
5. The European Investment Bank: the EU's climate bank?

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1. INTRODUCTION

For a long time, EU integration scholars and the broader public alike have rarely taken notice of an institution that had already been enshrined in the Treaty of Rome and today is nothing less than the largest multilateral lending institution globally: The European Investment Bank (EIB). While ‘hidden in the woods of Luxembourg’ (*Financial Times* 2019a), opposite the European Court of Justice, the EIB’s evolution into a key vehicle for addressing the financial and economic crisis in the 2010s has moved it to the fore of EU policymaking. Moreover, at the end of that decade, the EIB has become a central actor in the EU’s climate policy landscape. It did so, first, by announcing in November 2019 its intention to transform itself into a ‘climate bank’ proper through aligning its financing operations with the goals of the Paris Agreement and phasing out lending for fossil fuel projects; second, by assuming the role as the main implementing partner in the European Green Deal’s investment pillar, the Sustainable Europe Investment Plan.

Underpinning this limelight appearance of the EIB in the climate policy landscape is the growing recognition that the climate and ecological transition requires enormous amounts of money to finance, among other things, renewable energy projects, low-carbon transport, technological innovation and the readjustment of production and consumption processes to a circular economy. The European Commission (EC) has acted on the estimation that a net-zero economy by 2050 requires between €175 billion and €290 billion of additional investments annually (European Commission 2018), but since the cost of non-action increases over time and emissions-reduction targets are adjusted, in 2021 the EC and the EIB updated that estimate to €350 billion annually (Von der Leyen and Hoyer 2021). For comparison, the European budget for 2020 was worth €155 billion in actual spending. Hence, in its strategy for ‘a clean planet for all’, the Commission stated that the ‘financial sector has a key role to play in supporting the transition towards net-zero emissions as it can reorient capital flows and investments towards the necessary solutions while improving efficiency of production processes and reducing the cost of financing’ (European Commission 2018: 18). In other words, climate politics in the EU, as much as globally, have come to entail the search for ‘sustainable’ and ‘green finance’, against which the EIB’s climate bank proposal and investment policies have to be read.

This chapter seeks to assess the EIB’s role in the European climate policy landscape and its capacity to live up to its declared ambitions in the field of green finance. It will weigh the option of whether the climate bank agenda is best understood as one of a policy entrepreneur committed to ecological transformation or whether it is de facto a form of ‘organized hypocrisy’ (Brunsson 2002) that mainly seeks to gain legitimacy. To achieve this task, the chapter will first present the EIB’s organizational history, tracing its various reinventions over the

course of the decades, delineating its tasks and position in European policymaking. It will then briefly introduce the pillars of green finance and the role of public financial institutions such as the EIB in it, before exploring the EIB's climate agenda and its prior activities in terms of climate action. Finally, the chapter will assess the recent changes undertaken by the EIB in terms of its institutional environment and organizational interest.

2. INTRODUCING THE EUROPEAN INVESTMENT BANK

The European Investment Bank is a special animal among the European institutions. While a *body* of the EU polity, set up by the Treaty of Rome in 1957 with the task of serving 'the balanced and steady development of the common market in the interest of the Community' (Art. 130), it is simultaneously a *bank*, traditionally granting loans and giving guarantees, but also engaging in a number of other operations to support European integration by financial means (Hachez and Wouters 2012). The EIB is owned by the (post-Brexit) 27 EU Member States who all have subscribed capital (the bank's equity) according to their economic weight: Germany, France, and Italy each hold a share of 18.8 per cent while Estonia and Malta hold less than 0.1 per cent. This share both reflects the risk that Member States assume for backing up the EIB's operations as well as the voting power they can exert in the top decision-making bodies: first, in the Board of Governors, in which (usually) finance ministers decide on the general credit policy of the bank and potential capital increases, and, second, the Board of Directors, in which Member State delegates and a representative of the Commission vote on specific financial operations.

Over time, the bank has undergone a number of transformations, which are worth considering when assessing its Climate Bank Roadmap¹ and earlier climate finance operations. In the first decades of its existence the EIB's primary role was to support the development of the peripheral regions and to foster European integration by providing capital for supporting economic development and integration. Until the 1990s, the EIB was primarily a Member State bank, with Member States guaranteeing its creditworthiness in return for the cheap financing of large infrastructure projects, such as the Eurotunnel in the 1980s (Robinson 2009).

