

EBRD ENERGY AND CLIMATE ACTION

ACCELERATING THE GREEN ECONOMY TRANSITION IN ROMANIA

SMAFIN 1st National Roundtable in Romania
Financing Solutions for the Energy Renovation of Buildings
15 April 2021



European Bank
for Reconstruction and Development

EBRD ENERGY AND CLIMATE ACTION CUMULATIVE RESULTS 2006 – 2021 YTD

FINANCED

2,130+
green projects

600+ credit lines to
local financial institutions
for on-lending to smaller projects.

SIGNED

€37.8 billion
of green financing

For projects with a total value of
€235 billion. Average green
financing share was 30% reaching

46%
of EBRD's total business in 2019.

AVOIDED

106 million
tonnes of CO₂/year

More than the annual energy use
related emissions of Romania
+ since 2013, helped reduce 430
million m³ in water consumed/year =
>1/2 of London's annual water use.

GREEN ECONOMY FINANCING FACILITIES

EBRD credit lines and risk-sharing facilities (in partnership with local financial institutions) provide green finance to businesses, households and municipalities. Consultancy services bring marketing, training and engineering expertise to help originate and optimise investment opportunities.

Blending EBRD funding with donor (incl. national) resources (concessional finance, end-beneficiary grants, guarantees or the cost of consultancy services) helps address market barriers & accelerate impactful deployment

GREEN CITY ACTION PLANS & MUNICIPAL SUPPORT

Green City Action Plans (GCAPs) promote low-carbon urban development via integrated assessments of environmental gaps and priorities for upgrading services and infrastructure.

Investments are supported with technical assistance (structuring and tendering support), financing (private, public) and in some cases concessional co-financing.

TECHNOLOGY TRANSFER & INNOVATION SUPPORT

The EBRD Green Innovation Programme helps clients willing to invest in low-carbon and resource efficient technologies with partial investment grants (to overcome affordability and first-mover barriers) associated to EBRD financing.

ENERGY, RESOURCE OR CARBON AUDITS & CLIMATE RESILIENCE ASSESSMENTS

Audits are used to enhance EBRD green investments by analysing the production facilities or built assets of companies with resource efficiency potential. Audits identify priority investments based on returns from energy efficiency or better use of resources; the recommended measures are often added-on to larger investment packages.

A special category are resilience assessments which look at climate change impact risks and mitigation measures.

GREEN BONDS TECHNICAL COOPERATION PROGRAMME

Through our Green Bond TC Programme EBRD supports local financial institutions in issuing green bonds in line with the Green Bond Principles, including:

- Support to identify eligible projects with clear guidance on exclusions and energy performance requirements for different use of proceeds categories
- Development of indicators to report on financial and environmental outcomes
- Guidance on external review formats and monitoring and reporting structures

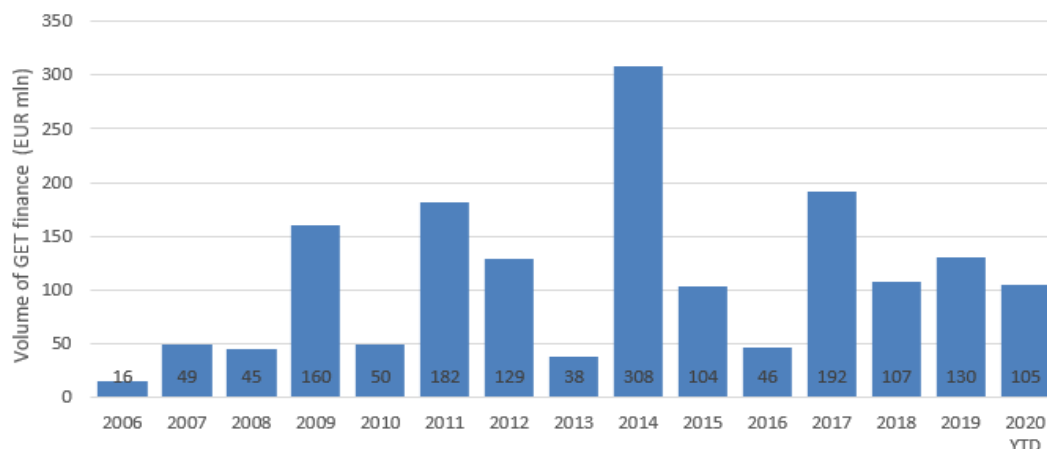
POLICY DIALOGUE

Working with governments, authorities and regulators to strengthen the institutional and regulatory context and create optimum conditions for green development, including capital market development. Examples include:

