

EBRD Green Investments experience, and EIP

Brussels, 18 October 2018



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for Reconstruction and Development

Contents



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- Introduction to the EBRD's green financing
- EBRD plans and proposals under the EIP EFSD Guarantee
- EBRD Environmental & Social Policy summary

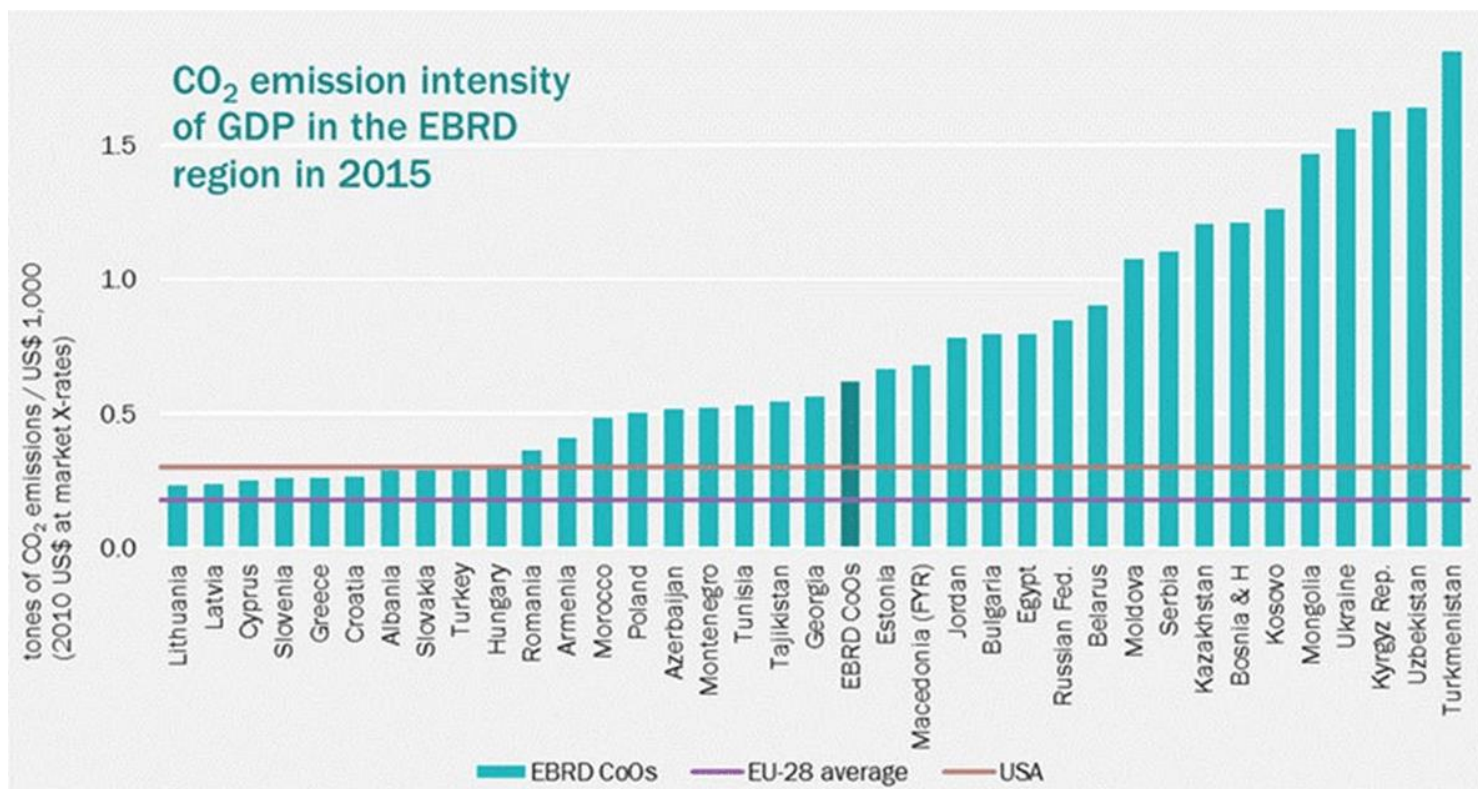
Contents



European Bank
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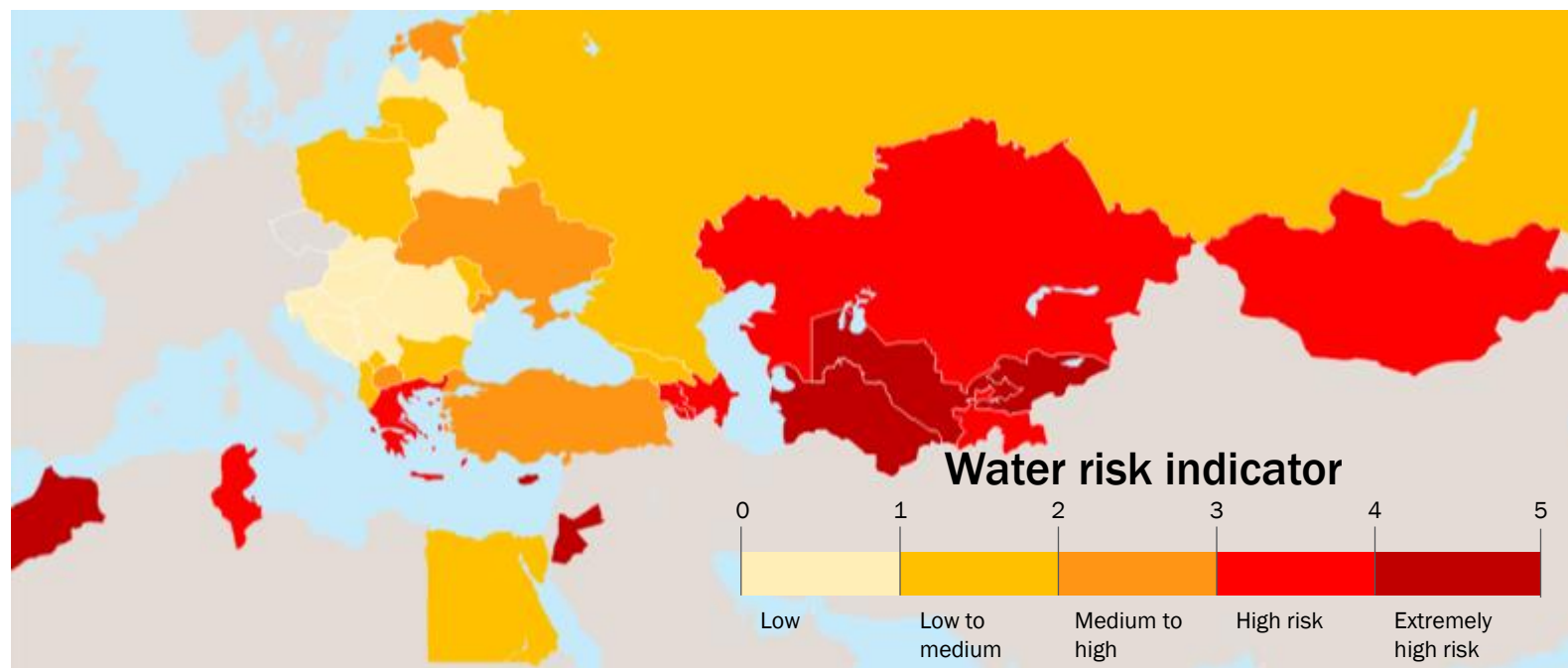
The EBRD region is carbon-intensive



2015 energy-use related CO₂ emissions per unit of GDP
(expressed as 2010 US\$, at market exchange rates). Source: IEA

