

# European Investment Bank

## Lending in the transport sector - Climate impacts

For more detailed information and references see the full report entitled:

*Lost in Transportation: The European Investment Bank's bias towards road and air transport*

[http://bankwatch.org/documents/lost\\_in\\_transport.pdf](http://bankwatch.org/documents/lost_in_transport.pdf)



*The European Investment Bank (EIB), the European Union's 'house bank' and the world's largest public bank, gives loans and guarantees on a not-for-profit basis using funds contributed and guaranteed by member states. Between 1996 and 2005 the bank provided loans over EUR 112 billion for transport projects. This factsheet considers the climate impacts from the EIB's transport investments.*

Transport deserves a prominent place in EU climate policy and legislation, as in 2004 it was responsible for 29.8% of the EU-15's CO<sub>2</sub> emissions, and it is one of the few sectors in which CO<sub>2</sub> emissions have risen rapidly since 1990. Thus **the ability of the EU to bring its CO<sub>2</sub> emissions under control largely depends on its ability to curb the growth of transport emissions.**

Although the EU has not yet taken adequate legislative action in this area, the 6th Environmental Action Plan and the 2001 Transport White Paper provide a useful basis for the EIB to develop a transport strategy leading to reductions – not increases – in greenhouse gases (GHG) from transport.

However, **the EIB's statement on climate change is insufficient.** The only points on transport are:

➔ Stepping up lending for energy efficiency eg. more efficient cars and public transport

➔ Stepping up investment into innovations eg. the introduction and manufacture of climate-friendly engine technology and fuel cells

➔ Maintaining lending for sustainable transport (public transport systems, rail, etc.) **No limits are placed on projects with high greenhouse gas emissions.**

The EIB states that “all projects are screened for their potential to contribute to the climate change policy objective, including projects that generate carbon credits, or energy efficiency or renewable energy projects”. However it appears that those which do not contribute are rarely if ever rejected, implying that contributing to climate objectives is an optional extra, rather than something that all projects must do. While the EIB is ‘interested’ in financing positive projects, unfortunately its impact is severely reduced or eliminated by its financing of climate-damaging projects.

The external costs of GHG emissions are included in the EIB's economic analysis of projects and it states that because of this, *“some of these projects may not pass the economic test and thus would not be financed by the Bank.”* However the economic analysis does not appear to be sufficient to exclude airports and motorways from financing in spite of their established climate-damaging properties. **Indeed it is hard to imagine a project which the EIB would refuse to finance due to its climate impact.**

**Without any commitments to avoid financing climate-destructive industries, the EIB's more positive investments will remain a drop in the ocean.**

### Air transport

Between 1996 and 2005 the EIB lent EUR 16 billion for the aviation industry. Although aviation may seem to make up a relatively small proportion of the EU's CO<sub>2</sub> emissions – 3.6% for domestic and international

aviation combined – CO<sub>2</sub> emissions from the EU 15’s international aviation activities increased by 86% between 1990 and 2004 – much more than in any other sector. Other studies have estimated that because of various effects caused by aviation emissions being released high up in the atmosphere, the contribution of aviation to climate change is currently 4 to 9% at the global level and 5 to 12% within the EU. Between 1996 and 2005 the EIB lent approximately EUR 16 billion for air transport and EUR 1.5 billion for aircraft manufacturing.

### EIB airport expansion projects

Based on UK government figures, economist Brendan Sewill has calculated that each passenger taking off from UK airports is responsible for 300 kg of CO<sub>2</sub> emissions. From the National Inventory report of Netherlands 2005 it can be calculated that the 2003-2004 average for the Netherlands is 220.75 kg. These figures have been used to make a theoretical estimation of the likely additional annual CO<sub>2</sub> emissions from a selection of EIB-financed airport expansion projects:

**The total likely CO<sub>2</sub> emissions from the EIB’s above selected airport expansion projects, if**

the new capacity is fully used (45.15 mt), are:

➔ More than the three most climate-damaging power stations in Europe combined

➔ More than New Zealand, Switzerland, Ireland, Norway or Slovakia’s total CO<sub>2</sub> emissions for 2003 (34.7/44.72/44.45/43.22/43.05 mt)

