

# EBRD and Green Economy Transition

AECM event

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Introduction to EBRD and Green Economy  
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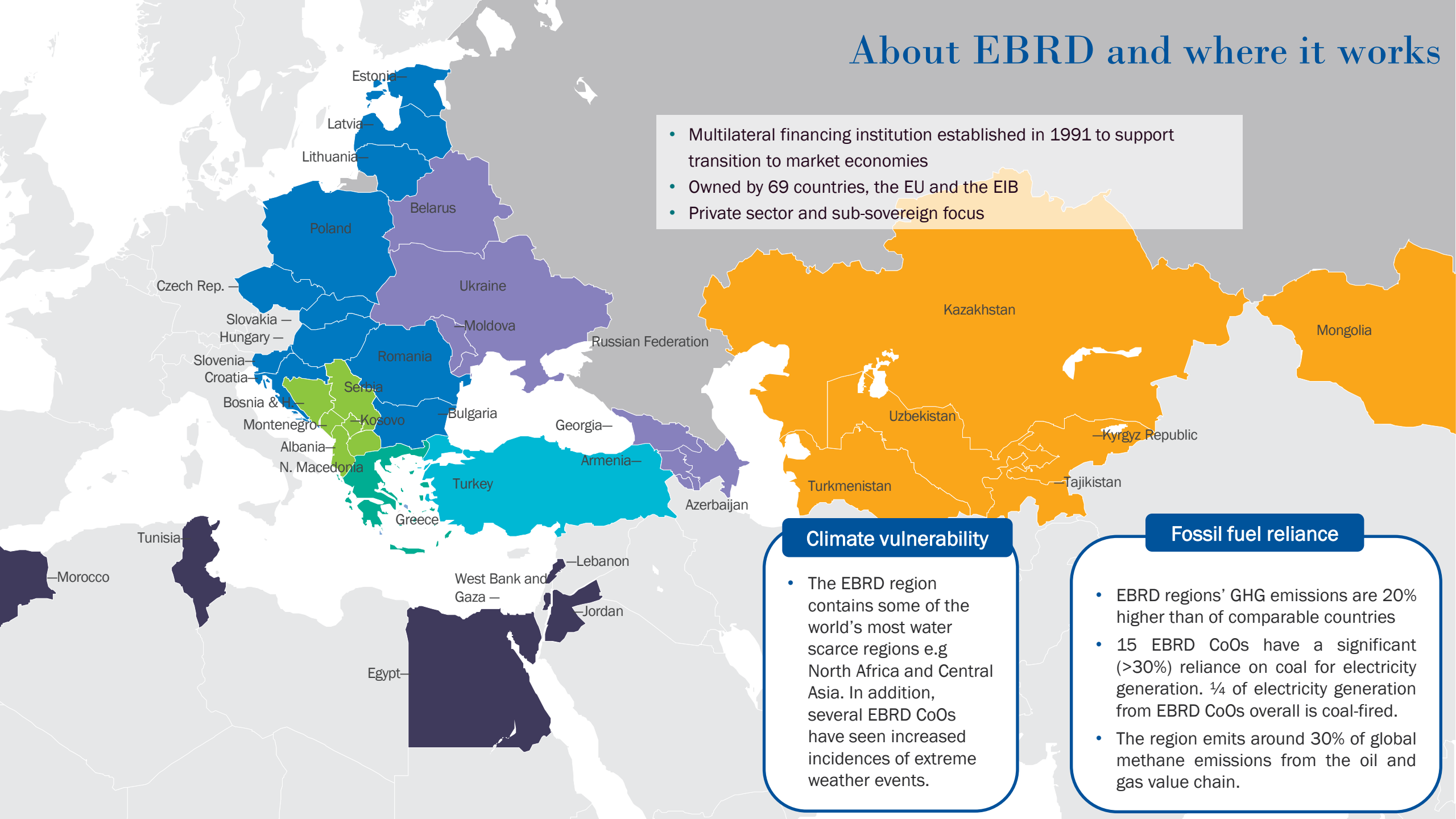
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Paris Alignment

# About EBRD and where it works

- Multilateral financing institution established in 1991 to support transition to market economies
- Owned by 69 countries, the EU and the EIB
- Private sector and sub-sovereign focus



## Climate vulnerability

- The EBRD region contains some of the world's most water scarce regions e.g North Africa and Central Asia. In addition, several EBRD CoOs have seen increased incidences of extreme weather events.

