2. Investments in the green economy

Covid-19 and EBRD investments

The Covid-19 pandemic impacted the economies in which the EBRD invests and the international policy environment more profoundly than any event since the Bank's foundation. The Bank worked rapidly to support clients with their immediate needs and priorities by providing liquidity and working capital.

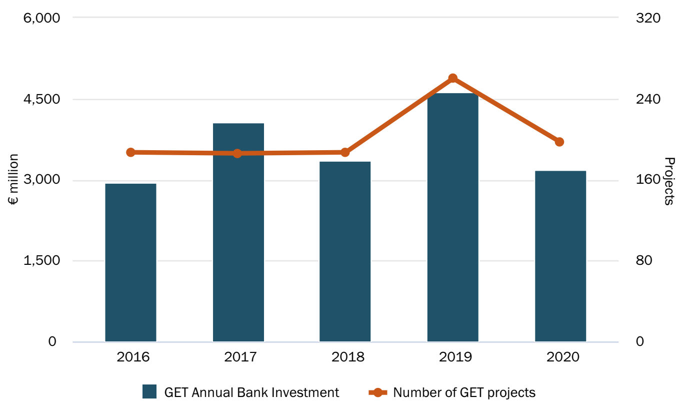
The unprecedented levels of financing channelled to clients through the EBRD's Covid-19 Solidarity Package affected the green share of the Bank's overall finance, which fell to 29 per cent in 2020 from 46 per cent in 2019. In 2020, the EBRD dedicated a large portion of its investment to directly helping clients and economies fight the impact of the pandemic through instruments, including short-term liquidity and working capital that, by nature, did not support new capital expenditure in the green economy. While the level of green investment remained high in other areas of our activity, the overall percentage of GET financing for 2020 reflects the limited opportunities for green investment under the Bank's crisis response. Total green finance of €3.2 billion in 2020 was a return to 2018 levels after a record year in 2019. It was spread across nearly 200 projects.

Meeting Green Economy Transition targets

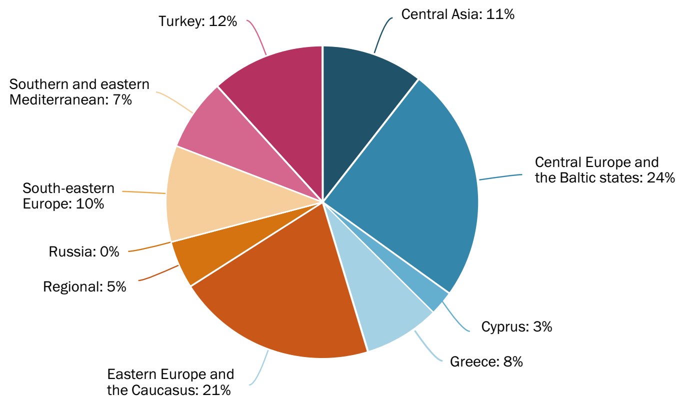
In 2015, the EBRD launched its Green Economy Transition (GET) approach, which covered the period from 2016 to 2020. This set the target of increasing the EBRD's volume of green financing from an average 25 per cent of its total annual investment in the preceding decade to 40 per cent by 2020. The Bank outperformed this target in 2019, reaching 46 per cent, before falling short in 2020 when funds were directed to the Covid-19 response. It did, however, exceed expectations for the volume of green investments over the period. Having projected a total of €18 billion for 2016-20, the Bank reached €18.1 billion in cumulative finance by the end of 2020.

This chart shows the EBRD's green investments over the first period of its GET approach.