### Schiphol Airport 5<sup>th</sup> Runway, Amsterdam

*In 2002 the EIB approved a EUR 150 m loan for the construction of a fifth runway at Schiphol Airport, in spite of the airport’s large contribution to Dutch CO<sub>2</sub> emissions (around 3.79 per cent of the Netherlands’ total emissions in 2003, compared to 2.05 per cent in 1990). The project cost*

Selected EIB-backed airport expansion projects and estimated additional CO <sub>2</sub> emissions per year				
Airport Project	Capacity before expansion	Extra capacity (passengers per year)	Additional CO <sub>2</sub> if capacity used (estimated)	Percentage increase in airport’s CO <sub>2</sub> emissions
Schiphol 5 <sup>th</sup> Runway	45 million	13 million	2 869 750 tonnes per year	32.5%
Warsaw Airport new passenger terminal	3.5 million	6.5 million	1 690 000 tonnes per year	185.7%
Prague Airport new passenger terminal	6.5 million	3.5 million	910 000 tonnes per year	53.8%
Cork Airport new passenger terminal	2.18 million	3 million	780 000 tonnes per year	137.6%
Beijing International Airport 3 <sup>rd</sup> runway and new terminal	35 million	‘almost double’ (additional 30 million assumed)	7 800 000 tonnes per year	85.7%
Heathrow 5 <sup>th</sup> Terminal	60 million	30 million	9 000 000 tonnes per year	50%
Paris Roissy-Charles de Gaulle 3 <sup>rd</sup> runway	30 million	25 million	6 500 000 tonnes per year	83.3%
Munich Terminal 2	20 million	25 million	6 500 000 tonnes per year	125%
Madrid Barajas Terminal 4	42 million	35 million	9 100 000 tonnes per year	83.3%

EUR 382 million and increased the airport's capacity from 45 million passengers in 2001 to 58 million in 2005. If this capacity is to be fully used, the extra 13 million passengers will be responsible for approximately 2 750 000 tonnes of new CO<sub>2</sub> emissions per year – an increase of 32% compared to the airport's 2003 emissions.

Climate change considerations barely featured in the project's development. Staggeringly the EIB approved the loan before the full Environmental Impact Assessment process – for the whole airport, not just the new runway – was even completed.

The EIB's use of public money to finance this project is particularly questionable since it is likely that funding could have been found from other sources. Although it can be claimed that the EIB was following EU policy in the sense that Schiphol is part of the TEN-T network, at the same time the project contradicts the 6th EAP and transport White Paper. Rather than limiting transport demand, promoting a shift to railways, and internalising the external costs of transport, the EIB has encouraged the growth of aviation and its inevitable emissions.

For more information, see the 2003 report "Flying with Big Business: The European Investment Bank & The Aviation Industry", available for download at: [www.bankwatch.org/documents/aviation\\_report\\_11\\_03.pdf](http://www.bankwatch.org/documents/aviation_report_11_03.pdf)

This publication also provides more information about the EIB's role in the highly controversial 5th Terminal for Heathrow Airport in London, a project that is likely to result in an extra 9 000 000 tonnes of CO<sub>2</sub> per year.



### Airline expansion projects

The EIB's project information suggests that airline expansions have been financed, but the relevant airlines (surveyed for this report) have not replied to information requests and it is not clear which projects were for replacements and which involved fleet expansion. The climate impacts of such projects are therefore not clear.

The EIB has taken the view that replacing aircraft achieves lower emissions and greater fuel economy. Yet this approach ignores some important climate impacts:

- ➔ Even if there is no expansion involved, there may still be an overall increase in CO<sub>2</sub> emissions because older planes may be sold and may well continue to be used for several years.
- ➔ Any improvement in efficiency must be compared with any rise in the number of flights caused by the same or other EIB projects.
- ➔ Research undertaken by the Dutch National Aerospace Labo-

ratory in 2005 showed that although jet planes have increased in efficiency since they were introduced, **claims about the degree of increased efficiency have been exaggerated** and also fail to take into account that the **pre-jet planes of the early 1950s were as fuel-efficient as today's aircraft.**

Such factors need to be taken into account and thorough calculations need to be made, in place of the current situation where the EIB and others simply assume that controversial projects lead to positive climate impacts.

