



# **EIB standards on Climate Action: Update on Climate Finance Tracking and Carbon Footprinting**

*EIB Stakeholder Engagement Workshop*

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**Environment, Climate & Social Office (ECSO)**



Climate at EIB - Climate Finance Tracking as part of our Strategy

Implications of the Paris Agreement

“It’s not BAU” – Definitions, granularity, caveats, thresholds and criteria

FAQ – how does this link to other reporting systems, such as Rio Markers

FAQ – what is Green?

EIB’s Climate Action Bonds (CAB) content – links with definitions of climate finance

Thoughts on future work plans for tracking

Q&A

# The EIB: the EU bank



- Created in 1958
- Shareholders: 28 EU Member States
- Driven by EU policy
- Around 90% of lending is within the EU
- Operates outside EU through specific Mandates

# EIB Priorities



ENVIRONMENT



INFRASTRUCTURE



INNOVATION



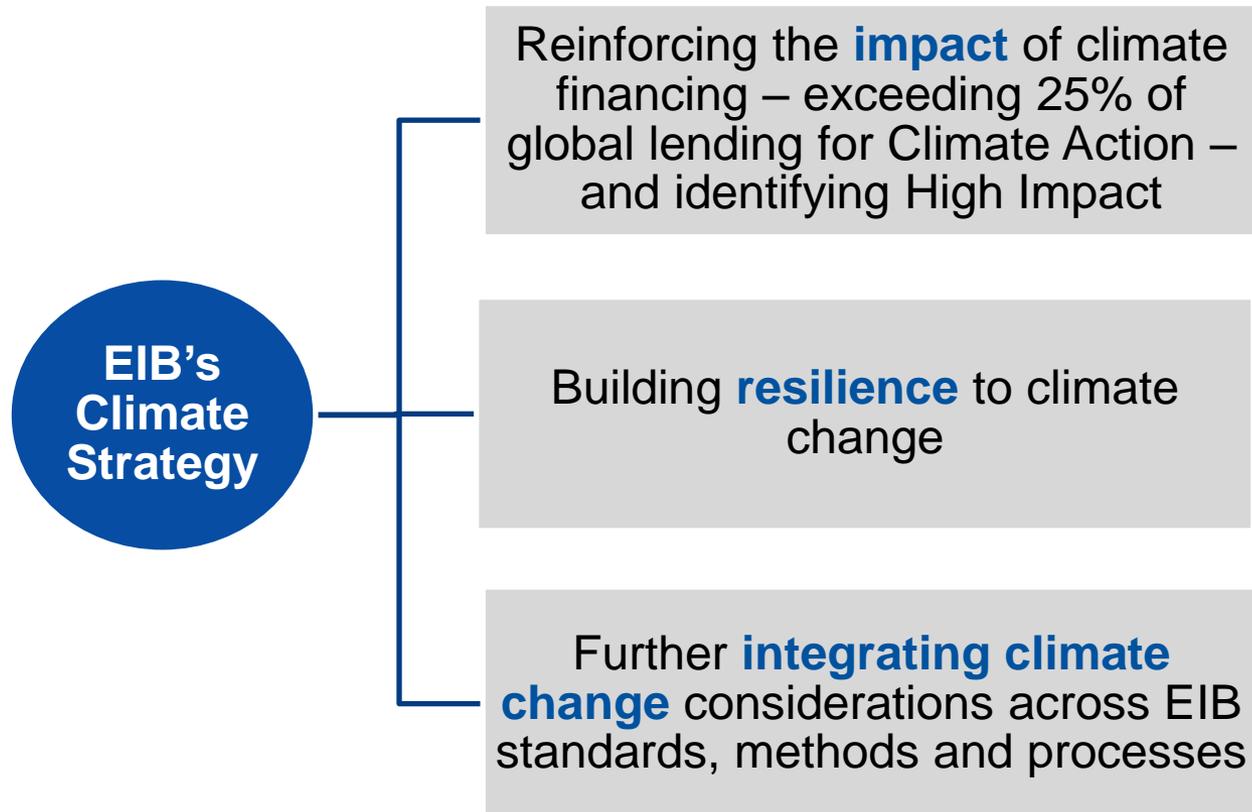
SME

- EIB's financing supports **EU policy** priorities and objectives (climate change, infrastructure, environment, support for SMEs, innovation & skills, regional development, etc.).
- **Climate action** is a horizontal objective, i.e. it is integrated within the other priority objectives.

