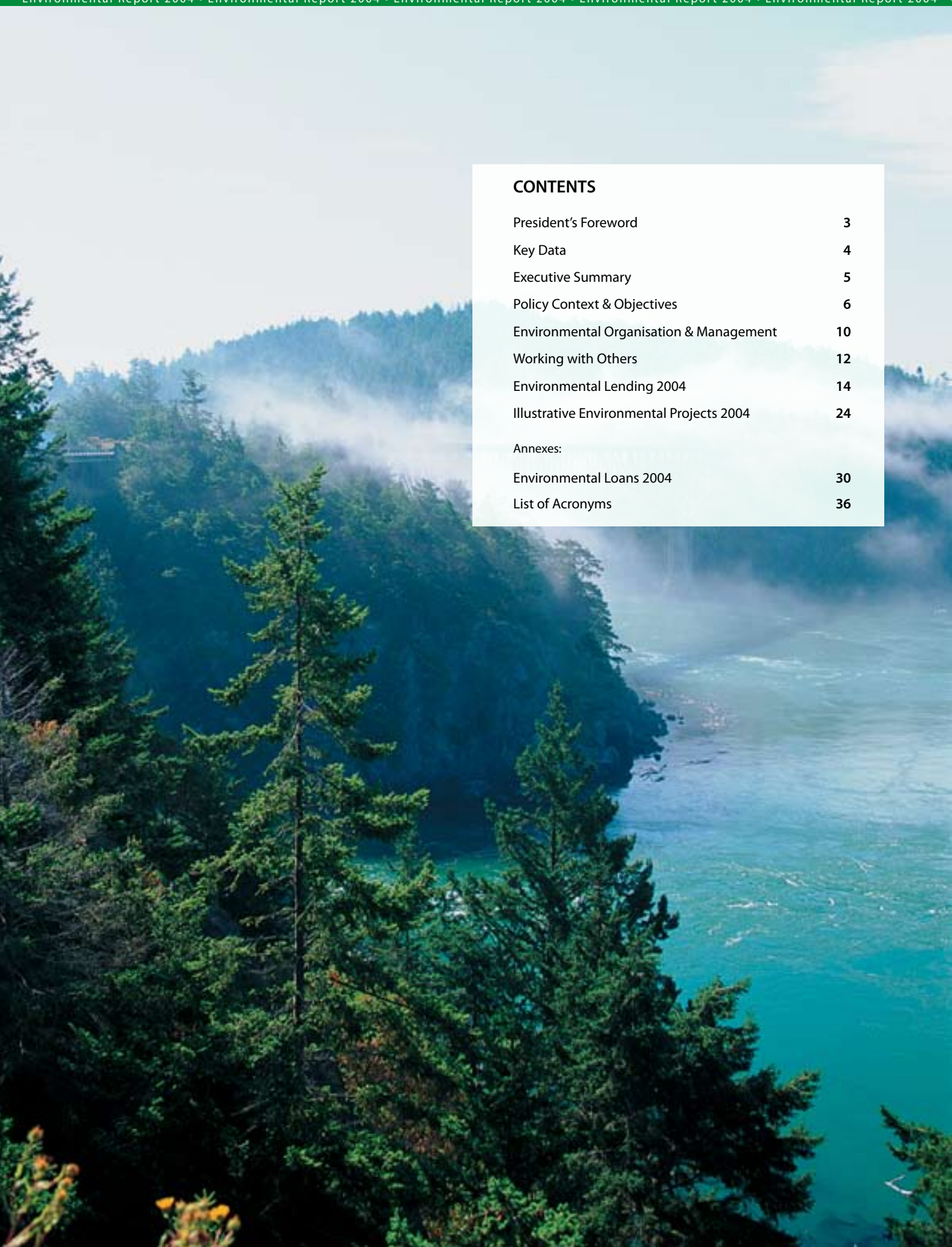
Environmental Report 2004



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President's Foreword

It gives me great pleasure to introduce the Environmental Report 2004 of the European Investment Bank, prepared by its Environmental Unit.

This is the third report of its kind, and like its predecessors, it describes the latest measures taken by the EIB - acting in support of the policy of the European Union to promote sustainable development - to protect and improve the environment and enhance the quality of life. We aim not to repeat what we said in last year's report. Rather, we have provided more detail on several topics, including the Bank's evolving relations with civil society. We have also included more examples of environmental projects to illustrate the positive achievements we believe we have made in 2004.

The EIB continues to target environmental projects in the fields of water, waste, public transport, urban renewal, renewable energy and energy efficiency, meeting again its target of 35% of lending in the EU in 2004.

The world is changing fast and the EIB is alert to the new risks as well as opportunities arising in the field of the environment. In 2004, the Bank increased its lending in the new Member States to help them comply with the high environmental standards of the EU. It further developed its response to the increasing threat of climate change, including support for projects in the renewable energy sector. The Bank has also increased its financing of projects that involve the development and application of new environmental technologies in the context of the Lisbon Agenda and it has sought ways to promote the Millennium Development Goals, especially in the water and sanitation sector, outside the EU.

The Environmental Report refers to new policy initiatives as well as changes in internal practices. Training has focused on climate change issues and EU environmental policy and law, especially related to the key management tool of Environmental Impact Assessment. And the EIB has further developed its working relationships with various external parties, notably other Multilateral Finance Institutions, Directorate General Environment of the Commission and a number of environmental non-governmental organisations.

I hope you will enjoy reading this Environmental Report. Naturally, the Bank welcomes any suggestions and comments on its content and form.

Philippe Maystadt
President of the EIB

Key Data

Summary of Environmental Lending by Eligibility 2004 (Individual Projects)

(EUR m)

Regions	Environmental Total Lending	Climate Change	Protecting Nature	Environment and Health	Natural Resources/ Waste Management	Urban Environment
EU	10 378.0	1 698.8	105.0	2 124.8	318.8	6 142.4
Partner Countries	758.0	80.0	34.0	239.0	150.0	405.0
Total	**11 136.0**	**1 778.8**	**139.0**	**2 363.8**	**468.8**	**6 547.4**

Urban renewal investments in Florence, Italy

Summary Data for Comparison

(EUR m)

	2000	2001	2002	2003	2004
Total Lending	**35 593**	**36 758**	**39 623**	**42 332**	**43 204**
EU	32 129	33 663	36 614	38 213	39 661
Partner Countries	3 464	3 095	3 009	4 119	3 543
Total Lending, Individual Projects	**23 274**	**25 059**	**26 535**	**30 158**	**31 448**
EU	20 366	22 659	23 835	26 975	28 776
Partner Countries	2 908	2 400	2 701	3 183	2 672
Global Loans	**12 319**	**11 699**	**13 087**	**12 174**	**11 757**
EU	11 763	11 005	12 779	11 238	10 885
Partner Countries	556	695	308	936	872
Environmental Lending	**8 766**	**7 099**	**10 688**	**12 329**	**11 136**
EU	7 763	6 421	10 382	11 572	10 378
Partner Countries	1 002	678	306	757	758

Executive Summary

The EIB plays an active role in promoting the environmental policy of the European Union. The protection and improvement of the environment have been confirmed by the Board of Directors as one of the priority objectives of the Corporate Operational Plan (COP) 2005-2007.

Following the enlargement of the EU on 1 May 2004, the EIB has further increased lending in the new Member States and, through the projects financed, supported the implementation of EU environmental policy, including the requirements of EU environmental law.

As the long-term lending institution of the European Union, the EIB aims to add value through promoting EU policies and focusing on the quality of its projects. This report presents the EIB's environmental lending and achievements in 2004 and shows where the Bank has added value in this area. The environmental work of the EIB has kept pace with the latest orientations of the Sixth Environmental Action Programme of the European Commission and in particular with several new initiatives in the field of climate change. The Bank launched a number of actions in the field of climate change in support of the European Climate Change Programme, designed in particular to reduce emissions of carbon dioxide in the context of the EU Emissions Trading Scheme.

During 2004, the EIB continued to work together with various external partners sharing common environmental interests, particularly the Directorate General Environment (DG ENV), other Multilateral Financial Institutions (MFIs) and a number of environmental non-governmental organisations (NGOs). Bank staff attended and contributed to a variety of external environmental events.

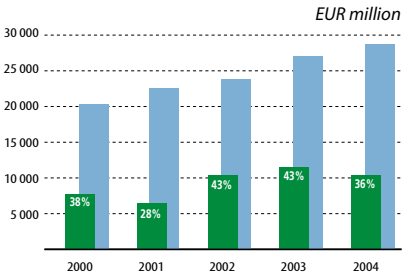
At the same time, the process of reviewing and updating the internal environmental practices of the Bank continued, reinforced by appropriate training that in 2004 again focused on EU environmental policy and law.

The Environmental Report 2004 is the third such report to be issued by the EIB. It describes the environmental lending of the Bank in 2004, targeted at fulfilling one or a number of the environmental objectives of the EU. The EIB has set itself the goal of devoting between 30% and 35% of all its individual loans in the enlarged Union to projects safeguarding and enhancing the environment. With environmental lending reaching 35% in 2004, this objective was achieved. Overall, individual environmental loans amounted to EUR 11.1 billion, of which EUR 10.4 billion was in the EU-25. At the same time, the Bank continued to ensure that all projects met its environmental safeguard requirements.

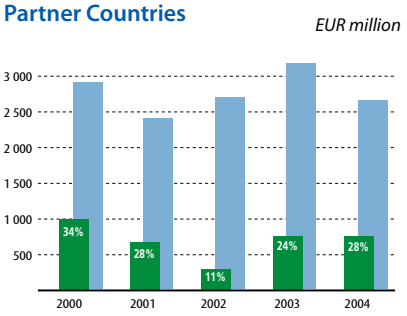
Total Environmental Lending
2000-2004

(as a proportion of total lending for individual projects)

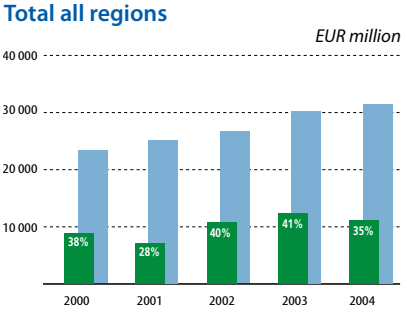
EU



Partner Countries



Total all regions



Policy Context & Objectives

The EIB continues to play an active role in promoting the environmental policy of the EU. The development of the EU and the evolution of its environmental policy and legislation determine the Bank's own policy and approach to the environment.

