



European Bank
for Reconstruction and Development

JOINT MDB CLIMATE FINANCE TRACKING

Jan-Willem van de Ven
Senior Carbon Manager

Consultation on Development and Climate Change
OECD-CPI event, Warsaw, 19 November 2013



- Climate Finance Tracking By MDBs
- Summary of Joint MDB Climate Finance Approaches and 2012 results
 - Climate mitigation
 - Climate adaptation
- Next steps



The MDB's co-operate in the area of climate finance tracking as to increase transparency, comparability and comprehensiveness of climate finance.

The EBRD considers Climate Finance tracking of importance as it:

- Enables the tracking of climate finance results against its Sustainable Energy Initiative – III target of €4.5 to €6.5 billion from its own funds, with a total project value of up to €25 billion for the period 2012 to 2014.
- The identification of climate finance projects enables the mainstreaming of the climate change agenda throughout the Bank's operations.
- Enables the ability to communicate climate finance results with project sponsors and stakeholders



- In 2012 the MDBs agreed on the Joint MDB Climate Finance Tracking approaches, which is work in progress facilitating co-ordination between MDBs and other stakeholders
- Climate finance is defined as *i)* a set of eligible project activities for the mitigation finance and *ii)* a set of principles for adaptation finance
- A climate finance project or its components that meet the definition is counted from the moment the MDB finance for a project is board approved or signed.
- All types of financial instruments deployed (debt, equity, guarantees, technical assistance and grants) are included
- The MDBs include in their report climate finance based on own capital resources, and funds managed for third parties
- The external funding sources for the climate finance projects are separated from the MDBs' own resources



- **Total amount of climate finance in 2013: USD 27 billion**
 - Climate mitigation: USD 21 billion; Climate adaptation: USD 6 billion
- **Extended analysis**
 - **Regional** breakdown (same categories for mitigation and adaptation)
 - **Sectorial** breakdown (different categories for mitigation and adaptation)
- **More detailed explanation of adaptation methodology (as requested by stakeholders)**
 - Case studies of adaptation projects along with application of MDB adaptation methodology



The typology for Climate mitigation project activities includes the following main categories:

1. Demand-side energy efficiency existing installations
2. Demand side energy efficiency new installations
3. Supply side energy efficiency
4. Renewable energy
5. Transport
6. Agriculture, forestry and land use
7. Waste and waste water
8. Non-energy GHG reductions
9. Cross-sector activities

Per main category a set of eligible project types and rules have been agreed.

More detail on <http://www.ebrd.com/pages/sector/energyefficiency.shtml>



The MDB approach for adaptation is based on the following principles

- 1. It is purpose, context and activity based. A project must fulfill three design process criteria for finance to be reported. It must:**
 - Include a statement of purpose or intent to address or improve climate resilience in order to differentiate between adaptation to current and future climate change and good development;
 - Set out a context of climate vulnerability (climate data, exposure and sensitivity), considering both the impacts from climate change, as well as climate variability related risks;
 - Link project activities to the context of climate vulnerability (e.g., socio-economic conditions and geographical location), reflecting only direct contributions to climate resilience.



2. It follows a conservative approach:

- To incentivize good adaptation projects to speed up transition to resilient communities and systems;
- Activities that do not explicitly meet all the criteria are not included in reporting.

3. Project activities should:

- Address current drivers of vulnerability, especially in poorest countries or communities when specifically designed in response to climate risks;
- Build resilience to current and future climate risks;
- Incorporate climate risks into investments, especially for infrastructure with a long lifespan;
- Incorporate management of climate risk into plans, institutions and policies.

More detailed information on:

<http://www.ebrd.com/pages/sector/energyefficiency.shtml>

MDB Mitigation Finance, 2012 (USD million)



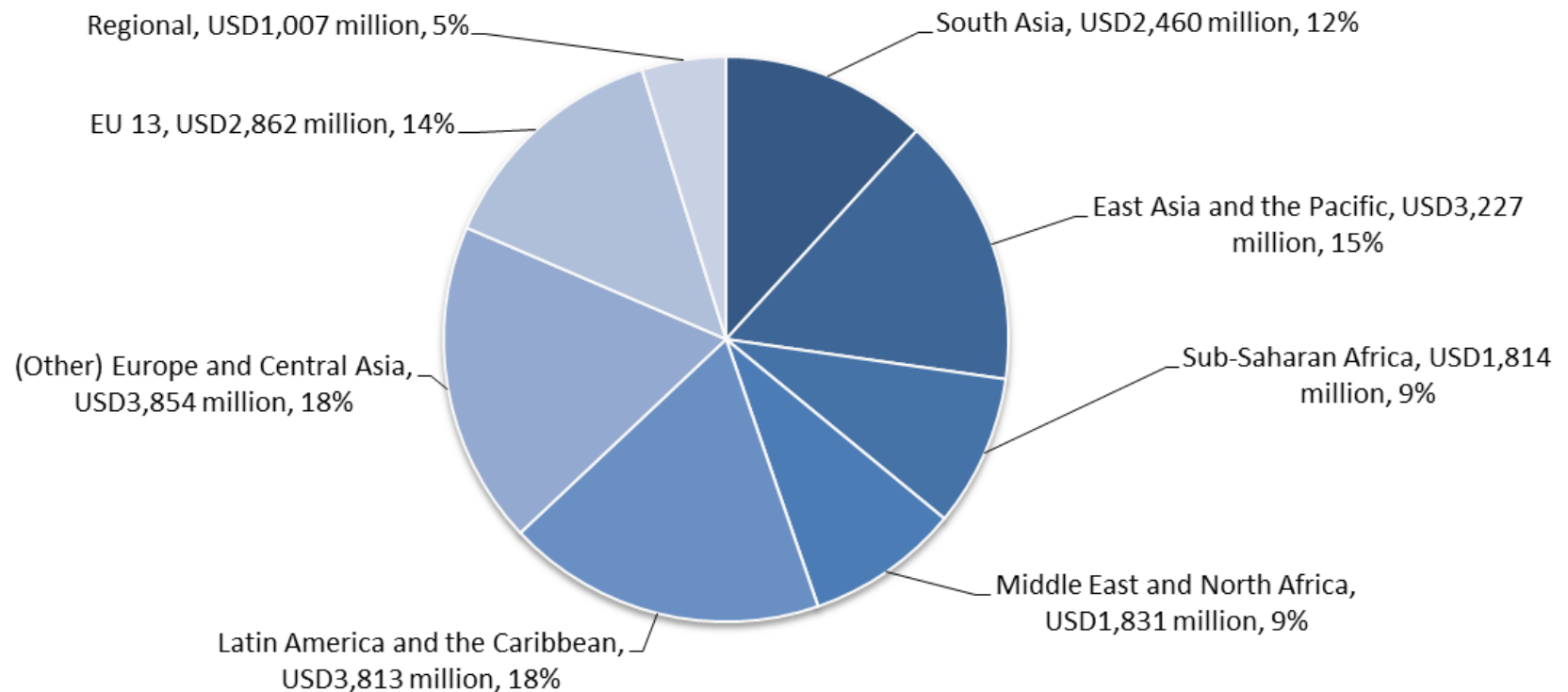
European Bank
for Reconstruction and Development

MDB	MDB resources		External resources		Total
	Investments and technical assistance	Policy-based instruments	Investments and technical assistance	Policy-based instruments	
AfDB	1,463	-	245	-	1,708
ADB	2,001	-	386	-	2,388
EBRD	2,812	-	100	-	2,912
EIB	3,484	-	-	-	3,484
IDB	1,574	45	102	-	1,722
IFC	1,552	-	36	-	1,588
WB	4,979	1,189	898	-	7,066
TOTAL	17,866	1,234	1,768	-	20,867

Total MDB mitigation finance in 2012 applying the approach retroactively was **USD21.0 billion**, compared with USD19.6 billion in 2011.