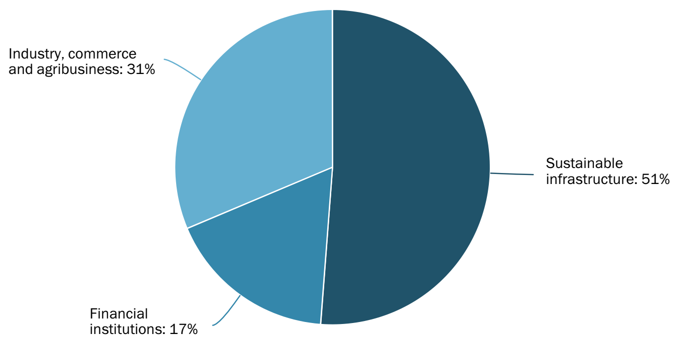
Investments in the green economy



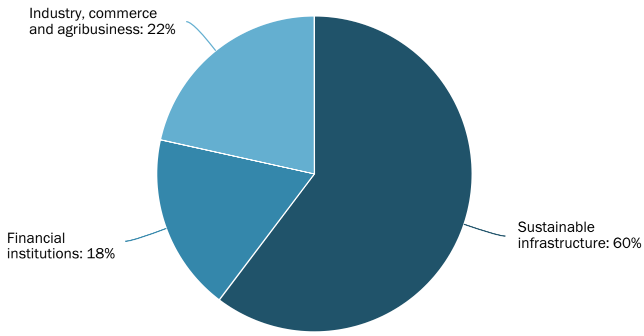
Green investments by region, 2020 (€ million)



Green investments by sector, 2020 (€ million)



Green investments by sector, 2016-20 (€ million)



Green economy investments: physical impacts

GET impacts*	2020	Total: 2016-20	Equivalence for cumulative 2016-20
Emission reductions (in ktonnes CO_2e/y)	3,711	27,000	Annual emissions of 4 million EU citizens
Primary energy savings (GJ/y)	28,223,568	227,000,000	Annual oil imports of Switzerland
Water savings (m^3/y)	42,583,167	394,000,000	A shower for every person on the planet
Renewable energy capacity installed (MW)	1,484	6,900	Greater than installed wind capacity of Denmark

* These are ex ante estimates of the benefits of green economy projects signed in 2020 and cumulatively between 2016 and 2020.

Becoming a majority green bank

This year, the EBRD launched its new Green Economy Transition (GET) approach. GET 2021-25 sets an ambitious target for the Bank to achieve a green finance ratio of more than 50 per cent of its annual investments by 2025. It also aims for the Bank to reach net annual GHG emission reductions of at least 25 million tonnes over the same five years. GET 2021-25 takes into account the context brought about by Covid-19, highlighting the needs and areas of opportunity to support a green recovery. It will involve:

- aligning with the Paris Agreement
- enhancing policy engagement to develop long-term, low-carbon and climate-resilient pathways
- innovating across thematic areas, including green financial systems, industrial decarbonisation, sustainable food systems, energy systems integration, cities and environmental infrastructure, sustainable connectivity, green buildings and natural capital
- energy efficiency and climate adaptation as cross-cutting themes with relevance for most thematic areas.

In implementing GET 2021-25, the EBRD will pay particular attention to:

- just transition and economic inclusion, in addition to circular economy opportunities and green digital solutions
- partnerships at the country and sectoral level, as well as with multilateral development banks (MDBs) and other institutional partners.

Alignment with the Paris Agreement

The Paris Agreement is an international treaty with the goal of “holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels”.[1] All but two of the economies in which the EBRD invests[2] have ratified the Agreement, which also has widespread support from the Bank’s shareholders.

In its GET approach 2021-25, the EBRD committed to “aligning its activities with the principles of international climate agreements, including principally the Paris Agreement”.[3] The EBRD’s approach to “Paris alignment” is an integral part of the Bank’s activities to support its investee economies on climate action.

The EBRD will move towards full Paris alignment over the course of the new GET approach, including by aligning its own financial flows. A resolution on this matter will be put before the Board of Governors at the 2021 Annual Meeting, with a proposal that, by the beginning of 2023, everything the EBRD does will be aligned with the Paris Agreement.

