

CEE Bankwatch Network comments on the EBRD's draft GET 2.0

Overall comments

1) Format

Several years ago, the EBRD moved to a fresher power-point-style format to present its strategies. While this certainly added some colour, we feel it has detracted from the content and background analysis. The draft GET 2.0 proposals, spread over three documents, are particularly difficult to get a grasp on.

Also the format of the online consultation meeting could be improved - in particular there was not sufficient time available for discussion during the allotted time slot.

2) Need for more clarity of intent and priorities

Related to the above, we are still not clearly able to understand what exactly the bank's concrete sectoral and geographical investment priorities are under GET 2.0. A large number of keywords and sectors are mentioned, but it is not clear which ones are actually the highest priorities.

3) Halt to fossil fuel investments needed

As we underlined on the consultation call, in order to address the ongoing climate emergency, the EBRD urgently needs to commit to halting fossil fuel lending, as the EIB did in 2019.

The EBRD's GET II slides state that "*At the One Planet Summit in 2017, MDBs announced their intention to align financial flows to support the goals of the Paris Agreement*", but this still needs to be carried out in practice.

In reality, there are simply no more excuses for investing in oil and gas, whether in the scope of the GET 2.0 or outside of it.

Already in 2016 [Oil Change International calculated](#) that no more fossil fuel infrastructure can be built if we are to meet the goals of the Paris Agreement. The potential carbon emissions from the oil, gas, and coal in the world's operating fields and mines would already take us beyond 2°C of warming, and even excluding coal, the reserves in currently operating oil and gas fields would take us beyond 1.5°C.

The [IEA World Energy Review 2018](#) had similar findings: "*The analysis reviewed all current and under-construction energy infrastructure around the world – such as power plants, refineries, cars and trucks, industrial boilers, and home heaters – and finds those will*

account for some 95% of all emissions permitted under international climate targets in coming decades."

Estimates of exactly how much gas contributes to climate change are continuously being revised upwards, and depend on the Global Warming Potential (GWP) assigned to methane as well as assumptions about the extent of fugitive emissions during gas extraction and transportation. One estimate cited in the [EBRD's own Energy Strategy](#) is that in the best case, gas combustion saves a maximum of 30% of greenhouse gas emissions compared to coal (with a 20 year Global Warming Potential (GWP), considering methane's atmospheric lifetime of around 12 years) - hardly an advantage worth investing millions of EUR for.

What is most alarming is that the bank's fossil fuel investments have even *increased* on average in the last few years in absolute terms, while remaining at 41 per cent of its investments in the power and energy utilities and natural resources sectors. *(For more analysis of the EBRD's investments in these sectors in 2018 and 2019 see the accompanying briefing).*

There is no more room for investing in fossil fuel infrastructure. All efforts must now go towards sustainable decarbonisation and energy savings.

4) "Low-carbon pathways" no longer enough

The title *Accelerating The Transition To A Green Low Carbon Economy* and the frequent uses of the phrase "low carbon" throughout the document are not appropriate in the current situation.

In November 2019 the European Parliament declared a [global climate emergency](#). There is no longer space for ambiguous terms like "low carbon", which are often a smokescreen for the continued use of fossil gas. The goal must be **net zero carbon emissions** by 2050, and given the long lifetime of most infrastructure, as outlined above, that means all infrastructure built now must be fossil-fuel free.

Throughout the EBRD's GET II documentation, the term "low-carbon" needs to be replaced with "carbon neutral" or "zero carbon".

The EBRD should also explicitly recognise and mention the shortcomings of existing NDCs - on the global level they would not allow the 1.5°C goal under Paris Agreement to be achieved - and thus commit to go beyond existing NDCs.

5) Updating of the handbook needed to align with the EU sustainable investment taxonomy

The goal of the EU's sustainable investment taxonomy is to ensure a standard approach to defining "sustainable" investments and to prevent greenwash. We were rather surprised to hear on the recent consultation call that the EBRD does not plan to fully align with the climate mitigation and adaptation taxonomy developed so far by the EU's Technical Expert Group.

While we understand that the taxonomy criteria have not been finally adopted into EU legislation yet, we would expect that a primarily European-owned bank such as the EBRD would be among the first to adopt EU criteria on sustainable investments once it is officially adopted. Not doing so rather defeats the purpose of standardising the definition of “sustainable investments” and leaves the bank open to accusations of greenwash if its criteria are less strict than the EU ones.

Moreover, it is important to ensure the coherence of the GET criteria by excluding any potentially contradicting issues, i.e., circular materials development and waste incineration facilities which we can see happening now under the EBRD Green Cities framework.

6) Clarification needed on the bank’s greenhouse gas (GHG) accounting methodology

Bankwatch has previously pointed out that the EBRD’s [protocol on the assessment of greenhouse gas emissions](#) unjustifiably cherry-picks whether to include Scope 3 emissions in project assessments¹ and allows the setting of high-carbon baselines that allow even fossil fuel projects to be presented as GHG-saving, even though most countries would not keep using the current energy mix in the future for economic and legal reasons. The first set of slides, however, say that the CO₂ reductions reflect, among other things: “*Conservative approach to GHG accounting (no more scope 3 emission savings)*”. But this is not the same as written in the protocol, which also appears at the end of the GET Handbook. It seems therefore that the protocol needs to be updated to reflect this, and it needs to be explained in the slide since when Scope 3 savings have not been counted.

