FICS EVENT BRIEF

“On the way to FICS 2021 and COP26: PDBs moving forward on Paris alignment”

On the eve of the second edition of the Finance in Common Summit (FICS), AFD and the EIB, along with their partners from the International Development Finance Club (IDFC), the CDC Group, the European Development Finance Institutions (EDFIs) and the Multilateral Development Banks (MDBs), met online on October 18th for the “On the way to FICS 2021 and COP26” event. They announced the progress made over the past year and their ambitions for the future.

The FICS "satellite" event was organized to contribute to a successful COP26 in November and take stock of the work of the Public Development Banks (PDBs) on Paris Alignment. The first Summit, in November 2020, gathered for the first time all PDBs in the world and other key stakeholders (governments, central banks, private sector, civil society, think tanks, etc.). In a joint declaration, they committed to align their financial power, representing 10% of global investments, with the Paris Agreement. What progress has been made, one year later?

Update of the 2015 “Common Principles for Climate Mitigation Finance Tracking” to a new version fit for 2021

Since 2015, Multilateral Development Banks (MDBs) and IDFC members are using jointly developed Common Principles for Climate Mitigation Finance Tracking for guiding their common understanding on what can be counted as mitigation finance. These principles have been updated now and are published today.

The revision of the Common Principles involves an enhanced ambition for reducing greenhouse gas emissions, taking into account new mitigation activities required to meet the goals of the Paris Agreement and excluding activities that, while reducing greenhouse gas emissions in the short term, may maintain highly emissive technologies for several more years, thereby undermining the long-term temperature goal.

The updated principles set more ambitious standards, requiring for instance transitional activities to “comply with high performance country- or sector-specific standards, benchmarks or thresholds for GHG emissions or emission-intensity that significantly exceed expected performance in a sector or activity”.

Consult the updated IDFC & MDBs Common Principles for Climate Mitigation Finance Tracking.
IDFC publishes Green and Climate Finance Mapping 2020 and promotes its operational framework to align with the Paris agreement

The IDFC published the "Green and Climate Finance Mapping 2020" key figures, i.e. the financing carried out in 2020 by IFDC members.

- More than US$1 trillion committed to green finance since 2015 - overcoming the initial commitment of reaching this threshold by 2025 - including US$185 billion in 2020,
- Adaptation projects accounted for US$27.4 billion, up 42% from 2019 and x5 since 2016
- US$14 billion was committed on biodiversity in 2020. Biodiversity finance is mentioned for the first time in the Green and Climate Finance Mapping.

IDFC published this year an operational framework developed by two independent think tanks, the New Climate Institute (NCI) and the Institute for Climate Economics (I4CE). This framework provides clear and practical guidance on how IDFC members – and the financial community at large – can reach a better alignment of their strategies, programs and operations with the requirements of the Paris Agreement.

European Investment Bank continues to put Paris alignment into action with two key deliverables under the EIB Group Climate Bank Roadmap

The Paris Alignment for Counterparties framework will ensure both that projects financed by the EIB are Paris aligned, and that the counterpart is taking steps towards decarbonizing business activity and strengthening resilience to climate change. Under the new initiative the EIB will offer technical support to higher emitting corporate borrowers and financial intermediaries to help them meet the goals of the Paris Agreement and deliver a more sustainable future.

The EIB’s first dedicated Adaptation Plan, to be launched in Glasgow, will strengthen investment and technical support to protect projects from the impact of more extreme weather and increase climate resilience of existing and new infrastructure. Under the new Adaptation Plan, the EIB will significantly increase adaptation financing to support the European Union Adaptation Strategy for smarter, more systemic and faster adaptation, both across Europe and globally.

EIB accelerates climate adaptation, foresees Paris alignment of beneficiaries, and increases cohesion support

Multilateral Development Banks have continued to progress their joint Paris Alignment work

MDBs continue working with national development banks and other financial institutions, and will present at COP26, their overall progress on Paris alignment and in particular, financing and policy strategies supporting a just transition that promotes economic diversification and inclusion. Additionally MDBs have worked on principles for Paris alignment of intermediated financing activities which will be presented at COP26.
European DFIs pursue their joint ambitions on climate action

European DFIs made far-reaching commitments on climate action in November 2020 in the EDFI Statement on Climate and Energy Finance, including to align new financing with the objectives of the Paris Agreement by 2022 and to transition investment portfolios to net-zero GHG emissions by 2050. The EDFI statement also introduced exclusion for new coal and fuel oil financing and the adoption of the TCFD recommendations as the standard for climate-related financial disclosures.