The EBRD’s Paris alignment approach is grounded in a framework agreed jointly with the other MDBs. This high-level framework, presented at the 2018 United Nations Climate Change Conference (COP24), guides the MDBs in putting Paris alignment into practice, giving them the flexibility to make adjustments that suit their mandates and business models

It also recognises that Paris alignment for the MDBs means supporting the full scope of activities required to achieve the Paris Agreement – at the investment, policy and corporate level.

Therefore, as part of its approach to Paris alignment, the EBRD will:

- screen all investments for alignment with the Paris Agreement and national climate-related action plans, taking into consideration country and sectoral strategy priorities
- increase its capacity to support countries, regions and sectors in developing low-carbon and climate-resilient strategies, especially through Nationally Determined Contributions (NDCs) and long-term strategies; increasingly, these plans will be reflected in the EBRD’s own country strategies
- scale up its efforts to mobilise climate finance through its resources and through co-financing, particularly from private-sector investors and financiers.

Recognising that Paris alignment is, above all, a national policy commitment and challenge, the Bank will in 2021 scale up its efforts to support the economies in which it invests and its clients in developing low-carbon and climate-resilient pathways and long-term strategies. As far as its own financing is concerned, the Bank expects that, by the end of 2022, all EBRD investments will be screened for their alignment with the Paris Agreement. To achieve this, over the course of 2021, the EBRD will:

- consult publicly on its proposed methodology to determine the Paris Agreement alignment of EBRD investments
- apply the methodology to the screening of all new direct finance projects, with notification on all projects going to the Board
- present at COP26 a joint MDB approach for the Paris alignment of indirect finance through intermediaries, which will then be implemented in 2022.

[1] See https://unfccc.int/sites/default/files/english_paris_agreement.pdf.

[2] Kosovo is not an official party to the United Nations Framework Convention on Climate Change; Turkey has signed, but not ratified the Paris Agreement to date.

[3] See https://www.ebrd.com/what-we-do/get.html.

Supporting the corporate transition to decarbonisation

Despite the Covid-19 pandemic, corporate clients from carbon-intensive sectors continued to invest. Green investments also continued to command a large share of the Bank's finance for corporate clients in 2020. These were driven by market opportunities emerging from climate action and changing regulations, as well as concerns about reputation and ongoing access to finance. Green investments accounted for 37 per cent of the Bank's total corporate financing in 2020 when including the Covid-19 Solidarity Package.

Corporate clients looked to capture value from the move to decarbonise by developing new products and business models, driving more efficient energy performance, enhancing waste management and recycling through circular economy projects, while improving the management of climate risks in supply chains showed how the world can build back greener after the pandemic.

Next-generation technology improves EV battery performance

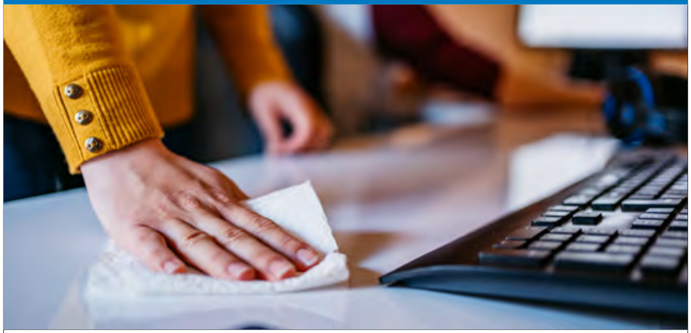
Poland

A new plant will become the world's first production site for Johnson Matthey's next-generation cathode materials. These high-energy-density materials are expected to improve the performance of lithium ion batteries for electric vehicles (EVs).

Loan: €90 million EBRD loan alongside a €45 million loan from KfW

Impact: Production capacity will meet demand for around 100,000 EVs annually by 2022, with the potential to increase capacity 10-fold through further investments.