# EIB's Climate Strategy



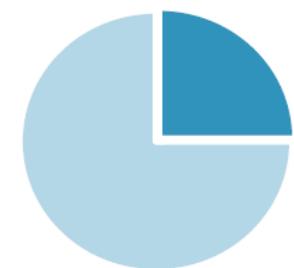
Complementing EIB's volume-driven approach, **EIB's 2015 Climate Strategy** will help implement the Paris Agreement inside and outside the EU by focussing on three key-areas:



# Increasing targets

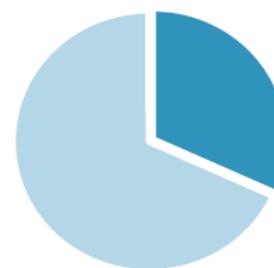


In the lead up to **COP 21**, the EIB committed to **increase its climate finance for developing countries to 35% by 2020**.



**>25%** worldwide

2015 → 2020



**35%** in world's  
developing regions

EIB's 2015 Climate Strategy  
We are increasing our climate commitment:  
**USD 100bn** over next 5 years

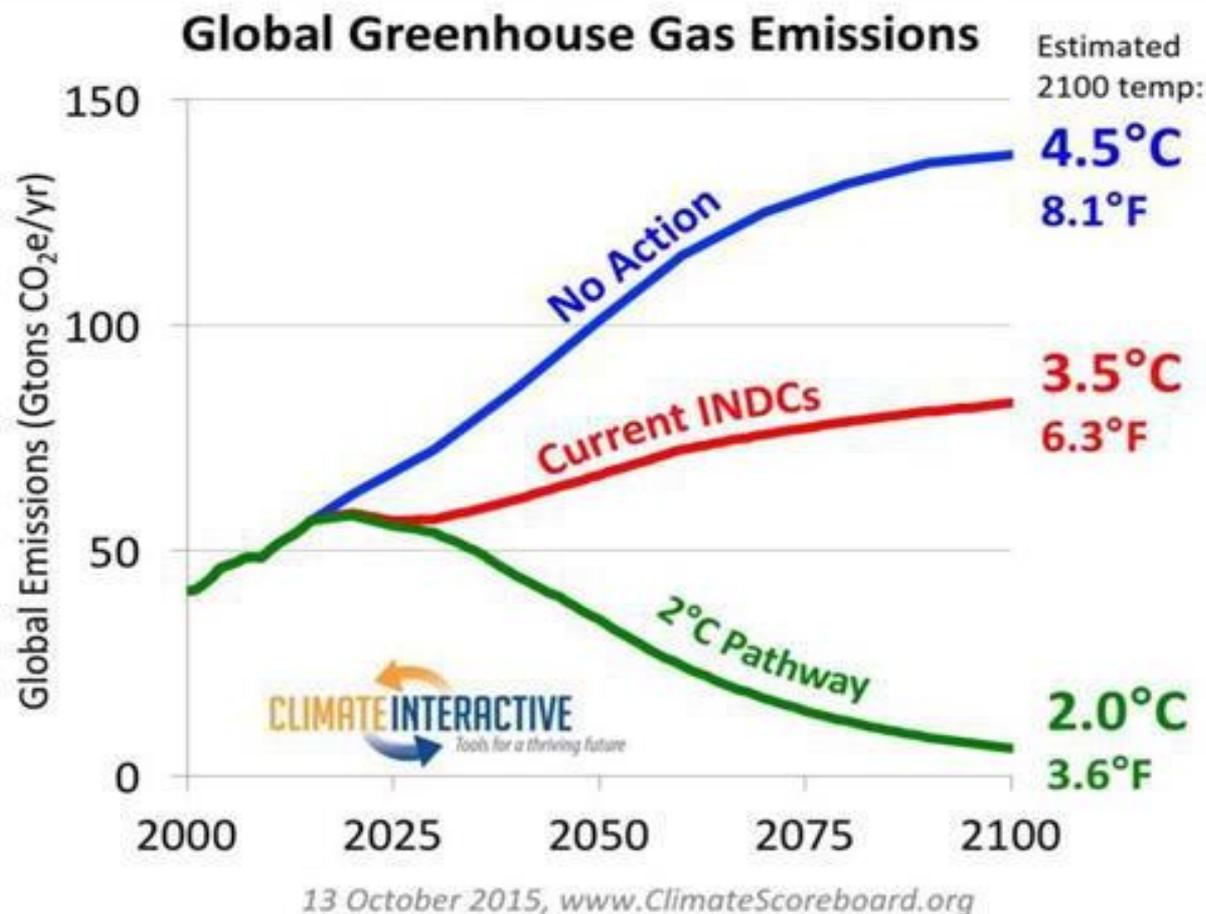
**COP 22** focussed on how the world will implement the Paris Agreement