There is increasing water stress in the EBRD region

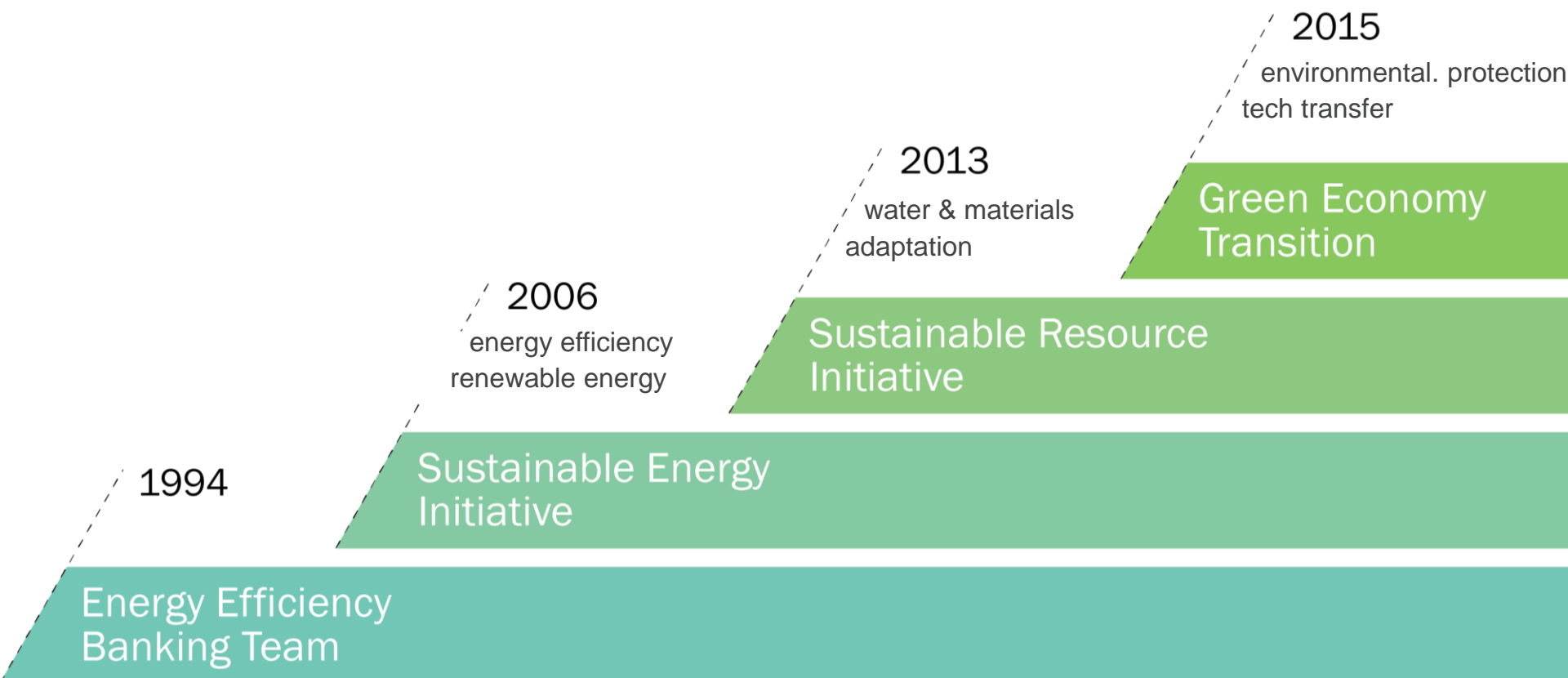
- Water efficiency is an important driver of business competitiveness, especially in the most water-scarce EBRD region such as SEMED and Central Asia.
- To mitigate the risks associated with water scarcity and the impact of climate change (e.g. variable precipitation), the EBRD invests in projects that promote water efficiency and support the introduction of innovative, water efficient technologies, with the focus on demand-side water efficiency improvements across a wide range of sectors.