Eliminating plastics in single-use hygiene products



Turkey

An EBRD loan to Sapro Group will help the company meet surging consumer demand for wet wipes due to the coronavirus outbreak. This project replaces plastic-based raw materials with wood pulp to make a new, 100 per cent-certified biodegradable product, preventing the accumulation of microplastics on land and in marine environments.

Loan: €10.5 million EBRD loan was matched by a €10.5 million loan from TSKB

Impact: This circular-economy project will eliminate 2,807 tonnes of plastic waste per year.

Fozzy Group builds green supermarket

Ukraine

An EBRD loan will support Fozzy Group in building the first Building Research Establishment Environmental Assessment Method (BREEAM)-certified green supermarket in Ukraine. It includes solar photovoltaic (PV) panels, wells for ground heat pumps, refrigeration units operating on CO_2 rather than Freon, heat recuperation from refrigeration units for hot water and light-emitting diode (LED) systems. It will also introduce biodegradable or reusable bags, shopping carts made from fishing nets and a charging station for EVs.

Loan: US$ 60 million long-term EBRD loan

Donors: The loan is supported by a grant of US$ 303,600 from the Global Environment Facility (GEF) and grant funds from the Japan-EBRD Technical Cooperation Fund and the EU Neighbourhood Investment Platform.

Investing in green infrastructure

Infrastructure sectors in the EBRD's regions have been severely impacted by the Covid-19 pandemic. Providers have struggled to keep vital infrastructure afloat amid budget diversions that have compromised sustainability and threatened the transition to green at a critical juncture. This has highlighted the need for strong and sustainable investment and support.

The EBRD's response has included the Vital Infrastructure Support Programme (VISP). This provides short-term liquidity and capital investment to preserve the stable provision and green agenda of essential services: electricity, water, waste management and sanitation, and public transport.

The VISP has provided financing for a range of municipal and national utilities, totalling €802 million in 2020, linking short-term crisis support with longer-term green objectives. Financing for energy utilities in Greece and Kazakhstan, for example, links directly to decarbonisation efforts.

Other investments this year have included providing emergency liquidity to vital infrastructure providers in Kosovo and Morocco, financing solar energy in Poland, scaling up renewable energy auctions in Albania and Uzbekistan and sustainable connectivity for railways in Ukraine.

These investments have helped lay the foundations for what is to come. There is widespread consensus among decision-makers in both developed and emerging markets that infrastructure investments hold the key to the global economic recovery. By propelling these investments toward sustainable infrastructure and linking recovery financing to the looming climate crisis, the EBRD can help economies build back better by tilting to green.

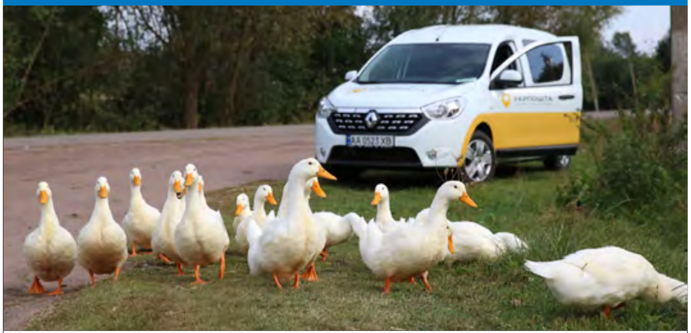
Investing in climate-resilient transport infrastructure

The EBRD provided €445 million of dedicated climate adaptation finance to the transport sector in 2016-20. Resilient transport infrastructure networks are a critical element in developing well-functioning societies and robust economies. When properly maintained, the lifespan of such assets can be more than 50 years. Such long timescales require infrastructure owners and operators to plan now for future climate change by integrating resilience into the design and operation of their networks. Indeed, the Paris Agreement calls for such planning to be integrated into countries' long-term strategies.

