

Public consultation on the EIB Energy Lending Policy

29th March 2019
Energy for Humanity
London, UK

Q1: Do paragraphs 15-27 above provide a reasonable characterisation of the long term energy transformation? Are there additional dimensions that the Bank should consider when reviewing its Energy Lending Policy?

Q2: As set out in Box 1, the Bank believes it has a robust framework to ensure that energy projects being financed are compatible with long-term climate targets. Do you agree? Are there areas where the Bank can improve?

Dear Sir/Madam,

We congratulate the European Investment Bank for this public consultation on its critical role in enabling the necessary economy wide, and urgent, clean energy transition.

Energy for Humanity supports the EIB objective to be closely aligned with national and international climate-related policies. In the same way that the Bank must take a portfolio approach to investments in order to reduce exposure to risk, the Bank must take a portfolio approach to solving climate change. In the same way that various market scenarios and risks can be anticipated but not predicted, the risk of the rate of response to climate change; the severity of climate change; the rate of development of technology; the challenges of completing decarbonisation; and other anticipatable but not predictable risks to solving climate change, must be managed across a suitable but broad range of technologies.

Energy for Humanity strongly advocates for evidence-based, whole-system, and technology-inclusive solutions in pursuit of the best (fastest, most cost-effective, most feasible) outcomes for people and nature. Leaders will need all the tools at their disposal to solve global challenges including climate change and air pollution, whilst providing low cost, clean power to millions of people across Europe, as well as clean growth in those parts of the world where energy demand is rising. In practice, most credible, authoritative studies show that a diverse range of low carbon technologies, including renewables, nuclear energy (current and advanced) and carbon capture and storage, will be required.

This consultation is timely at a moment when the European Institutions are discussing the European Commission Proposal of November 2018¹ (ahead of the climate talks at COP24) seeking carbon neutrality in 2050 for the whole EU.

¹ A Clean Planet for All, https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_en.pdf European Commission, 2018

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In its “A Clean Planet for All” communication², the European Commission confirmed that, together with renewables, nuclear will form the backbone of a carbon-free European power system. The latest Intergovernmental Panel on Climate Change (IPCC) report (Global Warming of 1.5°C)³ also recognises that nuclear power has an important role to play if the world is to keep global warming to below 1.5 degrees. In particular, numerous IPCC scenarios indicate that technologies in addition to renewables, such as nuclear (current and advanced) and carbon capture and storage may be useful, expedient, or even necessary. Reports published by the International Atomic Energy Agency (IAEA)⁴ or the Joint Research Center (JRC)⁵ also confirm the role of nuclear energy in the fight against global warming. It is worth noting that even if every country met the pledges it has made to date through the Paris Accord, average global temperatures would still be on a trajectory to rise by between 3°C to 4°C by 2100 (depending on one’s level of optimism or pessimism) compared to 6°C increase with no action. No industrialised country is currently on track to meet those targets set by the Paris Accord.

Decarbonisation (and increased efficiency) of the power sector is critical, but represents only part of the challenge. All sources of clean energy are needed to achieve deep, economy-wide decarbonisation. Yet as electricity only accounts for a fifth of global energy use and has been increasing its share at a modest speed of ~2 % per decade, it is clear we also need to find ways to tackle emissions in heating, industrial processes and transportation fuels directly, which account for most of the rest of our energy use. The application of nuclear technologies (current and advanced) and carbon capture and storage can make a major contribution in these sectors, through production of high grade process heat, as well as in large scale, and cost-efficient manufacture of clean synthetic gaseous and liquid transportation fuels (such as hydrogen and ammonia) for multiple applications, including combined cycle gas turbines, as well as in diesel engines for power or transport.

In light of this, we strongly recommend that the EIB Lending Policy should refer to low-carbon technologies as a whole - rather than just renewables as currently the case. This will bring the Lending Policy in line with the Commission’s belief that Europe’s 2050 carbon-free power system will be composed of two low-carbon sources: renewables and nuclear. It will also ensure that future potential low-carbon breakthrough technologies (other than renewables) are not excluded from this initiative.

It is for each Member State of the EU to decide to include or not the recourse to nuclear energy into its plans for a carbon neutral energy mix at the horizon of 2050. Many Member States do include nuclear energy as an important tool for cost-effective decarbonisation within a reliable and resilient energy system. And therefore, the EIB may also represent all sensitivities of the Member States, and should not exclude nuclear energy from its Energy Lending Policy.