Green financing is mainstream at EBRD



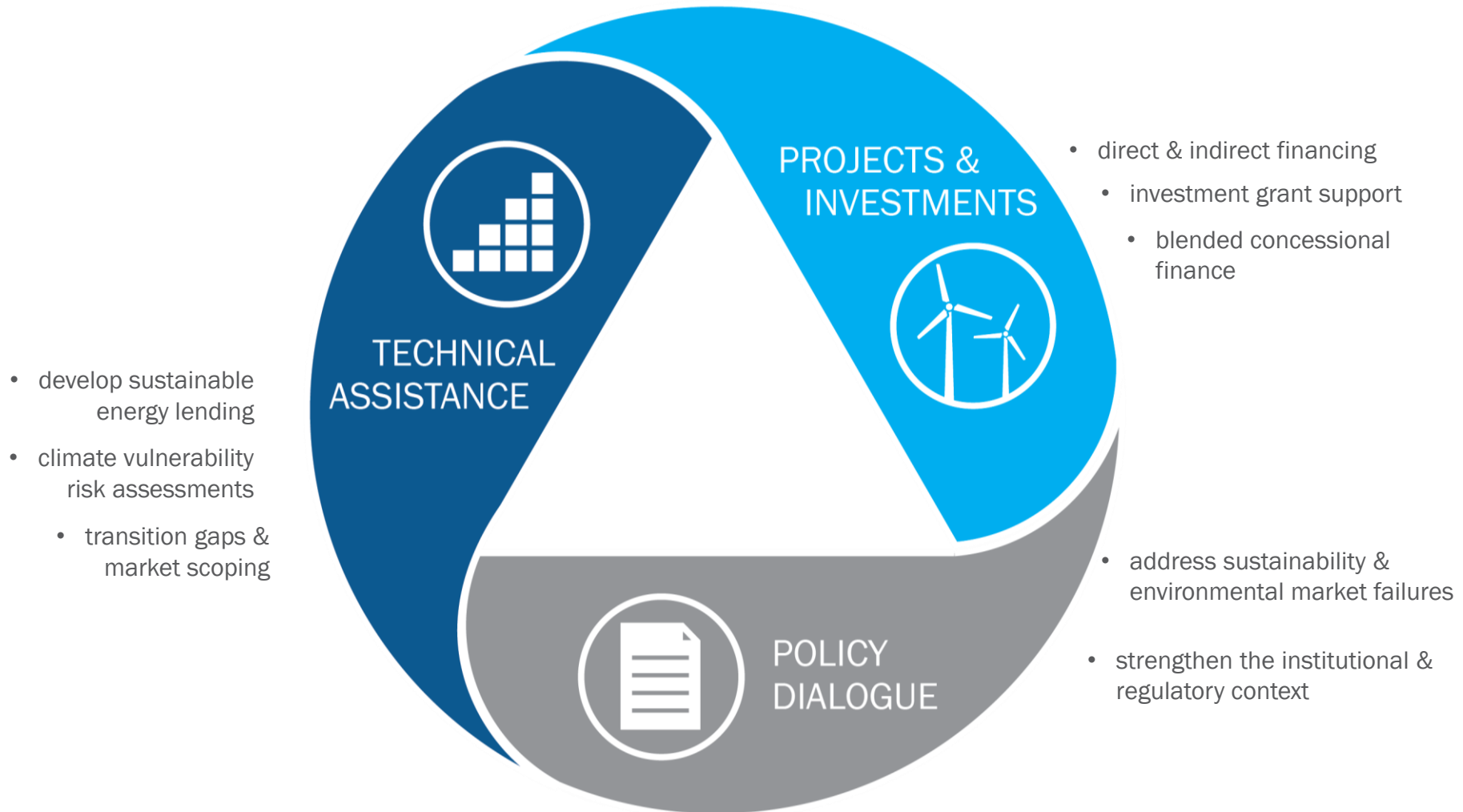
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Green financing: The business model