The EBRD is working with clients across the transport sector to support them in assessing and managing risks in their networks while also building capacity within their organisations. The Bank's investments support road and rail through landslide protection, flood defence and protection against extreme temperatures. They prepare ports to cope with physical climate risks, such as rising sea levels and increasing storm intensity. The EBRD's climate-resilient transport investments reduced costs associated with:

- **weather-related damage to transport infrastructure assets** by increasing the usable lifespans of assets, reducing the need for maintenance and reducing the impact of damaging extreme weather events
- **weather-related disruption**, thus ensuring critical infrastructure remains reliable, trade continues and people's access to resources and services is safeguarded.

Ukrposhta logistics development



Ukraine

The EBRD is providing a loan of up to €63 million to Ukraine's national postal operator. This will support the reorganisation of Ukrposhta's branch network to ensure the sustainable provision of modern delivery, retail and other services to the country's rural population. This is particularly critical during the Covid-19 pandemic.

Loan: €63 million

Donors: Technical cooperation support for this operation is expected to be provided by the EBRD Shareholder Special Fund (Environmental and Social Impact Assessment, development of a retrenchment plan and occupational road-safety management system), EU Neighbourhood Investment Platform (energy efficiency improvements) and the EBRD Ukraine Stabilisation and Sustainable Growth Multi-Donor Account (corporate governance action plan and anti-corruption programme).

Impact: The investment will benefit around 10 million people.

Water management

Morocco

The EBRD and the EU co-financed a water transfer system to preserve the Saiss aquifer and support the modernisation of the water distribution network of the Garet plain in the Orientale region. An EU-funded technical support package will encourage more efficient water management and sustainable agricultural practices by farmers.

Loan: €150 million EBRD loan, investment grant of €25.5 million from the EU

Donors: EU Neighbourhood Investment Platform

Impact: Improved irrigation services and water security for about 27,000 people including 5,300 local farmers. Promotion of women's economic inclusion in commercial agriculture through training of up to 100 female farmers, alongside a comprehensive policy dialogue programme.

Zhanatas wind farm

Kazakhstan

The EBRD is supporting the construction of the Zhanatas 100 MW wind farm, the first project-financed wind farm in the country. This is the Bank's 14th transaction under the Kazakhstan Renewables Framework II, supporting renewable energy and grid integration projects to advance the green agenda in the country's power sector.

Loan: US$ 24.8 million provided by the EBRD

Donors: Co-financed by the Asian Infrastructure Investment Bank, Industrial and Commercial Bank of China and the Green Climate Fund (CGF) Green Climate Fund (CGF)

Impact: The project will reduce annual CO_2 emissions by approximately 262,000 tonnes.

First utility-scale solar power plant in the Caucasus

Armenia

The 55 MW Masrik solar PV power plant in Gegharkunik province is the first utility-scale solar power plant in Armenia and the Caucasus. It is the first competitively tendered solar PV project in Armenia. Boosting renewable energy supplies will help the country reduce its reliance on the imported fuels that currently supply 70 per cent of its electricity.

Loan: Project developer Fotowatio Renewable Ventures (FRV) to receive two US$ 17.7 million long-term loans, one each from the International Finance Corporation (IFC) and the EBRD

Impact: The plant is expected to generate over 128 GWh/year, preventing the release of 50,000 tonnes of carbon emissions annually.

Bringing new renewables investors to EBRD

Regional

The EBRD's equity investment in Taaleri SolarWind Fund II is its first purely renewable energy private equity fund investment in 10 years and diversifies funding sources for the economies in which the Bank invests. The fund targets investments in solar and wind energy, including in 11 EBRD investee economies: Bulgaria, Croatia, Estonia, Greece, Hungary, Latvia, Lithuania, Montenegro, Poland, Romania and Serbia.

Loan: EBRD equity investment of up to €40 million

Impact: The fund will deliver estimated emission reductions of 329,000 tonnes of CO_2 equivalent per year (tCO_2e/y) in EBRD economies, assuming equity investments of €105 million to support 298 MW of new renewable energy capacity.