While its underlying business model still operates on preferential access to capital markets, enabled by its pooled sovereign backing (i.e. it can borrow funds for less cost than most of its shareholders), the EIB has strategically oriented itself towards the European Commission and the EU budget in the 1990s and 2000s. Since then, the EIB has come to define itself as an instrument not only of Member State interests but also of policy programmes of the European Commission. In close cooperation with the Commission, the bank became the majority shareholder of the European Investment Fund, a specialized risk capital provider established by EU Member States in 1994. Today, the EIB acts both as a counter-cyclical instrument to relaunch a moribund European economy and an intermediary for European funds by designing and administering financial instruments that blend public and private funds to achieve specific policy goals such as innovation or SME finance. The pinnacle of this mutually beneficial relationship was the launch of the European Fund for Strategic Investment (EFSI) in 2015, the key pillar of the Juncker plan. This plan used the EU budget as a guarantee framework, by which it sought to leverage public funds through capital markets and crowd-in private investors, finally aiming to mobilize €500 billion over five years (Mertens and Thiemann 2019).

This repositioning as a policy bank (Kavvadia 2018), which latched onto the EU Commission's desire 'to do more with less' (i.e. shifting European funds from grants to loans), turned out to be immensely profitable for the EIB as a whole, allowing not only for an increase in legitimacy but also securing a steady income for the organization that permitted expansion and professionalization: whereas in 1999 the EIB's balance sheet stood at €200 billion, it had grown to over €550 billion 20 years later. In the 2010s, the EIB on average lent out almost €70 billion annually. But while the bank is a non-profit making institution *de jure* (now Art. 309 TFEU), it has established a surplus culture over the decades. The EIB prides itself on having 'recorded surpluses in its statutory accounts in each year of its existence' and having established 'conservative lending policies' (EIB 2020a). In other words, this history of strong institutional growth underpinning the EIB's status today as the largest multilateral lender globally has come with an entrenchment of risk aversion that seeks to secure the organization's survival in terms of bankability.

Thus, European integration scholarship has emphasized two mutually compatible, but potentially contentious traits of the EIB. The first concerns the bank's position as a policy entrepreneur, able to mobilize institutional capacities and expertise in order to address prevailing economic or social – or environmental – challenges. It is not simply a tool or a rule-taking institution, but provides resources in policy windows, which it co-creates with other political actors and which it frames in line with its financial preferences. The second highlights the bank's position as a resource-dependent organization that seeks to secure its survival and legitimacy by adjusting its business strategies towards these ends (Kavvadia 2018; Liebe and Howarth 2020; Mertens and Thiemann 2019; 2022).

Over the course of the last decade, these traits have set in motion institutional developments that led to the present positioning of the EIB as the EU's climate bank. As much as the EIB offered a set of financial tools to address the European crisis in the 2010s, it also tailored its profile to the needs of the incoming Juncker presidency in 2014. This, in turn, enabled a set of institutional relations and financial practices on which the EIB could build in 2019, when 'climate' appeared at the core of both the French government and the incoming Von der Leyen presidency, and the bank announced its full-fledged transformation into a 'climate bank' – even though it had already earlier proclaimed some climate goals. Understanding what this transformation entails and how it relates to the organizational history depicted in this section, requires a brief introduction to the phenomenon of green finance and how public financial institutions are conventionally meant to contribute to ecological transition.

3. GREEN FINANCE AND THE ROLE OF PUBLIC FINANCIAL INSTITUTIONS

The idea of green finance, shorthand for the use of private as well as public financial flows and institutions to foster sustainable development, has been in the making for at least 40 years (Chiapello 2020). While it has no commonly agreed and universal definition (Berrou et al. 2019: 31), predominant approaches understand it as (financial) market mechanisms aimed at mitigation and risk alleviation against climate change and environmental degradation. More specifically, 'climate finance' has been referred to as 'local, national or transnational financing – drawn from public, private and alternative sources of financing – that seeks to support mitigation and adaptation actions that will address climate change' (UNFCCC 2019, cited

in Bracking and Leffel 2021). Such definitional efforts reflect an emergent understanding of harnessing the financial system to the goal of ecological transition, which is as much driven by (self-imposed) limits on public spending given the size of the challenge as by the interest of (private) financial actors to regain legitimacy and make sustainable investments profitable after the global financial system collapsed in 2008 (Chiapello 2020).

While the caveat of this discourse is that the climate crisis is mostly framed as a financial problem, not so much a problem of dominant modes of production, exchange, and consumption, it highlights the multiple ways in which finance and climate policy interact. In the status quo, finance – including central banks and multilateral lenders – is contributing to environmental degradation because it supports and enables fossil fuel-based and generally resource-intensive industrial patterns without pricing in the so-called externalities of their funding or the climate risks associated with such investments, further endangering financial stability (Bigger and Carton 2020; Dafermos et al. 2020).² This means, reorienting these financial flows and adding further resources from financial institutions, corporate actors and households with incentives other than short-term capital gains is central to rebuilding low-carbon economies.

