

# Small Steps are not Enough

## Multi-lateral Development Banks need to make a step change on climate action and clean energy access

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**THE  
BIG  
SHIFT**  
GLOBAL



The Big Shift Global is a multi-stakeholder, global campaign coordinated by organisations from the Global North and South. Together, we aim to make the people's views on energy finance known to Multilateral Development Banks (MDBs), their Executive Directors, as well as the Heads of State and Finance Ministers of the members' countries.

The Paris Climate Agreement commits countries to aim for global temperature rise below 1.5°C. This is essential for preventing run-away climate change. To do this, the world needs to urgently phase out the use of fossil fuels and shift to using sustainable, renewable energy.

Investing in renewable energy is also crucial for improving the lives of the one billion people around the world who don't have access to electricity. Investing in off-grid renewable energy is the best way to provide affordable and sustainable energy for the poorest communities, benefiting local businesses and households.

We are therefore calling on the world's biggest public banks to shift all their money out of dirty fossil fuels and into sustainable, renewable energy to benefit the most vulnerable and remote communities. This would improve the lives of people all around the world and set a gold standard for other banks to aspire to.

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## Executive Summary

- MDB finance dedicated to renewables in real terms and as a percentage of their climate mitigation budgets, actually declined from 2017 to 2018 going from USD 9.2 billion to USD 8.65 billion and from 33% to 29% respectively
- None of the MDBs are currently fulfilling the needs of climate science on limiting global heating to 1.5°C or international agreements on energy access, in their investment policies
- Continued MDB investments in gas are not compatible with a precautionary approach to limiting heating to 1.5°C. Gas should not be seen as a bridging fuel to a decarbonised future
- On fossil fuel investments, the European Investment Bank could move from an 'F' to an 'A' grade only if it fulfills its original proposal of ending all fossil investments. The other MDBs have considerable scope for improving their respective (non) fossil lending policies
- On energy access, the African Development Bank ranks just highest, with a C grade, for having set quantitative on and off-grid targets and for being the only bank that tracks household access to clean cooking
- On support for renewables: All of the MDBs have policies that place them in the middle ground of the ranking, based on the defined criteria, with the Asian Development Bank slightly ahead for having a dedicated budget for clean energy and for defining 'clean energy' to not include for less-polluting fuels such as gas or supercritical coal
- On improving transparency, the reporting methodology used by the European Bank for Reconstruction and Development, African Development Bank, Asian Development Bank, European Investment Bank, Inter-American Development Bank, and World Bank includes project types, such as improving energy efficiency of fossil power plants, that are incompatible with the 1.5°C goal
- The European Bank for Reconstruction and Development and European Investment Bank are the only banks that publicly report portfolio-wide gross emissions from their lending activities

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Cover photo: Bakare Kone, president of the electricity committee in the Zantiebougou village, in southern Mali, stands in front of a solar grid. These solar panels which fill half of a field, power 137 homes and businesses in the village. Zangiebougou previously had no electricity and Mr Kone says they have literally put the village on the map: before you could drive through it in the dark and not notice it, whereas now it is lit up. He said the first thing they noticed when they got street lights was an improvement in the grades of the children> previously not one child had passed their exams into secondary school, whereas now, thanks to studying under the lights, many children have.”

## Foreword

The Paris Climate Agreement commits countries to aim to limit global temperature rise to 1.5°C to limit the impacts of a changing climate. The 2018 Special Report by the Intergovernmental Panel on Climate Change (IPCC), comparing impacts of global heating by 2°C and 1.5°C, spelled out the catastrophic impacts across the planet of failing to achieve the lower temperature goal. Even at this level of warming impacts will be severe. However, to date the pledges made by countries as part of the Paris Agreement add up to around 2.6 – 2.9°C of warming<sup>1</sup> implying significant climate impacts, which will inevitably affect the poorest and most vulnerable people the worst.

Since the energy sector accounts for over 70% of global anthropogenic greenhouse gas emissions<sup>2</sup>, the world needs to urgently phase out the use of all fossil fuels, including gas, and shift to using sustainable, renewable energy.

In a world where nearly one billion people lack access to electricity and 2.7 billion people lack access to clean cooking facilities<sup>3</sup>, the need to provide access to clean energy to these people is also an imperative. Investing in off-grid renewable energy is generally the best way to provide affordable and sustainable energy for the poorest communities, benefiting local businesses and households and avoiding the high costs of grid infrastructure required by large fossil fuel combustion plants.

