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**EIB's Transition to Climate Banking:
Dynamics, Operational Consequences,
and Shifting Policy Role**

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ABSTRACT

The European Investment Bank has undergone a noteworthy transformation, surpassing its traditional role as a financial institution to evolve as a proactive power in shaping the European climate agenda. The study explores the organisational structure of the European Investment Bank and delves into the historical aspects. This research commences with a complex exploration of the metamorphosis' elaborate background and multifaceted motivations and investigates the consequences of this pivot, exploring the influential power on the bank's operational strategies and lending policies. The research explores the complex political landscape, including climate consensus, global policy actions such as the Paris Agreement, and the internal challenges within the European Union governance. The bank acknowledges the interrelated link between the environment, economy and societal imperatives. Thus, it commits to addressing sustainable practices to address all aspects. European Investment Bank's evolving role as a prominent contributor to EU governance as the bank is no longer bound to financial conventions. The bank positions itself as a pioneer in climate action, environmental sustainability and green finance. The European Investment Bank's proactive approach oversees the challenges and complexities in the evolving economic, environmental and social landscape. As the Climate Bank Roadmap reaches its midpoint, the European Investment Bank has exceeded its target of EUR 250 billion and achieved 58% green lending overall, demonstrating its commitment to sustainable investments. The European Investment Bank's leadership in green finance is evident through its cooperative approach and participation in agreements such as COP26.

Key Words: Climate Banking, Climate Change, Green Finance, European Investment Bank

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LIST OF ABBREVIATIONS

ADB	Asian Development Bank
AI	Artificial Intelligence
AIIB	Asian Infrastructure Investment Bank
AIF4	African Infrastructure Investment Fund 4
CJEU	Court of Justice of the European Union
CO ₂	Carbon Dioxide
COP21	The 2015 United Nations Climate Change Conference
COP26	The 2021 United Nations Climate Change Conference
COVID-19	Coronavirus Disease 2019
EAFRD	European Agricultural Fund for Rural Development
EC	European Community
ECCP	European Climate Change Programme
ECSC	European Coal and Steel Community
ECU	European Currency Unit
EEC	European Economic Community
EFSI	European fund for strategic investments
EIB	European Investment Bank
EIF	European Investment Fund
EMU	European Monetary Union
ERDF	European Regional Development Fund
ESF	European Social Fund
ESG	Environmental, Social, Governance
EU	European Union
FTA	Free Trade Area
GATT	General Agreement on Tariffs and Trade
GHG	Greenhouse Gas
GNP	Gross National Product
GW	Gigawatt

GWh	Gigawatt Hours
IPCC	Intergovernmental Panel on Climate Change
JASPERS	Joint Assistance to Support Projects in European Regions
JEREMIE	Joint European Resources for Micro to Medium Enterprises
JESSICA	Joint European Support for Sustainable Investment in City Areas
MDB	Multilateral Development Bank
METAP	Mediterranean Environmental Technical Assistance Programme
MFF	Multiannual Financial Framework
MLG	Multi-Level Governance
MW	Megawatt
MWh	Megawatt Hours
OECD	Organisation for Economic Co-operation and Development
PPP	Public – Private Partnership
PV	Photovoltaic
R&D	Research and Development
RD&I	Research, Development and Innovation
SDGs	Sustainable Development Goals
SEA	Single European Act
SEIP	Sustainable Europe Investment Plan
SME	Small and Medium-sized Enterprise
SPL	Structural Programme Loan
TENS	Trans-European Network Program
U.A	Unit of Account
UN	United Nations
UNDP	United Nations Development Programme
WTO	World Trade Organisation

INTRODUCTION

Climate transition has risen to the top of the European Union's (EU) agenda. The European Commission and the European Council have recognised the necessity of the situation and launched a pathway called the European Green Deal in 2019 to help implement the Paris Agreement, aiming to tackle climate change (European Commission, 2019). The EU and its member states have devoted themselves to a climate-neutral Europe by 2050 for a healthy planet, fulfilling the commitments of the Paris Agreement and the Green Deal (European Commission, 2019). In the goal of climate neutrality, the Green Deal promotes initiatives that embrace a sustainable society and competitive economy, leading to opportunities for economic growth, development of new markets, and technological development. European Green Deal has taken a cross-sectoral methodology across explicit policy areas seeking to reach the framework's goals. The inclusive framework covers a spectrum of initiatives for climate, environment, agriculture, transport, energy, industry, and sustainable finance (European Council, Council of the European Union, 2023). Consequently, the framework requires outstanding low-carbon investments and green finance to promote sustainable projects and transition into carbon neutrality.

Various European Union bodies and institutions are engaged in Europe's climate transition. The European Investment Bank (EIB), the world's largest multilateral development bank (MDB), is one of the most significant contributors to climate finance (European Investment Bank, 2023a, p.11). In 2019, the EIB announced its transformation into a climate bank, underscoring its new approach to climate and policy, aligning with the Paris Agreement's objectives (European Investment Bank, 2020a, p.1).

The EIB was established to expedite the region's development and the internal market on January 1, 1958, following the ratification of the

Treaty of Rome in 1957 by six member states of the European Economic Community (EEC) (European Investment Bank, 1959, p.15). The EIB started its journey by implementing the EEC's policies to overcome the perceptible disparities in the economic development of the member states by providing long-term financing, particularly in industrial and energy projects (European Investment Bank, 1959, p.16).

Starting from the bank's origins to the 1970s, there was no clear structure for EIB's operations, yet the national interests of the individual governments shaped the EIB's lending policies (Coppolaro, 2023, p.3). In the 1970s, the EIB progressed into a policy-driven institution, leading to a strategic transformation emphasising specific industries like telecommunications, infrastructure, energy, and transportation (Robinson, 2009, p.653). The EIB's new approach to its lending practices was affected by the collapse of the international monetary system and oil crises, leading to a close relationship with the European Commission (Clifton, Diaz-Fuentes, & Revuelta, 2013). Incorporating the EIB into politics, economics, and technology influenced the institution's position and claimed its new role. The EIB transformed its position from a financial contributor to a significant participant in shaping politics within Europe. The EIB pursued an active role by emphasising sustainability, climate action, and transitioning to a low-carbon economy to advance the defined European Union goals. The EIB's commitment to environmental imperatives to determine the scope, goals, and standards of projects endorse its pivotal role in shaping politics in Europe.

In 2019, with the transformation into a climate bank, the EIB launched a new climate strategy and energy lending policy that ended fossil-fuel industry financing. The EIB implicitly prioritised its rational interests, and the politicisation from the bank's expertise in climate change facilitated the EIB's proactive role in policy-making and shaping the EU policy objectives (Kavvadia, 2021, p.187). EIB's transition into a climate

bank embarks on a captivating and notable change in the bank's role and objectives. The EIB has achieved a great role as a climate bank within European governance. Nonetheless, amidst the EIB's proactive role in building climate neutrality, the engaged initiatives underline the necessity of an inclusive assessment of the consequences on the EIB's lending policies and operations.

This research investigates the EIB's shift to becoming an influential policy actor in climate policy, underscoring its motivations and current transformation into a climate bank and how this transition changes the EIB's lending policies and role in EU governance. European Investment Bank's transition into a climate bank embarks on a captivating and notable change in the bank's role and objectives. EIB has moved itself to the top of the European environmental agenda through its explicit approach to climate transition. The transition changed the EIB's role in policymaking and affected the bank's lending strategies. This study aims to answer the research question: How do specific factors drive the European Investment Bank's transformation into a climate bank, what are the consequences of this transformation, and how does it impact the bank's operations?

The EIB's strategic rise in its role with recognised leadership and a stronghold in climate change that led the bank to become a climate actor is motivated by various factors. The bank has progressively improved its aptitude and capabilities in the last few decades. This study pursues to acknowledge the driving elements of this transformation by examining the present environmental governance, the European Green Deal, and the urgency of climate finance, as well as possible motivations coming from rational interests of the EIB in profound political and economic affairs in Europe. Understanding the causes and factors driving the transition of the EIB is essential to apprehend congener institutions and their policies.

Furthermore, this study acknowledges the outcomes of such a shift in the EIB's role and the impacts it develops on the bank's operations, thereby loans, lending policies, and investment strategies. Comprehension of the EIB's institutional functioning since the climate bank's launch, uncovering the potential changes in the bank's operations, and evolving into a global contributor to environmental goals is crucial for this research.

The consequences resulting from this strategic shift are critical to assessing the success and virtue of the EIB's transformation. The importance of this research comes from its aptitude to reveal the change in a bank from being a policy-implementing body to being an active player in shaping regional and global politics. This research provides a pivotal comprehension of climate change, environmental politics, and leadership within Europe, promoting an interdisciplinary standpoint to understand the complexities of global issues.

Literature Review

Whilst the literature on the EIB is limited, there has recently been growing attention to the bank. The EIB has contributed significantly to the field by providing data on its history and operations. The EIB has been studied from different aspects. Bussière, Dumoulin, and Willaert (2008) investigated the EIB's history structure and lending policies from 1958 to 2008 with the analysis of the political landscape. The book also investigates the bank's role and sector-specific challenges and opportunities the bank faced in financing infrastructure, modernisation, and environmental projects.

There have also been investigations on the EIB's role in policymaking. Robinson (2009) investigated the critical part of the EIB in shaping EU policy-making, particularly in poorer regions in Europe, by financing

activities. Robinson highlighted the importance of re-evaluating the EIB and considering it an essential actor in developing European policy-making. Coppolaro (2023) investigated the EIB's historical background from its origins to the late 1970s, underscoring the bank's role in the political sphere, shifting from being led by the interests of the member states of the EEC to being an active player in shaping the climate agenda in Europe. Liebe & Howarth (2020) investigate the role of EIB as a policy entrepreneur and its significance on the economic development of the EU with the promotion of Public-Private Partnerships (PPPs). In their book, Coppolaro & Kavvadia (2022) investigated the numerous aspects of the European Investment Bank, highlighting its origins, mandate, governance, structures, policy activity, and performance. The bank's development is analysed through an interdisciplinary approach, providing information on the organisation's historical, economic, political, and legal aspects, covering various topics from its origins to the 2010s. While the book does not aim to provide an ultimate investigation of the bank, it seeks to elucidate the aspects to be investigated to fill the knowledge gap.

The investigation of the EIB's transformation into a climate bank has been a new topic that requires more attention. The European Investment Bank (2020a) Climate Bank Roadmap 2021-2025 comprehensively reviews the context, environmental challenges and policy response, urgency for green investments, and support for the European Green Deal. The report underscores specific areas such as innovation across operations, new projects with an orientation towards climate transition, climate-related risk management, development of a policy framework, and development of partnerships. Kavvadia (2021) investigates the strategic evolution of EIB from a policy-taking to a policy-making role and its impact on EU governance and green finance, bringing attention to the bank's increased operations in climate change, sustainability, and carbon neutrality. Martens & Thiemann (2023) investigated the EIB's

transformation into the EU's climate bank and the bank's role in shaping climate projects and operations as an essential investor for a sustainable and carbon-neutral Europe by actively participating in EU Governance.

No investigations have been conducted on the transition of the EIB's operational changes, consequences, and expected outcomes, as the topic is recently developing.

Chapter Objectives

This research has four chapters investigating different aspects of the EIB. Chapter 1 examines the EIB's role, motivations, and operations in European and global spheres. The bank's role is crucial in understanding the dynamics and motives that shape the EIB's activities in financing projects, regional development, and market-making, bringing growth to itself and Europe. A comprehensive analysis of the bank's operations assists us in understanding the role of the EIB.

Chapter 2 explores the historical aspect of the EIB, starting from the 1950s, the origins of the notion of the bank, underscoring its establishment by the original six member states of the EEC until the 1970s when the bank became a more autonomous actor in EU politics. In addition, the chapter covers the periods from the 1980s onwards, highlighting the EIB's new role in actively shaping EU policies by choosing projects that contribute to broader EU goals specifically focused on climate action and sustainability. The investigation of the historical aspect not only clarifies the dynamics that construct European politics but also imparts the evaluation of the EIB in that era.

Chapter 3 delves into the key drivers and factors motivating the EIB to transition into a climate change bank, reviewing global environmental challenges, global policy response, and the role of other initiatives such

as the Paris Agreement, the European Green Deal, and the Sustainable Development Goals (SDGs). In addition, the chapter analyses the methodology employed and the new agenda, delivering a pathway to climate neutrality, thriving society, and diplomatic engagement.

Chapter 4 investigates the changes in the EIB's financial operations, lending practices, and investment strategies by examining new approaches towards different sectors and the consequences that the activities bring to the EIB's operations. The Solaria PV Green Loan project has been devoted to scrutinising the scope and goals of the project. The project finances a portfolio of solar photovoltaic plants in Spain, Italy, and Portugal with a total expected capacity of about 5.6 GW (European Investment Bank, 2023o). This project aligns with the EIB's Climate Bank Roadmap and Energy Lending Policy by contributing to reducing air pollution and carbon emissions. It is expected to positively affect the environment and society, aligning with the EU's sustainability objectives. The project clarifies the EIB's transition into a climate bank, helping us understand the bank's approach from a clear perspective and inspect the bank's operations, which added value to tackling climate change.

Methodology

The study employed qualitative research with an exploratory design to elaborately analyse the shift of EIB's role in EU governance. While some quantitative data has been collected to investigate the transformation outcomes, the data is solely used to add more understanding to the qualitative approach. An all-inclusive literature review and analysis were conducted to investigate prevailing research on the EIB's transformation into a climate bank. The study covered a detailed analysis of academic literature, policy documents, and EIB reports to gain an in-depth grasp of the available information. I investigated findings and insights from diverse investigations, such as reports from various organisations that

analyse climate change and green finance, thus enhancing my knowledge in the field.

In addition, a semi-structured interview was conducted with Professor Helen Kavvadia, an academic from the University of Luxembourg and former adviser at the EIB. Kavvadia is an expert in political science, particularly in climate change, political economy, international financial institutions, and development banks. Her research area includes the transformation of the EIB, the role of national development banks, and the green economy. An interview with Kavvadia offers unique insights and exhaustive analysis of the EIB's transition into a climate bank and enhances the depth of this study. Furthermore, a case study on the EIB's current projects has been selected to understand the bank's new approach, thereby analysing the operations and goals of the new agenda of the EIB.

This study serves as a starting point for future research analysing regional development banks, green finance, and, more specifically, EIB. As the transformation of the EIB into a climate bank is a new event continuously developing, this research can be considered a guideline for future investigations.

1 STRUCTURE AND STRATEGY

The EIB is established to solve and finance the ongoing disparities and future problems in Europe. The bank was chosen to be a bank and not a fund. In the bank's first annual report, it is stated as:

“...not a fund which would simply have distributed its allocations, but a bank which can itself make loans, by allocating a thousand million units of account, 250 million of which are paid up, the six-member countries set aside more direct financial intervention methods which no doubt would not, in the long run, have enabled adequate resources to be raised.”

(European Investment Bank, 1958, p.16).

The EIB's raison d'être was to contribute to the progressive development of the Common Market for the interest of the Community by providing financing on a non-profit making basis to expedite projects of various sectors:

- Projects for developing regions;
 - Projects for the progressive development of the Common Market;
 - Projects of common interest to several member states where each of the member states cannot entirely finance such projects
- (European Investment Bank, 1958, p.37).

These projects must meet the conditions in the directive for profitability and efficiency, such as prioritising loans in the initial year, focusing on specific and substantial schemes, and conforming to the unification of the capitals of the member states (European Investment Bank, 1958, p.39). Today, the EIB continues to provide funding for projects and economic activities that do not have access to finance within and beyond the EU.

1.1 Organisational Structure

1.1.1 Shareholders

EIB is the largest multilateral financial institution and was the world's first regional development bank. Each Member State of the EU is a shareholder of the EIB's capital based on the member state's economic weight within the EU according to the status at the time of its accession (European Investment Bank, n.d.). The EIB's capital has progressively increased since the creation of the bank due to the accession of new member states and ensuring a balance between its lending capacity and financial stability by keeping its gearing ratio below 250% (European Investment Bank, n.d.).

The four largest economies of the EIB, the United Kingdom, Germany, Italy, and France, were set at a certain level to have the same shareholding. Upon the withdrawal of the United Kingdom from the European Union, thus the EIB's shareholding, the governors of the EIB decided to proportionally increase the subscribed capital of the remaining member states to maintain the same level of capital and eliminate the risks of Brexit on the bank's business model (European Investment Bank, 2020e). As of March 2020, the bank's total subscribed capital amounts to EUR 248.8 billion (European Parliament, April 2023).

The data below represents each member state's total subscribed capital to the EIB, declaring each state's financial devotion as of March 2020 and gross domestic product (GDP) as of 2020. The distribution of their subscribed capital represents member states' economic volumes and significance.

Figure 1.1 – Comparison of the total subscribed capital and nominal GDP of member states as of 2020 (in EUR billions)

Shareholders	Total Subscribed Capital	Nominal GDP
Germany	46,72	3332,20
France	46,72	2278,90
Italy	46,72	1651,60
Spain	28,03	1120,00
Netherlands	12,95	796,90
Belgium	12,95	449,60
Poland	11,37	521,50
Sweden	8,59	472,30
Denmark	6,56	309,10
Austria	6,43	375,60
Finland	3,69	237,10
Greece	3,51	165,80
Portugal	2,26	202,70
Czech Republic	2,21	213,60
Hungary	2,09	135,50
Ireland	1,64	366,50
Romania	1,64	217,80
Croatia	1,06	49,10
Slovakia	0,75	91,10
Slovenia	0,70	46,30
Bulgaria	0,51	60,60
Lithuania	0,44	48,80
Luxembourg	0,33	64,10
Cyprus	0,32	21,00
Latvia	0,27	29,30
Estonia	0,21	27,20
Malta	0,12	12,80
Total Subscribed Capital: 248,80		

Sources: Taken from the European Investment Bank (n.d.) & European Central Bank (2020).

As elucidated before, the largest economies of the member states, Germany, France, and Italy, hold the same shareholding, EUR 46B, demonstrating the significance of their economic strength and GDP ranging between EUR 1651 billion and EUR 3332 billion (Table 1.1). Spain follows with a total subscribed capital of EUR 28 billion and a GDP of EUR 1120 billion, highlighting the importance of its contributions to the EIB (Table 1.1). The top four of the list represent most of the total capital, emphasising their critical roles in promoting financial stability and the contribution to the EIB.

Countries such as the Netherlands and Belgium hold a total subscribed capital of EUR 12 billion each and a GDP of EUR 449 billion and EUR 796 billion, demonstrating their vigorous economic strength (Table 1.1). Descending through the list, we encounter countries such as Poland, Sweden, Greece and Ireland with gradually decreased shares, ranging from EUR 1 billion to EUR 11 billion and demonstrating economic diversity of GDP EUR 135 billion to EUR 521 billion highlights their outstanding contributions to the economic development of the EU (Table 1.1).

At the bottom of the list, we observe countries with comparatively lower GDP levels and, corresponding to their lower shares within EIB, such as Croatia, Slovakia, Luxembourg, Latvia, and Malta, ranging between EUR 0.12 billion and EUR 1.06 billion and the GDP range of EUR 12 billion to EUR 91 billion (Table 1.1). Regardless of the size of their contributions, these smaller economies also play a vital role in promoting and preserving financial stability in the EU. The distribution of subscribed capital displays a subtle perspective to examine the significance of larger economies, assuring the organisation's financial stability. Despite the value of contributions and the size of economies, member states prove the importance of collaboration for economic development and financial stability in the Common Market.

1.1.2 Governance

The EIB's role as a bank and an EU institution constructs an essential matter regarding the representation and governance of the institution. The EIB's solid corporate governance and vision establish a stable institution. Public and corporate principles govern the EIB's decision-making structure, and it has four EIB Statutes, three decision-making bodies and a control body (European Investment Bank, 2015, p.6).

The Board of Governors is placed at a senior level, overseeing high-level policies, credit policy guidelines, and approval of annual reports and financial statements in the decision-making structure. The Board of Governors also has the decision-making power on capital and bank operations outside the EU. The ranking highlights the critical role of the Board of Governors in the governance of the EIB and the political sphere.

The Board of Directors is positioned at the second tier of the decision-making structure with vital roles in approving the borrowing and treasury operations and financing operations such as loans and guarantees. The Board of Directors also plays an essential role in overseeing policies and operational strategy that gives an ultimate responsibility to the board regarding the success of the EIB operations.

The last tier of the decision-making body is the Management Committee, which is under the authority of the EIB president with the sole responsibility for managing the bank on a day-to-day basis.

The only control body of the EIB is the Audit Committee, an independent body responsible for verifying the bank's operations and activities to ensure best banking practices.

