

Gianpiero Nacci
EBRD, Energy Efficiency and Climate Change

Redefining Climate Finance

Strategies to drive capital stock transformation



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Introduction to the EBRD

The Problem

Strategies to drive transformation

What is the EBRD



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Ownership

Multilateral financing institution **established in 1991** to support transition to market economies

Owned by **67 countries**, the EU and the EIB

Financials

€30 billion capital base

€41 billion portfolio

€9.5 billion average annual business in the past 3 years

Mandate

3 key operational principles:

Sound banking

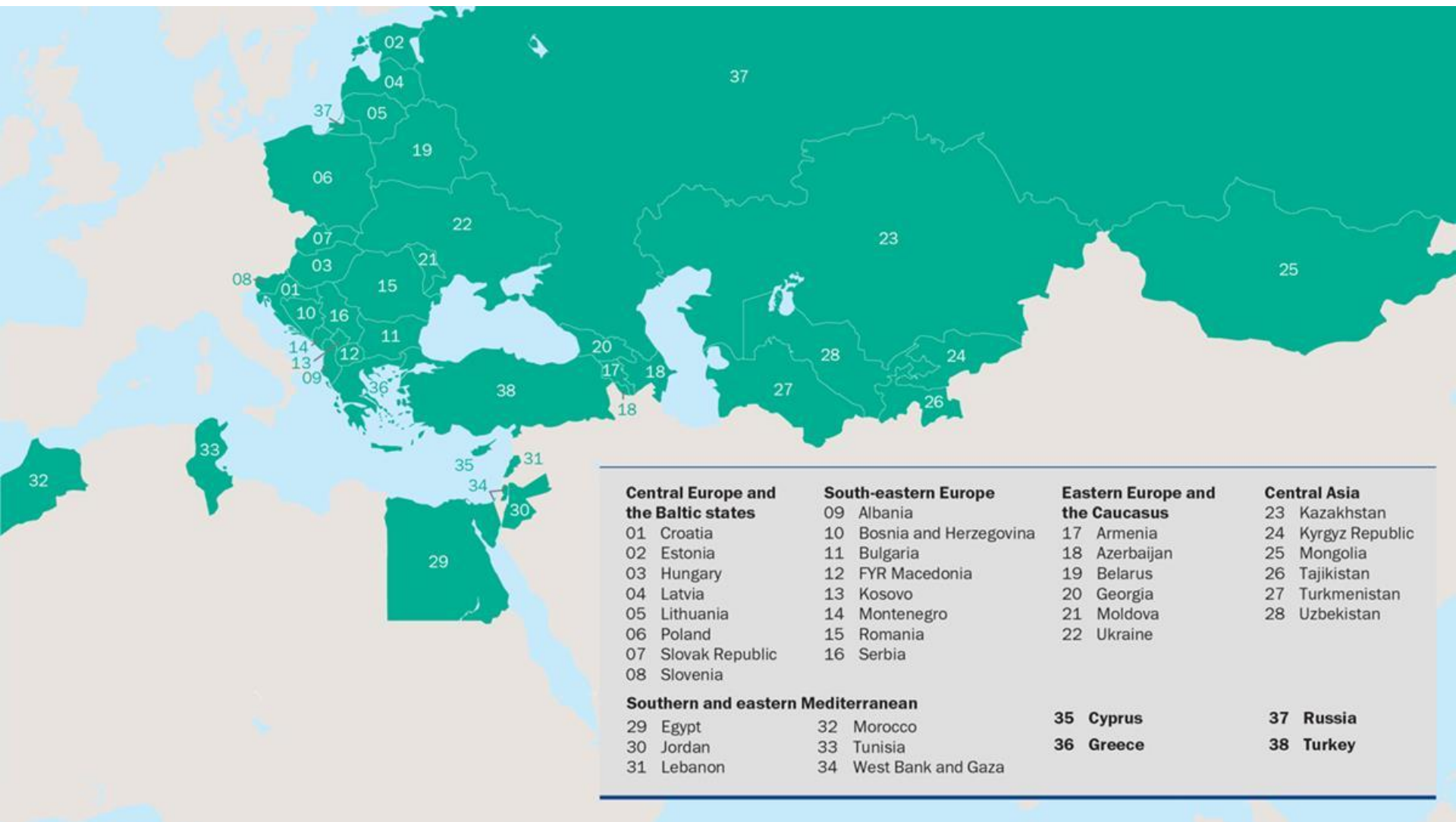
Transition impact

Environmental sustainability

Countries of Operations



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Green Economy Transition (GET)