Such plants are designed to operate for 40 years or more and so lock-in fossil fuel use for decades. The 1.5°C limit requires decarbonisation by 2050: it follows that all fossil fuel energy must be phased out by then and no new fossil infrastructure should be built, including to avoid stranded assets for the financier. Investments would be better made in climate-friendly infrastructure, which can also be better suited to providing energy access where energy infrastructure does not currently exist.

Investments in gas are not compatible with a precautionary approach to limiting heating to 1.5°C and gas should not be seen as a bridging fuel to a decarbonised future. The scenarios in the IPCC Special Report on limiting warming to 1.5°C<sup>4</sup> are based on a 50% probability of that limit not being exceeded, thus a modelled 74% reduction in natural gas use by 2050 still has a 50% probability of the 1.5°C goal being exceeded. With the non-linearities in the climate system and the concomitant risk of positive feedbacks being triggered, such a reduction target remains at odds with the UN Framework Convention's ultimate goal of "avoiding dangerous anthropogenic interference with the climate system". Gas's climatic impacts are not only because of the CO<sub>2</sub> emissions upon combustion, but also because of the emissions of methane, a highly potent greenhouse gas, in gas extraction and transportation. To achieve the 1.5°C goal, it is critical to stop building new gas - and all fossil - infrastructure.

The Multilateral Development Banks (MDBs) have an important role to play in achieving both the UN's Sustainable Development Goal (SDG) of providing universal access to clean energy by 2030 and Paris's 1.5°C goal. As institutions investing public money for development, they also have a direct accountability to their shareholder governments – and to the public whose money they manage.

The MDBs will play an important role in delivering climate finance and helping countries transition to low carbon economies: to fulfil, and even exceed, their climate pledges under the Paris Agreement. Their lead can also influence governments' policies and stimulate markets for clean energy technologies. However, the MDBs are currently not taking their responsibilities on clean energy seriously enough. While there have been some positive divestment announcements, that they have not divested completely from fossil fuel production, transportation and combustion indicates that they are not greening their investments fast enough and are contributing to lock-in to high carbon infrastructure. MDB policies, so far, have failed to keep up with climate science and this is a travesty of the use of public money – there is no excuse for MDB lending not to reflect scientific reality.

In December 2018, the MDBs agreed to align their operations with the Paris Agreement - which includes the goal of limiting warming to 1.5°C, and had already jointly committed to support the achievement of the UN SDGs and the Sustainable Energy for All objectives. However there remains a clear gap between these ambitions and the policies and financing reality demonstrated by the MDBs.

In this briefing, the 7 major MDBs, the policies of the African Development Bank (AfDB), Asian Development Bank (ADB), Asian Infrastructure Investment Bank (AIIB), European Investment Bank (EIB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IADB), and World Bank, have been assessed against their progress towards the calls of the Big Shift Global campaign to:

1. End public investment in fossil fuels by the MDBs by 2020
2. Increase energy access finance by public finance institutions by 2020 to help attain universal energy access by 2030
3. Rapid scale-up of investment in renewables by public finance institutions
4. Improve transparency in direct and indirect energy finance levels and portfolio emissions of public finance institutions

## Ending MDB investment in fossil fuels by 2020

### To what extent does MDB energy policy and action align with the Paris Agreement Climate Goals?

The MDBs' overall climate finance is increasing with USD 43.1 billion committed in 2018, up from 35.2 billion in 2017<sup>5</sup>, and they are starting to make progress towards reducing investments in fossil fuels. However, analysis of their energy sector policies and strategies in this report shows there is still significant support for fossil fuels. In the current climate crisis, ANY support for fossil fuels is too much and is in direct conflict to their pledge to align their operations with the Paris Agreement and its 1.5°C temperature goal.

A major first step that the MDBs need to take towards ending public investment in fossil fuels by 2020 is putting in place policies to phase out fossil fuel investment. We have ranked the energy sector policies of the major MDBs based on their progress towards complete fossil-fuel phase-out. Points were awarded based on the following exclusions in the banks' stated policies or strategies.

