



“The Hamburg Summit: China meets Europe”

Keynote Speech

by

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Ladies and gentlemen,

It is a great pleasure for me to participate in this Hamburg Summit. There is of course a large number of angles from which one can analyze the relationship between Europe and China, as illustrated by the various panels and already by the previous speakers. I have chosen to focus on a limited but concrete aspect: the European Investment Bank's support to China's fight against climate change. This can be seen in the broader context of what the First Mayor, Herr Ahlhaus, called this morning the "Green Dialogue" with China. So let me first briefly introduce our climate action involvement and then focus specifically on cooperation with China.

The European Investment Bank, as the long-term lending institution of the European Union, has effectively engaged in climate action, both within and outside of the EU. As a policy-driven Bank, the EIB supports the implementation of the EU's policy objectives, including the EU's 2020 energy and climate change targets and its goal of sustainable low-carbon growth.

In this context, the main focus of the EIB is on the following areas: renewable energy, energy efficiency, research and development of cleaner technologies, as well as investment in sustainable transport.

In concrete terms, the Bank has set for itself two specific objectives: first, climate change adaptation and mitigation projects should represent at least 25 percent of its overall lending by 2012; second, renewable energy projects should represent at least 20 percent of all energy projects the Bank finances.

In 2009, EUR 17bn of loans were signed for Climate Change projects. EIB lending outside the EU depends on the terms of multi-annual mandates entrusted by the EU Council and Parliament. In order to supplement its traditional external lending mandates, the EIB established in 2007 a 3 billion euro financing facility. This facility is used to support investment projects in emerging countries, in particular in countries with which the EU is developing a Strategic Partnership such as China, India, Brazil and Mexico. Under this facility the EIB supports renewable energy, energy efficiency, carbon capture and storage.

How does this relate to our relationship with China?

Since the beginning of our activities in the country in 1995, our lending was aimed at financing infrastructure investments. For example, we co-financed the expansion of the Beijing International Airport. I am sure that Most of you have seen this beautiful new terminal; it has been partly financed by the EIB. However, more recently, the Bank has been exclusively focusing on projects aimed at fighting climate change. China's economic development has rapidly reduced poverty levels, but has dramatically increased its greenhouse gases emissions. The country is now the world's largest emitter of carbon dioxide ahead of the United States, in total amounts, but not per capita to be clear about it.

We have witnessed a growing awareness of environmental problems in China, and the government has embarked on one of the most ambitious CO2 reduction programmes. The Chinese authorities have set energy efficiency and renewable energy targets, aiming to reduce energy intensity per unit of GDP by 20 percent from 2005 to 2010, which is equivalent to 1.5 billion tons of CO2 savings annually.

These targets were duly included in the eleventh five-year Plan and subsequently implemented. So far, the estimated results stand between 15 and 17 percent, which is already a remarkable achievement. In all modesty, the European Investment Bank has contributed its small share to this major achievement. More importantly, the Chinese government is willing to continue its efforts in the framework of the upcoming twelfth Plan.

The EIB has been the most active European partner to support this ambitious agenda, namely with its China Climate Change Framework Loans. More broadly, the EIB is the International Financing Institution with the highest focus and largest amount provided in support of the fight against climate change: 17bn EUR in 2009 and more in 2010.

Our framework loans are multi-investment schemes under which the Bank supports a sequence of individual Climate Change mitigating projects in the energy and industrial sectors that will help to prevent or reduce greenhouse gases emissions. A broad range of project categories are eligible for EIB financing, mainly projects using renewable energy sources and energy efficiency enhancements. These framework loans are accessible to a broad range of project promoters, including central or provincial government agencies, municipalities, public utilities and companies, including public-private joint ventures.

The first of these loans with China was signed in 2007 and within three years 80 % of the entire envelope of 500 million euro has been allocated to finance:

- fifteen hydro, solar and wind power projects,
- three energy efficiency and CO2 reduction schemes in the heavy industry sector,
- as well as two forestation projects.

The remainder of the funds has already been earmarked and should be allocated in the coming months. In doing so, the Bank paid a particular attention to ensuring that the strictest environmental, social and technical standards are applied in the projects it finances. As a matter of fact, the Bank is applying the most stringent EU rules and procedures not only in reviewing the environmental, social, commercial and technical characteristics of the projects, but also in the procurement of works, goods and services it finances.

The Chinese Government was positive about the successful implementation of the EIB's first framework loan; it was particularly appreciative of the technical expertise provided by the EIB in Climate Change related projects. As a matter of fact, the government values the strict EIB criteria for project selection and implementation, contributing to the further improvement of internal selection procedures, project supervision, and quality control. China is also interested in the EIB expertise developed over time in climate change related sectors, the Bank being exposed to the most advanced technologies and to European companies at the forefront of innovation. In addition, the Chinese government has successfully promoted the loan as one of the key EU financial support mechanism to support climate change mitigation efforts in the country. It has built efficient management systems at national and provincial levels to properly handle EIB framework loan requirements.

This is why we have decided to grant a second framework loan, again for an amount of 500 million euros, and we already have several financing requests pending. We expect that the new framework loan – will be equally positive as the previous one in terms of CO2 reduction. As we are confident that this will be the case, we are already preparing a third loan which would focus this time on forestation projects.

Ladies and gentlemen,

This cooperation with the People's Republic of China is a tangible example of the EIB's contribution to the EU policy on climate change, as well as of the EU-China strategic partnership which foresees, *inter alia*, joint efforts to mitigate climate change, in particular under China's National Climate Change Programme.

China is a crucial partner to the EU in international climate policies. The setting up and the effective implementation of our framework loans is a concrete and positive result of this partnership.

Thank you for your attention.