



European Investment Bank

Werner Hoyer
President
98-100 Boulevard Konrad Adenauer
L-2950 Luxembourg

Las Palmas de Gran Canaria, 06 de febrero de 2018

Dear Mr. Hoyer:

I turn to you to convey the deepest concern of the public body I represent, on learning that the European Investment Bank (EIB) has granted a loan of at least 125 million euro to the private company REDEXIS to finance large scale expansion of the hydrocarbon (gas) infrastructure in the Canary Islands.

In this regard, I ask for your intervention in order to reassess, and subsequently make use of any appropriate mechanisms of your organisation to reconsider aforementioned loan, rather directing this important public capital towards activities which correlate positively with the three fundamental principles established by the EIB itself. As you are aware, primary objectives of the corporation you represent are boosting Europe's growth and employment potential, supporting measures to mitigate climate change and –thirdly– furthering EU policies in other countries. Consequently, we understand that the decision to fund the expansive activity of fossil fuels in Europe –or in any other territory on the planet– with European public capital, violates the statements of the EIB itself by explicitly contravening the international agreements for the mitigation of greenhouse gases (GHG), affecting both present and future social, territorial, economic and environmental interests of the Canary Islands and, therefore, of the European Union.

The magnitude of the threat of global warming to the planet demands the utmost urgency in promoting development of renewable energies and, in pursuing this priority, European public institutions play a decisive role with their essential contribution in implementing clean and sustainable energy models in all regions of the Member States.

Even though the Canary Islands have extraordinary climatic conditions for the development of such energy models, the current reality (2017) is that 92.3% of electricity of the entire archipelago is produced by combustion of hydrocarbons which, together with road, sea and air traffic (more than 17 million tourists visited the Islands in 2017) equates to one of the highest levels of GHG emissions in Europe.

This carbon footprint is unsustainable from all perspectives considered in the dynamics of progress for the European Union, and although the degree of dependence on hydrocarbons may be reduced with the progressive opening of future wind farms as projected for the Islands, the introduction of gas as a primary energy source represents an unacceptable brake on renewable sources, and this will over time –without any doubt whatsoever– prevent the Canary Islands from achieving the mitigation targets imposed by the European Union itself and by the United Nations.

The agreement signed last month between the EIB and REDEXIS suggests that the investment aimed at expanding gas in the Canary Islands fits within the framework of the so-called Juncker Plan to boost job creation, growth and competitiveness in areas of energy, environment and climate change, but it is clear



that the announced investment of the EIB is in fact diametrically opposed to the fundamental principles of this European Plan.

As you can verify, several countries of the European Union and major cities of continental Europe are currently dealing with the progressive closure of gas distribution plants and networks in response to their firm commitments to reduce polluting emissions, and this makes it very difficult to explain and understand that in the Canary Islands policies are encouraged which conflict with these noteworthy and necessary efforts.

According to promoter REDEXIS, the investment capitalized by the EIB to create networks for storage and distribution of propane gas in the Canary Islands is based on the supposed benign characteristics of this hydrocarbon, resulting in reductions of emissions of 30% of CO₂, 20% of GHG, 85% of particles, 50% of nitrogen oxides and 90% of sulfur oxides with respect to other hydrocarbons. However, even when assuming these parameters are valid -which they are not-, the gas would deliver emissions of 70% of CO₂, 80% of GHG, 15% of particles, 50% of nitrogen oxides and 10% of sulfur oxides with respect to other hydrocarbons.

We mentioned before that the given parameters are in fact not correct: the data given by the promoters have been determined exclusively from combustion emissions, while failing to consider emissions generated during the processes of extraction, processing, transport and distribution of the hydrocarbon in question.

From an economic perspective, it is important to be aware that the National Commission of Markets and Competition (CNMC), a Spanish public body, in a report dated September 7, 2017, has rejected the viability of the regasification plant in Tenerife *"as long as there is no availability of guarantees regarding the use of the plant nor the corresponding economic studies proving the sustainability of the natural gas sector following the gas-conversion of the Canary Islands"*.

It is clear that the investment of REDEXIS, which could reach 500 million euros only for delivering the gas to dozens of island municipalities, will in the end be borne by Canarian citizens through an underlying process of decades-long indebtedness, including the risk that in the event of future operational deficit, any extra costs will also be charged to contractual users of the gas in first instance and non-users in second instance, as has happened in the case of the Castor Platform (Castellón/Tarragona, Spain) with the EIB is very much familiar.

Further please be informed that the profitability of this operation should be evaluated in relation to the volume of consumers who voluntarily decide to contract gas for their homes or companies, and this data is neither known nor can it be estimated as there is no obligation to contract; in this context please consider that an uncertain but substantial number of users today rejects this energy model in the Canary Islands for economic, security and environmental reasons.

In this regard, it's important to inform you that in the Canary Islands, unlike other European continental territories, there is no traditional large-scale natural gas or propane air supply network, so undertake that this infrastructure in the XXI century when policies should reduce and eliminate hydrocarbons, it is totally contradictory and harmful. And especially contradictory in a territory such as the Canary Islands, endowed with one of the highest environmental riches for its biodiversity, high potential for renewable sources and, obviously, exposed to serious fragilities and vulnerabilities derived from the effects of global warming.



As you well know, the European Union's energy policy for the islands of the Outermost Regions prioritizes the use of clean energy to reduce its dependence on fossil fuels, which is clearly a contradiction if European Investment Bank contributes to support with european public funds a new infrastructure of great magnitude to store, process, distribute, consume and burn more fossil fuels.

Last December in Paris the World Bank announced its commitment to stop financing hydrocarbon exploration and exploitation operations as of 2019, and we urge the European Investment Bank to effectively promote a similar path of reduction of causes and effects of climate change, focusing its energy investments on sustainable, clean and renewable sources, and to firmly reject support for private interests based on the production and commercialization of polluting fuels with the inevitable projected decline.

We are very much aware of the important role of the European Investment Bank in the development, advancement and consolidation of social policies for the benefit of the European population, and therefore express our most sincere and open willingness to cooperate with your organisation in achieving this critical group of objectives.

Yours sincerely,



Antonio Morales Méndez
President of Gran Canaria's Government

CC: Mr. Jean-Claude Juncker, President of European Commission; Mr. Antonio Tajani, President of European Parliament