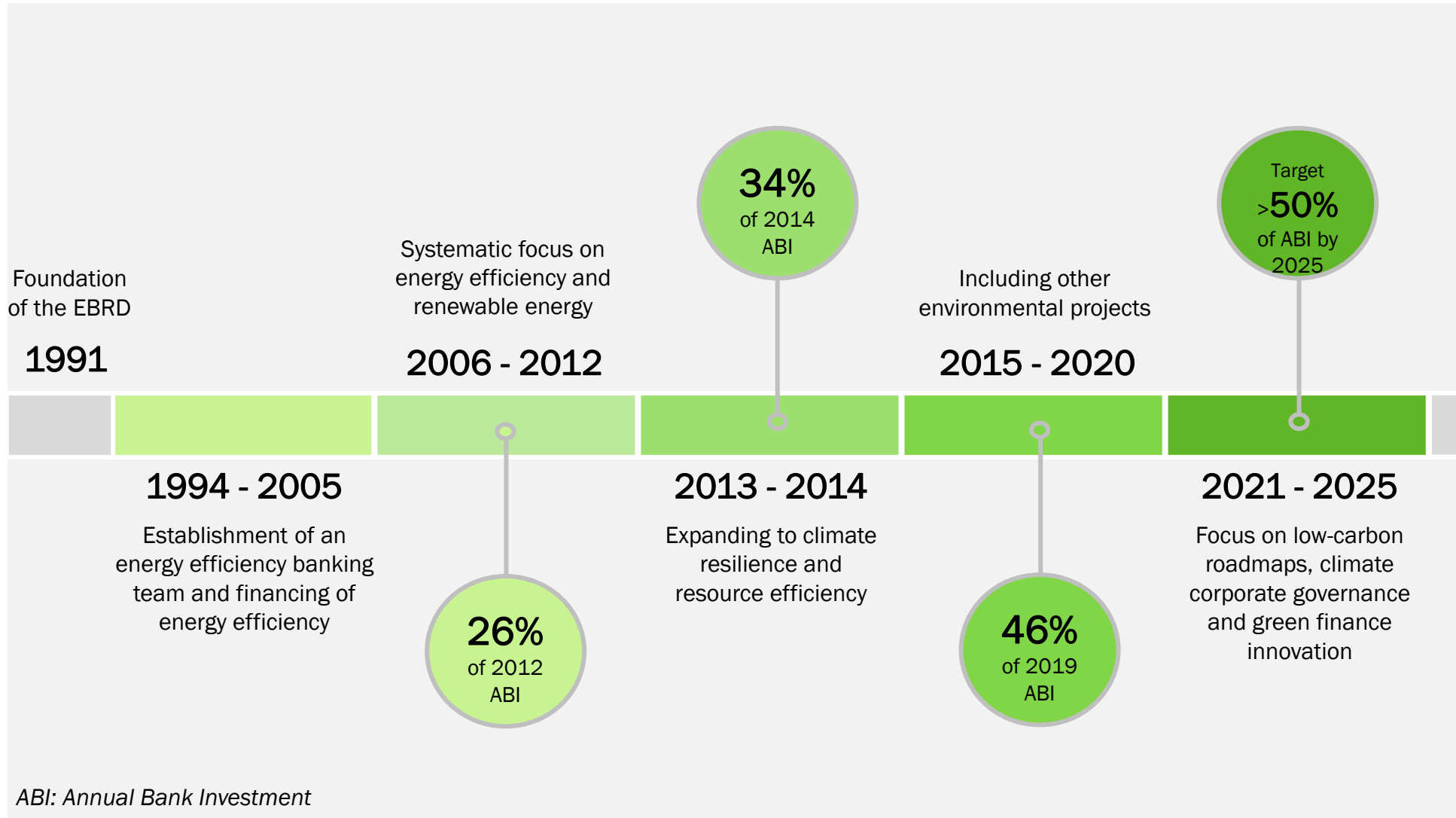
## Fossil fuel reliance

- EBRD regions' GHG emissions are 20% higher than of comparable countries
- 15 EBRD CoOs have a significant (>30%) reliance on coal for electricity generation. ¼ of electricity generation from EBRD CoOs overall is coal-fired.
- The region emits around 30% of global methane emissions from the oil and gas value chain.

