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## PARIS ALIGNMENT AT DEVELOPMENT BANKS: WHAT DOES SUCCESS LOOK LIKE?

*This is a tear out toolkit from E3G's major report "Banking on Asia: Alignment with the Paris Agreement at six Development Finance Institutions in Asia". Please see the full 200 page report on the E3G website for the detailed analysis based on these metrics.*

At COP25 in Chile in December 2019 the Multilateral Development Banks are set to publish their common framework of principles for how to align with the Paris Agreement<sup>1</sup>. It is hoped that the International Development Finance Club (IDFC) will then build on this and adopt a similar methodology. This section sets out some ideas for what success would look like in this methodology, using Paris-aligned and transformational categories. The content of each box is identical to the last two columns of Definitions of Paris Agreement alignment table in Annex 1.

The joint process of alignment with the Paris Agreement should also lead to some collective MDB commitments, such as common approaches to fossil fuel exclusion, science-based and Paris-compliant commitments to peaking and reducing greenhouse gas emissions, and a framework on climate risk and adaptation.

In addition to the various banks meeting the various levels of the criteria, there is also a need for harmonisation and standardisation of environmental and climate safeguards and standards if the MDBs are going to have maximum impact as 'knowledge banks' in shifting financial flows. Joint commitments should be made therefore to put activities that do harm to Paris goals on a joint "non-aligned" list, and to peak and reduce MDB total portfolio GHG emissions. A common principle could also be adopted that the DFI standards, and not national environmental standards, are always used in lending, unless national standards are more stringent.

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<sup>1</sup> EBRD et al (2019) [High level MDB statement for publication at the UNSG Climate Action Summit 22 September 2019](#).



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Figure 1: Benchmarks for Paris alignment

MDB Paris Alignment Blocks	E3G Criteria	Benchmarks	
		Paris-aligned	Transformational
Alignment with mitigation goals	Greenhouse gas accounting at project and portfolio level	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 including exploration	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
Adaptation and climate-resilient operations	Climate Risk	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	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	Energy efficiency standards across all sectors promote best available technology and identify investment needs; no carbon lock-in effects.	Energy efficiency first principle in energy, buildings and transport, including emission performance standards
	Promotion of green finance	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
Engagement and policy development support	Technical assistance for implementing Paris goals and national transitions	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 1.5C. Supporting countries with ambitious regulatory and market reforms



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		Paris-aligned	Transformational
Reporting	Level of transparency of climate related information	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	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	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