Although the shift towards green finance is often described as industry-led, and therefore prone to dangers of ‘greenwashing’ and capture (see Eckert, Chapter 6 in this volume), it also entails a critical role for public financial institutions such as the EIB. In fact, development finance institutions such as the multilateral World Bank or the German KfW have long been vocal on anchoring climate finance and sustainable development goals in their (market-based) financial operations (Bracking and Leffel 2021; Chiapello 2020; Clapp and Dauvergne 2011). Here, four elements are of particular importance to understand the EIB’s operations with regard to EU climate policy (see e.g. European Commission 2018).

First, greening the loan portfolio and divesting from carbon-intensive sectors are key aspects of reorienting finance towards climate goals. This requires the integration of climate issues into lending decisions much more systematically and, in particular, the setting of targets with regard to the carbon impact of a funded project or the positive or negative environmental impact of the sector/firm financed. In general, these activities can be seen as applicable to every financial actor, but carry extra weight if public financial institutions systematically follow this agenda. This is because: (a) public institutions such as the EIB can be benchmarking institutions or anchor investors in specific market segments and thereby attract more financial actors to follow its practices; (b) public institutions operate on public money, state guarantees and public ownership, and, hence, should display a stronger commitment to the environmental norms and agreements supported by their sovereigns while being subject to democratic control; and (c) public investment banks are usually considered providers of long-term capital, which is arguably better equipped for the financing needs of the transition.

Second, and relatedly, public financial institutions have taken on the task to ‘blend’ private and public financial sources for climate action. Taken from the context of development finance, it rests on the diagnosis that public funds will not suffice to address climate change and, hence, private capital must be mobilized through a set of incentives such as risk-sharing arrangements. Operating on the assessment that some investments may be beneficial from an ecological (long-term) point of view, but not from the perspective of (short-term) profit-seeking or risk-averse investors, public financial institutions underwrite risk and debt, serve as anchor investors and first-loss taking co-financiers to crowd-in private investors. In other words, both national and multilateral development banks, including the EIB, seek to

make ‘green’ investments attractive for private financial actors by de-risking some of the asset classes and eliminating barriers to investment (Gabor 2020; Mertens and Thiemann 2018).

Third, ‘green bonds’ are another financial tool by which private capital can be channelled towards ecologically beneficial projects and key to the green finance paradigm (see Box 5.1). Multilateral development banks, especially the EIB, have been pioneering in issuing bonds whose proceeds are earmarked for environmental projects that fulfil certain eligibility criteria. Though a small market segment, green bonds have seen rapid growth over the past decade, now extending to both governments and corporates. However, observers have also stressed risks relating to ‘greenwashing’, i.e. that the bonds’ proceeds do not finance genuinely ‘green’ projects, especially due to weaknesses in standardization, disclosure, and transparency (Berensmann et al. 2018: 334; Chiapello 2020).

BOX 5.1 GREEN BONDS

One means through which governments and corporations, including banks, can (re)finance their expenses is bonds. When a corporation issues a bond, it basically borrows money from the buyer of that bond – usually an investor – in exchange for a binding promise to repay the buyer on the terms fixed by the bond. For instance, a corporation may issue a bond that states repayment after five years at a fixed interest rate of 6 per cent per year. There can be very different forms of bonds, depending on the terms they prescribe.

Green bonds, as the Bank for International Settlements (BIS) authoritatively defines, are bonds ‘whose proceeds are used to finance new or existing eligible green projects, e.g. projects to combat pollution, climate change or the depletion of biodiversity and natural resources’ (Fender et al. 2019: 54). The bond issuers – or borrowers – must declare the types of green projects for which the funds obtained will be used. While green bonds are the biggest part of so-called sustainable investments, judged by environment, social and governance (ESG) standards, they have no universal legal definition and can in principle be self-labelled ‘green’ by any issuer. That is why their phenomenal growth over the past two decades has also led to concerns over their authenticity, giving further rise to reporting standard initiatives and a flourishing rating industry for ESG criteria (*Financial Times* 2021).

This links to the fourth and final element, in which public financial institutions have been key contributors to developing the regulatory framework for green finance. Most crucially, this concerns agreements over what counts as ‘green’ or ‘sustainable’ when earmarking the proceeds from green bonds or lending to a specific sector or project. Here, multilateral development banks, including the EIB, have cooperated with the International Development Finance Club to construct joint principles for tracking climate finance; work that also informed the EU’s regulation on a ‘framework to facilitate sustainable investment’, known as the EU sustainable finance (or ‘green’) taxonomy (Berrou et al. 2019; see Eckert, Chapter 6 in this volume). It is against this background of green finance that we can turn to the EIB’s climate bank agenda.