As stated above, *Energy for Humanity* strongly advocates for the principle of technological neutrality in determining pathways to achieve the fastest, most cost effective and feasible outcomes that will

² A Clean Planet for All, https://ec.europa.eu/clima/sites/clima/files/docs/pages/com_2018_733_en.pdf European Commission, 2018

³ Global Warming of 1.5°C http://www.ipcc.ch/report/sr15/?utm_source=POLITICO.EU&utm_campaign=a478f9220d-EMAIL_CAMPAIGN_2018_10_07_07_45&utm_medium=email&utm_term=0_10959edeb5-a478f9220d-190283149 IPCC, 2018

⁴ *Climate Change and Nuclear Power*, IAEA, 2018

⁵ *Global Energy and Climate Outlook 2017: How climate policies improve air quality. Global energy trends and ancillary benefits of the Paris Agreement*, Joint Research Center/ European Commission, JRC Science for Policy Report, 2017

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protect the interests of people and nature. Our European Climate Leadership report (2017)⁶ showed that “climate leaders” (defined as being successful industrialised economies with low carbon intensity, at least in electricity generation) are countries that combine three elements: a low carbon intensity of electricity supply, a rapid reduction in their absolute level of emissions, and the maintenance of high levels of GDP.

Countries which are leading the way in low carbon emissions per GDP are those that have chosen to expand the provision of low-carbon electricity as well as those with good hydro-power resources.

Countries with strong reliance on coal are in the bottom half of the climate leadership ranking. In terms of absolute emissions, Germany is actually a very poor performer. The decision to shut down its nuclear plants prematurely means Germany has to keep its massive fleet of lignite and hard coal power plants on the grid far into the future. Germany is already failing its 2020 emission reduction targets, and there is currently no indication that it will do much better in the future. Far from advancing decarbonisation, the antinuclear “Energiewende” has locked Germany into long-term carbon dependency.

On the other hand, the U.K. serves as a strong example where carbon reduction is mandated by law. Recent climate policy actions have started to work, with carbon emissions down for the sixth consecutive year in 2018⁷, and most recently the country has pledged to shut down its coal burning fleet by 2025; new coal plants can only be built if they are equipped with carbon capture and storage technology.

The key findings from the EFH European Climate Leadership report are as follows:

1. Germany’s much-vaunted “Energiewende” has had a negative impact on climate by shutting down carbon free nuclear capacity and locking in the dependency on coal burning for decades, despite 560 Billion Euro investments and subsidy-schemes. In terms of absolute greenhouse gas emissions, Germany is by far the largest emitter in Europe (EU-28 plus EFTA plus Turkey). Germany alone emits **18 per cent of total emissions**. Germany is not decarbonising as fast as other large emitters (**14th of 23 countries** analysed). Furthermore, by exporting electricity generated by fossil fuels, Germany is significantly increasing the CO₂-intensity of neighbouring countries’ electricity consumption.
2. **Climate leaders are countries with hydro-power resources and strong policies to support nuclear energy, alongside renewables.** These countries include Switzerland (hydro and nuclear), Norway (hydro) and Sweden (hydro and nuclear). In contrast, antinuclear Austria backs up its hydro capacity with fossil fuels, driving down its overall climate performance.
3. Countries that have technology-inclusive and ambitious climate and energy policies, such as the UK, are driving down their emissions. **The UK has achieved the largest absolute reduction in GHG emissions in Europe from 2010-2015**, largely through the deployment of off-shore wind, replacing coal with gas and by maintaining its existing nuclear fleet. Some Eastern

⁶ European Climate Leadership Report http://energyforhumanity.org/en/news-events/news/climate/climate_leadership_2017/

⁷ <https://www.gov.uk/government/statistics/provisional-uk-greenhouse-gas-emissions-national-statistics-2018>

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Europe countries like Poland, Slovakia and Czech Republic, have also decreased their high emissions levels significantly in the recent years while growing their economies.

4. **For the first time, the data accounts for cross-border flows of carbon emissions.** Importing dirty electricity impacts the carbon intensity of electricity consumption in some countries. The report strongly recommends that policy makers take imports and exports into account.
5. **A high percentage of installed new renewable capacity does not guarantee low CO₂ emissions.** In fact, there is no correlation between high installed capacity of renewables and low carbon emissions.

Therefore, we strongly urge the EIB Lending Policy to

- Include a requirement for clean energy applicants to demonstrate the potential for measureable emissions reduction.
- Facilitate a level playing field between different low-carbon technologies
- Encourage the deployment of flexible and dispatchable low-carbon technologies, like nuclear (current and advanced), to improve the performance of the whole system (in terms of resilience, reliability, and cost-effective carbon reduction) especially in those systems projecting a high penetration of variable renewables; and
- Ensure the inclusion of any future breakthrough low-carbon technologies capable of helping Europe achieve its economy-wide decarbonisation targets.

Sincerely,

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