

From a Development Bank to Climate Bank and back again: What to make of the European Investment Bank's decision to relax restrictions on defense?

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Abstract

As Europe is experiencing a shift towards increased defence spending, easing sustainability reporting and gearing up towards a renewed focus on increasing competitiveness, the European Investment Bank (EIB) is being called on to join to support these objectives. What may seemingly be an uncontroversial development is here argued to constitute a significant turning point in the institutional history of the EIB. Since 2007 the EIB has gone through a period of constant further restriction on what it can invest in, even declaring in 2019 that it intended to transform from an “EU bank investing in the climate” to a fully-fledged “Climate Bank.” Nevertheless, this paper aims to show that this process is coming to an end since the EIB is returning to its more traditional role as a “bank investing in the climate” as it reintroduces development and other policy objectives to the forefront of its strategy.

Keywords: European Investment Bank, Green Financing, European Defence, Environmental, Social and Governance (ESG)

I. Introduction

A wind of change is blowing in Europe. Over the last year we have witnessed elections, various unprecedented long-term policy recommendations by political heavyweights, and the continuation of the war in Ukraine shaping the European Union (EU). Therefore, it is no surprise that a major continuity shift in European climate finance has gone largely unnoticed. Namely, decades of institutional development of the European Investment Bank (EIB) were overturned after a struggle between

Member States, EU institutions and NGOs.¹ On the 12th of April 2024 its Board of Governors decided to relax the EIB's restrictions on defence investments.² This would seem like only a minor development for a Union already

¹ Letter to EU Institutions and Member States on Concerns about Defence Investments and Peace Promotion,” March 26, 2024.

<https://retepacedisarmo.org/wp-content/uploads/2024/03/Defence-Letter-26M.pdf>.

² European Investment Bank, “EIB Group and the European Defence Agency deepen partnership to strengthen European security and defence capabilities,” October 3, 2024.

<https://www.eib.org/en/press/all/2024-359-eib-group-and-the-european-defence-agency-deepen-partnership-to-strengthen-european-security-and-defence-capabilities>.

committed to further defence investment; yet the manner in which the EIB made this decision should be considered a historical turning point with wide-ranging consequences. Indeed, it is argued here that it is the end of the era in which the EIB tried to transition from an “EU bank that finances climate” to the “EU’s climate bank.”³ This thesis will be substantiated first by going over the EIB’s history to show how it started to transition towards being a climate bank from its origins of being a development bank. Secondly, a more thorough analysis of what is actually changing in the EIB is conducted. Thirdly, possible consequences of a more generalist EIB will be discussed shortly to open up ideas for further research to be conducted as the current changes in the EIB’s investment strategy start to materialise.

II. From a Development Bank to a Climate Bank (1957-2024)

To put it simply, the EIB is an independent bank owned by the member states of the EU and it uses a variety of financial instruments such as issuing debt or equity investments to support a variety of businesses and projects.⁴ Its governance is complicated, but it is essentially based on three levels of authority from highest to lowest.⁵ The highest level of authority is the Board of Governors, who are the finance ministers of the member states. They

set the overall direction of the EIB. The second highest level of authority is the Board of Directors who are appointed by the Board of Governors. Each member state as well as the European Commission have one seat in the Board of Directors. They monitor the activities of the EIB and ensure it aligns with the direction set by the Board of Governors. The lowest level of authority is the Management Committee, which is led by the President of the EIB. The members of the Committee are appointed by the Board of Directors and confirmed, by majority vote, by the Board of Governors to manage the daily activities of the EIB.