4. THE EIB AS THE EU'S CLIMATE BANK

This section now turns to the question of what the EIB means when it proclaims itself the EU's climate bank, and broadly assesses its record. As noted above, the EIB mainly operates through lending, borrowing on capital markets, steering and de-risking private funds, and advising (Marini 2019). In this regard, the bank's announcement in 2019 of its intention to become the EU's climate bank should not only be interpreted as a radical break with its history, but also as layering on top of, as well as converting, its existent practices.

Already throughout the 1990s, sustainability, environmental protection, biodiversity and renewable energy received more attention in the EIB's annual reports, both in the context of the Kyoto Protocol and EU-level environmental policy evolution. At the beginning of the new millennium, the bank also began to set up specific financing initiatives tackling GHG emissions, such as the Climate Change Financing Facility in 2004, accompanying the introduction of the EU Emissions Trading System (EU ETS). The rise of 'green finance' became particularly prominent in the institution when the EIB became the first issuer of a green bond (Climate Awareness Bond) in 2007 to fund climate action. In fact, by issuing green bonds worth €38.6 billion between 2007 and 2020, the EIB has become the main institutional issuer of these bonds globally, even though they remain a fragment of its overall bond issuance (EIB 2020c).

However, while climate change considerations were said to be 'increasingly being mainstreamed into the EIB's operations' (EIB 2009), to our knowledge there is no systematic analysis of the operations conducted under a number of new 'green' labels. Also, the financial and economic crisis partly subdued attention to climate goals, before the EIB began to adopt a more visible and targeted stance with its Climate Statement in 2013 and its Climate Strategy in 2015, subtitled 'mobilising finance for the transition to a low-carbon and climate-resilient economy' (EIB 2015). Most importantly, during the 2010s, the bank repeatedly committed to achieving lending targets for climate mitigation while stating that financing for adaptation remained constant at a meagre 1–2 per cent of annual lending in the decade (EIB 2020b). This imbalance has given rise to concerns, pushing the EIB to announce a strategy for accelerating adaptation finance at COP26 in Glasgow. While the share of EIB adaptation finance rose to 3.7 per cent of lending in 2020, it is supposed to reach 7.5 per cent by 2025 (EIB 2021).³

Again, lending is the traditional and principle activity of the EIB. In greening its lending portfolio, the EIB can build its efforts on the gradual shift in lending priorities which occurred over recent decades. The EIB had adjusted its lending targets successively from 20 per cent of total lending going to climate action in 2010 and 25 per cent at the beginning of the 2010s to 35 per cent in the mid-2010s (Marini 2020: 139f). Figure 5.1 below shows that the EIB has been on track reaching its targets (grey line), but that despite these announcements, nominal lending for climate action was largely stagnant over the 2010s, with a hike only appearing in 2020. At the same time, climate action in relative terms began to rise significantly after 2016.

The reason for the change in lending priorities in 2020 has been the announcement of the EIB's shift to become the EU's climate bank in 2019, linked to the prominent climate agenda of then president-elect Ursula von der Leyen, the growing 'Fridays for Future' movement (see Parks et al., Chapter 7 in this volume) as well as the promise of French President Macron during the European election campaign of 2019 to create a EU climate bank. In this political context, the EIB offered itself as a central tool in these policy endeavours, much like it had done with the Juncker Commission's Investment Plan for Europe.