# Progressive expansion of EBRD work on climate/ green



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€38 billion  
invested in  
>2,150  
green  
projects  
since 2006

ABI: Annual Bank Investment

# EBRD Green Economy Transition (GET) initiative

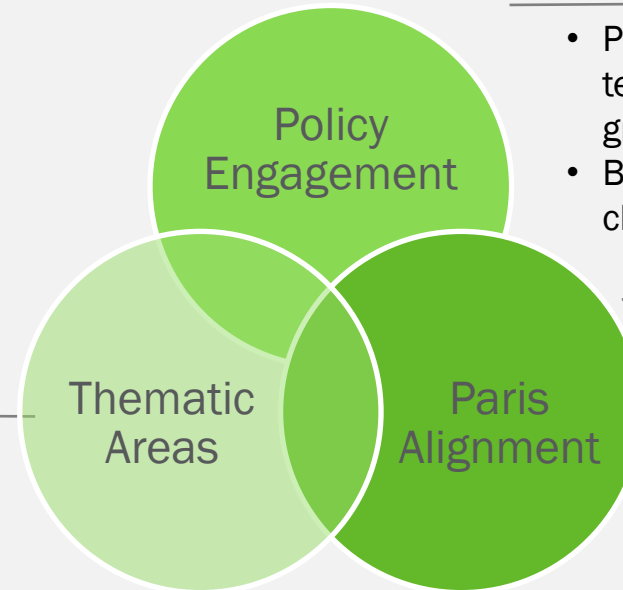


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GET aims to accelerate the transition to a green, low-carbon and resilient economy and to contribute to achieving a net zero carbon world by 2050.

- Green Financial Systems
- Industrial Decarbonisation
- Sustainable Food Systems
- Energy Systems Integration
- Cities and Environmental Infrastructure
- Sustainable Connectivity
- Green Buildings
- Natural Capital

With energy efficiency and climate resilience as cross-cutting themes, and innovation and digitisation as enabling elements.



- Policy engagements that focus on long-term and low-carbon strategies and greening financial systems;
- Building capacity and awareness for climate risk management

- Full alignment with Paris Agreement no later than end-2022;
- Screening all investments;
- Increasing capacity to support countries, regions and sectors develop low-carbon and climate resilient strategies;
- Scaling efforts to mobilise climate finance;
- Support a just transition

# Mainstreaming green financing

## Examples of green business development tools



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### RESOURCE AND ENERGY EFFICIENCY AUDITS

For clients who have resource efficiency potential, audits identify and recommend priority resource efficiency investments based on the financial return from input cost savings. A special category are resilience assessments which look at climate change impact risks and mitigation measures.

### GREEN ECONOMY FINANCING FACILITIES

Credit lines to local partner banks for on-lending to small and mid-sized green projects, combined with technical assistance teams, who help identify and assess investment opportunities, train up banks' staff, and develop marketing activities. Support may be complemented with incentive payments to end-borrowers.

### TECHNOLOGY TRANSFER AND INNOVATION SUPPORT

The FINTECC programme helps clients willing to invest in higher resource efficiency technologies with partial investment grants to overcome affordability and first-mover barriers. Also, innovation vouchers scheme similarly helps R&D service providers.

### GREEN CITY ACTION PLANS & MUNICIPAL SUPPORT

GCAPs promote low-carbon urban development via integrated assessments of environmental gaps and priorities for upgrading services and infrastructure. Investments are supported with technical assistance (structuring and tendering support), financing (private, public) and concessional co-financing.

### GREEN BOND SUPPORT

EBRD supports local financial institutions in issuing green bonds in line with the Green Bond Principles. In parallel, Green Bond Technical Cooperation Programme is to increase the issuance of green bonds to finance environmentally friendly projects to boost the level of finance required for low-carbon transition in EBRD's countries of operation.

### POLICY DIALOGUE

Working with governments and authorities to strengthen the institutional and regulatory context and create optimum conditions for green development. Examples include sector-specific low-carbon pathways: through dialogue with both the government and the private sector, an industry-wide technology upgradation plan is agreed and then supported.