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40%

Green finance in EBRD
annual business by 2020,
from a 2015 level of 30%

€ 4 billion

Target annual EBRD green
business by 2020

€ 29.6 billion

Cumulative EBRD green
business 2006-2018

Financed

1,600+

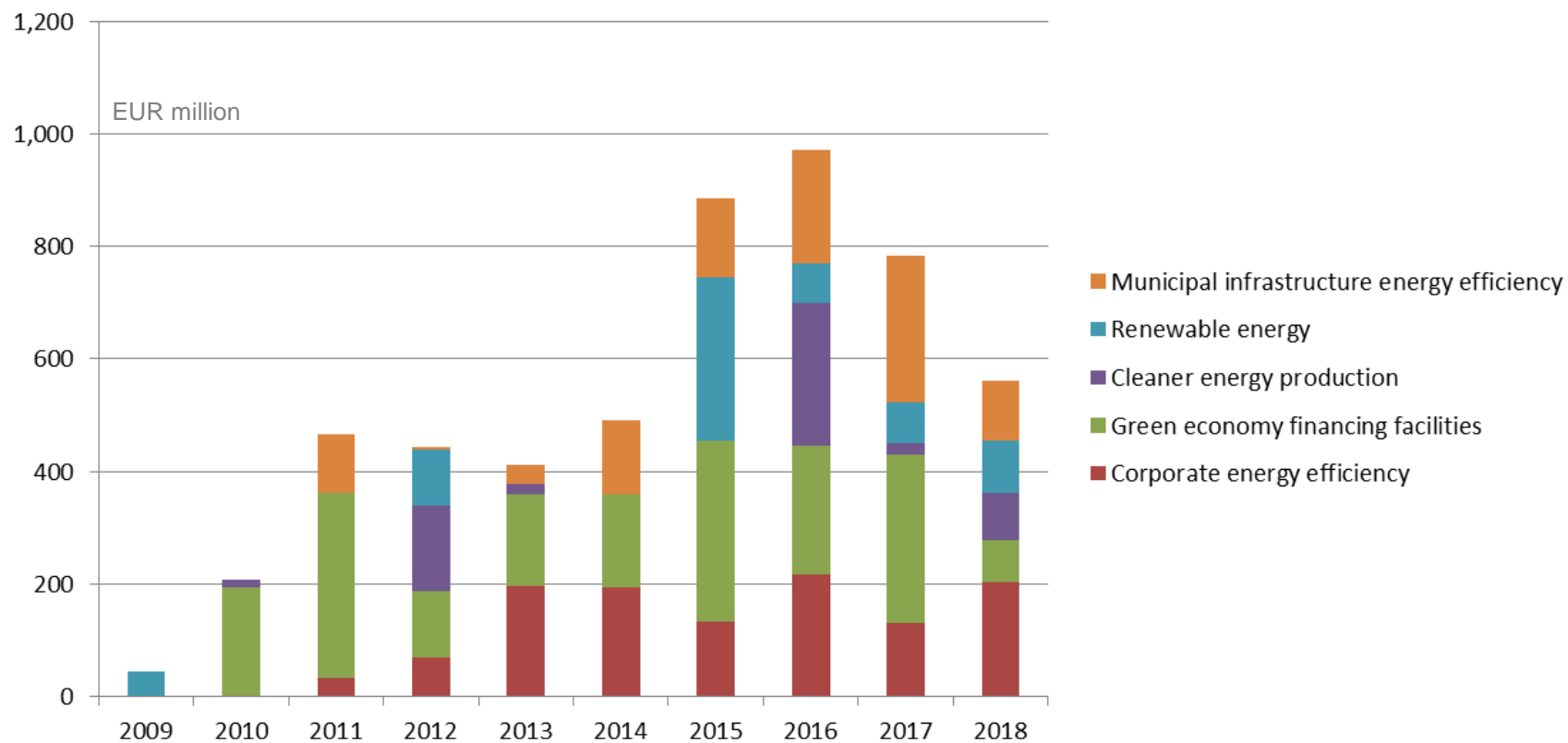
projects and credit lines

Reduced

97.4 million

tonnes of CO₂/ year

EBRD Green Finance in Turkey

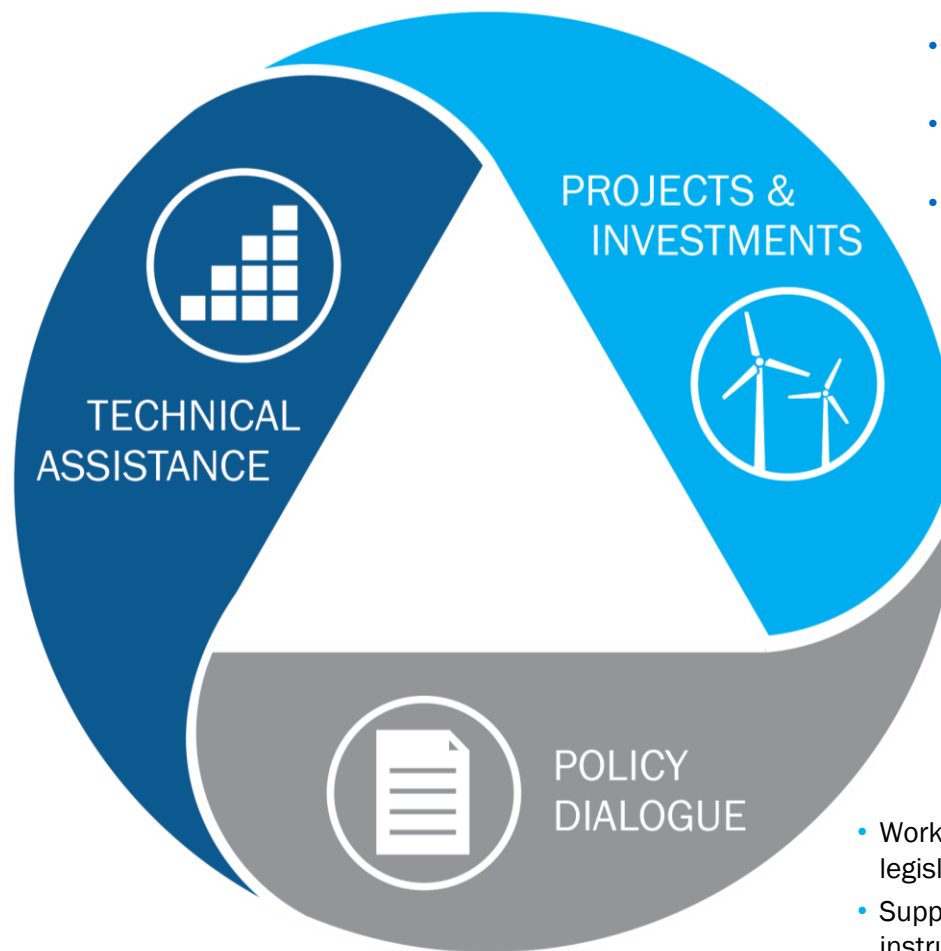


EBRD Green Business Model



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- Resource efficiency audits
- Climate vulnerability assessment
- Capacity building for local financial institutions (staff training, marketing, green retail lending products)
- Project structuring support (e.g. tendering, monitoring)
- Support to adopt operational or CSR-type standards (energy management, buildings certification, reporting)



- EBRD direct finance: loans, equity investments or guarantees
- Mobilising additional commercial sources
- Indirectly via local partner financial institutions: lending, leasing

- Working with governments on optimum legislation for green investments