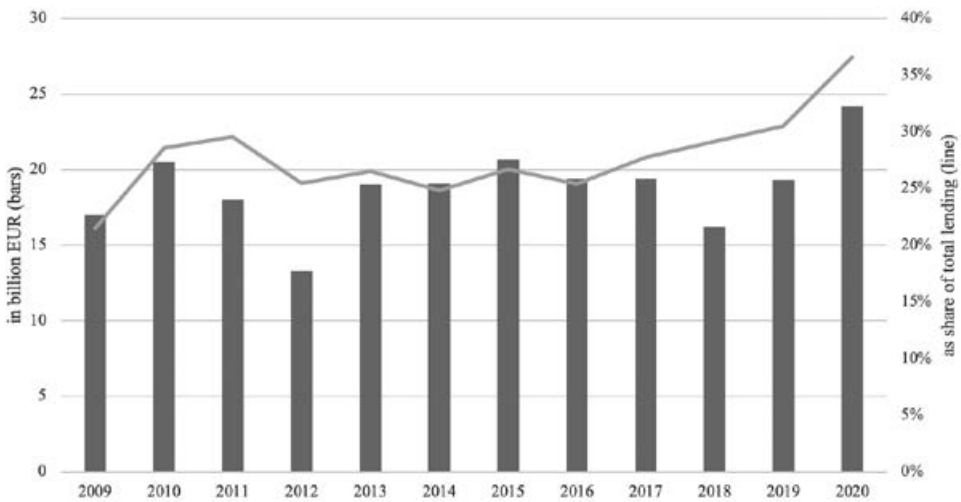


Figure 5.1 *Climate action lending at the European Investment Bank, 2009–2020*

It is hence not surprising to find the EIB to be a main implementing partner of the European Green Deal and backbone of the Sustainable Europe Investment Plan, which seeks to mobilize €1 trillion by 2030 from public and private sources (see also Quitzow et al., Chapter 24 in this volume). This includes the Just Transition Fund, set up to compensate for losses associated with the move from coal-fired energy production especially for countries in the East of the EU (target envelope of €143 billion), as well as those – partly overlapping – elements of InvestEU, the successor to the Juncker Plan, which focus on the green transition (target envelope of €279 billion). In these two elements, the EIB takes up the role of intermediary and lead investor (the EIB is implementing 75 per cent of the EU guarantee). Much in the same way as during the Juncker Plan, these plans are based on EU budgetary guarantees, which the EIB uses ‘to invest in more and higher-risk projects, crowding in private investors’ (European Commission 2020b).

This goal of mobilizing €1 trillion through the Sustainable Europe Investment Plan is complemented by another trillion of mobilized investment through genuine EIB operations during the 2020s, a pledge made in the context of the publication of the EIB’s Climate Bank Roadmap (EIB 2020b). In it, the EIB pledged that it ‘will increase its level of support to climate action and environmental sustainability to exceed 50 per cent of its overall lending activity by 2025 and beyond, and thus help to leverage €1 trillion of investment by the EIB Group over the critical decade ahead’ (EIB 2020b: iv). It furthermore pledged to ‘align all financing with the goals of the Paris Agreement by the end of 2020 ... to ensure that all its activities do no significant harm to the low-carbon and climate resilient goals of the Agreement’ (EIB 2020: iv). Until 2025, the EIB hence plans on investing €30 to 35 billion a year directly in climate action, with the other half of its lending operations in line with sustainable development goals from an environmental point of view, hence guaranteeing that the climate action part is not undone by the other half of lending. To achieve the trillion, the EIB assumes that based on its co-financing agreements, it is mobilizing €100 billion annually.

In this regard, the EIB climate bank model operates basically on the tools of blended finance, ‘leveraging the financial system to green the European economy’. This means that achieving the Green Deal and Climate Bank trillions very much hinges on successful multi-level and public–private cooperation and the consent of financial investors. While some schemes such as Private Finance for Energy Efficiency (PF4EE) or the Joint Initiative on Circular Economy (JICE) have exemplified how the EIB can combine lending operations, risk-sharing arrangements and technical advice for furthering climate action (Mazzucato and Mikheeva 2020), critics have bemoaned the limits of ‘financial alchemy’ and the ‘window dressing’ of such high-powered numbers (Claeys et al. 2020; Counter Balance 2020).

After its 2019 climate bank announcement, the EIB indeed received plenty of criticism for its continued misaligned investment practices, especially regarding the continued funding of carbon-intensive industrial agriculture, airport expansions and the construction of new conventional energy plants including gas (Counter Balance 2020). In the negotiations of the Climate Bank Road Map 2021–2025, critical discussions focused exactly on energy and transport sectors, which are the largest sources of GHG emissions in the EU. These sectors, which are also at the centre of the ‘Fit for 55’ package passed by the EU in July 2021 to achieve ‘climate neutrality’ by 2050, have been at the heart of EIB infrastructure finance for decades and, through its impact on integration and development, partly its *raison d’être*. At the same time, the EIB came under pressure from different interest groups and politicians over the competitiveness of the EU or individual Member States, opposing concerns over the environmental impact of such projects (*Financial Times* 2019b). The adoption of the Road Map was therefore not a purely technical exercise, but also a political compromise that indeed underlines the transformative potential of the climate bank proposal as opposed to the more gradual shifts of the EIB portfolio over recent decades. This political character, however, also led to the absence of clearly defined lending targets and decarbonization conditionality, and instead rested on a promise of alignment with the EU sustainable finance (green) taxonomy⁴ and the Paris objectives based on economic tests and the shadow cost of carbon (EIB 2020b). Table 5.1 shows the final compromises as adopted by the Board of Governors.