EU Policy

The European Treaty, the EIB Statute and the policy of the European Union establish the mandate and underpin the policies and lending of the EIB. This is formalised in specific EIB policy statements that establish eligibility and standards that are turned into objectives in the Corporate Operational Plan (COP) of the Bank.

The most significant development for the European Union in 2004 was the accession of 10 new Member States on 1 May. At the same time, the new Member States became shareholders of the European Investment Bank.

The EIB's lending in the new Member States continues to increase. The Bank is working actively with the European Commission to support and co-finance projects and programmes that seek to further the objectives of the Community in terms of enhancing cohesion among and between Member States.

Ten New Member States

On 1 May 2004, the European Union welcomed ten new countries. In order to join, the countries had to meet the Copenhagen criteria: have a stable democracy and a functioning market economy; and be able to adopt the rules, standards and policies that make up the body of EU law (*acquis communautaire*).

The implementation of the *acquis communautaire* requires heavy investment. The environmental *acquis* is one of the most demanding chapters, placing a huge financial burden on those countries joining. Recent estimates by the European Commission suggest that the total amount of environmental investment required to reach compliance in the new Member States is between EUR 80 – 110 billion. The EIB has supported and will continue to support projects to help implement the *acquis*, often in association with EU grants.

EU Environmental Policy

The European Commission has continued to develop thematic strategies that will provide clear targets for the Sixth Environment Action Programme (see Box 1 below). 2004 saw the adoption of a number of initiatives - the Environment and Health Action Plan, the Environmental Technology Action Programme (ETAP). These identified concrete actions to achieve strategic objectives. The ETAP is one of the important contributions of environmental policy to the growth and employment goals of the Lisbon Strategy. Climate change policy objectives were pursued through the adoption of the Implementation Framework and related national allocation plans for the Emissions Trading Scheme. Importantly, resources continued to be deployed for the preparation of the strategies on pesticides, air pollution, the sustainable use of natural resources, waste prevention and recycling, the marine environment, soil and the urban environment prescribed in the Sixth Environment Action Programme and scheduled for adoption in 2005.

In addition to strategic policy, the Commission establishes environmental objectives through legislation, which provides the framework and standards for projects financed by the EIB.

In some cases new legislation identifies sectors where financing opportunities may arise. The most significant development in legislation for the EIB in 2004 was

Sixth EU Environment Action Programme (6th EAP)

The 6th EAP outlines a strategic approach to meeting the environmental objectives of the EU for the period 2001-2010, including four priority areas for action:

- Climate change;
- Nature & biodiversity;
- Environment & health and quality of life;
- Sustainable use of natural resources and management of waste.

Strategies for Soil Protection, Urban Environment, Pesticides, Marine Environment, Air Pollution, Sustainable Use of Natural Resources and Prevention & Recycling of Waste are being developed for adoption in 2005. The EIB will support the implementation of these strategies wherever possible within its environmental lending framework.

the adoption of the EU Emissions Trading Scheme Directive, designed to help the EU and its Member States to fulfil their respective commitments under the Kyoto Protocol. The effort that was put into ensuring the compliance of the national allocation plans, on which emissions trading is based, culminated in the successful launch of the Emissions Trading Scheme on 1 January 2005.

EIB Environmental Policy

Environmental protection and improvement continues to be one of the main operational priorities of the EIB. The Bank seeks to support the environmental policies of the European Union both through its lending activities and by assessing the environmental impact of all projects financed.

The environmental objectives included in the COP for 2005-2007 are:

- To increase environmental lending to 25-35% of the EIB's overall lending activity in the EU and Candidate Countries;
- To gradually increase the share of renewable energy (RE) in total new electricity generation capacity financed by the Bank in the EU up to 50% by 2010, including an increased share of non-wind power;
- To increase the focus on upstream environmental technologies and research and development.

In 2004, EUR 11.1 billion in individual environmental loans was signed. This represents 35.4% of EUR 31.4 billion, the overall individual lending total for the EIB over that period. In addition, there are projects with environmental components that are not picked up by these figures. The objective for environmental lending, 35% of the EIB's overall lending in the EU, was met.

The target for renewable energy was adapted over the course of 2004. The earlier target was "to double the share of renewable energy projects in overall EIB

Summary of the Environmental Statement 2004

The EIB finances projects that protect and improve the natural and built environment and promote social well-being in the interests of sustainable development.
It takes a proactive approach to financing investments that improve and protect the environment. When it finances other kinds of investment, it supports actions that minimise adverse environmental impacts.

The Bank ensures that all projects financed:

- comply with EU environmental policies and standards
- take into account local conditions and laws in countries outside the EU
- use EU standards as benchmarks for measuring success
- comply with the EU directive on Environmental Impact Assessment
- apply 'best available techniques' as appropriate
- apply good environmental management practices during implementation
- adhere to international good environmental practice
- accord with internationally recognised social safeguard measures, including labour standards.

The 2004 Environmental Statement places emphasis on social issues in developing countries, as an integral part of the Bank's environmental activities.

energy sector financing between 2002-2007 (from 7 to 15%)". The target was made even more ambitious when the Bank pledged, at the International Conference for Renewable Energy in Bonn, to increase its lending for renewable energy from 15% of new electricity generation capacity at present to 50% by 2010. This is in line with the EU's target of increasing renewable energy's share of electricity generation in the EU-25 to 22% by the end of the decade.

In 2004, the EIB gave greater recognition to the need to increase research and development of upstream environmental technologies under the European Commission's 6th Framework Programme. In the case of renewable energy, the Bank has traditionally focused on those technologies that have reached commercial viability. It has now extended its economic criteria in order to facilitate the financing of "innovative" renewable energy schemes incorporating technology at the demonstration stage of development.

Climate Change

In the course of 2004, the EIB stepped up its activities in support of the EU policy on climate change and continued to develop a number of new climate change facilities designed to facilitate implementation of the EU Emissions Trading Scheme.

Carbon Market and Climate Change

The aim of the EU climate change policy is to reduce in a cost-effective way greenhouse gas (GHG) emissions in the period 2008-2012 by 8% compared to the 1990 level. This policy is consistent with the implementation of the Kyoto Protocol. Its key component is the EU Emissions Trading Scheme (ETS), Directive 2003/87/EC and amendment 2004/101/EC, which became operational on 1 January 2005.

The ETS established a "cap and trade" emission allowance system, according to which more than 12 000 installations located in the EU are required by law to operate within an allocated emissions ceiling - initially for carbon dioxide (CO_2) only - or pay a fine. The 'cap' is set to ensure reductions in carbon dioxide emissions. The trading system gives enterprises a degree of flexibility while complying with their respective CO_2 emission reduction obligations. The amendment of the ETS Directive, the so-called Linking Directive, facilitates further compliance flexibility for companies and increased liquidity in the ETS market by providing enterprises with the possibility of using the carbon credits from the project-based mechanisms of the Kyoto Protocol, Joint Implementation (JI) and Clean Development Mechanism (CDM) for compliance purposes.

Progress made in developing and implementing EIB climate change initiatives in 2004:

- The first potential projects have been identified for the EUR 500m Climate Change Financing Facility (CCFF). This Facility aims to support investments in emission reduction projects undertaken by European businesses participating in the EU ETS. An EUR 100m sub-window of this Facility is allocated to JI and CDM projects inside and outside the EU.

- The first potential projects have been identified for the EUR 10m Climate Change Technical Assistance Facility (CCTAF). This provides advance funding for activities associated with the development of project-based carbon assets (credits) under the JI and CDM mechanisms.

The EIB has also made progress in developing carbon funds. On 16 December 2004, a Memorandum of Understanding was signed between the EIB and the International Bank for Reconstruction and Development (IBRD) to develop the World Bank-EIB Carbon Fund for Europe (CFE). Discussions on developing other carbon funds are ongoing with other institutions. The establishment and launch of the WB-EIB CFE still require the approval of the Boards of Directors of the EIB and the IBRD. If this Fund is approved, it will assist the participants in the Fund (European governments and companies) in complying with the regulatory and international legal obligations specified under the EU ETS and the Kyoto Protocol by acquiring carbon credits on behalf of the participants. It will also help project promoters in developing and emerging markets to develop their carbon asset potential in the interests of sustainable development.