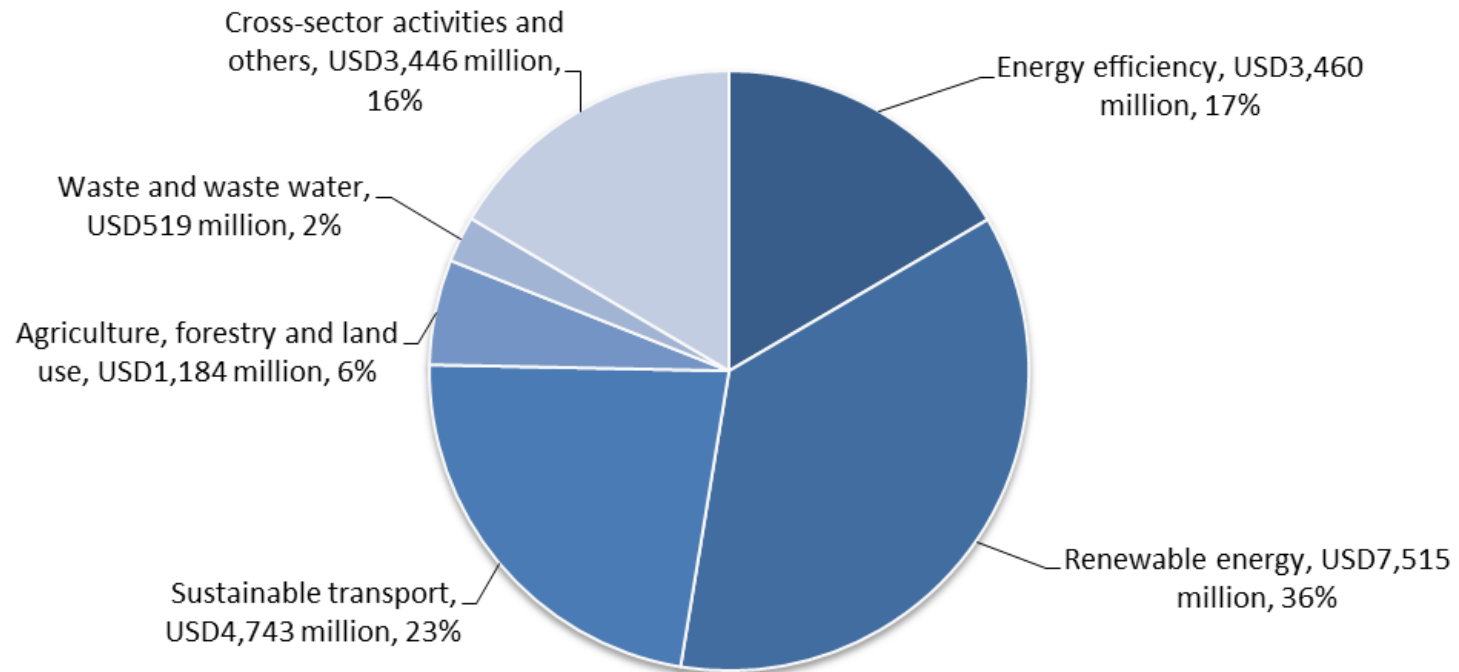
MDB Mitigation Finance with a Regional Breakdown (Total MDB Mitigation Finance in 2012: USD21.0 billion)



- The MDB mitigation finance is distributed to each area relatively evenly from the regional perspective



MDB Mitigation Finance with a Sectorial Breakdown (Total MDB Mitigation Finance in 2012: USD21.0 billion)



- In terms of sectorial breakdown, renewable energy sector was financed the most among the MDB mitigation finance categorization, with 36% of total amount of mitigation finance in 2012

MDB Adaptation Finance, 2012 (USD million)



European Bank
for Reconstruction and Development

MDB	MDB resources		External resources		Total
	Investments and technical assistance	Policy-based instruments	Investments and technical assistance	Policy-based instruments	
AfDB	445	-	67	-	512
ADB	821	-	75	-	896
EBRD	188	-	32	-	219
EIB	179	-	-	-	179
IDB	7	132	9	-	148
IFC*	-	-	-	-	-
WB	2,604	1,209	188	-	4,002
TOTAL	4,244	1,342	370	-	5,956

