

2. Climate commitments



The EBRD has made addressing climate change and increasing green finance strategic priorities. In 2021, it committed to aligning all of its activities with the goals of the Paris Agreement by the end of 2022. It increased support for climate strategies at national, city and sectoral level. It bolstered corporate climate governance (CCG) processes among its clients. It further committed to doubling its mobilisation of private-sector climate finance by 2025 to support the low-carbon transition. More details can be found in this chapter.

Paris alignment

At its 2021 Annual Meeting, the EBRD approved a climate action [resolution](#) in which it committed to fully aligning the Bank's activities with the objectives of the Paris Agreement by the end of 2022.

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". All of the economies in which the EBRD invests have ratified it.¹

MDBs, including the EBRD, have agreed to align with the objectives of the Paris Agreement. To this end, they developed a "joint Paris alignment approach" consisting of six building blocks: mitigation and adaption for investment, increasing climate finance, policy engagement, reporting and internal activities (see figure below).

In line with its commitment to align fully with the objectives of the Paris Agreement by end 2022, the EBRD started to assess its direct investments for alignment in June 2021. A methodology developed jointly by the MDBs sets out how the EBRD determines whether projects are "aligned" or "non-aligned" with the mitigation and adaptation goals of the Paris Agreement. New investments are now screened at the concept stage for exposure to physical climate risk; previously, adaptation efforts were solely opportunity driven. Under the

new approach, projects identified as having material physical climate risks can be required to implement appropriate adaptation responses. This will create new opportunities for climate-resilience business development and the delivery of adaptation finance.

The methodology developed jointly by the MDBs for "indirect" finance, processed through financial intermediaries (see page 9), has also been drafted and is undergoing public consultation.

The Bank is on track to complete the implementation of all six building blocks of the Paris alignment approach by the end of 2022.

Limiting fossil-fuel financing

In its Climate Ambition resolution, the EBRD also underscored the importance of its support for the urgent decarbonisation of the energy sector. It committed to stepping up its investment in renewable energy and associated energy systems. It will further narrow and limit fossil-fuel financing to projects that strictly aim to accelerate the low-carbon transition in specific national contexts.

Supporting climate strategies

The EBRD supports the development of long-term, low-carbon pathways at a national, city and sectoral level, in line with Paris alignment. To this end, the Bank will increase its support for countries developing nationally determined contributions (NDCs) and long-term strategies (LTSs).

Ukraine's NDC

Since 2018, the EBRD has worked with the government of Ukraine to update its NDC. Funded by the Swedish International Development Cooperation Agency (Sida), this work included support to Ukraine's Ministry of Environmental Protection and Natural Resources and other government ministries to revise Ukraine's 2030 greenhouse gas (GHG) emission reduction targets.



1 All except Kosovo, which is not a party to the United Nations Framework Convention on Climate Change (UNFCCC).

The Bank provided technical assistance and stakeholder engagement to promote information sharing and coordination with related activities, such as the development of the National Energy and Climate Plan (NECP) and Ukraine Green Deal.

Key milestones this year have included:

- In July 2021, Ukraine adopted its revised NDC, which it communicated to the [UNFCCC](#) and made available in the NDC registry.
- Ukraine announced plans to adopt an NDC Action Plan, climate finance strategy, climate law framework, and monitoring, reporting and verification system for NDC accounting by 2022.
- At the COP26 climate conference, the EBRD and the Ukrainian Ministry of Environmental Protection and Natural Resources presented the country's updated NDC, implementation plans, lessons learned, challenges and opportunities.
- The Bank issued a publicly available report, consolidating all EBRD technical studies to inform and support related future activities.

The EBRD will continue to support the government of Ukraine with its NDC implementation thanks to new funding received from the German government's International Climate Initiative.

Supporting a net zero target for the electricity sector



Uzbekistan

The EBRD worked with the Ministry of Energy and the Ministry of Investments and Foreign Trade to develop a decarbonisation roadmap for Uzbekistan's electricity sector. It confirmed the technical and financial feasibility of an early peak in GHG emissions and carbon neutrality by 2050. Further expansion of the modelling associated with the roadmap's implementation is ongoing.



Donors: Funding from Japan through the Japan-EBRD Cooperation Fund

Loan: N/A

Impact: Carbon neutrality in the electricity sector by 2050.

Supporting development of a low-carbon roadmap for the nitrogen fertiliser industry



Sectoral

The EBRD supported the creation of a roadmap for the nitrogen fertiliser industry, developed jointly by the International Fertiliser Association and the International Energy Agency. This pathway to 2050 highlights the technologies needed to reduce the industry's GHG emissions. It will support private-sector players and identify the investments needed to remain competitive while addressing climate change.