The EIB’s institutional history can be understood best by how its three goals, which it has kept since its foundation in 1957 alongside the European Economic Community (EEC), have been interpreted. These goals could be found in the original Article 130 of the Treaty of Rome,⁶ and are found only slightly reworded in Article 307 of the current Treaty of the Functioning of the European Union.⁷ The goals are to firstly support less-developed regions. Secondly, to modernise, convert or develop projects that strengthen the internal market. Thirdly, to support any projects that are of common interest to several member states. As we go through the EIB’s history from 1957 to 2007, it becomes clear that the EIB has always shifted its focus to the politically important

³ EIB, “Climate Bank Roadmap 2021-2025”, December 14, 2021.

https://www.eib.org/attachments/thematic/eib_group_climate_bank_roadmap_en.pdf

⁴ European Investment Bank, “Governance and Structure.” <https://www.eib.org/en/about/governance-and-structure/index.htm>.

⁵ Ibid

⁶ European Union, “Treaty Establishing the European Community, Rome Treaty”, 25 March, 1957.

<https://www.refworld.org/legal/agreements/eu/1957/en/40087>

⁷ European Union, “Treaty of the Functioning of the European Union”, 26 October, 2012.

<https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12012E/TXT:en:PDF>

issue of the time. This process was expansionary and included a general trend of allowing further flexibility for the EIB to reach new goals as well as support the old. This process of flexibilisation changed after 2007 when EIB started to more actively push for ambitious climate targets.⁸ Instead of flexibilisation and expanding the EIB's capabilities, the EIB began to restrict itself and exclude sectors it had previously been active in.⁹ Therefore, the post-2007 age has seen the EIB become increasingly focused on only climate finance. Therefore, the EIB's history should be viewed in two distinct periods. One expansionary from 1957-2007, and one restrictive from 2007-2024. Yet, to understand the overall development it is necessary to look at these ages more in depth.

In the 1950s and 1960s the EIB focused on financing energy and infrastructure projects within the EEC.¹⁰ However, as its members became more able to afford these projects themselves and the post-war era started to come to a close, the EIB began to expand outside the EEC and even cooperate with other international development banks in 1962 to support a variety of projects also outside of Europe.¹¹ Nevertheless, the EIB's capital was in need of new investment opportunities.

⁸Kavvadia, H. "The European Investment Bank's 'Quantum Leap' to Become the World's First International Climate Bank. *Politics and Governance*, 9(2)" 2021, 185–195.

<https://doi.org/10.17645/pag.v9i2.3921>

⁹Just Economics. "Investing for Sustainable Development? A review of investment principles – trends and impacts" IIED, 2011.

https://www.iied.org/sites/default/files/pdfs/migrate/16505IIE_D.pdf

¹⁰FundingUniverse. "History of European Investment Bank."

<https://www.fundinguniverse.com/company-histories/european-investment-bank-history/>.

¹¹ Ibid

Such an opportunity appeared in 1973 during the oil crisis, when the EIB officially started moving beyond primarily infrastructure to adopting a policy-oriented stance and directly supporting the EEC in addressing common challenges to its member states, such as the question of energy independence.¹² Additionally, the EIB maintained its historical legacy in infrastructure and development by becoming a driving force in developing likely future EEC member states and supporting them in meeting the membership requirements.¹³

By the mid-1980s the EIB had expanded its operational capabilities and started to play a more prominent role on the international markets.¹⁴ It started to properly transform from a development bank to a proactive market maker by creating new financial instruments and enabling public-private partnerships. By the time of the founding of the European Union in 1992, its focus came in the form of supporting small-to-medium enterprises (SMEs), increasing competitiveness in the single market, and focusing on larger-scale integration and cohesion projects within the new Union. This eventually culminated into the EIB's declaration in 2000 that it would develop Europe into a high-technology and knowledge-based economy as its primary goal, which was in line with the EU's wider

¹² Coppolaro, Lucia. "A Dual Entity: The European Investment Bank and Its Lending Policy from Its Origins to the Late 1970s." *Contemporary European History*, August 30, 2023, 1–14.

<https://doi.org/10.1017/S0960777323000462>.

¹³ Ibid

¹⁴ Clifton, Judith, Daniel Diaz Fuentes, and Julio Revuelta.