7) Throughout the document materials and water efficiency not as clearly emphasised as GHG emissions reductions

Clearly the global climate emergency calls for a large-scale and decisive response from the EBRD and needs to be at the forefront of its GET Approach. Nevertheless, throughout the slides the climate aspect is generally more visible than the water-saving and waste prevention/circular economy aspects, so the bank may want to consider how to ensure the different aspects get sufficient visibility. The current concept seems to be mainly based on technological solutions to increase energy and resource efficiency. However, we find it important to also explore the opportunities to achieve it by the development of alternative economic models as long-term solutions, i.e. sharing or service economy, community-based economy, etc.

Moreover, the new GET approach needs to be based on system-wide thinking, including awareness of all the side effects and potential environmental risks associated with a transition to a green economy. For example, in 2017 the World Bank [estimated](#) that

¹ The [EBRD’s protocol on the assessment of greenhouse gas emissions](#) states: “*In some cases a project may have impacts on GHG emission upstream or downstream in a supply chain or in the market that it serves. These would typically be considered as Scope 3 and excluded from EBRD’s project boundary. However, if these impacts have significant mitigation benefits that underpin the rationale for the EBRD’s investment in the project, the Bank may choose to extend the boundary of the assessment to include these benefits. These benefits may be included in reporting for the GET approach or as a separate line in the Sustainability Report, but are excluded from the reporting of overall GHG impact of the portfolio, which includes only Scope 1 and 2.*”

low-carbon energy and transportation would require at least a doubling in minerals and metals use. This may drastically increase the social and environmental risks associated with the mining industry, as well as energy consumption by the sector, so there needs to be an increased emphasis on improving design, material recovery and re-use of materials to minimise the need for additional mining. The intensive development of renewable sources of energy and electric transportation also requires intensive planning on how to improve the design and waste management for these sectors. These concerns should also be integrated into the GET strategy.

Another aspect where the EBRD could have added value through GET 2.0 is the development of integrated or coupled solutions in a particular location, eg. public electric transport accompanied by renewable sources of energy. Otherwise, new green solutions may reinforce old environmental problems, i.e. nuclear energy development to produce electricity for public e-transport, or increased food insecurity to satisfy the needs for biofuel production.

8) Re-development of carbon extraction regions must be based on participatory plans

The EBRD rightly identifies Just Transition as part of its strategic approach and plans for the creation of Just Transition programmes. The experience from the EU Platform for Coal Regions in Transition shows that key to success is the bottom-up, participatory creation of regional redevelopment plans. Such a participatory process goes beyond the EBRD Environmental and Social Policy procedures. Thus the GET 2.0 should make an explicit commitment to support such bottom-up participatory processes, but also to make sufficient resources available for this and pay particular attention to this in less democratic countries where public participation is restricted.

Specific comments

ACCELERATING THE TRANSITION TO A GREEN LOW CARBON ECONOMY

[Part 1 - Overview of GET 1.0 Results and Impact](#)

p.5 “Avoided 102 million tonnes of CO₂/year” “Since 2013, helped reduce 384 mil. m³ in water consumed/year” and p.7: “Cumulative estimated annual carbon emission reduction since 2006 reached 102 million tonnes including 23 million tonnes over GET 1.0 period. This is broadly equivalent to twice the annual GHG emissions of Morocco in 2017. Since the SRI launch in 2013, 384 million m³ water saved and 3.5 million ton waste minimised.”

Comment: These figures seem impressive, but for as long as they only cover the GET part of the EBRD’s portfolio and not the whole portfolio, they cannot give an accurate picture.

Likewise, as mentioned above, unless the EBRD’s GHG assessment protocol is improved to take account of Scope 3 emissions in a consistent way² and to ensure the use of convincing

² We only see double-counting as an issue for global reporting to the UNFCCC, not for individual projects.

baselines,³ these figures will continue to over-report reductions and underestimate continuation or increases of emissions.

P.10 “Given contribution to carbon emissions (~40%), EE in buildings still needs to get to scale.”

Comment: We agree that this is a crucial area. We would like to see more explanation of why this has not been able to happen so far and what can be done to make it happen.

P. 12 “11.8 GW RE installed capacity including

- 4.4 GW hydro
- 3.9 GW wind
- 2.7 GW solar”

Comment: The EBRD’s ramping up of solar and wind lending in recent years has been impressive. We are puzzled by the 4.4. GW of hydropower though, as it sounds like much more than the projects for which Project Summary Documents have been published. Does it include rehabilitations?

ACCELERATING THE TRANSITION TO A GREEN LOW CARBON ECONOMY

Part II – Introduction to GET 2.0

P.4 “In developing this systemic approach, the Bank will pursue the following objectives:

...