## CORPORATE CLIMATE GOVERNANCE CLIENT SUPPORT FACILITY

### CCG HUB

Strategic communication & outreach at scale | Wider stakeholder engagement & capacity building | Knowledge management | Analytical support | Roll-out of CCG advisory services

### CCC CLIENT ADVISORY SERVICES

Bespoke client advisory services for

1. corporates & utilities
2. cities & municipalities
3. financial institutions

### CCG REGISTER

Policy and regulatory support | Capacity building | Standardised CCG client advisory services

# EBRD use of EU guarantees for Green Economy Transition



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## EFSD and InvestEU

- The European Fund for Sustainable Development (EFSD) - unfunded EU guarantees for Development Finance Institutions' projects in the EU Neighbourhood and Africa.
- EBRD has signed two EFSD guarantee agreements to date: one for renewable energy projects in Ukraine and Countries of Operations in the Neighbourhood South, and the “Resilience” programme supporting crisis and green projects in both Neighbourhood regions.
- The “EFSD+”, currently in development, is expected to expand support and also cover other non-EU countries where the EU offers development cooperation.
- InvestEU offers unfunded EU guarantees for DFI investments mainly within EU Member States. EBRD hoping to begin use early in 2022.

**Guarantees address risks** which would otherwise not allow investments to materialise; examples:

- First-mover risks of green technologies new to the market
- Risks related to underdeveloped markets
- Perceived risks from investors not familiar with policy/ regulatory environment or local markets
- Limited borrowing capacity and insufficient prioritisation of green investments at company or at city levels, etc.

The range of barriers that can be overcome using these guarantees makes them very useful while we are trying to address the climate crisis.

# The Municipal, Infrastructure and Industrial Resilience Programme (MIIR)



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## MAIN FEATURES

**€100 million** first-loss cover available for EBRD projects in the EU Neighbourhood countries\*.

**€7.5 million** preliminarily allocated for Technical Assistance and programme related policy dialogue.

**4 sectors** targeted:

- Manufacturing & Services
- City infrastructure
- Property & Tourism
- Transport & Logistics

## WHAT IT OFFERS

- **First-loss cover** for EBRD loans, or for loans from the EBRD and syndicated or parallel commercial co-lenders, of 20% on average.
- **Risk-participation** in the first-loss piece of 95:5 pari-passu between the EU and the lenders in the case of EBRD and syndicated loans.
- **Guarantee priced** by expected loss risk categories, with selective policy discounts for crisis loans and higher risk recovery projects.
- **Benefits for project promoters** can include: accommodating higher levels of risk (e.g. to incentivise higher performing technologies), more attractive terms (e.g. maturities, collateral), accessing financing from other commercial lenders, tailored technical assistance.

## DETAILS

Two components	Transactions eligibility	First-loss loan cover	Period to sign and include loans under guarantee cover	Min. loan size	Indicative allocation
<b>Crisis response</b>	Borrowers negatively affected by the economic downturn due to the pandemic	up to 30%	03/2020 – 08/2022	€1m	€25m - €50m
<b>Green recovery</b>	Project capex qualifies as contributing to the Green Economy Transition. For Transport & Logistics projects with no GET capex, climate action can be sought via policy dialogue or climate corporate governance activities.	up to 20%	08/2020 – 08/2024	€5m	€50m - €75m

\* EBRD Countries of Operations covered: Armenia, Azerbaijan, Belarus, Georgia, Egypt, Jordan, Lebanon, Moldova, Morocco, Tunisia, Ukraine, West Bank & Gaza.



# MIIR Component 1 case study

## Municipal Infrastructure – Ukraine



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<b>Project Description</b>	<p>A senior unsecured loan of up to EUR 10mn committed (Tranche 1) and EUR 12mn uncommitted (Tranche 2) financing to the city of Lviv and key municipal utilities and operators (all existing clients of EBRD) in order to mitigate the effect of the Covid-19.</p> <p>The proceeds of the loan will be used for liquidity support to the city of Lviv to provide liquidity and working capital support to compensate for temporary revenue losses due to the Covid-19 crisis and support the vital municipal infrastructure providers with the day-to-day running costs (payroll, etc.) and operating and maintenance costs.</p>
<b>Current Status</b>	<p>The loan agreement was signed in May 2021 with first disbursement soon after.</p>
<b>Tenor</b>	<p>2.5 years for both tranches.</p>
<b>EFSD Amount</b>	<p>EUR 3.3mn</p>
<b>Expected Impact</b>	<p>The loan will help the City and key municipal infrastructure providers to avoid a collapse in municipal service provision, maintain operations and investment plans and continue to provide vital services to citizens. The targeted services include district heating, wastewater management, solid waste management and urban public transport.</p> <p>The project envisions additional gender-sensitive benchmarks, to ensure high standards with respect to tackling gender-related concerns – in particular with respect to access to skills and employment, which will be monitored throughout the project’s life cycle.</p>