- Development of draft legislation, strategies, action plans and sector-specific low-carbon pathways.
- Participation in voluntary initiatives such as NGFS, ICMA Green Bond Principles.
- Assisting in shaping up regulatory environment within EU through participation in EU TEG (Technical Expert Group) working on Green Taxonomy, green bond standards and climate risk disclosure.

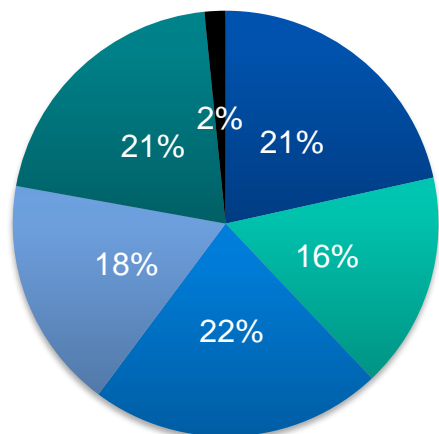
GREEN ECONOMY TRANSITION INVESTMENTS IN ROMANIA

EBRD GET investments 2006 – 2020 (€ in million)



€1,7 billion invested in
110 GET projects

GET investments by business area 2006 – 2020 (€ in million)



Energy and Resource Efficiency in Industry, Commerce, Agriculture	358
Green Economy Financing Facilities via Financial Intermediaries	273
Cleaner Energy Production	370
Renewable Energy	293
Municipal Infrastructure Energy and Resource Efficiency	342
Other Environmental	27
Total	1,662

3.5 million tonnes of
CO₂ eq. reductions per year

GET projects accounted for
~30% of EBRD
financing volume in Romania

GET INVESTMENTS IN ROMANIA – recent examples

Significant direct financing and technical assistance support for energy and resource efficiency investments undertaken by large corporates (industry, agribusiness, ICT and property and tourism).

New Buildings - EBRD eligibility criteria


1. Certification of BREEAM 'very good', LEED 'gold', EDGE 'standard' or other equivalent green certifications* is eligible for 100% EBRD Green Economy ET.
2. Energy performance at least 20% better than national nZEB standard is eligible for 100% GET.
3. Energy performance better than national nZEB standards but below NZEB-20% (GET calculated pro rata).

(*) 'other certification' includes 'Green Homes' certification from Romanian Green Building Council

Recent Transactions in Property & Tourism



Globalworth Real Estate
2018
Publicly traded bond
EUR 25 million



NEPI Rockcastle
2019
EUR 50 million



CTP Romania
2018
EUR 44 million



WDP Romania
2020
EUR 100 million

Other recent transactions with a green component



Lidl Romania
2018
EUR 30 million



Alu Menziken Romania
2017
EUR 25 million



Green Enviro
2017
USD 15 million

Follows on from a decade of dedicated EBRD financing facilities for industrial, municipal and SME energy and resource efficiency investments



6 partner banks
BCR, BRD,
Banca Transilvania,
CEC Bank, OTP &
Raiffeisen

129 Industrial projects
€110 million invested

Supported by:



1 partner bank
BRD

3 Municipal investments
€10 million invested

Supported by:



4 partner banks
BCR, BRD,
Banca Transilvania &
UniCredit

340 SME projects
€68 million invested

Supported by:



3 partner banks
Banca Transilvania
UniCredit Bank
UniCredit Consumer
Financing

Residential EE
€100 million
85% utilised

Supported by:



EBRD has been active in the Green Bonds markets for over a decade:

AS AN ISSUER AND INNOVATOR

- Issuing the 3rd ever Green Bond in 2010 and 92 bonds in 13 currencies amounting to €5.2 billion since.
- Working with others to develop best practice standards, incl. through the executive committee of the Green Bond Principles and with the European Commission on the EU Green Bond Standard.
- Continuing to innovate by issuing the first ever Climate Resilience Bond and one of the first Green Transition Bonds in 2019.