### Road transport

Road transport alone counted for 21.3% of the EU 15's CO<sub>2</sub> emissions in 2004. The EIB provided loans of approximately EUR 37 381.4 million for roads globally between 1996 and 2005, of which EUR 26 508 million went to mostly new or expanded motorways. It also provided EUR 8 947 million in loans to the car manufacturing and tyre industries, representing further support for road transport.

While some of the traffic using new roads is simply moving from more congested roads, the phenomenon of 'induced traffic', identified in the landmark UK 1994 SACTRA study, means that constructing new roads directly leads to an increase in CO<sub>2</sub> emissions, as more people choose to use road transport because of the new capacity available.

On toll roads with direct tolls – several of which have been financed by the EIB as public-private partnerships in which the private partner obtains a proportion of its income based on traffic demand – **high traffic levels, and therefore CO<sub>2</sub> emissions, are actually needed to recover the road investment**, thus removing any incentives for traffic reduction.

In 2002 the EIB announced that it was starting to quantify the climate impacts of its projects. It regrettably remains unknown whether this is having a significant impact on the EIB's decisions to finance road projects.

### Vienna-Mikulov-Brno Motorway (A5 motorway Austria/R52 high-speed road Czech Republic)

*In August 2005 the EIB approved a loan of up to EUR 350 million for the Ostregion Autobahn section of the controversial A5 motorway in Austria, which would connect with the R52 express road in the Czech Republic to form the Vienna-Mikulov-Brno motorway. The loan has not yet been disbursed, as there are ongoing legal cases against the motorway project.*

*Critics of the project argue that the A5 is unnecessary, and that the alternatives, including the*

*optimisation of usage of the existing infrastructure have not been seriously examined. They point out that the A5 would induce additional traffic through Vienna, creating a bottleneck.*

*The cost-benefit analysis for the project is unrealistic as it states that with the A5 there would be fewer traffic kilometres per person per day than without the A5. The Austrian Ministry of the Environment questioned this and stated in its official Environmental Impact Assessment comments that the A5 would lead to an additional 40 000 tonnes of GHG emissions annually. Since Austria's GHG emissions rose by around 15.2 per cent between 1990 and 2004 and that those from road transport rose by 88 per cent, further increases are a matter of serious concern.*

*The project is an example of poor strategic transport planning and the failure to take climate change objectives into account. The fact that it has been approved by the EIB shows that the bank's policies are insufficient to verify that transport projects are justified and that they will not entail excessive GHG emissions.*

*"For further information, see the NGO letter sent to EIB President Maystadt (October 4, 2006) [www.bankwatch.org/newsroom/documents.shtml](http://www.bankwatch.org/newsroom/documents.shtml)*

### Climate-related recommendations:

The EIB needs to dramatically improve its project selection procedures to transform itself from a client-driven bank that finances a series of transport projects into a truly policy-driven bank that succeeds in balancing the different transport poli-

cies of the EU, fully integrates environmental considerations into transport financing and contributes to developing more sustainable transport.

#### The EIB must:

1. Call a halt to investments into the already heavily subsidised aviation industry.
2. Ensure that investments in rail, urban public transport, and inter-modal transport continue to increase and make up the vast majority of the EIB's transport investments in each country.
3. Make maintenance or safety improvements a priority for the EIB financing in the road sector. By 2010 the share of road transport investments in the EIB portfolio should be halved to make space for the development of sustainable transport modes.
4. Increasingly support projects that limit transport growth.
5. Only loan to the car industry for R&D that secures more efficient, cleaner and safer technologies, and not for manufacturing.
6. Set year-on-year limits and targets for reductions in the greenhouse gas emissions from its projects.

For a full set of recommendations, see Bankwatch's new report on the EIB's lending for climate-damaging transport projects.

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