



E3G

ASIAN INFRASTRUCTURE INVESTMENT BANK



This is a dashboard summary for this bank from E3G's major report "Banking on Asia: Alignment with the Paris Agreement at six Development Finance Institutions in Asia". Please see the full report for the detailed analysis behind this summary.

Founded: Created in 2016, began operations in January 2016. Note that as AIIB is still a very new institution it has not yet established its full suite of policies, safeguards and best practice which may negatively impact the assessment of its Paris Agreement alignment below. This assessment should be updated with new policy announcement during years to come.

Mission: To be lean, clean and green. To improve social and economic outcomes in Asia. To invest in sustainable infrastructure and other productive sectors in Asia and beyond, to better connect people, services and markets that over time will impact the lives of billions and build a better future.

Total assets: USD 22.372 billion

Headquarters: Beijing, China

Top shareholders: China (30.9%), India (8.7%), Russia (6.8%) and Germany (4.7%)

Key moments and decisions coming up:

- AIIB annual meeting, 2–3 July 2020, China
- AIIB corporate strategy to be drafted during 2020, which may incorporate elements of a climate change strategy
- Review of Environment and Social Framework
- Drafting of Water and Digital Infrastructure Strategies

Summary of Paris alignment assessment: The Asian Infrastructure Investment Bank is a post-Paris bank, as it was created after the Paris Agreement and therefore has an opportunity to fully integrate the commitment to the Paris goals in all its policies and structures. It does however have room for improvement across all criteria included in this study. It has been classified as having made 'some progress' on most indicators which is fitting given the fact it



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is a new institution and still in the process of putting policies in place. Areas to prioritise include the creation of a climate strategy, project-level reporting of GHG emissions (it is understood that some projects that will do this are in pipeline) and the implementation of a climate risk framework.

Figure 1: A summary of the assessment of AIIB's Paris Agreement alignment

E3G criteria	AIIB Assessment
Standalone climate strategy and integration of climate in overarching strategy	Not aligned – AIIB doesn't have a standalone climate strategy.
Integration of climate mitigation and resilience in key sectoral strategies	Some progress – The AIIB energy strategy doesn't exclude coal, whilst the transport strategy is unclear as to whether green technologies are going to be promoted in less developed countries. Water strategy being developed.
Transparency of climate finance data	Some progress - Reasonable disclosure of climate finance data is made but there is a lack of transparency on FI sub-projects.
Energy efficiency strategy, standards and investment	Some progress - Increased investment in energy efficiency priority; relatively weak standards in power generation and for financial intermediaries
Fossil fuel exclusion policies	Some progress – No coal exclusion policy, although AIIB has said no coal is in pipeline. Oil and gas extraction projects “unlikely”.
Greenhouse gas accounting and reduction	Some progress – Portfolio-level monitoring of GHG emissions for energy sector only. No project-level reporting yet (although some projects in pipeline) and no targets.
Climate risk, resilience, and adaptation	Some progress – No comprehensive climate risk management process at project level.
Green/brown energy finance and scaling up climate investment	Some progress - Scaled up climate financing but low green-brown ratio of 0.86:1 ¹ .
Technical assistance for implementing Paris goals	N/A – AIIB does not provide technical assistance, but recognition of role in energy sector.
Promotion of green finance	Some progress – AIIB has emerging promotion of green finance among market participants and institutions.

Paris-aligned project case study: Manila Flood Management project in the Philippines²

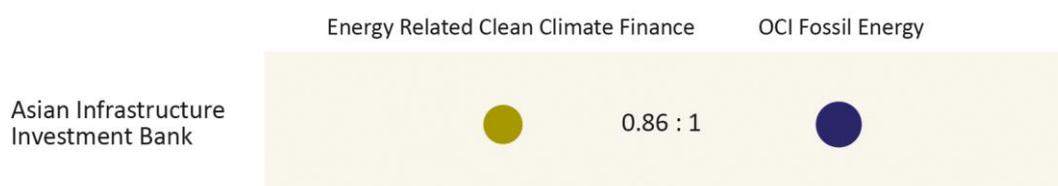
¹ See relevant chapter on green-brown ratios for a detailed definition of this ratio.

² AIIB (2017) **Philippines: Metro Manila Flood Management Project**

Misaligned project case study: Bhola gas plant in Bangladesh³

Bank green-brown energy ratio:

Figure 2: AIIB's energy-related clean finance versus fossil finance (2016–17 average)



Source: E3G analysis of climate-related finance data from OECD-DAC and fossil finance data from OCI

Recommendations:

- > AIIB should put in place an overarching climate change strategy, as well as incorporating this into their corporate strategy.
- > AIIB should look to implement further climate risk management systems across its portfolio and establish a project-level climate risk process.
- > AIIB should consider setting up technical assistance programmes, including climate-related technical assistance to address upstream barriers in client countries.

Leadership area: The AIIB leadership has gone to great lengths to make clear that it has no coal in its pipeline and has no intention to finance any coal projects. This shows leadership within Asian financial institutions, and other development banks should follow suit. The President of the AIIB, Jin Liqun, has stated that “there are no coal projects in our pipeline, and we will not consider any proposals if we are concerned about their environmental and reputational impact”⁴. AIIB Vice-Presidents Joachim von Amsberg and Thierry de Longuemar have both also stated that the Bank will not fund coal⁵. AIIB has also shown leadership on climate bonds and on raising awareness of environmental, social and governance issues in the Asia region.

³ AIIB (2016) **Bangladesh Bhola IPP**. As set out in the Fossil Fuel Exclusions chapter, investment in new fossil gas infrastructure cannot be considered to be aligned with the goals of the Paris Agreement.

⁴ AIIB (2017) **Opening address Jin Liqun AIIB Board of Governors meeting 2017**

⁵ The Times (2017) **We will not invest in coal says China’s would-be World Bank** and Foreign Policy (2017) **Even China-backed development bank won’t touch coal projects**