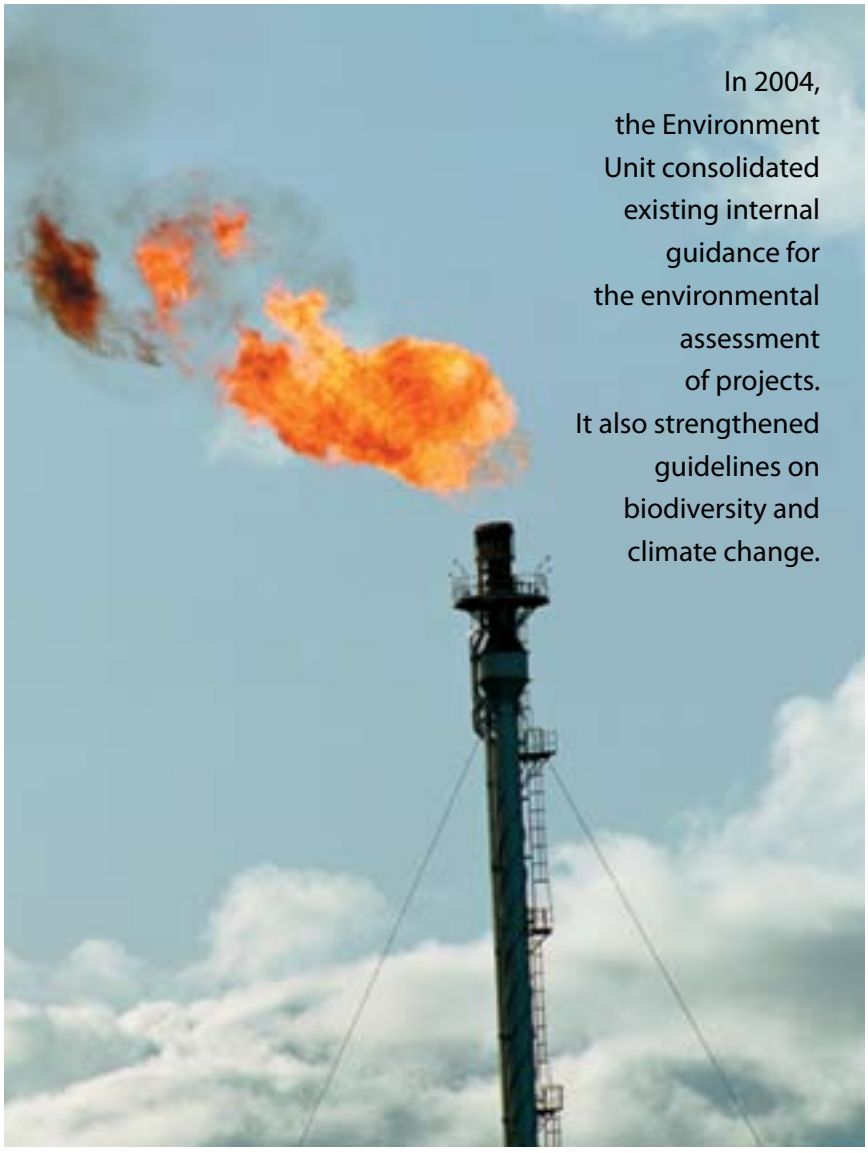
Environmental Organisation & Management

Environmental Management Structure

The Projects Directorate - with about 80 engineers and economists, all with specialist environmental skills - has overall responsibility for environmental matters in the EIB. Environmental management in the Bank is reinforced by a number of dedicated units, as follows:

- The Environmental Steering Committee (ENVSC) advises on environmental policy development and environmentally complex projects. The committee comprises high level staff members from the Directorates of the Bank.
- The Environmental Assessment Group (ENVAG) safeguards the application of the environmental policies and procedures of the Bank and examines each project. ENVAG has 10 members (environmental experts from the sectors in which the Bank operates).
- The Environment Unit (ENVU), in conjunction with ENVAG and ENVSC, develops policy, procedures and guidelines, provides training, disseminates information and works closely with the European Commission, especially DG ENV, other financial institutions and governmental and non-governmental organisations. The Head of ENVU chairs ENVAG.
- A Centre of Expertise for the Environment has been created within the Directorate for Lending Operations in Europe to develop a more detailed knowledge of environmental issues and projects in order to increase EIB environmental financing opportunities as well as to strengthen the framework for application of the Bank's environmental policies and procedures.

These arrangements are designed to provide direction and advice on the Bank's environmental policy, ensure a consistently high quality of assess-



In 2004, the Environment Unit consolidated existing internal guidance for the environmental assessment of projects. It also strengthened guidelines on biodiversity and climate change.

ment, improve visibility and create stronger capacity for external dialogue. The Bank believes that in general these objectives are being met. A number of improvements were identified in 2004 and are currently being implemented. These include:

- Strengthening the capacity of ENVU and its relationship with the Directorates within the Bank;
- Developing internal guidance specific to the environmental assessment of projects that involve a number of sub-projects;
- Focusing the work of the ENVSC on strategic issues;
- Capturing the environmental benefit of projects not necessarily targeted at improving the environment;
- Improving the guidance given to financial intermediaries for environmental assessment to meet EIB objectives.

Project teams are made up of economists, engineers, financial experts and members of ENVAG. These teams retain responsibility for the application of EIB policies in individual projects. They bring together significant cross-sectoral and cross-regional resources.

Internal Environmental Procedures

The EIB Environmental Policy Statement and the Bank's Corporate Operational Plan define lending objectives and eligibility for environmental projects. All individual projects financed by the EIB are subject to an environmental assessment to determine their environmental acceptability. In addition, as a socially responsible institution, the Bank encourages transparency and accountability.

The environment is considered throughout the project cycle (see Project Cycle, www.eib.org), from project identification through to completion and ex-post evaluation. The Bank's internal environmental assessment of the project fulfils two roles: to safeguard the protection of the environment and, wherever possible, to identify ways of improving the project's environmental impact through mitigation and/or compensation and rehabilitation measures.

Social issues are reviewed particularly in countries where local legislation may not give adequate protection to individuals. Issues may include health and safety in the workplace, labour laws (e.g. discrimination and child labour), resettlement issues and transmissible diseases. In 2004, the EIB began to review and formalise its approach to social issues. It is expected that the Bank will have developed a set of guidelines for dealing with social issues in developing countries by the end of 2005.

In 2004, the Environment Unit consolidated existing internal guidance for the environmental assessment of projects. It also strengthened guidelines on biodiversity and climate change.

The Social Assessment of Projects in Developing Countries : the Approach of the European Investment Bank

In July 2004, the Bank issued a public statement on "The Social Assessment of Projects in Developing Countries". This recognised the growing importance of social issues in the promotion of sustainable development. These include concerns about the fair distribution of benefits, poverty alleviation, human rights, labour standards, occupational health and safety and the need to produce an integrated sustainability assessment framework. The statement highlighted existing practice in the Bank and the fact that social development was one of the goals of its external mandate. It acknowledged the need to develop a systematic approach to social assessment in partnership with other international financial institutions. The approach to social development is underpinned by a large body of national, EU and international law and by current attempts to increase access to information and encourage the informed participation of a variety of affected stakeholders.

Working with Others

Inter-Institutional Cooperation

The EIB continued to work with other institutions of the European Union at all levels in the context of both its environmental policy and its environmental lending activities. Cooperation with DG ENV has been strengthened (see box below). The Bank continued to be an active member of environmental task forces and working groups, including the Multilateral Financial Institutions Working Group on the Environment. It also participated in several regional environmental programmes in Europe, the preparation of the EU's Environmental Technologies Action Plan (ETAP) and various cooperative arrangements for the implementation of EU Water and Energy Initiatives post-Johannesburg (the World Summit on Sustainable Development, 2002).

Public Transparency

The EIB's policy is to be as open as possible about its activities and procedures, particularly with regard to environmental issues. Its policy is to respond to all requests for information from the interested public and in turn the Bank is ready to receive information and new perspectives on its activities. In this context, local civil society organisations (CSOs), including non-governmental organisations, furnish useful contextual information, particularly at the project level.

In keeping with its general transparency objective, in 2004 the EIB explored ways of working together with interested civil society organisations, sharing information and expertise and building mutual trust and learning, by for instance taking part in NGO-led specialist working groups and meetings. In particular, the Bank widened its contacts with CSOs within the framework of its contacts with the European Economic and Social Committee.

Day-to-day contacts with civil society and NGOs are handled by the Communication and Information Department. As of January 2005, staff resources devoted to liaison with CSOs have been considerably enhanced to include three information officers and the formation of the Civil Society Unit (CSU). The CSU operates as the interface with the general public and other

EIB Relations with the Directorate General for the Environment

The EIB's relations with DG ENV stem from the Bank's objective of promoting the implementation of EU environmental policy through the projects that it finances. The Bank consults DG ENV on individual projects and applies the procedures and principles described in a Memorandum of Understanding signed between the Bank and the Commission in 2002. The benefit of this cooperation is twofold: it helps to ensure general environmental compliance with EU Environmental Directives and policies for all projects financed by the Bank; and it also promotes the financing of projects with clear environmental benefits.

Throughout 2004, the EIB and DG ENV continued their close working relationship at various levels on specific projects and through cooperation on particular policy priorities, such as climate change, renewable energy and environmental technologies. The Bank was an active participant in the Green Week, organised by DG ENV in June 2004, and DG ENV officials participated in various events organised by the Bank.

DG ENV has also continued to work to ensure the integration of environmental concerns in the external activities of the EU, to promote convergence with EU standards in Candidate Countries and other close neighbours, and to orient the global environmental dialogue to reflect the concerns and interests of the EU. DG ENV continues to play a major leadership role in international environmental issues - not least in the promotion of sustainable development, which is a central element of EU policies.

parts of the Bank in the areas of transparency and accountability in relation to the environment. This is enhanced through cooperation with the social development specialist in the Environmental Unit.

EIB-CSO relationships focus on:

- Regular information-sharing workshops
- EIB participation in CSO/NGO events
- Project-oriented informal meetings between EIB operational staff and local CSOs during missions
- Correspondence and meetings involving NGO enquiries, complaints and campaigns

Workshops are a major element in the Bank's evolving dialogue with civil society. EIB staff and interested representatives of NGOs and other CSOs come together in workshops on a bi-annual basis. The agenda is jointly set. NGO/CSO representatives can also arrange informal sessions with staff to discuss items that concern them. These workshops are organised on a regional basis to allow the participation of local and regional representatives of civil society. EIB participation involves the appropriate Vice-President, one or more members of the Board of Directors, specialists and information officers dealing with civil society. The workshop presentations are published on the EIB website.

EIB staff also participated in expert events organised by civil society, for instance a workshop on renewable energy and climate change organised by CEE Bankwatch Network at the International Conference on Renewable Energy in Bonn and two seminars on EIB issues organised jointly by members of the European Parliament and NGOs.

Local organisations have opportunities to meet with operational staff to discuss project-related issues. These informal meetings usually take place during EIB missions in the country or region concerned. However, for projects in regions not frequently visited by staff, meetings are held in other appropriate locations such as the EIB's Brussels Office. In 2004, EIB staff met twice with Polish NGOs in Warsaw to discuss the Polish Flood Damage Reconstruction II loan.

International Conference on Renewable Energy

Bonn, 1-4 June 2004

The EIB actively participated in the International Conference on Renewable Energy, organised under the umbrella of the Johannesburg Renewable Energy Coalition (JREC). The conference followed up on the JREC process launched at the World Summit on Sustainable Development in Johannesburg in 2002. The JREC aims to speed up the implementation of adequate measures allowing for an efficient and orderly increase in renewable energy's share in global energy production and use, with a particular focus on the needs of the less developed countries.