“Following the commitments made last year, European DFIs have made significant progress towards defining harmonised approaches to Paris-alignment and towards identifying credible standards and tools that will allow tracking of GHG emissions at the portfolio level. Industry practices are evolving fast, and public as well as private investors are navigating these developments. DFIs will continue to gather experience on Paris-alignment and to devise strategies that help our investees succeed in the green transition.”

Søren Peter Andreasen, General Manager of EDFI

The CAF (Corporación Andina de Fomento) wants to become the green bank of Latin America

« From CAF we put forward an agenda to become the green bank of Latin America, which is based on aligning economic sectors to draw guidelines that redirect their planning framework towards social responsibility and environmental sustainability. Under this approach, together with allies like the members of the IDFC, we seek to generate a competitive financial offer as well as technical solutions that will allow Latin America to become a prominent player in global climate action »,

Sergio Díaz-Granados, Executive President of CAF - Development Bank of Latin America

The DBSA has developed new frameworks to align with the Paris Agreement

- The DBSA (Development Bank of Southern Africa) developed its Climate Change Policy Framework to set specific targets for financial flows into mitigation and adaptation projects and programs with the view of enhancing alignment with the Paris Agreement.
- Recently, an Integrated Just Transition Investment Framework (which incorporated an Integrated Energy Sector Investment Strategy) was approved by the DBSA board. The Framework document aims to curb the rise in high carbon intensive investments, address transition risk, whilst simultaneously ensuring human rights, social equity and biodiversity needs were addressed. The criteria reinforce DBSA commitment to align with the Paris Agreement.
- For several years, DBSA has pursued a range of other policy frameworks to address sustainability issues. These initiatives are now being integrated into an Integrated Sustainable framework that would also define the Bank’s net zero pathway.

AFD publishes its first TCFD report

The Taskforce on Climate Financial related Disclosure (TCFD), created in 2016 by the G20, published recommendations in 2018 aiming to improve the financial transparency of companies and institutions in addressing climate-related risks and opportunities. Today, AFD is publishing its first
TCFD report around the four areas of climate reporting defined by the working group: governance, strategy, risk management and the indicators and metrics used.

“As a "100% Paris Agreement" development agency, AFD gives a central place to climate-related opportunities and risks in its governance, in its dialogue with clients and partners, in the choice of operations financed, and in the various indicators used to monitor the Group's activities. This report establishes and documents this, in order to allow regular exchanges on these subjects with all our clients and partners.”
Rémy Rioux, Chief Executive Officer of AFD Group

Climate Policy Initiative publishes its latest Global Landscape of Climate Finance Report

The event "On the road to the 2021 FICS and the COP26" was moderated by Dr. Barbara Buchner, Global Managing Director of Climate Policy Initiative (CPI). The summit included key findings from CPI’s just-released "2021 Global Landscape of Climate Finance" report.

The report notes that, while global climate finance has increased steadily, climate positive investment still represents only a small fraction compared to the overall investment in high emitting sectors. To achieve zero emissions by 2050, all public and private actors will need to align their practices and investments with the collective goal of limiting global warming to 1.5°C.

2021 Global Landscape of Climate Finance

About the Finance in Common Summit
The first-ever global meeting of Public Development Banks – The Finance in Common Summit – focuses on how Public Development Banks can influence the global financial system to better protect our planet and societies. By rallying and challenging a new and significant global community with enhanced capacity of action, and by promoting sustained collective action, the Finance in Common Summit is a key milestone on the way to the COP26.

About IDFC
The International Development Finance Club (IDFC), created in 2011, is the leading group of 26 national and regional development banks from all over the world, a majority active in emerging markets. IDFC is the largest provider of public development and climate finance globally, with US$ 4 trillion in combined assets and annual commitments above US$ 600 billion, including US$ 150 billion per year of climate finance. IDFC members have the unique function of supporting domestic policies while transferring international priorities into their own constituencies. IDFC members are aligned with and work together to implement the Sustainable Development Goals (SDGs) and the Paris Climate Agreement agendas. Through IDFC, and in close partnership with other development bank networks, members join forces as a platform to promote and leverage sustainable development investment worldwide. IDFC is chaired since October 2017 by the Agence Française de Développement (French Development Agency) where the IDFC Secretariat is hosted in Paris, France. To learn more about IDFC please visit our website or follow us on Twitter & LinkedIn