Donors: EBRD Shareholder Special Fund

Amount: €350,000

Impact: The roadmap aims to support an industry that is currently responsible for around 2 per cent of global energy consumption and 1.5 per cent of CO₂ emissions to transition to a sustainable low-carbon future.

Corporate climate governance

CCG is integral to the EBRD's climate action activities. The Bank became the first MDB to support the Task Force on Climate-related Financial Disclosures (TCFD) in 2018, and its 2020 GET approach commits the EBRD to strengthening CCG among its clients. The Bank is also involved in the European Union (EU) Sustainable Finance Action Plan, the Network for Greening the Financial System, and the G20 Sustainable Finance Working Group.

CCG recognises the need to assess climate-related risks and opportunities as part of business and financial planning. The EBRD now supports more than 20 clients in strengthening CCG, including large companies, such as Louis Dreyfus Company and Olam in the agribusiness sector, major energy utilities, such as PPC (Greece) and STEG (Tunisia), and some financial intermediary clients. Support includes:

- adopting best-practice disclosure frameworks
- building technical capacity for climate risk assessment and the identification of climate opportunities
- the use of climate scenarios in value-chain assessments
- CCG roadmaps and low-carbon pathways
- green investment plans, low-carbon strategies and access to capital markets, for example, through green and sustainability bonds.

In early 2022, the EBRD will launch a dedicated **CCG Client Advisory Facility**, to help financial and non-financial companies to strengthen CCG and disclosure practices and to increase their access to capital markets.

Agribusiness firm strengthens CCG



Ukraine

As part of its cooperation with the EBRD, Kernel Group has committed to strengthening its CCG practices. It will develop a climate change strategy and set decarbonisation targets and will also improve climate-related disclosures and climate risk management in line with the recommendations of the TCFD.



Donors: Clean Technology Fund under the High Impact for the Corporate Sector programme

Loan: US\$ 57 million

Impact: This will produce the first decarbonisation and climate adaptation pathway for a company with agricultural operations of this size in the EBRD regions. It is expected to have a significant demonstration effect in the agriculture sector beyond Ukraine.

COP26

The EBRD sent a high-level delegation to COP26 in Glasgow, led by the President. The Bank participated in around 70 events, co-organising 20 of those with its partners. It reiterated its commitment to climate action through various pledges and actions, including:

- The Bank presented its [Action Plan to Mobilise Climate Finance](#). At COP26, the EBRD announced plans to double its mobilisation of private-sector climate finance by 2025 to support the economies in which it operates in their low-carbon transition.
- In a joint [Climate Statement](#), MDBs committed to increasing climate financing, with a focus on adaptation and the mobilisation of private investment.
- The Global Methane Pledge, a joint EU-US initiative, aims to reduce global anthropogenic methane emissions from all sectors by at least 30 per cent (from 2020 levels) by 2030. As part of this pledge, the EBRD committed to support its investee economies in advancing their domestic methane reduction efforts. The Bank will provide technical assistance to support the development of effective inventories, policies, regulations and standards. It stands ready to provide funding for methane abatement projects in key economic sectors.
- A joint MDB statement, *Nature, People and Planet* (see page 21), pledged to mainstream nature across policies to boost 'nature-positive' investments and finance for member countries and to foster sustainable strategies at regional and national level.
- High-Level Principles on a [Just Transition](#), published in October, were presented at COP26. They outline how MDBs, including the EBRD, will support those regions that are highly dependent on fossil-fuel industries with economic diversification through green investments (see page 10).
- MDBs committed to developing shared principles to help public- and private-sector clients design and implement LTSs for low-carbon, climate-resilient development.

Task Force on Climate-related Financial Disclosures

The [TCFD](#) reporting framework aims to standardise and report financial risks associated with climate change to provide investors with transparent information on the risks and opportunities involved. The EBRD was the first MDB to sign up to the TCFD in 2018. In line with its commitment to disclosure best practice, the EBRD published its second annual TCFD report in 2021.

The 2021 TCFD report discloses climate risk-screening methodologies, data sources and initial portfolio risk assessments for carbon-transition and physical climate risk, charting the Bank's performance against climate risk indicators. Disclosure supports transparency and standardisation and enhances the visibility of climate risk across the industry. The report also sets targets for addressing the impact of climate change on the economies where the Bank invests. These include aligning all Bank activities and investments with the goals of the Paris Agreement by the end of 2022 and ensuring that GET projects account for at least 50 per cent of all new investments by 2025.

Other highlights include a heatmap of the Bank's portfolio, illustrating inherent physical and carbon-transition risk. The report also provides the results of pilot modelling for a segment of the Bank's oil and gas portfolio, a sector widely regarded as high carbon-transition risk. Over time the EBRD will expand its climate risk assessment and disclosure to include transactions in financial institutions, sovereigns and equities. The Bank is committed to further developing the scope of its climate risk methodologies, introducing ongoing portfolio assessment and wider scenario- and stress-testing.