The EIB's participation took place on the political, expert and information levels. In one of the Ministerial Panels, Vice-President Peter Sedgwick announced the EIB's new financing initiatives to reduce carbon emissions and to promote renewable energies. EIB specialised staff participated in side events, including a round table organised by CEE Bankwatch Network that addressed the role of development banks in funding renewables. Information officers staffed an EIB stand in the exhibition area.

Warsaw Workshop, July 2004

The Warsaw Workshop focused on climate change and renewable energy; the financing of large projects in developing countries; and transparency. Vice-President Peter Sedgwick chaired, and EIB Director for Poland Jacek Tomorowicz delivered an address on Poland's membership of the EIB and his country's views on the agenda. EIB specialists and experts from the World Wildlife Fund (WWF) Germany, CEE Bankwatch Network, Transparency International and the Campaign to Reform the World Bank introduced the topics. Most of the 30 NGO/CSO participants represented Polish organisations. There were also observers from European Union institutions and International Financial Institutions.

Following the formal programme, two informal talks were held at the request of NGOs. One was on IUCN's new biodiversity programme and the other was on the Flood Damage Reconstruction II loan in Poland, as requested by WWF Poland and Gaja/CEE Bankwatch Poland.

Environmental Lending 2004

In 2004, the European Investment Bank signed loan agreements for 95 environmental projects, amounting to EUR 11.1 billion.

The EIB finances a wide variety of activities. It has been asked to finance renewable energy projects in the EU, programmes for environmental infrastructure improvements supported by EU funds in Candidate Countries, and water and sanitation programmes in Africa. The Bank also provides finance through financial intermediaries. These are referred to as 'global loans', and may be dedicated to environmental objectives or contain environmental components.

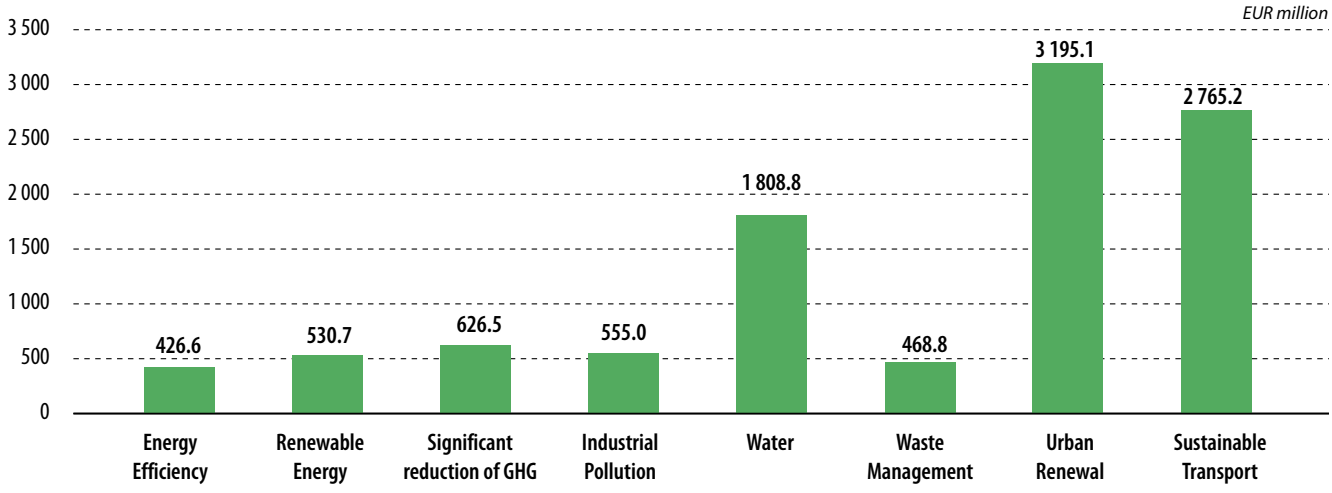
In 2004, the EIB provided direct financing for 95 environmental projects for a total of EUR 11.1 billion, against a total of EUR 31.4 billion for all individual projects financed in the period. This does not include environmental components of projects where the overall objective is not directly related to the environment. This component is currently not recorded by the Bank.

Of the EUR 43.2 billion of lending in 2004, global loans amounted to EUR 11.8 billion, of which EUR 30 million was specifically dedicated to projects with environmental objectives using specialist financial intermediaries.

The trend in environmental lending has not changed greatly since the previous reporting period. The majority of environmental lending in support of the EU's Sixth Environment Action Programme, has focused on:

- Tackling climate change (energy efficiency and renewable energy);
- Protecting nature/biodiversity and natural resources (flood relief and natural disaster prevention and alleviation);
- Environment and health (reduction of industrial pollution, water supply and wastewater treatment);
- Sustainable use of natural resources and waste management;
- Improving the quality of life in the urban environment (urban renewal and sustainable urban transport).

Environmental Lending for Individual Projects by Eligibility



EU Energy Initiative

The EU Energy Initiative aims to improve access to adequate, sustainable and affordable energy services in rural, peri-urban and urban areas throughout the world in order to reduce poverty and to support the achievement of the Millennium Development Goals.

Actions being developed under the Energy Initiative include rural electrification, development of decentralised energy systems, increased use of renewable energy and enhanced energy efficiency (including cleaner, more efficient fossil fuel technologies, technology for more efficient appliances and more efficient use of traditional biomass). The main thematic components of the initiative have been agreed with the Member States and include energy policy development, institutional capacity building and technical cooperation, cross-sectoral planning, market development, and cooperation with financial institutions.

Tackling Climate Change

Renewable Energy and Energy Efficiency

EIB lending in the energy sector ranges from upstream exploration to the supply of energy in its various forms. Many projects meet environmental objectives because they significantly improve the efficiency of existing facilities (through plant upgrades) or the use of cleaner and more renewable fuels.

Key legislative drivers for energy efficiency and renewable energy in the EU include the directive on the promotion of electricity from renewable energy sources (2001/77/EC), the integrated Pollution Prevention and Control Directive (96/61/EC), the draft directive concerning the promotion of co-generation and measures taken to implement the Kyoto Protocol within the EU.

The targets set by the European Commission include increasing the share of renewable energy consumption from 6 to 12% and the amount of electricity produced from renewable energy sources to 22% of electricity consumption by 2010.

In the period 2000-04, EIB lending for renewable energy projects relative to total electricity generation lending in the EU amounted to 32% compared with the target of 50% by 2010; the figure was 36% in 2004.

The review of renewable energy utilisation carried out by the Commission in May 2004 indicated that, despite rapid developments in some sectors, notably wind power, the EU targets for 2010 were unlikely to be met unless considerable extra action was taken by the Member States. Future initiatives include meeting the UN Millennium Development Goals and the related EU Energy Initiative launched at the World Summit on Sustainable Development (WSSD) in 2002.

Protecting Nature and Natural Resources

Flood Defence

The EIB has provided finance for a number of projects concerning flood protection and rehabilitation. The main purpose of flood defence is to safeguard the urban environment. Decision-making is often based on the economics of damage prevention rather than the environmental impact of the defences themselves. In some countries a transition is being made from hard to soft defences, although the greening of flood defence policies is a

slow process. In 2004, the Bank financed two flood protection projects in Lower Saxony in Germany. One project concerned flood protection infrastructure on the North Sea coast and the other targeted flood protection facilities along the Elbe River and its tributaries in the east of Lower Saxony.

Natural Disasters

The EIB has seen an increase in lending for reconstruction and rehabilitation projects following natural disasters, e.g. floods, forest fires and earthquakes. This has been the result of:

- The growing frequency of these events;
- The willingness of public authorities to fund the reconstruction process through loans rather than grants;
- The Bank offering special loan conditions for rebuilding after catastrophic events within the EU and neighbouring countries.

EIB loans have been concentrated principally on the reconstruction of damaged infrastructure and short-term clean-up operations as well as on preventive measures, in particular flood prevention (see above).

Environment and Health

A wide range of projects contribute to the quality of the environment in terms of improving air quality, reducing the pollution of land through industrial activities, and protecting and improving water resources. All have a direct impact on the natural environment and human health.

Reduction of Industrial Pollution

The European industrial sector is witnessing a general improvement in the efficiency of its operations and a shift to cleaner products and processes. Direct emissions to air and water have substantially decreased, and important progress has been made in reducing energy and material inputs and the generation of waste. These improvements have been in part encouraged by the European environmental legal framework, in particular through the application of the Integrated Pollution Prevention and Control (IPPC) Directive (96/61/EC), as well as by sound business practice.

EIB support for the industrial sector is in line with European policy and aims to ensure better protection of the environment while maintaining a competitive industrial base. For all individual projects, safety and environmental aspects are analysed by the Bank's technical experts to ensure that the promoter actively incorporates innovation and best practice in environmental matters from the start.

The **chemical** industry in the EU is responding to the need to improve its environmental performance by developing new, cleaner technologies and by implementing efficiency-improving management standards such as EMAS or ISO 14001. Projects in this sector improve the environment by promoting eco-efficiency through the update of existing processes and/or products. Under its Innovation 2010 Initiative, the EIB supports the development and marketing of new environmentally friendly technologies.

In Central and Eastern Europe, major investments are still needed to raise the environmental standards of the industrial sector to those required by the accession process. This leaves considerable scope for financing the rehabilitation, modernisation and expansion of existing industrial installations. This aims to enhance industry efficiency and competitiveness and to ensure compliance with EU law on environmental norms and standards.

In the **paper** sector in the EU, the Bank participated in the financing of two projects based on recycled paper, which contribute to achieving the recovery and recycling targets of the Directive on Packaging and Waste Packaging (94/62/EC).

Supporting Environmental Research

The scope for EIB support for environmental research is wide, ranging from investment in research and the development of environmentally cleaner processes and more easily recyclable products to the application of environmentally cleaner technologies.

A new joint instrument of the European Commission and the EIB is also being considered for financing projects. In certain sectors, industry, research organisations and regulatory bodies are forming technology platforms. The platforms that are most likely to yield bankable projects are hydrogen and fuel cells, nanoelectronics, nanomedecine, water, photovoltaics, road transport, rail transport, eMobility, innovative medicines, space technology and steel.

