

P3.2-4 European Investment Bank

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As the promotional bank of the European Union, the European Investment Bank (EIB) has made the financing of investments in low carbon projects one of its priorities. The EIB's financial support is either extended through long-term loans or guarantees, or – indirectly – through equity participations, managed by its subsidiary, the European Investment Fund (EIF). The EIB's investment programmes for low carbon projects comprise:

- (i) renewable energy;
- (ii) eco-/resource-efficiency;
- (iii) clean transport equipment; and
- (iv) electricity grids.

Although the EIB's lending under these four programmes has almost doubled between 2008 and 2009, to a total of EUR 16.9bn, the Bank was unable to satisfy all financing requests from both private and public promoters across Europe. However, despite the apparent excess demand for funding, there is still a perceived gap between actual and potential investment in low carbon projects. One major reason for the substantial under-investment may be found in the discrepancy between (rather moderate) returns to private investors and (higher) benefits to society. The positive external effects from investments in low carbon technology might need to be (at least) partially compensated by public incentives, if the level of investment is to be raised.