- Supporting the development of legal instruments and best practice guidelines

EBRD Product Flexibility: tailored to project needs

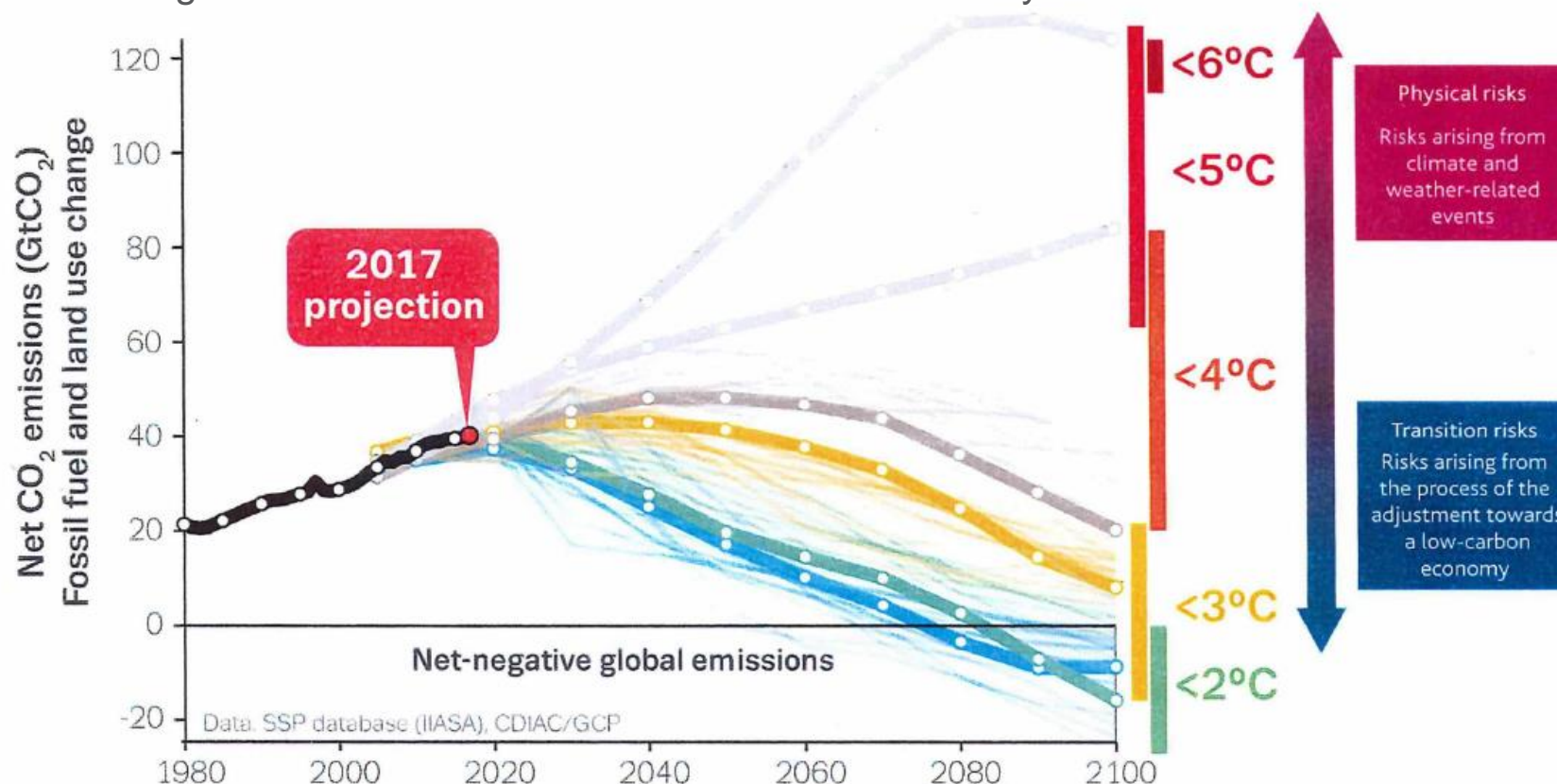
	Debt	Equity	Guarantees
Typical size	~ €5 - 150 mln	> €5-7 mln	€50 k– €50 mln
Typical term	5 - 15 years	3-7 years	Up to 3 years
Currency	Major foreign currencies as well as local currency		
Structures	<ul style="list-style-type: none">• Senior, subordinated or convertible• Project finance• Floating or fixed rates	<ul style="list-style-type: none">• Portage equity finance• Risk equity	<ul style="list-style-type: none">• Import/export operations• Pure guarantees, cash advance trade finance
Applications	<ul style="list-style-type: none">• Greenfield/Brownfield, JVs• Capex for expansion/modernisation, including resource efficiency improvements• Ownership change: acquisition, consolidation, privatisation• PPPs, etc.		<ul style="list-style-type: none">• Issues to international banks• Takes the risk of transactions of the banks in the EBRD's countries of operations
79% private			21% public

