IMPACT REPORTING

Green Bond Principles Conference

27 March 2015

European Investment Bank The EU bank

PRINCIPLES – why is information on environment relevant?

Aarhus Convention – reference to the right of people to access to environment-related information:

- **Preamble:**

… every person has the right to live in an environment adequate to his or her health and well-being…

… to be able to assert this right…citizens must have access to information…in the field of the environment …

…. improved access to information and public participation in decision-making enhance the quality and the implementation of decisions, contribute to public awareness of environmental issues, give the public the opportunity to express its concerns …

- **§ 5, par. 6:**

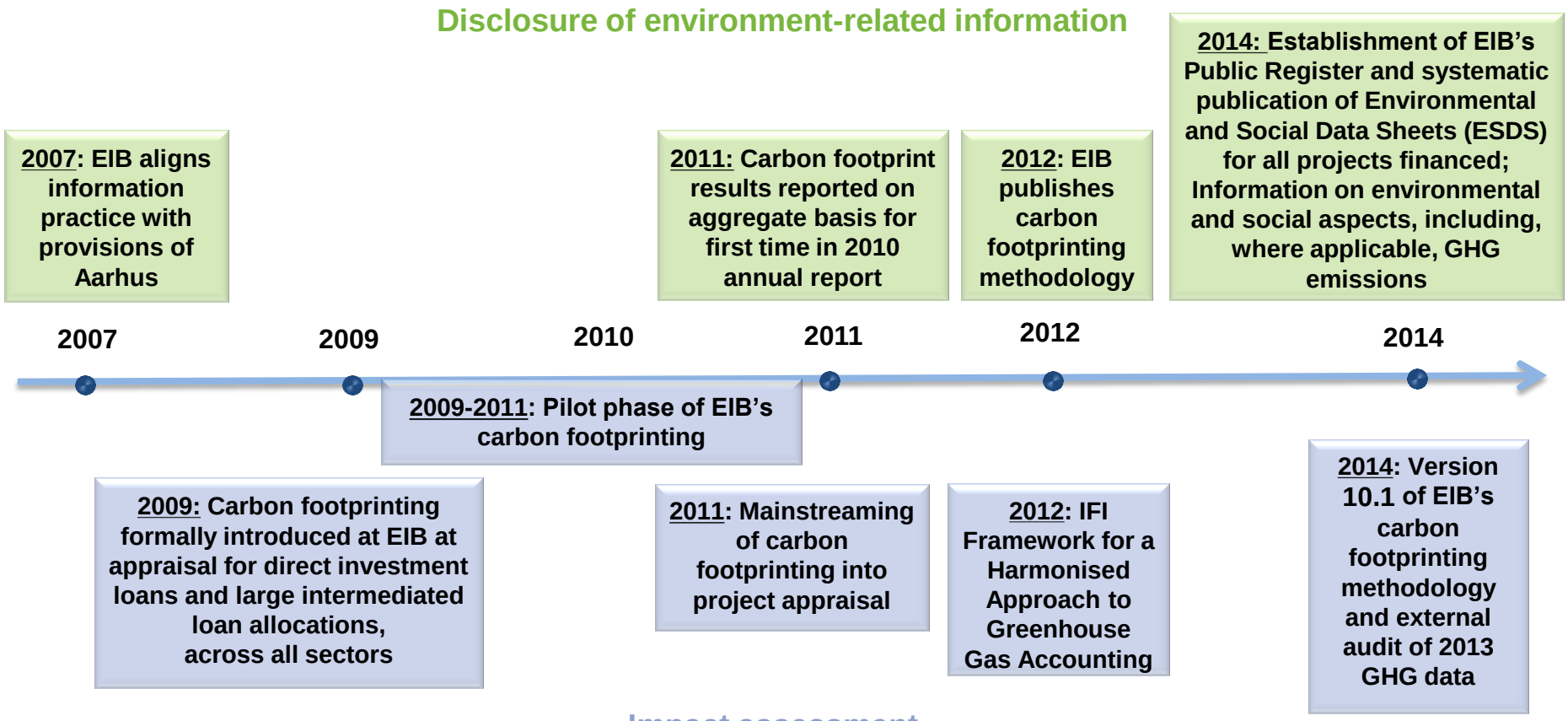
Signatories to the Convention commit to *...encourage operators whose activities have a significant impact on the environment to inform the public regularly of the environmental impact of their activities and products …*

ACTIONS – how is theory turned into practice?
EIB's practice guided by EU rules and Green Bond Principles