Working with the financial sector

Financial intermediaries

The Covid-19 pandemic hampered the Bank's sustainability-focused work with its financial intermediary (FI) client base in 2020. Crucially, it also impacted the Bank's client work with FI partners and highlighted the need to build on the provision of green finance through them.

This year, the Bank refocused its efforts to respond to the most urgent needs of clients and the marketplaces in which they operate. Through the implementation of the EBRD's Resilience Framework, the Trade Facilitation Programme was expanded significantly, providing FI clients with the ability to support short-term trade finance needs to keep local marketplaces operating. Credit lines were also provided, allowing FI partners to provide working capital to their small and medium-sized enterprise (SME) client base, addressing short-term impacts to cash flows and supporting the sustainability of these markets.

The Bank, with the help of donors, also supported FI clients in their efforts to manage environmental, health and safety risks associated with their work. While on-site meetings with clients were not possible, existing tools were amended to address the Covid-19 situation, enabling the Bank and its clients to appraise and monitor risks. The robust risk management systems that clients have developed in partnership with the EBRD have proven capable of delivering the required results.

Digitalising environmental, social and governance (ESG) risk screening

Greece

The EBRD developed a digital ESG risk screening and monitoring tool that has been endorsed by the Greek government as part of its privatisation process. It is being expanded and will be made available to all of the EBRD's FI clients. When analysing new or existing investments, ESG data can be submitted and the tool will generate an ESG assessment, due diligence report and action plan.

Impact: The app does not measure economic impact data, such as people impacted. Rather, it includes a large number of environmental and social (E&S) data points, including GHG emissions, so is more focused on E&S risks.

SDGs: The project itself is not related to a single SDG, but the app maps each investment analysed to the relevant SDGs and, over time, the SDG impact of the analysed portfolio is measured.

Green Economy Financing Facilities

The EBRD's Green Economy Financing Facilities (GEFFs) support businesses and homeowners who want to invest in green technologies. Since the launch of this financing instrument, and with the support of donors, the Bank has distributed almost €5 billion via more than 150 participating financial institutions to support more than 200,000 green investments in 27 countries. Together with funding from the Bank's co-financing partners to date, the GEFFs avoid almost 9 million tonnes of CO_2 emissions per year.

Launching green value chain programmes

Egypt and Morocco

Green value chain (GVC) programmes will allow SMEs to invest in advanced technologies and climate mitigation and adaptation solutions. These will improve competitiveness and enhance the development of GVCs. Both programmes support activities that enhance equal opportunities for men and women to access finance for green technologies and solutions.

Loan: GVC Egypt programme worth up to €70 million, GVC Morocco programme worth €80 million

Donors: GVC Egypt donors are the EU and the Green Climate Fund (GCF). GVC Morocco donors are the EU, the GCF and South Korea.

New GEFF launch

Kazakhstan

The EBRD has launched GEFF Kazakhstan to support gender-inclusive green finance for households and small private-sector companies investing in green technology solutions. Businesses and homeowners investing in green technologies will be eligible for a grant from the Global Environment Facility (GEF). GEFF Kazakhstan also supports gender activities that aim to enhance equal opportunities for women and men to access finance for green technologies.

Loan: US$ 30 million

Donors: GEF and Austria

Launching an app for climate-friendly technologies

A new mobile app, Technology Selector, will change how the Bank delivers climate finance to clients, who are increasingly using mobile devices for commerce, especially during the Covid-19 pandemic, and likely to continue doing so. Businesses and homeowners are now able to use their phones to access more than 30,000 green technologies that improve energy efficiency, provide renewable energy and reduce water use and soil erosion.