The Climate Problem



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Climate change is the challenge of our time and will seriously undermine all other SDGs if there is no longer a climate for sustainable livelihoods and only a constant state of crises



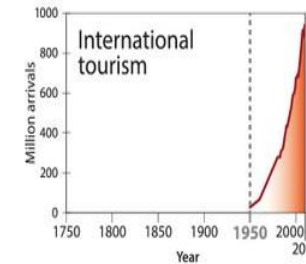
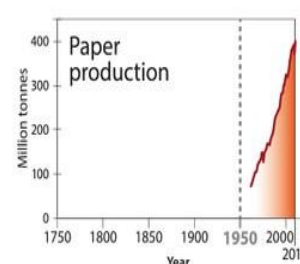
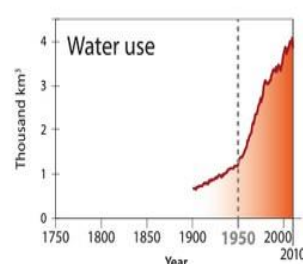
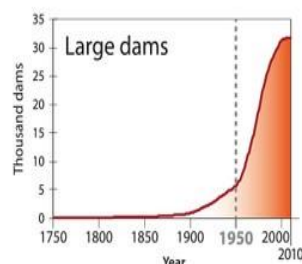
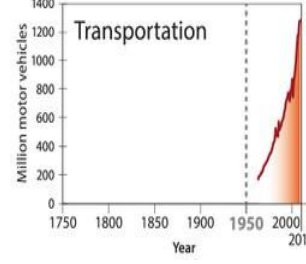
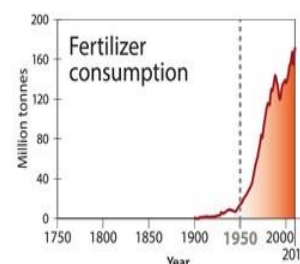
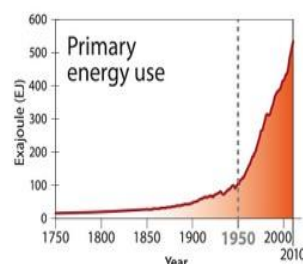
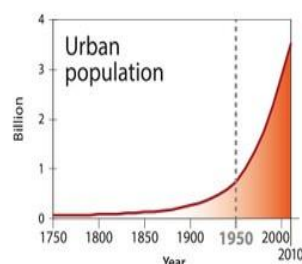
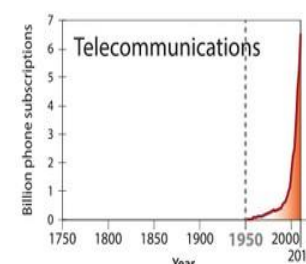
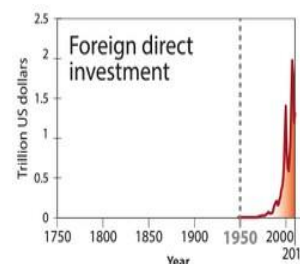
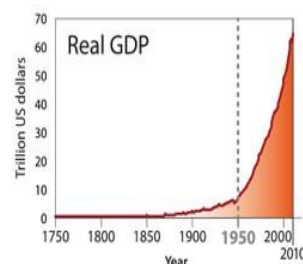
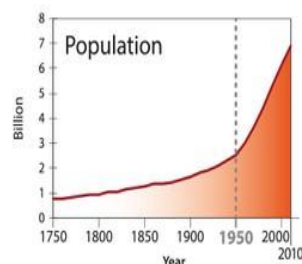
Climate risks: far-reaching, in most case foreseeable. For action today.