New EIB Group funding instruments are being put in place for a range of R&D projects, e.g. grouped loans, framework loans and guarantees to SMEs. These would also apply to research and development in environmental technologies.

In 2004, the EIB participated in the Commission's Inter-Service Group on the Environmental Technologies Action Plan (ETAP). The main role for the Bank in this area is to support the implementation of the ETAP using its experience of financing in this area.

Water and Wastewater Treatment

Within the scope of the EU Water Framework Directive, the EIB supports investment projects and programmes, often co-financed with other EU instruments, aimed at complying with investment-intensive directives, e.g. Urban Wastewater, Drinking Water and Bathing Water. The Bank promotes the sustainable management of water resources through demand management, integrated river basin planning and integrated flood defence management. Outside the EU, water and wastewater infrastructure account for almost a quarter of all environmental lending.

The EIB adds value by assessing project viability and ensuring financial sustainability through pricing and cost recovery. It supports the development of financially viable and efficient water service companies and assists pilot project preparation with upstream technical expertise.

Annual lending in this sector amounts to EUR 1.8 billion and is expected to increase over the coming years. Total EIB lending may, however, decline temporarily due to the large amount of grant financing available to the new Member States under the Cohesion and Structural Funds. In addition to conducting joint appraisal of EIB-ISPA projects in most Central and Eastern European Countries, the Bank provides expert input into a number of key working groups and furnishes sector specialist advice to the EU.

The EIB tries to ensure the long-term sustainability of water projects by encouraging affordability, the use of the appropriate technology, the phasing of investment and investment in efficiency gains prior to new production. The environment is only one factor to consider in financing water or wastewater treatment facilities - project design is a fine balance between economics, finance, technology and the environment. The main risks in the water sector include poor management of projects, low tariffs, low affordability and over-ambitious projects supported by grants or subsidies.

Waste Management

The EU Framework Directive on Waste (75/442/EEC), the Incineration Directive (2000/76/EC) and the Landfill Directive (1999/31/EC) continue to drive waste management investment in the European Union. Under the requirements of the Landfill Directive, the waste management industry is focused on reducing the amount of biodegradable waste going to landfills. This is likely to provide an increasingly important niche for developing technologies to process bio-waste, including bio-methanisation and other energy-generating processes.

Delivering Water and Sanitation to the Developing World

The European Commission has allocated EUR 0.5 billion of previously unallocated money from the 9th European Development Fund to improve access to water and sanitation in Africa, the Caribbean and the Pacific through the ACP-EU Water Facility. A call for proposals for a first tranche was launched on 11 November 2004. This Facility forms part of the global campaign to halve the proportion of people without access to safe drinking water and basic sanitation by 2015 as part of the effort to achieve the Millennium Development Goals (MDGs).

The Facility will enhance the use of development aid to leverage significant amounts of funding for water and sanitation infrastructure from other financial sources, including private sector investment. This catalytic effect should be achieved through the provision of (i) technical assistance for the development and reform of water sector policies, better governance and integrated water resources management, (ii) support for investment programmes focusing on the MDGs and for civil society initiatives, (iii) flexible and innovative methods of financing water and sanitation projects and programmes.

The Bank is committed to using its financial resources and sector expertise to contribute to achieving the MDGs for water by 2015.

Over the coming decade, financing sustainable water projects will be a priority for the EIB. Within the EU, Accession and Candidate Countries, the emphasis will be on complying with existing environmental legislation on wastewater treatment, bathing water quality, drinking water quality and achieving good ecological quality of water bodies. In the Partner Countries, the emphasis will be on extending basic service provision and putting existing services on a sustainable footing. Investment in productive sectors for balanced development will also deliver economic growth.

If significant progress is to be made towards meeting the MDG targets, there must be a concerted effort to develop innovative, bankable projects targeting poor communities. Water and sanitation service standards need to be appropriate and affordable. The constraining factors are likely to be macroeconomic conditions, lack of progress in sector reform, the quality of project preparation, and the implementation capacity of local promoters.

In the short term, maximum use needs to be made of economies of scale and scope, grants and cross-subsidy mechanisms to overcome the problems of low affordability in poor areas. But dependence on grant funds for development is not sustainable. The long-term aim must be to develop financial viability and the creditworthiness of demand-responsive, local service providers.

All stakeholders will have to contribute to that goal, working at different levels. With its new financing instruments for African, Caribbean and Pacific and Mediterranean Partner Countries, and through ever-closer collaboration with the EC and other donors, the EIB is ready to play its part.

Improving the Quality of Life in the Urban Environment

Urban Renewal

The protection and enhancement of the urban environment has become a key objective for European action. Public policy analysts have also become increasingly aware of the consequences of localised deprivation and social exclusion on the quality of life and economic performance of urban areas. EU, national, regional and local policy makers have responded by encouraging the regeneration of urban areas as part of integrated urban renewal programmes.

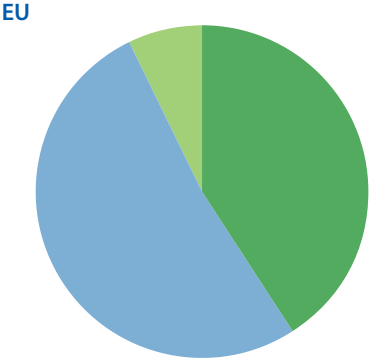
The EIB's lending strategy for urban renewal reflects EU policy, in particular the Communication "Towards a Thematic Strategy on the Urban Environment" (COM(2004)60), which seeks to promote urban concentration, curtail sub-urbanisation pressures, prevent sprawl and reduce demand for the development of scarce land resources in outlying rural areas. Consolidation of cities, and the general rationalisation of settlement patterns, is also more energy-efficient, reducing demand for car travel and facilitating public transport usage. Meanwhile, the rich cultural and architectural legacy of older cities has been recognised as a valuable resource in the rejuvenation of urban areas that, if properly exploited, can have a catalytic effect in promoting broader-based regeneration and the creation of more sustainable urban communities.

Most cities have an urban development plan within which areas showing signs of physical decay and more generalised social and economic deprivation are identified as requiring special attention. These are the "action areas" usually specified in any urban renewal/regeneration plan or strategy. They tend to be the focus for EIB lending. Such plans are by definition geographically specific and are likely to be multi-sector oriented, encouraging mixed-use development to optimise land-use, improve the physical environment, stimulate economic development and promote more sustainable urban communities.

In 2004, the EIB provided loans totalling some EUR 3.2 billion for urban renewal projects.

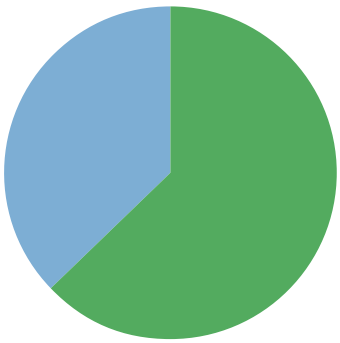
Environmental Lending

EU



Sustainable Transport
Urban Renewal
All Other Environmental Lending

Partner Countries



Sustainable Transport
Urban Renewal

City of Helsinki Urban Renewal, Finland

In November 2004, the EIB signed a loan of EUR 190 million with the City of Helsinki. This is designed to support a number of urban regeneration initiatives that reflect the strategic planning objectives of the Helsinki Master Plan, "Helsinki: Towards 2020", and the complementary development strategy for the metropolitan region, "Development Strategy for Municipalities' Joint Land Use". The intention is to accommodate continuing and anticipated growth in both the city and wider metropolitan area through the development of a more compact urban structure, by promoting higher densities and mixed-use developments in existing neighbourhoods and on brownfield sites. The EIB funding will be used for the remediation of degraded or contaminated areas in the city and their redevelopment for social housing and supporting urban infrastructure.

Sustainable Urban Transport

In 2004, the EIB lent some EUR 2.8 billion for sustainable urban transport projects. To qualify for EIB support, urban transport projects need to contribute positively to the enhancement of the urban environment. This is typically the case with investment in public transport infrastructure. All urban transport initiatives are subject to environmental assessment to ensure that the net environmental impacts of projects are acceptable and that care is taken to see to it that suitable mitigation measures are implemented where needed.

The EIB financed the purchase of trains and development of construction and maintenance facilities in Aarhus and Kastrup in Denmark, the construction of a light metro system and the upgrading of four railway lines in the Porto region in Portugal.

In Austria, the Bank financed improvement of the public transport network in Linz, in Upper Austria.

In Spain, the EIB supported the construction of a new metro line and the acquisition of rolling stock in Barcelona. In Greater Seville, a light metro line was financed. The construction of a tram network in Alicante was also supported.

Two urban transport projects in France were financed: the extension of the metro in Toulouse and the automated passenger transport system at Roissy-Charles de Gaulle Airport in Paris.

Light rail and tramway systems also featured prominently, reflecting the trend towards more cost-effective and flexible mass transport systems, especially in mid-sized European cities.

Sustainable transport projects are also gaining in importance in countries outside the EU with urban congestion problems similar to those in the EU. In Bursa, Turkey, the Bank financed the first phase of construction of a light rail transit system. An increased share of sustainable transport projects was accorded to railway passenger and cargo facilities, in order to contribute to the alleviation of the adverse environmental consequences of road transport in urban areas.

Global Loans

In 2004, the EIB advanced EUR 11.8 billion in global loans to financial intermediaries. Most global loans have multiple objectives; many projects may qualify for one or more objective, including environmental improvement.

In addition to this, the EIB provides dedicated environmental global loans. In 2004, the EIB advanced a EUR 30 million global loan to a German bank (Bremer Landesbank Kreditanstalt Oldenburg-Girozentrale) for financing renewable energy projects, mainly investments in wind power plants.

Mediterranean

EIB environmental projects in the Mediterranean have declined somewhat since 2001. Regional priorities have shifted and subsidies have been reduced. Bank-financed environmental investments have traditionally been concentrated on sanitation in the main urban centres. As urban populations increase and economic activities develop, there may be a future shift in the focus of environmental lending from water and sanitation projects towards addressing atmospheric pollution, urban transport and waste management.

