

3. Policy engagement



The EBRD engages with stakeholders to support policies that are in line with its sustainability objectives. In 2021, the Bank committed €2 billion of new funding to double the existing headroom for EBRD Green Cities over the next two years. It created and launched two digital apps to guide financial intermediary clients through the ESG due diligence process. At the COP26 climate conference in Glasgow, together with other MDBs, the EBRD presented five [High-Level Principles for a Just Transition](#) to ensure that the benefits of a green economy transition are shared. More details can be found in this chapter.

EBRD Green Cities

[EBRD Green Cities](#) helps cities to foster systemic climate action. Through Green City Action Plans (GCAPs), cities can systematically identify their most pressing environmental challenges and prepare targeted sustainable infrastructure investments and policy measures to implement over a five-year period.

EBRD Green Cities has mobilised more than €5 billion in EBRD and donor commitments and leveraged co-investments since 2016. In 2021, the programme reached several important milestones:

- **Nine cities** joined EBRD Green Cities, bringing the total network to **53 cities**. These were Walbrzych (Poland), Dnipro and Kharkiv (Ukraine), 6 of October City (Egypt), Gaziantep and Istanbul (Turkey), Medias and Timisoara (Romania) and Samarkand (Uzbekistan).
- Existing member cities **completed six** – Craiova (Romania), Belgrade (Serbia), Pristina (Kosovo), Balti (Moldova), Varna (Bulgaria) and Kyiv (Ukraine) – and **approved seven** – Craiova, Amman (Jordan), Lviv (Ukraine), Pristina, Sarajevo (Bosnia and Herzegovina), Belgrade, Balti – GCAPs.
- The EBRD **signed off on 24 projects** through the EBRD Green Cities initiative, committing **€842.4 million** in EBRD funds, bringing the total number of Green Cities projects to 64, for an overall investment volume of **€1.6 billion**.
- The EBRD committed **€2 billion of new funding** to EBRD Green Cities in November 2021, [doubling the scope](#) of the Bank’s flagship programme to invest in green urban infrastructure over the next two years.

Green trams tackle congestion in the city of Izmir



Turkey

The construction of a new metro line in Izmir will cut pollution and traffic congestion in one of the town’s business districts, Buca. Some 500,000 residents will have access to safer, more reliable and greener transport. The project emerged out of Izmir’s GCAP, developed by the municipality and the Bank as part of the EBRD Green Cities initiative.



Donors: EBRD Shareholder Special Fund, with co-lenders the Asian Infrastructure Investment Bank (AIIB), Agence Française de Développement (AFD) and the Black Sea Trade and Development Bank (BSTDB)

Loan: €125 million

Impact: The project is expected to almost halve Buca’s GHG emissions from current levels. The loan will be used to construct 13.4 km of metro line, including 11 stations, a depot and an additional 6 km of access tunnels.

Upgrade of Semey waste plant is boost for environment



Kazakhstan

The modernisation of an integrated solid waste management facility in Semey will include a sanitary landfill and biological solid waste treatment facility. It will have higher environmental and waste management standards thanks to its reduced waste disposal and lower CO₂ and methane emissions. Significant climate mitigation benefits make the project an appropriate trigger investment for Semey’s GCAP.



Donors: Austria, EBRD Shareholder Special Fund

Loan: KZT 4.79 billion (€9.39 million)

Impact: An annual reduction in CO₂ emissions of 8,226 tonnes (or 34 per cent on current emissions), increased waste recycling and recovery rates, and improved environmental, health and safety standards.

Loan supports electric buses, cuts pollution



Serbia

The EBRD is providing Novi Sad with a loan of up to €8 million under the Green Cities programme to finance the acquisition of as many as 10 electric buses and related charging infrastructure. The buses will be used on two of the busiest routes in the city and will replace polluting diesel buses.