The Great Acceleration: Drivers and Trends



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- Between 1968 - 2018 population increased by 3,5 billion
- 1.5 million people move to cities every week
- In 2012 the number of cell phones surpassed the number of people on the planet
- Each year we produce 480 billion plastic bottles



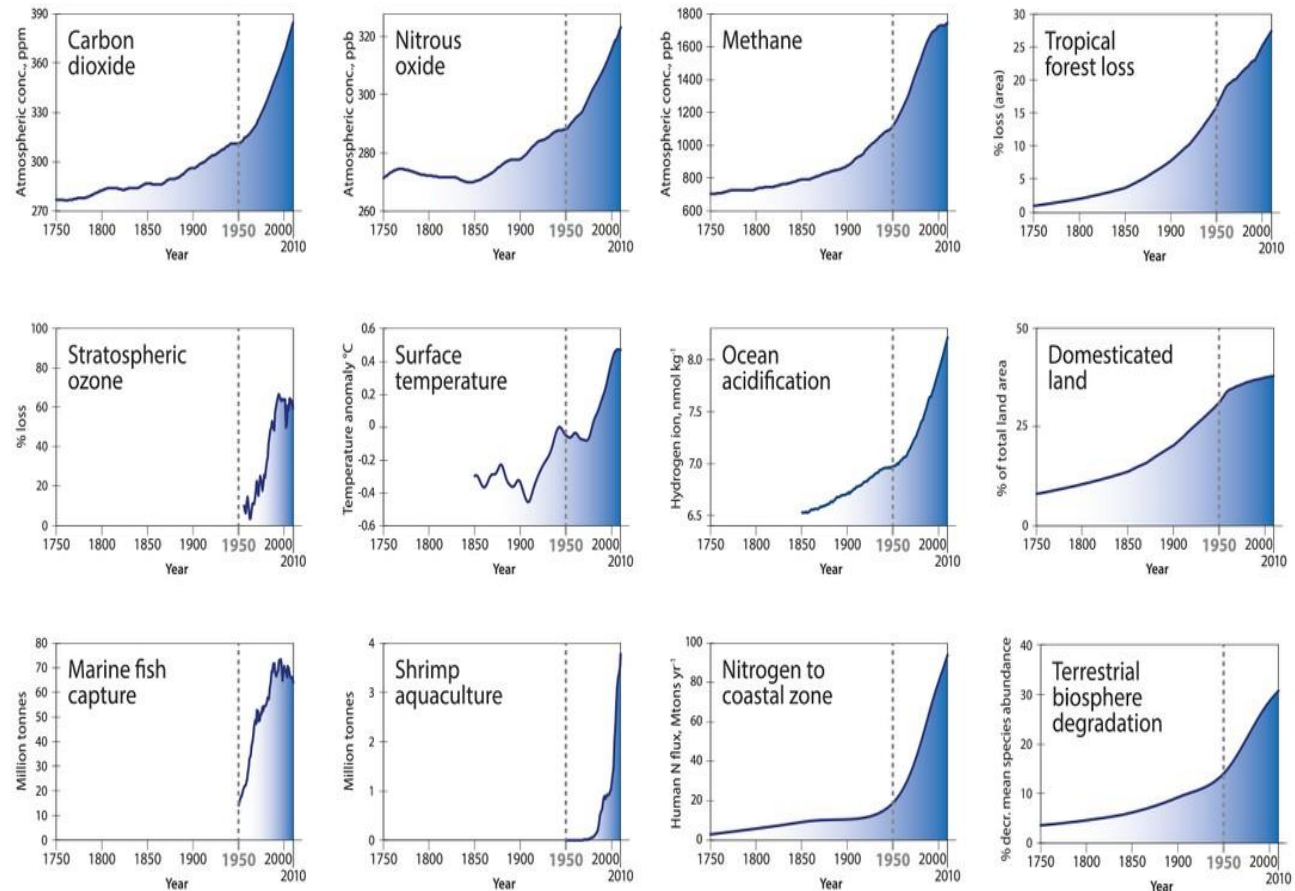
Steffen et al., 2015

The Great Acceleration: Earth System Trends



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- Global temperature increased from 14C in 1968 to 14.6 ° C in 2013
- Mammals, birds, reptiles, amphibians and fish declined by 50%
- Sea levels have risen by 10cm
- By 2050 plastic in the oceans will outweigh fish
- The level of inequality in Europe in 2015 reached the highest in 200 years



Steffen et al., 2015

Uncertain and rapidly evolving markets

- Demographic and consumer behaviour changes
- Digitalisation
- Risk of new disruptive entrants in the market (e.g., Amazon in retail)

Increased regulatory pressure

- Changing regulatory context (extended producer responsibility on packaging, carbon taxation, nutritional product labelling, public health/obesity, ...)
- Most commodities maintained artificially cheap by subsidizing fossil fuels and non-competitive and unsustainable production practices