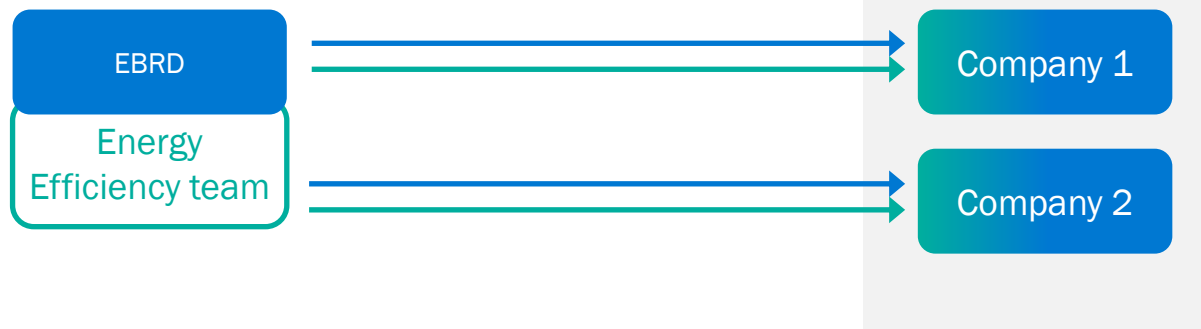


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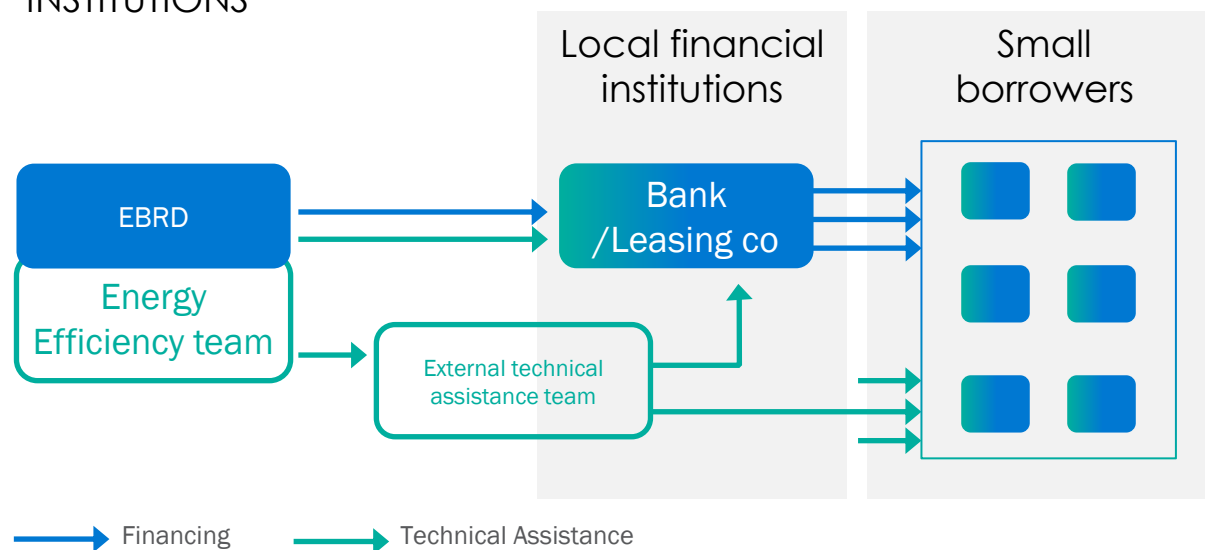


EBRD financing channels

DIRECT FINANCING AND SUPPORT



FINANCING VIA PARTNER FINANCIAL INSTITUTIONS



Green financing results, 2006 – 2017



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FINANCED

1,460

projects and credit lines

1,000+ directly financed projects with green components, and

250 credit lines to local financial institutions for on-lending to smaller projects

SIGNED

€26 billion

of green financing

For projects with a total value of €148 billion signed in 2006-2017

In 2017 green financing represented 43% of EBRD's total business, up from only 15% in 2006

