact of the project.

All projects financed by the EIB must be viable in economic, financial, technical and environmental terms. The environmental assessment carried out by its Project Directorate (PJ) takes into account:

- The size, nature and location of the project;
- The magnitude and significance of the likely impact on the environment;
- The extent and quality of any relevant environmental studies that might have been undertaken by, for example, the promoter or its agents;
- The environmental reputation of the promoter and its capacity to manage environmental issues;
- The environmental policy and regulatory framework;
- The availability and reliability of the data and analysis from co-financing partners, if any;
- The need for an EIA.

The outcome of the EIB’s environmental assessment determines the “acceptability” of a project for financing. This will be based on a balance between the nature and extent of the environmental impact and the measures needed to avoid, reduce and, where appropriate, offset any negative impacts as well as other criteria, such as legal compliance and environmental management. The Bank does not accept a project for financing that is likely to have a significant negative environmental impact and/or be of high risk for the environment.

According to its appraisal findings, the EIB may apply specific environmental lending conditions to its loan agreement. The project promoter is bound by contract to comply with appropriate legislation.

Once financed, the project is monitored, as appropriate. This will include verification of compliance with environmental covenants and agreed environmental mitigation and compensation measures. The EIB

Operations Evaluation Department (EV) carries out ex-post evaluations for a sample of the projects financed. Information on environmental matters collected during the monitoring and evaluation stages is used by the Bank to draw lessons to improve operational performance. It also provides a source of information for assessing and reporting the environmental performance of the Bank.

At all stages, the EIB mainly works with information provided by the promoter. This will be supported by information and analysis requested and even financed by the Bank. It also may be supplemented by information and analysis obtained from third parties and complemented by on the spot visits.

With some types of “indirect” operations, e.g. programme and global loans, the EIB entrusts responsibility for one or a number of the tasks summarised above to an intermediary acting on behalf of the Bank. The promoter is bound to this by contract. In such cases, the environmental assessment of the EIB focuses on the capacity and capability of the intermediary to apply an environmental approach equivalent to that applied by the Bank in its “direct” operations.

The EIB estimates the economic value of environmental external costs and benefits where the analysis could have a major influence on the project financing decision. The environmental projects of the Bank have to be financially sustainable, through the application of user charges and other financial instruments. Grant financing from sources other than the Bank may be justified where there are external environmental benefits that are not priced by the market and hence are not captured in the financial cash flow of the project.

Environmental Information

The EIB supports development of awareness and cooperation on environmental issues through its disclosure policy.

In disclosing environmental information, the EIB follows the approach set out in its “Information Policy Statement” (2002). It requests promoters of projects financed to conform to Directive 2003/4/EC (Public Access to Environmental Information). The Bank in addition requires promoters of projects located in those countries where the Aarhus “Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters” (1998) applies, to respect the Convention’s aims and principles.

The EIB also provides information on its environmental policies, procedures and financing and other related activities through, for instance, its Environmental Report, policy statements on promoting sustainable development, its operational guidelines and thematic papers. Taking into account relevant legal provisions on confidentiality, the Bank also provides environmental information on individual projects through its “Project List”.

The EIB facilitates public access to the Non-Technical Summary (NTS) of the EIA process through its Project List, at a time when this document is made available to the public and before the disbursement of Bank finance. The same is true of the Environmental Impact Statement (EIS), for projects located outside the EU.

The EIB’s EV reports are another important source of information on its environmental activities. In recent years, EV has produced several reports directly or indirectly related to environmental objectives, in particular those on solid waste management projects and on urban development projects (EIB Website: <http://www.eib.org/publications/eval/>).

The Secretariat General (SG), in consultation with other EIB Directorates, handles questions from external parties on the application of the environmental policies and procedures of the Bank.

As an EU body, the EIB is subject to the European Ombudsman and the Court of Justice of the EC, according to applicable EU law.

Working with Others

The EIB works with parties that share its interest in the protection and improvement of the environment.

The EIB works closely with other parties in the field of the environment.

- The main institutional partners of the EIB are other EU institutions. The Bank works with them to improve its own effectiveness as well as that of the EU as a whole in the field of the environment. In particular, it cooperates closely with the Commission on the development of Community environmental policy, not least to explore any potential role for the Bank to enhance policy implementation. It also collaborates with the European Parliament, the Council, the Court of Auditors and the Social and Economic Committee.
- The EIB collaborates with MFIs, to support the process of harmonization of principles and practices in the field of the environment, including conditions and reporting requirements. The Bank welcomes collaboration with financial and business institutions that have adopted and apply good international environmental practice, such as the Equator Principles.
- The EIB works with national and regional authorities. It also seeks to develop a constructive dialogue with the public, including representatives of civil society interests, such as NGOs and industry and consumer organisations, on its general approach on the environment, as well as, usually at the local level, on the environmental aspects of individual projects.