AS AN INVESTOR AND PARTNER

- **Investing** hundreds of millions of EUR in **individual Green Bonds and Green Bond Funds** to support pioneers in various countries and sectors.
- Establishing **dedicated technical assistance programmes** to help individual issuers in EBRD countries gain access to local and international green finance.

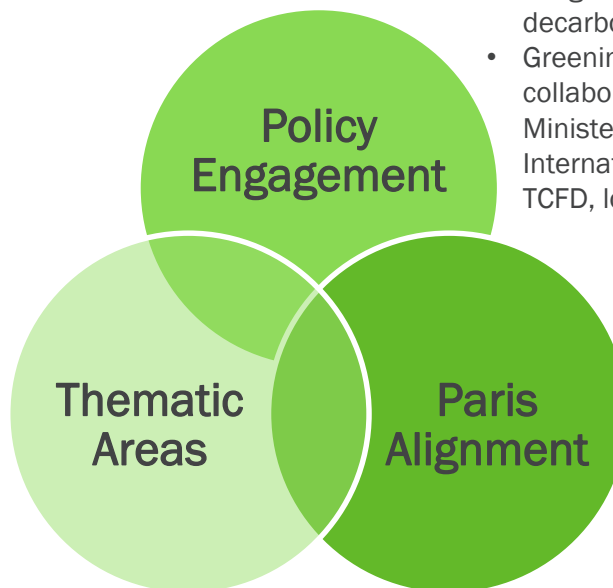


In **2018** the Bank subscribed **USD 68.5m** to **Amundi Planet** - the first regional/global fund that will invest in green bond issuances by private Financial Institutions in emerging markets.

The Fund will allocate at least 3x times the amount of EBRD investment to our countries of operation, **incl. Romania.**

Through GET, the EBRD aims to **accelerate the transition to a green, low-carbon, resilient economy** and to contribute to achieving a net zero carbon world by 2050

By 2025, EBRD committed to reach a **green finance ratio > 50% of the Bank's annual investments** and at least 25 million tonnes of GHG emissions avoided (2021-2025 cumulatively)

