

FORATOM response to the EIB Energy Lending Policy Consultation

As the European trade association representing the nuclear industry, FORATOM welcomes the opportunity to respond to this consultation. We believe it is important that EIB policy in this field be closely linked with climate policy which means that, as indicated in the consultation document, the EU will have to eliminate nearly all greenhouse gas emissions by 2050 if it is to reach the goals of the Paris Agreement.

In this respect, we draw attention to the fact that policymakers and experts at both EU and international level have recognised that nuclear will play a role in decarbonising the power sector.

- The latest Intergovernmental Panel on Climate Change (IPCC) report ([Global Warming of 1.5°C](#), 8 October 2018) recognises that nuclear power is essential if the world is to keep global warming to below 1.5 degrees. According to one of the IPCC scenarios, a six-fold increase in global nuclear capacity is needed if we want to achieve our climate goals.
- On 28 November, the European Commission published its '[A Clean Planet for All](#)' strategic vision. According to this document, nuclear, together with renewables, will form the backbone of a carbon-free power sector in 2050.

Nuclear goes hand in hand with renewables. Renewable energy sources, such as wind and solar, are one of the tools available which can help Europe decarbonise its electricity system. The challenge which they face today is their intermittent nature, a point recognised in the consultation document. Hence why they need to be combined with other sources of reliable energy which would need to be low-carbon in order to be in line with the decarbonisation targets. Nuclear can provide the solution as it is the only non-weather dependant, large-scale source of both dispatchable and flexible low-carbon energy. This is an important point which we believe is lacking in the consultation document.

During the public consultation meeting on 25 February 2019, representatives from the EIB confirmed that, whilst nuclear projects are eligible for EIB funds according to the criteria, approval is difficult for political reasons. We wish to stress the fact that it is important that EIB lending decisions be taken on the basis of objective criteria in order to ensure a level-playing field for different technologies.

Questions for consultation: General

Q1: Do paragraphs 15-27 above provide a reasonable characterisation of the long-term energy transformation? Are there additional dimensions that the Bank should consider when reviewing its Energy Lending Policy?

In terms of background, these paragraphs provide a good overview of the situation in that they:

- Make reference to the IPCC 2018 report.
- Indicate that in order to be in line with the Paris Agreement, the EU will need to eliminate nearly all GHG emissions by 2050.
- Note that demand for energy will increase as more and more people gain access to electricity, for example.
- Refer to the potential long-term economic and social impacts and the need to ensure a 'fair' transition.

- Recognise that there will be an increased electrification of heat, industry and transport, and that this electricity should be produced by low-carbon sources.
- Indicate that modern economies rely on an uninterrupted and abundant supply of energy.
- Recognise the fact that a portfolio of low-carbon technologies will be needed and link to the technologies highlighted in the Commission's 'A Clean Planet For All' strategic vision.

They furthermore note some of the challenges posed by an increasing share of renewables in the energy mix. In our opinion it is important to ensure that when implementing solutions to tackle CO2 emissions, we do not end up creating other problems:

- **We do not believe sufficient attention has been given to nuclear** as a solution for the variability of renewables. Indeed, if we are to decarbonise the power sector, whilst at the same time ensuring security of supply, it is important that renewables are combined with low-carbon, dispatchable and flexible alternatives, ie nuclear. Backing up renewables with gas for example, would create a fossil fuel lock-in effect in fossil fuel and create significant hurdles when it comes to the EU's goal of decarbonising the power system. For more information on the flexibility of nuclear power plants, please refer to our [Position Paper](#).
- A **second challenge** posed by renewables and battery storage is **increased dependence on raw materials, critical raw materials and rare earths**, many of which come from outside Europe. Indeed, in the Commission's 'A Clean Planet For All' strategic vision, they raise the issue that Europe's import dependence (and supply risks) could shift from coal, gas and oil, to the raw materials needed to produce solar panels, wind turbines and batteries (eg cobalt and lithium). We find that this document does not take into account these very real risks. Furthermore, increased dependence on such raw materials could lead to significant environmental impacts (eg material scarcity and the impact of mining on biodiversity)
- The **third challenge** relates to the **socio-economic impact of the transition**. The shift from coal could have a significant social impact in terms of job losses. Renewables do have the potential to create jobs and growth and helping to ensure a "Just Transition", but only if these technologies are manufactured in Europe (which is currently not the case for solar panels, for example). We therefore believe more attention should be given to supporting low-carbon technologies which are made in Europe, using a well-developed European supply chain such as the nuclear industry.

Q2: As set out in Box 1, the Bank believes it has a robust framework to ensure that energy projects being financed are compatible with long-term climate targets. Do you agree? Are there areas where the Bank can improve?

In order to decarbonise the EU economy by 2050, as set out in the Commission's strategic vision, the energy sector will need to be carbon-free. In this respect, we do not believe reference should be made to carbon emitting gas-fired power generation. With the goal being to decarbonise, the focus should be on low-carbon technologies such as nuclear. In our opinion, the Emissions Performance Standard threshold of 550 g CO2/kWhe presented in Box 1 is not in line with the 2050 zero carbon goal. Therefore, we believe the EPS should be revised to support technologies which will lead to carbon neutrality by 2050.