The EIB's dedication to solid governance brings the bank an ethical, accountable, and transparent setting. A well-established governance structure influences consistency in the bank's operations and economic policies, promoting financial and political success within and outside the EU. Ensuring rigorous standards and effective operational practices locates the institution in a leadership position in multilateral banking. By setting these standards, EIB serves international financial activities and the growth of its member states.

1.1.3 The EIB Group

In 1994, the European Investment Fund (EIF) was established under the statute of the EIB, resulting in the official formation of the EIB Group in 2000 (European Investment Fund, 2023). The EIB and the EU are the EIF shareholders, represented by the EC and various private and financial institutions of the member states, the United Kingdom and Turkey (European Investment Fund, 2023). The EIF comprises the private and public shareholders, reflecting a dual nature, generating financial growth for its shareholders. The EIF utilises a commercial pricing policy and generates income from fees and risks to promote the EIB and EU objectives (European Investment Fund, 2023).

The EIF's mission is to finance small and medium-sized enterprises (SMEs) and mid-caps as their primary source of risk providers. The EIF supports innovation, research and development, entrepreneurship, growth, and regional development to support the EIB's environmental, social and governance (ESG) and SDGs of the United Nations (UN) principles by designing and developing venture capital and guarantees (European Investment Fund, 2023). The EIF is a strategic partner of the EIB, working together to promote economic growth and financial stability to the EIB Group and the EU by fostering opportunities for SMEs.

1.2 Business Model

The EIB has been a crucial actor in market-making and regional development within the EU and beyond since its establishment in 1958. The endurance of the EIB is the result of the organisation's commitment to flexibility and adaptability to navigate the challenging political and economic landscape. The EIB's operations and activities reflect the institution's strategic approach toward challenges. In this section, I analyse the EIB's business model, scrutinising its operations and activities and underscoring its dual nature as a bank and an EU financial institution to comprehend the organisation's strategy for longevity. Kavvadia (2022, p.118) utilised an archetype for the EIB's business model that has extended beyond a profit-oriented approach but an archetype that reflects the EIB's structure and processes, delivering value through four connected elements to demonstrate the EIB's duality. While the institutional side of the EIB is represented by two elements, "strategic choices" (why) and "value network" (with whom) analysing archetypes merit, the banking side, liabilities and assets, is reflected by "value capture" (with what) and "value creation" (for what) (Kavvadia, 2022, p.120).

Kavvadia (2022) employed this approach by embracing the logic factor behind the institution to understand the EIB's transformative power. The essentialist and instrumental perspectives have been analysed during the archetype; in contrast, the first perspective aims to describe the capabilities such as static representations and explain current matters, and the second perspective shows the transformational power of the business models to make changes (Kavvadia, 2022, p.120). Kavvadia (2022) explored the evolution of the EIB and its business model by pointing out the milestones elucidating stages such as creation, extension, revision and termination.

The EIB was established to facilitate the cooperation of the public and the market forces, aiming to explore business opportunities and contribute to the region's development. The founding statutes of the EIB are composed of 29 articles: six focusing on institutional aspects such as governance and "cheques and balances", thirteen focusing on operational aspects such as banks' business fundamentals, and ten covering both aspects (Kavvadia, 2022, p.121). The duality of the EIB was evident in its founding documentation of 1958, addressing the institutional aspects that established a public bank by a multilateral agreement, ensuring the interests of all member states; contemporaneously, it discourses the significant financial commitment of the shareholders, the member states, who initially invested a capital of 1 million u.a. (Kavvadia, 2022, p.121). Establishing the institution as a bank rather than a fund provided financial resources and legal autonomy that led to credibility in the capital markets, complying with the EIB's dual nature (Coppolaro, 2022, p.16).

The EIB's dual nature provided itself with various benefits that created a long-lasting impact on Europe, including perpetual self-financing ability, the ability to access high volumes of funds to provide evolving European schemes, financial support to projects that comply with criteria, liberalisation of capital movements, and involvement in the unification of European capital markets (Coppolaro, 2022, p.16). Conceptualisation as a self-financing organisation in the market situated the EIB as a complementary financial resource while intending to prevent market distortions and inequitable competition. The EIB's aim to facilitate the cooperation of the public and the market forces led to the exploration of business opportunities and contribution to the region's development on a self-financing basis, using its funds and capital market borrowings to finance eligible projects (Kavvadia, 2022, p.122).

The EIB operated according to its commitment to regional development by following a non-profit-making basis and setting aside profit generation. This approach is also observable in the centralisation of the bank, which was first in Brussels and later in Luxembourg, creating distance between customers and investors (Kavvadia, 2022, p.123). Instead, the EIB utilises a shareholder-centric approach, the “value network”, in its business model to improve its lending and borrowing activities involving its shareholders, public administrations, investors, borrowers, and other EU institutions (Kavvadia, 2022, p.123). The EIB’s shareholder-centric approach results in a politicised environment within the bank as the interests of the shareholders influence the organisation. Whilst this approach can benefit the EIB by strengthening its power by utilising certain circumstances, it can also benefit it by becoming more independent in its decision-making process and having more autonomy, entailing it in the political agenda as it represents the shareholders.

For 42 years from the establishment of the EIB, the organisation used a business model that embraced dual nature, self-sustained financing, and a shareholder-centric approach. The EIB’s tendency to flexibility in its business model provided itself with the benefits of maintaining a solid institution in challenging and changing circumstances, including politicising to align with the EU political agenda and requests and evolving into a key actor in regional development.

Nevertheless, with the introduction of the euro in 1999, the EIB faced some challenges that could not be solved with the primary business model. The EIB’s business model could not handle the new lending and borrowing environment, as it experienced a challenging situation with the abraded operating margins and the changing competitive landscape, inevitably creating new objectives for the EIB’s “value capture” and “value creation” (Kavvadia, 2022, p.126). The EIB faced threatening competition in its opportunistic borrowing strategies for arbitrage gains, which had

evanesced with the single currency instigation, as the public sector was subject to the Maastricht Criteria rules; in contrast, the EIB was challenged with the possibility of losing its control over the private sector due to the other lenders and project promoters who could benefit from euro capital market and avoid banks (Kavvadia, 2022, 126). EIB undertook innovative approaches to tackle the challenges created by adopting the single currency. These innovative approaches included issuing bonds, so-called Euro-benchmark issues in the capital markets. These bonds led the EIB to draw more investors for lower costs and increased efficiency and cost-effectiveness in its operations. In addition, the EIB unwound its lending activities by enlarging its operations toward risk-sharing with other investors and financial entities and expanding its portfolio, attracting more capital from different sources and fewer risks in its lending activities. The risk-sharing operations rotated EIB's focus to the private sector. EIB moved into public-private partnerships (PPPs) and became a "fund of funds" for SMEs (Jacques, 2001).

The EIB's risk-taking initiatives necessitate an in-depth business model adjustment, including the four elements demonstrating the EIB's flexibility and adaptability. Kavvadia (2022, p.126) states that "the EIB strengthened its resilience by increasing its reserves and asset and liability management while also further refining its due diligence procedures for risk management purposes" for the "value capture" (with what) to increase the revenue streams, and shifting from a "non-profit-making" basis to a "non-profit-maximising" basis. The EIB focused on an accelerator role to attract new projects for accomplished and enhanced investment financing by leveraging its "value creation" (for what) and "value network" (with whom) (Kavvadia, 2022, p.126). In 2004, the EIB group president Philippe Maystadt described the EIB as a "policy-driven public bank", emphasising the cooperation with the EU institutions contributing to projects representing the EU's economic, social and

political priorities (EIB, 2001, p.4). This demonstrates the EIB's role as a bank and a critical player in the EU governance, representing its values.

The EIB's non-profit-maximising business model impelled the challenging era during the introduction of the euro in 1999. The business model's flexibility and adaptability contributed to the success of risk-taking, partnerships with private sectors, and politicisation within the EU.

In 2006, the EIB's subscribed capital increased from EUR 62 billion to EUR 164 billion to strengthen the organisation's lending activities and finance larger projects (Kavvadia, 2022, p.128). The strategic choice of capital doubling provided more flexibility to the EIB, ensuring a diverse portfolio of lending activities and promoting EU development goals. Additionally, this strategic choice benefited the EIB with financial stability regarding the possible adverse outcomes of the operations and minimised the risks that resulted from those operations. The EIB's prestige as a trustworthy organisation was preserved through its improved economic strength, promoting growth within the region, and supporting policy objectives.

Furthermore, the EIB increased its support for financing SMEs to support the EU policy goals. The EIB supported SMEs through loans and credit lines to financial organisations to generate employment opportunities (EIB, 2006). The EIB's shift to becoming more of a conventional bank while benefiting from its institutional advantages was demonstrated. The EIB (2007) reported that "support for small and medium-sized enterprises was confirmed in 2006 with a record level of bank credit lines of EUR 5.8 billion as well as a record volume of guarantees (EUR 2 billion) and venture capital operations (EUR 688 million). This policy of support for SMEs will receive a further boost in 2007."

The global financial crisis of 2008 created alarming conditions for the EIB. The lack of investment within the EU was worsened and aggravated by the economic decline, restrictive macroeconomic direction, and debt crisis (Kavvadia, 2022, p.128). The lack of investment and the need for funding could not be solved with the previous encouragement strategies for investments.

The EIB pursued new solutions to increase investment and overcome these obstacles. The EIB utilised a new conflation approach, establishing a joint initiative with the European Commission (Kavvadia, 2022, p.128). In 2010, the business model was revised with a three-pillar approach: lending, blending, and advising, inclining institutionalisation of the European Commission's strategic partnership to promote EU resources and EIB finance. The three-pillar approach expanded customer groups and revenue streams by utilising various activities, such as advisory services and risk-sharing operations, using more resources but ensuring higher gains (Kavvadia, 2022, p.129). These off-balance sheet activities resulted in the EIB's shift to embrace a non-profit-maximising approach, reflecting the organisation's endeavours to strengthen resilience to comply with future challenges and an evolving environment. The EIB's approach to expanding the customer group and revenue streams applied different banking methods, leading to a shift towards a customer-centric approach, setting up a global network while remaining shareholder-centric.

The EIB's role during critical and challenging times highlights the organisation's dedication to economic growth and financial stability through its support to the economy and banking sector. The EIB's flexible strategic approach allows the organisation to evolve and grow by revising its business plan. The continuous business plan revisions embrace the EIB's collaboration and risk management, resulting in remarkable resilience in a challenging landscape.

Examining the EIB's business plan through Helen Kavvadia's research is essential for an extensive organisational analysis. The research highlights the organisation's financial model, including the allocated resources, funding structure, and capital composition. This information supports us with the apprehension of the EIB's economic capacity, financial stability and possessed volume for financing projects as a bank and an institution. The business plan also defines the EIB's approach toward governance, providing information on the engagements with the stakeholders, EU organisations, financial institutions, and the partnerships with the private sector, demonstrating EIB's dedication to collaboration for more stability and autonomy within the context. Furthermore, understanding the business model outlines the EIB's risk management approach through its partnership strategies and revisions to maintain stability and steer the challenging and complex economic environment, minimising the loss that could result from lending activities. The EIB's overarching approach to its operations and activities displays the organisation's commitment to innovation to adapt and revise its operational priorities, goals and vision as a response to the economic and financial challenges. This provides information on how the organisation positions itself within the landscape and operates and allocates its resources.

The study highlights the flexibility of the EIB's business plan and possible future revisions to maintain the organisation's stability and autonomy. Understanding the EIB's business plan provides valuable insights into the organisation's evolving characteristics, operations, and governance, serving us to understand the EIB's transformation since its establishment.

1.3 Products and Services

The EIB practices various operations, providing financial support to sectors contributing to sustainability, regional cohesion, employment and growth within and beyond the EU by providing five products: loans, equity, guarantees, advisory services, mandates, and partnerships. This section examines the five products of the EIB, aiming to outline the organisation's growing role as a bank and a financial institution.

1.3.1 Loans

The EIB offers a diverse portfolio of loans to the public and private sectors. The EIB supports small companies and start-ups through local banks while lending money directly to mid-cap companies for their research and development endeavours (European Investment Bank, n.d.). The EIB loans provide project support for technical and financial aspects and, in most cases, cover up to 50% of a project's total cost, meeting the lifetime of each project (European Investment Bank, n.d.). The EIB supports SMEs by offering funding up to EUR 12.5 million. The EIB has a diverse loan portfolio, including public, private, SMEs, and microfinance.

The EIB's loans for the public sector start at EUR 25 million, aiming to finance single large investment projects that meet at least one of the priorities of the EIB, contributing to growth, employment, regional cohesion, and environmental sustainability. Sovereign states, national institutions, regional and local authorities, and public sector companies are eligible for this type of funding.

Whereas, the framework loans for the public sector provide funding starting from EUR 100 million to finance programs that consist of smaller projects that need long-term funding. Whilst the eligibility criteria are the

same as typical loans for the public sector, this type of loan aims to work with the framework loans for cities and regions and structural programme loans for regional development. The framework loans usually finance small and medium-sized projects within a city or region, sizing between EUR 1 to 50 million, for 3 to 5 years (European Committee of the Regions, 2016a). The framework loans are the most flexible loan for cities and regions due to their ability to adjust and add direction as the projects evolve. The framework loans are planned to create environmentally, socially and economically sustainable cities and regions for funding different sectors such as health, energy, infrastructure and transportation.

The other type of framework loan is the Structural Programme Loan (SPL) for regional investment. SPLs are dedicated to balancing the equality differences between regions meeting the EU's cohesion policy objectives through five different funds: Cohesion Funds, European Development Regional Funds, European Social Fund, European Agricultural Funds for Rural Development, and European Maritime and Fishery Funds (European Committee of the Regions, 2016b). In this loan type, funding is designed for various small projects that could not independently qualify for financing from the EIB. SPLs finance multisectoral projects to advance development strategies while tackling numerous regional challenges, including employment, social issues, and infrastructure.

Loans for the private sector are designed for large corporates, mid-caps, joint ventures and PPPs. The project financing is mostly for three years, covering up to 50% of the total cost and starting at EUR 25 million. Whilst the EIB centres its attention on the EU, around 10% of the annual business volume of operations was issued outside the EU (Gatti, Gorea, & Presbitero, 2023, p.1). Small businesses and mid-caps promote employment opportunities and economic development. SMEs are crucial in captivating innovation, new inventions, and growth. In Europe, 99.8%

of non-financial businesses comprise 23 million smaller firms, which provide around three-quarters of all jobs (European Investment Bank, 2022a). Whilst these SMEs promote economic growth, most struggle to find funding. The EIB Group provides loans, securitisations, guarantees and quasi-equity financing to businesses to contribute to their growth throughout their development cycle (European Investment Bank, 2022a). The EIB Group sustained 4.5 million jobs by supporting over 431.000 SMEs and mid-caps (European Investment Bank, 2022a). The European Investment Bank's data (2022a) shows that the support for SMEs accounts for nearly all of the EIF operations and 47% of the EIB operations, with an absolute number of EUR 45 billion.

Microenterprises is another group that the EIB supports through loans. Microenterprises are establishments with less than ten people, essential for the region's economic development. Microfinance supports microenterprises throughout their development cycle, from launching to developing and revenue-generating phases. Microfinance institutions and banks, as well as microfinance investment vehicles and funds, are utilised by EIB for the investment process. In addition, the EIB supports microenterprises and microentrepreneurs, providing technical assistance through training and capacity building to strengthen business operations.

The EIB has lending activities within and beyond the EU. To comprehend the EIB's lending approach, an investigation across countries where projects are located is essential. A country-specific investigation supplies us with constructive information on the EIB's strategic behaviour towards investment, economic development and rational interests. This examination is based on countries and territories where projects are located and the aggregate loans granted to analyse.

Figure 1.2 - Geographical breakdown of total lending within and outside the European Union in 2022 (in EUR millions)

Countries and Territories	Aggregate Loans Granted	%
Spain	74,168.087	13,39
France	66,984.192	12,1
Italy	62,973.303	11,37
Germany	45,131.464	8,15
Poland	44,559.127	8,04
Greece	19,185.753	4,46
Netherlands	16,405.099	2,96
Belgium	16,225.648	2,93
Austria	15,203.898	2,74
Portugal	13,435.636	2,43
Sweden	11,896.160	2,15
Finland	10,716.860	1,93
Hungary	9,526.551	1,72
Czech Republic	7,794.653	1,41
Ireland	7,694.439	1,39
Romania	7,031.275	1,27
Slovakia	4,276.299	0,77
Denmark	3,827,043	0,69
Croatia	3,492.330	0,63
Cyprus	2,631.587	0,48
Slovenia	2,571.006	0,46
Lithuania	2,548.651	0,46
Bulgaria	2,305.773	0,42
Estonia	1,522.274	0,27
Latvia	987,166	0,18
Luxembourg	843,307	0,15
Malta	409,141	0,07
Sub-Total	454,346.722	82,02
United Kingdom	229,762.447	5,37
Candidate Countries	22,607.433	4,08
Mediterranean Countries	19,907.931	3,6
Asia	8,908.021	1,61
ACP States	7,238.381	1,31
Latin America	6,208.045	1,12
Russia, Eastern Europe, Caucasus	2,439.654	0,44
EFTA	1,564.381	0,28
South Africa	592,257	0,11
Poetantial Candidate Countries	232,856	0,04
OCT	105,618	0,02
Sub-Total	99,567.024	17,98

Source: Taken from the European Investment Bank (2023a).

The data shows that the EU countries such as Spain, France, Italy, Germany and Poland have an outstanding rate of loans representing their economies. These countries also represent higher total subscribed capital in the EIB. Predictably, the possibility of these countries aiming to improve their development is higher than the member states with small economies.

Whilst the countries within the EU show a total rate of 82.02% as of 2022 with a sub-total number of EUR 454,346,722 million, countries and regions outside are represented by a noticeable rate of 17.98% (European Investment Bank, 2023a). The United Kingdom holds the highest aggregate loans granted outside the EU, with EUR 29,762,447 million overtaking numerous EU countries such as Greece, The Netherlands, and Belgium (European Investment Bank, 2023a).

Additionally, The United Kingdom's total granted amount of loans overtakes regions beyond the EU, such as the candidate countries, Asia, and ACP states. The United Kingdom's granted loans outline a remarkable portion even after Brexit, showcasing both parties' long-standing relationship since the establishment of the EIB. The United Kingdom was one of the main shareholders alongside Germany, Italy, and France since its accession to the EU, benefiting from various financing activities in sectors like energy, water, health, education, infrastructure, transportation, and housing (European Union Committee, 2019). With EUR 592,257 million in aggregate loans granted, corresponding to 0.11% of the total in 2022, South Africa is the second individual state outside the EU list.

The list demonstrates the EIB's wide range of activities worldwide, covering every continent and numerous countries, highlighting its devotion to development while gaining intercontinental credibility.

1.3.2 Equity

Another type of financing is equity, representing 10% to 20% of the fund size, with a maximum of 25% invested in infrastructure, environment, SMEs, and mid-size companies (European Investment Bank, n.d.). There are two equity products: venture debt and investment funds.

Venture debt is a loan the EIB provides for innovative early-stage companies and SMEs used as short-term solutions. Unlike venture capital, venture debts do not require any management or shareholding in the related businesses. Venture debt is estimated to represent 3% of Europe's annual venture capital transactions (Stoykov, 2022).

Investment funds are allocated to projects focusing on infrastructure, climate action, private sector development, and social impact goals, mostly outside the EU (European Investment Bank, n.d.). African Infrastructure Investment Fund 4 (AIIF4) was one of the projects funded targeting sustainable infrastructure in Africa with an EIB commitment of USD 75 million in 2022 (European Investment Bank, 2022b). The project predominantly focuses on energy, transport and telecom. The projects are chosen from different parts of the world, including Asia, such as GEF South Asia Growth Fund III, which targets SMEs to improve their access to finance and support the SDGs to tackle climate change. The EIB commits to this project with a total fund of USD 40 million in 2023 (European Investment Bank, 2023b).

By providing equity, the EIB provides financial support and becomes strategic partners with private enterprises, sharing a collaborative approach towards sustainable and innovative goals. These collaborations can be found in different parts of the world on different subjects such as energy, transportation, water, forestry, or urban development.

1.3.3 Guarantees

In addition to loans and equities, the EIB also offers a diverse portfolio of guarantee instruments, providing credit risk protection and financing for SMEs and mid-size companies, covering a portion of possible losses (European Investment Bank, n.d.). Guarantees are offered for commercial banks, national promotion banks, and financial instruments. The EIB also offers credit enhancement for special-purpose vehicles for project finance, including PPPs, leading to improved credit rating and consequently attracting supplementary financing. The maximum rate is 20% of the nominal of credit-enhanced senior bonds and a size of around EUR 200 million (European Investment Bank, n.d.).