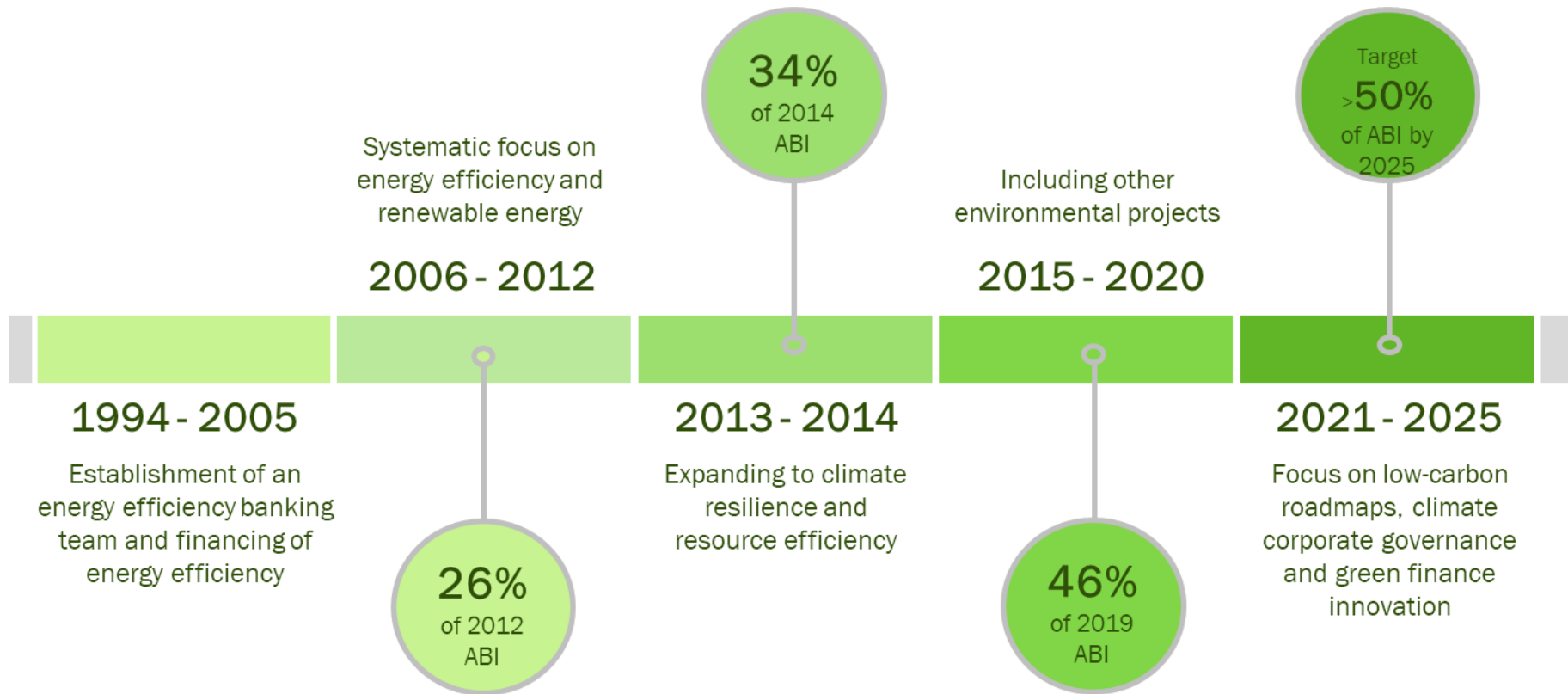


- Long Term Strategies/NDCs/sectoral decarbonisation pathways
- Greening financial systems including collaboration with the Coalition of Finance Ministers for Climate Action, NGFS, the International Platform for Sustainable Finance, TCFD, local banks and clients

- Green Financial Systems
- Industrial Decarbonisation
- Sustainable Food Systems
- Energy Systems Integration
- Cities and Environmental Infrastructure
- Sustainable Connectivity
- Green Buildings
- Natural Capital

- Screening all investments to ensure they are in line with the Paris Agreement
- Increasing capacity to support countries, regions and sectors develop low-carbon and climate resilient strategies
- Scaling efforts to mobilise climate finance and
- Just transition approaches for countries, communities, sectors and workers

GET 2021-2025: BUILDS ON OUR SUCCESSFUL TRACK RECORD



Sustainable Connectivity

Developing low-carbon transport infrastructure and modes for goods and passengers; green mobility and logistics; digital infrastructure

Industrial Decarbonisation

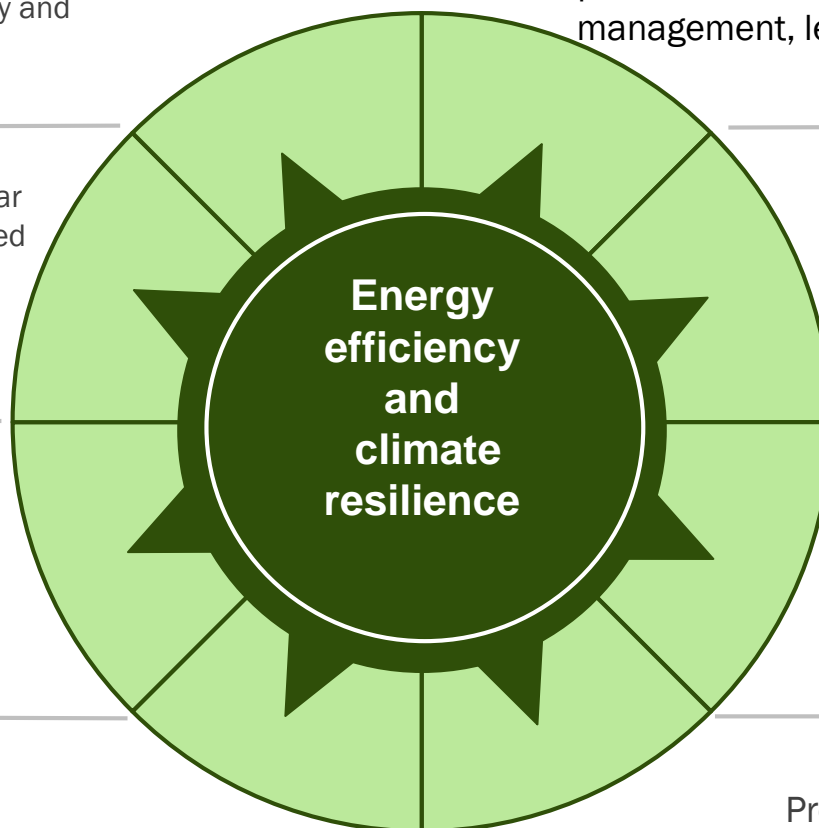
Supporting low carbon, circular materials, products and related services