REDUCED

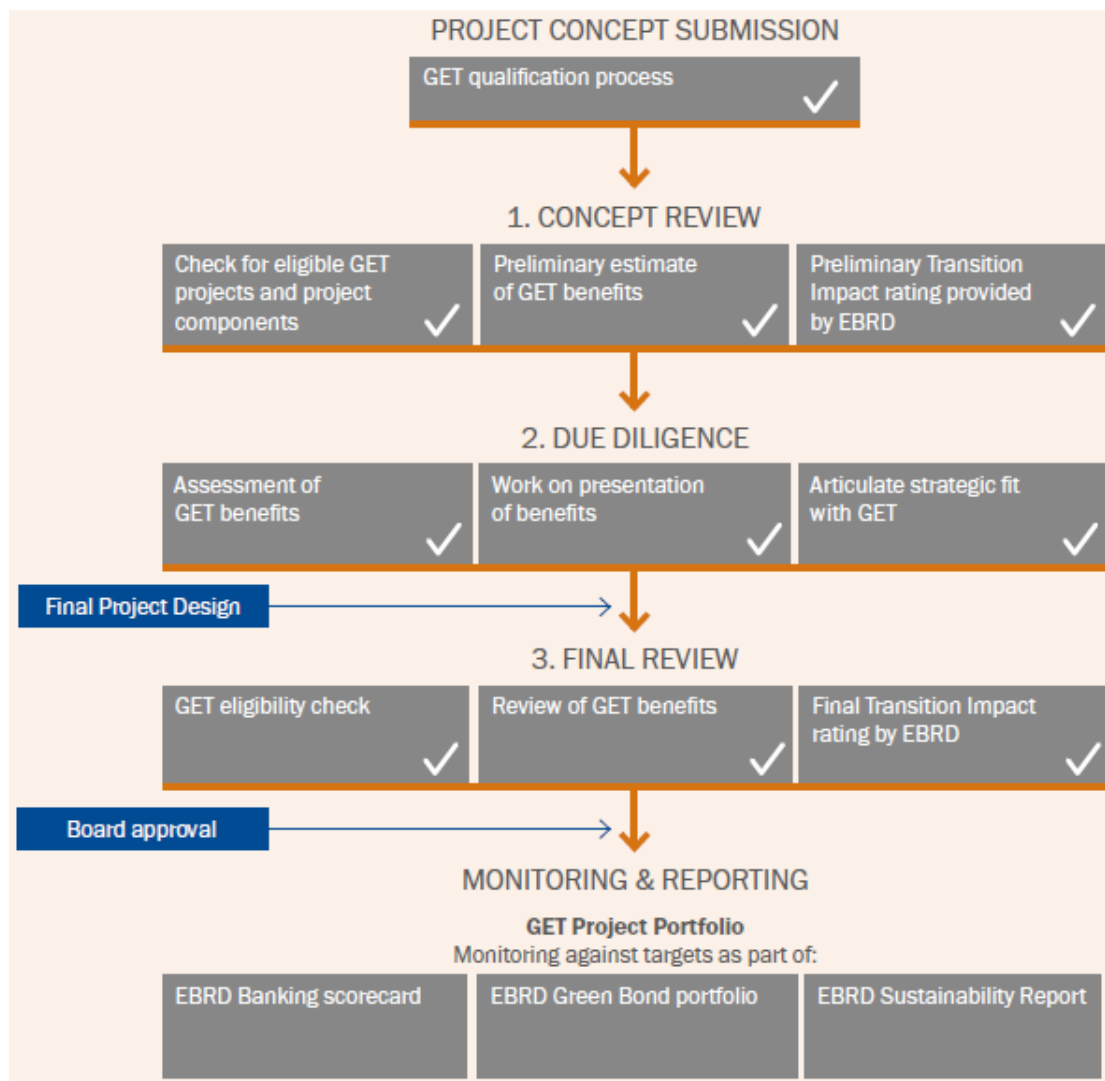
90 million

tonnes of CO₂/year

Emission reductions more than annual energy emissions of Romania

+annual water savings of 200 million m³ since 2013 equal to more than a third of annual water use in London

Robust process for green project definition, qualification and assessment



- All EBRD projects in the GET pipeline portfolio are assessed against a strict set of criteria laid out in a GET Handbook
- The GET MRV process is fully integrated in the EBRD project development cycle and the Transition Impact rating methodology
- GET Indicators tracked include: climate finance (adaptation and mitigation activities), GHG impact, energy and water savings and specific climate resilience and environmental outcomes
- Determination of climate change activities is based on the principles of the joint MDB group on Climate finance, currently coordinated by the EBRD

Innovative green economy development instruments



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- Green Economy Financing Facilities
- Green Energy Special Fund
- FINTECC – Green Technology transfer and Green Innovation
- Green Cities Programme
- Renewable Energy Market Accelerator Programmes – e.g. solar PV, Wind, Hydro, Geothermal
- Climate Resilience Programmes
- Green Logistics Programmes
- Energy, Resource and Carbon Audits
- Industry-specific Low-carbon Pathways
- Sustainable Value Chain Development
- Near Zero Waste Programme – and Materials Marketplace

