Aligning the CEB’s portfolio with the Paris Agreement on climate change

With its observer status having been confirmed in 2018, the CEB participated in the 24th edition of the Conference of the Parties to the United Nation’s Framework Convention on Climate Change (COP24) which took place in Katowice, Poland.

Prior to COP24, the UN Environment Programme’s Emission Gap Report for 2018 had insisted on the need for countries to accelerate their mitigation efforts to avoid overshooting the Paris Agreement’s goal of a 2°C pathway. However, the parties in Katowice considered the geopolitical context and concerns about the social justice of climate action policies were not conducive to increasing Nationally Determined Contributions. Nevertheless, COP24 did achieve the adoption of a common rule book defining how each country will report on its emissions and climate targets. The CEB sees this as an important step towards practical implementation of the Paris Agreement.

The CEB’s climate strategy

The lack of political momentum for boosting national climate goals has spurred non-state actors and financial institutions such as the CEB to step up climate action and help nations close the “emissions gap”. In this respect the CEB has been joining efforts in various partnerships with other Multi-lateral Development Banks (MDBs) to align with the objectives of the Paris Agreement. The CEB is pleased that the basic elements MDBs agreed on are steps the Bank has been progressively implementing for some time now, namely:

• Ensuring that projects are in line which each country’s low-emission development pathway.
• Managing physical climate risks and making projects more resilient to climate change.
• Prioritising, targeting and reporting on climate finance.
• Developing tools and methods for screening, monitoring and reporting on climate change indicators.
• Ensuring that internal operations are aligned with the Paris Agreement.

Furthermore, as a social development bank, the CEB must ensure that the supported climate action goals are socially inclusive. This notably implies the optimisation of social co-benefits in climate change mitigation projects, for instance the reduction of energy poverty or the protection of fragile population groups in climate change adaptation projects.

GRI 305-3

The CEB’s approach to assessing and measuring project related emissions

The CEB applies greenhouse gas emission (GHG) screening to all projects proposed for CEB financing to establish a preliminary estimate of the expected GHG emissions from a project and, in the case of mitigation projects, the relative decrease in GHG emissions. The screening methodology distinguishes three levels of CO₂ equivalent emissions:

• High: > 20 000 tonnes CO₂
• Medium: 10 - 20 000 tonnes CO₂
• Low: <10 000 tonnes CO₂

Carbon footprint calculations are made for all projects estimated as “medium” or “high” emissions and for those categorised “low”, where sufficient data is available to yield meaningful results. Calculations are based on standard methodologies (e.g. the ADEME’s Bilan Carbone for buildings) and include estimates of construction related emissions where feasible.

“Alignment with the Paris Agreement goals needs to be socially inclusive. This implies better integration of the social dimensions in climate action.”

— Anton Spierenburg, Deputy Director for Technical Assessment and Monitoring
**Estimating greenhouse gas emissions for projects approved in 2017 and 2018**

* (tonnes of CO₂ eq. per year, CEB’s internal climate change methodology)

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**CEB’s climate action financing: Mitigation and Adaptation in 2017 and 2018**

*(in € million)*

<table>
<thead>
<tr>
<th>Year</th>
<th>Mitigation</th>
<th>Adaptation</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>233</td>
<td>90</td>
<td>323</td>
</tr>
<tr>
<td>2018</td>
<td>584</td>
<td>45</td>
<td>629</td>
</tr>
</tbody>
</table>

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Note that, in 2017, climate financing (€ 323 million) accounted for 8% of the total of projects approved while in 2018 climate financing (€ 629 million) increased to 16% of total projects approved.
Supporting socially inclusive climate action
Bosnia and Herzegovina

In Bosnia and Herzegovina the residential building sector accounts for 47% of total final energy consumption which is much higher than the EU average (25%) and thus represents a vast potential for emissions savings. The combination of poor insulation and inefficient heating systems in the building stock leads to high energy consumption which may take up a disproportionate share in the budget of low-income households, which represent 50% of Bosnia’s population. This situation, known as energy poverty, has been aggravated by escalating energy prices and the country’s economic situation (see also “Learnings from CEB in-house research”). Moreover, low-income families are unable to improve their situation by investing in energy efficiency renovation of their homes due to their restricted access to commercial bank loans for this purpose.

To help Bosnian and Herzegovinian low-income households address the issues of energy poverty and the climate impact of their energy inefficient housing, the Bank established a partnership with a local microcredit organisation to set up a financial instrument for the funding of small scale energy efficiency investments. The instrument tackles the market failure of access to credit, and provides micro loans to private households, micro-enterprises and farmers for a range of works, such as insulation of the building envelope, replacement of windows and doors, and new heating systems. An important element of the instrument is assisting beneficiaries in deciding on the scope of the works that best suits their needs and optimises savings. Finally, the instrument includes a GHG accounting tool which enables the microcredit institution and the CEB to monitor results in terms of emission savings.