5	9	11	13
Climate Action	Green Transition	Energy Efficiency	Climate Change

Loan: €8 million

Donors: GCF and EBRD Shareholder Special Fund (€0.37 million of funds to support technical cooperation)

Impact: 2,595 tonnes reduction in CO₂ emissions.

Financial intermediaries

The EBRD helps financial intermediary and private equity fund clients to integrate ESG practices into their core business processes. Because of the Paris Agreement and the urgent need to boost sustainable finance, the regulatory environment is developing rapidly across the regions in which the Bank operates. To ensure financial intermediaries comply with and are prepared for further changes, sustainability must become a core component of their organisational strategy. The EBRD and its financial intermediary partners continued to work on their shared goals in 2021.

Also in 2021, the EBRD created and launched two [digital applications](#) (apps) to guide financial intermediary clients through the ESG due diligence process. This was previously done manually, making it more difficult to gather and extrapolate accurate data. The apps digitalise the ESG screening, assessment and monitoring of loans and investments, generating both a due diligence report and an Environmental and Social Action Plan (ESAP). This will enable financial intermediaries to implement environmentally and socially sound investments while protecting their financial and business interests, reputation and legal position. Clients using the apps will automatically comply with EBRD Environmental and Social (E&S) requirements. Using them will also help them to develop their own systems to identify and manage such risks.

Despite Covid-19 restrictions, the Bank continued to deliver E&S risk management training to financial intermediaries across its regions. In 2021, it held eight training sessions for 142 participants from 55 intermediaries on physical, virtual and hybrid platforms. Feedback was excellent. In the southern and eastern Mediterranean region (SEMED), the EBRD launched a capacity-building project to help financial intermediaries establish an environmental and social management system, or part of one. This could be an E&S policy, a risk management procedure, a grievance mechanism, a procedure for a specific business line, product or commodity, or anything related to the firm's E&S risk management approach. To date, the EBRD has used this project to support two financial intermediaries in Morocco and Egypt. The EBRD provided funding, along with a consultant who advised them and helped them to draft and establish their environmental and social management system.

Capital market development

The EBRD supports the development and strengthening of local capital markets in the economies where it invests. Capital markets can be a reliable source of funding, contributing to financial resilience and sustainable growth. Working with local authorities, market regulators and participants, in 2021, the Bank continued to strengthen capital-market infrastructure, develop legal and regulatory environments, diversify the local investor base and reduce reliance on foreign-currency lending. Highlights of the Bank's policy dialogue and technical cooperation included:

- **Social bond market review and analysis paper.** A study of the social bond markets in the EBRD regions provided information on those clients and partner banks with the greatest potential to start issuing social and sustainability bonds in the near to medium term. The Bank assessed countries for market attractiveness and issuer potential. It mapped the social bond eligibility criteria, as defined by the International Capital Markets Association (ICMA) Social Bond Principles, against the EBRD's own objectives to define the relevant social project categories.
- **ESG guidelines for the Warsaw Stock Exchange.** The EBRD and the Warsaw Stock Exchange created a framework to help central and Eastern European listed companies improve their ESG reporting. The framework did not set any requirements for issuers, but aimed to encourage firms to comply with EU ESG disclosure standards. A set of guidelines described existing requirements set out in the Non-Financial Reporting Directive at EU level (soon to be replaced by the Corporate Sustainability Reporting Directive). It also included other indicators that could be relevant to disclosure, depending on sector and corporate ambition. The framework will allow investors to analyse and compare ESG compliance with greater transparency. The project is being rolled out to other countries, including Romania and the Czech Republic.

For more information on the EBRD's investment in green and sustainability-linked bonds, see page 14. For more on the Bank's own green bonds, see chapter 8.

REEP: Promoting energy efficiency in the Western Balkans

The Regional Energy Efficiency Programme (REEP) is a €630 million flagship regional programme that offers financing and technical assistance to public- and private-sector clients in the Western Balkans. It is also a key mechanism for policy dialogue, creating and strengthening energy-efficiency policy frameworks in the six countries where it operates. Since its establishment in 2013, the REEP has delivered 75 policy products.