This overview based on the Roadmap certainly supports the EIB’s self-image (an aspiration) as the world’s largest multilateral financier of climate action. It shapes significant aspects of the green finance agenda with a number of tools and operations that are being adjusted towards the ecological transition – though largely allocated within the European Union.⁵ But it also specifies the strong phase-out announcements made by the EIB for fossil fuels, especially gas, and airport financing. While withdrawal from such investments by 2022 has been approved after intense Member State negotiations, loopholes remain. Therefore, civil society organizations, whose advocacy has played a significant part in shaping the Climate Bank Roadmap, remain concerned. For example, the NGO Counter Balance (2020: 9) criticizes the EIB for lacking a holistic approach to its lending business, as its main focus is ‘on the individual projects and operations it finances while paying much less attention to the track record, profile and strategy of its clients’. This short-termism and focus on individual projects can become particularly dangerous if, as the think tank E3G suggests (2020: 49), the EIB itself might persistently underestimate ‘the climate-related financial risks associated with a transition to climate neutrality by 2050’.⁶ Despite these criticisms regarding its risk and portfolio management, the EIB remains confident that it is capable of withdrawing from existing commitments in dirty assets without endangering its profitability. How far it will effectively be able to do so and how it and its shareholders will decide whether ecological transition goals run counter to

Table 5.1 *Main sectoral measures in the Climate Bank Roadmap 2021–2025*

Sector	Measures
Energy	Based on 2019 <i>Energy Lending Policy</i> <ul style="list-style-type: none"> • support for power generation technologies under an emissions threshold of 250g CO₂ per kilowatt-hour • phasing out support to large-scale heat production based on unabated oil, natural gas, coal or peat, upstream oil and gas production, and traditional gas infrastructure
Transport	Based on sector-specific decarbonization pathways <ul style="list-style-type: none"> • <i>public transport</i> considered largely electrified, but thresholds for vehicles emitting less than 50g CO₂ per passenger kilometre until 2025 potentially permit support for diesel buses and trains where there are conditions of high ridership (likely for some cohesion regions) • in <i>aviation</i>, support shall be withdrawn for airport capacity expansions and conventionally fuelled aircraft, but not for improving existing airport capacity through safety and security projects, rationalization and explicit decarbonization measures • project-based assessment for carbon impact of <i>road infrastructure</i> projects; continued support for TEN-T road network; support for modal shift, efficiency improvements, increased electrification, and increased use of alternative fuels in the road sector; ‘Do No Significant Harm’ criteria for cars, vans and trucks in SME finance
Industry (research, development and innovation)	Based on addressing market failures associated with innovation, environmental and carbon externalities <ul style="list-style-type: none"> • no support for new capacity in energy-intensive industry based on traditional high-carbon processes without abatement technologies • support for existing plants based on energy efficiency considerations, circular economy or pollution reduction
Buildings	Based on cross-cutting policy goals and sectors <ul style="list-style-type: none"> • support spanning urban regeneration programmes, infrastructure (public buildings), innovation and SMEs • alignment with Energy Performance of Buildings Directive, no support for buildings associated with fossil fuels
Bio-Economy (agriculture and land-use)	Based on taxonomy approach to secure agricultural and forestry land to store carbon and avoid emissions <ul style="list-style-type: none"> • support for meat and dairy industries adopting sustainable animal rearing methods that contribute to improved GHG efficiency • support of Farm-to-Fork strategy of the EGD • no longer support of export-orientated agro-business models that focus on long-distance air transport for commercialization

Source: EIB (2020, chapter 4); own compilation.

its conventional economic reasoning remains to be seen. For a preliminary assessment of these issues, one may turn to the institutional environment in which the EIB operates and the battle lines that undergird its transformation.

5. LIMITS TO THE CLIMATE BANK MODEL

Given that it is too early to tell how far the 2019–2020 announcements represent a genuine change, the following reflections, based upon institutional scholarship on the EIB but also other (multilateral) development banks, hope to guide future researchers in their evaluation of the EIB’s climate shift. We identify four structural obstacles linked to the environment of

the EIB that may prevent it from fulfilling the promise of a 'climate bank' and redirecting its investments in a time-critical manner.