Criteria	Points	How was it judged
Exclusion of all coal investment projects	1	Policy or strategy has clear exclusion of coal
Exclusion of oil exploration and production	½ + ½	Including extraction and processing.
Exclusion of gas exploration and production	½ + ½	Including extraction and processing
Exclusion of new oil infrastructure	1	Including power plants, pipelines, storage
Exclusion of new gas infrastructure	1	Including power plants, pipelines, storage, LNG
Exclusion of energy efficiency refurbishments at fossil fuel plants	½	Including power plants, other industry using on-site fossil fuel heat/power generation
Bank policy covers direct and indirect fossil lending	½	Policy needs to cover other bank support including through financial intermediaries.

The results are shown in the figure below.

No bank scored A\* as even the most promising policies do not cover current loopholes in bank support (see box on right).

On this basis, the EIB scored a **provisional** best, with an A grade for the first draft of its new energy policy, which aims to phase out

#### MDBs continue to support fossil fuels through the back door

Although MDB investment is covered by the banks' energy policies there are key loopholes with other kinds of support not subject to the banks' own climate standards. For example, development policy lending (DPL) a form of fungible budget support for countries, technical assistance (TA), budget support and support through financial intermediaries (FIs). Through these excluded finance support avenues upstream oil and gas exploration is still supported, as are numerous coal fired power stations. For example, the World Bank Group's board approved a \$35 million development policy loan (DPL) to support offshore drilling in Guyana last summer despite a policy to avoid investing in upstream oil and gas. The Inter-American Development Bank provides TA to upstream hydrocarbons through the Canadian Facility for the Extractives Sector (CANEF). BIC Europe found the IFC supplied \$563 million to two commercial banks in the Philippines, which in turn invested \$13.4 billion in numerous coal projects over the past five years.

We call on all MDBs to phase out fossil fuel support not only of investments but also through DPL, TA, budget support and through FIs.

#### Tentative steps on policing financial intermediaries

In its draft Green Equity Strategy the World Bank Group's private sector arm, the International Finance Corporation (IFC), commits to reduce indirect exposure to coal projects through financial intermediaries, and to assist intermediaries to end investment in coal. Any client that continues to invest in coal will be required to publicly disclose the value of their stakes. This shows clear recognition/acknowledges of the 'loop-hole' that IFIs face through the use of intermediaries which have continued to invest in coal even when the parent finance has committed not to. The IFC says that it no longer issues general purpose loans instead ring-fencing 95% of lending for strategic priorities such as energy efficiency, renewables and women-owned businesses. The Green Equity Strategy still needs to be approved by the board.

all fossil fuel finance by the end of 2020. If it does adopt this, it would move it from the lowest in the ranking to the top. As one of the world's largest energy lenders and traditionally a financier of large gas infrastructure this could make a difference to global climate action. If adopted by the EIB Board it could show the way for other banks in aligning their policies with the Paris Agreement and the 1.5°C goal.

**Ranking of energy policies on phasing out fossil fuels**

<b>EIB (proposed)</b>	<b>A (5)</b>
<b>WB</b>	<b>C (3)</b>
<b>EBRD</b>	<b>D (2)</b>
<b>IADB</b>	<b>D (2)</b>
<b>ADB</b>	<b>D (2)</b>
<b>AfDB</b>	<b>D (2)</b>
<b>AIIB</b>	<b>F (½)</b>
<b>EIB (existing)</b>	<b>F (½)</b>

The Asian Infrastructure Investment Bank (AIIB) and Asian Development Bank (ADB) received low scores because they have not completely ruled out investment in coal, the most polluting fossil fuel, in countries where the banks consider the alternatives to be limited<sup>6</sup>. In contrast, the World Bank withdrew from its last coal fired power plant in its portfolio in Kosovo in October 2018. This sets the standard for no further coal investment.

Oil and gas exploration has been ruled out by all banks but the African Development Bank (AfDB) and AIIB continue to finance some upstream projects in production and processing of oil and gas which meant these banks scored worst in our ranking. The European Bank for Reconstruction and Development (EBRD) will still consider upstream gas projects.

None of the Banks, besides the EIB (provisionally, contingent on it approving its original draft policy), received an A grade because all the other banks still labour under the misapprehension that natural gas is a transition fuel to a low carbon future and so consider it to be a key part of their current energy strategies. The remaining carbon budgets for 1.5°C are very constrained and the models that allow for continued gas use have an unacceptably low probability that the 1.5°C limit will be exceeded. Many banks also erroneously argue that gas is somehow a solution to energy access and energy poverty. All still continue to invest in gas infrastructure and in new and refurbishing gas thermal power plants.