In 2021, REEP policy support contributed to:

- Albania's amended *Law on Energy Efficiency*, which fully transposes the requirements of the EU Energy Efficiency Directive
- Kosovo's national *Building Renovation Strategy*, which is integrated into the NECP
- the update of eco-design and energy labelling regulations in Bosnia and Herzegovina
- notable progress on the transposition of the EU Energy Performance of Buildings Directive into the legislative frameworks of North Macedonia and Bosnia and Herzegovina, preparing them for adoption in 2022.

The REEP is funded by the Western Balkans Investment Framework (WBIF), Austria and other donors.

Just Transition initiative

The EBRD's approach to just transition entails supporting those regions highly dependent on fossil-fuel industries with economic diversification through green investments. This includes working with clients on the reconversion of high-carbon assets, including the remediation and rehabilitation of related infrastructure. It also includes supporting impacted workers through reskilling and by enhancing entrepreneurship programmes.

The Bank is involved in planning for a just transition in its countries of operations. One example is in Serbia, where over 60 per cent of electricity is coal generated. The EBRD is working with the authorities to support the coal regions of the Kolubara and Kostolac basins. Plans include defining actions and investments that will provide for a just transition, including supporting workers who may be affected and spurring economic diversification. Similar work is being undertaken in other Western Balkan countries, in eastern Europe and the Caucasus.

Work is also underway in the Polish city of Walbrzych, which recently joined the EBRD Green Cities programme. Walbrzych struggled in the wake of coal mine closures, and the Bank is taking part in plans for its environmental and economic revival. The EBRD's first investment in the city is a [€21.5 million loan](#), which will support an ambitious urban regeneration programme. This will facilitate economic development and the reintegration of several underdeveloped parts of Walbrzych by improving connectivity links with the rest of the city and the broader region.

The EBRD is a key player advancing just transition. At the COP26 in Glasgow, together with other MDBs, a joint MDB commitment to five [High-Level Principles for a Just Transition](#) was presented. This articulates how institutions will support the delivery of climate objectives while enabling socio-economic outcomes.

Green policy case studies

Whole-life carbon roadmap



Poland

A [study](#) by the [Polish Green Building Council](#) and the EBRD highlights the building sector’s role in meeting Poland’s 2050 net-zero emissions goal. Including construction, the sector produces about 38 per cent of Poland’s carbon emissions. The report illustrates key actions for delivering a whole-life, net-zero carbon buildings footprint, with stakeholder engagement and cooperation being key.

 

Donors: EBRD Shareholder Special Fund

Loan: N/A

Impact: The roadmap supports the rapid decarbonisation of Poland’s building sector in response to the climate emergency by drawing in market players from across the value chain.

Biomethane replaces gas imports



Ukraine

The EBRD conducted a feasibility study with local stakeholders, analysing the technological, economic and legal framework for defining zoning areas for the use of renewable biomethane. This supported the implementation of new legislation on the integration of biomethane into Ukraine’s gas mix and will serve as a blueprint for other countries in central and eastern Europe.

  

Donors: GEF

Amount: US\$ 74,000

Impact: The study identified potential for 8 billion m³ of biogas production. If fully implemented, biogas production could cut gas imports by up to 50 per cent, reduce carbon emissions by 12 million tonnes and improve the fertility of agricultural land.

Developing the local renewable supply



Kazakhstan

Traditionally reliant on fossil fuels, Kazakhstan is aiming for 15 per cent of its energy to come from renewables by 2030 and has set a 2060 net zero target. In this context, the EBRD advised the government on policies to develop local renewable supply chains to support economic growth and sustainable green job opportunities.

   

Donors: EBRD Shareholder Special Fund

Loan: €74,900

Impact: The EBRD supported the government of Kazakhstan in developing local renewable supply chains by identifying policy measures that could foster greater climate ambition to accelerate a green economic recovery while adhering to international trade rules.