



E3G

DEFINITIONS OF LEVELS OF PARIS ALIGNMENT

The table below shows how E3G defined the various levels of the different criteria used to judge Paris Agreement alignment, including a definition of what could be seen as ‘transformational’ and going beyond ‘basic’ Paris alignment. These transformational actions should be seen as the final goal of this process.

We fully recognise that Paris Agreement alignment is a complex concept and is subject to the challenges inherent within the Paris Agreement, including the current gap between the collective ambition of the NDCs and the long-term goals of the Paris Agreement and the fact that not all Parties have yet developed national long-term decarbonisation strategies. Nonetheless, we have sought to define what Paris alignment could look like under the various aspects or metrics of climate action at development institutions, in line with the six building blocks of Paris Agreement alignment development by the MDBs.

Figure 1: Definitions for the various levels of Paris alignment

MDB Paris alignment blocks	E3G criteria	Benchmarks			
		Not aligned	Some progress	Paris-Aligned	Transformational
Alignment with mitigation goals	Greenhouse gas accounting at project and portfolio level	No GHG accounting at project or portfolio level	Tracking emissions only in certain sectors; or full tracking but no target to reduce emissions	Ambitious target to peak and reduce portfolio GHG emissions	Science-based target to reduce portfolio emissions (or better), covering both direct and indirect lending and Scopes 1, 2 and 3.
	Policies to restrict finance to fossil fuels	No fossil fuel exclusions or evidence of recent fossil fuel investments	Exclusions on either coal or upstream oil and gas	Commitment to ending all fossil fuel finance by 2020; already implemented exclusions on coal and upstream oil and gas	Total exclusion of fossil fuels and related infrastructure with official policy and full implementation, direct and indirect lending



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Adaptation and climate-resilient operations	Climate risk	No project-level climate risk management, very little adaptation finance.	Basic project-level climate risk management, lack of systemic approach to resilience.	Comprehensive project-level climate risk management, enhancing client resilience, and scaling adaptation finance.	Promoting project-level climate risk management, leading identification of structural needs, and catalysing broader adaptation finance flows.
Accelerated contribution to the transition through climate finance	Green-Brown energy ratio and scaling up climate investment in all sectors	Fossil fuel investment outweighs climate-related energy investment	Climate investment increasing but low green-brown ratio	Scaling up climate investment in the energy sector and 'brown' lending at zero.	Scaling up climate investment in all sectors. 'Brown' lending at zero.
	Energy efficiency strategy, standards and investment	Lack of integration of basic efficiency standards, low investment in efficiency	Incremental changes to improve energy productivity, some investment in efficiency	Energy efficiency standards across all sectors promote best available technology and identify investment needs; no carbon lock-in effects.	An energy efficiency first principle drives innovative approaches to delivery of efficient infrastructure. Demand side reduction prioritised over new infrastructure where possible; new infrastructure only built to highest energy efficiency standards
	Promotion of green finance	Lack of support for green finance	Limited promotion of green finance and green fiscal and tax reform	Emerging promotion of green finance in banks, local and national institutions, insurers and regulators.	Driving systemic change across all financial actors including banks, local and national institutions, insurers, central banks and regulators



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		Not aligned	Some progress	Paris-Aligned	Transformational
Engagement and policy development support	Technical assistance for implementing Paris goals and national transitions	No evidence of technical assistance to help implement Paris Agreement goals; or evidence of technical assistance misaligned to Paris.	Limited standalone technical assistance on Paris goals, or technical assistance not fully aligned with Paris goals	Evidence of technical assistance programmes to implement existing NDCs, not necessarily consistent with 1.5°C	Programme to help implement Paris Agreement goals and raise ambition of NDCs, consistent with 1.5°C. Supporting countries with ambitious regulatory and market reforms
Reporting	Level of transparency of climate related information	Lack of transparency on any climate related projects	Limited transparency and disclosure. Project level information available	Full project level information available including detailed descriptions. Sub-projects of financial intermediaries are disclosed	Institutions to report to a joint MDB-IDFC project level database using the same reporting format as OECD
Align internal activities	Standalone climate strategy & integration of climate in overarching strategy	Lack of climate strategy. No integration into overarching bank strategy	Limited climate strategy or no indicators to monitor progress. Limited integration of mitigation or resilience	Comprehensive climate strategy, integration of mitigation <i>and</i> resilience in overarching bank strategy	Integration of both deep decarbonisation and resilience in strategy, roadmap for alignment with 1.5°C and strong evidence of implementation. Principle of “do no harm” to Paris goals.
	Integration of climate mitigation and resilience in key sectoral strategies	No integration in key sectoral strategies	Limited integration in some sectors	Strong evidence of integration of both mitigation and resilience in key sectors (transport, energy, water and cities)	Integration of deep decarbonisation and systemic resilience in key sector strategies