Sustainable Food Systems

Developing low carbon, climate resilient, healthful, food supply chains

Natural Capital

Identifying opportunities from nature based solutions, environmental restoration and ecological services



★ Green Financial Systems

Integrating climate related factors in the operations of financial institutions, including risk management, lending practices, and disclosure

Energy Systems Integration

Scaling grid integration, low carbon power, demand side management, energy transport systems and production of decarbonised fuels

Cities and Environmental Infrastructure

Developing low-carbon transport infrastructure and modes for goods and passengers; green mobility and logistics; digital infrastructure

★ Green Buildings

Promoting new approaches to scale up investments to move towards zero carbon building stock

WORKING WITH PARTNER FINANCIAL INSTITUTIONS

EBRD products and offering for financial institutions

Green Finance	“Greening” Finance	Green Bonds	Green Trade	Green Policy
Dedicated credit lines and technical expertise for financing small and mid-sized green businesses and technologies	The inclusion of opportunities to finance green activities in credit lines with other development objectives	Support in structuring and issuing bonds with proceeds earmarked for defined green activities	Guarantees and credit to enhance the supply of green technologies to meet the demand created by green financing products	Support to adopt good practice that considers climate-related risks and green opportunities in financing decisions

- EBRD is committed to supporting its client banks and expand the “green use of proceeds model” to include environmental risks and returns as key elements influencing investment decisions and shifting the composition of the portfolio towards a growing share of green assets
- EBRD will transition from project-by-project support to more strategic partnerships that build banks’ resilience to climate risks and enhances their ability to tap into opportunities created by the green economy transition

Climate change is not a ‘future problem’ anymore. It has become a major corporate and financial issue, with observable effects on businesses

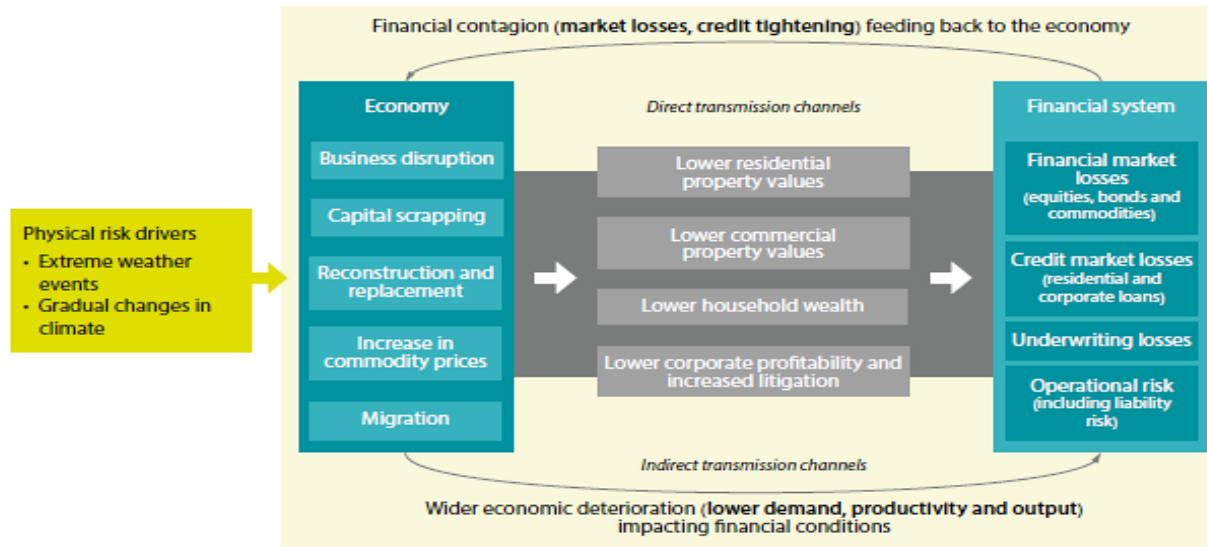
- Total insurance losses for weather-related events reached 0.1% of GDP in 2018
- The number of catastrophes caused by natural hazards increased from 249 in 1980 to 820 in 2019
- Adjusting for inflation, overall economic losses increased from around USD 60 billion in 1980, to USD 350 billion in 2018

