

Promotional Banks' role in implementing the Paris Agreement

- Sustainable Finance is needed now -

Brussels, 09 December 2019

As announced by President Ursula von der Leyen, the new European Commission will strive for more ambitious climate goals, backing up Europe's aspiration to become the first climate-neutral continent by 2050. To this extent, a European Green Deal - defined by the President as "*our new growth strategy*" - will be laid down and its details unveiled in the coming months. However, to support this plan, a significant amount of investment will be necessary.

National Promotional Banks and Institutions (NPBIs) are firmly committed to promoting sustainable development by increasingly integrating these concepts into their operations whilst adapting it to the context of their Member States. Sustainable development is at the very heart of our mission, namely to provide the right balance between today's constraints and tomorrow's challenges, with our activities being aimed at improving economic, environmental and social living conditions — on a local, national, European and global level and from a long-term perspective. We also believe that such a fundamental task involves the creation of sustainable, self-supporting economic structures. Therefore, we strive to deliver financial solutions which enable our industries and economies to cope with the current major challenges, all in the interest of European citizens. NPBIs support and foster the ambitious EU Action Plan on Financing Sustainable Growth by providing our expertise to the European Commission High-Level Expert Group (HLEG) and to the Technical Expert Group (TEG).

In this perspective, the long-standing co-operation of NPBIs with International Financial Institutions such as the European Investment Bank (EIB) Group, the Council of Europe Development Bank (CEB) or the European Bank for Reconstruction and Development (EBRD) allows for a more effective impact of European initiatives as well as of the financing provided by NPBIs.

Following the commitment to achieve climate neutrality by 2050, decided under COP21 in Paris, carbon-neutral projects need to be implemented and financed today. With this in mind, NPBIs are committed in achieving the success of this endeavour. The role of Long-Term Investors has become more important today than ever since infrastructure investment projects have an average lifetime of around 30 years whilst projects which require long planning phases – and financed today, might run longer than 2050.

NPBIs commitment towards Sustainable Finance has several dimensions:

- **Increasing financing volume for Sustainable Finance**

ELTI members committed more than 50 billion EUR of financing for sustainable projects in 2018 (+25% vs. 2017). This is a share of 38 % of all commitments provided by NPBIs in 2018.

- **Sustainable Finance: Environment, Energy, Climate, Social, Health and more**

NPBIs provide sustainable financing solutions beyond the fields of environmental improvements such as energy production, energy efficiency, transport and infrastructure. Our partners benefit from financing innovation as well as social projects i.e. student loans, municipal financing, affordable housing and health projects.

- **Green, Environmental and Social Bonds**

Some ELTI members are important and innovative issuers of Green, Environmental and Social Bonds. Bonds with an amount of more than 3.5 bn EUR were issued from ELTI members in 2018. Important global agreements such as the Green Bond Principles are basic guidelines for our members. As far as NPBIs are investing in sustainable bonds, they must comply with the Principles for Responsible Investment (PRI), which they have signed.

- **Market experience at local, regional and national level**

The majority of NPBIs are engaged in implementing Financial Instruments of Structural Funds (ESIF). The European Green Deal relies on ESIF as a source of funding in order to cover “every corner of the EU”. NPBIs will be essential players in making this happen, by contributing to financial leverage, combining national funds with EU promotional instruments and by providing their market experience at local, regional and national level.

- **Cooperation between members and with International Financial Institutions**

Climate change does not stop at national borders. Cooperation is a key strategy in addressing the challenges of our sustainable future. ELTI members are already engaged in projects such as the “Joint Initiative on Circular Economy”¹, the “Clean Ocean Initiative”² or the “Marguerite Fund”³, all of which are light-house projects which have a strong cross-border dimension. Moreover, the cooperation with International Financial Institutions such as the EIB Group is crucial for NPBIs who are looking to co-finance these large projects.

