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Response to Public Consultation on the EIB Energy Lending Policy

Swedenergy collects and gives voice to around 400 companies that produce, distribute, sell and store energy. Our goal is to develop the energy industry – for the benefit of all, based on knowledge, an overall view of the energy system and in cooperation with our environment.

Background

Swedenergy is grateful for the opportunity to give feedback on the lending policy of the European Investment Bank. Swedenergy does not today foresee any large energy projects that would require investments from the EIB among our members. However, it cannot be excluded that such need may arise in the future. Nevertheless, large investments within Europe, outside of Sweden, may still contribute positively to the Swedish energy industry in terms of, for instance, competence build-up and optimized supply chains. Thus, Swedenergy would like to give comments on the EIB Energy Lending Policy as follows.

Response to Consultation Questions

General

Q1: Do paragraphs 15-27 above provide a reasonable characterisation of the longterm energy transformation? Are there additional dimensions that the Bank should consider when reviewing its Energy Lending Policy?

A1: Swedenergy believes the EIB provides a correct and reasonable description of the scale of the climate challenge. However, the presented long-term energy transformation is not complete and the following suggestions on actions qualified for investments do not fully meet the scale of the challenge. Examples are given below:

a) EIB refers to the European Commission's long term climate strategy "A clean planet for all". However, all central aspects are not included in the consultation report of EIB. The European Commission states specifically that the backbone of the European energy system 2050 consists of renewables and nuclear power. Although the Commission statements are not legally binding and has not resulted in any agreed targets, we find it surprising not to find the same conclusions in the EIB document since the UN climate panel, IPCC, draws similar conclusions. Since EIB includes nuclear power specifically in the existing lending criteria, but not in the consultation material, Swedenergy takes this as a statement that

nuclear power will not be included in the future energy policy. Such decision by the EIB may put climate ambitions and energy security at severe risk.

b) It might be that the EIB does include nuclear power through the concepts "portfolio of low-carbon technologies" (§ 26), "conventional plants" (Annex II § 19) or "clean energy" (Annex V § 5). If this is the case, nuclear power is not included to the level of clarity needed given the scale and urgency of the actions needed. A lending policy of a sector essential to the successful outcome of the climate actions of the European Union must be very clear and specific without ambiguous criteria.
c) § 17 states correctly that emissions need to be eliminated by 2050. Later on, suggested actions does not lead fully to this target. For instance, Annex II § 18 states that a mix of renewables and fossil fuels, such as natural gas, reduces emissions. Reduction is not a sufficient target when elimination is needed. In Annex II § 19 it is stated that natural gas has an important role for system adequacy. §§18-19 together may lead to lock-in effects of fossil assets if not other low-carbon flexible base options are considered. Nuclear power is probably the only scalable alternative to natural gas, even if natural gas may be a viable option, in an intermediate time frame, if combined with CCS. Hence, nuclear power should be considered more thoroughly.
d) Another example, highlighting the need of a revised Emission Performance Standard (EPS), is Annex II § 23 describing the purpose of the instrument to ensure the EIB supports plants that contribute to reducing average emission levels. Given a climate target of zero emissions 2050 this purpose is no longer valid. The new purpose of the EPS must be to support plants that will lead to zero emissions or carbon neutrality by 2050.

Swedenergy understands that EIB may accept lending applications on a project-by-project basis. We believe it is of uttermost importance to make sure the policy relies on a holistic approach including a well-defined system perspective including all legs of the energy trilemma: climate and environment, costs and energy security. New projects should be selected based on a thorough review against a lending policy and criteria including, and limited to, these aspects.

Q2: As set out in Box 1, the Bank believes it has a robust framework to ensure that energy projects being financed are compatible with long-term climate targets. Do you agree? Are there areas where the Bank can improve?

A2: No response.

Q3: Within the broad areas of renewables, energy efficiency and energy grids, are there particular areas where you feel the Bank could have higher impact?

A3: Renewables and energy efficiency are natural components in the competitive electricity market, and the distribution of gains and costs thereby can be easily distributed between market participants. However, as the grid for electricity is a natural monopoly, it is not always easy to distribute costs and benefits accordingly and there is therefore always a risk of underinvestment, and therefore this is one area that EIB could support a necessary development.