European Investment Bank Group

# December 2015 - COP 21 in Paris



# The “Ambition Gap” between Science & Policy....



**INDC – Intended Nationally Determined Contribution** – individual country submissions to the UNFCCC, to be reviewed and updated every 5 years under the Paris Agreement. Currently we are a long way from staying «well below 2°C» – so Climate Action Mitigation must continue to **focus on low carbon pathways**.



*“We have to **mitigate** to avoid the unmanageable. And we have to **adapt** to the unavoidable”*

*(Prof. Schellnhuber)*

*Professor Schellnhuber is founder and Director of the Potsdam Institute for Climate Impact Research, one of the world's most renowned climate research institutes.*

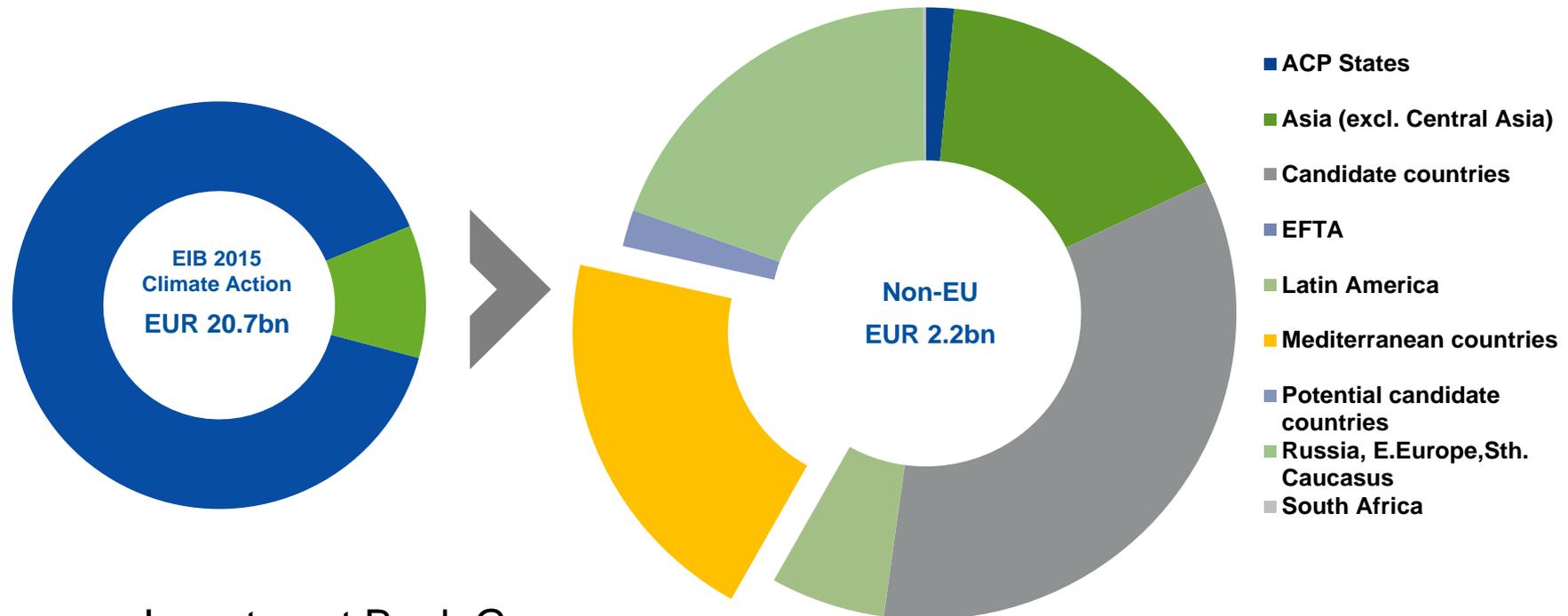
*He came to EIB to provide EIB staff with a presentation on the subject of Climate Change in July 2015.*

