

European Investment Bank Climate Awareness Bond

Primary impact area:
Environment

Impact sector:
Sustainable Energy

Impact category:
High Impact

Geographic location of impact:
Europe

Date of Investment:
2018, 2021

SDG alignment:



The 2020s is the critical decade to meet the long-term temperature and climate-resilience goals of the Paris Agreement and to address the environmental crisis. Through the European Green Deal, the European Union (EU) has become the first region to endorse climate neutrality by 2050 and has committed to building Green Alliances with partner countries and regions worldwide.

The European Investment Bank (EIB) is the EU multilateral development bank which fosters European integration, sustainable development and the support of EU policies in over 140 countries around the world. EIB is also the world's largest multilateral provider of climate finance and its focus is on priority areas of climate and environment, development, innovation and skills, small and medium-sized businesses, infrastructure and cohesion.

In 2007, the EIB issued the world's first Green Bond, labelled a Climate Awareness Bond (CAB). As of December 2020, EIB continues to be a world leading issuer of Green Bonds with over EUR 33.7bn of Climate Awareness Bonds raised across 17 currencies, of which the EUR equivalent in 2020 was 6.8bn. EIB's Green Bond issuances continue to develop and reflect the rapid pace of commitment to positive impact in the green, social and sustainability bond market globally (EIB 2021).

Climate Awareness Bonds, in which Premiums4Good has invested, are aligned with the ICMA Green Bond Principles. From 2018, Climate Awareness Bonds

have also aligned with the evolving EU sustainable finance legislation (including the EU Taxonomy Regulation, in force since July 2020), to direct financing to projects contributing to climate change mitigation. This is contributing to affordable and sustainable energy in communities around the world.

EIB Climate Awareness Bond funds are earmarked to match disbursements to EIB lending projects contributing to climate change mitigation:

- in renewable energy, for example: wind, hydro, solar and geothermal energy production projects; and

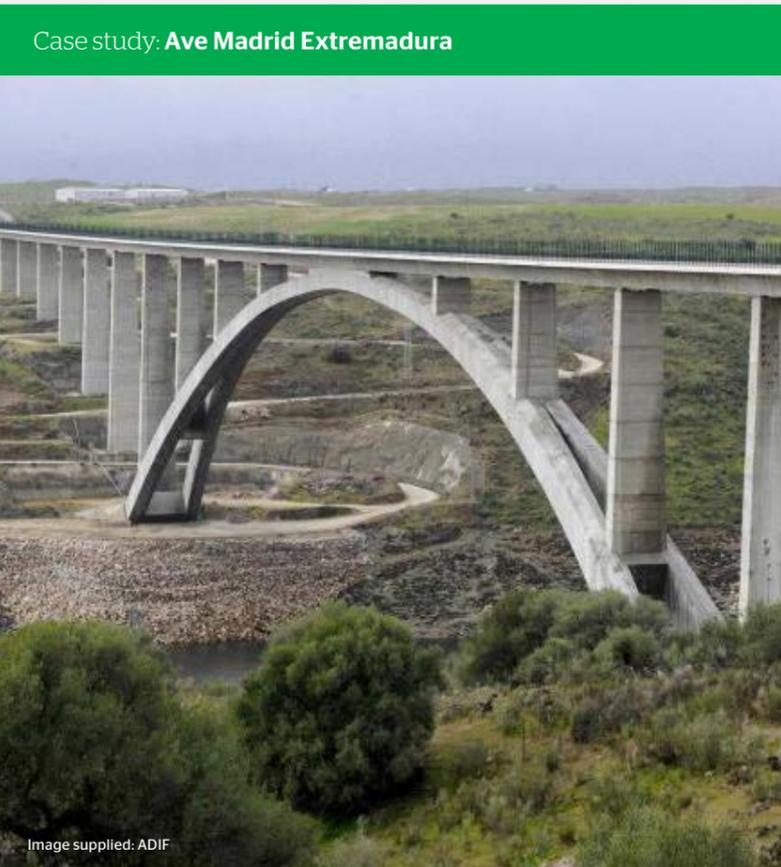
- in energy efficiency: including projects for district heating, co-generation, building insulation, energy loss reduction in transmission and distribution and equipment replacement with significant energy efficiency improvements; and
- from 2020, also in (1) research, development, and deployment of innovative low-carbon technologies, and (2) electric rail infrastructure and rolling stock, and electric buses.

The estimated annual average absolute greenhouse gas emissions is equivalent to 560 t CO2 and emissions avoided is equivalent to 1,775 t CO2!

EIB continues to advance the EU political commitments to EU-carbon neutrality by 2050 and presented a new climate strategy and energy lending policy in 2019, which was followed by the Climate Bank Roadmap 2021-2025 in late 2020. These changes align EIB Group financing activities with the principles and goals of the Paris Agreement (targeting carbon neutrality by 2050); from the end of 2021, EIB will end financing for unabated fossil fuel energy projects, and by 2025 EIB will gradually increase the share of financing dedicated to climate action and environmental sustainability to reach 50% of new operations.

Under the new framework, EIB's tracking methodology for climate and environmental sustainability will be aligned with the framework defined by the EU Taxonomy Regulation. The EU Sustainability Taxonomy, currently under development, aims to 'establish the criteria for determining whether an economic activity is environmentally sustainable'. It supports the European Green Deal and is helping to make Europe carbon-neutral by 2050.

Between 2021-2030, EIB plans to support EUR 1 trillion of investments in climate action and environmental sustainability in line with its Climate Bank Roadmap 2021-2025 (11/2020)



Case study: Ave Madrid Extremadura

Image supplied: ADIF

Through EIB's Climate Awareness Bond, a loan will finance the upgrading of the Navalmoral de la Mata-Plasencia-Cáceres-Mérida-Badajoz railway corridor (about 287 km) to high-speed technical standards, including increase in line speed, electrification and doubling of the existing single track sections.

The new high-speed line will be for mixed traffic (passengers and freight), and will significantly reduce journey times between the Spanish capital and Extremadura. It will also greatly improve the connection between Spain and Portugal, facilitating interoperable and efficient freight connections to and from the south of Portugal.

The EIB financing will help reduce CO2 emissions, traffic and journey times between Spain and Portugal, benefiting more than 2.6 million passengers a year. At the same time, these investments will help boost the economic recovery following the COVID-19 crisis and will drive the employment of around 17 000 people during the construction phase.

EIB Vice-President Ricardo Mourinho Félix, who is responsible for the Bank's operations in Spain, highlighted "the importance of TEN-T in connecting different European cities and countries, boosting economic activity, and improving people's ability to travel between cities and countries. In addition, the development of low-emission infrastructure and means of transport is key to promoting the transition to a sustainable economic model - one of the other main priorities of the European Union and the EIB. That is why, as the European Union's climate bank, we are pleased to be joining forces once again with Adif Alta Velocidad to finance investments in high-speed rail lines that will contribute to the creation of sustainable, high-quality employment in a cohesion region, to the recovery of the Spanish economy, and to the fight against climate change."

1. <https://www.eib.org/attachments/fin/eib-cab-framework-2019.pdf>

About Premiums4Good

Premiums4Good is an innovative initiative that sees QBE invest everyday premiums to make an extraordinary difference to communities across the globe.

Through Premiums4Good, we invest customers' premiums into investments that have additional social or environmental benefits at no extra cost to the customer.

These investments include social impact bonds, social bonds, green bonds and infrastructure, supporting a range of projects and programs that seek to create change.

From renewable energy initiatives and sustainable infrastructure, to social services and programs to support vulnerable people and communities - Premiums4Good helps us, together with our customers and partners, make a difference.