¹ <https://circulareconomy.europa.eu/platform/en/news-and-events/all-news/eu10-bn-support-circular-economy-eu>

² https://www.eib.org/attachments/press/facsheet_coi_final.pdf

³ <http://www.marguerite.com/>

- **Know-how transfer between members**

The financing of Sustainable projects requires specific know-how to adapt financing programmes to the state-of-the-art technology in order to cover the specific risk situations or to reach projects on the ground. With this in mind, ELTI-members have set up several intensive best-practice bilateral exchanges e.g. the Bulgarian Development Bank benefitting from the German experience (provided by KfW) in financing energy efficiency measures within multi-family apartment houses⁴.

- **Providing support to public authorities**

ELTI welcomes the initiative of the European Commission to reach a common understanding about Sustainable Finance, ultimately streamlining the flows of private investors' capital towards sustainable projects. For this reason, ELTI members are actively engaged in discussions on the Sustainable Finance Action Plan of the European Commission by participating in the High-Level Expert Group (HLEG) and in the Technical Expert Group (TEG).

⁴ https://www.eltia.eu/images/BDB_NPEE_Brussels_09102019.pdf

The European Association of Long-Term Investors – ELTI

ELTI members represent an European-wide network of National Promotional Banks and Institutions who offer financial solutions tailored to the specific needs of their respective country and economy. Multilateral financial institutions complement the activities at national level with specific cross-border solutions or investments with an European impact. Following the specific public mission of each member the business model of each institution differs from country to country including different products and approaches. This is the same for multilateral ELTI members. Most of the members offer various debt-products but not all members have a mandate for investment in equity.

The 29 members of the European Long-Term Investors Association (ELTI) a.i.s.b.l. are major long-term investors and represent a combined balance sheet of EUR 1.8 trillion. The Association promotes and attracts quality long-term investment in the real economy, including:

- strengthening cooperation, including at an operational level, between European financial institutions as well as with other Institutions of the European Union (EU) acting as long-term financiers;
- informing the EU and its Institutions on the role and potential of the Members as institutions and agencies for long-term financing;
- strengthening the access of the Members to information on matters related to the EU;
- exchanging information and experiences among Members and with national and international organisations sharing the Association's interest in the promotion of long-term investment;
- developing the concept of long-term investment within the economic and financial sector and promoting academic research on long-term investments;
- representing, promoting and defending the shared interests of its Members in the field of Long-Term Investment in full transparency.

The Full Members of ELTI are generally national official financial institutions dedicated to the promotion of public policies at national and EU level⁵. The European Investment Bank (EIB) as the status of a permanent observer. ELTI also includes Associate Members notably multilateral financial institutions, regional financial institutions and non-banking institutions⁶.

⁵ Oesterreichische Kontrollbank (OeKB) Austria, Federal Holding and Investment Company (SFPI) Belgium, Bulgarian Development Bank (BDB) Bulgaria, Croatian Bank for Reconstruction and Development (HBOR) Croatia, Ceskomoravska Zaruční a Rozvojová Banka (CMZRB) Czech Republic, Caisse des Dépôts et Consignations (CDC) France, La Banque publique d'Investissement (bpifrance) France, KfW Bankengruppe (KfW) Germany, National Bank of Greece (NBG) Greece, Hungarian Development Bank (MFB) Hungary, Strategic Banking Corporation of Ireland (SBCI) Ireland, Cassa Depositi e Prestiti (CDP) Italy, Latvian Development Finance Institution (ALTUM) Latvia, Public Investment Development Agency (VIPA) Lithuania, Société Nationale de Crédit et d'Investissement (SNCI) Luxembourg, Bank of Valletta (BOV) Malta, Malta Development Bank (MDB), Malta, Netherlands Investment Agency (NIA) Netherlands, Bank Gospodarstwa Krajowego (BGK) Poland, Instituição Financeira de Desenvolvimento (IFD) Portugal, Slovenska Izvozna in Razvojna Banka (SID) Slovenia, Instituto de Crédito Oficial (ICO) Spain

⁶ Nordic Investment Bank (NIB), Council of Europe Development Bank (CEB), Long-Term Infrastructure Investors Association (LTIIA), NRW.Bank Germany, Consignment Deposits and Loans Fund (CDLF) Greece, INVEGA Lithuania, Türkiye Sınai Kalkınma Bankası (TSKB) Turkey