# A worldwide commitment

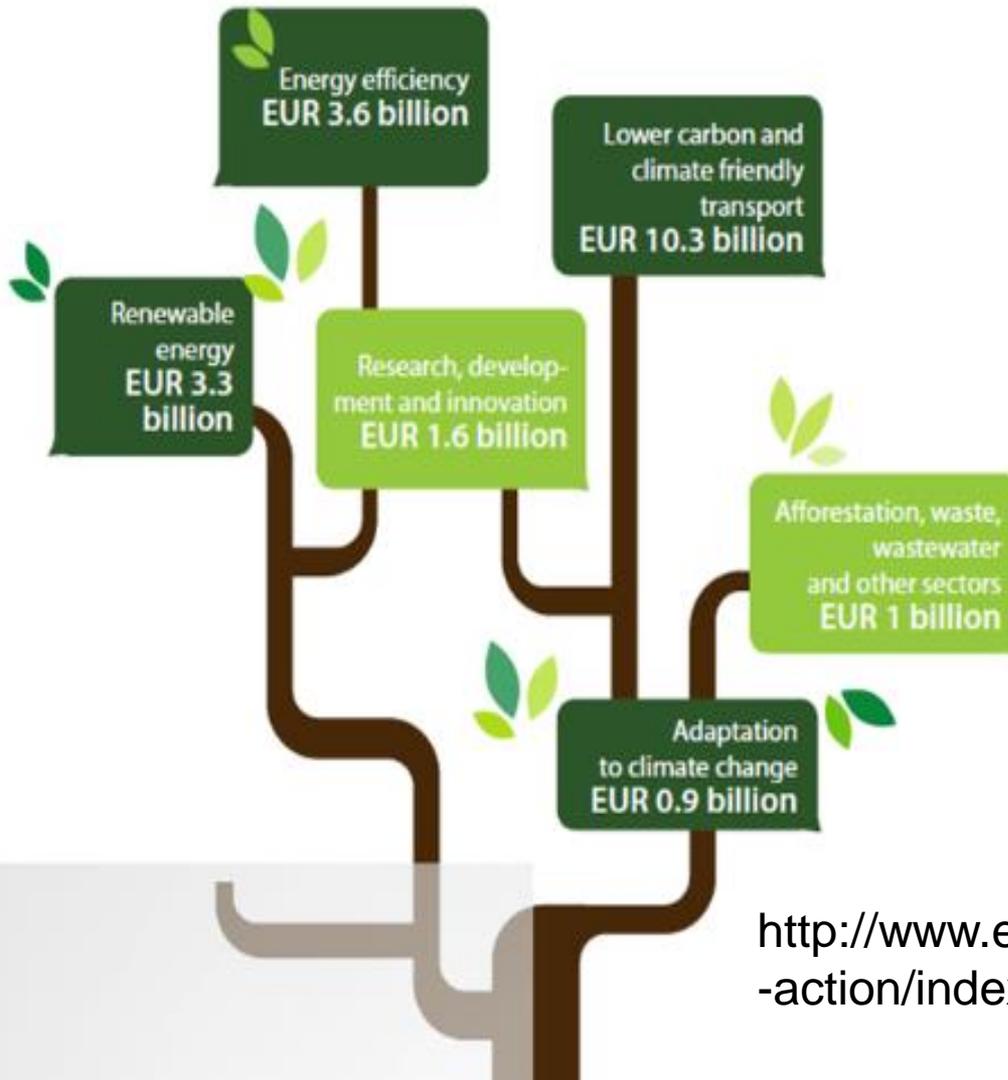


In 2015, EIB delivered **EUR 20.7bn** to specific **climate action** projects and investments:

- Exceeded the 25% financing target towards climate action.
- Remained the largest MDB in terms of support to climate action.
- **EUR 2.2bn** were channeled **outside the EU**.