1.3.4 Advisory Services, Mandates and Partnerships

The EIB offers advisory services for the public and private sectors, supporting financing and business operations. The EIB offers technical and financial insights to guide strategic, market, and project development through its extensive knowledge of sectors and policy areas. It touches on market needs by analysing project financing and EU policy perspectives, demonstrating the EIB's competency and devotion to development.

The EIB allocates billions of euros in loans for economic development. Nevertheless, the organisation puts effort into mandates and partnerships to expand its network, enter new markets and support more people globally. The EIB aims to solve energy, water, equality, health, and employment-related challenges by blending partnerships, investments and advisory services to accelerate development in those regions, countries, and sectors that lack resources. By doing so, the EIB supports EU goals while contributing to global economic development. The EIB recognises the significance of collaborative actions to create more job

opportunities, equality for everyone, and a clean planet. The EIB partners with numerous organisations within and beyond the EU to execute these goals. Inside the EU, The EIB is the leading implementing partner of the InvestEU programme, which has a significant role in promoting recovery, green growth, quality jobs and well-being across Europe (European Investment Bank, n.d.). In 2022, a “Guarantee Agreement” was signed by the EIB Group and the EU to establish the EU guarantee under the Invest EU (European Investment Bank, 2023a, p.167). It is expected to elevate public and private investments through a EUR 26.2 billion EU budget guarantee, which the EIB Group granted to hold 75% of this guarantee (European Investment Bank, 2023a, p.167).

The EIB recently proposed an approximate amount of EUR 500 million, corresponding to 50% of the approximate total amount to a project named “Thematic Green Transition (IEU VD & DEBT) LE” under InvestEU (European Investment Bank, 2023c). The project was approved in 2023 and aims to provide solutions to solid waste, industry, energy, services, and transport. The project is expected to result in positive environmental and social impacts, such as improved innovative technologies, the reduction of CO2 emissions, and gender equality. Thematic Green Transition provides valuable contributions to the environmental and social objectives of the EIB and EU and reflects their goals for green transition. The project’s commitment to social and environmental objectives corroborates the sustainability aspects of the EIB and EU.

The EIB has invested more than EUR 1 trillion in 160 countries outside of Europe since 1958 (European Investment Bank, 2023p). “Green African Agri Value Chain – FCB Zambia” is one of the global projects the EIB supports with an approximate amount of EUR 10 million aiming to promote inclusive value chain development, increase income, access to new markets, and digitisation as well as sustainable agriculture (European Investment Bank, 2022c). The project was launched under a

joint initiative of the EIB and the EC named “The Zambia Agriculture Value Chain Facility” to improve SMEs' access to finance, especially in the agriculture and aquaculture value chains (European Investment Bank, 2022c). These collaborative attempts showcase the EIB’s goal to improve economic and sustainable development worldwide while gaining credibility for the organisation and enhancing the impact of its operations.

1.4 Operations

The EIB has supported thousands of projects in over 160 countries since 1958, contributing to the macroeconomy in Europe. The overall financing signed by the EIB within 2023 alone has reached EUR 75.14 billion, and the activity of EIB Global reached EUR 8.44 billion (European Investment Bank, 2023p). The EIB provides financing for sectors that align with the EIB and EU goals, contributing to growth, employment, cohesion, climate, and sustainability.

1.4.1 Innovation, Digital and Human Capital

The EIB has supported innovation, digital and human capital with EUR 19.76 billion investment in 2021 (European Investment Bank, 2024a). Climate change, population density, and resource gaps reshape our lives, and the EIB provides a solution to support this change through innovation and technology. Nowadays, new technologies such as artificial intelligence and quantum computing promote job creation and economic growth. Society’s awareness of education and human capital is essential to invest in these sectors to solve real-life problems such as poverty.

The EIB’s commitment to innovation is demonstrated by its role in promoting innovative developing companies, Europe’s digital network, research and development (R&D), industry 4.0, and semiconductors. The EIB’s support of innovation is underscored by its recent investment in

the expansion of R&D infrastructure in Greece with a 25-year-long loan of EUR 119 million, creating employment for more than 500 researchers (European Investment Bank, 2023d, p.6).

Digitalisation is necessary to remain competitive and support projects contributing to Europe's digital and innovative future. European firms were driven to digitalise, especially after the Covid-19 crisis. After the pandemic, 53% of European companies have shifted to become more digital (European Investment Bank, 2023e, p.2). Whilst digitalisation can be implementing artificial intelligence, 3-D printing, or robotics for firms, it can also be an investment in climate change. Technology implementation can benefit urban mobility, sustainable supply chains, disaster prediction and circular economy. The data shows that while more than 80% of companies with advanced digital technologies in the EU have already implemented solutions such as energy efficiency, recycling, and sustainable transport to help reduce greenhouse gas (GHG) emissions, more than 30% of companies with advanced digital technologies in the EU have invested in measures to mitigate the physical risk of climate change (European Investment Bank, 2023e, p.37). This study demonstrates that digital companies are more likely to invest in strategies that reduce GHG emissions and tackle the physical risks of climate change, underscoring the proactive approach to climate action.

To succeed in innovation and digitalisation, societies need human capital, thus education and training. Enhanced human capital promotes economic growth and a competitive landscape. The EIB invests in education within and beyond the EU to contribute to human capital. From 2021 to 2022, the EIB invested a total of EUR 2.6 billion in education worldwide, of which 93% was lent to projects inside the EU, and 56% of the education lending supported climate action (European Investment Bank, 2023f, p.2). The EIB loans benefit many projects from primary school to higher education. While the lowest stake, EUR 116

million, was invested in technical and vocational schools, cultural support, sports and other activities benefited from EUR 684 million, the higher education received an amount of EUR 172 million, EUR 592 million was invested in primary education, and the highest amount was invested in secondary education, with EUR 1.05 billion of the total value of EUR 2.6 billion (European Investment Bank, 2023f, p.2).

1.4.2 Small Medium-Sized Enterprises

As previously noted, SMEs are crucial actors, accounting for 47% of the EIB operations with an absolute number of EUR 45 billion. Nevertheless, this amount was lessened to EUR 19.96 billion in 2023 (European Investment Bank, 2024a). The EIB's lending portfolio for SMEs and mid-caps comprises various sectors, from agritech to health. The EIB's one recent lending was provided to a company called Almotive, which works on artificial intelligence (AI) based software for self-driving cars and received a EUR 20 million loan for the development of its technology and bringing growth in the automotive sector (European Investment Bank, 2022a, p.4).

1.4.3 Cohesion

European Union's Cohesion Policy aims to diminish the differences in development between regions and countries within the EU. The EIB plays a crucial role in supporting the EU goals and financing projects to level up less developed regions to ensure the same quality of life for everyone. The EIB's cohesion financing supports regions with a GDP below the EU average. The EIB lent EUR 36.03 billion to Cohesion in 2023 (European Investment Bank, 2024a). From 2021 to 2022, the EIB has lent a total amount of EUR 44.7 billion to cohesion, while the highest stakes were taken by the energy sector at 28.7%, followed by transport at 19.4 % and credit lines at 16.2%; the sectors with lowest investments were Solid waste (0.8%), composite infrastructure (0.6%) and agriculture, fisheries,

and forestry (0.8%) (European Investment Bank, 2023g, p.2). The data shows that from 2021 to 2022, a higher percentage of the cohesion lending was allocated to climate and environmental objectives than to overall EIB lending, underlining the EIB's commitment to tackling climate and environmental challenges and the Climate Bank Roadmap (European Investment Bank, 2023g, p.2).

1.4.4 Sustainable Cities and Regions

The EIB launched a new programme for 2022 and 2023 to make life in European cities more sustainable for communities. In 2023, the EIB invested EUR 21.33 billion in sustainable cities and regions to contribute to its priorities and the EU goals (European Investment Bank, 2024a). The EIB has a strong history of supporting sustainable cities worldwide with housing, transportation and urban development projects. In 2022, the EIB invested EUR 500 million in the Danish railways Danske Statsbaner (DSB), equipping the company with 100 electric multiple units replacing ageing diesel-powered trains (European Investment Bank, 2022d). This project demonstrates the environmental commitment to reducing CO2 emissions and the green transition of Danish society by promoting sustainable transportation, thus contributing to the goals of the Climate Bank Roadmap.

1.4.5 Sustainable Energy and Natural Resources

The EIB has been an important partner in promoting the European Union's goals on carbon neutrality by 2050. The Climate Bank Roadmap set its operations to be Paris-aligned and surpass 50% of its lending in climate action by 2025 (European Investment Bank, 2023h, p.34). Ensuring the Climate Bank Roadmap goals requires a strong commitment to green transition in all aspects of life. In recent years, affordable and sustainable energy has become a priority due to political issues resulting in an energy crisis and environmental challenges. In

2023, the EIB invested EUR 26.80 billion in sustainable energy and resources, providing 13.8 million households with renewable energy and 4.9 million people with safer drinking water (European Investment Bank, 2024a). The EIB substantiates the REPowerEU package, launched in response to political issues and aims to support the green transition. The EIB aims to provide EUR 30 billion from its resources over the next five years, bringing EUR 115 billion of investment for renewable energy, electric vehicle charging infrastructure and related technologies (European Investment Bank, 2023h, p.34). Supporting the REPowerEU contributes to the EIB's priorities of reducing GHG emissions and energy dependence on non-EU states, creating employment and economic growth, and supporting human capital.

1.4.6 Sustainability

Sustainability and inclusive development are the central objectives of the EIB's lending strategy to ensure socially fair and climate-neutral economies, acknowledging the negative impacts of environmental issues and social inequalities on communities. The EIB utilises an approach covering environmental, social and economic aspects to contribute to sustainability and inclusive development (European Investment Bank, 2022, p.3). By doing so, the EIB aims to foster employment, growth, health, and quality living. The EIB's priorities to support sustainability are demonstrated by financing projects that positively impact societies, economies and the environment.

The EIB places poverty, conflict, human rights and gender equality at the centre of development for social sustainability, offering its products and services to reduce poverty, inequality, and violation, increase the benefits for economic and social opportunities, and enhance resilient communities. The EIB has made outstanding contributions to social sustainability by fostering financing, partnerships, and working aligned with specific frameworks such as the SDGs nevertheless, in recent years,

it positioned climate change and environmental sustainability at the centre of its goals. The EIB announced its transformation from “an EU bank supporting climate” into “the EU Climate Bank” in November 2019, setting up new commitments as one of the largest financiers of climate change and environmental sustainability (European Investment Banks, 2020a, p.v). The EIB created the Climate Bank Roadmap 2021-2025, guiding its dedication to climate and representing its goals for carbon neutrality by 2025, working together with the European Green Deal. The Climate Bank Roadmap outlines its commitments as follows:

- Investment of EUR 1 trillion in climate action and environmental sustainability from 2021 to 2030;
- Increase the share of its annual financing allocation to climate action and environmental sustainability to 50% by 2025;
- Aligning emerging operations with the principles and goals of the Paris Agreement (European Investment Bank, 2020a, p.1).

While the EIB aimed to reach a minimum of 25% for global climate lending in 2015, the numbers have doubled since launching the Climate Bank Roadmap (European Investment Bank, 2016a). In 2022, the EIB lent EUR 36.5 billion, corresponding to 56% of total financing, particularly in low-carbon transport and energy (European Investment Bank, 2023i, p.5). The EIB contributed to green financing with EUR 49.04 billion, the highest amount allocated for any of the policy areas for 2023 (European Investment Bank, 2024a). According to the data, from 2021 to 2023, the EIB supported green investment with a total of EUR 349 billion (European Investment Bank, 2024a). The EIB’s commitment to climate is evident in its evolving lending strategies and the provided data, underlining the differences before and after the launch of the Climate Bank Roadmap.

To acknowledge the sustainability commitments to social and environmental aspects, the EIB has launched 11 environmental and

social standards to meet the sustainability goals by 2030 (European Investment Bank, 2022e). This framework ensures all the projects meet the requirements to support the transition of the communities into a climate-neutral and socially sustainable way of living in and beyond the EU. The standards address efficiency, pollution, biodiversity, climate change, resettlement, human rights, well-being, cultural heritage, and project management.

This chapter plays an important role in scrutinising and elucidating the structure of the EIB. Apprehension of the EIB's governance, business model, role and operations provided valuable awareness of the organisation's motivations, priorities and future strategies. The chapter outlined the EIB's accomplished economic growth and financial stability, the organisation benefiting itself and the World. The following chapter utilises the substantial data from this chapter to investigate the EIB's historical framework, aiming to analyse the dynamics that have brought transformative change to the organisation in its climate banking expedition.

2 HISTORICAL ASPECTS

The EIB holds a prominent role as the largest multilateral development bank, with total assets of EUR 544.59 billion as of 2022, as a result of the organisation's historical background and response mechanism to evolving political and economic agenda in Europe and the World 2022 (European Investment Bank, 2023a, p.7). The EIB has navigated challenging historical events with innovative and flexible methods, underscoring the organisation's solidity and autonomy. Consequently, the EIB's prosperity is exemplified by its economic magnitude and devotion to adaptation to the fluctuating World since its establishment. To better understand the changing role of the EIB, this chapter is dedicated to examining the historical background of EIB. The chapter touches upon the European and global economies of the post-World War II era, scrutinises the establishment period to the 1970s to analyse the EIB's activities during the Golden Age, and examines the 1980s onwards, outlining the EIB's role in shaping EU climate agenda to elucidate the bank's evaluation.

2.1 Post-WWII Economic Recovery in Europe

2.1.1 Economic Integration

World War II caused the formidable loss of life and destruction of societies and economies. Rebuilding Europe was a necessary act for the economic development of the region. European economies were shattered after the war and were heavily debt to the United States, with a total value of USD 9 Billion from 1945 to 1947 (Woodward, 2009, p.13). Nonetheless, the International Monetary Fund (IMF) and World Bank were the main organisations that provided funding for European countries to organise their reconstruction (Woodward, 2009, p.13). European economy could not be invigorated despite all the efforts due to the declined trade,

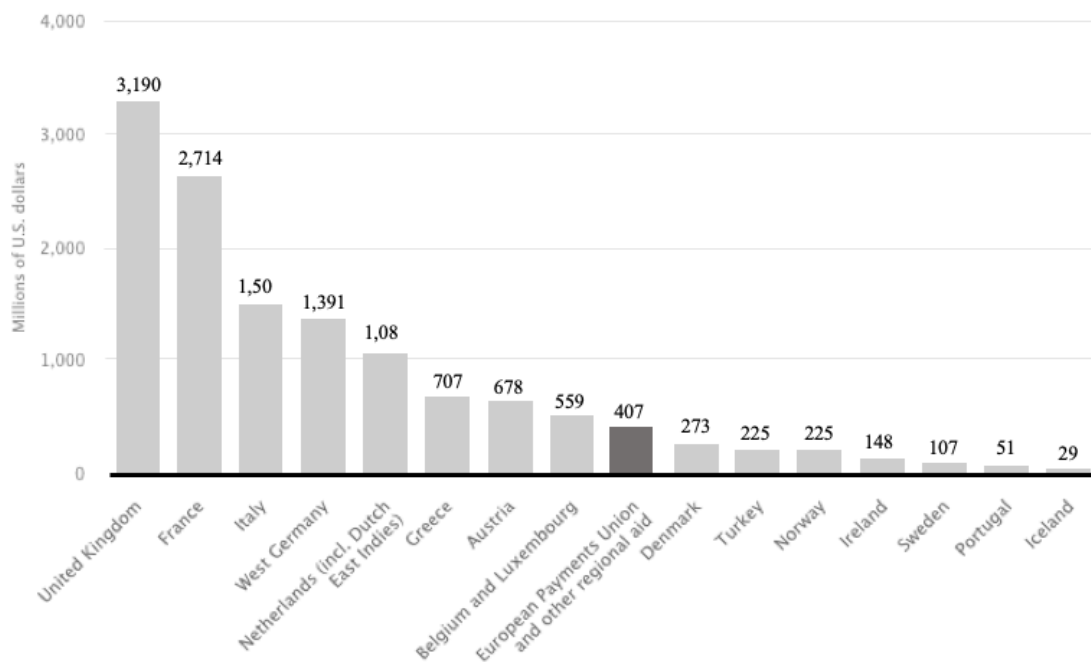
scarcity, dissatisfaction, and growing communism. The need for European integration has occurred to restore economic growth in Europe. Balassa (1961) analyses the integration process in Europe in his book “The Theory of Economic Integration”. The integration requires different types of cooperation and collaboration among European countries. The economic integration starts with establishing a Free Trade Area (FTA), leading to the termination of tariffs and quotas within the region to boost trade. The second step is establishing a customs union to foster coordinated trade processes by removing trade barriers. Customs union promotes the foundation of a common market, guaranteeing the free movement of goods, capital, services and people. Creating a common market embraces the region with increased economic activity and brings invigoration. The article underscores the need for coordinated monetary, fiscal and social policies among countries to foster economic cooperation and harmonisation (Balassa, 1961, p.174). According to Balassa (1961), the divergence in these policy areas may create problems, and he suggests the foundation of a supranational authority that promotes a unified economic structure and financial stability. Since the late 1940s, these forms of economic integration have taken place through different establishments and initiatives. The first signs of European integration started with US President Truman’s ratification of the Economic Recovery Act of 1948, known as the Marshall Plan (Truman, 1948). The Marshall Plan had three purposes:

- Export of American goods leading to strong trade partnerships;
- Boosting European Integration to avoid regression to nationalism;
- Establishing a peaceful Europe to stop the expansion of communism (Woodward, 2009, p.14).

The Marshall Plan’s creation for financial support to the economic reconstruction of Europe led to the establishment of the Organization for European Economic Co-operation (OEEC) in 1948, ultimately resulting in the creation of the Organisation for Economic Co-operation and

Development (OECD) in 1961 to distribute the allocated aid (Christoper, 1998, p.165). The OEEC designed the EIB within its framework as a regulatory body for the management of public loans in order to maintain the commonweal, protect the price spectrum, and prevent insufficiency (European Investment Bank, 2008, p.15). The OEEC had 18 member states receiving the Marshall Plan aid: Austria, Belgium, Denmark, France, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Sweden, Switzerland, Turkey, United Kingdom, Western Germany (American, British, French occupation zones), and the Free Territory of Trieste (until Italian sovereignty) (Woodward, 2009, p.15). In the first four years, USD 13.3 Billion was allocated to European countries to reconstruct economies, with a tailored approach depending on the special needs of each country (GCMF, 2021).

Figure 2.1 - Distribution of aid from the European Recovery Program (Marshall Plan) per country from 1948 to 1952 (in USD millions)



Source: Taken from the GCMF (2020).

The distribution of Marshall Plan aid was meticulously linked to the economic conditions of beneficiary countries after World War II and was influenced by the current account deficits in 1947, showcasing the disparities among European nations (Congressional Research Service, 2018, p.2). The data shows that the largest economies, such as the United Kingdom and France, were allocated higher amounts, reflecting the magnitude of their current account deficits. The plan aimed to solve the economic challenges faced by each country for their specific needs. Nonetheless, economic expansion was not experienced simultaneously in every region of Europe, as economic development did not occur in the Southern parts of Europe until the late 1950s. While the Marshall Plan showcases the commitment to establishing European integration and a connected global economy, there was an increase in the disparity of the European regions. Whilst the financial support helped Europe to recuperate, the progressing integration in Europe executed the foundation of the economic recovery.

The following decades, despite economic difficulties and debts, demonstrated exceptional social development and macroeconomic stability (Milward, 1992). The inscribed economic growth resulted from the well-established economic recovery methods in Europe and support for constructive trade, cooperation, and alliance. Ultimately, it developed into the Golden Age, the thriving economic era of Europe from 1950 to 1973 (Vonyó, 2008).

2.2 Golden Age (1950s to 1973)

2.2.1 Establishment

Starting from the early 1950s, Europe experienced immense economic growth through the role of European integration. In the 1950s, European integration was braced by creating the European Communities (EC) to

foster the corporation further. The EC's first advent was in 1951, with the formation of the European Coal and Steel Community (ECSC) by Belgium, France, Germany, Italy, Luxembourg, and the Netherlands (European Union, 2017). In 1957, the EC was formed utterly through the ratification of the Treaty of Rome, creating the European Atomic Energy Community (Euratom) and the European Economic Community (EEC) to foster economic cooperation and maintain peace while creating a common market of goods, capital, people and service, ultimately supporting the cooperation among member states (Valls, 2016). The EC was later known as the EEC and had the initial six founding members of the ECSC. The EEC was the first example of supranational integration, and it was nourished by national resources and capabilities and created a common decision-making mechanism (Valls, 2016).