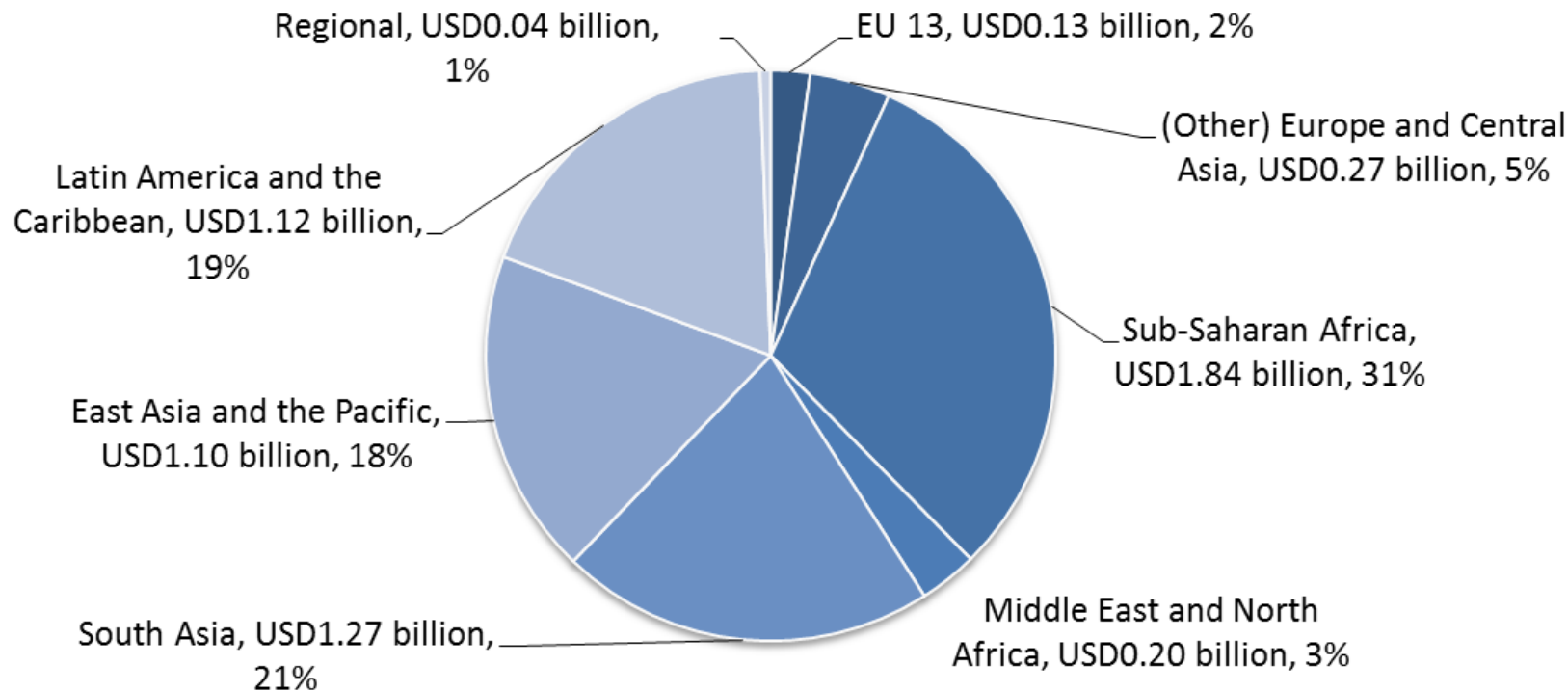
* IFC started tracking adaptation finance in FY13 and will provide these amounts in the next reporting period.

Total MDB adaptation finance in 2012 applying the approach retroactively was **USD6.0 billion**, compared with USD4.5 billion in 2011.

- Given that the data are for a single year, they should not be used to make any judgments regarding the MDBs' commitment and engagement in delivering adaptation finance.