# EIB's Climate Finance – how do we arrive at these numbers?



<http://www.eib.org/projects/priorities/climate-action/index.htm>

## **Mitigation – addressing a malicious global problem**

- **Renewable Energy** – wind, sun, geothermal, hydro etc
- **Energy Efficiency** – buildings, industry, transport,
- **Modal shift in transport** to lower carbon modes
- **Research & development in EE&RE** technologies
- Biological sequestration – **afforestation and reforestation**
- Other

## **Adaptation – a complicated local problem (often water-related...)**

- **Adaptation**: Changes/modification to projects/systems that help **cope** with climate change – these are incremental actions or activities to address climate change impacts – these are the **climate action components** - rarely the whole project .

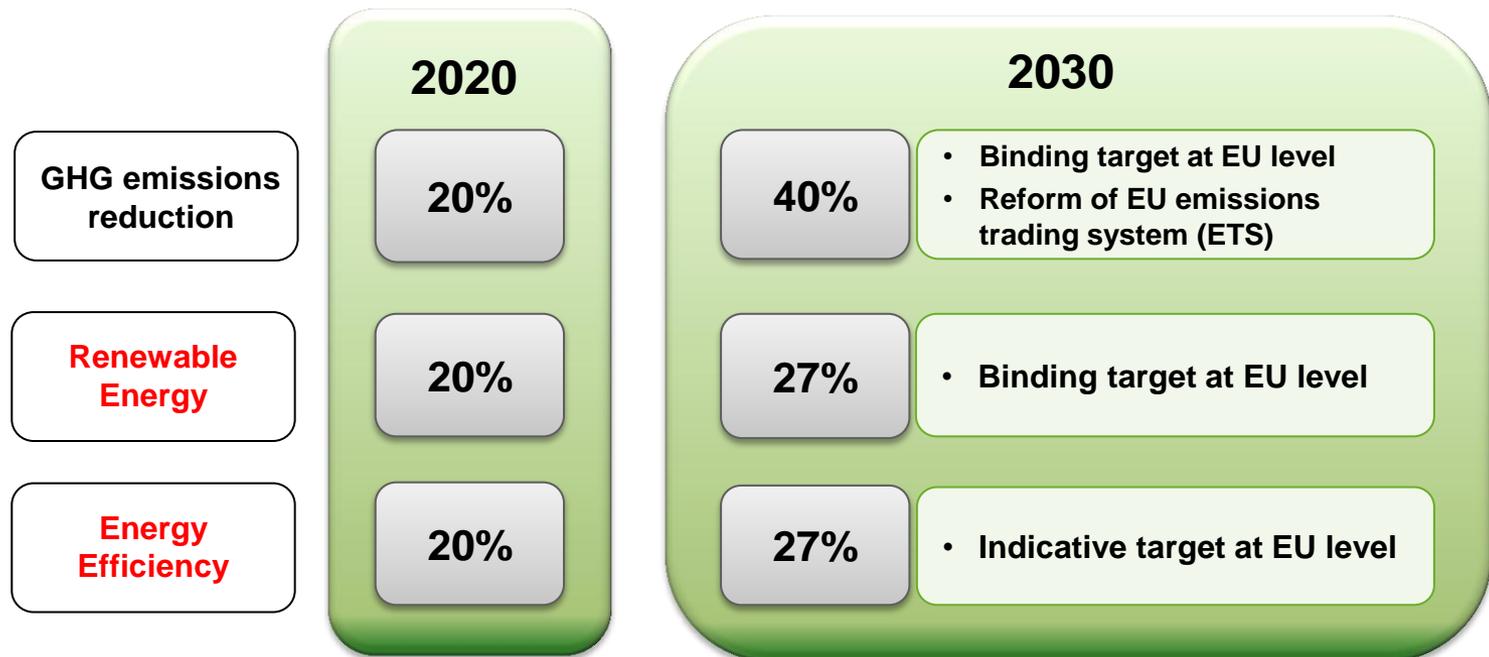
The system or project that has been adapted is sometimes called “**climate resilient**” ... in the future – nearly everything we finance will need to be analysed against this requirement – this will be the “new normal”