- align its overall operations to the goals of the Paris Agreement, including Just Transition;”

Comment: As explained in the overall comments, this objective must include committing to halt fossil fuel lending.

P.4 “enhance operational effectiveness and impact by developing green transition acceleration platforms focused on priority activity sectors” and p.10 “GREEN TRANSITION ACCELERATION PLATFORMS (GTAPs)”

Comment: Reading between the lines, the fact that the GTAPs are being developed for the sectors on slide 10 suggest that this is the list of priority activity sectors. However there are a lot of them and each of them is very broad. Are some a higher priority than others? Are there some geographical priorities?

³ The proposed projects should be compared with the most sustainable alternatives. Currently there is a lot of flexibility with baseline-setting that allows the baseline to be set as a very carbon-intensive scenario that automatically makes the project look like an improvement on the current situation. But in many cases the current situation would not continue in the absence of the project, because renewable energy is becoming cheaper, while fossil fuels are increasingly an economic as well as environmental liability, not to mention the potential of many EBRD countries for energy saving. So comparing the project to the current situation is not an accurate reflection of what could be realistic alternatives to the project over several decades.

P.5 *“In terms of country-specific work, the enhanced policy agenda will seek to achieve systemic impact at country and regional level through:*

- *intensive support to the formulation of long term low carbon and climate resilient strategies (LTS) and NDC formulation based on local stakeholder engagement including private sector actors;*
- *development of policies, regulations and standards supporting sectoral low carbon and resilient pathways”.*

Comment: Support for countries to take a longer-term and more ambitious approach regarding decarbonisation and climate resilience may be very useful. What the EBRD however needs to consider, in order to ensure the effectiveness of this support, is **what the minimum standards are that it sets for the resulting policy documents?** They need to follow a trajectory that would result in the 1.5°C goal of the Paris Agreement being met ie. **carbon neutrality by 2050.**

We have experience with policy assistance by other donors, namely the UK government's assistance for Bosnia and Herzegovina for the development of its energy strategy, apparently without setting minimum requirements for the quality of the resulting document. This has led to an energy strategy that has no scenarios with ambitious renewable energy growth, is not aligned with EU climate policies, and no selection has been made as to which scenario is to be followed. Thus despite the hard work put into it, it unfortunately has little value as a policy document. The EBRD needs to avoid such wasting of resources by clearly stating the minimum standards it seeks to achieve with its climate policy assistance.

Similarly, the bank needs to make clear statements in the GET II Approach about what is needed. **The term “low-carbon” needs to be replaced by “carbon-neutral”,** and any reference to NDCs needs to show that more ambition is needed to reach the goals of the Paris Agreement. So instead of “NDC formulation” we recommend **“formulation of Paris-aligned NDCs”.**

P.5 *“sustainability of renewable energy support mechanisms”*

Comment: The Bank's engagement in improving the sustainability of renewable energy support mechanisms is welcome as long as it takes into account **environmental sustainability as well as economic sustainability.** It also needs to approach the sector holistically in order to ensure that the resulting support schemes are **in line with EU competition legislation** for all technologies.

Our experience in North Macedonia shows that the change to an auctions and premiums-based system only applies to solar and wind, with an unlimited amount of small hydropower still allowed to be granted feed-in tariffs. This puts small hydropower at an unfair advantage, even though it has proven to be environmentally damaging and generates a very limited amount of electricity. For this reason, the North Macedonian incentives scheme is currently subject to a [complaint](#) to the Energy Community Secretariat. We are concerned that something similar may happen in Serbia as well, as the EBRD has been engaged to help develop auctions for solar and wind, apparently without taking into account the wider

legal framework for other technologies.

P.5 “Green Cities Action Plans developing further to align with country NDCs and establish monitoring and reporting frameworks”

Comment: Aligning with existing NDCs is not enough to prevent dangerous climate change and the EBRD needs to make it clear that it knows this. We recommend replacing this with *“Green Cities Action Plans developing further to align with a Paris-aligned emissions reduction trajectory and establish monitoring and reporting frameworks”*.

P. 10: see comment on p.4 above.

P.12-13 “Areas of focus going forward”

Comment: It is not very clear what is the difference between these areas of focus and the topics on p.10 to be covered by the Platforms are. Both are very wide lists (2 pages of areas of focus seems like potentially more prioritisation is needed?) and together they are even wider.

P.12: “Green cities with 100 cities target”

Comment: If there are only 8 ongoing GCAP processes at the moment and three completed, 100 seems quite ambitious. Perhaps it would be better to concentrate on doing fewer, better?

P.12: “Consideration of emerging external green finance methodology/taxonomy (EU Sustainable Finance, Climate Bond Initiative, TCFD)”

Comment: This needs to be clarified to say what exactly the EBRD is committing to in relation to these.

P.12: “Finance instruments for mobilisation”

Comment: This needs to be explained.

ACCELERATING THE TRANSITION TO A GREEN LOW CARBON ECONOMY

[Part III: Enhanced Country and Policy Work under GET 2.0](#)

P.5 “Reduced hydroelectric generation in Central Asia”

Comment: This is not only an issue in Central Asia but also the Western Balkans, which should also be mentioned.