"Financing Utilities: How the Role of the European Investment Bank Shifted from Regional Development to Making Markets." *MPRA Paper*, 2013. <https://mpra.ub.uni-muenchen.de/50557/>.

policy at the time.¹⁵ Yet, in 2007 the era of flexibly supporting the EU's policy-goals shifted towards a more constrained and focused era of climate financing.

2007 saw the issuance of the world's first Climate Awareness Bonds by the EIB.¹⁶ The subsequent years would see a continued effort to align the EIB's overall operations with fighting climate change. For example the first formal exclusion lists of industries in which the EIB could not invest in due to their climate effects were created.¹⁷ By 2015 a commitment to dedicate at least 25% of its lending to climate action was given.¹⁸ Simultaneously, more and more stringent environmental, social and governance (ESG) criteria were being incorporated into the EIB's project assessments.¹⁹

Likely emboldened by the signing of the Paris Agreement and Europe's ambitions in the green transition, the EIB's Board of Directors released a new climate strategy in 2019 that intended to transition the institution from an "EU bank that finances the climate" into the

"EU's climate bank."²⁰ The reasons for this are debated, however, at the time it aligned with the momentum of the newly appointed EU Commission President Ursula von der Leyen's ambitious climate targets through a European Green Deal that sought to make Europe climate neutral by 2050.²¹ By 2020 the EIB had already become one of the world's largest climate financiers, having issued over 33 billion euros worth of bonds since 2007, and in 2021 it released a specific Roadmap to becoming a climate bank by 2025.²²

This "Climate Bank Roadmap" emphasised four core areas: accelerating green finance, ensuring a just transition, aligning operations with the Paris Agreement and building accountability frameworks.²³ In concrete terms this meant to direct 50% of the EIB's annual funding to finance climate action and environmental sustainability by 2025. It also set the ambition to invest 1 trillion euros into green projects by 2030, to gradually phase-out from investing into fossil fuel projects, and to further add to its list of excluded activities. In 2022 this exclusionary practice reached its peak with a list of exclusions that included highly emission-sensitive activities in sectors such as energy,

¹⁵ European Investment Bank. "Annual Report 2000", 20 February, 2021.

<https://www.eib.org/attachments/general/reports/fr2000en.pdf>

¹⁶Kavvadia, H. "The European Investment Bank's 'Quantum Leap' to Become the World's First International Climate Bank. *Politics and Governance*, 9(2)", 185–195. 2021.

<https://doi.org/10.17645/pag.v9i2.3921>

¹⁷Just Economics, "Investing for Sustainable Development? A review of investment principles – trends and impacts" IIED, 2011.

https://www.iied.org/sites/default/files/pdfs/migrate/16505IIE_D.pdf

¹⁸ European Investment Bank "Climate Strategy", 2020.

https://www.eib.org/attachments/strategies/eib_climate_strategy_en.pdf

¹⁹ Ibid

²⁰ EIB, "Climate Bank Roadmap 2021-2025", December 14, 2021.

https://www.eib.org/attachments/thematic/eib_group_climate_bank_roadmap_en.pdf

²¹ Tamma, Paola; Schaart, Eline; Gurzu, Anca. "Europe's Green Deal plan unveiled" 11 December, 2019.

<https://www.politico.eu/article/the-commissions-green-deal-plan-unveiled/>

²² EIB, "Climate Bank Roadmap 2021-2025", December 14, 2021.