- EIB's Climate Action definitions are harmonised with Multilateral Development Banks (MDBs) since 2012 and with International Development Finance Club (IDFC) in 2015. Harmonisation means we agree on the activities to be counted. It does not indicate compatible reporting on finance. With many different approaches around – **transparency on content for reporting Climate Finance is very important - particularly on fossil fuels.**
- MDB Joint Climate Finance Reports 2011-2015 provide a lot more about the mitigation and adaptation definitions:  
[http://www.eib.europa.eu/attachments/documents/joint\\_mdb\\_report\\_on\\_climate\\_finance\\_2015.pdf](http://www.eib.europa.eu/attachments/documents/joint_mdb_report_on_climate_finance_2015.pdf)
- Our Energy Lending Criteria (including EE definition) were publicly consulted:  
[http://www.eib.org/attachments/strategies/eib\\_energy\\_lending\\_criteria\\_en.pdf](http://www.eib.org/attachments/strategies/eib_energy_lending_criteria_en.pdf)
- The approach is granular (components, sub-components, proportions) – rather than the entire project.
- Thresholds, criteria and exclusions apply in some sectors. Some are linked to a specific requirement to check net GHG emissions are negative. We are not counting BAU.

## Climate Change **Mitigation**

- 2007: Energy Action Plan – ambitious 20-20-20 targets to be attained by 2020
- 2011: Roadmap for moving to a competitive low carbon economy by 2050
- 2014: 2030 framework for climate and energy policies – the EU's NDC



## Climate Change **Adaptation**

- 2013: EU Adaptation Strategy

# FAQ: How does MDB granular approach link to other methods of tracking??



Rio Markers

Other taxonomies such as China Green Bond eligibility criteria

Even with Rio Markers – many different approaches and many different coefficients for financing

(For some information on coefficients used to report climate finance ODA to OECD – OECD/CPI report from Oct 2015

<http://www.oecd.org/environment/cc/OECD-CPI-Climate-Finance-Report.htm>

Annex C )



Climate Change Mitigation (plus environmental eligibilities?)

Plus Climate Change Adaptation? ..... counted how? Including what?

Does the organisation reporting on “Green” finance have a clear set of definitions?

What does Clean/Cleaner mean?

Sustainable? – can mean investments linked to Sustainable Development Goals – can mean it is economically and financially sustainable.....

**THE KEY ISSUE IS TRANSPARENCY!**

Civil Society can take an important role here.

# EIB Green Bonds – Climate Awareness Bonds: key features and link to Climate Action tracking definitions



## Financial

- ✓ Scale of issuance with benchmark-size Green Bonds
- ✓ Building a Green Bond curve in EUR
- ✓ Exposure to the EIB credit - not to projects
- ✓ No premium charged for Green Bonds
- ✓ No refinancing of projects

## Transparency & Accountability

- ✓ Aligned with the Green Bond Principles
- ✓ Eligible sectors: **Renewable Energy** and **Energy Efficiency** including **fully dedicated RE&EE credit lines**.
- ✓ Quality and transparency – project level reporting, by year and by Bond
- ✓ External review / audit of the CAB programme
- ✓ Reporting project impact & linking bonds to projects

\* As of 29 August 2016



Changing definitions on Climate Action will need to take account of transition, whilst not counting BAU.

Beware of woollification – terms such as “Green Clean Cleaner Sustainable Resilient” mean different things to different groups. For Climate Action discussions, MDBs prefer to use Climate Change Mitigation and Adaptation.

“Beware of footprinting” – is it useful for all sectors, does it assist to identify projects on a low carbon pathway... or BAU?

Harmonisation in climate finance tracking is vital – we should aim to have as many players as possible use the **Common Principles** as their starting point.

Any differences must be transparently dealt with e.g. OECD ODA reporting – now with separate reporting for coal-related projects.

Pathways to well below 2 degrees are important – but as no country, city or business can start with a completely clean page we need to consider how to support transition out of high carbon – projects may be covered by NDCs but may not all be counted as Mitigation.



# Thank you – any questions?

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**[For further information on the Bank's Environmental and Social Standards:](#)**

<http://www.eib.org/infocentre/publications/all/environmental-and-social-principles-and-standards.htm>

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