Q3: Within the broad areas of renewables, energy efficiency and energy grids, are there particular areas where you feel the Bank could have higher impact?

In our opinion, the **Bank should focus on supporting low-carbon technologies as a whole, not just renewables**, for the reasons outlined above.

Q4: How can EIB reinforce its impact towards ensuring affordability, addressing social and regional disparities and support a just energy transformation?

As indicated under our answer to Q1, the shift from coal could have a significant social impact in terms of job losses. Renewables do have the potential to create jobs and growth and helping to ensure a “Just Transition”, but only if these technologies are manufactured in Europe (which is currently not the case for solar panels, for example). We therefore believe more attention should be given to supporting low-carbon technologies which are made in Europe, using a European supply chain.

Questions for consultation: Theme 2 Decarbonising heat and power

Q8: Declining costs and competitive auctions are transforming a number of renewable markets (e.g. onshore wind, utility-scale PV). How can the Bank best support these relatively mature technologies? In the context of increasing market integration, is there a need for financial instruments to help attract long-term private finance?

We believe that there is a need for financial instruments to help attract long-term investment – but this must not be restricted to renewables. The focus should be on providing financial instruments for all low-carbon technologies which can help Europe achieve its 2050 decarbonisation goals.

Q9: Does the EPS for power generation remain an appropriate safeguard? Do you agree that adjustment should be made to support flexibility and adequacy? In light of recent developments in renewables, the Paris Agreement and the Sustainable Development Goals, would an exemption to the EPS for power plants in least developed countries continue to be justified?

If we are to limit global warming to 1.5°C, all countries will have to implement measures for decarbonising their economies, whilst at the same time ensuring their citizens have access to the energy they need when they need it. Low-carbon technologies exist today which can help meet this challenge. And yet, from a technology perspective it seems that the EIB has overlooked the potential of nuclear power as a flexible power source to be used together with renewables to guarantee energy adequacy and energy security. The focus should therefore be on encouraging the development of low-carbon technologies, rather than providing support to fossil fuels. In addition, nuclear offers great potential for decarbonising other industries (e.g. hydrogen production for steel mills, district heating, industrial steam...) and the EIB should provide support to facilitate the development of such new applications.

Questions for consultation: Theme 3 New energy technologies and business models

Q10: Are there ways in which the Bank could provide more targeted support to distributed resources (demand response, small-scale generation and storage projects)? Are new business models or technologies emerging in this context, with specific financing needs? Is the Bank's portfolio of financial products and instruments adequate to support this technological transition?

In our opinion, the Bank should focus on supporting all low-carbon technologies, regardless of whether they are renewable based or not. For example, research is ongoing into the development of small modular reactors as well as on other applications of nuclear power. As a low-carbon technology, this should be eligible for financing.

Questions for consultation: Theme 4 Securing the infrastructure needed during the transformation

Q14: What is your view on the investment needed in gas infrastructure to meet Europe's long-term climate and energy policy goals, while completing the internal energy market and ensuring security of supply? What approach could strike the right balance to prevent the economic risk of stranded assets?

Given that gas is not a low-carbon technology, we do not believe that investing in gas should be treated as a priority. Whilst it may be possible for Europe to reach its 2030 emissions reductions target by replacing coal for gas, continuing the reduction beyond 2030 becomes difficult due to the gas lock-in. In order to reach the 2050 carbon-free target, all gas assets will need to be abandoned during the period 2030-2050. This means that the write-off times for gas investments will be a maximum of 30 years (and in many cases no longer than 10-20 years).

Q15: Should the Bank refrain from supporting hydrocarbon production, in addition to exploration? If so, should gas be treated the same as oil? Within and outside the EU?

Yes. The EU has set itself the goal of becoming carbon-free by 2050. This means shifting away from carbon intensive sources of energy such as coal, oil and gas.

Renewables can indeed provide part of the solution, but their variability triggers issues relating to security of supply, they can trigger other environmental impacts (eg high raw materials usage, loss of habitats and biodiversity), and they are not always produced in Europe (eg solar panels). This is why nuclear needs to form part of the energy mix, as recognised by the IPCC and the European Commission:

- It is a low-carbon technology that is available today
- It is both dispatchable and flexible (for more information on the flexibility of nuclear power plants, please refer to our [Position Paper](#))
- It uses only a small quantity of raw materials
- It is a European technology, with a European supply chain.

Given the above, Europe clearly has access to the low-carbon technology its needs to achieve its decarbonisation goals, and the EIB lending policy should reflect and support this. There is no need to continue to support carbon-emitting sources of energy.

About us

The European Atomic Forum (FORATOM) is the Brussels-based trade association for the nuclear energy industry in Europe. The membership of FORATOM is made up of 15 national nuclear associations and through these associations, FORATOM represents nearly 800 European companies working in the industry and supporting around 800,000 jobs.