# MIIR Component 2 case study

## Manufacturing & Services – Morocco



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<b>Project Description</b>	Provision of EUR 6mn senior secured loan to Lamatem, a Moroccan producer of high-end medical garments. The financing will support the production of medical garments and single-use personal protective equipment (PPE), and will also help the company to increase its exports to European markets.
<b>Current Status</b>	The loan agreement was signed in March 2021. The project is on track.
<b>Tenor</b>	5.5 years.
<b>EFSD Amount</b>	EUR 1.7mn
<b>Expected Impact</b>	<p>The EFSD Guarantee has enabled the inclusion in the client's investment plan of green measures. One of which concerns the purchasing of specific pollution control technology that captures a chemical by-product, which the company then ensures is reused rather than lost. Secondly, the energy supply for the new facility will be diversified via the installation of a roof mounted solar panel system</p> <p>Moreover, the project introduces new training and employment opportunities for young people. In line with the EBRD's Youth Employment Programme, the client is working to develop and establish a work-based learning programme.</p>

# Paris alignment and key articles of the Paris Agreement



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Paris alignment means ensuring that all of the Bank's operations are consistent with the principles and goals of the Paris Agreement. Key articles of the Paris Agreement are:

Art.  
2.1  
(a)

“Holding the increase in the global average temperature to **well below 2°C** above pre-industrial levels and pursuing efforts to **limit the temperature increase to 1.5 °C** above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change;”

Art.  
2.1  
(c)

“**Making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development**”

Art.  
2.2

“[Paris Agreement]...be implemented to reflect equity and the principle of common but differentiated responsibilities and respective capabilities, **in the light of different national circumstances.**”

Art.  
4.1

Parties “...aim to reach global peaking of greenhouse gas emissions **as soon as possible**, recognizing that peaking will take longer for developing country Parties, and to undertake rapid reductions thereafter in accordance with **best available science**, so as to **achieve a balance between anthropogenic emissions by sources and removals by sinks of greenhouse gases in the second half of this century**, on the basis of equity, and in the context of sustainable development and..”

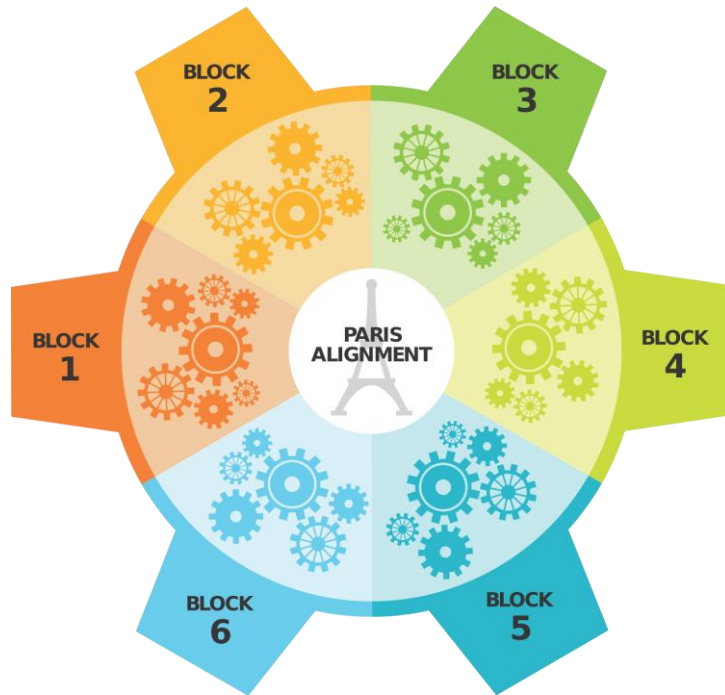
Art.  
4.19

“All Parties should strive to formulate and communicate **long-term low greenhouse gas emission development strategies**, mindful of Article 2 taking into account their common but differentiated responsibilities and respective capabilities, in the light of different national circumstances.”