²³ Ibid

transport, industry and the bioeconomy.²⁴ The EIB shifted its policy goals into focusing on sustainable cities and regions, sustainable energy and natural resources, innovation and human capital, SMEs and mid-cap finance. Yet, even the last two goals listed above that do not include the word sustainable had to align with strictest environmental standards. All in all, these policies have made the EIB one of the world's highest ESG ranked banks as well as being one of the world's largest climate financiers in the world.²⁵

Yet, it is important to keep in mind that this move towards climate banking was a decision made and pursued independently by the EIB. This has left a debate as to why exactly the decision was made. For example, it has been argued that the EIB's proactive stance was born as a strategic response to preserve its important status within the EU financial architecture as discussions were being held at the time of creating a new European development bank.²⁶ Whatever the case, this climate stance has never been unanimous.²⁷ This struggle has continued in the background and the lack of flexibility of the EIB has

become more and more of an issue as Europe has been hit by a variety of crises, which it has been unable to properly react to. For example, the EIB was slow to respond to the COVID-19 pandemic due to its cumbersome assessment requirements, although it was eventually able to cooperate with other EU institutions to create the European Guarantee Fund to aid SMEs and other companies in managing the pandemic.²⁸ Nevertheless, the EIB continued to hold firm to its roadmap to becoming a climate bank.

Only on the 12th of April 2024 the EIB finally gave into pressure and formally increased its long-term flexibility by relaxing the defence investment restrictions in place. It was the culmination of years of pressure not only from the war in Ukraine, but also several policymakers, to shift EU institutions to focus more on European competitiveness, innovation and strategic autonomy. This pressure is perhaps most evidently showcased by the early-2024 letter signed by 14 member states to the EIB to relax defence spending restrictions.²⁹ It called for the clarification and redefinition of what EIB is and is not allowed to invest in; given the Ukraine crisis and the European defence industry's need for support. In other words, it implied that the EIB's restrictions were self-made and should be unmade.

²⁴ European Investment Bank, "EIB eligibility, excluded activities list and excluded sectors list", 2022.

https://www.eib.org/attachments/publications/eib_eligibility_excluded_activities_en.pdf

²⁵ Scope Group. "Analysis Report." 28 June, 2024.

<https://www.scopegroup.com/ScopeGroupApi/api/analysis?id=c3b7582b-2df2-44df-8f13-3310619c26a6>.

²⁶ Erforth, Benedikt. "The Future of European Development Banking: What Role and Place for the European Investment Bank?" IDOS Discussion Papers 11/2020. German Institute of Development and Sustainability (IDOS), 2020.

²⁷ Ekblom, Jonas. "European Investment Bank Postpones Decision on Fossil Fuel Lending." *Reuters*, October 15, 2019. <https://www.reuters.com/article/business/european-investment-bank-postpones-decision-on-fossil-fuel-lending-idUSKBN1WU1PH/>

²⁸ European Investment Bank. "Rapid Assessment of the EIB Group's Operational Response to the COVID-19 Crisis." December, 2021.

https://www.eib.org/attachments/publications/rapid_assessment_covid_reponse_en.pdf.

²⁹ Joint Letter to the European Investment Bank by 14 Member states 17 March, 2024.

<https://valitsus.ee/sites/default/files/documents/2024-03/EIB%20Letter%2017%20March%202024.pdf>

III. The end of the climate bank era?

Technically, the EIB has been giving out loans to the defence sector since 2017, but these demanded that the projects being funded had to derive more than 50% of their expected revenues from civilian applications.³⁰ In April 2024 it was this percentage that was removed, meaning that any project that could theoretically also be used in civilian markets are eligible for EIB funding.³¹ This includes sectors such as cybersecurity and critical infrastructure. It also means that the EIB is currently still excluding purely military projects, such as weapons, ammunition or combat-specific equipment.³² Other than these changes the EIB has also started a more thorough co-operation with various EU and NATO funds, which aim to support the European defence industry.

However, what is remarkable about the defence decision is that it came with the EIB reforming its entire long-term vision towards re-entering the business of supporting the EU's policy goals. The EIB's new strategic roadmap for 2024-2027 pushes the bank way from an exclusive focus on climate financing, which is argued here to signal a return of

the EIB to becoming an "EU bank financing climate", despite the fact that the EIB is still trying to claim the title of the EU's climate bank.