1. *Self-preservation.* To begin with, it is important to emphasize that the climate bank model adds explicit goals to the existing public policy mandate that could endanger the profitability of the bank. Though not part of its mandate, profitability has been a condition for its autonomy and financing capabilities, by allowing it to negotiate with its shareholders an expansion of its equity base and its activity (Kavvadia 2018). This means that policies consistent with net-zero could be hampered by the pain they might inflict upon the balance sheet of the EIB, which is seen as the bulwark to maintain independence. Organizational interests in self-preservation, emphasized for a long time in both the old and new institutionalist tradition in sociology (DiMaggio and Powell 1991), may, however, lead to 'organized hypocrisy' (Brunsson 2002): seeking to establish legitimacy with respect to its diverse stakeholders, such as other European institutions, Member States, civil society and the financial sector can come at the cost of pervasive gaps between the EIB's action and words. Existing studies on the World Bank, for instance, suggest that in the face of high-reaching, radical-sounding goals the bank might devote comparatively few resources to the actual implementation (Babb 2009; Weaver 2008). From this angle, the climate bank model may reflect the 'myths of the institutional environment instead of the demands of their work activities' (Meyer and Rowan 1977: 341) and thus run the risk of performing ceremonial activities to establish legitimacy to outside stakeholders. This reading is in line with the repeated adjustment of the EIB's business model to secure organizational survival and the proven ingenuity in relabelling investment activities during the EFSI programming period (Griffith-Jones and Naqvi 2021). In this vein, the most important institutional conflict with the European Parliament and the Commission has revolved around the question of the actual increase in the risk-taking by the EIB, which implies larger potential losses for the EIB (*ibid.*).
2. *Resource dependency.* A further barrier to the success of the climate bank model may stem from the EIB's dependency on crucial actors in its environment, be they Member States or large capital market investors. Being governed by the ministries of finance of the EU Member States, the EIB is subject to political pressures to adhere to their policy priorities, which might strongly diverge from its own stated goals. Here, powerful Member States, such as Germany or France, in alliance with other countries have already sought to veto the phasing out of investment projects regarding gas, or push for the inclusion of nuclear power. These Member States will have ever-more leverage if their interests fall in line with the particular exposures the EIB has accumulated in recent decades so that it creates a coalition for preventing the strong devaluation of 'climate-forcing assets' (Colgan et al. 2020). At the same time, the political momentum of taking binding decisions at the EU level, such as the 'Fit for 55' package, also means that the EIB could, in principle, be empowered to act against the financial logic of the profit and loss account and instead actually accept financial losses in the pursuit of political goals. In this process, however, capital market actors might come to limit the EIB's climate ambitions. Bond investors – depending on the regulatory environment – may become unwilling to invest in high-impact high-risk efforts required for the green transition; rating agencies might downgrade the EIB's triple-A rating fundamental to its business model; and the institutional investors instrumental to the blended finance approach might also endorse climate goals as a 'myth'

and engage in ‘ceremonial’ activities without endangering their bottom line. In other words, resource dependency on powerful private and public actors may become a significant barrier.

3. *Transparency and accountability.* Another caveat concerns the transparency and accountability requirements that the shift towards climate goal-driven investment policies imply. As suggested, the Climate Bank Roadmap can serve as a credible commitment to climate action only if sufficient supervision and stakeholder control is in place – by the European Court of Auditors, the European Parliament, or civil society actors. In the past, accountability procedures, which would allow identification of criteria such as additionality or regional distribution, were deficient and often blocked by the EIB on grounds of technical complexity and expertise (Ban and Seabrooke 2016; Mertens and Thiemann 2022). The enormous growth of principles, classification schemes and eligibility criteria associated with the rise of green finance will likely fortify the EIB’s position here, as will the nature of its financial operations. Here, issues with respect to disclosures can arise when environmental information is not or cannot be disclosed due to the intricate complexities, secrecy arrangements and/or use of financial intermediaries of some of the investment constructs the EIB (and the EIF) engages in. This will make it difficult for outside stakeholders, lacking access or capacity, to exert fair-minded control, notwithstanding the efforts made regarding the EU green taxonomy (see Eckert, Chapter 6 in this volume; for an account of how the bank became the subject of a legal case brought by ClientEarth, demanding a review of its decision-making over a controversial biomass power plant, see Stoczkiewicz, Chapter 9 in this volume).
4. *Taxonomy.* This issue of expertise that underlies the difficulty in the evaluation of the investment decisions the EIB takes to live up to its climate goals may be further aggravated by the difficulty of establishing clear green taxonomies. In other words, the danger of ‘greenspeak’/‘greenwashing’ and associated loopholes is heightened by the lack of a simple and unequivocal yardstick by which the activities of the EIB could be measured. The political character of green taxonomies is making such assessments difficult, and the fact that the EIB is involved in the institutional work on developing these metrics is not necessarily reassuring. This is not to say that the work of the EIB is not genuine, nor that its results could not be of fundamental value as the EU green taxonomy is finally implemented, yet it requires the researcher to test whether institutional interests are inscribed into these metrics (Best 2012). These politics of accounting are made even trickier by the fact that the nature of blended finance and green investments do not lend themselves easily to such an assessment (Clapp and Dauvergne 2011: 223).

