

4. Supporting a green transition



Financial intermediaries

The EBRD helps PFIs, including private equity funds, to integrate E&S and climate practices into their core business operations, metrics and governance. As sustainable finance regulations seek to emphasise real and trackable E&S change in several of the economies in which the EBRD operates, the Bank remains focused on providing holistic E&S and climate support to PFIs to ensure tangible outcomes in their business practices and investments.

In 2021, the EBRD launched its E&S risk management digital applications (E&S apps) for PFIs for lending and equity transactions. The apps provide PFIs with a digital tool that screens, assesses and monitors loans and equity investments in line with best environmental, social and governance (ESG) and due diligence practices, to help them achieve compliance with the EBRD's [E&S Performance Requirements](#).

After a pause due to Covid-19 restrictions, in 2022, the Bank was able to deliver in-person E&S risk management training to PFIs. The Bank held four training sessions in Türkiye, Georgia, Uzbekistan and Kazakhstan, attracting 73 participants from 42 PFIs. Feedback was overwhelmingly positive and suggested that the Bank's PFIs understood the need to amplify sustainable business practices and finance. Training included sessions on ESG trends, responsible banking practices, E&S regulatory frameworks and initiatives, local and regional E&S challenges and alignment with the EBRD's E&S Performance Requirements. With the rapid development of the climate and ESG regulatory environment in the economies where the EBRD operates, PFIs requested additional training on topics such as climate risk assessment and management and the integration of ESG strategy into banking operations.

Case study: Supporting banking operations in Ukraine



In 2022, the EBRD provided a €10 million facility to Bank Lviv through the [Resilience and Livelihoods Framework](#), which it set up in response to the war on Ukraine. The funds will be used to finance the urgent working capital and investment needs of Bank Lviv clients, including in the agribusiness, food security and manufacturing sectors.

The project will help Bank Lviv maintain a sustainable funding base during the crisis, providing continued access to finance for SMEs affected by the war and supporting the resilience of Ukraine's banking sector. It will help safeguard business activities and the livelihoods of people in Ukraine, consistent with the objectives of the Framework.

Despite the difficult conditions in Ukraine, Bank Lviv has been actively working on developing and implementing E&S policies and procedures. The EBRD will help it to enhance these in line with EBRD requirements and to gradually apply them to all new loans and clients, including those not funded by the EBRD.

Green Economy Financing Facility (GEFF)

The EBRD's Green Economy Financing Facility (GEFF) supports businesses and homeowners wishing to invest in green technologies. It operates through more than 180 local financial institutions in 28 countries, supported by more than €6 billion of EBRD finance. This has enabled more than 130,000 clients to collectively avoid over 9 million tonnes of CO₂ emissions per year.

GEFFs in Türkiye

The EBRD has been supporting the market for sustainable finance in Türkiye since 2010, when it launched the first Türkiye Sustainable Energy Financing Facility (TurSEFF), focused on energy efficiency and small-scale renewables (up to €5 million). Subsequently, the EBRD initiated the Mid-size Sustainable Energy Financing Facility (MidSEFF) to address the finance gap for larger renewable energy projects (€5 million to €50 million). In 2014, activities were expanded to finance resource-efficiency projects and the EBRD launched TuREEFF, a facility dedicated to residential energy efficiency. The EBRD's GEFFs have contributed to cutting Türkiye's energy imports and reducing its current-account deficit.

In 2022, the EBRD launched the [GEFF Türkiye](#), which can provide up to €500 million to local participating financial institutions for on-lending to both women- and men-led Turkish businesses, homeowners, vendors and producers to invest in high-performing green technologies and investments. The facility is supported by concessional financing from the Clean Technology Fund (CTF) and technical support funded by the CTF and Türkiye-EBRD Cooperation Fund. For the first time under a GEFF, the facility also incorporates a separate technical assistance programme on [corporate climate governance](#), with a view to accelerating changes in Türkiye's financial system to enhance the rules, policies and processes used to identify, assess, manage and disclose risks and opportunities resulting from climate change, and so support the country's ambitions for green growth.