Anti-plastic movement



High pressure on big brands



Stricter legislative framework



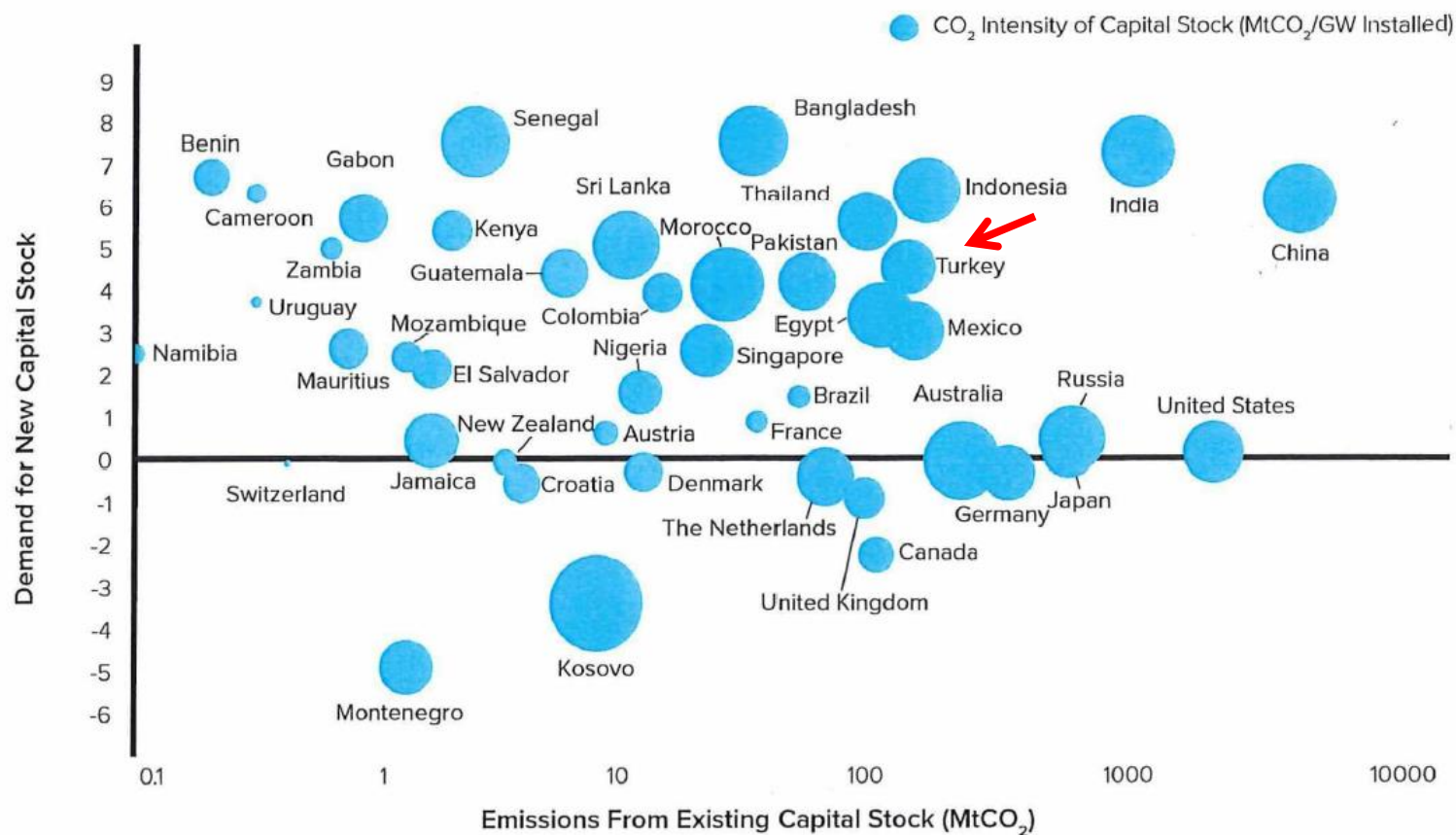
.....business as usual is dead

Greening the Capital Stock

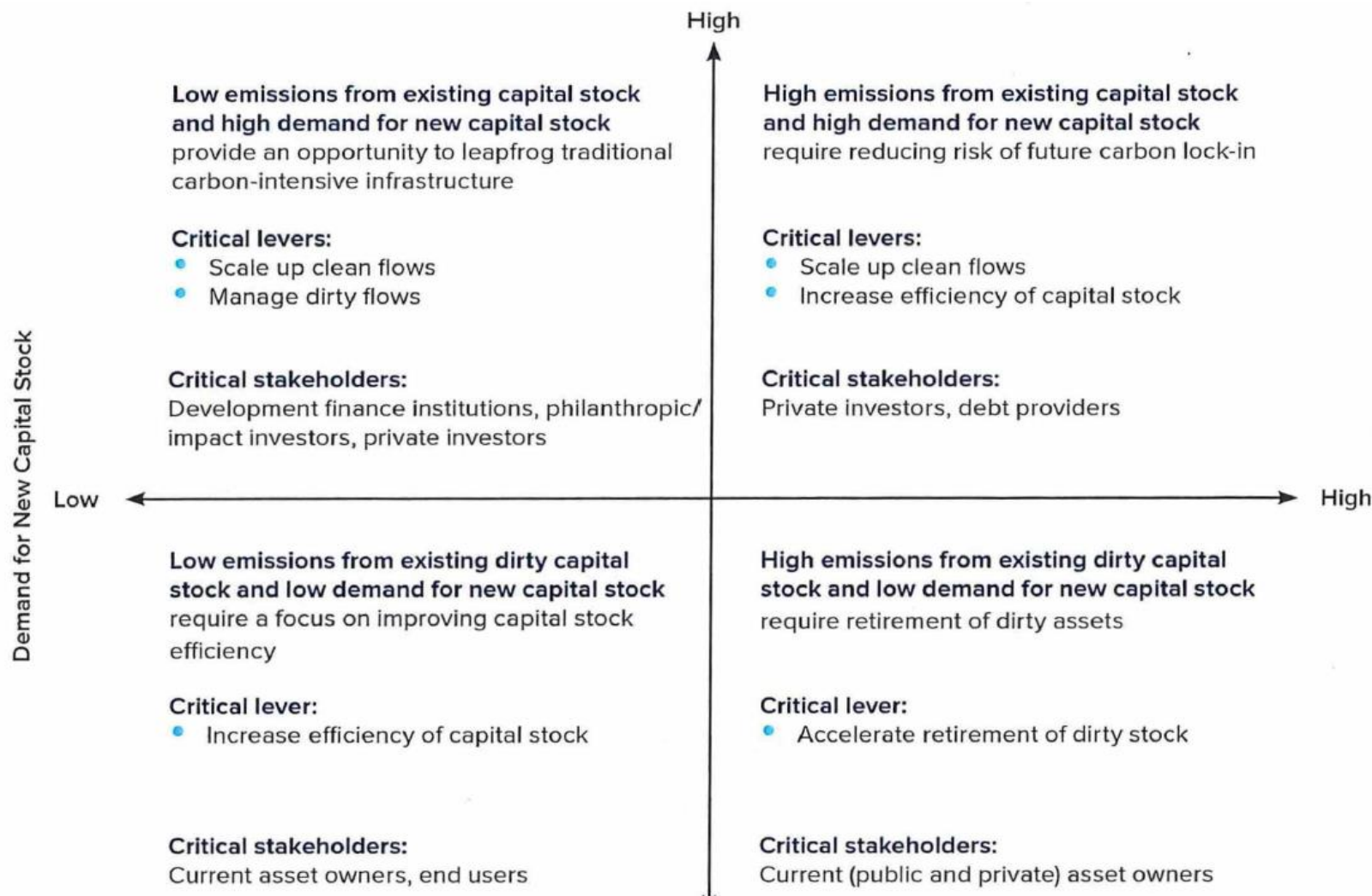


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Mapping of the Electricity Sector in Selected Countries According to the Emissions From Existing Capital Stock and Their Demand for New Capital Stock



From: Rocky Mountain Institute



From: Rocky Mountain Institute

