



financing

INTERNATIONAL FINANCIAL INSTITUTION

FUELED VIOLENCE

BIODIVERSITY

INVESTMENT

GLOBAL

EIB

OIL/COAL

**extractive industries:
blessing or curse?**

Impact of European Investment Bank financing of the extractive industries

The European Investment Bank (EIB), the financing institution of the European Union, is the biggest international financial institution in terms of annual lending volumes.

the first step to tackle climate change – the EU should stop subsidising fossil fuels through the EIB

With EUR 53 billion worth of investments in projects a year, the EIB's annual lending portfolio is now double the size of the World Bank Group's lending portfolio, and approximately EUR 8 billion is provided by the EIB for projects outside the EU. Given the size of the institution and the fact that it is supposed to promote EU policies, the EIB is a key player for shaping major investment in the energy and extractive industries sector.

Over the last five years the EIB's annual lending to the energy sector has totalled EUR 3.3 billion and the EIB plans to further increase this level of investment. The financing of energy projects outside the EU also represents a larger part of EIB financing in those countries (totalling EUR 1 billion in 2006).

The EIB's board of directors took a first important step in 2004 when they adopted a target for renewable energy investments to rise to 50 percent of the bank's total financing for new electricity generation capacity in the EU for the 2008-2010 period. However this step is still not sufficient to address the growing need to tackle climate change, as the EIB is still engaging in the financing of large-scale fossil fuel projects. Such projects include oil and gas pipelines – which are not part of the 50 percent target – and coal fired power plants.



Pygmy mother and child, Cameroon.
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Pygmy dwelling in Cameroon.
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***“They promised us jobs.
They took everything from us.
They took our land.
They took our forest.
They took our water.”***

Sama Bailie of Cameroon talking about the pipeline.

Chad-Cameroon pipeline

The EIB approved a loan of EUR 144 million to support the Chad-Cameroon oil pipeline project in July 2000, one month after the World Bank confirmed its financial support for the project. The EIB argued that the project would provide “revenues to be channelled into poverty reduction and economic growth” and “create conditions for long-term political stability”. The EIB also stated that the extractive project is conditional “on the relevant environmental and social precautions being implemented” and thus it is in line with the European Parliament Resolution that “strongly recommends that the EIB not contribute to financing the project ... under the Lomé Convention unless it considers that the social and environmental concerns have been met”.

Despite the EIB and World Bank Group's unprecedented efforts, both institutions have failed to deliver on their promises. The social and environmental situation in Chad has not improved. In fact, there is evidence (some reflected in World Bank statements and official reports) that the situation in Chad has become worse. The project appears to have fuelled violence, impoverished people in the oil fields and along the pipeline route, exacerbated the pressures on indigenous peoples and created new environmental problems. ExxonMobil's top manager in Chad, Ron Royal, admitted in January 2007 that: “We should never have called this a development project.” ExxonMobil, the leader of the oil consortium backing the project and the world's largest oil company, continues to register record profits.

SCALE

IMPACTS

EXAMPLE

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SCALE

duisburg-walsum coal power plant

In November 2006 the EIB approved a loan of up to EUR 410 million for a project to construct the 750 MW hard coal-power plant at Duisburg-Walsum in Germany. The plant is supposed to start working in the beginning of 2010. The estimated CO₂ emissions involved are about 4.4 million tonnes per year. This amount is more than the annual CO₂ emissions of Paraguay, a country of six million inhabitants.

EXAMPLE

Through projects such as the Chad-Cameroon pipeline or the Duisburg-Walsum coal plant, the EIB continues to subsidise fossil fuel projects, both within and outside the EU. In order to fully support the EU climate change agenda the EIB should set up the same investment target for renewable energy and energy efficiency outside the EU for the 2008-2010 period. But at the same time it should phase out all fossil fuel investment at the latest by the end of the first commitment period under the Kyoto protocol in 2012.

In order to make this change happen, EU member states need to play a more active role in shaping the EIB's energy policy. The EIB is fully owned and controlled by the member states of the EU who are also represented in the EIB's board of governors and directors, usually through national finance ministries.

DEMANDS

our demands:

- By 2012 the EIB should completely phase out lending for fossil fuel projects both inside and outside the EU, and instead should significantly scale-up its support for renewable energy and energy efficiency.
- Until there is a complete phase out of fossil fuels projects, the EIB should disclose all direct as well as induced CO₂ emissions from its energy and extractive sector projects.

what you can do

- You can contact your country director at the EIB and demand the phasing out of EIB investments in fossil fuels (for contacts see: www.eib.org/about/structure/governing_Bodies/board_of_directors).
- You can raise the issue of how the EIB subsidises fossil fuel projects with EU taxpayers' money by writing letters to the editors of your local and national newspapers.

ACTION

information resources: EIB Factsheets: www.bankwatch.org/guide/eibank/ | The Chad-Cameroon Oil & Pipeline Project: A project non-completion report, April 2007 | Environmental Defense, Center for Environment and Development, Chadian Association for the Promotion and Defense of Human Rights www.environmentaldefense.org/documents/6282_ChadCameroon-Non-Completion.pdf



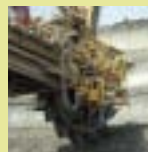
Brown Coal mining, Germany. © dreamstime



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Brown Coal power generation and mining, Germany. © dreamstime



RESOURCES



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