Sustainable bonds

Green capital markets have the potential to mobilise the levels of financing needed to support the objectives of the Paris Agreement, as shown by the exponential growth of green bond issuance globally to more than [US\\$ 2 trillion](#). Green capital-market issuance in the economies where the EBRD operates lags this global trend, at a cumulative US\$ 40 billion or so, or about 2 per cent of global activity.

The EBRD is involved in more than half of all non-sovereign green bond issuance, in terms of monetary value, by the economies in which it operates.² It invested a record €848 million in more than 20 green, sustainability and sustainability-linked bonds in 2022, up from €699 million in 2021. For context, the total issuance amount was €3.9 billion. The Bank supports issuers in setting ambitious green criteria, or performance indicators in the case of sustainability-linked bonds. It can also help prospective issuers to prepare for their inaugural sustainable bond issuance, for example, by improving their ability to identify, monitor and track green assets, thus increasing the supply of green assets over time.

2 Not including Russia and Belarus, Cyprus and the Czech Republic.

In 2022, the EBRD [invested €65 million in a green covered bond](#) issued by PKO Bank Hipoteczny (PKO BH) in Poland. This marked a major milestone for the Bank, bringing its cumulative investment in green bonds to more than €1 billion since its first investment in 2017. The proceeds of the PKO BH bond will be used to finance low-carbon residential buildings.

The EBRD also invested in the inaugural sustainability bond issues of Raiffeisen Bank Romania and Croatia in 2022. Sustainability bonds give issuers more flexibility in allocating funding to both green and social assets, such as the financing of SMEs in underserved regions in the case of Romania. The Bank's investments in sustainability-linked bonds in 2022 made up close to a third of its sustainable bond investments. Green bonds continued to dominate, however, with a 65 per cent share of the total in 2022.

Case study: Scatec Green Project Bond in Egypt



The EBRD invested US\$ 100 million (€93.7 million) in a US\$ 335 million (€313.8 million) green bond issued by Scatec, a renewable energy solutions provider in Egypt. The Bank also provided a US\$ 32.6 million (€30.5 million) credit enhancement facility for participating institutional investors. This guarantee structure helped the issuer obtain a better credit rating, attracting more investors.

Certified under the [Climate Bonds Standard](#), this bond was the first private green project bond issuance in Egypt and the wider SEMED region.

The bond is backed by six Scatec-owned solar power plants, with a total capacity of 380 MW, in Benban, Africa's largest solar park.

The Just Transition Initiative

The EBRD's [Just Transition Initiative](#) aims to ensure that the benefits of the green economy transition are shared, while protecting vulnerable regions, communities and workers from falling behind.

The Bank's Just Transition Diagnostics and Action Plans analyse the effects of accelerated decarbonisation scenarios on carbon-intensive regions, communities and people. They also identify new opportunities, including in relation to economic diversification. This has led to the development of action plans across governance, policy and investment dimensions to support a just transition. In 2022, the Bank had three active assignments: in North Macedonia, together with the EU delegation, and in Serbia and Ukraine (on hold), with support from the Climate Investment Funds.

Case study: Supporting a just transition in North Macedonia



The EBRD has been supporting North Macedonia's public electricity generation utility company, Elektrani na Severna Makedonija (ESM), in its low-carbon transition. ESM generates around 90 per cent of the country's electricity, much of it from 824 MW of lignite-fired power plants.

In its Nationally Determined Contribution, North Macedonia has committed to a gradual decommissioning of its lignite-fired fleet, starting with the retirement of the Oslomej plant by 2023 and the Bitola facility by 2027, while increasing its share of renewable energy.

A €25 million EBRD loan will go towards expanding a solar plant on the semi-exhausted coalmine of Oslomej and building a new solar plant adjacent to Bitola. The Bank will support ESM in delivering a series of accredited retraining courses for the affected workforce at Oslomej and Bitola, in partnership with local training centres and the national employment agency. It will support ESM in improving its human resources policies and practices to better promote equal opportunities and will enhance the company's capacity to contribute to regional economic development planning. This will include a strategy for the development of market-relevant training for the affected local workforce in collaboration with the Ministry of Education.