The Treaty of Rome not only established the first supranational union but also created the EIB in 1958 for progressive economic integration. The establishment of the bank is influenced by economic theories addressing the integration of national economies at discrete developmental stages. Myrdal has investigated the integration of national economies operating at varying development trajectories and its consequences for convergence and divergence, underscoring distress over the economic disparities between prosperous and less prosperous nations due to the impact of unregulated market forces (Myrdal, 1957). Myrdal argues for a theory of circular causation and cumulative movements, where "backwash" effects refer to the competitive impact of growth in one region restraining similar developments elsewhere, possibly leading to the exhaustion of resources and skills from less developed regions, and aggravating their economic challenges, whereas the "spread" effects refer where development in one region fosters growth elsewhere contributing to a balanced and inclusive economic growth among regions (Knox, 1960, p.281). It has been suggested that unrestricted trade between industrialised and underdeveloped countries

could trigger a cumulative process towards the impoverishment and stagnation of the latter, as the “backwash” effects can predominate the “spread” effects (Myrdal, 1957, p.99). Thereby, some regions may experience an expanding economic disparity, creating challenges for the convergence of underdeveloped economies with their more prosperous peers. This theory emphasises the complex interrelation of market forces in shaping international economic disparities and promoting balanced economic growth across nations at varying development trajectories. The creation of the EIB can be perceived as a deliberate approach to addressing this concern. Myrdal’s economic theory reflects the EIB’s role in countering such economic disparities and fostering convergence within the EEC. The EIB vigorously mitigates the disparities and promotes economic integration by financing to support development across the region. Therefore, the EIB's establishment and mission align with Myrdal's theory, as it shows a commitment to address the challenges and seeks to achieve convergence within this supranational union.

The EIB, a dual entity, was established as a financial institution with its own legal personality and an institution of the EEC (Coppolaro, 2023, p.2). The diverse economic development, level of productivity and infrastructure of the founding states have brought some obstacles to the economic integration and establishment of a progressive Common Market. The total volume of gross investment of 30.000 million units of account (u.a.) accounted for 1958 to mitigate the development differences in certain regions (European Investment Bank, 1959, p.16). In 1958, 1 u.a. valued at 50 Belgian Francs, 4.20 Deutsche Mark, 493.706 French Francs, 624.91 Italian Liras, 50 Luxemburg Francs, 3.80 Netherlands Guilders or 1 United States Dollar (European Investment Bank, 1959.) These six countries have already formed a region that has revealed extraordinary success regarding the number of investments relative to the gross national product (GNP); nevertheless, to enhance the efficiency of the development of the recessed sectors and address inequalities,

member states decided to establish a bank between themselves, positioned it to work closely with the EEC and to serve exclusively the Community (European Investment Bank, 1959, p.16).

2.2.2 Europe of the Six

The EIB aimed to unify various economies to ensure a beneficial system for everyone and every region in Europe, executing the Common Market and nurturing the modernisation of industries and the Community. Thus, the EIB played a vital role in contributing to European economic integration, undertaking a policy-driven approach to implement the EEC financial policies. The first president of the EIB, Pietro Campilli, was an Italian politician who shaped the bank's lending strategies and operational framework up to 1963 until his successor, Italian economist Paride Formentini, took over. The bank executed loans to member states in projects related to power, transport, telecommunications and processing industries, primarily in Southern Italy and France (European Investment Bank, 1958, p.20). In its early years, the national interests of the member states dominated the EIB's lending strategies and neglected its role as a policy-driven organisation (Coppolaro, 2023, p.3).

From 1958 to 1973, the Board of Governors focused on a generic lending structure, aiming to allocate most of its resources to developing the less advantaged regions to further improve the customs union (Coppolaro, 2023, p.7). During this period, Italy was the biggest beneficiary of the EIB's loans, with 1,594.1 million units of account corresponding to 50.6% of the bank's operations, followed by France with 23.5%, Germany with 17.7%, and lastly, Benelux countries with 3.8% (European Investment Bank, 1974, p.41).

Germany was allocated 127.2 million u.a. 204.5 million u.a., which went to projects that benefited the Community, including three nuclear power

stations to improve electricity supplies, while France was allocated 170.6 million u.a., 71% of it used to finance regional projects and the rest was divided between gas line, hydro-electric power station and nuclear power station (European Investment Bank, 1974, p.27).

Figure 2.2 - Sectoral distribution of the EIB individual operations in Italy from 1959 to 1971 (in million U.A.)

Sectors	Number of Projects	%	Amount	%
Infrastructure	37	20,67	627,1	
Agricultural Development	2	1,12	48	54,17
Water Supply Systems	1	0,56	24	4,15
Electricity Generation	5	2,79	57	4,92
Transport	20	11,17	349,9	30,23
Rail	4	2,23	62	5,36
Road	15	8,38	282,9	24,44
Gas Pipeline	1	0,56	5	0,43
Telecommunications	7	3,91	131,4	11,35
Tourism Infrastructure	2	1,12	16,8	1,45
Industry	142	79,33	530,6	45,83
Mining	2	1,12	0,6	0,05
Metallurgy & Steel	11	6,15	129,3	11,17
Cement	14	7,82	32,2	2,78
Glass & Ceramics	6	3,35	7	0,6
Chemicals	37	20,67	162,2	14,01
Machinery	21	11,73	103,4	8,93
Electric & Electronic Construction	8	4,46	24,8	2,14
Food	22	12,29	29,1	2,51
Textiles & Leather	12	6,7	14,1	1,22
Paper	3	1,68	10,9	0,94
Rubber & Plastics	3	1,68	14	1,21
Other	3	1,68	3	0,27
Total	179	100	1,157.7	100

Notes:

- In 1959, 1 u.a. was equal to 1 United States Dollar.

- In 1971, 1 u.a. was equal to 1 United States Dollar.

Source: Taken from the European Investment Bank (2008a, p.80).

The EIB provided financing to various sectors, such as infrastructure and industry, with a total of 179 projects with a focus on agriculture, transport, chemicals, machinery, and food. These sectors were confined to the development of the country and the living standards of people in Italy. Most of the loans were allocated to the Mezzogiorno region, and the EIB lent 178 million u.a. for roads in Mezzogiorno out of a total of 289.9 million u.a. to build a 475-kilometre motorway to the north (European

Investment Bank, 2008a, p.76). Furthermore, the EIB lent 57 million u.a. to establish a new electric power station, having a capacity of 985 megawatts (MW) and covering Mezzogiorno's energy needs by 10%, representing 30% of the five funded power stations. (European Investment Bank, 2008a, p.77). Loans were allocated to public and private sectors to foster employment opportunities and development. Some of the public enterprises, such as ENEL (energy) and FS Italiane (transport), and private companies, such as FIAT, Pirelli, and Montedison, were the beneficiaries of the EIB loans in Italy (European Investment Bank, 2008a, p.79). While there is some scepticism about the efficiency of the project that was funded in Italy, the EIB's prioritisation of the country in the first two decades heavily contributed to the country's economic development, especially in the Mezzogiorno region, the least developed region in the Community. There have been several factors for this privileged position besides the leadership of Italian Presidents Campilli and Formentini, focusing on Italian economic development. Italy held importance due to its socio-economic disparities among its regions, pushing the EIB for further development of the disadvantaged regions. The EIB's activities in Italy were a model for the bank's operational strategies and financial structures during the Italian Management (European Investment Bank, 2008a, p.74). The Italian leadership provided great value to growth in Italy and partnerships with the EEC and positioned the bank as the guide of European economic integration.

Nevertheless, the deficit of a set regional policy and operational strategy led to a lending policy that was shaped in accordance with the national interests of member states, in this case, mainly Italy. The EIB hold limited autonomy without an independent decision-making mechanism, limiting the bank to endorsing blank cheques as a treasurer (Coppolaro, 2023, p.9). The domination was criticised by the Board of Directors due to not following the bank's aims and prioritising Italy, focusing on the insufficient elimination of economic disparities and the ineffectual growth

of the EEC. The projects could not eliminate the economic disparities due to focusing on nontechnological sectors and being away from the major European market, causing insufficient socio-economic framework or high transportation costs resulting in being non-stimulant for economic growth (Coppolaro, 2023, p.8).

The second criticism was brought up due to the ineffective development of the EEC, as the region was adequate in the sectors that Italy was financed, such as petrochemicals, automobiles, steel manufacturing, zinc, sugar and textiles (Coppolaro, 2023, p.8). No progress was made until the Management Committee's report of 1973 showcasing the inefficient results in job creation and socio-economic development. The report illustrated the lack of autonomy in decision-making resulting from the support of key officials to Italian projects due to concern over a series of consequences resulting from the rejection of loans causing more approvals rather than criticism and the EEC's unclear set of goals on regional policy (Coppolaro, 2023, p.10). Despite the European Commission's endeavours to define the European regional policy by investigating concerns and problems, it mostly incentivised the cooperation of national regional policies as the national legislative systems were diverse during the 1960s (European Investment Bank, 2008a, p.55). The data shows a great diversity in the sectors that the EIB focused on from 1958 to 1973, of which more than 71% was allocated to regional development (European Investment Bank, 2008a, p.43). The EIB's lending was prominent in infrastructure, necessitating long-term financing, such as new motorways, railway lines or waterways (European Investment Bank, 2008a, p.43). Roads and railways capture the majority with 17.80%, corresponding to 437 million u.a., followed by energy generation with 11.78%, corresponding to 289 million u.a. While in the 1960s, the bank already started focusing on the energy sector, with the oil shocks of 1973 and 1979 the EIB's attention to the sector has increased.

Figure 2.3 – Sectoral distribution of the EIB loans in the EEC from 1958 to 1972 (in million U.A.)

Sectors	Number of Projects	Amount	%
Agriculture, Fishing, Forestry, Energy			
Agriculture, hunting forestry	1	1	0,04
Energy Generation	23	289	11,78
Hydrocarbon Extraction	1	3	0,1
Electricity Supply	1	5	0,2
Hydrocarbon Supply	8	126	5,14
Transport			
Rail	8	129	5,26
Roads	26	437	17,8
Air	1	25	1,03
Sea	1	24	0,98
Telecommunications, Water, Urban Infrastructure			
Telephone, Transmision & Distribution of Networks	14	266	10,83
Collection, Treatment, distribution & Irrigation	9	122	4,95
Urban Infrastructure	2	16	0,66
Manufacturing: Other Non-metalic Minerals	27	78	3,19
Manufacturing: Machinery & Equipment	13	47	1,91
Manufacturing: Transmission Equipment	7	64	2,6
Manufacturing: Electrical & Electronic Equipment	16	59	2,39
Chemicals	56	280	11,4
Rubber & Plastics	8	36	1,47
Leather & Footwear	3	2	0,07
Paper & Cardboard	4	16	0,64
Agro-Industry & Food	26	39	1,6
Mining	3	6	0,25
Textiles & Clothing	9	12	0,5
Metallurgy	30	270	11
Woodworking	1	4	0,15
Services			
Hotels & Restaurants	1	7	0,28
Research & Development	1	3	0,11
Global Loans			
Global Loans	11	90	3,67
Total	311	2,454	100

Notes: In 1958, 1 u.a. was equal to 1 United States Dollar and in 1972, 1u.a. was equal to 1.08571 United States Dollars.

Source: Taken from the European Investment Bank (2008a, p.62).

The data shows a great diversity in the sectors that the EIB focused on from 1958 to 1973, of which more than 71% was allocated to regional development (European Investment Bank, 2008a, p.43). The EIB's lending was prominent in infrastructure, necessitating long-term financing, such as new motorways, railway lines or waterways (European Investment Bank, 2008a, p.43). Roads and railways capture the majority with 17.80%, corresponding to 437 million u.a., followed by energy generation with 11.78%, corresponding to 289 million u.a. While in the 1960s, the bank already started focusing on the energy sector, with the oil shocks of 1973 and 1979 the EIB's attention to the sector has increased.

Overall, from 1959 to 1973, the EIB contributed a total investment of 13.900 million u.a. of which 86% was allocated to the Community, and the rest was allocated to the associated countries with 118 contracts worth more than 500 million u.a., Turkey (49.7%), the Associated African States, Madagascar and Mauritius, and the Overseas Countries and Territories (36.6%), and Greece (13.7%) (European Investment Bank, 1973, p.43).

In 1973 alone, the EIB lent 72 loans worth 816 million u.a. with an increased rate of 55% in comparison with 1972, adding Denmark, Ireland, and the United Kingdom with eight loans worth 96.5 million u.a.; increasing the paid-up capital by 130 million u.a., with the enlargement of three countries, and an additional 22.5 million u.a. was received, with 33.8 million u.a. to be paid in the coming year (European Investment Bank, 1973, p.15).

The investigation of this era highlights the lack of direction in the lending policy. This resulted in the domination of the national interests of the member states. The bank focused on financing projects that meet national goals rather than the needs of the whole region.

2.3 EEC Policy Orientation (1973 to Mid-1980s)

The new era of the EIB onset in 1973 with several events reshaping the EIB's lending policy and changing the scale and development of the activities. The oil crises of 1973 and 1979 and the collapse of the Breton Woods international monetary system resulted in a transition period for the EIB, which started altering the previous priorities of the bank into a policy-oriented approach slowly (Clifton, Diaz Fuentes, & Revuelta, 2013). The crises of the early 1970s led to rapid inflation, economic recession, currency volatility and trade imbalances. The EEC member states and the community bodies sought the EIB's cooperation to recover from the economic crisis (European Investment Bank, 2008a, p.17). The crises were dealt with through new lending strategies and priorities set by the bank and the Community.

The first enlargements of the EEC occurred with the memberships of Denmark, Ireland and the United Kingdom in 1973 and Greece in 1981. The accession of each member state made them the shareholders of the EIB, increasing the bank's capital, and changed the organisational structure with the revisions in the board of directors and the board of governors, creating a more diverse decision-making process. The EIB endured an independent role from the Community, allowing it to be more flexible following the policies of the member states and the decision makers, solely focusing on the quality and necessity of the projects. Nevertheless, there were debates on the new decision-making mechanism and the shareholder structure of the EIB with the accession of the new members to enhance governance. The new shareholders contributed to the EIB according to a mixed method calculated by the member states GDP and political agreements upon their accession to the EEC (European Investment Bank, 2008a, p.121). The memorandum of 1970 proposed several changes that would revise the governance and the decision-making mechanism of the EIB, leading to a transition into a European

institution where decisions at the highest level would be made by a simple majority or qualified majority to democratise the mechanism (European Investment Bank, 2008a, p.121). The revision enhanced the EIB's role as a key player in supporting economic growth and alignment with other European institutions.

Figure 2.4 – Number and percentage of loans allocated to member states from 1975 to 1982 (in million ECUs)

Shareholders	Loans	%
Belgium	545,4	3
Denmark	728,8	4
France	2104,4	11,5
Germany	559,5	3
Greece	672,3	3,6
Ireland	1759,1	9,6
Italy	8030,7	43,7
Luxembourg	0	0
Netherlands	30,4	0,2
United Kingdom	3947,9	21,4
Total	18378,5	100

Notes: The EIB adopted the European Currency Unit (ECU), replacing the unit of account (u.a.) in 1979. 1 ECU was equal to 0.719 Deutschmark, 3.71 Belgian Francs, 0.0878 Pounds Sterling, 1.31 French Francs, 140.0 Italian Lire, 0.256 Dutch Guilders, 0.14 Luxembourg Francs, 0.219 Danish Krone, 0.00871 Irish Punts, and 1.15 Greek Drachma.

Source: Taken from the European Investment Bank (2008a).

The EIB's increased capital and reserves significantly shaped the bank's operations. The new members of the EEC became the key activity areas of the EIB. Nevertheless, Italy still received the highest financing, with 43,7% of all loans in this period. The bank financed the high-technology industrial zones to tackle unemployment and promote economic development in Ireland while supporting the modernisation of communication and infrastructure projects such as roads and power

stations (European Investment Bank, 2008a, p.126). Other new member states, Denmark and Greece, received lesser amounts of financing from the EIB, which were used for some infrastructure projects in road, energy, telecommunications, and port facilities (European Investment Bank, 2008a, p.126).

The United Kingdom was the second biggest borrower after Italy, specifically in energy, water, telecommunications, ship-building, road, steel and coal mining (European Investment Bank, 2008a, p.127). The EIB started financing the UK, meeting the British government's goals in the modernisation and conversion of backward industries (Coppolaro, 2023, p.10). Nevertheless, just like in the Italian case, the management started having disquiet about the success of the projects and concerned the board of directors with ineffectualness in the project quality (Coppolaro, 2023, p.11). The United Kingdom's prioritisation of national preferences demonstrates the continuing lack of defined regional policies in the EEC, resulting in the EIB's approval of the projects.

In 1973, the Board of Directors acknowledged that the bank would be influenced by the regional policy of the Community, shifting to "a policy with regard to what contribution the Bank might make towards implementing the regional policy measures proposed by the Commission" (Coppolaro, 2023, p.12). The changing economic and political landscape and the Commission's direction shaped the EIB's lending strategy. The European Councils of Rome (1977), Strasbourg (1979) and Dublin (1979) pushed the EIB to focus on investments in inflation, employment, SMEs, the environment, and especially energy, expanding the scope of the bank's operations and moving it into a countercyclical role (Coppolaro, 2023, p.12). The EIB financing focused on projects of common interest, such as energy and the development of new technologies, decreasing the bank's operations on regional development. In this era, the EIB still allocated around 75% of its resources to regional development, as the

enlargement brought diversity in the geographical and economic conditions (European Investment Bank, 2008a, p.117). While in 1976, the EIB lent over 800 u.a. to regional development and 400 million u.a. for projects of community interest, such as energy, environment, common infrastructure projects, and modernisation and development of new technologies; in 1985, 3.4 billion ECUs were allocated to regional development and 4 billion ECUs for projects fo common interest (European Investment Bank, 2008a, p.148). In the early 1980s, the EIB started allocating other loans for projects like pollution, water and soil, demonstrating its commitment to promoting community objectives. While the EIB allocated 1% of its activities to environmental topics in 1980, this number increased by the end of the decade (European Investment Bank, 2008, p.149).

The EIB's efforts to meet community goals were supported by the bank's joint motion, the Declaration of Environmental Policies and Procedures relating to Economic Development with the United Nations to merge and improve environmental and economic development (European Investment Bank, 2008a, p.149). This declaration fostered the EIB's important role as a policy-driven institution. The EIB's policy-driven approach was demonstrated by creating the New Community Instrument (NCI) in 1978 for projects such as energy and infrastructure, leading to close cooperation between the EIB and the EEC (Coppolaro, 2023, p.13).

The enlargement of the Community drove the EEC to establish a common regional policy to address the challenges the community institutions face while promoting economic growth. The changing economic and political landscape necessitated the creation of common objectives, which reshaped the EIB's operations. The EIB's lending policy shifted from meeting the national interests of the member states to following common regional development objectives focusing on energy independence and

economic development by following the EEC, thus becoming a policy-driven institution.

2.4 Market-Making Era (Mid-1980s Onwards)

The EIB has been on a transformation since the mid-1980s, showing remarkable changes in its size, with its capital increased from EUR 14 billion in 1986 to EUR 248.8 billion in 2020 (European Parliament, 2023). The EIB showed exceptional results by utilising the enlargement to the South, with Spain and Portugal in 1986, the accession of Austria, Finland, and Sweden in 1995, and the enlargement to the East in the early 2000s.

Nevertheless, the main reason for the bank's growth was not only the enlargement but also the result of its growing activities. The EIB doubled its financial capacity in 1985, 1991, 1999, and 2003 to meet the increasing demand for financing, fostering economic growth, and fulfilling strategic goals (European Investment Bank, 2008a, p.187). This expansion allowed the institution to support more projects in the evolving landscape, leading to a structural change in the bank and its priorities. Thus, the EIB followed a new route in its strategy, adopting a role as a market maker and adapting to the changes in the global economy.

Alongside the enlargement, there were other variables for the bank, such as the Single European Act (SEA), the Economic and Monetary Union (EMU), the globalisation of the markets, the introduction of the Euro, the 2008 financial crisis, and the COVID-19 pandemic. These challenges pushed the EIB to be adaptable and flexible in its objectives and operations while shaping its relationship with the Community and the Commission.

2.4.1 Responses to the Evolving Landscape

In the 1980s, the European economy was improving as a response to the globalisation of the markets, which led to the establishment of an open economic framework through multilateral trade discussions such as the General Agreement of Tariffs and Trade (GATT) and the World Trade Organisation (WTO) (European Investment Bank, 2008a, p.205). While globalisation promoted competition and revival, it also generated negative impacts and challenges like instability and currency fluctuations, resulting in a straggled Europe with regard to infrastructure development and modernisation.