Indeed, being the EU's climate bank is simply one out of eight of the EIB's reformed policy goals in its new strategic roadmap.³³ The other seven are: digitalisation, defence, cohesion, agriculture and bioeconomy support, social infrastructure, high-impact investments outside the EU and pioneering the Capital Markets Union. What is really shocking is the bioeconomy mentioned directly as one of the EIB's main policy goals, seeing as in 2022 it was named as an industry that needed to be largely restricted due to highly emission-intensive activities.³⁴ These goals are also reinforced by the EIB starting to take a more direct role in bridging a so-called "European investment gap", which aims to convey the idea that Europe has fallen behind China and the USA in investing into key sectors.³⁵

Such a repositioning of the EIB did not come without a significant struggle. For example, before making the final decision in April, 29 NGOs signed an open letter in March to the EIB to not lift its restrictions, arguing that it would open the door to shifting the EIB's priorities away from

³⁰ European Defence Agency. "European Defence Agency and European Investment Bank Sign Cooperation Agreement." February 28, 2018.

<https://eda.europa.eu/news-and-events/press-office/latest-press-releases/2018/02/28/european-defence-agency-and-european-investment-bank-sign-cooperation-agreement>.

³¹ European Investment Bank. "EIB Board of Directors Steps up Support for Europe's Security and Defence Industry and Approves EUR 4.5 Billion in Other Financing.", 8 May, 2024.

<https://www.eib.org/en/press/all/2024-174-eib-board-of-directors-steps-up-support-for-europe-s-security-and-defence-industry-and-approves-eur-4-5-billion-in-other-financing>.

³² European Investment Bank. "Strategic Roadmap 2024-2027", 21 June, 2024.

https://www.eib.org/attachments/lucalli/20240198_eib_group_2024_2027_strategic_roadmap_en.pdf

³³ Ibid

³⁴ European Investment Bank, "EIB eligibility, excluded activities list and excluded sectors list", 2022.

https://www.eib.org/attachments/publications/eib_eligibility_excluded_activities_en.pdf

³⁵ European Investment Bank. "Strategic Roadmap 2024-2027", 21 June 2024.

https://www.eib.org/attachments/lucalli/20240198_eib_group_2024_2027_strategic_roadmap_en.pdf

sustainability and social cohesion.³⁶ As we have seen, social cohesion and sustainability makeup are now just arguably three of the Bank's 8 policy objectives, although the Bank's strict ESG requirements remain in the other policy ambitions as well. The EIB has also not renounced its goals of having 50% of its investments in the green transition and more than 45% in social cohesion.³⁷

These figures may not immediately insist on an end of the EIB as a climate bank, but what is truly important is to monitor how this new strategy will begin to be implemented in practice. Some ESG-rating agencies and credit agencies have already signalled that they may have to lower the EIB's high AAA-credit rating and top ESG-ratings if the Bank starts to invest in the defence sector.^{38 39} It all depends on what those investments will be and more specifically even, how those ESG-requirements for the new sectors will be assessed and balanced with the EIB's new interests of competitiveness, innovation and strategic autonomy.

³⁶ Letter to EU Institutions and Member States on Concerns about Defence Investments and Peace Promotion," March 26, 2024.

<https://retpacedisarmo.org/wp-content/uploads/2024/03/Defence-Letter-26M.pdf>.

³⁷ European Investment Bank. "Strategic Roadmap 2024-2027", 21 June, 2024.

https://www.eib.org/attachments/lucalli/20240198_eib_group_2024_2027_strategic_roadmap_en.pdf

³⁸ Anna Brunetti Moody's to Reassess EIB Credit Rating in Case of Larger Defence Investment." *Euractiv*, April, 2024.

<https://www.euractiv.com/section/economy-jobs/news/moodys-to-reassess-eib-credit-rating-in-case-of-larger-defence-investment/>

³⁹Mark Jones, "EIB's ESG Score to Be Re-evaluated if New Weapons Policy Agreed, Morningstar Sustainalytics Says." *Reuters*, March 25, 2024.