Core Elements of Recommended Climate-Related Financial Disclosures



Governance

The organization's governance around climate-related risks and opportunities

Strategy

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning

Risk Management

The processes used by the organization to identify, assess, and manage climate-related risks

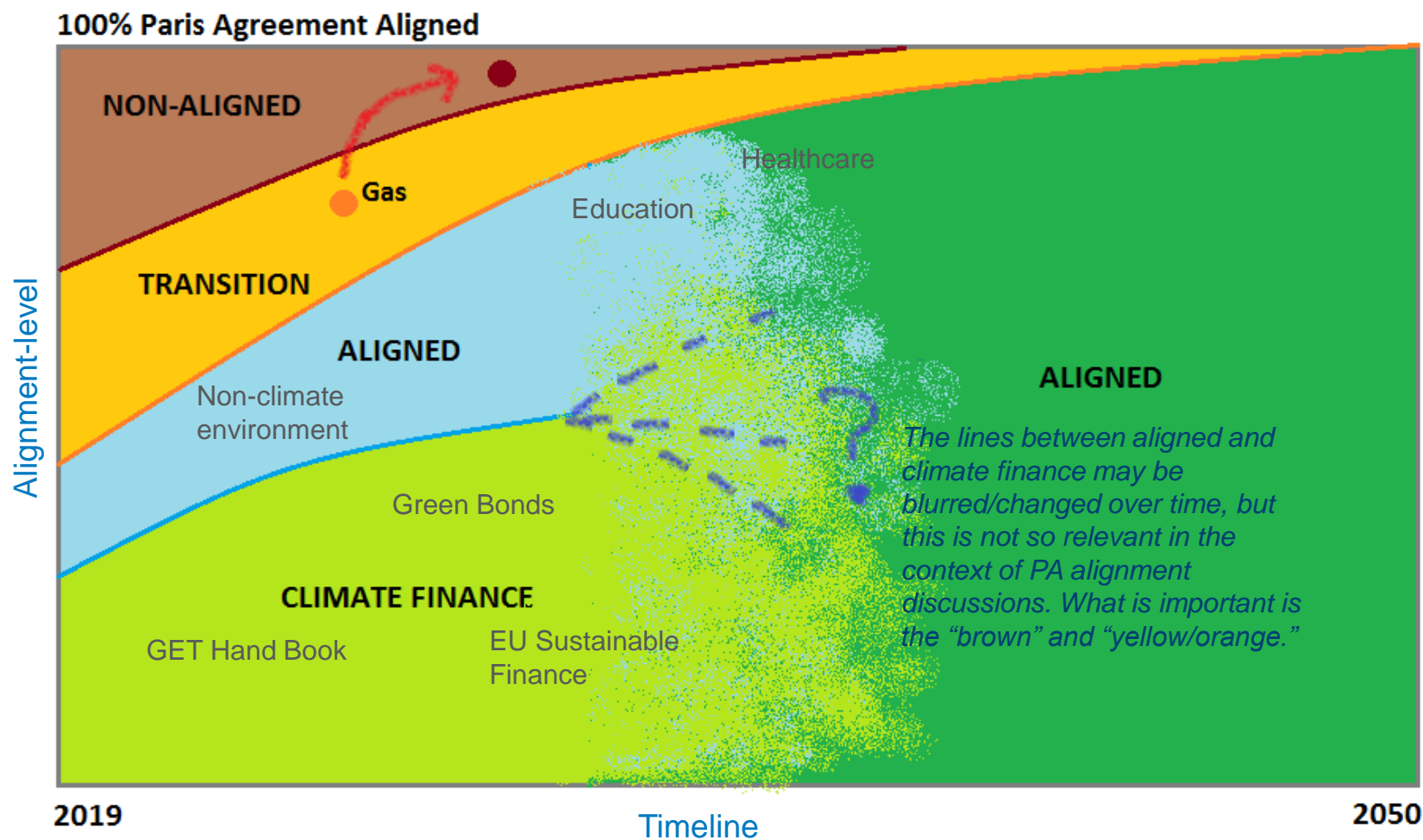
Metrics and Targets

The metrics and targets used to assess and manage relevant climate-related risks and opportunities