In the end, some of these issues can be well approached in a first approximation by the amount of money the EIB will set aside in the following years for expected losses related to its climate-related investments. If this risk provisioning should tend strongly upwards in the years to come, researchers will have a first indication of the extent to which the EIB is actually putting its balance sheet at the service of reaching a net-zero emission economy. If this upward trend is not due to mistaken investment policies but to a shift in the investment policies into higher risk categories, the EIB will have committed itself to a course of action that goes beyond marketing announcements and instead will have made climate change policies the central pillar of its organizational existence. But this endeavour will also require the will and capacity of public institutions and (support for) NGOs supervising the climate bank model.

6. CONCLUSION

This chapter has reviewed the EIB's commitment to become the EU's climate bank, focusing on the pathways that led it to take a position in the climate policy landscape of the European Union. It has shown how the bank has gradually expanded its economic policy weight and its climate action portfolio, leading up to a contentious process around the Climate Bank Roadmap 2021–2025. These developments need to be understood in the context of a global move towards green (blended) finance, including the use of public funds to leverage private investments for climate action. At the same time, they also need to be placed within the evolution of EU governance, which understands the EIB both as a new central policy tool for the EU to achieve its ambitious policy goals and as a policy entrepreneur with institutional self-interest. At the time of writing, the efficacy of its climate bank measures cannot be assessed, forcing observers to rely on announcements, plans, or roadmaps, whose implementation processes and scope remain a moving target. The required organizational changes for successful implementation are profound, and may require substantial effort and time. In order to balance the analysis, we hence focused on past experiences and placed the EIB's recent move in the context of past reinventions. Here, we pointed to the importance of 'conservative lending policies', which were a central characteristic of the bank and its rise in recent decades and which somewhat contradict the increased risk-taking that the path towards becoming the EU's climate bank might involve.

It is beyond the scope of this chapter to assess the limits and distributional implications of the move towards green finance in the EU. But we submit that one of the greatest challenges of blended finance is to get the appropriate degree of public risk-taking right, which brings about investments that would not have occurred otherwise, without falling prey to the danger of socializing losses, but privatizing profits. It is therefore crucial to hold the EIB accountable as it embarks upon this endeavour, requiring the necessary transparency in the blended finance deals that will undergird the European Green Deal to avoid the risks of greenwashing and push for real risk-taking and additionality. This places great demands on NGOs, the European Parliament and political observers to hold the EIB to its promises. This becomes even more pressing as the 'climate bank agenda' links into a 'development bank agenda' (Hoyer 2020), in which the geopolitical repercussions of the Green Deal will impact the EIB's external mandate and financing operations beyond the EU. At the same time, it is important to remember where the limits of a green finance agenda lie, as well as the institutional environment in which the EIB operates. Without broader transformations towards 'green' fiscal, industrial and monetary policies that transform economy and society to face the climate crisis, the EIB's activity will remain insufficient.

NOTES

1. The Climate Bank Roadmap 2021–2025 was approved by the Board of Directors in November 2020 and lays out how the bank intends to reach its climate-related objectives. See section 4 for a detailed presentation.
2. Therefore, the 2015 Paris Agreement explicitly links green transition and financial stability.
3. This amounts to 15 per cent of the bank's overall climate financing, which is the headline figure the EIB has used. The EIB's Adaptation Plan further provides for the launch of a technical and

- financial advisory platform and for greater financing directed to vulnerable countries outside of the EU, connecting to the EIB's increasingly global outlook (see below).
4. The EIB has been a permanent member of the platform on sustainable finance, where it assisted 'the Commission in developing its sustainable finance policies, notably the further development of the EU taxonomy' (European Commission 2020c). This means that the EIB is also shaping the regulatory framework within which it is operating, evoking important follow-up questions in terms of what guides its advocacy. With the EIB traditionally being heavily invested in carbon-intensive investment projects, such advocacy cannot be deemed interest-free (on the role of the taxonomy, see Eckert, Chapter 6 in this volume).
 5. In the past, around 90 per cent of EIB lending was allocated within the European Union. With the establishment of an EIB development banking branch in 2021, this concentration is likely to shrink while development finance itself will also substantially be linked to climate action.
 6. In this regard, the EIB has also launched a Climate Risk Assessment Strategy in 2019 to screen its new investment projects for climate change vulnerability and assess the potential for 'stranded assets' that may hurt the bank's balance sheet.

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