

# GREENPEACE

## The EIB: funding Europe's dirtiest power companies

### Polish coal utility PGE, financed by the EIB, remains one of Europe's biggest polluters

The European Investment Bank (EIB) is the EU's investment bank and the world's biggest international lender. Despite its claim to play a leading role in tackling climate change, the EIB continues to finance power companies that are heavily invested in coal. These companies are not only fueling climate change and contributing to unacceptable levels of air pollution, many have no plans to change their businesses in the near future. This briefing looks at one of these companies, **Polska Grupa Energetyczna (PGE)**, Poland's largest power utility.

### How much of PGE's business involves coal?

PGE produces **91 percent of its electricity from burning hard coal and lignite** (brown coal). In contrast, only 4 percent of the company's electricity is generated using renewable energy sources. The company is also actively involved in hard coal and lignite mining. It owns and operates two open-pit mines (Bełchatów and Turów) which produced almost 50 million tons of lignite in 2017 - more than 80 percent of Poland's total lignite production. The utility is also financially engaged in the biggest Polish hard coal mining group (Polska Grupa Górnicza). It is clear that **PGE's current business model is incompatible with the Paris climate agreement** and instead fully supports the Polish government's pro-coal agenda.

Despite PGE's significant investments in coal, the EIB signed two contracts with PGE in 2015 valued at **EUR 464 million**. While these funds are allocated to modernize PGE's distribution network and two power plants, EIB's contracts effectively **enable PGE to free up other external and internal financing to further invest in coal**. PGE's planned capital expenditures for 2016 to 2020 (see chart 1) reveal that PGE intends to continue investing mostly in conventional power generation, ie coal and lignite power plants.

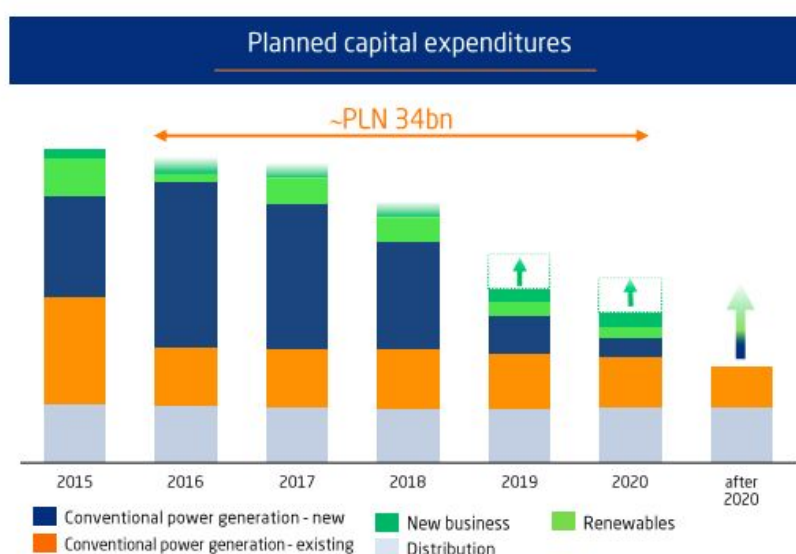


Chart 1. Source: PGE Credit Factbook, December 2016

PGE owns and operates the **Bełchatów coal power plant and open-pit coal mine**. It is the second biggest fossil fuel power plant in the world and the biggest single emitter of carbon emissions in Europe. Air pollution from the plant was responsible for 1300 premature deaths in 2013 alone. Recently it has come to light that PGE has been **significantly underreporting mercury emissions** for the Bełchatów plant: up to approximately 160 kg annually instead of the real figure of 2,820 kg per year<sup>1</sup>. This volume is more than the annual mercury air emissions of all of Spanish industry.

PGE's open-pit mines have a detrimental effect on local people, particularly farmers. The mines extract large volumes of water from aquifers, which lowers the water table, leaving local farmers with little access to fresh water. Local residents living near the Szczerców and Bełchatów mines already experience regular water shortages and must buy water from neighbouring districts.