Contents



European Bank
for Reconstruction and Development

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Areas EBRD proposes to address with the support of the EIP Guarantee (1/2)



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Energy efficiency for cities, companies and buildings

- Enabling adoption of innovative technologies in private sector industries and services enhancing their competitiveness.
- Avoiding lock-in of inefficient building stock in both commercial real estate and public buildings.
- Promoting the sustainable development of urban services and infrastructure including solid waste, water and wastewater, district heating, energy efficiency in buildings and urban transport.

Sustainable connectivity and logistics

- Increasing access to finance to foster sustainable transport and connectivity.
- Supporting the implementation of the Paris Climate Agreement through support to greening of the logistics sector.

Large-scale renewable energy

- Financing renewable energy including hydro, wind, biomass, solar and geothermal.
- De-risking project finance investments in RE passing on the full benefits of the guarantee to private sector investors

Financial inclusion and small-scale renewables

- Providing financial intermediaries with partial, capped guarantees to finance innovative and sustainable MSMEs, in the agri-sector and non-urban centres, and women-led MSMEs.
- Enabling small and medium scale renewable energy projects with small companies

ICT / Broadband

- Supporting the implementation of high-speed, high-capacity fixed broadband infrastructure in un- and underserved areas.

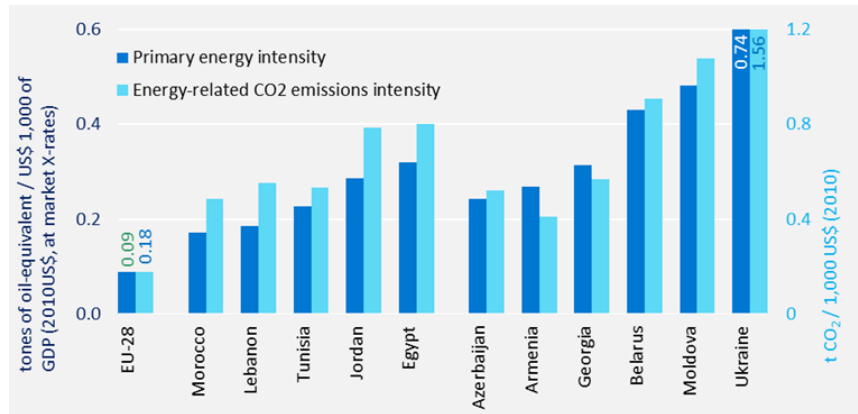


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Example – EE and Sustainable Cities PIP

This Investment Programme aims to:

- Accelerate the transition of Neighbourhood countries to greener and lower-carbon economies
- Enable increased investment in energy and resource efficiency and sustainable urban infrastructure, while delivering climate, environmental and social impacts as well as supporting the uptake of green technologies and helping boost private sector participation.



High impact sectors targeted:

Industrial and commercial operations

Buildings

Municipal infrastructure



Focus sectors



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Industrial and commercial operations

Manufacturing and services is a very high energy-consuming and GHG emitting sector

Example sub-sectors:

- Cement and glass
- Metals
- Paper
- Plastics and chemicals
- Machine building
- Pharmaceuticals
- Agro-industrial



Buildings

Poorly performing buildings lock-in energy and resource inefficiencies for decades – often >50 years

Example sub-sectors:

- Residential
- Urban development
- Hospitality and services
- Public buildings
- Commercial real estate
- Warehousing



Municipal infrastructure

Towns and cities need to provide sustainable infrastructure to ever-increasing numbers of residents

Example sub-sectors:

- Waste and recycling
- Water and wastewater
- Smart and energy efficient street lighting
- District heating/ cooling
- EE in Municipal buildings



