



E3G

TOOLS FOR PARIS ALIGNMENT

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.

This section brings together some of the most common and impactful approaches¹ for development banks to boost their climate change impact and align their operations with the Paris Agreement². It is intended as a ‘basket of tools’ from which each development bank can choose the tool that is right for them and represents the best fit with their mandate and *modus operandi*.

Figure 1: Approaches for alignment with the Paris Agreement

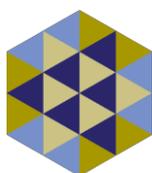
MDB Paris Alignment blocks	E3G criteria	Measures and tools
		Approaches for alignment with the Paris Agreement (Institutions that have implemented these approaches are in brackets ³)
Alignment with mitigation goals	Greenhouse gas accounting at project and portfolio level	<ul style="list-style-type: none"> • Introduce a science-based GHG emissions reduction target. (IFC) • Set a date for portfolio GHG emissions to peak by. (ADB) • Set a 1.5°C compliant pathway for absolute portfolio emissions. (FMO)⁴ • Inclusion of Scope 3 GHG emissions in reporting.
	Policies to restrict finance to fossil fuels including exploration	<ul style="list-style-type: none"> • Establish an exclusion of all or some fossil fuel technologies (coal, oil or gas) and related infrastructure. • Set a technology-neutral Emissions Performance Standard of a certain amount of grams of CO₂/kWh, possibly with a ratcheting down mechanism. (EIB)
Adaptation and climate-resilient operations	Climate Risk	<ul style="list-style-type: none"> • Create processes to look at systemic or structural climate resilience across an economy and a portfolio.

¹ Big Shift Coalition (2019) **Small steps are not enough** and Germanwatch (2018) **Aligning the AIIB with the Paris Agreement**

² Note that as stated above the Paris Agreement is a living document and its stated goals may be updated or adapted in the future.

³ The institutions named in brackets are a non-exhaustive list. Where many institutions implement this policy or a version of it then this is left blank to preserve the readability of the table.

⁴ FMO (2018) **Deriving a 1.5C pathway for a financial institution**



E3G

MDB Paris Alignment blocks	E3G criteria	Measures and tools
		Approaches for alignment with the Paris Agreement (Institutions that have implemented these approaches are in brackets)
Accelerated contribution to the transition through climate finance	Green-Brown energy ratio and scaling up climate investment in all sectors	<ul style="list-style-type: none"> Report on an annual basis on the green/brown energy lending ratio within the bank to measure Paris Agreement alignment. Set targets to phase out all 'brown' lending within a bank. Set targets to achieve a specified percentage of lending to be classed as 'climate finance', with an ultimate target of 100% climate finance or 100% Paris compatible.
	Energy efficiency strategy, standards and investment	<ul style="list-style-type: none"> Adopt an overarching 'Energy Efficiency First' principle to investments. Ensure all investments through financial intermediaries are subject to the same energy efficiency standards as direct investments. Incorporate efficient cooling considerations into project appraisal.
	Promotion of green finance	<ul style="list-style-type: none"> Use technical assistance to engage with private investors, banks and insurers as well as public institutions and regulators to promote systemic change and green finance in recipient country.
Engagement and policy development support	Technical assistance for implementing Paris goals and national transitions	<ul style="list-style-type: none"> Provide technical assistance specifically focused on ensuring a just transition in client countries. Technical assistance to support increased NDC ambition. Technical assistance to support long-term deep decarbonisation strategies and transitions towards net zero carbon economies.
Reporting	Level of transparency of climate related information	<ul style="list-style-type: none"> Publish project-level and portfolio-level climate-related information (ADB). This should include direct and indirectly financed projects, and absolute GHG emissions.
Align internal activities	Standalone climate strategy and integration of climate in overarching strategy	<ul style="list-style-type: none"> Establish a portfolio-wide criteria of "do no harm" to goals of Paris Agreement Establish a climate finance target measured as a percentage of total lending.
	Integration of climate mitigation and resilience in key sectoral strategies	<ul style="list-style-type: none"> Make climate change a core priority within sectoral strategies for energy, transport, water and urban development.
	<i>Financial intermediaries</i>	<ul style="list-style-type: none"> Ensure all policies apply also to financial intermediaries. (EIB) Ask all intermediaries to disclose fossil fuel exposure and apply significant restrictions on intermediaries with high exposure. Insist that all intermediaries have decarbonisation plans.