Paris Agreement Alignment

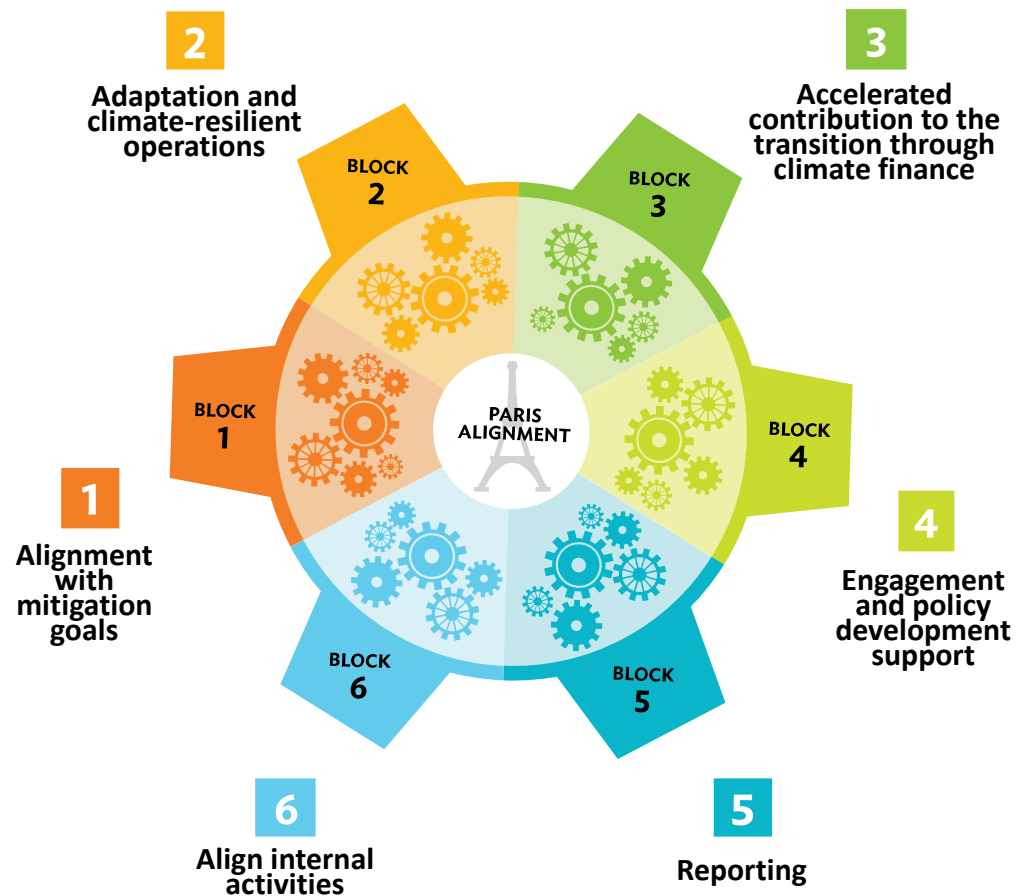


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Paris Agreement Alignment: the j-MDBs approach

Six building blocks and principles jointly agreed by the MDBs as core areas for aligning with the Paris Agreement



The value of partnerships: Low-carbon Roadmaps

Objective

Identify specific, realistic investments and measures for high-carbon sectors to pursue the reduction of projected carbon emissions

Guides Actions

Identifies specific solutions to address sector's climate impacts

Helps in Planning

Outlines a timeline for implementing these actions and where the industry may be going

Mobilises Resources

Indicates potential sources of finance to implement the roadmap's vision

Example: Low-Carbon Roadmap for the Egyptian Cement Industry

Defining and implementing a low-carbon pathway for the cement sector in Egypt

Identify specific, realistic investments and measures for the sector to pursue to reduce its projected carbon emissions to 2030:

- Partnered with the WBCSD's Cement Sustainability Initiative, local organisations representing the cement industry, and ministries
- Outlined both 'slow' and 'rapid' low-carbon scenarios, achieved through both mitigation and policy actions

- Process involved:

Stakeholder consultations

Data & interviews w/
companies

Political & economic gap
analysis

Cement asset comparison to
global best practice

Impact assessment of
technological options

Preparation of low-carbon
technology/fuel scenarios



Example: Fertilizer Industry

Use **IEA's Technology Roadmap** as the template for developing a low-carbon pathway for the **global nitrogen fertilizers industry to 2050** with a focus solely on urea

Focus on actions that would **align the industry with the Paris Agreement**

Collaboration between the **IFA, IEA** and the **EBRD**



Objective to put in the industry in the position to **benefit from green finance**

Business as usual is dead

Imperative to accelerate the greening of the capital stock

Strategies:

- **Transparency**
- **Partnerships**
- **Paris Alignment**

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