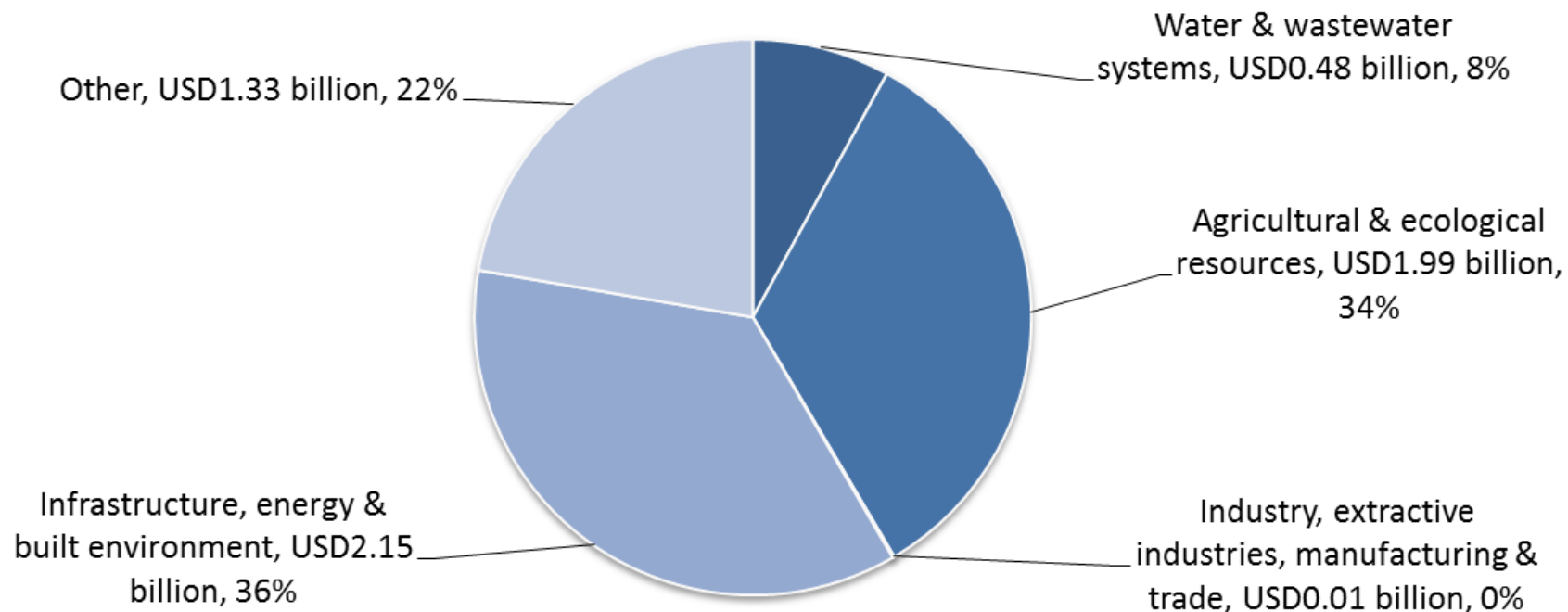
MDB Adaptation Finance with a Regional Breakdown (Total MDB Adaptation Finance in 2012: USD6.0 billion)



- Approximately a third of total amount was distributed to Sub-Saharan Africa with 31% of total amount of adaptation finance
- South Asia, East Asia and the Pacific and Latin America and the Caribbean follows Sub-Saharan Africa, respectively with 21%, 18% and 19%



MDB Adaptation Finance with a Sectorial Breakdown (Total MDB Adaptation Finance in 2012: USD6.0 billion)



- Agricultural & ecological resources sector, and Infrastructure, energy & built environment sector were main financing areas in 2012, with 34% and 36% of total amount of adaptation finance



- **The methodology comprises of the following key steps:**
 - Setting out the context of climate vulnerability of the project
 - Making an explicit statement of intent to address climate vulnerability as part of the project
 - Articulating a clear and direct link between the climate vulnerability context and the specific project activities
- **Furthermore, when applying the methodology, the reporting of adaptation finance is limited solely to those activities (i.e. projects, project components, or proportions of projects) that are clearly linked to the climate vulnerability context.**