Loan: N/A (tool is supporting multiple green economy financing operations)

Donors: Austria

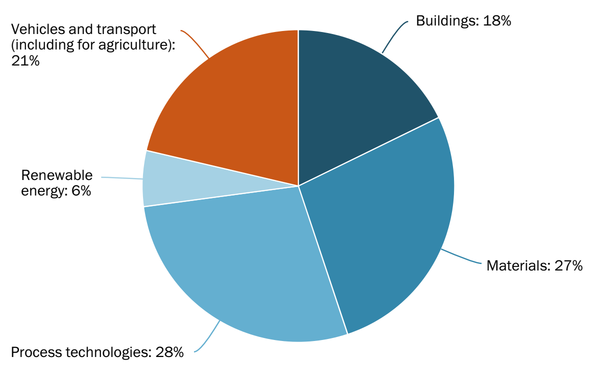
Green trade

As a key player in trade finance, the EBRD is well placed to help promote trade in green technologies and materials. Since 2016, the Bank's Trade Facilitation Programme (TFP), with the support of donors, has been implementing the Green TFP to stimulate the supply of green technologies and materials to economies where the Bank invests, particularly to markets where demand is generated via GEFFs.

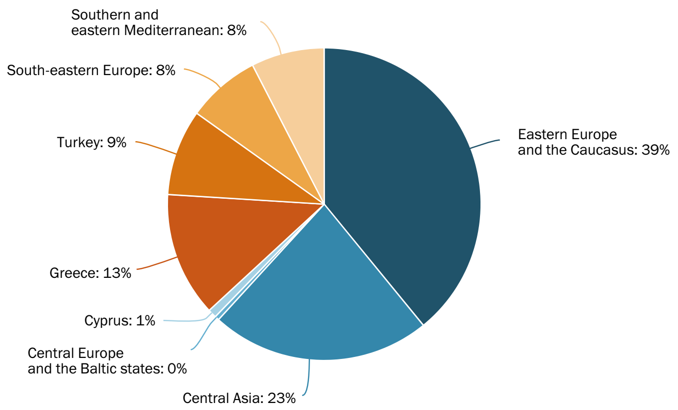
In 2020, the Green TFP:

- contributed more than €280 million to green finance, in line with the GET approach
- financed 225 transactions in 18 economies where the EBRD invests.

Green TFP portfolio overview, by green technology type



Green TFP portfolio overview, by location



Note: This chart includes one transaction in Croatia (in central Europe and the Baltic states).

In 2020 the EBRD won the *Global Trade Review* Leaders in Trade global award for its significant contribution, through the Green TFP, to sustainability in trade. Other shortlisted nominees in this category were ABN AMRO, Barclays and HSBC.

The EBRD also presented its second awards for green trade to local and foreign banks. Piraeus Bank (Greece) and Commerzbank received awards for being the most active issuing bank and the most active confirming bank in green trade, respectively. These two awards were presented jointly with *The Banker*, a *Financial Times* publication that covers the world's banking and financial sector.

BLOM Bank, Ukreximbank, Converse Bank and Commerzbank (jointly), and Commercial International Bank, QNB ALAHLI, Banque de Tunisie, UBCI and BCR (jointly) received awards for deals of the year in green trade in energy efficiency, renewable energy generation, water efficiency and sustainable sourcing of materials, respectively.

Investing in green bonds

In 2020, we invested a record €172 million in green bonds issued by our clients, while also supporting them with funding and technical assistance for green issuance. This helps the Bank's clients improve their own green governance and strategies to reduce their climate risks and accelerate the transition from high- to low-carbon companies. Issuing green bonds can also attract investment from new sources, deepening and diversifying the pool of capital available to Bank clients. Green bonds this year included:

Poland's first corporate green bond

- The EBRD invested PLN 200 million in local currency in a green bond from Cyfrowy Polsat, the first such corporate issuance in Poland.
- The green bond as a whole raised PLN 1 billion for energy-efficiency measures.

Investment in the first green bond issued by a Greek bank

- The EBRD bought €50 million of National Bank of Greece's €500 million bond, the first ever green bond issued by a Greek bank.
- The proceeds of the bond will be used for investments in renewable energy generation.
- The green bond supported the client in building up and diversifying its investor and funding base and in introducing new capital-market instruments to the Greek market. It was the first senior preferred bond issued by a Greek bank.

