EBRD’S GREEN ECONOMY TRANSITION APPROACH: SCALING-UP GREEN FINANCING AND ACTION

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THE CONTEXT

MAINSTREAMING GREEN FINANCING AT EBRD

CASE STUDIES
WHERE WE INVEST

Central Europe and the Baltic states
01 Croatia
02 Estonia
03 Hungary
04 Latvia
05 Lithuania
06 Poland
07 Slovak Republic
08 Slovenia

South-eastern Europe
09 Albania
10 Bosnia and Herzegovina
11 Bulgaria
12 Cyprus
13 FYR Macedonia
14 Kosovo
15 Montenegro
16 Romania
17 Serbia

Eastern Europe and the Caucasus
18 Armenia
19 Azerbaijan
20 Belarus
21 Georgia
22 Moldova
23 Ukraine

Central Asia
24 Kazakhstan
25 Kyrgyz Republic
26 Mongolia
27 Tajikistan
28 Turkmenistan
29 Uzbekistan

Southern and eastern Mediterranean
30 Egypt
31 Jordan
32 Morocco
33 Tunisia
34 Greece
35 Russia
36 Turkey
Carbon intensity of EBRD economies

CO₂ emission intensity of economies in the EBRD Region

2013 energy-use related CO2 emissions per unit of GDP (2005US$ at market exchange rates) from IEA
Green economy transition context

**International context**

- **COP21 Paris**: universal and ambitious agreement to limit the increase in global average temperatures to +2°C; also, “to pursue efforts” to limit to 1.5°C
- **The Sustainable Development Goals**, adopted in 2015, provided increased focus on environmental sustainability
- **G7 Summit Leader’s Declaration** in June 2015: MDBs need to maximise their capacity to deliver climate finance and to help countries transition to low carbon economies

**EBRD context**

- Special mandate to foster transition to market-economies
- EBRD focus is placed at the crossroad between sustainability and market development and private sector support.
- Several EBRD economies display some of the highest energy and carbon emissions intensity levels in the world
- Existing and forecasted water stress in Central Asia and SEMED countries
- EBRD is at the forefront of efforts to channel resources from existing and emerging global climate finance funds to projects on the ground.
Barriers to green economy transition

Credit-related risks
• high perceived credit risks
• long pay-back period, uncertain pay-off structure of investments
• commercial loans not readily available

Information barriers
• high discount of green investments due to upfront costs rather than considering lifetime savings
• limited market availability of best available technologies

Capacity constraints
• firms cannot identify efficiency gaps and solutions; external expertise may be costly or not available

Policies & disincentives
• fiscal disincentives
• lack of policy reforms to support innovation, investments in resource efficiency, climate resilience
Green Economy Transition at the EBRD

THE CONTEXT

MAINSTREAMING GREEN FINANCING AT EBRD

CASE STUDIES
Green economy investments

A green economy is a market economy where investments are made taking account of their environmental impact and with particular concern for the sustainable use of natural resources. Green economy projects, or project components, can be from the following areas:

- Energy efficiency
- Renewable energy
- Water efficiency
- Resilience to climate change
- Waste minimisation and materials efficiency
- Pollution control and environmental compliance
Since 2006 the EBRD has adopted cross-sectorial strategies:

- to mainstream across the Bank’s operations, and
- to increase the share of Bank business represented by measures which enhance the efficient use of energy and resources (water, materials) and contribute to the mitigation of, and adaptation to, climate change.

The **Green Economy Transition (GET)** aims to further scale up the Bank’s green business, and to include new areas of activity, such as environmental protection and technology transfer.
The business model

**Targeted activities:**
- Energy and resource audits
- Support client banks in developing sustainable energy lending
- Climate risk assessments
- Transition gaps and market scoping studies
- Support to adopt operational or CSR-type standards

**Tailored financing instruments**
- Direct financing
- Indirect-financing via local banks (GEFFs)
- Investment grant support for climate technology transfer
- Blended concessional finance to overcome affordability and risk perceptions

**Working with governments**
- To address sustainability and environmental market failures
- To strengthen the institutional and regulatory context and create optimum conditions for green investments to take place
Financing results & goals

- **€ 22.5 billion** cumulative EBRD green financing since 2006 to date
- ~**1,300 projects** with green components, with over €110 billion total value
- **33%** share of green financing in total EBRD annual business in 2016, up from 15% in 2006
- **40%** target for the share of green finance in EBRD annual business by 2020
**EBRD adaptation finance**

- **€976 million** dedicated GET adaptation finance since 2011

- **160 projects** signed with **€4 billion** of total ABI made more climate resilient

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**Annual climate resilient business volume**