By the mid-1980s, the Commission and financial actors aimed to establish a homogeneous European market for economic growth. The ratification of the Single European Act (SEA) of 1986 was one of the actions of the Commission that shaped the European economy and the EIB's activities. The treaty aimed to establish a single market and promote social and economic cohesion within the Community. The SEA set new alterations for the EEC structural funds, established to remove disparities among the member states. The SEA shaped the EIB's market-maker role with a focus on the single market, emphasising common interests and economic integration within Europe. Furthermore, the Maastricht Treaty of 1992 officially created the European Union and set the foundations of the Economic and Monetary Union (EMU), strengthening Europe by integrating the EU economies through fiscal and monetary policies. These initiatives promoted a harmonious, competitive and collaborative European economy that pushed the EIB to connect more with structural funds (European Investment Bank, 1992).

The main structural funds were the European Regional Development Fund (ERDF) for projects in infrastructure, innovation, and SMEs; the Cohesion Fund to support environmental and transportation projects for

sustainability; the European Social Fund (ESF) to promote employment opportunities and enhance human capital; and the European Agricultural Fund for Rural Development (EAFRD) supporting projects for modernisation and development of rural areas and environmental sustainability.

The EIB developed new strategies and altered its activities to adopt the new objectives of the EEC in the changing economic and political environment of Europe. The president of the Board of Directors in 1989, affirmed the changing role of the bank:

“The construction of Europe could be expected to advance considerably in coming years, with radical changes in the Community’s markets and the structure of its economy. If the Bank were to go on playing its full part in the balanced development of the Community, its policy of pragmatic adaptation would have to be pursued steadily and consistently. This could mean diversification of its existing activities and, in turn, reform of existing structures or consideration of the case for creating a subsidiary”(European Investment Bank, 2008a, p.206).

The evolving economic landscape changed to finance and banking globally, leading to the liberalisation and privatisation of the sector and easing access to funding. The competition in the banking sector was high, and the EIB’s operations were reappraised. The EIB was pushed to revise its lending strategy and operations, fitting it into the expanding banking sector while also fulfilling the requirements of the Structural Funds. The increasing liberalisation and privatisation also created a need for investment in the private sector, leading to the creation of the European Investment Fund. At the end of the 1980s, the Council requested the EIB to justify the necessity of its operations; while some suggested focusing on the private sector, some focused on the enlargements and the implementation of the EMU (European investment Bank, 2008a, p.207).

During the 1990s, the EIB established a new framework to fulfil the necessity of institutionalisation and a strategic plan to respond to the evolving environment, focusing on sectors that are subject to liberalisation through national sectoral directives, enlargement, structural funds and sectors that are part of the Trans-European Network Program (TENS) (Clifton, Diaz-Fuentes, & Revuelta, 2013, p.17). The EIB's strategic plan systemised its operations and priorities and strengthened the EIB's relationship with the EU institution.

In the early 2000s, the EIB developed a strong relationship with the European Commission, establishing the groundwork for developing structural and cohesion policy. The strategic approach brought an attentive and harmonised perspective to the Commission and the EIB. The EIB focused on projects that align with the Commission's goals by involving in formal programs like JASPERS for large infrastructure projects, JEREMIE for enhancing SMEs and JESSICA for urban renewal (Robinson, 2009, p.661). These cooperations demonstrated the organised and constructive partnership between the institutions fostering the goals of the European Union. The EIB and the Commission co-financed various initiatives in venture capital and SMEs, leveraging the bank's lending capacity to attract more funds and maximising the impact of the EU goals and initiatives. (Robinson, 2009, p.661).

Nevertheless, it is important to assess the effectiveness of these projects in financial and non-financial contexts. Non-financial assessments of the EIB's projects are challenging as measuring the impact of bringing estranged communities together and connecting them with relevant authorities is challenging, while the financial impacts of the projects are comparatively simple to estimate direct financial impacts, such as job creation (Robinson, 2009, p.663). Comprehensive analysis of these perspectives plays an important role in understanding the efficacy and sustainability of the EIB projects and the impact of EU policies. The

challenges in assessing non-financial added value, such as measuring the results of estranged communities, underscore the need for a broader standpoint. Robinson (2009) states that a comprehensive assessment of the projects can eliminate the resistance against the EIB. There are disputes over Member States replacing national funds with Community funds, and the EIB loans, particularly when used to cover a shortfall in national expenditures, are crucial for ensuring the additional funding. Investigating the interaction between national funds, structural funds, and EIB loans is important to apprehend how member states can use EU funds for regional projects and the potential disputes they may face (Robinson, 2009, p.661). In the context of regional projects, the multi-level governance (MLG) framework proposes a decision-making process embracing three phases: creating the budgetary framework, designing institutions, and structural programming (Hooghe & Marks, 2001). MLG embraces the value of these projects, expanding beyond financial impacts, focusing on an extensive evaluation, and incorporating non-financial aspects such as environmental, social, and cultural benefits.

The EIB plays a pivotal role in the MLG framework of the European Union. The EIB has lent around EUR 40 billion annually and facilitates around EUR 200 billion in expenditures, utilising partnerships in policy sectors and regions (Robinson, 2009, p.665). The EIB's cooperation with the Commission results in various outgrowth, such as shaping regional policies, improving relations with local governments, and fostering European integration. The EIB shows notable importance in collaborating with government and non-government entities before commencing the loan processes, creating an opportunity to gain valuable lessons and prioritising them in its operational practices (Robinson, 2009, p.667). The cooperation of the EIB and the Commission provides financial support and fosters institutional capacity-building and cohesion in Europe, while the EIB's lending activities influence the EU governance, balancing the power relationship between the countries.

2.4.2 Sectoral Dynamics

The EIB's operations reflected the institution's commitment to adapting to the challenging economic and political environment and supporting the EU. Since the mid-1980s, the EIB has focused on projects related to network infrastructure, new technologies and enterprises and environment and energy.

Since the mid-1980s, the EIB has focused on projects on communication and transport networks such as the Trans-European Networks (TENS), which was allocated EUR 75 billion in 2006, showcasing the bank's commitment to the single market goals (European Investment Bank, 2008a, p.229). In 1987, the EIB committed to the Eurotunnel project with 1.4 billion ECUs, making it the bank's largest single investment; thereafter, it expressed willingness to invest 457 million ECUs more to keep up with the upcoming costs if the other commercial banks committed another 3 billion (European Investment Bank, 2008a, p.230). This example showcases the EIB's collaboration efforts supporting projects in the transport sector.

The EIB also supported projects that contributed to developing new technologies and enterprises in this period. In the 1980s, the EIB supported new technologies through its Community projects, such as the Esprit programme of 1983, and later by increasing funding for the development of technologies such as microelectronics, information technology, telecommunications and pharmaceuticals, increasing the funding from 40 million in 1982 to 570 million in 1986 (European Investment Bank, 2008a, p.241). In the early 2000s, the EIB launched the Innovation 2002 Initiative (i2i), allocating around 12 to 15 billion EUR in 3 years, and led to the renewal of the programme in 2010 to contribute more to the development of human capital, research and development, telecommunications and venture capital (European Investment Bank,

2008a, p.242). During this era, the EIB also supported SMEs, providing risk-sharing loans and collaboration with the EIF (European Investment Bank, 2008a, p.242). The EIB focused on loans and embraced its diversification policies while authorising the EIF for venture capital activities.

The EIB has always been committed to environmental projects, particularly energy, since the oil crises of the 1970s. In the 1980s, the Council prioritised energy independence, electricity generation, energy efficiency, and renewable energy. The EIB supported the agenda by allocating 20.2 billion ECUs between 1973 and 1990, covering different sectors such as nuclear energy and natural gas in the North Sea and Italy, as well as gas pipelines connecting to the USSR (European Investment Bank, 1991, p.31). From the mid-1980s to the mid-1990s, there were fluctuations in the energy sector, resulting in a strategy focused on enlarging the energy supply and integrating European gas networks, contributing to the internal market in electricity and optimising resource efficiency (European Investment Bank, 2008a, p.236). During the 1980s, the EIB aligned itself with the Community priorities to promote a collaborative strategy to the member states and the Community to overcome environmental challenges, which gradually also expanded outside of Europe. In this decade, the bank focused heavily on financing projects related to pollution, the urban environment, and transportation (European Investment Bank, 1989, p.16).

In 1990, the EIB cooperated with the World Bank, the European Commission, and the United Nations Development Program (UNDP) to prevent environmental degradation in the Mediterranean region by establishing the Mediterranean Environmental Technical Assistance Program (METAP), integrating projects in water resources, waste management, marine oil and chemical pollution, prevention and control, and coastal zone management (World Bank Group, 1993). The program

showcased the regional contribution to tackling the environmental challenges and the EIB's role in global environmental protection. The METAP was allocated over USD 32 million from 1990 to 1995 and resulted in a planned USD 1.6 billion for the World Bank and the EIB (United Nations, n.d.). In this decade, the EIB's activities followed an approach articulating a global environmental policy and establishing an environmental unit to measure and assess the risks and comply with legalities, which increased the priorities in the field (European Investment Bank, 2008a, p.239).

By the end of the century, the EIB followed the new energy policy set by the EU at the Kyoto Conference of 1997 (European Investment Bank, 1999, p.27). Thereafter, the EIB adopted the new strategies into its bank's operations and provided more financing for energy efficiency in transportation and electricity generation to limit and reduce GHG (European Investment Bank, 2008a, p.236). Since 2002, the EIB and the Commission have been coordinating on climate change, expanding the environmental agenda in various regions, demonstrating the institution's commitment to solving sustainability and environmental challenges (European Investment Bank, 2008a, p.238). In 2006, the EIB was driven to focus more on energy projects against rising energy prices, thus returning back to the priorities of the 1970s with deep acknowledgement of the environmental challenges to ensure the long-term viability of the European economy, which is endangered by non-renewable source use and the CO₂ emissions (European Investment Bank, 2008a, p.237). From 2003 to 2006, the EIB allocated a total of EUR 56.5 billion to environmental projects, of which the "urban environment" was the primary beneficiary of the resources, followed by "environment and health", "climate change", and "natural resources and waste management", with "nature and biodiversity" being the least prioritised (European Investment Bank, 2008a, p.22).

2.4.3 Start of the Shift

After the global financial crisis in 2008, Europe faced a great economic downturn. The investment plan for Europe, the so-called Juncker Plan, was established in 2015, aiming to mobilise at least EUR 315 billion by mid-2018 in private and public investments (European Union, 2015, p.4). The Juncker Plan was aimed to increase investment, competitiveness and long-term economic growth in the European Union. The EIB played an important role in fostering the Juncker Plan for the economic development of the region. The EIB acted countercyclically to support the European economy, aiming to support economic growth and job creation (Kavvadia, 2020, p.30).

The Juncker plan established the European Fund for Sustainable Investment (EFSI) as a joint initiative of the EIB and the European Commission (Kavvadia, 2020, p.33). EFSI was the central part of the Investment Plan for Europe, mobilising strategic investments and targeting sectors like research and innovation, infrastructure, SMEs, sustainable development, green economy and energy (European Union, 2015, p.6). The EIB expanded its activities by supporting smart, sustainable, and inclusive growth, showcasing the bank's flexible approach to responding to the challenging economic landscape. (Kavvadia, 2020, p.30). Thus the EFSI's economic, societal and environmental values contributed to the EIB's new role as a Climate Bank by acknowledging the importance of committing to environmental challenges by financing projects in energy efficiency, urban renewal and various other environment-related schemes (European Committee of the Regions, 2016c).

The next chapter analyses the EIB's strategic shift of becoming Europe's first climate bank with a detailed investigation of the driving factors and the new agenda of the bank.

3 CLIMATE BANKING

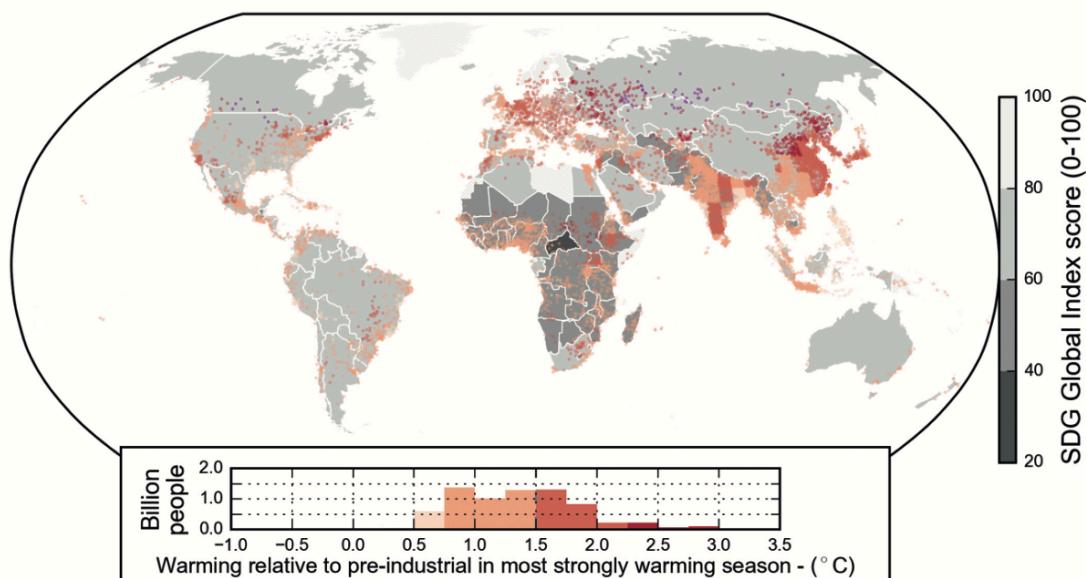
The EIB has proven its capability to adapt to various global economic and political challenges since its establishment in 1958. Despite these challenges, the bank succeeded in its role and emerged as the largest multilateral lending institution and as the key actor in the climate policy landscape (Mertens & Thiemann, 2023). In 2019, driven by the strategic goals formed by the European Green Deal, the EIB intensified its commitment to environmental and climate causes, transforming itself from “an EU bank supporting climate” into “the EU Climate Bank” (European Investment Banks, 2020, p.v). The EIB’s environmental agenda took place firstly in the 1990s on the protection of the environment and ecosystem and promoting sustainability and renewable energy along with the Kyoto Protocol, Emissions Trading System, and the European Fund for Sustainable Investment. However, the EIB’s first prominent lean towards green finance was when the bank issued its first green bond, the Climate Awareness Bond, in 2007 (Martens & Thiemann, 2023, p.73). In addition, the creation of EFSI, later known as InvestEU, contributed to the EIB’s economic, societal and environmental values. In 2020, the bank was chosen to be the largest development bank green bond issuer of the decade with issuing over EUR 33 billion in green bonds from 2007 to 2020 (European Investment Bank, 2020d, p.7).

The transformation was motivated by various factors and contextual imperatives that have propelled the EIB into its new journey. Besides the unfolding environmental crisis, some scholars argue that the EIB exploited a policy window to pursue its rational interests within the EU governance. Therefore, this chapter is dedicated to investigating the environmental and political landscape that led to the EIB’s transformation into a climate bank, including the role of key initiatives on climate action and the examination of the new roadmap.

3.1 Environmental Issues

Reaching 1.5°C global warming is a critical threshold that is already causing climate change results in various regions, posing challenges such as perennial and severe floods, droughts, biodiversity loss, fires, heatwaves, and sea level rise (Allen, Dube, Solecki, Aragón-Durand, Cramer, Humphreys, Kainuma, Kala, Mahowald, Mulugetta, Perez, Wairiu, & Zickfeld, 2018, p.53). This section analyses the impact of global warming on fields such as shipping, essential resources, natural disasters, and climate adaptation, therefore, the need for climate action.

Figure 3.1 - Human experience of global warming as of 2018



Notes: “Different shades of pink to purple indicated by the inset histogram show estimated warming for the season that has warmed the most at a given location between the periods 1850–1900 and 2006–2015, during which global average temperatures rose by 0.91°C in this dataset (Cowtan and Way, 2014) and 0.87°C in the multi-dataset average). The density of dots indicates the population (in 2010) in any 1° × 1° grid box. The underlay shows national Sustainable Development Goal (SDG) Global Index Scores indicating performance across the 17 SDGs. Hatching indicates missing SDG index data (e.g., Greenland). The histogram shows the population (in 2010) living in regions experiencing different levels of warming (at 0.25°C increments)” (Allen, Dube, Solecki, Aragón-Durand, Cramer, Humphreys, Kainuma, Kala, Mahowald, Mulugetta, Perez, Wairiu, and Zickfeld, 2018, p.53)

Source: Taken from Allen, Dube, Solecki, Aragón-Durand, Cramer, Humphreys, Kainuma, Kala, Mahowald, Mulugetta, Perez, Wairiu, and Zickfeld (2018).

The IPCC report shows that low-income countries and underdeveloped regions experience a greater level of global warming, such as South East Asia and Eastern Europe (Figure 3.1). The report highlights the diverse range of affected areas, including islands, metropolises, and coastal areas, with various different economic, environmental and political backgrounds, demonstrating the need for common efforts to limit the consequences of climate change.

3.1.1 Global Shipping and Supply Chains

In Panama, an ongoing drought is causing water levels in the canal to drop as much as 2.5 meters (Ruiz & Shintani, 2024). The lower water levels mean that far fewer ships are able to pass through annually - projections for 2024 show a 4000 ship decline in canal capacity, provided restrictions remain constant (Ruiz & Shintani, 2024). This is a major number, considering the Panama Canal accounts for approximately 5% of global shipping, and alternative routes are nonexistent or significantly more expensive (Ruiz & Shintani, 2024). The ships that pass through also have weight or size restrictions to avoid “bottoming out” in the canal.

This is causing a problem for all parties involved, both on the sending and receiving end. The scarcity of time slots on a given day is leading to bidding wars among rival companies for a chance to pass through the canal earlier, pushing up the average cost of shipping on this particular route (The Maritime Executive, 2023). The result is an overall increase in the average cost of shipping regardless of route or means, and the cost is ultimately passed on down the supply chain until it reaches the consumer.

On the flip side, the melting of polar ice has introduced new Arctic shipping routes during summer periods and, in some cases, in winter, provided an ice breaker is present (Ruiz & Shintani, 2024). These routes

run just north of Canada and Russia and, when available, provide a convenient reduction in shipping journey times (Transport & Environment, 2018).

It is a realistic possibility that consumption will become increasingly expensive as carbon credit price hikes continue to make logistical operations more expensive (Ernst & Young, 2022). Some means, such as air travel, may be extensively targeted, forcing shipping agents to use slower alternatives or settle for higher air travel costs. These costs are, however, always passed on to the customer.

3.1.2 Food and Essential Resources

Innovation in agricultural methods is necessary to react to climate change related pressures, and also to reduce the effect that agriculture itself has on the environment. Agriculture is a known mass contributor to factors believed to be behind rising temperatures. Over the past 20 years it is estimated that around 20% of GHG emissions stem from agricultural activities (Ahmed, Almeida, Aminetzah, Denis, Henderson, Katz, Kitchel, & Mannion, 2020, p.5). Additionally agriculture is believed to also lead to deforestation, soil erosion, loss of biodiversity, pollution of rivers and as a result ocean acidification in extreme cases (World Future Council, 2012).

Investment in innovative farming practices can not only aid the problem of climate change but also provide an opportunity for humanity to advance in other problem areas, such as global hunger and the challenge of producing more food with fewer resources. Innovative farming practices include but are not limited to:

- Hydroponics: Growing plants in nutrient-rich water instead of traditional soil-based methods,

- Vertical farming: A space saving efficient farming practice that involves utilizing large surface area of vertical structures while occupying relatively small ground surface area,
- Precision agriculture: Using technology such as drones, sensors and satellites to gather data and make better informed decisions about farm management,
- Sustainable Agriculture: Aims to reduce soil erosion and improve soil health by using methods such as crop rotation. Additionally, water conservation is improved by means of drip irrigation and data driven timed watering systems. By introducing more naturally occurring plant species, habitats for beneficial birds and insects can be cultivated as a means of natural pest control, reducing the need for chemical pesticides,
- Aquaponics: The use of fish farming in combination with hydroponics to create a self-supporting ecosystem where both plants and animals alike benefit,
- Agroforestry: The strategic introduction of (wild) trees among crops to improve biodiversity, soil nutrient enrichment, and reduce soil erosion (Sekhon, 2023).