Fiscal and monetary authorities moving towards mandatory climate risk disclosure. Access to funding will become more driven by the underlying standards of new assets.

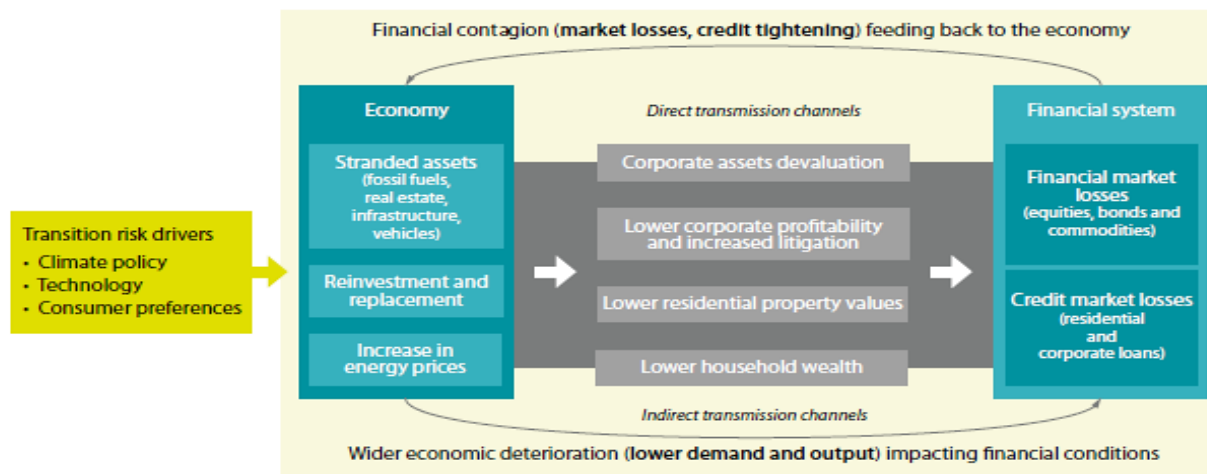
- Central Banks standardising analysis through NGFS
- IFRS already requires mandatory disclosure of “material” climate risks
- Rating agencies starting to include climate risk in credit ratings, often as part of ESG
- Capital markets and investors are increasingly asking to integrate sustainability factors into investment decisions and demand disclosure on exposure to physical and transition climate risks.

CLIMATE CHANGE – A SOURCE OF SYSTEMIC RISK

From physical risk to financial stability risks



From transition risk to financial stability risks



Source: NGFS

FIs are expected to

- Understand the impact of climate-related and environmental risks (C&ERs) on the business environment, in the short, medium & long term, in order to be able to make informed strategic decisions.
- Explicitly include C&ERs in their risk appetite framework and assign responsibility for the management of these risks within the organisational structure in accordance with the 3LoD model.
- For the purposes of internal reporting, report aggregated risk data that reflect their exposures to C&ERs with a view to enabling the management and relevant committees to make informed decisions.
- Incorporate C&ERs as drivers of established risk categories into their existing risk management framework, identify and quantify these risks within their overall process of ensuring capital adequacy.
- In their credit risk management, consider C&ERs at all stages of the credit-granting process and monitor the risks in their portfolios.
- Monitor, on an ongoing basis, the effect of C&ERs factors on their current market risk positions and future investments, and to develop stress-testing scenarios that incorporate C&ERs
- Assess whether material C&ERs could cause net cash outflows or depletion of liquidity buffers and, if so, incorporate these factors into their liquidity risk management and liquidity buffer calibration.
- For the purposes of their regulatory disclosures, FIs are expected to publish meaningful information and key metrics on C&ERs that they deem to be material, as a minimum in line with the European Commission Guidelines on non-financial reporting: Supplement on reporting climate-related information.