Q4: How can EIB reinforce its impact towards ensuring affordability, addressing social and regional disparities and support a just energy transformation?

A4: No response.

Theme 1: Energy Efficiency First

Q5: In the case of new buildings, do you have an opinion on the proposed approach to support only buildings that go beyond the mandatory nZEB standard after 2021? What level of ambition should the Bank focus upon, inside and outside the EU?

A5: The support for new buildings should focus on climate shell investments to reduce the energy needs in buildings that go beyond nZEB requirements after 2021 and not on heat installations connected to buildings, in line with the principle on energy efficiency first principle.

Q6: The Bank has developed a number of financial and technical assistance products to help promote energy efficiency in private and public buildings. Have you had any experience with these products? If so, do you have a comment or opinion as to how they can be further developed or improved?

A6: No response.

Q7: Do you have lessons learned to share in order to improve the financing of energy efficiency in SMEs? Is technical assistance an important dimension? If so, do you have any views as to which type of technical assistance that is the most effective to provide?

A7: The energy sector could contribute with energy services that include technical assistance on both adjustments of heat installations as well as energy efficiency measures in buildings and commercial and industrial SME:s. Additional support of energy audits could also be effective to identify the most viable energy efficiency measures.

Theme 2: Decarbonising power and heat

Q8: Declining costs and competitive auctions are transforming a number of renewable markets (e.g. onshore wind, utility-scale PV). How can the Bank best support these relatively mature technologies? In the context of increasing market integration, is there a need for financial instruments to help attract longterm private finance?

A8: No response.

Q9: Does the EPS for power generation remain an appropriate safeguard? Do you agree that adjustment should be made to support flexibility and adequacy? In light of recent developments in renewables, the Paris Agreement and the Sustainable Development Goals, would an exemption to the EPS for power plants in least developed countries continue to be justified?

A9: In view of a target of zero emissions by 2050, the use of fossil fuels shall not be a basis for any energy strategy. From a technology perspective is seems that the EIB has overlooked the potential of nuclear power as a flexible power source to be used together with renewables to guarantee energy adequacy and energy security. There are numerous experiences from France and Germany in operating nuclear power plants in flexible mode to balance weather dependent energy sources. This experience should be considered before assigning such important role to fossil energy sources solely (Annex II § 19). The EPS may play an important role to counteract the use of fossil energy sources when low-carbon options are available, but only if the emission value is selected low enough.

Theme 3: New energy technologies and business models

Q10: Are there ways in which the Bank could provide more targeted support to distributed resources (demand response, small-scale generation and storage projects)? Are new business models or technologies emerging in this context, with specific financing needs? Is the Bank's portfolio of financial products and instruments adequate to support this technological transition?

A10: See A3.

Q11: The Bank has developed a number of products – both financial and advisory - targeted to supporting innovative energy projects. Do you have a view on these instruments? Can the Bank improve or better target the financing needs of the energy demonstration sector?

A11: No response.

Q12: Some renewable technologies or applications remain relatively expensive. Should the Bank continue to finance such projects, even in the absence of an innovative component?

A12: No response.

Theme 4: Securing the infrastructure needed during the transformation

Q13: In light of the long-term nature of the network development plans, which type of projects should the Bank focus upon? In addition to PCIs, should the Bank prioritise newer investment types, for instance in digital technologies?

A13: No response.

Q14: What is your view on the investment needed in gas infrastructure to meet Europe's long-term climate and energy policy goals, while completing the internal energy market and ensuring security of supply? What approach could strike the right balance to prevent the economic risk of stranded assets?

A14: No response.

Q15: Should the Bank refrain from supporting hydrocarbon production, in addition

to exploration? If so, should gas be treated the same as oil? Within and outside the EU?

A15: No response.

Supporting transformation outside the EU

Q16: Where can the Bank most usefully focus its support – either financial or advisory – to meet the Sustainable Development Goals outside the EU and better support the scaling up of renewables, energy efficiency and electricity grids in a developing country context?

A16: No response.

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