The drive to innovate within agriculture is not only to prevent climate change but also to stay ahead of the effects of climate change. Floods pollute water supplies, damage farming infrastructure, erode soil and impact crop yields (Union of Concerned Scientists, 2019). Droughts, on the contrary, have approximately the opposite effect and additionally introduce wildfires as a risk (Union of Concerned Scientists, 2019). Climatic conditions define the kind of crop and animal that can be farmed – as these conditions change, the entire business model of a farming setup is called into question. This, combined with more frequent livestock failures, may leave farmers financially stranded (Union of Concerned

Scientists, 2019). The net effect is a risk of food shortage globally unless farming methods adapt to the changing conditions.

3.1.3 Natural Disaster Intensity and Prevalence – Economic Consequences

More intense, longer-lasting periods of drought are projected to continue into the future, accompanied by heat waves and record-breaking high temperatures (NASA, 2005). These two factors contribute to the possibility of water shortages and increased reliance on home cooling devices like fans and air conditioning, leading to increased electricity consumption (NASA, 2005). High temperatures tend to have adverse effects on infrastructure maintenance requirements.

The probability and frequency of extreme storms, such as tornadoes and hurricanes, are also on the rise (NASA, 2005). Such events cause mass devastation and cost countries large sums in the form of post-storm relief efforts. Flooding is a consequence of such events as dams and rivers are pushed over capacity by excess water deposits.

As a final major consequence of climate change, rising sea levels are threatening coastal cities, eroding beaches and, in some extreme cases, forcing water management-related innovations to protect the cities from becoming partially submerged by the projected water levels a few decades into the future (Whiting, 2022).

Additionally, it is believed that climate change is contributing to roughly 30% of desertification observed with the growth of the Sahara desert as an example with a growing rate of 48km per year and shows no signs of slowing down (Mulhern, 2021). Such changes to a country's natural composition pose a threat to inhabitants of the area, both animals and humans alike. Species are threatened and forced to migrate or die out,

and humans face the same decisions. Climate migration is, therefore, an increasingly commonly observed occurrence and is expected to continue. The necessity of farming innovation to provide food security is amplified in cases such as these.

Communities that rely on subsistence farming for their livelihoods are the worst affected by these environmental changes, as their very existence depends on the land and weather patterns year to year. Those producing enough to export or sell are now only producing enough to survive. Others who were just getting by are now dealing with the possibility of hunger unless they move.

3.1.4 Challenges with Climate Adaptation Globally

Climate change is not a simple predictable cause and effect scenario. The complexity of such an intricate system is difficult to grasp fully, but what is observed is that hotter temperatures in some parts of the world are also causing colder temperatures in other parts (Cwienk, 2021). Shifting jet streams are having a fundamental effect on weather systems that have governed regions since records started. These changes are causing greater volatility in our weather conditions even though the average remains relatively on-trend.

This fact is causing a shift in globally observed climate norms and poses questions about how our lives will look in the future, regardless of location in the world. On both ends of the temperature spectrum, the extremes are expected to be continually tested as time progresses. Infrastructure will be tested in ways it was not initially designed for and in many parts of Europe specifically planning for extreme heat is a necessity, especially with infrastructure mainly built to withstand extreme cold in the Northern regions (Cwienk, 2021).

3.2 Global Policy Response

The European Union recognised the necessity of preventing environmental demolition, reducing global warming and protecting the ecosystem to preserve human life and the planet. Climate change requires collaborative endeavours of the people, enterprises and governments to prevent these consequences. The EU has been part of important initiatives to prevent climate change by supporting and establishing initiatives like the Kyoto Protocol in 1997 to reduce GHG emissions, the European Climate Change Programme (ECCP) in 2000 to promote common environmental policies, and the Emissions Trading System (ETS) in 2005, encompassing around 40% of the EU's overall GHG emissions (Rayner, Szulecki, Jordan & Oberthür, 2023, p.6). The ETS has to be proven to have achieved a 35% reduction in emissions from covered installations between 2005 and 2019 as the world's first and largest carbon market, highlighting its success and cost-effectiveness (Rayner, Szulecki, Jordan & Oberthür, 2023, p.6).

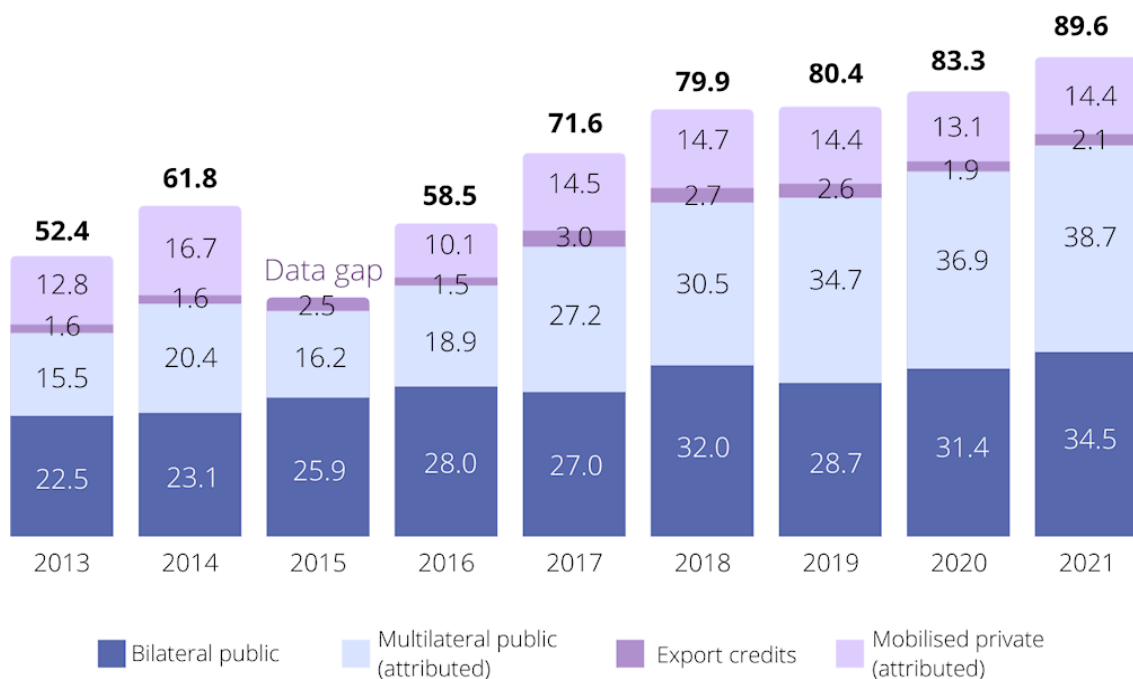
3.2.1 United Nations

In 2015, 195 parties, including the EU, signed the Paris Agreement during the UN Climate Change Conference (COP21) (Karmalkar, Bradley, 2017). Each party determined to make efforts to limit global warming below 2°C, aiming towards a 1.5°C target to avoid more acute consequences of climate change and reach net-zero emissions by 2050 (IEA, 2021). The Paris Agreement inquires about mitigation efforts such as reducing GHG emissions, promoting clean energy, and enhancing resilience to limit global warming and its consequences.

The agreement requires the developed countries to provide a USD 100 billion climate finance pledge annually from 2020 to 2025 to support developing regions and construct green economies, using 50% for adaptation and 40% for mitigation (Goswami & Koop, 2023). While there

is no official assessment of each country’s contribution to the pledge, the countries are required to provide reports on their climate finance commitments.

Figure 3.2 - Climate finance provided and mobilised from 2013 to 2021 (in USD billions)



Source: Taken from the OECD (2023).

According to the OECD report (2023), developed countries provided and mobilised climate finance in developing countries, reaching USD 89.6 billion in 2021, while the results were 8% lower in 2020. Whilst the annual goal of USD 100 billion was not met in 2021, the OECD’s unverified data suggests that the goal might have already been met as of 2022. While the U.S. should have the highest contribution with USD 43 billion, only USD 2 billion was provided in 2020 (Goswami & Koop, 2023). The European Union increased its contribution from EUR 17.6 billion in 2015 to EUR 28.50 billion in 2022, demonstrating its role as the biggest provider of climate finance in the world and its commitment to tackling climate change (Council of the European Union, 2023). The European

Union's support for low-carbon and sustainable economic transition is aligned with the Paris Agreement and the United Nations 2030 Agenda (Council of the European Union, 2023).

Sustainable development and climate change are affiliated, vastly influencing the economy, society, and the environment. The UN's Intergovernmental Panel on Climate Change (IPCC) acknowledges climate change's upturn relation with Sustainable development and the possible negative outcomes it can bring up (Denton, Wilbanks, Abeysinghe, Burton, Gao, Lemos, Masui, O'Brien, & Warner, 2014, p.1104). In 2015, the Millennium Development Goals (MDGs) came to an end, and the United Nations 2030 Agenda for Sustainable Development Goals, another very important initiative, was launched to bring harmony to people and the planet by focusing on solving global environmental, social and economic challenges (Allen, Dube, Solecki, Aragón-Durand, Cramer, Humphreys, Kainuma, Kala, Mahowald, Mulugetta, Perez, Wairiu, & Zickfeld, 2018, p.74). While MDGs have made significant strides since 1990 in improving access to clean water and reducing poverty, hunger, and infant mortality, GHG emissions have not been improved (United Nations, 2015a, p.75).

Thus, the UN's SDGs, particularly the SDG13 "Climate Action", alongside other environmental goals, aim to limit global temperature increase by altering agriculture, energy, industry and transport sectors, aligning with goals of the Paris Agreement (United Nations, 2023, p.2). The SDGs have been part of the national environmental agenda, incorporating new policies and increasing awareness for societies and businesses. The United Nations played a vital role in climate financing and the environmental policy landscape as the Paris Agreement started the commitment to a net zero-emission and sustainable planet and vastly influenced the European Union.

3.2.1 European Green Deal

As elucidated, the European Union is the biggest provider of climate finance in the World. The European Union's success comes from its commitment to contribute to the field and through its support of various initiatives. In 2019, the European Commission and the European Council acknowledged the necessity of a well-designed climate action of their own and launched the European Green Deal to support the objectives of the Paris Agreement (European Commission, 2019). The Green Deal is designated as "Europe's new growth strategy that aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy where there are no net emissions of greenhouse gases in 2050 and where economic growth is decoupled from resource use" (European Commission, 2019).

At a time when millions of species are at risk of destruction due to the warming of the atmosphere and changing climate caused by humans, it was imperative to launch this critical framework. The framework is created to prevent these environmental challenges and foster sustainable development within the continent. The Green Deal is dedicated to sustainable environmental, economic, and social development by transforming the EU's economy through integrating new policies. In order to do so, the European Green Deal aims to transform various sectors for a sustainable and healthy planet, aligning with the SDGs in promoting climate action, clean energy, digital transition, infrastructure and circular economy (Koundouri, Theodossiou, Stavridis, Devves, & Plataniotis, 2023). The framework alters policies across the economy, industry, infrastructure, transport, production and consumption, and taxation by promoting natural ecosystems, sustainable resource use and human health (European Commission, 2019).

The main objective of the Paris Agreement, reducing GHG emissions, plays a vital role in the European Green Deal. The European Commission aims to reduce net greenhouse gas emissions by at least 55% by 2030 and reach net zero by 2050, comprising the Emissions Trading System (European Commission, 2019). In order to set long-term direction and align all European Union policies towards the 2050 goals, the European Commission launched the European Climate Law (European Commission, 2021). By doing so, the Commission will increase the member states ambition towards climate change and strengthen the efforts for climate adaptation.

Energy use and production were accountable for over 75% of the EU's GHG emissions, which led the European Commission to take a special approach in the energy sector for decarbonisation methods (European Commission, 2019). The Commission's approach to the energy sector is a shift towards clean energy while aligning with SDG 7, "affordable and clean energy", which is the key objective in achieving 2050 goals (Koundouri, Theodossiou, Stavridis, Devves, & Plataniotis, 2023). To achieve the energy goals, the European Commission requires the member states to set up national energy and climate plans that contribute to the European Union's goals. The energy goals are aimed to be achieved by renewable energy sources such as offshore wind production, providing cost-effective and efficient results (European Commission, 2019). The Green Deal aims to supply everyone and businesses with secure and affordable energy by ensuring an integrated, interconnected and digitised European Energy market, requiring the member states to cooperate on smart energy infrastructure (European Commission, 2019).

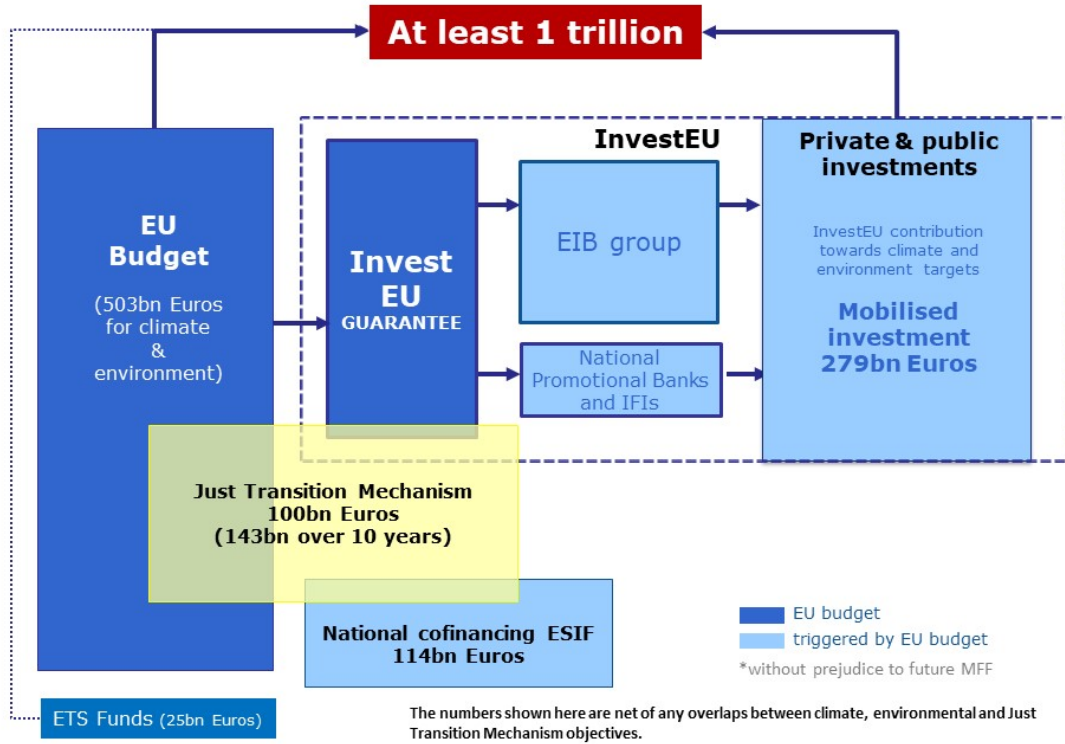
The European Commission transforms European industry into a more circular approach as the current methods correspond to 20% of the EU's total GHG emissions (European Commission, 2019). The data shows that around 50% of GHG emissions and more than 90% of biodiversity loss

and water scarcity are the consequences of the extraction and processing of materials, fuels, and food, while only 12% of the materials are recycled (European Commission, 2019). Thus, by utilising the European Green Deal, the European Commission aims to accelerate the transition to a sustainable method, fostering sustainable products and methods, ultimately leading to a circular economy. Creating a circular economy promotes the demolition of damaging materials and reduces GHG emissions. In addition, the sustainable approach also brings an innovative and digitalised environment, leading to an opportunity for growth and job creation.

Sustainable mobility is another important sector that the European Green Deal touches upon. A reduction of 90% of transport emissions is aimed, corresponding to around 25% of the overall GHG emissions of the EU (European Commission, 2019). The Green Deal targets to set up around a million public recharging facilities for the expected 13 million zero-emission vehicles (European Commission, 2019). Some of the other aspects of the Green Deal contain topics such as the “Farm to Fork” strategy aiming to promote ecological, healthy and low-carbon agriculture; preserving and restoring ecosystem through marine protection and forest preservation; zero pollution plan for air, water and soil creating a toxic-free environment (European Commission, 2019).

The progressive goals determined by the European Green Deal necessitate a serious investment plan to spread sustainability in all policy areas. The Sustainable Europe Investment Plan (SEIP) is established as the investment pillar of the European Green Deal, forming a framework for green financing (European Commission, 2020). The SEIP mobilises the European Commission’s estimated EUR 260 billion annual investment and at least EUR 1 trillion over the next decade (European Commission, 2020).

Figure 3.3 – Sustainable Europe Investment Plan (2021-2027 Investment Extrapolated over ten years*) (in EUR billions)



Source: Taken from the European Commission (2020).

The SEIP incorporates different channels to reach the target set by the European Commission. The EU budget allocates EUR 503 billion for climate and environment financing from 2021 to 2030 in line with the targeted 25% for climate mainstreaming for the 2021-2027 multiannual financial framework (MFF), leading to an additional EUR 114 billion from national co-financing (European Commission, 2020). In addition, initiatives such as the ERDF and the Cohesion Fund play a part in the SEIP under the EU budget.

The InvestEU (formerly EFSI) plays a crucial role in the investment framework by targeting EUR 650 billion over seven years (European Commission, 2020). InvestEU cooperates with various collaborators and implementing partners. The partners include private and public parties

summoning EUR 279 investments; National Promotional Banks and International Financial Institutions; and the European Investment Bank (European Commission, 2020).

The EIB is an important factor in the execution of the Sustainable Europe Investment Plan and transition into a sustainable and carbon-neutral European economy, leveraging its assets to provide funds to climate projects around the World (European Commission, 2020). While the EIB allocated 30% of its financing to climate action in 2018, it will increase to 50% by 2025 with the EIB's transformation into the EU Climate Bank (European Commission, 2020).

The InvestEU plays a vital role in the EIB's transformation by mitigating the bank's financing of new high-risk and more innovative environmental projects (European Commission, 2020). The EIB is expected to finance EUR 600 billion for climate action across the World until 2030, aligning with the goals of the Paris Agreement and the European Green Deal by phasing out fossil fuel projects and prioritising clean and renewable energy and energy efficiency (European Commission, 2020).

The Sustainable Europe Investment Plan demonstrates the necessary cooperation to support the goal of becoming the first region to endorse climate neutrality by 2050. Along with other institutions, the EIB collaborates to foster green financing to encompass the goals of the European Green Deal, ultimately undergoing a transformation to become the EU Climate Bank and shaping the European sustainability agenda.

3.3 The Metamorphosis

3.3.1 The Motive

The EIB's Board of Directors announced the EIB's transformation into a climate bank and presented a roadmap from 2021 to 2025, showcasing the institution's efforts on tackling climate change and safeguarding the environment. The head of the Environment, Climate and Social Office, Stephen O'Driscoll, described this transformative journey as "We're transforming the way we do business, it's a DNA change at the Bank, where we accelerate the transition through green finance and pull out all the stops to make the European Green Deal a success." (European Investment Bank, 2020b). Upon the request of the European Council and the EU member states, the EIB Group took action to initiate this roadmap as a response to the growing environmental crisis (European Investment Bank, 2020a, p.1). By doing so, the EIB demonstrated its commitment to supporting the European Green Deal, the Paris Agreement, and the UN SDGs while aligning its activities to support carbon reduction initiatives. The EIB has been the key actor in the EU's global response to climate and environmental challenges, particularly due to the bank's role in mobilising investments for climate financing. The EIB's activities, even before the transition, demonstrate the progress in green financing, such as the bank's allocation of EUR 150 billion in climate action from 2012 to 2019 (European Investment Bank, 2020a, p.7).

The EIB proclaims the motive for this transformation as a combination of various factors. Firstly, the urgency to address the climate crisis to ensure a transition to a low carbon economy and foster green financing (European Investment Bank, 2020a, p.1). Secondly, the EIB's commitment to the EU's climate goals, prioritising the EU's policy priorities and contributing to its agenda (European Investment Bank, 2020a, p.xii). In addition, the EIB's commitment to the goals of the Paris

Agreement and aim for “just transition” for all, especially those affected most by climate change (European Investment Bank, 2020a, p.1).

Whilst the EIB’s testimony is rounded by environmental commitments, leadership, and global imperatives, some scholars criticised the adherent motivation of this transition. According to Mertens & Thiemenn (2023, p.68), the bank’s role in handling the financial crises in the 2010s elevated the bank as an actor player in EU policy-making, which later was reinforced through the EIB’s transformation into a climate bank, aligning itself with the Paris Agreement and becoming the main implementer of the European Green Deal. Furthermore, the EIB’s decision was driven by the increased focus on the climate agenda in Europe, such as Ursula von der Leyen’s “Fridays for Future” movement and the establishment of a climate bank campaign in France (Mertens & Thiemenn, 2023, p.73).