A policy is only as good as its implementation. Some of the recent (and draft) policy commitments have yet to be implemented, so a review of recent investment approvals does not reflect the planned future phasing down of fossil fuels.



Examples of recently approved fossil fuel projects, locking in future GHG emissions, include: a loan from Asian Development Bank (ADB) for a large 2,500 MW natural gas power plant in Thailand, and the AIIB, ADB, World Bank and EBRD's support for pipelines in the Southern Gas Corridor which would bring gas from the Caspian Sea to the EU. No such projects should be allowed under revised lending policies.

**Investment in Southern Gas Corridor locks Europe into fossil fuel dependence for decades and is not aligned with the Paris Agreement**

The Southern Gas Corridor connects the gas fields of the Caspian Sea with Europe (Greece, Albania and Italy) and includes the Trans-Adriatic Pipeline, Trans-Anatolian Pipeline, and the Shah Deniz II gas field in Azerbaijan's Caspian Sea region. Billions of dollars of public money have been invested in the three projects with loans secured from the World Bank Group, EBRD, EIB, AIIB and ADB. This is despite the fact that the EU already has a surplus of gas import infrastructure and gas demand has decreased. In contrast to official projections, EU gas demand is falling and is now 23% below its peak\*. The European Union's own 2050 Energy Strategy expects natural gas imports to further decrease under all scenarios and to show a significant reduction in demand by the 2020s; the time when the pipeline is expected will be operational. And of course, there's the little detail of climate change.

The project will lock Europe into gas dependency for decades resulting in hundreds of millions of tonnes of CO<sub>2</sub> emissions which is completely incompatible with the Paris Agreement. If Europe makes greater steps towards a zero-carbon economy, there is a serious risk that these assets will be stranded.

Outrageously, the EBRD counted about 4% of their support to the Shah Deniz offshore gas project in Azerbaijan, which links to the Trans-Anatolian pipeline, as 'climate finance'.

## **Increasing energy access finance by public finance institutions by 2020 to help attain universal energy access by 2030**

The MDBs have jointly committed to support the achievement of the Sustainable Development Goals by 2030. However, in meeting universal energy access by 2030 (SDG7.1) there are significant gaps between rhetoric and action, and more finance is needed for the goal to be achieved. According to the latest data<sup>7</sup>, the world is making progress towards achieving universal energy access but, in 2017 840 million people still lacked access to electricity, mainly concentrated in Sub-Saharan Africa<sup>8</sup>. As connecting the last of the unserved populations may be more challenging than past electrification efforts, because of their remote locations and general lack of infrastructure, a projected 650 million people are likely to remain without access to electricity in 2030<sup>9</sup>. The situation for cooking is much worse with 2.9 billion people estimated not to have access to clean cooking.

Despite this, with the exception of the African Development Bank (AfDB), the MDBs do not have clear plans or targets for meeting universal energy access. A recent report<sup>10</sup> found that “less than 20% of MDB energy finance from 2014 through 2017 (an average of just USD 3.6 billion per year) went to projects aimed at advancing energy access primarily for poor and/or rural communities” and that only 2% of finance went to off-grid and decentralized energy solutions, which are generally the most appropriate solution for the rural poor. As banks with a specific remit for development support, this is poor. AfDB ranks first in our assessment of banks’ energy access strategies.

The type of infrastructure invested in can define who it can serve: grids can be expensive to extend to remote communities, so universal access to energy does require investment in off-grid systems also. The International Energy Agency estimates that 67% of electricity connections should be distributed generation in order to achieve universal energy access goals, yet the majority of investment is still being funnelled to grid extension projects. For example, the AfDB’s USD 500 million Facility for Energy Inclusion (FEI) is split USD 400 million for on-grid (and mini-grid) and USD 100 for off-grid projects.

To rank the banks on their energy access financing, their policies were assessed on their progress towards increasing energy access to help attain universal energy access by 2030.