Protecting and improving the environment in the Mediterranean is a major objective for the EIB. Key constraints in the region are weak institutional frameworks, national budgetary limitations and insufficient project preparation and implementation capacity. The opening of the Bank's regional and local offices within the framework of FEMIP, along with the provision of enhanced technical assistance for the region, aims to reinforce the presence of the EIB in the region.

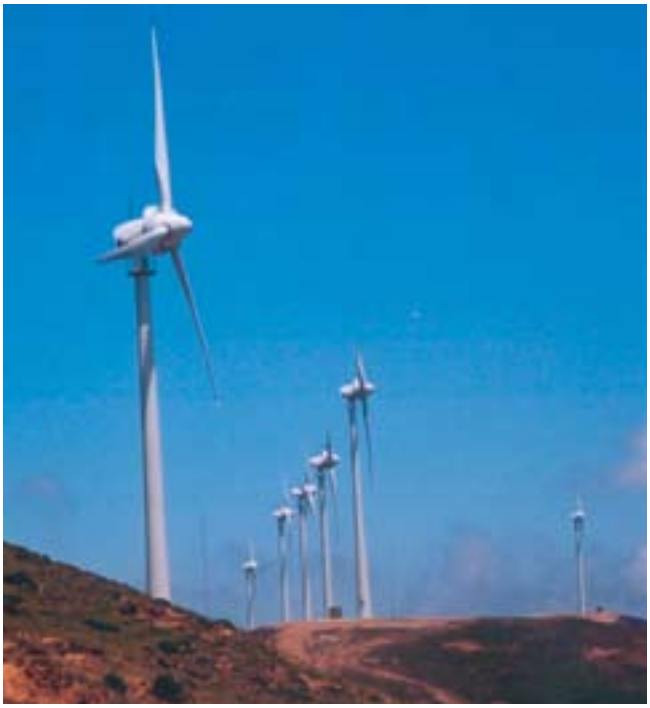
Mediterranean Environmental Technical Assistance Programme (METAP)

The World Bank, the European Commission (DG ENV), UNDP and the EIB jointly established the METAP programme in 1990. The aim of this initiative is to address the environmental degradation of natural resources in the Mediterranean by providing grant finance for feasibility studies for investment projects and assistance to authorities and agencies in the region. The four METAP cycles are METAP I 1990-1993 (EUR 2.4 million), METAP II 1993-1996 (EUR 3.6 million), METAP III 1996-2000 (EUR 8.6 million), METAP IV 2001-2005 (EUR 12.5 million).

Up to the end of METAP III, the emphasis was on feasibility studies. Since 1992, the EIB has financed 73 feasibility studies for EUR 6.7 million. In the same period, the Bank financed 67 environmental projects in the region, for a total of EUR 3.0 billion. The studies provide added value in the form of better identified, designed and managed investment projects.

Under METAP IV the Bank contributes technical assistance through FEMIP [1]. The thrust of activities is shifting from pure project preparation (e.g. feasibility studies) to project implementation (including project management units). This entails much larger sums, which are currently estimated at EUR 21.7 million for the period 2003 to 2005, based on the existing pipeline of projects. The Bank has therefore decided to continue support for the environment in the Mediterranean region under the heading of FEMIP.

[1] *In March 2002, the EU Council called for a major new initiative for the Mediterranean Region. The main objective was now to "stimulate private sector development in the Mediterranean Partner Countries in order to facilitate a higher level of economic growth consistent with the growth of the labour force in the region". In this context, the Bank was mandated to establish an investment facility, the Facility for Euro-Mediterranean Investment and Partnership (FEMIP). Under FEMIP, a Technical Assistance Fund (EUR 105 million between 2003 and 2006) is available and is funded through the MEDA Budget of the European Commission.*



The Northern Dimension Environmental Partnership

The Northern Dimension Environmental Partnership, the NDEP, unites the Russian Federation, the European Commission, bilateral donors and the main IFIs active in the region to coordinate and accelerate the implementation of important environmental and nuclear safety projects in the Northern Dimension, especially in North West Russia and Kaliningrad.

Together with Russia, the European Commission, EBRD, NIB and the World Bank, the European Investment Bank is a member of the NDEP Steering Group, the main operative body. The NDEP Steering Group prioritises projects from contributors or members of the group and suggests financial packages for each project, comprising grant funds from the NDEP Support Fund blended with loans from the NDEP IFIs and other sources.

To date, EUR 225 million has been pledged to the NDEP Support Fund by the founders: Russia, Denmark, Finland, Norway, Sweden and the EU Commission, as well as by Belgium, Canada, France, Germany, the Netherlands and the UK. Russia and the other contributors also provide additional financial support to these projects, such as bilateral grants for feasibility studies. The EUR 76 million NDEP grants made available for environmental projects so far have leveraged funding for investments in the order of over EUR 1 500 million.

Some of the NDEP projects are already being implemented. The first approved NDEP project, the St Petersburg South-West Wastewater Treatment Plant, is expected to be operational soon. This caters for a population of over 700 000 and will have a positive impact on the environment of the City of St Petersburg and the Gulf of Finland area by reducing the levels of untreated effluents entering the Baltic Sea. The project was also the first in Russia to receive an EIB loan. It followed on from the 2001 EU Summit's request to the EIB to support environmental projects in the Baltic Sea rim of Russia.

For more information about NDEP cooperation and projects, visit NDEP's website: www.ndep.org.

Balkans

The EIB provides reconstruction support to the Western Balkans region (Croatia, Bosnia & Herzegovina, Serbia & Montenegro, Albania and the FYR of Macedonia). The primary focus of EIB lending in the region is the financing of transport and municipal infrastructure. In 2004, the EIB provided EUR 436 million in loans to the Western Balkans, of which EUR 150 million was for environmental projects.

Regional strategy initiatives, such as the Regional Environmental Reconstruction Programme (REReP), funded by the Commission, and the Danube and Black Sea Task Force (DABLAS), are generating priority investment programmes as the basis for potential EIB-funded projects. The Adriatic Sea Environmental Master Plan (ASEMP) exercise, launched under the auspices of the Bank in Croatia, has started by improving the local authorities' capabilities to set investment priorities in the coastal areas bordering on the Adriatic Sea, based on environmental criteria.

Illustrative Environmental Projects 2004

Metropolitana di Roma, Italy

An effective public transport system in Rome and its surrounding area is necessary to ensure the sustainability of the urban environment. The project consists of the construction of an extension to the existing Linea B of the underground metro network in the city of Rome and the acquisition of 45 new train-sets to replace the obsolete rolling stock. The project is a major element of a long-term metropolitan transport development strategy, the main aim of which is to increase the use of public transport. On the one hand, the project will greatly improve access to public transport services in the northeastern outskirts of Rome, while on the other it will allow the improvement of service quality and passenger comfort on the existing network. However, in order to cross several major facilities and to avoid disturbances in densely built-up areas or to archaeological sites, the new line will run deeper than usual. The construction period is therefore very long and the investment costs are higher than any other metro projects financed by the Bank.

Bosphorus Tunnel Project, Istanbul, Turkey

The project consists of connecting the two railway lines presently terminating on either side of the Bosphorus in Istanbul by a tunnel. The total length of the project is almost 77 km. It includes the construction of 14 km of double track tunnel (partly under the sea), improvements to the two existing radial lines with an addition of a third track with a length of 63 km, 40 stations, connections with other transport networks and the purchase of rolling stock. Improvements to the existing lines will result in the creation of a fully modernised 77 km line. The aim is to provide the first mass transit link to the Greater Istanbul area, while allowing interurban rail freight and passenger services to connect the Asian and European railway networks of Turkey.

The positive environmental impacts of the project are substantial. Traffic congestion in Istanbul will be reduced and there will be a significant reduction in the accident rate. Effects on air pollution through a reduction in congestion will be broadly positive. Noise impact will be reduced and accessibility to public transport increased.

Lyon Urban Transport, France

The city of Lyon has the second largest public transport network in France. Lyon has a population of around 1.3 million. The project includes a new 14.6 km long tramway line; a 2.2 km long extension of an existing tramway line; a 1.2 km long extension of an existing metro line; the installation of a closed ticketing system throughout the metro network; and four new park & ride sites. The environmental benefits: the project will lead to increased use of public transport in Lyon. Overall, around 17 million passengers per year will benefit from the investments, of which around 2.9 million passengers will switch from private cars to public transport. Thus, the project will reduce the annual mileage of private cars by more than 8 million km. The direct environmental benefits, such as accident and noise reductions, are estimated at around EUR 1 million per year.

Nicosia Sewerage Project, Cyprus

Over the past decades, the divided capital city of Nicosia has witnessed remarkable cooperation between the Greek Cypriot and Turkish Cypriot communities in the wastewater sector. However, due to rapid urbanisation and slower-than-expected implementation of necessary investment, a significant part of the city's inhabitants are not yet connected to central sewerage networks and the only wastewater treatment plant situated in the North causes severe odour nuisance. The project supports the Sewerage Board of Nicosia in its efforts to construct 650 km of sewer mains and 300 km of laterals to provide sewerage for an additional 20% of Nicosia's population. The investment is assisting compliance with the EU Environmental and Water Directives. In parallel, a study financed by the Bank's METAP grant facility is being conducted to update the existing Greater Nicosia Wastewater Master Plan and to prepare for future bi-communal projects on both sides of the Green Line. The project is a continuation of EIB support for the Cypriot water and wastewater sector. Seven such projects, with a total investment loan volume exceeding EUR 200 m, have now been financed by the EIB.

Bucharest Glina Wastewater Treatment Plant, Romania

(approved but not yet signed)

As an acceding state, Romania is undertaking considerable efforts in the environmental sector to comply with the *acquis communautaire*. The European Commission supports these activities with grant funding, inter alia in the framework of the ISPA facility, for up to 75% per eligible investment. In close co-operation with the Commission, the EIB is co-financing municipal and regional projects and acts as a major lender to the Romanian water sector, with 30 projects approved so far for an investment volume of more than EUR 1 bn. One of the most important environmental projects has been launched for the capital Bucharest, where the Central Wastewater Treatment Plant in the suburb of Glina was never completed and adequately put into operation 15 years ago. Subsequently, the untreated effluents of some 2.4 m inhabitants are a major source of pollution for the Danube River basin. With a capacity of 18 m^3/sec sewerage treated to full compliance with EU Directive requirements, the rehabilitated and extended Glina Wastewater Treatment Plant will be one of the largest in Europe. The costs of EUR 250 m make it the biggest single environmental investment in Romania.