- **EU Regulation** ((EC) No 1367/2006): provisions of the Aarhus Convention apply to EU institutions and bodies => included in successive versions of the EIB Transparency Policy
- **Since 2007**, EIB's information practice includes disclosure of:
  - EIB's policies, strategies, guidelines, and procedures in the field of environment
  - Project-related information, including the Non-Technical Summary (NTS) of the Environmental Impact Assessment (EIA), and projects' environmental and social assessment
- **2009**: public consultation of Statement of Environmental and Social Principles and Standards
- **2014**: EIB Public Register of documents
- EIB supports **Green Bond Principles**; GBPs call for impact reporting, expressing investor expectations

History of carbon footprinting and E&S disclosure at EIB

- Environmental and social (E&S) due diligence and safeguards - applied to **ALL** projects
- Estimating GHG emissions / carbon footprinting – a way of capturing one specific environmental impact of projects



REPORTING – what is available?

Environmental and Social Data Sheet (ESDS)
Attachment to the project report to EIB's Board of Directors

Overview

Summary of Environmental and Social Assessment, including key issues and overall conclusion and recommendation

Environmental and Social Assessment

- **Environmental Assessment**
- **EIB Carbon Footprint Exercise**
- **Social Assessment**
- **Public Consultation and Stakeholder Engagement,**
- **Other Environmental and Social Aspects**

Key project information
- Project Name, Project ID Number, Country, Project Description
- Project included in **Carbon Footprint Exercise** for projects above significant emissions thresholds: yes/no

Key Environmental and Social Contractual Conditions that have been included in the project report to the Board of Directors

Environmental Assessment
- Compliance with applicable Environmental Legislation (national, EU and International)
- Environmental impacts
- Biodiversity issues
- Climate change mitigation - sector issues, energy efficiency and emissions savings, and carbon credit potential

EIB Carbon Footprint Exercise
- Estimated annual emissions of project in a standard year of operation: **absolute** (gross) **and relative** (net) figures

Social Assessment
Involuntary Resettlement, Rights and Interests of Vulnerable Groups, Labour Standards, Occupational and Community Health and Safety

Results of public consultation and stakeholder engagement, if such measures were required

CHALLENGES – is the data comparable?

How can different approaches affect impact reporting on a project? Theoretical example:

Estimated project emissions			
	Investor 1	**Investor 2**	**Investor 3**
Absolute emissions [tCO2e/year]	not reported	not reported	**15,000**
Avoided emissions [tCO2e/year] (relative emissions against the baseline)	c. - 270,000	c. - 240,000	**c. - 190,000**
Assumptions / Methodology			
Installed capacity [MW]	150	150	**150**
Electricity generation [GWh/year]	490	370	**320**

Differences in e.g.:

- Base case assumptions, e.g. load factors, upper or lower bounds
- Baseline assumptions for estimates of relative emissions

  (baseline is a reasonable but nevertheless a **counterfactual** future scenario)

- Limited comparability of data
- GHG figures are **order of magnitude** estimates

HARMONISATION – what initiatives are ongoing?

	IMPACT ASSESSMENT	IMPACT REPORTING
Initiative	**IFI Working Group on GHG accounting**	**informal working group on Green Bond Impact Reporting**
Who?	Diverse group of International Financing Institutions (IFIs)	AfDB, EIB, IBRD and IFC
Since when?	Launched in October 2008	Launched in 2014
Progress	• Harmonised approach published in 2012 (covering **relative/net** GHG emissions for **mitigation** projects): http://www.eib.org/attachments/documents/ifi_framework_for_harmonised_approach_to_gga.pdf • Significant progress in harmonisation on Renewable Energy in 2015 • Harmonisation on Energy Efficiency and Transport next on the agenda	• Harmonised reporting framework developed for **Renewable Energy** and **Energy Efficiency** • Other climate change mitigation sectors and climate change adaptation to be tackled in due course

CAPITAL MARKETS – role of impact reporting for Green Bonds and GBPs

Foster **transparency** and **accountability** of climate finance

Recommend reporting on **expected environmental (and developmental) impact**

Impact reporting adds value, but highlights the **limits of impact assessment**, including the issue of **comparability** of data

Push forward the debate towards **harmonisation of impact assessment**

HARMONISED IMPACT REPORTING – jointly agreed format

- Impact reporting template agreed among the informal working group on Green Bond Impact Reporting
- Proposed reporting indicators for **Renewable Energy** and **Energy Efficiency**

Energy Efficiency (EE) and Renewable Energy (RE)	**Signed Amount**	**Share of Total Project Financing**	**Allocated Amount**	**Project lifetime**	**Annual energy savings**	**Annual energy produced**	**Renewable energy capacity constructed or rehabilitated**	**Annual GHG emissions reduced / avoided**	**Other Indicators**
Project name	currency	%	currency	in years	in MWh	In MWh	in MW	in tonnes of CO_2 equivalent	
e.g. Project 1	100	75%	60	20	62	- na -	- na -	12,000	• No. of people who benefited • **Absolute annual project emissions**
e.g. Project 2	120	100%	85	20	70	65	10	14,000	• **Absolute annual project emissions**