Points were awarded based on the following criteria:

Criteria	Points	How was it judged
Energy access is a priority	1	Is there a specific policy/strategy/objective regarding energy access/SDG7?
Energy access targets	½ or 1	Are there clear targets for energy access and are they disaggregated by on and off-grid? ½ point for overall target, 1 point if also disaggregated.
Dedicated budget for energy access	1	Is there a clear dedicated budget for energy access in USD/EUR or % of budget?
Tracking / measurement of energy access	½ or 1	Is there an indicator for tracking energy access in results / evaluation frameworks? Does it disaggregate between on and off-grid? ½ or 1 point.
Tracking / measurement of energy access investment	½ or 1	Is investment in new connections tracked – on and off-grid. ½ point if ad-hoc.
Minimum standard definition for an energy connection	½	Is there a definition of what constitutes an energy connection, e.g. Tier from multi-tier framework.
High impact country focus <sup>11</sup>	½	Is there a stated focus in strategy/policy documents in these countries?

**Ranking of energy policies on energy access**

Banks	Total
AfDB	C (3)
IADB	D (2)
WB	D (2)
ADB	E (1.5)
AIIB	E (1.5)
EBRD	F (0)
EIB	F (0)

EBRD and EIB rank bottom with no prioritisation for energy access although their remits cover countries where energy access is low. Energy access is included as a key principle in each of the other five MDBs’ energy strategies but only AfDB has set quantitative on and off-grid targets and is the only bank that tracks household access to clean cooking. Whilst the five scoring banks include some form of tracking of electricity access, not all disaggregate between on and off-grid and where off-grid is reported (AfDB) no data is available.

The World Bank has announced that it will increase its investment in off-grid energy access and it has tripled its investments for off-grid and mini-grid renewable energy from \$200m to \$600m in the financial year of 2018 (out of \$1.4bn for energy access). However, this is still a small amount compared to the billions that they spend on energy in total; between May 2018 and June 2019 the World Bank approved USD 15.8 billion for energy projects<sup>12</sup>. Significantly, the bank has no clear roadmap for lending in line with achieving clean energy access for all by 2030.

There are numerous good examples of projects recently approved which will contribute to universal energy access by 2030 and which are country appropriate in terms of investment in off-grid versus on-grid new connections.

**AfDB is the only MDB with clear quantitative targets for on and off-grid electricity access.**

The AfDB’s Strategy for the New Deal on Energy 2016-2025 includes targets for 75 million off-grid connections and 130 million on-grid connections by 2025. Two projects recently approved by AfDB will contribute directly to the off-grid connections targets:

An AfDB loan approved earlier this year for the Yeleen1 Rural Electrification Project in Burkina Faso will provide electricity access to approximately 945,000 inhabitants, or nearly 5% of the country’s total population, through solar mini-green grids and stand-alone solar systems. This project is clearly in line with delivering universal clean energy access and is in a high impact energy access country.

In Nigeria, AfDB has approved a USD 150m loan which aims to benefit over 2.5 million people through the provision of electricity to households, micro-, small-, and medium-sized enterprises (MSMEs) and public institutions throughout Nigeria with solar hybrid mini-grids and stand-alone solar systems. Nigeria is also a high impact energy access country and the solar projects are appropriate; however, hybrid systems tie the system to diesel usage and associated GHG emissions and costs.

## Rapid scale up of investment in renewables

Investment in overall climate finance by the MDBs is increasing, but a rapid scale up of investment in renewable energy is needed. Shockingly, MDB finance dedicated to renewables in real terms, and as a percentage of their climate mitigation budgets, actually reduced from 2017 to 2018 going from USD 9.2 billion to USD 8.65 billion and from 33% to 29% respectively<sup>1314</sup>. This is despite the growing rhetoric from the banks in support of renewable energy and the ever-clearer need for speeding up and scaling up climate action.

What matters most is the direction of future lending so we have attempted to rank the major MDBs’ policies and strategies with regard to renewable energy investment, based on the following criteria:

Criteria	Points	How was it judged
RES is a priority	1	Is there a clear policy/ intention to invest in RES?
Dedicated budget for RES	1	Is there a dedicated budget or % of budget (½ point if budget includes ‘non-clean’)
Definition of RES	½ or 1	Does it include large hydro and/or biofuels?
Mitigation of impacts	1	Is there any recognition of land rights, environmental or local social impacts?
Measurement of RES investment	1	Is there disaggregated measurement of on and off-grid investment and capacity?
Tracking of RES investment	1	Is there tracking capacity of on- and off-grid?