Budapest Central Wastewater Treatment Plant, Hungary

(approved but not yet signed)

The project will provide urgently required treatment of urban sewerage before discharge into the River Danube. Only one third of Budapest's wastewater is treated today in the North Pest treatment plant, while the rest of the wastewater from South Pest, Central and South Buda is still being discharged untreated into the river. The Central Wastewater Treatment Plant is designed for primary and secondary treatment of about 350 000 m^3 /day of urban sewerage in line with EU and Hungarian legislation. Tertiary treatment may be added in a further development phase following reclassification of the Danube as a sensitive recipient water body. The location of the plant on Csepel Island means that it is surrounded by city developments and the plant will therefore be covered in order to reduce the impact of emissions. Transport pipes, siphons under the Danube and pumping stations complement the project by collecting and transporting wastewater to the plant. The sludge produced will be composted. Through this project, Hungary is making a considerable effort to further comply with the *acquis communautaire*. The European Commission supported the development of this project with grant funding using proceeds of the ISPA facility and will grant Cohesion funds for its implementation.

Decontamination of coastal site, Taparura, Tunisia

The northern coastline of the town of Sfax at Taparura is heavily polluted by phosphor gypsum arising from the massive production of phosphoric acid in the region. The objective of the project is to decontaminate the soil and remediate, in the long term, this pollution problem in order to transform the coastline into an urban residential and commercial area with good quality of life standards. The phosphor gypsum will be dredged and disposed of in an environmentally sound manner by sealing it and thereby neutralising it to prevent any leakages to ground and surface waters. As a result the area will be replaced with sand, creating 5km of beach and reclaiming roughly 450ha from the sea in the long run. The reclaimed land will extend the hypercentre of Sfax and will be divided into recreational and residential areas, commercial and service areas, green spaces and public infrastructure areas. This will allow the northern coastline of the town of Sfax to be reclassified as an urban zone. The clean-up and decontamination activities will go hand-in-hand with other activities linked to coastal zone management, protecting the coastline from erosion. In order to ensure the high quality and efficient implementation of the project activities (the geotechnical campaign, the drawing-up of the implementation plans, monitoring and implementation of the works), the Bank has agreed to provide technical assistance financed by FEMIP funds for project management and for works' supervision to the Société d'Etudes et d'Aménagement des Côtes Nord de la Ville de Sfax (SEACNVS).

Wärmedämmung Wiener Wohnen, Austria

In November 2004, the Board approved a loan of EUR 100 million to Wiener Wohnen, the social housing agency for Vienna. This loan is a continuation of EIB support for the city's urban renewal efforts. It addresses the impacts of social segregation associated with sub-standard social housing. The quality of the social housing stock in Vienna has dropped below that which is considered satisfactory by modern standards. The Bank's loan is directed at rehabilitation and upgrading schemes. These have been selected from a more extensive capital programme and are expected to make a significant contribution to the implementation of broader urban regeneration strategies designed to bring about significant socio-economic and environmental improvements. The funding will focus on the thermal insulation of dwellings that are eligible for grant finance through an Austrian facility, THEWOSAN. By improving the housing stock and effecting other environmental improvements, the project will help contain pressures on the urban environment and promote energy saving. It will significantly improve energy efficiency and assist in achieving the target for reduction of CO_2 emissions set under the Kyoto Agreement.

Paper-recycling Schwarze Pumpe, Germany

The project concerns the construction and operation of a new greenfield test-liner paper mill, using recycled fibre. The plant includes the partial downstream integration of a line for the production of corrugated board. It is located in Schwarze Pumpe (Landkreis Spree-Neisse, Brandenburg, Germany), about 100 km southeast of Berlin, near the border with Poland. The project actively promotes EU policies for packaging-waste recovery and the production of packaging materials based on recycled fibre. It thus plays an important role in supporting Germany's policy of waste paper recovery and recycling. The project is in line with the desirable features associated with the evolution of the paper industry as identified in the 1999 Commission Communication "The state of competitiveness of the EU forest-based and related industries".

Parc Éolien de Tanger, Morocco

The project involves the construction of a large (140 MWe installed capacity) wind farm, located on a series of mountain ridges running inland from the Mediterranean coast between Tangiers and Tetouan. This is the second large-scale wind farm to be developed in Morocco; the first project, Parc Eolien de Tetouan, located at Koudia Al Baïda, 15-25 km northwest of the project site, was also part-financed by the Bank and the first four years of operational experience (2001-2004) have demonstrated the high windpower potential of this region. The Tangiers project will produce around 500 GWh/a of renewable energy for supply to the public grid, substituting for electricity that would otherwise be generated in fossil-fuel fired generating plants and thereby avoiding the release of significant quantities of CO_2 and other environmentally damaging emissions. The Bank's loan was made conditional upon a detailed study of the possible effects of the project on birds, the results of which will be used to determine the location of the wind turbines.

Nordural Geothermal Energy, Iceland

The project is helping to finance the construction and operation of new heat and electricity generation and transmission facilities in the southwest of the country. It includes the development of two geothermal fields and the construction of two new geothermal cogeneration plants of 80MW$_e$/266MWth and 100MW$_e$ respectively. These are located to the southwest and the southeast of Reykjavik. The project will provide electricity to meet the needs of the local population and of energy-intensive industries that form a crucial part of the Icelandic economy. The geothermal plants will also allow for the production of heat – in one case for district heating and in the other possibly for new industrial applications in the vicinity. The combined production from the two plants will be around 1400 GWh/a of electricity and 30 M m^3/a of hot water for district heating. The geothermal power plants will utilise a sustainable resource of high temperature underground water.

Amsterdam Waste Treatment, Netherlands

This project is helping to finance the extension of a municipal waste-to-energy plant in the industrial area of the port of Amsterdam, northwest of the city centre. It will provide two additional incineration lines, with an additional capacity of around 500.000 t/a. The new lines have been designed with one of the most efficient systems for recovery of energy and generation of electricity used so far in a commercial waste incineration plant. The two new lines will supply around 470 GWh/a – equivalent to the electricity demand of some 140 000 households. High environmental standards will be maintained by the use of an unusually elaborate flue gas cleaning system, which will keep atmospheric emissions well within the limits imposed by national and EU legislation. The project will also enable the plant to receive waste by water transport, thereby alleviating the noise and pollution generated by road transport.

Environmental Loans 2004 (as defined by the Bank)

The classification of projects follows the principles set out in the document *"EIB Eligibility Guidelines - Checking consistency of EIB operations with EU objectives"* (see www.eib.org/publications/). Countries are listed in the order of protocol.

Urban infrastructure *Water, sewerage* *Energy* *Transport* *Industry* *Health, education* *Services* *Composite infrastructure*

Country	Project Description	Sector	Amount (EUR m)
European Union			
Belgium	Upgrading of social housing and urban regeneration in Flemish region		75.5
	Upgrading and refurbishment of low-cost social housing in designated urban renewal areas in Wallonia		150.0
	Investment programme comprising construction of wastewater treatment plants, collectors and sewerage systems		100.0
Total			**325.5**
Denmark	Construction of offshore wind farm in south-east Denmark		119.7
	Purchase of 89 trains and construction of maintenance facilities in Aarhus and upgrading of existing facilities in Kastrup		201.5
Total			**321.1**
Germany	Renewal and upgrading of Brühl district in Erfurt (Thuringia)		12.5
	Construction and operation of recycled fibre-based paper mill in Schwarze Pumpe (Brandenburg)		80.0
	Road and urban infrastructure improvements in Federal State of Brandenburg		202.1
	Modernisation and expansion of water supply and sewerage networks in Berlin and Federal State of Brandenburg		110.0
	Construction and upgrading of sewage treatment plants in Ruhr river basin (North Rhine-Westphalia)		25.6
	Upgrading of flood protection infrastructure on North Sea coast (Lower Saxony)		75.0
	Repair and upgrading of sewerage system in Hamburg		130.0
	Upgrading and extension of wastewater treatment systems in Munich		57.0
	Refurbishment, rebuilding or modernisation of schools and urban renewal in Bremen		15.0
			5.0
	Preservation of cultural heritage and improvement of public tourism infrastructure in Mecklenburg-Vorpommern		200.0
	Construction and operation of wastepaper-based containerboard production mill		102.0
	Upgrading of flood protection facilities along Elbe and its tributaries in east of Lower Saxony		30.0
	Investment programme for research and development in area of fluid management products		21.0
	Financing programme for promoting economic development in assisted areas of Schleswig-Holstein through job creation and protection		17.5
			17.5
			17.5
			17.5
	Improvement of sanitation services in Bremen area		67.0
Total			**1 202.2**

Urban infrastructure *Water, sewerage* *Energy* *Transport* *Industry* *Health, education* *Services* *Composite infrastructure*