**Gabriel Orzeszek**, Mayor of Solmierzyce, a town located near these two mines, has documented the water shortages experienced by his constituents. In an article called 'Is an open pit mine a good neighbor?'<sup>2</sup> he stated that the groundwater in the area around the town has all but disappeared. This has resulted in sizeable losses for local farmers as **the quality of soil decreases, meadows dry up and yields drop**. As the owner of the mine, PGE has failed to take responsibility for these negative impacts, leaving the town of Solmierzyce to invest in new water infrastructure and cover the costs of purchasing water from the neighbouring district.

In order to implement its coal strategy, PGE relies on loans and borrows money from financial market in the form of corporate bonds. Even banks that are not directly financing PGE's fossil fuel projects enable PGE to invest in coal.

### **PGE's fossil fuel sins at a glance**

- PGE's 5.3GW lignite-power plant, Bełchatów, remains one of the **biggest polluters in Europe**.
- PGE has been underreporting Bełchatów's mercury air emissions. It turns out that Bełchatów **emits more mercury into the air every year than the whole of Spanish industry**. Mercury is one of the most dangerous air pollutants and it has a particularly negative impact on **pregnant women and unborn babies**.
- PGE emitted almost **60 million tonnes of carbon dioxide** in 2017. Their carbon emissions are expected to increase due to their acquisition of EDF assets (additional capacity of 3.3 GW of which 91% is coal fired and 9% is gas fired).
- PGE emitted **47,000 tonnes of nitrogen oxides (NOx)**, almost **56,000 tonnes of sulfur dioxide (SO2)** and more than **2,000 tonnes of dust (PM)** in 2017.
- The Bełchatów power plant alone is responsible for almost **1300 premature deaths annually**<sup>3</sup>.
- PGE has **no plans to decarbonize its business and no plans to comply with the Paris climate agreement**.
- PGE continues to invest in new coal infrastructure while at the same time developing new coal capacities and modernizing existing ones thus **locking itself into coal for years**. Conventional energy still dominates PGE's capital expenditure.

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<sup>1</sup> Publication: *Polska truje Europę rtęcią. Z Elektrowni Bełchatów w rok uleciało jej 18 razy więcej, niż deklarowała*, June 2018, Forbes, <https://www.forbes.pl/gospodarka/polska-najwiekszym-trucicielem-europy-z-belchatowa-w-rok-ulecialy-prawie-3-tony-rteci/z4ths6v>

<sup>2</sup> Publication: *"Wspólnym głosem"*, April 2018, article: *"Is an open pit mine a good neighbor?" – an interview with Gabriel Orzeszek - the mayor of the Solmierzyce municipality*

<sup>3</sup> Report: *Europe's Dark Cloud. How coal-burning countries are making their neighbours sick*

- **PGE operates huge open-pit lignite mines and plans to open new ones**, making citizens and agriculture suffer. For example, it plans to open a new field in Złoczew that will cause the relocation of 3,000 people from 33 villages.

**The EIB must divest from energy companies that fuel climate change and destroy the environment and local communities. Greenpeace priorities for the revision of the EIB's energy lending policy are:**

- Apply a climate test to all individual projects to ensure they are **compatible with the Paris Agreement**. The Bank should explicitly commit to **end any support to fossil fuel energy projects**.
- **Exclude financing for fossil fuel exploration.**
- End support to any projects involving coal mines, plants or other coal infrastructure.
- By 2020 **stop support to companies which plan to or are building new coal capacity** or developing or upgrading coal infrastructure in any form.
- By 2020 **stop support for all clients that are in any way reliant on coal.**
- **Significantly increase funding for green energy projects** to support small-scale, people-owned and controlled, decentralized renewable energy, energy efficiency and smart energy projects.
- Commit to meet all the indicated demands when working with financial intermediaries.

**There is no time to wait.** The EIB should take responsibility and revise its lending criteria to tackle climate change and **become a real leader in financing the green energy transition.**

**Contact:**

Martina Holbach – [martina.holbach@greenpeace.org](mailto:martina.holbach@greenpeace.org)