<https://www.reuters.com/sustainability/eibs-esg-score-be-re-evaluated-if-new-weapons-policy-agreed-morningstar-2024-03-25/>.

Overall, the main takeaway should be that for the first time in nearly two decades, the EIB has meaningfully increased its flexibility rather than constrained it, and left the door open to further flexibilisation. Whether or not this will mean a further move in transitioning the EIB back into a more general investment arm of the EU remains to be seen, but the political pressure to relax defence restrictions will continue to push for further flexibilisation. This leaves the EIB with a challenging future in which it has to navigate a balanced approach in order to meet political pressure as well as its own objective of truly becoming a climate bank.

IV. Possible Policy Consequences of a more generalist EIB

Despite the uncertainty of the EIB's future, simply looking at the current political climate shows signs that the EIB is unlikely to be able to continue its commitment to being a climate bank. At the end of the day the EIB is owned by its member states who are currently electing governments focused more on increasing a favourable environment for European companies, innovation and a myriad of other concerns other than the climate.⁴⁰ Not the least of which is the European Commission itself, which is signalling a halt and even deregulating climate-related burdensome reporting requirements on European companies.⁴¹ In terms of member states, France's

⁴⁰ Euronews. "Greenlash: Why It's Getting Harder to Pass Environmental Reforms in the EU." *Euronews*, August 13, 2023. <https://www.euronews.com/green/2023/08/13/greenlash-why-its-getting-harder-to-pass-environmental-reforms-in-the-eu>.

⁴¹ Oliver Hoedeman, "Von der Leyen's 'mission letters' let slip deregulation agenda of next commissioners", *EUobserver*, 31 October, 2024. <https://euobserver.com/eu-political/ar3d655039>

Emmanuel Macron was one of the biggest supporters for a proactive EIB in climate financing.⁴² Yet Macron's ruling coalition has evaporated. The only other member state who could theoretically push for climate financing in a similar way is Germany, yet it shows little signs of wanting to adopt such a role. It is difficult to imagine that the EIB would be able to continue being a world-leader in climate financing if the EU Commission and the highly-influential states of France and Germany do not support it.

Nevertheless, in its 2024-2027 Roadmap the EIB remains committed to being a huge player in climate finance and continuing to be a key investor in the European transition to climate neutrality despite it taking on new roles in defence and other policy areas.⁴³ This type of a more generalist EIB is likely to lead to some clear consequences. Four are shortly discussed here in hopes of opening future research and discussion as the EIB's new strategy starts to materialise.

Firstly, climate financing would lose one of its most proactive stakeholders. Throughout its history, the EIB has been one of, if not the most, innovative and ambitious Bank financing the green transition. It was the first to release green bonds in 2007 and the first major bank to

entirely stop fossil-fuel investments.⁴⁴ Were the EIB to start focusing on other objectives, it would likely lose its capability to truly revolutionise the climate market due to its other conflicting goals. The period of 2007-2024 saw a constant push for further restrictions on what could be invested in, which has been here argued to now have come to a halt.

Secondly, the so-called "investment gap" of Europe should see some improvements. Digitalisation, green reindustrialisation as well as generally European competitiveness, innovation and strategic autonomy will be more taken into account. By coordinating with the EU and member states, the EIB could achieve a very prominent role within the EU hierarchy. Especially in these current circumstances where the next Commission is promising to be an "investment Commission", as in aiming to maximise public investment and de-risking private capital.⁴⁵ This could see the EIB increasing and expanding its financing, which considering the Bank's strict ESG and sustainability conditions, could even see an overall net increase in investments into the green transition. This again, however, highly depends on how the Bank continues to develop and amend its policy objectives.

Thirdly, a decreased EIB's role in climate financing leaves room for more actors. Private funds, member state

⁴² Simon, Frédéric. "Macron Puts Climate Bank on EU Election Agenda." *Climate Change News*, March 6, 2019. <https://www.climatechangenews.com/2019/03/06/macron-puts-climate-bank-eu-election-agenda/>.