### Ranking of energy policies on renewables

ADB	4.5
AfDB	3.5
AiIB	3.5
EBRD	3.5
EIB	3.5
IADB	3.5
WB	3.5

#### Renewables to offset diesel generation and to supply new customers in Honduras, an example of investment aligned with the Paris Agreement and Universal Energy Access

In November 2018 the Inter-American Development Bank (IADB) approved an investment grant for \$6.4 million for a remote area rural electrification project in Honduras. The overall objective is to support the development of coastal and island rural areas of the country with the installation of decentralized and micro-grid renewable energy generation. The project will result in 4215 homes getting electricity access and will reduce the cost of electricity to those that have diesel-based electricity supply on micro-grids. At the same time capacity will be developed in the country’s utilities for the design, construction, operation and maintenance of these projects.

ADB is slightly ahead of the other banks because it has a dedicated budget for clean energy and its definition of clean energy does not include for less-polluting fuels such as gas or supercritical coal<sup>15</sup>. The other banks should revise their definitions of clean energy to omit new thermal power plants, but also thermal power supply-side energy efficiency projects, as these could give the power plant or industrial site a new lease of life and so lock-in fossil fuels for longer.

On a positive note, renewable energy generation is an objective for all the bank policies reviewed and all of them measure investment in renewables and in megawatts installed. AfDB, ADB, EBRD, EIB and World Bank have all announced dedicated budgets, or as a percentage of budget, to be spent on climate action or in climate finance. However, climate finance has a much wider definition and includes not only climate mitigation measures such as renewable energy and energy efficiency but also projects in agriculture, transport and waste and climate adaptation projects. We would like to see a dedicated budget for renewable energy.

Not all renewable energy is equal. Large hydropower plants should not be classified as renewable as they contribute to climate change by driving deforestation and releasing carbon dioxide and methane, in addition to local environmental and social impacts. Despite their significant adverse impacts, large hydro projects are still being approved every year. An example from the last year is the 216 MW Upper Trishuli-1 hydro plant in Nepal approved by ADB. Notably, this project is not actually reported as renewable energy, as when tracking renewable energy investment ADB rightly does not classify large hydro as renewable energy and reports it separately. Such investments should be avoided in any case.

While other large renewable energy projects (solar, wind) have a vital role in the energy transition, the MDBs need to be cognizant of the impacts these projects may have locally, for instance relating to land rights, Indigenous rights, local environmental impact and benefits for the local population, and to plan to mitigate these as part of the projects.

There are many good examples of renewable energy projects approved in the last year which will help to decarbonise the local power system, resulting in direct energy access and projects which will crowd in more investment into renewables. For example, the World Bank's \$1 billion battery initiative and the IDB's Remote Area Rural Electrification Program in Honduras.

**Support for battery storage opens up renewable energy markets – Investment aligned with Paris Agreement**

In September 2018, the World Bank announced a \$1 billion program to support the development and deployment of battery storage for renewable energy in developing countries. The programme will finance and de-risk battery storage for renewables so opening up potential markets and helping to underpin a renewable future and a quicker transition from fossil fuels.

The programme will finance and de-risk investments like utility-scale solar parks with battery storage, off-grid systems, including mini-grids, and stand-alone batteries that can reinforce grids. It will also back demonstration projects for technologies suitable for developing countries, such as batteries that are long-lasting, offer resilience to harsh conditions and high temperatures, or have low environmental risks. The programme aims to leverage USD 4 billion in additional resources to support its agenda

## **Improve transparency in direct and indirect energy finance levels and portfolio emissions of public finance institutions.**

### **Transparency and reporting - Banks could do better**

All seven banks have some form of framework for results measurement which includes reporting on direct energy financing and renewable energy capacity installed. Five of the banks (EBRD, AfDB, AsDB, EIB, IADB, and WB) contribute to the annual Joint Reporting on Climate Finance for money committed to developing and emerging countries. The figures include commitments from the MDBs' own accounts, and from external resources channeled through and managed by the banks.

This reporting reflects the 'Common Principles for Climate Change Mitigation and Adaptation Finance Tracking' and includes a list of activities that are eligible for inclusion<sup>16</sup>. This is good but the methodology includes for a large range of projects some which are incompatible with a global temperature rise of 1.5°C (e.g. energy efficiency of fossil fuel plants). It is understood that these principles are in the process of being updated, but no further information is available at the time of writing. The joint reporting could be further enhanced if it has a more stringent criterion that defines climate mitigation finance as only projects that are aligned with the Paris Agreement. In addition, it could be improved if it was expanded to include the impacts of the climate finance in terms of emissions/emission reductions per project and per country.