# Joint MDB Paris Agreement alignment framework: six building blocks



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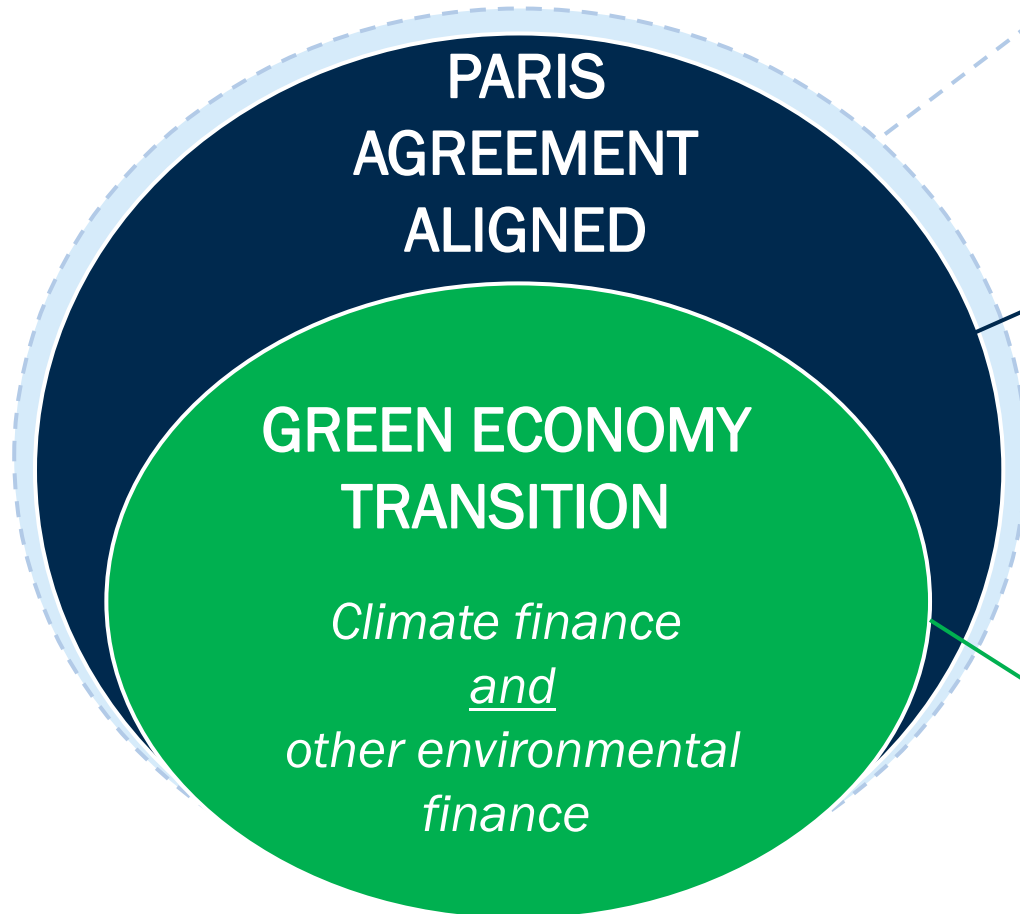
- 1 Alignment with mitigation goals**  
Operations consistent with national low-emissions development pathways and compatible with objectives of the Paris Agreement.
- 2 Adaptation and climate-resilient operations**  
Operations systematically screened for climate-resilience. Support increase in clients' ability to adapt to climate change.
- 3 Accelerated contribution to the transition through climate finance**  
Further scale up climate finance, operationalize new approaches to support NDCs, and accelerate realization of ambitions agreed under UNFCCC and in line with science-based evidence identified by IPCC.
- 4 Strategy, engagement and policy development**  
Develop new services to support clients put in place long-term strategies for low-emissions and climate-resilient development while ensuring consistency with SDGs.
- 5 Reporting**  
Develop tools and methods for characterizing, monitoring and reporting on Paris-aligned activities.
- 6 Align internal activities**  
Progressively ensure that internal operations, including facilities and other internal policies, are in line with the Paris Agreement

# Correlation between Green and Paris Agreement aligned financial flows



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## TOTAL ANNUAL BUSINESS INVESTMENT



All EBRD projects will be provided a Paris Agreement alignment determination.

