European ECA Reform Campaign - FERN - EIB Reform Campaign [1]
Press release 29 November 2007

European Parliament passes resolution to end taxpayer support for fossil fuels projects

Brussels, Belgium – With a resounding majority (540 MEPs in favour), the European Parliament today passed a resolution on trade and climate change which calls for "the discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects". [1] The step was widely welcomed by environmental and development NGOs campaigning on export credit agencies (ECAs) and the European Investment Bank (EIB). [2]

National public finance institutions in industrialised countries, known as ECAs, promote exports and investments in developing countries which significantly contribute to long-term increases in greenhouse gas emissions. It is estimated that ECAs support approximately double the amount in financial terms of oil, gas and mining projects as compared to all of the multilateral development banks combined. Half of all new greenhouse gas-emitting industrial projects in developing countries have some form of ECA support. [3]

The EIB – the EU's house bank and also named in today's resolution – is another of the largest public financiers of fossil fuels projects, with approximately EUR 20 billion of support for such operations in the last five years. In 2006, the EIB provided 58 percent of international financial institution financing for fossil fuels, dwarfing the contributions of the World Bank, the International Finance Corporation and others. [4]

In the resolution the European parliamentarians have now decided to take action. The resolution asks the Commission and EU governments to propose legislative instruments that would force ECAs and the EIB to "take account of the climate change implications of the funded projects" and to "impose a moratorium on funding until sufficient data are available". The resolution also calls on financiers to redouble their efforts to transfer public funds to renewable energy and energy efficient technologies.

Antonio Tricarico, coordinator of CRBM in Italy, said: "While the EU is negotiating reductions in their own greenhouse gas emissions and emphasising the importance of reducing emissions in developing countries, their finance and trade agencies have so far largely ignored the climate implications of their activities. It is high time for this to be properly tackled and corrected."

Magda Stoczkiewicz, Policy coordinator of CEE Bankwatch Network, said: "Through the EIB and their export promotion agencies, EU governments continue to subsidise billions of euros in exports and investments that encourage fossil fuel-intensive development. These types of investments will remain in place and contribute to climate change for the next 10 to 50 years. Yet the EIB and the ECAs could be playing a much more positive role in the transition to more sustainable energy. Ultimately urgent action is required at the highest governmental levels."

Judith Neyer, of FERN and co-ordinator of the European ECA Reform Campaign, sees one of he reasons for this policy perversity on fossil fuel subsidies coming down to a lack of transparency: "Currently the disclosure of environmental information at the ECAs and the

EIB alike is still seriously lacking. Reporting greenhouse gas emissions will be an important first step to enable the public to analyse the impacts of these institutions' portfolios on climate change and will allow governments to start harmonising climate protection objectives with their ECAs' financing as well as EIB lending."

For more information contact:

Antonio Tricarico, CRBM (Rome): +39.328.84 85 448

Magda Stoczkiewicz, CEE Bankwatch Network (Brussels): +32 475 867637

Judith Neyer, FERN (New York): +1 315 3958666

*Notes for editors: *

1. The relevant paragraphs of the European Parliament resolution are:

- 29: Calls for the discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects and for the redoubling of efforts to increase the transfer of renewable energy and energy efficient technologies;

- 30: Asks the Commission and the Member States to propose legislative instruments in order that Member State Export Credit Agencies and the European Investment Bank take account of the climate change implications of the funded projects when making or guaranteeing loans and impose a moratorium on funding until sufficient data are available, in accordance with advice from the OECD, G8 and the Extractive Industries Review;

2. The EIB campaign includes the following organisations: CEE Bankwatch Network; CRBM, Italy; Friends of the Earth, France; Friends of the Earth International; Urgewald, Germany; WEED, Germany; Bothends, The Netherlands; Bretton Woods Project, UK.**

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3. Export credit agencies and investment insurance agencies (ECAs) provide government-backed loans, guarantees and insurance to corporations seeking business opportunities in developing countries or emerging markets that are considered too risky (commercially or politically) for conventional corporate financing. ECAs are mostly national, public or publicly mandated agencies that usually support companies from their home country. Most ECAs don't take into consideration the impacts of the projects they support on the environment or the rights of local peoples, undermining their governments' commitments to sustainable development and combating climate change.

4. In the 2002-2006 period, the EIB lent EUR 23.7 billion to the energy sector, with 76 percent of its total energy investments going to fossil fuels, primarily gas.

See a recent Bankwatch analysis of EIB energy investments 2002-2006 <http://bankwatch.org/newsroom/documents.shtml?x=2043953> at: http://www.bankwatch.org/project.shtml?apc=147578--n--1&x=2043953