Kavvadia (2021) investigates the EIB’s transformative journey with a principal-agent approach in her article, which reflects external pressures and strategic considerations. Firstly, According to Kavvadia (2021, p.192), the EIB acted as a policy entrepreneur, leading the bank to benefit from the policy window within the evolving EU governance, ultimately resulting in a policymaking role fulfilling the bank’s rational interests as strategic positioning rather than commitment to sustainability. By doing so, the EIB demonstrates its dedication to tackling the climate crisis and consolidates its leadership position in green financing.

Secondly, the EIB is committed to being aligned with the objectives of the European Commission and prioritising the needs and interests of its shareholders, which eventually strengthens the EIB’s role within the EU governance and shaping environmental politics (Kavvadia, 2021, p.186). Therefore, the exerted pressure on the EIB due to the prioritising the satisfaction of the shareholders and the European Commission might

have influenced the bank to desire to change its role and become a policymaker while avoiding potential criticism over its operations (Kavvadia, 2021, p.191). Nonetheless, the EIB's proactive role cannot be disregarded in driving green finance as the bank started its activities in 2007 with the issuance of the Green Bonds before the European Commission's involvement in 2015 (Kavvadia, 2021, p.186).

Most importantly, the EIB found itself under pressure from the European Commission and member states due to the ongoing discussions about creating a new European development bank. Faced with the threat of potential alternatives, including The European Bank for Reconstruction and Development (EBRD), the EIB opted for a proactive stance (Kavvadia, 2024, March 5). Political dynamics also played a pivotal role with influential leaders like Macron promoting a climate bank alongside von der Leyen's European Green Deal focus (Kavvadia, 2024, March 5). The EIB, recognising a potential loss of status compared to the EBRD amid discussions on a new European development bank, proactively declared its commitment to climate finance just ahead of the Commission's announcement (Kavvadia, 2024, March 5). This deliberate action highlights the bank's proposition to preserve its position in the evolving landscape of European development finance. According to Kavvadia (2024, March 5), the comparison with other financial institutions and the analysis of lending activities showcases around 20 to 30% of lending was allocated to climate projects prior to 2019, which since then has been on the rise. Thus, the EIB's pivot was a calculated response to external challenges, political dynamics, and the changing landscape within the EU.

Despite the motives behind the EIB's pivot into a climate bank, it is important to investigate its approach to executing the new role through the Climate Bank Roadmap for 2021-2025. A detailed examination of the

report is vital to comprehend the commitments, reforms, and challenges on this transformative journey.

3.3.2 The Roadmap

The Climate Bank Roadmap for 2021-2025 was published in 2020 to showcase the EIB's climate strategy and action plans, demonstrating its commitment to fulfilling its new role (European Investment Bank, 2020a, p.2). In addition, the roadmap scrutinises the envisioned steps and overall harmony with the broader sustainability objectives. The roadmap centred around four workstreams: accelerating the transition through green finance, ensuring a just transition for all, supporting Paris-aligned operations, and building strategic coherence and accountability. Thereafter, the roadmap concludes with an overview of the implementation of the next steps.

3.3.2.1 Accelerating the Transition Through Green Finance

The very first workstream of the roadmap is the acceleration of the transition through green finance, holding a key role in the transition to a low-carbon economy. This scheme touches upon various aspects of sustainability and has 11 focus areas covering all the aspects for a smooth green transition. The EIB focuses on building greater resilience to climate change and adaptation of all activities aligning with the Paris Agreement and EU Taxonomy, which is a classification system to outline and classify economic activities based on the sustainability of businesses, investors, and policymakers to promote the EU goals (European Investment Bank, 2020a, p.14). The scheme highlights the importance of energy efficiency in multiple cases, such as making homes energy efficient and promoting clean energy with a particular focus on renewable energy sources. Other focus areas, such as transportation embracing the importance of e-mobility, e-fuels and digitalisation, and greener industry practices for shifting from fossil-based to low-carbon hydrogen, are highly

important to achieve energy efficiency and to complete the transition toward a carbon economy (European Investment Bank, 2020a, p.17). The initiative also includes a commitment to financing de-pollution projects across different sectors and regions, emphasising clean water, sanitation, material recovery, recycling, and extended producer responsibility (European Investment Bank, 2020a, p.17). With this initiative, the EIB aims to strengthen its support for green investment outside the EU, particularly in climate-vulnerable regions, with an additional financing mobilisation goal (European Investment Bank, 2020a, p.17).

To understand the strategic position of the EIB and examine the targeted areas in more detail, we need to delve into the actions within this initiative:

Action Plan 1 - Accelerating Green Finance in Focus Areas: The EIB aims to invest in and develop policies in specific focus areas of energy efficiency, renewable energy, sustainable transportation, eco-friendly infrastructure, and clean water and sanitation to accelerate the transition through green finance domestically and internationally (European Investment Bank, 2020a, p.70).

Action Plan 2 - Development of Financial Products and Services: The EIB aims to support the transition to sustainability and the green economy by developing its business, financial, and advisory products while mobilising additional finance (European Investment Bank, 2020, p.70). Within this framework, the EIB plans to develop more suitable financial instruments to finance green projects, provide technical assistance and consultancy to support risky technologies and offer support to entrepreneurs and businesses to accelerate the transition to the green economy (European Investment Bank, 2020, p.70). Additionally, it aims to collaborate with local and national stakeholders to provide solutions

aligned with national policy priorities and promote the transition to the green economy (European Investment Bank, 2020a, p.70).

These action plans are created to harmonise the efforts of the EIB in sustainability and green finance and take solid steps towards its goals.

3.3.2.2 Ensuring a Just Transition for All

The EIB has established the Just Transition Mechanism (JTM) to address regions heavily reliant on carbon industries in pursuit of ensuring a just transition for all goals (European Investment Bank, 2020a, p.29). The Group has set a target to mobilise EUR 100 billion in investments by 2027, with a specific focus on addressing the challenges faced by these regions (European Investment Bank, 2020a, p.29). In addition, this initiative demonstrates a commitment to gender equality through gender-responsive climate investments, including providing credit to women entrepreneurs, benefiting both the environment and businesses (European Investment Bank, 2020a, p.34). The EIB's focus on addressing conflicts, fragility, and migration is reflected in its investments in climate-resilient urban infrastructure and disaster preparedness projects to scale up and support a sustainable and inclusive global economy (European Investment Bank, 2020a, p.35)

A detailed examination of the 3rd and 4th action plans implemented by the EIB, as follows:

Action Plan 3 - Supporting the Just Transition Mechanism: The EIB aims to facilitate a fair transition in regions overly dependent on carbon industries through this mechanism (European Investment Bank, 2020a, p.70). The EIB aims to strengthen support for this mechanism by enhancing internal structures and developing strategies to bolster delivery (European Investment Bank, 2020a, p.70).

Action Plan 4 - Global-Scale Social Development and Climate Change: This action anticipates the development of broader internal measures considering social development aspects within the EIB's operational processes (European Investment Bank, 2020a, p.70). Specifically, it focuses on the importance of social factors such as gender, conflict, and migration in the context of climate change by integrating social development considerations into its operations (European Investment Bank, 2020a, p.70).

These action plans reflect the EIB's efforts to focus on projects that positively impact the environment and society and take significant steps towards a more inclusive and sustainable World (European Investment Bank, 2020a, p.70).

3.3.2.3 Supporting Paris-Aligned Operations

The EIB aims to identify specific sectors and operational frameworks aligned with the principles of the Paris Agreement with supporting aligned operations (European Investment Bank, 2020a, p.37). Within Europe, the EIB underscores the significance of Research, Development, and Innovation (RDI) to bolster low-carbon technologies in the manufacturing sector while refraining from supporting new capacity in high-carbon processes (European Investment Bank, 2020a, p.44). Meanwhile globally, the EIB commits to supporting power generation projects contributing to decarbonisation and proposing emission standards for new projects with increased energy demand (European Investment Bank, 2020a, p.47). The bank prioritises innovation and environmental considerations in industry projects, moving away from traditional high-carbon processes to align with the goals of the Paris Agreement, focusing on climate risk management, reinforcing its commitment at various operational levels, reflecting a comprehensive and measurable approach (European Investment Bank, 2020a, p.47).

Action Plan 5 - Aligning All New Operations with the Goals and Principles of the Paris Agreement: This action plan aligns new operations with the goals of the Paris Agreement, emphasising the importance of climate action and sustainability across all EIB activities (European Investment Bank, 2020a, p.70).

Action Plan 6 - Integrating Climate Risks into the EIB Group Risk Management Framework: This action plan aims to enhance the EIB's approach to managing climate-related risks at the project, portfolio, and counterparty levels, seeking to address the potential negative impacts of transition and physical climate change risks on projects and counterparties (European Investment Bank, 2020a, p.71). The EIB Group will develop operational guidance to integrate climate risks into its core risk, credit, and portfolio management processes (European Investment Bank, 2020a, p.71).

These plans are crucial for the EIB to play a more effective role in combating climate change, adhering more closely to sustainability principles, and strengthening financial decision-making processes.

3.3.2.4 Building Strategic Coherence and Accountability

The roadmap is supported by specific commitments and numerical targets to establish strategic consistency and accountability, aiming to support and ensure other workstreams (European Investment Bank, 2020a, p.55). The bank's commitment to transparency is evidenced globally through continuous improvement of reporting tools, adherence to disclosure obligations, and regular publication of sustainability reports. The EIB actively engages in sustainable finance platforms and supports climate-related financial disclosures, aligning with the Financial Disclosures and policy frameworks such as the Environmental and Social (E&S) Policy Framework and Climate Strategy (European Investment Bank, 2020a, p.61).

To examine this workstream in more detail, a detailed explanations of Action Plans 7, 8, 9, and 10 is necessary:

Action Plan 7 - Harmonizing Climate Action and Environmental Sustainability Definitions with the EU Taxonomy and Developing Climate and Nature-related Disclosures: The aim is to utilise the EU Taxonomy to identify economic activities related to sustainability and determine how compatible these activities are with environmental objectives (European Investment Bank, 2020a, p.71). In this regard, the EIB will align its existing definitions with the EU Taxonomy and develop disclosures related to climate and nature, enhancing the institution's transparency regarding its climate and environmental sustainability activities and providing stakeholders, including investors, with clearer information (European Investment Bank, 2020a, p.71).

Action Plan 8 - Developing an Integrated Sustainability Policy Framework: This plan aims to create a new sustainability policy framework in which the EIB will initiate consultations and enhance environmental, climate, and social risk management tools (European Investment Bank, 2020a, p.71).

Action Plan 9 - Establishing a Results Framework: This action plan involves creating a robust results framework for reporting on and assessing the implementation of the Roadmap (European Investment Bank, 2020a, p.71). Consequently, the EIB's efforts to combat climate change and promote environmental sustainability will become more transparent and accountable (European Investment Bank, 2020a, p.71).

Action Plan 10 - Ensuring a Consistent Approach for Institutional Support: In this context, the EIB Group will enhance institutional support mechanisms that are aligned with the objectives of the Climate Bank Roadmap and optimise its capacity to continue climate action and

environmental sustainability initiatives sustainably (European Investment Bank, 2020a, p.71).

These steps are significant towards strengthening the EIB's commitment to implement its Climate Bank Roadmap. These action plans will enable the EIB to play a more accountable and transparent role in combating climate change and promoting environmental sustainability.

4 CONSEQUENCES

This chapter is dedicated to investigating the consequences of the EIB's transformation into a climate bank. An analysis of outcomes in the bank's Climate Bank progress, financial metrics, and operations with a sector-specific approach is examined. The chapter also investigates the social impact of the transition. As a case study the chapter analyses the Solaria PV Green Loan project, serving as a perfect example of the EIB's transition.

4.1 Mid-Term Progress

According to the 2022 mid-term report, the EIB's investment for climate action and environmental finance to assist its environmental sustainability goals exceeded over EUR 250 billion for 2021 and 2022, putting the EIB in a perfect position to achieve its ambitious EUR 1 trillion target for the 2021-2030 period (European Investment Bank, 2023j, p.3). The overall volume and share of green financing operations reached 58% in 2022 (European Investment Bank, 2023k, p.3). The four workstreams of the Climate Bank Roadmap resulted in various outcomes showcasing the bank's progress.

The EIB financed EUR 36.6 billion in green projects, and the EIF supported green ventures with EUR 2 billion, in addition to the EUR 1.9 billion for projects like urban water infrastructure in Poland and rural water management in Spain in 2022 (European Investment Bank, 2023j, p.4). While climate change preventative efforts received EUR 33.2 billion, including investments in renewable energy, energy efficiency, and low-carbon transport, Climate Awareness and Sustainability Awareness Bonds reached a record high, making up 45% of annual funding in 2022 (European Investment Bank, 2023k, p.4). In addition, the EU taxonomy is integrated into the EIB's climate action and signed a Joint Statement

at COP26, emphasising the interconnectedness of climate and environmental issues along with the creation of the new Environment Framework (European Investment Bank, 2023j, p.12).

4.1.1 Social Impact

The EIB's transformation into a climate bank touched upon various social aspects alongside environmental and economic impact. The efforts made during the transformation have added to the goal of accomplishing sustainable development goals. The roadmap acknowledges the interconnectedness of climate action, sustainability, and socioeconomic development; thus, it aims to support social development and gender equality in its projects (European Investment Bank, 2023j, p.8).

In 2022, 8% of the total investment was allocated to projects contributing to gender equality and economic empowerment of women, of which 40% of these projects were located in the EU, including projects implementing measures preventing women and LGBTIQ+ persons from being protected from harassment in public transport (European Investment Bank, 2023j, p.8). While 60% of projects support environmental and gender equality goals beyond the EU, such as the EUR 600 million allocated for renewable energy programs in Latin America, Brazil, Colombia, and Peru under EIB Global (European Investment Bank, 2023j, p.8). One of the projects in São Paulo ensured that over 60% of households headed by women were connected to the power supply during the same year (European Investment Bank, 2023j, p.8). An additional EUR 40 million was invested in projects for SMEs that target gender equality at a workplace for women, of which 30% of the companies are owned by women (European Investment Bank, 2023j, p.9).

The EIB showed outstanding achievement in adjusting the low-carbon alignment framework for funds beyond the EU, particularly in developing

regions, allowing investments in funds substantially aligned with at least 75% of assets (European Investment Bank, 2023j, p.9).

Figure 4.1 - Project results: outputs and outcomes (2021-2022)

Roadmap Focus Area	Indicator Type	Indicator	2021 figures*	2022 figures*
Building greater resilience to climate change				
	Outcome	People with reduced exposure to drought risk	0.3 million	11.2 million
	Outcome	People facing reduced risks of flooding	0.6 million	0.2 million
	Output	Construction and rehabilitation of dykes, flood barriers and flood retention basins	230 km	60 km
	Output	Capacity of reservoirs or raw water storage facilities constructed or rehabilitated	0.35 million cubic metres	0.18 million cubic metres
	Output	Capacity of retention structures constructed or rehabilitated	5.36 million cubic metres	0.29 million cubic metres
Making buildings energy efficient				
	Outcome	Energy savings from EIB-financed green projects	3.0 million megawatt hours per year	2.1 million megawatt
	Outcome	Smart energy meters installed	2.1 million	2.4 million
	Output	Households in renovated energy-efficient housing units	163000	93500
Promoting clean energy				
	Output	Additional electricity generation capacity from renewable energy sources	11300 megawatts	1970 gigawatts
	Outcome	Additional electricity produced from renewable energy sources	27900 gigawatt hours per year	38800 gigawatt hours per year
	Output	Additional heat production capacity from renewable energy sources	18 megawatts	61 megawatts
	Outcome	Additional heat produced from renewable energy sources	124 gigawatt hours per year	46 megawatt hours per year
	Output	Power lines installed or upgraded	62800	29400 km
Smarter, more sustainable transport				
	Outcome	Additional annual trips made on EIB-financed public transport	346 million	517 million
	Outcome	Additional annual demand for goods served by the rail freight services generated	1.2 million tonnes per year	2.6 million tonnes per year
	Output	Tracks and lanes for trains, tram, metros and buses	530. km	2500 km
	Output	Stations or stops constructed or upgraded	100	1030
	Output	Vehicles and rolling stock purchased or rehabilitated	6350	23600
	Output	Electric vehicle charging, other alternative refuelling, stations	N/A	1530
Striving for greener industry				
	Output	Patent applications	0	70
		Patent granted	435	30
Eliminating pollution				
	Outcome	Wastewater treated to acceptable standards	2.1 million person equivalent	6.6 million person equivalent

Notes: *Aggregated annual values are rounded down to provide a conservative estimate of overall anticipated project outputs and outcomes supported.

Source: Taken from the European Investment Bank (2023j, p.28).

The results shared by the EIB Group on the analysis of the Roadmap Focus Area Indicators for 2021 and 2022 reveal dynamic trends in the bank's climate initiatives. Building greater resilience to climate change received a significant increase in people benefitting from reduced drought exposure, from 0.3 million to 11.2 million, showcasing successful efforts meanwhile, the number of people facing reduced risks of flooding went from 0.6 million to 0.2 million, which demonstrates the need for strengthen measures in this focus area (European Investment Bank, 2023j, p.28). This consensus is amplified by a reduction from 230km to 60km

60km of constructed or rehabilitated flood protection barriers from 2021 to 2022 (European Investment Bank, 2023j, p.28). Making buildings energy efficient resulted in a marginal decline from 3.0 million to 2.1 million megawatt hours (MWh) per year in energy savings from green projects, offset by the positive growth in smart energy meter installations from 2.1 million to 2.4 million (European Investment Bank, 2023j, p.28). Promoting clean energy obtained a surge in additional electricity generation capacity from renewable sources, rising from 11,300 to 19,700 megawatts (MW), demonstrating a robust commitment to promoting clean energy, which is supported by increased additional electricity generated from green sources from 27900 to 38800-gigawatt (GW) hours per year from 2021 to 2022 (European Investment Bank, 2023j, p.28).

Smarter, more sustainable transport highlights a commendable increase in public transport trips from 346 million to 517 million annually and freight demand from 1.2 million to 2.6 million tonnes (European Investment Bank, 2023j, p.28). The introduction of the indicator for electric vehicle charging, with 1,530 stations in 2022, aligns with evolving sustainability priorities (European Investment Bank, 2023j, p.28). An increase from 100 to 1030 stations and stops constructed for public transport from 2021 to 2022 goes hand in hand with an increase in the length of tracks constructed for rail-based transport from 530 km to 2500 km (European Investment Bank, 2023j, p.28).

Striving for a greener industry indicates growth in patent applications, which increased from 0 to 435; however, granted patents decreased from 70 to 30 (European Investment Bank, 2023j, p.28). Last but not least, eliminating pollution showcases a substantial leap in wastewater treatment efforts, with the number of person equivalents treated rising from 2.1 million to 6.6 million (European Investment Bank, 2023j, p.28).

While the results display a positive impact on droughts, energy promotion and transport, some obstacles remain in energy efficiency and flood matters. Overall, the results showcase the EIB’s commitment to the roadmap, regardless of the need for strengthening efforts for some sectors.

4.2 Financial Results

The EIB has experienced transformative changes since its establishment as a response to the evolving landscape. As indicated in the prior chapter, the EIB’s pivot to the EU Climate Bank is heavily influenced by external cases and strategic decisions. While over the years, the bank has sustained itself with its flexible and adaptable approach, we are now left to understand the consequences of the last initiative of the EIB. This section aims to investigate whether or not there is a change in the bank’s profitability in relation to the EIB’s pivot to Climate Bank and changing the focus to climate financing, scrutinising the impact on the bank’s operations. In order to understand the outcome, the years 2008, 2015, 2019 and 2022 have been selected due to the significance of the years and analysed through aggregate loans granted, total assets, and net profit.

Figure 4.2 - The EIB’s financial performance analysis as of the last day of each year (in EUR millions)

Years	Aggregate Loans Granted	Total Assets	Net Profit
2008	350,754.618	325,760.974	1651
2015	563,487.809	570,616.953	2757
2019	560,299.704	553,561.060	2363
2022	562,031.931	544,587.714	2366

Sources: Created by the EIB’s annual financial reports of each referred year.

In 2008, the year marked by the financial crisis and the subsequent launch of the initial Green Bonds, the EIB ended the year with a total of EUR 350.75 billion in aggregate loans granted and a net profit of EUR 1.65 billion (European Investment Bank, 2009a, p.105). The total assets amounted to EUR 325.76 billion, reflecting the challenging economic environment (European Investment Bank, 2009a, p.106).

