

INVESTING IN CLIMATE-NEUTRALITY AND SOCIAL INCLUSION

EU financial mechanisms and private investments boosting up the just transition towards climate-neutrality



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INTERVIEW

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INVESTING FOR IMPACT

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1. How does the EIB intend to facilitate the just transition towards climate-neutrality in the next programming period, considering both financial and non-financial support?

The EIB, as the **EU Climate bank**, has decided to make a quantum leap in its ambition. We will stop financing energy projects reliant on fossil fuels and we will launch a very ambitious climate investment roadmap. The EIB Board of Directors confirmed the EIB's increased ambition in climate action and environmental sustainability: a commitment which includes three key elements:

We will aim to support EUR 1 trillion of investments in climate action and environmental sustainability in the critical decade from 2021 to 2030;

We will gradually increase the share of its financing dedicated to climate action and environmental sustainability to reach 50% of operations in 2025 and from then on;

We will align all our financing activities with the principles and goals of the Paris agreement by the end of 2020. This means that all financing that we count as climate action, as well as all our other finance, will need to be aligned with the Paris Agreement objectives.



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In the near future this will be complemented by measures to ensure EIB financing contributes to a just transition for those regions or countries more affected so that no one is left behind. Fostering economic and social cohesion is at the heart of the EU bank's mission and we are ready to support a just transition for the most vulnerable groups of society. Our annual target for cohesion lending is 30% of all new operations in the EU.



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2. What would be the role of Advisory Hub in the Green Deal framework?



When it comes to economic stimulus, investments in energy efficiency and renewable energy offer many opportunities. They can create new jobs, reduce greenhouse gas emissions and bring the economy and use of scarce resources on a more sustainable trajectory. The European Green Deal and the Recovery Plan for Europe are expected to raise billions, if not trillions, of financing for investment, but most low carbon investments are small scale and often not sufficiently mature. There is a clear need of bridging this gap and facilitate the aggregation and scaling up of projects. In this context, there is a clear need for advisory and technical assistance. Successful EU advisory programmes, managed by EIB, like the European Investment Advisory Hub (Advisory Hub), ELENA and JASPERS should in future be delivered through a “one-stop-shop” service called the InvestEU Advisory Hub. This includes support for the Just Transition mechanism, under Cohesion Policy.

For example, under the current Advisory Hub, our support across different sectors and stages of project development has facilitated the preparation and implementation of more **sustainable and efficient transport projects** in Athens, Sofia and Budapest. We’ve supported Thessaloniki with a **technical assistance package** that helped the municipality to devise a more efficient waste collection system that applies **circular economy principles**. Our expert advice was also key to unlocking investment in support of **LED lighting** in Vilnius, Lithuania. These are only a few examples of how our support have helped projects on the ground access financing,

and not only from EIB. We also provide **guidance and strategic advice to cities** willing to start their circular transition: together with various stakeholders and EU level, we’ve developed the **Circular City Funding Guide**, the go-to place for all circular economy questions that European cities may have.



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The Green Deal also stresses the importance of digitalisation and the role that digital technologies can play in achieving climate action goals. The Advisory Hub has also been very active in this respect, supporting Member States in their ambitions to support SMEs in integrating digital technologies to transform their business models and make them more sustainable. A lot of work is also going towards facilitating more use of hydrogen, for example, in transport and other applications.



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3. Have social outcome contracts the potential to foster social inclusion while investing in climate neutrality?

We at the Advisory Hub believe that social outcomes contracting can be a powerful tool to tackle social challenges by stimulating interventions that are more proactive and preventive in nature. Such earlier stage interventions often also generate public sector savings, spent today on curing these problems after they occur.

Energy performance contracting is also a form of outcomes contracting, designed to engage energy service companies, for example, in undertaking energy efficiency works that guarantee a minimum energy savings level. By building in additional contracting outcomes that are social, such as for example requiring contractors to hire specifically a minimum quota of social disadvantaged target groups, this can help ensure that the job creating side benefit of energy efficiency improvements also achieve social outcomes. Improving the energy efficiency of social infrastructure, such as social or affordable housing, also have obvious social outcome benefits.

To support countries wishing to develop outcomes-based approaches, the Advisory Hub now hosts the **Advisory Platform for Social Outcomes Contracting** - a joint initiative of the European Commission and the EIB. The Platform aims at **supporting the development and use of social outcomes contracting as a strategic and operational tool for delivering social impact and innovation to address key social inclusion challenges in Europe** and contribute to society's increased well-being.

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4. How is the transition boosted up by financial mechanisms: JTF, public sector loan EIB Group, considering the new proposals for the long-term budget?

The transition to a net zero emissions economy by 2050 will entail profound **socio-economic challenges for those regions that heavily depend on carbon-intensive activities today**. The likelihood of significant job losses, lower regional GDP and tax revenues in these regions calls for a broad-based strategy that makes the transition just and fair for all. Thus, a Just Transition entails multiple transitions: Energy, Environmental, Social, Economic, Infrastructure, including digital and transport connectivity.



We are working closely with the European Commission on the Just Transition Mechanism in order to **unlock finance and expertise** in the areas covered by this initiative. We are already active in several coal and carbon-intensive regions and will seek to support reconversion projects at coalmines and more generally integrated territorial development strategies and job creation. For example, through the Advisory Hub, we're supporting the former coal city of Walbrzych, in Poland, through a technical assistance package that will identify the city's economic and social challenges and propose solutions to make the city a more lively, attractive and prosperous place for its citizens. This advice allows the city to make full use of the investment opportunities offered by an EIB loan signed in two tranches in 2018 and 2019 to co-finance a multi-year investment programme for urban regeneration projects.

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5. How do you see the private sector involved in the private capital mobilisation within the Green Deal and which would be the roles of private investors/mainly Investors for Impact?

One of the mantras of the Green Deal is that the transition to a climate-neutral economy requires global solutions. This means also finding creative solutions that involve and crowd in the private sector. We will be able to deliver on the Green Deal agenda only if the private sector and EU Member States join forces in providing funding to support the transition through more sustainable finance.

European Investment Advisory Hub

Europe's gateway to investment support

In the upcoming programming period, **InvestEU**¹ will leverage significant amounts of private climate and environment related investment. It will provide an EU budget guarantee to allow the EIB Group and other

implementing partners to invest in more and higher-risk projects, crowding in private investors by doing so. In this context, the future Invest EU Advisory Hub will also play a key role in promoting sustainability practices among public and private financiers and project promoters, and support intermediary banks to mainstream climate considerations and practices through tailor-made capacity building packages and online self-assessment tools.

¹ https://ec.europa.eu/commission/priorities/jobs-growth-and-investment/investment-plan-europe-juncker-plan/whats-next-investeu-programme-2021-2027_en



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