Many banks in EBRD economies will need to adapt their business model and will require capacity building/advisory support for implementing effective governance arrangements to:

- Put policies and procedures in place to identify, assess and manage climate-related risks and opportunities, including proper pricing of climate-related financial risks
- Develop methodologies for climate scenario analysis and stress-testing and integrate risk models into portfolio management and business operations
- Disclose information about climate risks, how they affect them and how they will manage them

But also to:

- Expand their green financing to drive sustainability
- Access funding from green capital markets with a broader impact investor base

EBRD can play a significant role in supporting the financial system in its region of operation to address the climate challenge, as it did in supporting the establishment of a viable banking sector in its countries of operation in the 1990s

CLIMATE CHANGE IS NOT ONLY ABOUT RISKS – IT IS ALSO ABOUT BENEFITS AND OPPORTUNITIES

- Globally, the benefits of shifting to a low-carbon pathway are estimated at \$26 trillion by 2030 compared to our current high-carbon pathway. But shifting the global energy system towards a well-below 2° C pathway requires a **significant redirection of global investment flows**.

“The transition to Net Zero is creating the greatest commercial opportunity of our age”

Mark Carney, UN Special Envoy for Climate Action and Finance, former Bank of England Governor and Chairman of the Financial Suitability Board

- The **scale of the investment opportunity is significant**, with commensurate returns for those that back the technology and infrastructure of a zero-carbon future.
 - **IPCC** estimates total climate finance required for mitigation and adaptation ranges from \$343 to 385 billion USD/year, to be evenly invested in developed and developing countries.
 - **European Commission** estimates that to achieve the targets for energy and climate policy in EU alone, we will need **€180 billion in additional yearly investments** in sectors such as renovation and energy efficient buildings, renewable energy generation and transmission, and low-carbon transportation. This gap is geographically concentrated in **central and east European MS**.
- The scale of the investment challenge is well beyond the capacity of the public sector alone, thus mobilising and orienting private capital flows towards sustainable investments is crucial.

“Now is the time for private financial institutions to enter the market at scale”.

EU High-Level Group on Sustainable Finance (HLEG)

- **EBRD can play a significant role in supporting the financial system in its region** to address the climate challenge and redeploy capital towards sustainable activities that foster employment, productivity and competitiveness.

THANK YOU

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Links

[More](#) about EBRD's Green Economy Transition



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- First MDB signatory to the G20 Taskforce on Climate-related Financial Disclosures (TCFD), EBRD has started to assess more systematically and comprehensively the climate-related risks across its portfolio.
- The Bank published its first TFCF report in October 2020. The early assessments included in the report are mainly for illustration purposes. The underlying methodologies will be thoroughly developed, robustly tested and further enhanced over time.
- The climate-risk analysis methodology under development for individual debt projects and the portfolio could have implications for the EBRD's standard risk management metrics (probability of default and the loss-given default ratings).

Table 2. Evolution of exposure to carbon transition risks in the EBRD's portfolio

	2015	2018	2019
Very high risk (€ million)	3,194	1,831	1,753
Very high risk (%)	7.7%	4.2%	3.8%

Note: Exposure includes Banking portfolio assets only and does not include the Treasury portfolio.

Table 3. Evolution of exposure to increasing water stress risk in the EBRD's portfolio¹⁹

	2015	2018	2019
Very high risk (€ million)	2,169	2,266	2,317
Very high risk (%)	5.2%	5.2%	5.0%

Note: Exposure includes Banking portfolio assets only and does not include the Treasury portfolio.

CAFI – A CLIMATE FINANCE SUPPORT NETWORK

A global network of 50+ public and private financial institutions, that share:

- Knowledge about climate finance,
- Experience about emerging good practices,
- Five voluntary Principles for Climate Mainstreaming



<https://www.mainstreamingclimate.org/>