Financing the manufacture of EV components in Hungary and the Slovak Republic

- The EBRD funded a €75 million tranche of Schaeffler's debut green Schuldschein in 2020. Proceeds are being used to develop and produce components essential to full EVs, such as e-motors and e-axle drives and systems, in Hungary and the Slovak Republic.
- The EBRD financing is aligned with Schaeffler's Green Finance Framework, which conforms to International Capital Market Association (ICMA) Green Bond Principles and Loan Market Association Green Loan Principles.

Sustainability Awards

The Bank recognises the sustainable impact achieved by its clients who operate across a range of sectors. The winners of this year's EBRD Sustainability Awards **demonstrated their impact** in five categories:

- sustainable energy
- climate resilience
- environmental and social best practice
- environmental and social innovation
- gender and inclusion.

From 47 nominations, 35 clients were shortlisted by an internal EBRD committee and then assessed by an external judging panel. Certificates were awarded to 16 winning clients from 11 countries for their Gold, Silver and Bronze achievements.

Gold Award winners

The joint Gold Award winners in 2020 for **sustainable energy** were:

- **LG Chem Poland**, which produces and supplies EV batteries for European manufacturers for up to 1 million EVs per year (equivalent to about 6 per cent of cars sold in Europe)
  Impact: Production of around 1 million batteries per year for EVs
- **Shams Al Etisalat Lil Taka,** a pioneering energy project in Jordan to design, build and operate three 36.8 MWp solar photovoltaic plants
  Impact: Avoidance of around 42,000 tCO_2e of emissions per year.

In the climate resilience category, the Gold Award winner was:

The Ministry of Agriculture, Forestry and Water Management (MAFWM) of Serbia for its construction and rehabilitation of the primary irrigation infrastructure of the Negotin region and the rehabilitation of two small accumulation lakes in Vojvodina.
Impact: Irrigation of 5,400 hectares of farmland.

The City of Lviv in Ukraine received the Gold Award for **environmental and social best practice.** Lviv is notable for having developed eight municipal projects with the EBRD across every area of municipal service, including public transport, e-ticketing, solid-waste management, wastewater treatment and biogas production, district heating and road rehabilitation.
Impact: Improved public transport, waste management and wastewater treatment for a city of 800,000 people; emission savings of 360,000 tCO_2e per year

The Gold Award for **environmental and social innovation** went to Polcom, a Polish provider of modular construction that caters to the hospitality industry worldwide and is notable for its cutting-edge technology and innovation.
Impact: Reduction of construction waste by up to 90 per cent and CO_2 emissions by up to 50 per cent versus traditional construction techniques

The winner of the Gold Award in the **gender and inclusion** category went to the JSC Medical Corporation EVEX in Georgia. EVEX, the largest provider of healthcare services in Georgia, will construct a new laboratory facility in Tbilisi with the support of an EBRD loan.
Impact: Improved levels of skill and training for nurses in Georgia

Silver winners

Sustainable energy: Egyptian Electricity Transmission Company (Egypt)

Climate resilience: Government of North Macedonia and City of Skopje (North Macedonia)

Environmental and social best practice: Joint winners were Migros (Turkey) and Isik Organic (Turkey)

Environmental and social innovation: Duran Dogan (Turkey)

Gender and inclusion: KazMicroFinance (Kazakhstan)

Bronze winners

Sustainable energy: Šabac District Heating Company (Serbia)

Climate resilience: Motorways of the Federation of Bosnia and Herzegovina (FBHM) and Motorways of Republika Srpska (RSM) (Bosnia and Herzegovina)

Environmental and social best practice: Arkas Holding (Turkey) and Duisport (Germany)

Environmental and social innovation: Apa Canal Pitesti (Romania)

Gender and inclusion: Egyptian National Railways (Egypt)

Read more about the winners of the 2020 Sustainability Awards here.