⁴³ European Investment Bank. "Strategic Roadmap 2024-2027", 21 June, 2024. https://www.eib.org/attachments/lucalli/20240198_eib_group_2024_2027_strategic_roadmap_en.pdf

⁴⁴Kavvadia, H. "The European Investment Bank's 'Quantum Leap' to Become the World's First International Climate Bank. *Politics and Governance*, 9(2)" 2021, 185–195. <https://doi.org/10.17645/pag.v9i2.3921>

⁴⁵ Ursula von der Leyen, "Political Guidelines 2024-2029" *European Commission*. 2024. https://commission.europa.eu/document/download/e6cd4328-673c-4e7a-8683-f63ffb2cf648_en?filename=Political%20Guidelines%202024-2029_EN.pdf

subsidies and other EU funds are likely to fill some of the gap that the EIB would leave as it transitions a portion of its financing towards other goals. This comes with both risks and opportunities. The opportunities might be that some funds are more easily accessible than the EIB, and competition among these institutions might lead to a shift in power in favour of innovative green technology firms. Nevertheless, the huge risk would be the loss of harmonisation among climate impact assessments and a loss of coordination in funding. National subsidy competition among EU member states heavily distorts the functioning of the single market. A possible remedy might be an increasingly proactive role of the EU in developing important projects of common European interest (IPCEIs), which is a form of supporting projects that benefit the entire single market.⁴⁶ The EIB could play a key role in this sector in the future as well.

Fourthly, and perhaps most obviously, there is a significant risk that the EIB will decrease or even halt its role as a global actor. If it truly happens that the EIB will become the spearhead of European competitiveness and defence, it is difficult to imagine the EIB maintaining a significant role outside the common market and investing into projects that might threaten European interests. Currently, the bank maintains that 10% of its financing capabilities are spent outside the EU, and it's still mentioned as one of its eight policy ambitions for the

coming three years, but this might not always be the case.⁴⁷ The newly confirmed European trade commissioner, Maroš Šefčovič, has promised that the EU will respond to unfair competition and protect European markets if necessary.⁴⁸ Therefore, it is likely that with Donald Trump's reelection, having promised a flat 20% tariff on the EU, the EIB and Europe will start to prioritise European green development rather than green development at large. This is not only a loss to the fight against climate change at large, but also particularly for the highly endangered regions which will lose a key source of aid as they try to mitigate the effects of climate change and transition into greener economies.

V. Conclusion

The decision to relax the EIB's defence investment restrictions should not be understated as business as usual for a continent witnessing war. The EIB's two decade long push to form into a climate bank suffered a serious setback with this decision, and only history will tell whether or not this was the beginning of the EIB returning to its role as being a more general investment arm of the EU. However, what is clear is that there needs to be an investigation of how exactly the specific investments of the EIB will change in the coming three years and how climate financing will develop. Here some suggestions were given as to what

⁴⁶European Union, "Treaty of the Functioning of the European Union", 26 October, 2012, Article 107 (3)(b). <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:12012E/TXT:en:PDE>

⁴⁷ European Investment Bank. "Strategic Roadmap 2024-2027", 21 June, 2024. https://www.eib.org/attachments/lucalli/20240198_eib_group_2024_2027_strategic_roadmap_en.pdf

⁴⁸Maroš Šefčovič. "Written Questions and Answers Submitted by Maroš Šefčovič." *European Parliament*, 22 October, 2024. https://hearings.elections.europa.eu/documents/sefcovic/sefcovic_writtenquestionsandanswers_en.pdf.

might be investigated, however, even more general discussions need to be had about what the role of the EIB should be within the entire EU framework. The intention has not been to show that a climate EIB or a generalist EIB is better than the other, but that this change is occurring and it is a significant change in the fight against climate change. This change is not only significant for Europe, but the world at large as well simply because of how significant of a player the EIB has been since 2007.

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