### Paris Agreement aligned financial flows

Activities consistent with a pathway towards low greenhouse gas emissions and climate-resilient development in line with the objectives of the Paris Agreement.

Projects characterised by:

- Limited carbon footprint or carbon intensity
- Limited vulnerability for physical climate hazards
- Low carbon lock-in risk,
- Consistent with long-term low-carbon development

### Green Economy Transition financial flows:

Activities that substantially contribute to climate and environmental objectives. Finance for measures and investment components leading to at least one of the following outcomes:

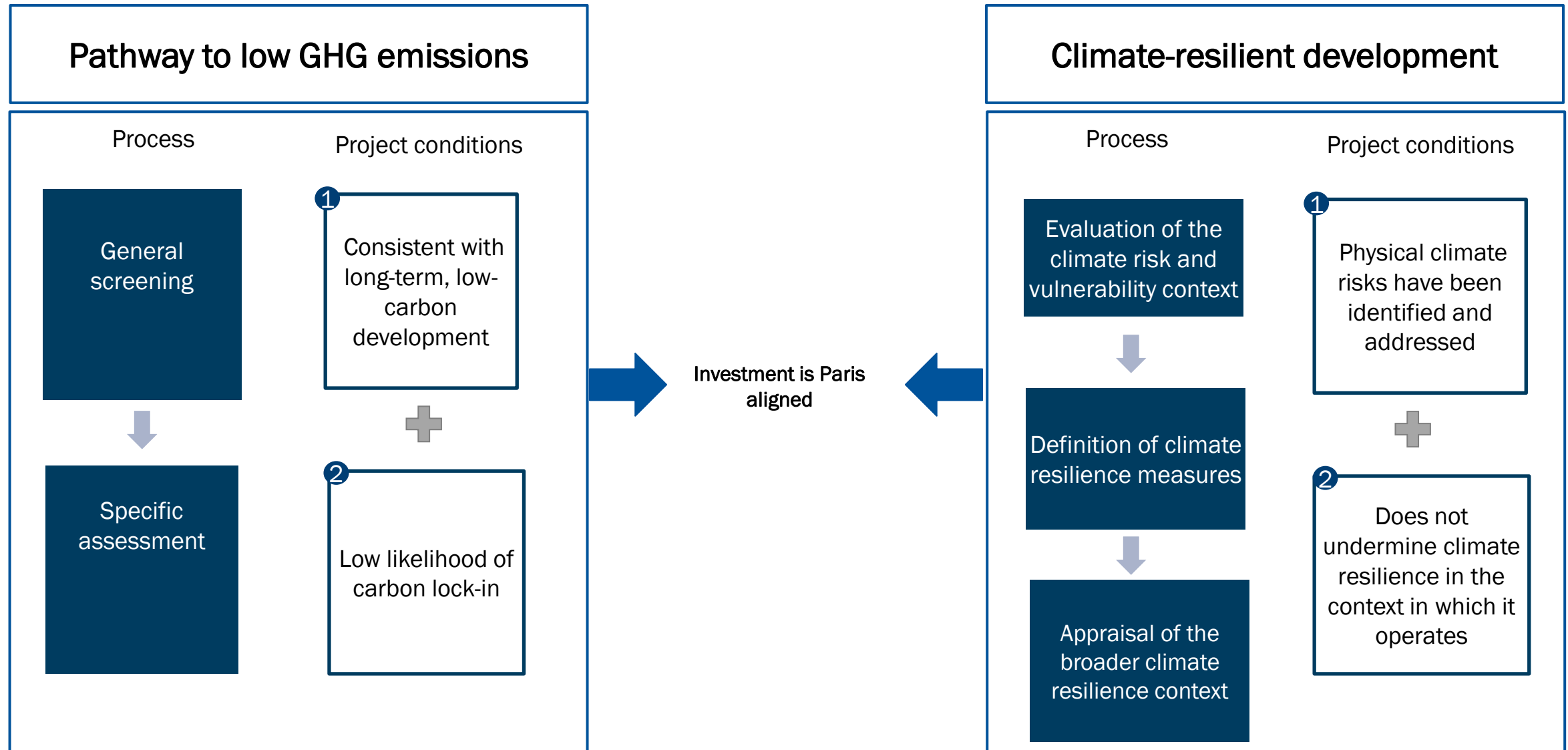
- Significant climate change mitigation benefits
- Significant climate change adaptation outcomes
- Significant environmental benefits (e.g. protection and restoration of ecosystems, and pollution prevention)