Application of Joint MDB Adaptation Finance Tracking Approach (2/2)



European Bank
for Reconstruction and Development

Climate vulnerability context	<ul style="list-style-type: none"> - The context of climate vulnerability needs to be set out clearly using a robust evidence base, including the use of material from existing analyses and reports, or vulnerability assessment analysis carried out as part of the preparation of a project. <ul style="list-style-type: none"> - Existing analyses or reports: Sources that are authoritative and preferably peer-reviewed, such as academic journals, National Communications to the UNFCCC, etc. - Vulnerability assessment analysis: Records from trusted sources showing climate trends, combined with climate change projections drawn from a wide range of climate change models, in order to explore the full envelope of projected outcomes and uncertainties.
Statement of purpose or intent	<ul style="list-style-type: none"> - The project should set out how it intends to address the context, for making the distinction between a project contributing to climate change adaptation and a standard development project - The rationale for each adaptation project or adaptation component of a project could be documented in the final technical document, Board document, or an internal memo, or other associated project document.
Link to project activities	<ul style="list-style-type: none"> - Only the specific project activities that explicitly address climate vulnerabilities identified in the project documentation are reported as climate finance. - 'Project activities' may refer to the entire project, specific project components, or proportions of projects.
Calculation of adaptation finance	<ul style="list-style-type: none"> - Adaptation finance should be tracked at the sub-project level or project component level where possible, and will only be counted for project activities that correspond with the climate vulnerability context.
Type of adaptation finance	<ul style="list-style-type: none"> - Where the same project, sub-project or project element contributes to climate mitigation and adaptation, the MDB's individual processes will determine what proportion is counted as mitigation or as adaptation.

Case studies of adaptation projects

Case study 1: Modernisation of an agribusiness facility



European Bank
for Reconstruction and Development

Project title	Modernisation of an agribusiness facility
Sector	Agricultural & ecological resources
Brief description of project	Modernisation of equipment for growing tomatoes
Climate vulnerability context	<p>Agricultural production in areas affected by shifting climate conditions, e.g. the extreme heat wave and drought of summer 2010. Climate change projections as set out in the respective National Communication to the UNFCCC indicate that these risks are likely to intensify in the coming decades.</p> <p>The MDB and the firm identified an increasing need for water-efficient irrigation in high-value crop production to make production more resilient to climate change.</p>
Statement of purpose or intent	The project documentation developed by the MDB recognised the risks to the firm's operations posed by climate variability and climate change. The project design and investment plan specifically prioritised the inclusion of water-efficient drip irrigation systems as a direct response to these risks.
Link to project activities	The project was structured to include a component providing highly-water efficient drip irrigation systems intended to help the client maintain productivity in the face of increasing climatic variability and climate change.
Calculation of adaptation finance	The proportion of project finance by the bank allocated for the drip irrigation systems (i.e. EUR 1.05 million out of a total of EUR 15.2 million) was reported as adaptation finance.
Type of adaptation finance	MDB non-concessional loan (private sector project)

Case studies of adaptation projects

Case study 2: Climate change development policy operation



European Bank
for Reconstruction and Development

Project title	Climate change development policy operation
Sector	Infrastructure, energy & built environment
Brief description of project	Supporting the government to address climate change by adopting policies and strengthening institutions, with an emphasis on resilient water resources and energy efficiency. Building a platform to prioritize and integrate climate actions into development planning. Improvement of the climate financing framework.
Climate vulnerability context	Climate change adds to growing pressures on water resources, aggravating problems of vulnerable households by increasing crop water requirements. Greater variability in rainfall and incidence of extreme weather events are likely to increase the overall uncertainty and risk associated with water resources. Higher water temperatures can cause water quality issues.
Statement of purpose or intent	Support the implementation of the government's multi-sector platform and institutional development agenda on climate change. Focus is on improving climate resilience of water resources. The water sector was chosen not only due to the urgency of its adaptation challenges, but also due to cross-linkages with most other adaptation areas, including agriculture.
Link to project activities	The prior action for this operation relates to submission for Prime Minister approval of a national target program for water resources management. Other actions target irrigation efficiency and water productivity in order to increase the resilience and sustainability of irrigation schemes.
Calculation of adaptation finance	USD70 million operation includes 5 actions with 4 of them providing adaptation co-benefits. Carving out the overlap between adaptation and mitigation, 3.5 actions are considered to exclusively support adaptation and 70% of USD70 million (USD49 million) is attributed to adaptation finance.
Type of adaptation finance	Development Policy Operation