There is no uniform reporting methodology for 'non-climate' finance; finance that could have a negative impact on climate mitigation. This should be included in the 'transparency framework' that the MDBs are expected to publish at COP25. Nor is there reporting for finance in developed nations. Investment in 'obvious' fossil fuel projects, such as power plants, pipelines or processing plants, can be found across the MDBs' websites. However, it is more difficult to find/ identify projects that support fossil fuels where it is not in the project description, such as an electricity transmission project that is built solely to evacuate the power from a fossil fuel power plant, energy efficiency at a steel plant or a port infrastructure project that includes hydrocarbon storage. The information is there but is time consuming to identify. Similarly, disclosure is not always clear for intermediary finance institutions investment.

In terms of the impact of the projects, most MDBs undertake GHG accounting for at least some projects and have agreed on common minimum requirements for tracking and reporting GHG emissions but each bank has slightly different policies for greenhouse gas (GHG) emission accounting. EBRD and EIB are the only banks covered in this report that publicly report portfolio-wide gross

emissions from their lending activities<sup>17</sup>. Only some banks have set GHG reduction targets.

In terms of climate-related risks, the Taskforce on Climate-Related Financial Disclosures (TCFD)<sup>18</sup> has developed recommendations with an emphasis on reporting not only positive investments in climate-related activities, but also the risks that investments face from the changing climate. In March 2018, the EBRD became the first MDB to commit to the TCFD recommendations, while the IFC committed in September 2018.

The MDBs have increased transparency on their investments, particularly relating to climate finance and the use of the joint reporting methodology. However greater transparency is needed to fully understand investment levels in fossil-fuel projects and the positive and negative impacts of investment and how the banks' whole portfolio is aligned with the Paris Agreement.



## End notes

- <sup>1</sup> <https://climateactiontracker.org/global/temperatures/> Current policies take us to the even less optimistic 3.0 – 3.4°C
- <sup>2</sup> <https://www.c2es.org/content/international-emissions/> 2013 data
- <sup>3</sup> <https://www.iea.org/energyaccess/>
- <sup>4</sup> <https://www.ipcc.ch/sr15/>
- <sup>5</sup> 2018 Joint Report on Multilateral Development Banks' Climate Finance, June 2019
- <sup>6</sup> <https://www.eco-business.com/news/adb-not-yet-ready-to-quit-coal/>
- <sup>7</sup> 2019 The Energy Progress Report Tracking SDG7, May 2019
- <sup>8</sup> ibid
- <sup>9</sup> ibid
- <sup>10</sup> Oil Change International, 2018, "Shortchanging Energy Access: A Progress Report on Multilateral Development Bank Finance" <http://priceofoil.org/2018/10/10/shortchanging-energy-access-report-mdb-finance/>
- <sup>11</sup> The high impact countries are defined as the 20 countries with the highest absolute gaps in access to electricity and/or clean fuels and technologies for cooking, measured by population, as identified in the 2015 Global Tracking Framework (IEA and the World Bank, 2015). For electricity access, the countries are: Afghanistan, Angola, Bangladesh, Burkina Faso, Congo (DR), Ethiopia, India, Kenya, Korea (DPR), Madagascar, Malawi, Mozambique, Myanmar, Niger, Nigeria, the Philippines, Sudan, Tanzania, Uganda and Yemen.
- <sup>12</sup> [https://projects.worldbank.org/en/projects-operations/projects-list?mjsectorcode\\_exact=LX](https://projects.worldbank.org/en/projects-operations/projects-list?mjsectorcode_exact=LX) projects approved between 02/05/18 and 27/06/2019
- <sup>13</sup> 2017 Joint Report on Multilateral Development Banks' Climate Finance, JUNE 2018
- <sup>14</sup> ibid
- <sup>15</sup> Sector-wide Evaluation: ADB's 2009 Energy Policy and Program, 2009–2018 July 2019
- <sup>16</sup> 2018 Joint Report on Multilateral Development Banks' Climate Finance, June 2019
- <sup>17</sup> Toward Paris Alignment: How the Multilateral Development Banks Can Better Support the Paris Agreement, WRI, 2018
- <sup>18</sup> Created in December 2015 by the Financial Stability Board (FSB) to develop recommendations on climate related disclosures that could promote more informed investment, credit, and insurance underwriting decisions