# Methodology re Paris alignment of EBRD

directly financed investments considers pathways towards “low greenhouse gas emissions” and “climate-resilient” development



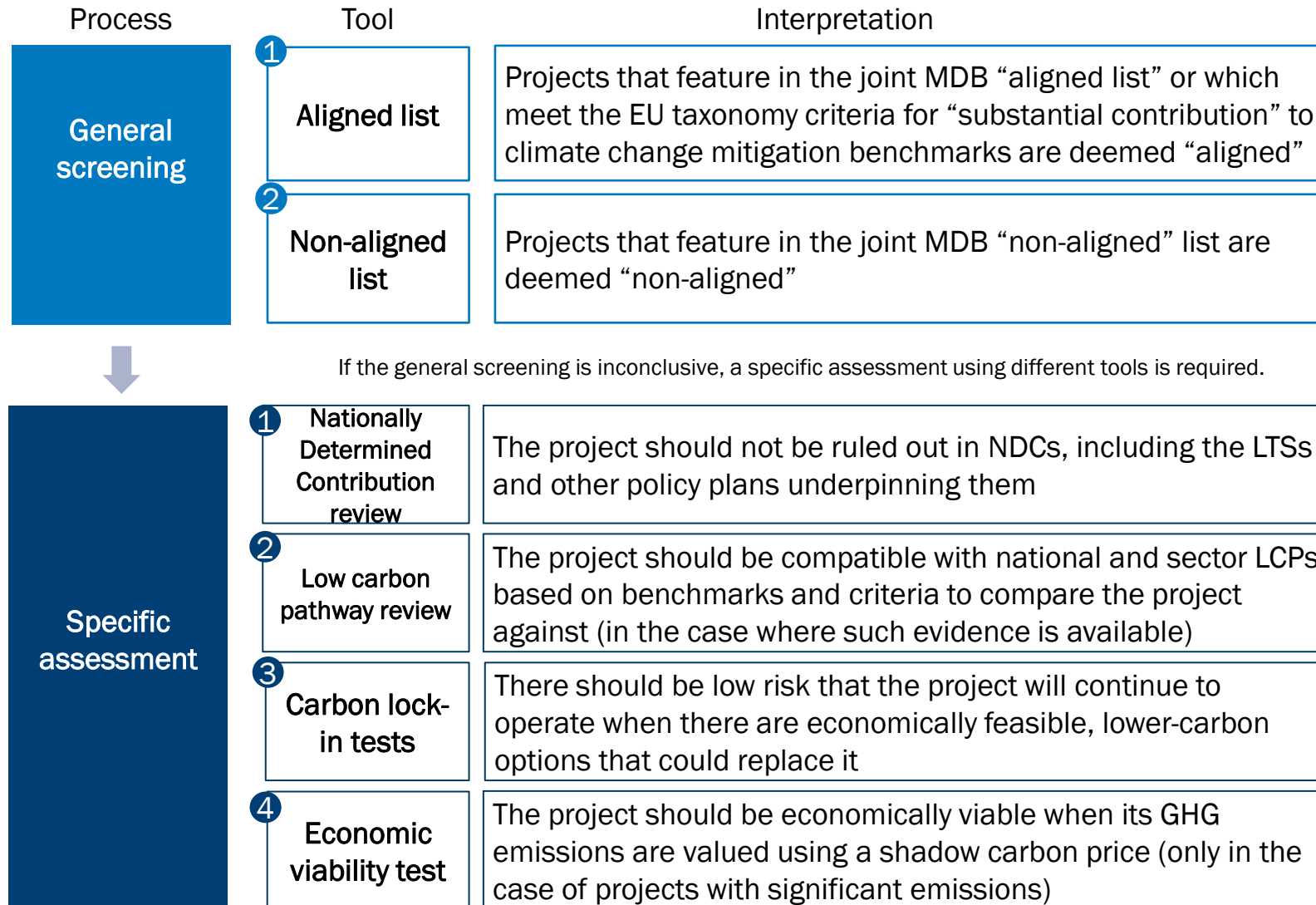
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# Methodology to determine the Paris alignment of EBRD directly financed investments: low greenhouse gas emissions



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