<table>
<thead>
<tr>
<th>Region</th>
<th>Value</th>
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<tbody>
<tr>
<td>Central Asia</td>
<td>161</td>
</tr>
<tr>
<td>Central Europe and the Baltic states</td>
<td>44</td>
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<tr>
<td>Eastern Europe and the Caucasus</td>
<td>44</td>
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<tr>
<td>Russia</td>
<td>32</td>
</tr>
<tr>
<td>South and Eastern Mediterranean</td>
<td>191</td>
</tr>
<tr>
<td>South-Eastern Europe</td>
<td>331</td>
</tr>
<tr>
<td>Turkey</td>
<td>169</td>
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<tr>
<td>Regional</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>976</strong></td>
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<tr>
<td><strong>Results: physical impacts</strong></td>
<td></td>
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<tr>
<td>-----------------------------</td>
<td></td>
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<tr>
<td><strong>Emission reductions</strong></td>
<td></td>
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<tr>
<td>85 million</td>
<td></td>
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<tr>
<td>tonnes of CO$_2$/year since 2006</td>
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<tr>
<td><strong>Water savings</strong></td>
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<tr>
<td>70 million</td>
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<tr>
<td>m$^3$ / yr since 2013</td>
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<tr>
<td><strong>Waste minimisation</strong></td>
<td></td>
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<tr>
<td>2.3 million</td>
<td></td>
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<tr>
<td>tonnes / yr since 2013</td>
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</tbody>
</table>
Contents

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MAINSTREAMING GREEN FINANCING AT EBRD

CASE STUDIES
Western Balkans Regional Energy Efficiency Programme (REEP)

- Objective: Sustainable market for energy efficiency in the Western Balkans
- Integrated approach programme managed by the EBRD
- Funded by the EU Western Balkans Investment Framework and the Western Balkans Joint Fund
- Supported by the Energy Community Secretariat

Policy support (Donors include SIDA, EBRD SSF)
- General policy: NEEAP, EPBD, Utility EEO, procurement
- ESCO: procurement law, contract templates and guidelines, transposition of ESCO elements of EU Directives

Technical assistance for project preparation
- Technical assistance to banks and SMEs for project origination and preparation
- Support to municipalities for ESCO projects origination, preparation and tendering

Making financing available
- Credit lines via local banks for small-scale EE and RES projects
- Fast-track EBRD direct financing
- Investment Incentives
A **Green City** is a city which shows high environmental performance relative to established benchmarks in terms of:

- quality of environmental assets (air, water, land/soil and biodiversity),
- efficient use of resources (water, energy, land and materials) and
- mitigating and adapting to risks deriving from climate change,
- while maximising the economic and social co-benefits.

A **systematic approach**:

- Green City Action Plans & Policy Dialogue
- Green City Infrastructure Investments
- Technical Assistance & Capacity Building

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**Green Cities Framework**

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**The EBRD and Green Cities**

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**Technical Assistance & Capacity Building**

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**What is the Green Cities Framework?**

The Green Cities Framework combines strategies planning, technical assessment and donor support with EBRD finance to help cities invest in priority environmental infrastructure projects.

**Why is the EBRD supporting Green Cities?**

To help cities invest in priority environmental infrastructure projects, the EBRD is providing support to cities through the Green Cities Infrastructure Investment Facility. This will enable cities to access international donor finance from institutional investors.

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**What does the EBRD’s Green Cities Framework offer?**

- Support for cities to develop city-specific action plans.
- Financial assistance to implement those plans.
- Technical assistance and capacity building for city governments.
- Access to international donor finance.

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**What is eligible for the framework?**

- The Green Cities Framework is eligible for projects that have at least 50% of their capital cost covered by new finance.
- The projects must align with the city’s strategic environmental and climate change objectives.

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**What can the EBRD support?**

- Technical assistance for project development.
- Financial assistance for project implementation.

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**Key facts**

- The Green Cities Framework has supported projects in over 25 cities worldwide.
- The projects have reduced greenhouse gas emissions, improved air quality, and enhanced water quality.

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- [EcoEconomy](https://www.ecoconomy.com)
- [Cities & Citizenship](https://www.citiesandcitizenship.org)

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Climate resilience infrastructure investments

Climate resilience in roads, Bosnia & Herzegovina

ADAPTATION COMPONENTS

- Rehabilitation & strengthening of vulnerable sections of the road network and bridges, improved bypasses, improvements of vulnerable slopes and tunnels.
- Dedicated technical assistance to Bosnian Road Agency:
  - creation of institutional framework and collaboration,
  - map of vulnerabilities with links to maintenance activities,
  - creation of Adaptation Strategy for operation and planning.

Climate resilient port facility, Morocco

ADAPTATION COMPONENTS

- Installation of surfacing, mechanical and electrical equipment designed to withstand projected temperature extremes (>40 degrees C)
- Installation of surface drainage design able to cope with extreme rainfall and overtopping events
- Installation of storage facilities able to withstand extreme temperatures and extreme weather events
- Adoption of Emergency Response Plan and Coastal Erosion Monitoring Scheme
EUFIWACC Guidance on integrating climate resilience into project development and implementation

I. Project scoping
II. Use of climate information
III. Project planning and design
IV. Analysis of costs and benefits
V. Communicating findings
VI. Implementation, operations and monitoring
THANK YOU

For more information: