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**How to finance the green transition**

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(~10 mins)



Good morning,

It is a great pleasure for me to participate in this European Parliamentary Week 2020.

I would like to start congratulating the European Parliament for this initiative, and for its leadership in pushing forward the sustainable agenda in this critical moment, when Europe is embarking on a transformational journey to become the first carbon-free continent by 2050.

Our destination is clear: climate neutrality with a transition that is fair and just, and leaves nobody behind.

This is also what citizens, especially the younger generations, are increasingly demanding from us: urgent action to respond to the climate emergency.

We are now preparing a road map to get us there: the European Green Deal, and soon, also a European Green Law to give us legal certainty and to help us not deviating from the course.

We are all together in this journey and it is clear that the road will not be without challenges and difficult choices.

The decarbonization of our economies is a complex process that will require a huge transformation of economies and lifestyles.

Finance will be key to undertake this transition.

And this is the focus of my intervention today, the role of finance and what the EU Bank is doing to support European efforts, as a key partner in the implementation of the European the European Green Deal.

The green investment gap is huge.

Massive investments will be needed to decarbonize our economies and to develop new technologies critical to facilitate this transformation.

The European Commission has estimated that meeting our 2030 climate and energy targets alone, will require additional investments of 260 billion euro every year.

And this figure does not take into account our plans under the European Green Deal to raise our emissions reduction targets, nor broader environmental objectives.

It is clear that no public balance sheet can cope with these investment needs in isolation. Companies and households will have to finance the bulk of those capital expenditures.

And for that, we need a financial system that channels the financing flows to those sustainable investments.

A system that takes into account climate considerations and is able to guide investors towards the right investments.

In short, we need to put sustainability at the core of how we invest.

Here, Europe is leading the way with different legislative initiatives under the Sustainable Finance Action Plan that will give investors more clarity and enable them to make informed decisions on sustainable investments.

These initiatives will help develop reliable data and set common standards that are very much needed, not only to boost green investments, but also to prevent fragmentation in the capital market union.

The EU taxonomy is a critical step to foster green investments and prevent green washing in the market.

Having supporting this taxonomy at a technical level, the EIB welcomes the political agreement achieved in December by the co-legislators.

We are already getting ready to use the taxonomy. And we will continue advising in the development of the delegated acts under the new EU Platform on Sustainable Finance.

But also beyond the legislative front, we start to see some promising signs in the financial sector.

Asset managers are increasingly putting ESG factors at the center of their investment strategies.

Some European utilities have already written off coal related assets to address stranded assets.

Central Bank and supervisors are also integrating climate-related risks into their mandates and some of them are already preparing climate stress tests.

Climate will be a key aspect in the upcoming revision of the ECB monetary policy strategy, as President Lagarde has made clear in different hearings before this House.

Public banks and multilateral banks can also be an important tool to mobilize the investments we need to finance the transition.

As impact-driven institutions, we can direct capital towards sustainable investment, demonstrating the opportunities and potential returns.

We can crowd-in other investors taking advantage of our catalytic role.

Our blended finance and risk-mitigating tools can be useful to make critical projects more attractive, and we can provide technical assistance to make projects bankable and ready for investment.

In the case of the European Investment Bank, the direction of travel is clear.

We are firmly committed to make our part to support the European Green Deal and finance the transition to a low carbon and climate resilient future. Those are critical investments for our well-being and future prosperity.

Yet, we do not start from scratch.

For long, climate action has been a top priority of our activity, in line with European leadership in this field.

Since 2012, we have provided more than 170 billion euros of financing for climate action and environment projects worldwide. With that, we have supported more than 600 billion euros of those investments, making us the largest multilateral financier of climate action.

Our climate finance work is also visible in the green bond market – a market we inaugurated in 2007 and we have helped develop since.

Despite this climate track record, it is clear that the scale of today’s climate challenges requires greater ambition.

Business as usual is not an option.

This is why, in November last year, we decided to scale up our climate commitments and reaffirm our role as the EU’s climate Bank.

Our new targets are clear.

First, we have committed to increase the share of climate and environment financing to 50% of our activity by 2025.

With this, we aim to support one trillion euro of investment in these objectives globally in the next decade, the critical decade.

It is a challenging but feasible target.

Last year we financed more than 21 billion euro to climate and environment projects, which is 34% of our total lending. This is a good starting position.

Our second commitment is to align all our financing activities with the principles and goals of the Paris Agreement by the end of 2020.

This commitment is very important, because it makes little sense to do great climate work with one hand, if with the other hand we damage these efforts.

In this context, we have decided to stop financing energy projects based on traditional fossil fuels, including natural gas, by the end of 2021. We are the first Multilateral Bank to adopt such a decision.

A critical aspect of our new climate strategy is the support for the just transition.

At the end of the day, climate action and a just transition must be seen as two sides of the same coin: we will only succeed in our ambitious climate objectives if we provide support to those most affected, and we ensure that the adjustment process is well managed and leaves nobody behind.

For an institution like EIB that was created to promote economic and social cohesion in Europe, this social dimension is very important.

This why we will also be a key partner of the European Commission in the implementation of the Just Transition Mechanism that was recently presented.

We will mobilize public and private investments that will benefit workers and citizens in the regions most dependent on fossil fuels. Those most impacted by the green transition.

In a way, this is something we have been doing for some time, with our investments to support the economic restructuring of former coal and carbon intensive regions.

The EIB, the EU Bank, is firmly committed to delivering on our role in the European Green Deal.

We stand ready to work with member States, European institutions and other partners to scale up investments and support the just transition to a carbon neutral and climate resilient future. We will continue supporting partner countries outside the EU in their climate mitigation and adaptation efforts.

The transition will not be without cost, but the cost of inaction are much higher.

Despite the challenges, we should not forget that these investments come with opportunities.

We can take advantage of the historically low interest rate levels to undertake this transformation that will modernize our economies and make them more sustainable.