EFSD Guarantee use - objectives

- Help achieve **Paris Climate Agreement** targets – where energy efficiency plays as big a role as does renewable energy; and climate resilience is supported.
- Increase **access to finance** for best-in-class green technology solutions, especially those that have low market penetration in the Neighbourhood.
- Enable **commercial co-financiers to support green technologies and measures** they are unfamiliar with and which seem risky to them.
- Enable final beneficiaries to achieve **most optimal energy consumption outcomes** which they otherwise would not be able to, due to high real and perceived risks.
- Enhance **long-term competitiveness** via transfer of advanced green technologies as well as encourage the development of local value chains and expertise.
- **Increase affordability** of sustainable public urban services and infrastructure.
- Increase **climate resilience** in companies and in public infrastructure.
- Support **SDGs implementation**, especially Goal 3: Good Health and Well-Being; Goal 6: Clean Water and Sanitation; Goal 7: Affordable and Clean Energy; Goal 9: Industry, Innovation and Infrastructure; Goal 11: Sustainable Cities and Communities; Goal 13: Climate Action.



Policy Objectives met by the PIP

EFSD Policy Objectives:

- Contribute to climate action and environmental protection and management.
- Address bottlenecks to private investments, and increasing access to finance – both in terms of sources and volumes.
- Strengthen socioeconomic sectors and related public infrastructure.

Two EFSD Investment Windows:

- **Sustainable Energy and Connectivity:** Stimulate private sector investment by reducing risks, to mobilise commercial funding in order to have a catalytic impact on low-emissions and climate-resilient economies.
- **Sustainable Cities:** Create a catalytic impact on climate change mitigation and adaptation, job creation and balanced city development addressing climate /environmental concerns; build cities' resilience to shocks and empower local authorities to deliver integrated, multi-scalar and incremental development.

Alignment with EU Directives:

- Such as the Energy Efficiency Directive; Energy Performance of Buildings Directive; Urban Wastewater Directive; Waste Framework Directive

Organisation, Budget and Timeline



- **Indicative split of Guarantee Cover:** EUR 50 mn for industrial and commercial, EUR 20 mn for EE in private sector led buildings, up to EUR 30 mn for municipal infrastructure projects and public buildings EE
- **Indicative timeline:** circa 60% utilisation within 2 years, & full utilisation within 4 years of facility launch with ~ 10 projects in industry, 3-4 projects for private buildings and 6-7 projects with/ for municipalities

€100 million

€755 million

Indicative total portfolio mobilisation value with Guarantee amount used once to cover first-losses of up to 20% of the covered debt finance.

- €500 million covered debt
- €257 million EBRD financing
- €68 million public sector financing
- €430 million private sector financing (debt and equity)

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for Reconstruction and Development

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- EBRD-financed projects are expected to be designed and operated in compliance with good international practices relating to sustainable development. To help our clients and their projects achieve this, we have defined ten performance requirements covering the key areas of environmental and social issues and impacts.
- Where possible, projects should avoid adverse impacts on workers, communities, and the environment. If avoidance is not possible, negative impacts should be reduced, mitigated or compensate for, as appropriate.
- New facilities or business activities financed by us must be designed to meet the performance requirements from the outset.
- If a proposed business activity relates to existing facilities that do not meet the requirements at the time of Board approval, the client will be required to adopt and implement a satisfactory Environmental and Social Action Plan (ESAP).
- If we are to provide general corporate finance, working capital or equity financing for a multi-site company, the client will be required to develop and implement an ESAP at the corporate level (as opposed to the site-specific level).
- This must be both technically and financially feasible, and deliverable within an acceptable time frame.

EBRD ESP Performance Requirements

PR 1: Assessment and Management of Environmental and Social Impacts and Issues

PR 2: Labour and Working Conditions

PR 3: Resource Efficiency and Pollution Prevention and Control

PR 4: Health and Safety

PR 5: Land Acquisition, Involuntary Resettlement and Economic Displacement

PR 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources

PR 7: Indigenous Peoples

PR 8: Cultural Heritage

PR 9: Financial Intermediaries

PR 10: Information Disclosure and Stakeholder Engagement

Thank you, Q&A



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CONTACT DETAILS

Sumeet Manchanda

Principal, EU & Bilateral Green Finance
Energy Efficiency and Climate Change
EBRD London

Email: manchans@ebrd.com

Phone: +44 20 7338 7562