The EIB proceeded to significantly increase its results in 2015, which was also an important year due to the ratification of the Paris Agreement and the UN SDGs. In 2015, the bank showed profitable results with an increased annual net surplus of EUR 2.76 billion (European Investment Bank, 2016b, p.4). In 2015, The EIB granted aggregate loans of EUR 563.49 billion, almost doubling its total assets to EUR 570.62 billion and net profit to 2.75 billion, reflecting an expansion of the EIB's lending portfolio aligned with global investment objectives (European Investment Bank, 2016b).

2019, marked by the Climate Bank pivot following the creation of the European Green Deal and the creation of the Juncker Plan in 2014, plays an important role in green finance. In 2019, the EIB upheld its method of generating surpluses by financing a large volume of loans at low margins, reaching EUR 73.7 billion (European Investment Bank, 2020, p.8). However, in 2019, there was a nuanced decrease in the bank's financial results compared to 2015, as the total loans granted dropped to EUR 560.30 billion, of which 88.4 % was allocated within the EU (European Investment Bank, 2020c, p.11). This consequently decreased the net profit to EUR 2.36 billion and the total assets to EUR 553.56 billion (European Investment Bank, 2020c, p.32).

The most recent year for which we have data, 2022, is part of the Climate Bank Roadmap. As the strategic shift continued, the bank increased its spending on climate action, but this resulted in a decrease in its total

assets to EUR 544.59 billion in 2022 (European Investment Bank, 2023, p.7a). Nevertheless, the aggregated loans granted increased to EUR 562.03 billion alongside the net profit of EUR 2.37 million (European Investment Bank, 2023a, p.7). This decrease might result from the ongoing changes since the pivot to the EU Climate Bank.

The results show that regardless of the increased loans, there is stability in the net profit, and the total assets have fluctuated since 2019 and reached the lowest amount since then (European Investment Bank, 2023a, p.7). As the green investments show no apparent profit to the EIB but steady financial results, the strategic decision warrants an in-depth investigation.

4.3 Sector-Specific Lending Strategy

The EIB has been allocating loans for climate projects since the 1990s. While before 2019, the EIB showed an average of 20 to 30 % of the bank's overall lending activities in climate projects, since the climate pivot, there has been a notable shift, which currently reaches 50 % of the bank's overall lending activities (Kavvadia, 2024, March 5). The EIB is actively shifting to a greener lending policy, specifically by ending the fossil-fuel projects under the EIB Energy Lending Policy to foster energy efficiency, renewable energy, and decarbonising energy supply (European Investment Bank, 2023l, p.7). The EIB has three criteria for evaluating projects:

- Economic criteria: impact on the overall economy,
- Technical criteria: project framework, and profitability,
- Environmental criteria: compliance with climate regulations, pollution, and social impact (Kavvadia, 2024, March 5).

However, there have been concerns about the classification of the projects. ClientEarth brought the case on EIB, claiming that a EUR 60 million loan issued for a biomass plant in Spain did not meet the EIB's

green investment criteria, which the EIB ended up refusing (Taylor, 2021). While biomass is included in the EIB’s list for sustainable projects, it is still acknowledged by industry leaders that biomass should not be classified as carbon-neutral as it is not always sustainable (Taylor, 2021). The Court of Justice of the European Union (CJEU) ruled that the EIB must accept ClientEarth’s request for internal reviewing, which promoted the EIB to be more accountable and transparent in its lending activities (General Court of the European Union, 2021). Contradictory statements regarding the financing of gas projects as green under the EU taxonomy by the European Commission and the EIB’s initiative to take its own approach create more criticism as the investors might have a dilemma to follow standards (Taylor, 2022).

Figure 4.3 - A breakdown of disbursed loans outstanding as of the last day of each year. (in EUR millions)

Sectors	2008	2015	2019	2022
Agriculture, Forestry, and Fisheries	210	2,493	3,66	4,961
Energy	30,84	64,755	64,54	64,59
Global Loans	77,154	106,253	81,406	64,6
Health and Education	18,501	33,507	34,512	36,901
Industry	18,814	34,193	26,501	31,438
Infrastructure	16,988	26,131	29,425	33,346
Services	12,306	16,227	17,491	18,262
Telecommunications	9,461	12,308	11,75	10,913
Transports	90,713	130,305	81,406	126,633
Water and Sewerage	16,432	31,33	28,986	28,324
Total	291,419	457,502	427,05	419,968

Notes: A global loan is a line of credit to an intermediary financing institution or a bank, which subsequently lends the proceeds, at its own risk, to finance small and medium-sized projects being undertaken by private or public sector promoters.

Sources: Created by the EIB’s annual financial reports of each referred year.

In 2008, the EIB displayed a diversified portfolio in its lending activities and disbursed EUR 291.419 billion in total, where the transport sector received the largest share at 31.16%, demonstrating the EIB’s role in

improving transport infrastructure (European Investment Bank, 2009a, p.135). Transport is followed by global loans, holding a solid share of 26.45%, showcasing the EIB's role in fostering financing globally to contribute to development (European Investment Bank, 2009a, p.135). In 2008, the energy sector was allocated 10.57% of the bank's overall lending activities, which reflects the EIB's dedication to energy efficiency since the 1970s (European Investment Bank, 2009a, p.135). While other facilities received smaller portions, it still demonstrated the bank's commitment to development: industry with 6.46%, allocated infrastructure with 5.83%, 4.22% for services and 3.25% for telecommunications (European Investment Bank, 2009a, p.135). In addition, sustainable practices such as health and education received 6.35%, followed by water and sewerage with 5.63%, and agriculture, forestry, and fisheries were allocated the smallest amount, with 0.07% (European Investment Bank, 2009a, p.135).

In addition, the EIB Group signed individual loans equal to EUR 15.660 billion for environmental protection and sustainable communities projects in 2008 (European Investment Bank, 2009b, p.15). While protection of the environment initiatives received EUR 7.770 billion, namely for tackling climate change, natural resources management, and improving the environment and health, sustainable communities received EUR 7.890 billion for urban renewal and regeneration initiatives, sustainable transport, and health (European Investment Bank, 2009b, p.15).

The data shows the EIB strategically allocated its loans in 2015, reaching disbursed loans of EUR 457.502 billion. While the transports sector's portion was reduced, it still maintained its position, with allocated 28.47% of the total investment and yet still receiving higher amounts, sharing the same outcome as the global loans, which maintained its position with a reduced share at 23.22% (European Investment Bank,

2016b, p.59). The third largest portion is allocated to the energy sector, with an almost 4% increase in investment, reaching 14.14%, demonstrating increased effort for clean and renewable energy, aligning with the formation of UN SDGs and the Paris Agreement (European Investment Bank, 2016b, p.59). Sustainability endured its significant portion with substantial distribution to health and education at 7.32%, water and sewerage at 6.85%, and agriculture, fisheries, and forestry with the lowest share of 0.55% (European Investment Bank, 2016b, p.59). In addition, a balanced allocation was observed for sectors like industry at 7.48%, followed by infrastructure at 5.71%, services at 3.54% and telecommunications at 2.69% (European Investment Bank, 2016b, p.59).

Furthermore, the EIB Group remained committed to climate action by dedicating at least 25% of its total lending to projects that address environmental problems in 2015 (European Investment Bank, 2016c, p.35). The bank allocated EUR 20.7 billion for projects dedicated to tackling climate change with a focus on EUR 10.3 billion for lower carbon and climate-friendly transport, EUR 3.6 billion for energy efficiency, EUR 3.3 billion for renewable energy, EUR 1.6 for RD&I, and EUR 0.9 billion for adaptation to climate change, and EUR 1 billion for projects in afforestation, waste, wastewater and other sectors (European Investment Bank, 2016c, p.35).

In the year of the European Green Deal, the EIB preserved allocating its disbursed loans strategically but with a decreased amount of EUR 427.050 billion (European Investment Bank, 2020c, p.65). The transport sector maintained its significance, securing 30.13% of the bank's total investment, followed by global loans with a strong decrease in the allocated amount of 19.04% (European Investment Bank, 2020c, p.65). Unlike the significant decrease in transport and global loans, the energy sector maintained the same amount allocated, which corresponded to an

increase in the total investment by 15.12%, which underscores the growing attention to the importance of clean and efficient energy in line with environmental sustainability goals (European Investment Bank, 2020c, p.65). Other sustainable practices, such as health and education, received 8.08%, followed by water and sewerage with 6.78%, and agriculture, fisheries, and forestry projects were granted 0.86% (European Investment Bank, 2020c, p.65). Projects in sectors like infrastructure received 6.88%, 6.16% for industry, services with an increased amount corresponding to 4.09% and telecommunications with allocated 2.75%; while these numbers reflect smaller portions, they are crucial for the digitalisation of the industries and infrastructure ultimately supporting economic growth (European Investment Bank, 2020c, p.65).

Additionally, the EIB Group contributed to environmental challenges with an additional electricity generation capacity of 7.4 million, of which 98% of energy comes from renewable sources (European Investment Bank, 2020d, p.8). Overall, 31% of the EIB Group's financing was allocated to climate action (European Investment Bank, 2020d, p.14).

In 2022, the EIB allocated the lowest amount out of the four investigated years, with a total of EUR 419.968 billion disbursed loans (European Investment Bank, 2023a, p.78). The transport sector maintained its position with doubled disbursed loans, corresponding to 30.16% of the bank's total investments (European Investment Bank, 2023aa, p.78). Global loans and the energy sector accounted for the same amount at 15.37%, followed by health and education at 8.75% (European Investment Bank, 2023a, p.78). Sectors like infrastructure, industry, services, and telecommunications represent a share of a collective of 22.34%, showcasing the EIB's commitment to developing industrial projects. Sustainability practices water and sewerage projects were allocated 6.74% while agriculture, fisheries, and forestry projects

remained the smallest with 1.18% (European Investment Bank, 2023a, p.78).

Furthermore, in 2022, the EIB impacted 2.4 million hectares of agricultural land and 1.5 million hectares of forestry land, consequently contributing to sustainable development (European Investment Bank, 2023m, p.9). Sustainable development was supported by 25.4 million people receiving safe drinking water and 10.8 million with improved sanitation facilities (European Investment Bank, 2023m, p.9). The energy sector was enhanced by 15,800 MW renewable energy generation capacity and annual production of 31,300 GWh, where the energy saving also reached 2 million MWh per year (European Investment Bank, 2023m, p.9).

In 2022, Russia's military aggression against Ukraine, the World and particularly the EU faced a distortion leading to concerns about energy security and prices (European Commission, 2022). The EU created the REPowerEU plan to phase out the reliance on Russia for energy, ultimately setting the action for saving energy, diversifying supplies, accelerating Europe's clean energy transition, and fostering integrated investments and reforms (European Commission, 2022). The EIB plays a key role in leveraging the REPowerEU with funding of EUR 45 billion and aiming to invest EUR 150 billion until 2027 (European Investment Bank, 2023n). The EIB finances projects in renewables, energy storage, and electric vehicle infrastructure, as well as technologies in solar and wind sectors, ultimately contributing to the goals of achieving a carbon-neutral economy (European Investment Bank, 2023n).

While the results do not show any significant changes in the sectoral distribution of the EIB's lending activities, it has been clear that the bank is committed to its goals to achieve its goal of reducing GHG emissions by 2050 while promoting a sustainable environment for people, as the

EIB report shows that green lending reached 58% of the bank's total lending, exceeding its target in 2022 (European Investment Bank, 2023k, p.1).

Nevertheless, results from 2023 show significant data to analyse how the EIB execute the green investments. The EIB provided €44.3 billion, equivalent to 60%, to climate action and sustainability, underscoring its commitment to the Climate Bank Roadmap (European Investment Bank, 2024b, p.6). The data shows the EIB Group overall allocated EUR 49 billion to climate action and sustainability, reaching EUR 349 billion in green investments since 2021 (European Investment Bank, 2024b, p.6). The EIB's biggest contribution of EUR 13.3 billion is allocated to low-carbon transport, followed by EUR 9.1 billion for renewable energy and EUR 8.2 billion for energy efficiency (European Investment Bank, 2024b, p.6). While EUR 2.7 billion was granted to climate change adaptation, along with EUR 2.5 billion for environmental sustainability, EUR 6.7 billion was allocated for other projects under climate change, such as electricity transmission and distribution, manufacture of low-carbon technologies, and waste management (European Investment Bank, 2024b, p.6). Last but not least, EUR 1.8 billion is invested in research, development and innovation, underscoring the importance of technological development to achieve the climate goals (European Investment Bank, 2024b, p.6).

4.4 Solaria European PV Green Loan

The EIB has signed the framework financing for the project Solaria European PV Green Loan amounting up to EUR 1.7 billion by the EIB, whereas the total cost is expected to be EUR 5 billion (European Investment Bank, 2023o). The project aims to finance a photovoltaic (PV) portfolio with a total capacity of approximately 5.6 GW, with Spain having the highest part of 4.85 GW, Italy with a capacity of 382 megawatts (MW)

and Portugal with a capacity of 375 MW (European Investment Bank, 2023o). This project revolves around generating electricity through sustainable practices that address climate change and environmental sustainability by reducing pollution and GHG emissions resulting from unsustainable energy production and consumption (European Investment Bank, 2023o).

The project works mainly under the Sustainable Infrastructure policy window of the InvestEU programme (formerly EFSI) aiming to precipitate additional investment of more than EUR 372 billion until 2027 (European Investment Bank, 2023o). The project targets to fulfill the electricity needs of about 2.5 million households annually and reduce GHG emissions which corresponds to approximately 3 million tonnes of CO₂ per year (European Investment Bank, 2023o). The objectives of this project align with the Paris Agreement, the European Green Deal, and the Climate Bank Roadmap by contributing to the economic, social and environmental objectives (European Investment Bank, 2023o).

During the construction, it is expected to create over 11.000 jobs per year, contributing to the regional economy and growth (InvestEU, 2022). The project has been confirmed to be 100% mitigation – renewable energy with expected electricity produced from renewable energy sources reaching 9,293.00 gigawatt hours (GWh) per year, along with the cost of electricity generated with environmental externalities (InvestEU, 2022).

As the funding is part of the REPowerEU Plan, it supports the creation of new energy supplies while decreasing energy dependence on fossil fuels and Russia. The EIB Vice President Ricardo Mourinho Félix described the project as a testimony of the EIB's commitment to clean energy, assuring secure and sustainable energy to its citizens (Power Technology, 2023). The EIB, as the EU Climate Bank, demonstrates its commitment to fostering green transition in the EU through the Solaria project. The

project possesses absolute alignment with the EIB's climate goals and the Energy Lending Policy. The implementation of this project not only brings economic growth to the three big economies of Europe by creating employment opportunities but also supports the EIB's goals of achieving a low-carbon economy by reducing GHG emissions and fostering clean energy. The project underscores the EIB's lending activities and acknowledges the alignment with the climate goals, which ultimately was at the core of the pivot. The EIB's continuous advocacy on sustainable practices in this case renewable energy, support the EU's norms in tackling climate change and creating a sustainable planet.

CONCLUSION

The EIB's transformation into a climate bank evolves as a comprehensive acknowledgement of a complex mass of factors, underscoring the institution's ardent recognition of the necessity and urgency of the global environmental crisis. This strategic metamorphosis is not solely a response to the scientific reasoning behind the dreadful climate change results, such as piled-up pollution, extreme weather events, and increasing sea levels, but it also showcases the EIB's proactive and flexible approach to navigating environmental, economic and political landscape. In 2019, by positioning itself as a key actor in guiding sustainable practices and climate action, the EIB represented itself as a multifaceted institution that embraces financial and environmental imperatives strategically.

In addition, some scholars provide theoretical perspectives on the EIB's decision to become the EU Climate Bank, highlighting the external pressures faced by the institution. This theory highlights the institution's response to the urgency of global climate issues and aligning with evolving political expectations, creating a tactical approach by taking the lead and self-proclamation as the EU Climate Bank. The EIB's flexibility and adaptability to meeting challenging environments is inevitable through the institution's recalibrating its business model various times since its establishment. Nonetheless, Kavvadia (2024, March 5) believes that no substantial transformation has occurred, as true transformation entails a shift in the business model, and such a fundamental change has not taken place since 2010. While minor adjustments in the lending strategy should not be confused with genuine transformation, they merely reflect a drifting in the orientation. A necessary adjustment in a business model and operational scheme should have been evident, given the inherent risks posed by climate-related challenges (Kavvadia, 2024, March 5). Furthermore, the EIB's focus on meeting the stakeholders'

interests emerges as a critical issue, given the divergent preferences in which each stakeholder pushes the EIB, causing an unbalanced orientation. Ultimately, the perception of the EIB losing importance and the bank's self-proclamation as the climate bank led to dissatisfaction with the European Commission, which indicates the necessity for the bank to reaffirm its relevance and value proposition (Kavvadia, 2024, March 5). In order to overcome these obstacles the bank requires a comprehensive transition strategy, effective and converge stakeholder direction, and a groundbreaking methodology to validate the EIB's role in shaping the global climate agenda and green finance.

Nevertheless, the different theories on the EIB's transformation and the bank's approach enforce the necessity for a conclusive deed to tackle climate change. The action is encouraged by a global concord that transcends cultures and beliefs, stressing the significance of promoting environmental sustainability for the well-being of the Earth. This propulsion encourages the EIB as a leader in promoting green finance and climate agenda, fostering a sustainable route for economic development.

As scrutinised, the EIB's roadmap is shaped by the dynamic policies of the European Union to contribute to the ambitious goals of the European Green Deal. This framework, with its vigorous goals for steering green investments and achieving a carbon-neutral continent, provides a strategic roadmap for the institution and strengthens the EIB's central role in promoting the EU goals. The EIB experiences a shift in its lending strategy, marking it by ending fossil-fuel projects and an intensified emphasis on sustainable and renewable energy. The bank's devotion to orienting itself with low-carbon frameworks and the EU taxonomy enhances the goals of the Climate Bank Roadmap. In addition, the interconnectedness of climate action with broader social and economic goals is acknowledged by the EIB as the bank lending strategy embraces

projects that promote gender equality, empower women, protect communities in jeopardy, and eliminate social disparities both within and beyond the EU. Therefore, it strengthens the institution's influential role as a catalyst for a more fair and equal World and fosters positive social impacts, affirming the EIB's dedication to being an instrument of change beyond environmental concerns. The EIB's role in addressing various challenges showcases an extensive influence on economic, social, and environmental realms. The bank's tangible increase in green investments exceeding EUR 250 billion by 2022 on its goals to achieve EUR 1 trillion by 2030 underscores the EIB's flexibility and adaptability in deliberately altering its operations in response to the changing global landscape.

The EIB's approach to addressing the climate crisis is represented by collaborations with international actors and agreements at COP26, demonstrating the EIB's influential role globally. The bank has an influential impact as the bank's commitment to climate financing initiatives influences other financial institutions, forming an example for the blending of sustainable finance applications. As the largest climate bank, the EIB's competitive but at the same time cooperative approach aligns with broader sustainable finance goals by collaborating with other financial entities (Kavvadia, 2024, March 5). While this is evocative of the World Bank's influence on other institutions, the EIB now takes the leadership in motivating other organisations to focus on climate financing, such as the Asian Infrastructure Investment Bank (AIIB) and the Asian Development Bank (ADB) (Kavvadia, 2024, March 5). Thus, the EIB's climate bank transformation is influential due to its financial and environmental results, shaping the trajectory of green finance and spreading the EU norms globally.

The EIB's pivots into a climate bank with a multifaceted nature emphasise its notable influence in addressing the intertwined obstacles of the climate crisis, social development, and economic growth. The EIB's

expedition serves as a testimony to the catalytic power of financial institutions in shaping a sustainable future. The vigorous reciprocity of environmental aspects, policy frameworks, and social imperatives characterise the EIB as a pioneering actor in propelling positive progress across borders, evidencing its allegiance to being a groundbreaker in green finance.

This research constructs a contribution to existing understanding by providing an extensive investigation of the EIB's transformation into a climate bank by clarifying the complex reciprocal elements, including policy influences and global imperatives. The research investigates the bank's structure, historical aspects, metamorphosis and consequences across operational, financial and social dimensions, providing a subtle comprehension of the EIB's role in addressing the climate crisis. This dissertation has prompted new research questions, encouraging further exploration, including an investigation into the assessment of the significant achievements and challenges faced from the bank's evolution into a climate bank upon the conclusion of the roadmap in 2025. Additionally, a comprehensive examination of the EIB's financial performance upon its transformation into a climate bank can be valuable to understand the evolution of key financial metrics for other financial institutions. Furthermore, the bank's cooperation mechanisms can be investigated to extract valuable lessons for other financial institutions in envisaging similar green finance strategies. In addition, a detailed sectoral analysis highlighting the geopolitical insinuations of green financing can enhance the understanding of the bank's global impact.

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