HARMONISED IMPACT REPORTING – EIB's first steps

[Extract from EIB's 2014 CAB Newsletter]

					PROJECT-LEVEL DATA					DATA PER EUR 1m OF PROJECT COST				
Project name	**Location**	**Sector**	**Total project cost (EUR m)**	**EIB's share in total project cost**	**Gross additional installed electricity capacity (MW-e)**	**Additional electricity produced (GWh-e)**	**Energy saved (heat / electricity; GWh)**	**Absolute GHG emissions (kt CO2e)**	**Relative GHG emissions (kt CO2e)**	**Gross additional installed electricity capacity (MW-e)**	**Additional electricity produced (GWh-e)**	**Energy saved (heat / electricity; GWh)**	**Absolute GHG emissions (kt CO2e)**	**Relative GHG emissions (kt CO2e)**
BORD GAIS ONSHORE WIND PROGRAM	Ireland	Wind - Onshore	512	48%	219	697	0	0	-370	0.43	1.36	0.00	0.00	-0.72
BUCHAREST S1 THERMAL REHABILITATION II	Romania	Energy Efficiency - Buildings	182	75%	0	0	150	39	-66	0.00	0.00	0.82	0.21	-0.36
BUTENDIEK OFFSHORE WIND FARM A	Germany	Wind - Offshore	1,421	36%	288	1,194	0	0	-857	0.20	0.84	0.00	0.00	-0.60
CENTRALE SOLAIRE DE OUARZAZATE	Morocco	Solar	676	44%	160	323	0	13	-193	0.24	0.48	0.00	0.02	-0.29
COMPAGNIA VALDOSTANA ENERGIA ED AMB	Italy	Hydropower	544	37%	182	540	0	0	-281	0.33	0.99	0.00	0.00	-0.52
EXTENSION CHAUFFA GE URBAIN PARIS	France	Heat supply	296	49%	43	95	0	124	-19	0.14	0.32	0.00	0.42	-0.06
FORTUM CHP PLANT STOCKHOLM	Sweden	Combined Heat and Power production - biomass	533	49%	130	732	0	76	-381	0.24	1.37	0.00	0.14	-0.71
FRANCE BIOMASSE - DALKIA - TRANCHE CIC	France	Combined Heat and Power production - biomass	202	50%	80	357	0	23	-220	0.40	1.77	0.00	0.11	-1.09
GLOBAL TECH I OFFSHORE WINDPARK A	Germany	Wind - Offshore	1,806	28%	400	1,500	0	0	-925	0.22	0.83	0.00	0.00	-0.51
HIGH VOLTAGE TRANSMISSION LINES	Georgia	Renewable Energy - Transmission Infrastructure	300	27%	0	0	0	0	-161	0.00	0.00	0.00	0.00	-0.54

2014 CAB ALLOCATIONS – aggregated projects' impacts

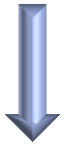
Impact indicator per EUR 1m of recipient loan disbursement (investment loans only)	Result*
Weighted average **absolute GHG emissions** per year per EUR 1m of recipient loan disbursement	193 t CO2-equiv.
Weighted average **GHG emissions avoided** per year per EUR 1m of recipient loan disbursement	(-) 770 t CO2-equiv.
Weighted average **gross additional installed electricity capacity** per EUR 1m of recipient loan disbursement	0.46 MW-e
Weighted average **gross additional installed heat capacity** per EUR 1m of recipient loan disbursement	0.04 MW-th
Weighted average **additional electricity produced** per year per EUR 1m of recipient loan disbursement	1.82 GWh-e
Weighted average **additional heat produced** per year per EUR 1m of recipient loan disbursement	0.25 GWh-th
Weighted average **energy (heat and electricity) saved** per year per EUR 1m of recipient loan disbursement	0.87 GWh
Weighted average **additional length of transmission line** per EUR 1m of recipient loan disbursement	0.22 km

* These figures concern 2014 data and allocations from EIB Green Bonds (CABs)

HARMONISATION – why does it matter NOW?

- UNFCCC COP 21 in Paris in December 2015 – expected political commitments towards GHG emission targets

- How will progress be measured? Proper estimation of GHG emissions is key for contributing to *2 degree* objective



Harmonisation of impact assessment is crucial for public policy implementation

Who should bring the agenda forward?

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