Country	Project Description	Sector	Amount (EUR m))
Greece	Construction and upgrading of infrastructure and facilities in Athens and other Greek towns (2004 Athens Olympic Games)		1 000.0
Total			**1 000.0**
Spain	Construction of new metro line in Barcelona		650.0
	Road and urban/interurban transport infrastructure schemes in Catalonia		71.2
	Modernisation and expansion of trade fair facilities in city of Valencia		62.0
	Urban infrastructure schemes in city of Madrid		180.0
	Cofinancing of Andalusia's regional operational programme under 2000-2006 Community Support Framework		50.0
	Acquisition of 83 trains for Barcelona metro		140.0
	Construction and modernisation of higher education facilities at University of Castilla-La Mancha		21.0
	Construction and operation of light metro line in Greater Seville		50.0
	Facilities for recycling, composting and incinerating municipal waste, including special-purpose hazardous waste landfill in Cantabria region		36.8
	Construction of tram network in Alicante (Comunidad Valenciana)		145.0
	Upgrading of wastewater networks and treatment plants in Province of Guipúzcoa		30.0
	Investment programme for research and development in area of fluid management products		4.9
	Railway infrastructure improvement and upgrading schemes throughout Spain		175.0
	R&D activities for enhancing performance of wind-driven electricity generators and wind farms		150.0
Total			**1 765.9**
France	Extension of Toulouse Metro (Midi-Pyrénées region)		230.0
	Construction of automated passenger transport system at Roissy-Charles de Gaulle Airport (Paris)		30.0
	Construction of first line of urban tram network in Clermont Ferrand, Puy-de-Dôme Department (Auvergne Region)		120.0
	Purchase of 25 motor-coach trains for regional railway transport		50.0
	Investment programme for research and development in area of fluid management products		4.2
	Modernisation and extension of public transport network in greater Lyon area		120.0
	Purchase of 18 duplex high-speed trains intended initially for use on Paris-Marseille high-speed line		200.0
	Programme in support of French local authority investment in urban transport sector		250.0
Total			**1 004.2**
Ireland	Refurbishment and upgrading of local authority buildings under urban regeneration strategies		69.0
Total			**69.0**
Italy	Urban renewal in Florence (Tuscany)		50.0
	Expansion of combined heat and power plant in Turin (Piedmont)		50.0
	Construction of B1 line of Rome's metropolitan transport system and purchase of rolling stock to replace old trains currently running on A line		360.0
	Construction of tram line in city of Cagliari		20.0
	Financing of improvements to small and medium-scale urban infrastructure in city and province of Genoa		250.0

Urban infrastructure *Water, sewerage* *Energy* *Transport* *Industry* *Health, education* *Services* *Composite infrastructure*

Country	Project Description	Sector	Amount (EUR m)
	Construction and operation of two natural gas-fired combined-cycle plants supplying electricity to public grid in Calabria and Puglia	Energy	240.0
	Upgrading of local roads and secondary schools in Province of Rome	Composite infrastructure	200.0
	Conversion of oil-fired power plant to gas-fired combined-cycle unit in Ponti sul Mincio (Lombardy) and construction of plant in Gissi (Abruzzo)	Energy	100.0
	Investment programme for research and development in area of fluid management products	Industry	7.0
	Improvements to urban environment and social infrastructure	Composite infrastructure	200.0
	Environmental upgrading and integration of two refineries in Priolo (Sicily)	Industry	175.0
	Improvements to water supply and wastewater treatment infrastructure in Arezzo region (Tuscany)	Water, sewerage	44.0
Total			**1 696.0**
Cyprus	Extension and operation of sewerage system and treatment plants for Greater Nicosia and eight outlying villages	Water, sewerage	100.0
	Construction of combined-cycle gas turbine generator	Energy	100.0
Total			**200.0**
Hungary	Investment schemes in education sector	Health, education	35.0
	Upgrading of power transmission and distribution networks	Energy	125.0
Total			**160.0**
Netherlands	Investment programme for research and development in area of fluid management products	Industry	12.6
	Construction of two waste incineration lines serving Amsterdam and 24 neighbouring municipalities	Water, sewerage	70.0
	Drinking water supply network in province of Noord-Holland	Water, sewerage	75.0
	Extension and upgrading of water supply networks in north-east of country	Water, sewerage	100.0
Total			**257.6**
Austria	Extension and upgrading of Vienna's main wastewater treatment plant	Water, sewerage	65.0
	Improvement of public transport network in city of Linz (Upper Austria)	Transport	24.0
	Upgrading of rundown social housing in Vienna	Urban infrastructure	75.0
	Renovation and modernisation of 11 mainline railway stations throughout Austria	Transport	37.5
		Urban infrastructure	12.5
	Investment programme for research and development in area of fluid management products	Industry	5.6
Total			**219.6**
Poland	Financing of small and medium-scale urban renewal projects	Urban infrastructure	47.5
	Financing of small and medium-scale infrastructure schemes	Composite infrastructure	50.0
	Framework loan for financing small and medium-scale local infrastructure schemes in Bydgoszcz	Urban infrastructure	35.0
Total			**132.5**
Portugal	Upgrading of water supply system on Island of Madeira	Water, sewerage	7.0
	Construction of light metro system in Porto	Transport	200.0
	Upgrading of four railway lines, one in Lisbon region and three in Porto region	Transport	100.0

Urban infrastructure *Water, sewerage* *Energy* *Transport* *Industry* *Health, education* *Services* *Composite infrastructure*

Country	Project Description	Sector	Amount (EUR m)
	Modernisation of glass container production plant in Marinha Grande		30.0
	Construction and launch of concert hall in Porto		56.0
Total			**393.0**
Slovakia	Cofinancing of priority investment under Community Support Framework and Single Programming Document for Objective 2 regions (2004-2006)		14.3
			50.4
			30.4
Total			**95.1**
Finland	Urban renewal and construction of schools and day-care centres in Vantaa, east of Helsinki		11.7
			13.3
	Investment programme for research and development in area of fluid management products		2.1
	Redevelopment of urban areas to build social housing, urban infrastructure and space for business and recreational activities throughout Helsinki		190.0
Total			**217.1**
Sweden	Construction of combined-cycle cogeneration plant and extension, upgrading and modernisation of municipal district heating network in Rya, 7 km from Göteborg		88.0
	Investment programme for research and development in area of fluid management products		2.1
Total			**90.1**
United Kingdom	Construction and commissioning of industrial gas production facilities		81.8
	Extension of Sunderland's urban regeneration programme through social housing construction		112.8
	Investment programme for research and development in area of fluid management products		10.5
	Environmental upgrading of wastewater treatment infrastructure in Wales		52.8
	Improvements to water supply and wastewater treatment infrastructure in Midlands (England) and central Wales		215.3
	Urban regeneration programmes including extensive rehabilitation or social housing construction components		143.8
	Water supply and wastewater schemes located in north-west of country		287.5
	Water supply and wastewater schemes in Yorkshire and parts of Humberside		143.6
Total			**1 048.1**
Total EU			**10 197.0**
Article 18			
Iceland	Expansion of geothermal cogeneration plant in Nesjavellir, near Reykjavik		24.0
	Construction and operation of new power generation and transmission facilities in south-west of country to supply Nordural's aluminium plant with renewable energy		157.0
Total			**181.0**
Total Article 18			**181.0**

Urban infrastructure *Water, sewerage* *Energy* *Transport* *Industry* *Health, education* *Services* *Composite infrastructure*

Country	Project Description	Sector	Amount (EUR m)
South East Europe			
Serbia and Montenegro	Rehabilitation and upgrading of water supply and wastewater collection and treatment networks in Novi Sad and Nis		25.0
Total			**25.0**
Croatia	Framework loan for local authority investment in rehabilitation and upgrading of municipal infrastructure throughout country		150.0
Total			**150.0**
Romania	Upgrading and expansion of sewerage and water supply networks in Satu Mare (north), Piatra-Neamt and Buzau (east)		29.0
Total			**29.0**
Total South East Europe			**204.0**
Mediterranean countries			
Lebanon	Upgrading and extension of sewerage networks of Saïda and Sour in southern Lebanon		45.0
Total			**45.0**
Morocco	Modernisation and environmental upgrading of Mohammédia thermal power plant, north of Casablanca		40.0
	Construction of wind farm between Tangiers and Tetouan		80.0
Total			**120.0**
Tunisia	Decontamination of Taparura coastal site in greater Sfax area (phosphogypsum deposit)		34.0
Total			**34.0**
Turkey	Construction of tunnel including section under Bosphorus and upgrading of rolling stock and existing rail network (*)		200.0
	First phase of construction of light rail transit system in Bursa, in south-east of Marmara region		55.0
Total			**255.0**
Total Mediterranean countries			**454.0**
South Africa			
	Construction of dam and related infrastructure for supplying water to Cape Town Metropolitan Area		100.0
Total South Africa			**100.0**
Grand Total			**11 136.0**

(*) Reclassification of this project in 2005

1. Casa da Musica do Porto, Portugal

2. Bursa light rail transit system, Turkey

3. E.ON Hungaria investment programme, Hungary

4. Flemish housing corporation, Belgium

5. Metro de Barcelona, Spain

List of Acronyms

ACP	African, Caribbean and Pacific Countries
ASEMP	Adriatic Sea Environmental Master Plan
CCFF	Climate Change Financing Facility
CCTAF	Climate Change Technical Assistance Facility
CDM	Clean Development Mechanism
CEE	Central and Eastern Europe
CFE	Carbon Fund for Europe
COP	Corporate Operational Plan
CSO	Civil Society Organisation
CSU	Civil Society Unit
DABLAS	Danube and Black Sea Task Force
DG ENV	Directorate General for the Environment
6th EAP	6th Environmental Action Plan
EC	European Commission
EIA	Environmental Impact Assessment
EIB	European Investment Bank
ENVAG	Environmental Assessment Group
ENVSC	Environmental Steering Committee
ENVU	Environmental Unit
ETAP	Environmental Technologies Action Plan
ETS	Emissions Trading Scheme
EU	European Union
FEMIP	Facility for Euro-Mediterranean Investment and Partnership
GHG	Greenhouse Gases
GWh/a	Gigawatthours/year
IFI	International Financial Institution
IBRD	International Bank for Reconstruction and Development
ISPA	Instrument for Structural Policies for Pre-Accession
IUCN	World Conservation Union
JI	Joint Implementation
JREC	Johannesburg Renewable Energy Coalition
MDGs	Millennium Development Goals
MEDA	Regulation on financial and technical measures to accompany (MEDA) the reform of economic and social structures in the framework of the Euro-Mediterranean partnership
METAP	Mediterranean Environmental Technical Assistance Programme
MFI	Multilateral Financial Institution
MWe	Megawatts of electrical output
NDEP	Northern Dimension Environmental Partnership
NGO	Non-Governmental Organisation
REReP	Regional Environmental Reconstruction Programme
SME	Small and Medium-sized Enterprises
UNDP	United Nations Development Programme
WB	World Bank
WWF	World Wildlife Fund