Case studies of adaptation projects

Case study 3: Transport connections in mountainous provinces



European Bank
for Reconstruction and Development

Project title	Transport connections in mountainous provinces
Sector	Infrastructure, energy & built environment
Brief description of project	Rehabilitation of 297 km of provincial roads in mountainous provinces, aiming at improving road connectivity with increased resilience to climate change. A parallel co-financing provided to integrate climate-proofing and adaptation measures in project design and enhance capacity of the provincial staff in the design, planning and maintenance of road infrastructure.
Climate vulnerability context	Project roads are in areas vulnerable to climate impacts; the mountainous terrain is prone to natural disaster risks. Climate change modelling, using historical climate patterns, observations by local residents, and studies by local and international organizations. Determination of annual flows of rivers, storms and floods, which may exacerbate damages to existing and planned road infrastructure.
Statement of purpose or intent	Improved and reliable road connectivity with increased resilience to climate change. Outputs include climate proofing of the road project and building capacity of provincial staff to manage potential climate change impacts.
Link to project activities	The grant component is designed to (i) enhance the capacity of provincial staff in designing, planning and maintaining road infrastructure vulnerable to climate change, (ii) conduct vulnerability mapping of roads, (iii) identify and prioritize adaptation approaches, (iv) prepare detailed design to increase the climate resilience of roads, and (v) strengthen policies for climate-resilient road infrastructure.
Calculation of adaptation finance	<ul style="list-style-type: none">• USD2.8 million in grant finance was obtained externally from a development fund to assess the project's vulnerability to climate change and strengthen the capacity of the local staff.• USD3 million is tentatively allocated from the loan component of the project to implement the climate-proofing and adaptation activities derived from the vulnerability assessment
Type of adaptation finance	Concessional loan and externally financed grant

Case studies of adaptation projects

Case study 4: Climate adaptation for rural livelihood and agriculture



European Bank
for Reconstruction and Development

Project title	Climate adaptation for rural livelihood and agriculture
Sector	Agriculture and ecological resources
Brief description of project	Improvement of resilience to current climate variability and future climate change by developing and implementing adaptation strategies and measures for agricultural production and rural livelihoods. To be implemented in three vulnerable districts as identified under the National Adaptation Programme of Action (NAPA, 2006).
Climate vulnerability context	Changing rainfall patterns and higher temperatures have shortened the growing season. Frequent droughts and floods are eroding assets. Moreover, an upsurge in malaria and cholera due to climate change requires the smallholder farmers to spend more time tending to the sick and less time working in their fields.
Statement of purpose or intent	The project document has a climate change impact section: “(...) It is in this context that the project was conceived as a climate change adaptation project. The goal is therefore to improve resilience to climate variability and future climate change by developing and implementing adaptation strategies and measures that will improve agricultural production and rural livelihoods. The expected impact of the project is improved resilience to current climatic variability and future climate change. (...)”
Link to project activities	The project has the following components: 1- Community-based integrated climate change adaptation 2- Strengthening the capacity of national and district agencies in climate change adaptation All the activities under these components link to the context of climate vulnerability described above.
Calculation of adaptation finance	All the project finance (including project management) qualifies for adaptation finance reporting: USD3 million (100%).
Type of adaptation finance	Grant



- **Continued dialogue with different stakeholders, including UNFCCC, OECD, research organisations and other (national) development banks.**



Jan-Willem van de Ven
Senior Carbon Manager
European Bank for Reconstruction and Development

E-mail: vandevej@ebrd.com

Phone: + 44 20 73387821