

## 4. Paris alignment



### Implementation

Since the start of 2023, all new EBRD investment projects have been aligned with the Paris Agreement on climate change.

The EBRD puts its commitment to Paris alignment into practice through a jointly agreed MDB implementation framework. The joint MDB approach to Paris alignment consists of six building blocks that cover all MDB activities: alignment of investments with (i) mitigation and (ii) adaptation goals, (iii) scaling climate finance and (iv) policy engagement, (v) reporting and the alignment of (vi) internal activities. MDBs have worked together to develop [common principles](#) and methodologies to implement them. Notably, 2023 saw the publication of the common principles for the Paris alignment of MDB investments, which informs the MDBs' approach.

Paris alignment is a pillar of the EBRD's green ambition. All projects are screened for their alignment with the mitigation and adaptation objectives of the Paris Agreement. In determining alignment with the mitigation objective, the Bank is guided by the 1.5°C goal of the Paris Agreement. For adaptation alignment, the Bank ensures that the project or the counterparty has identified and addressed physical climate risks and that its activities do not undermine climate resilience in the project's operating context.

The systematic screening of all projects for adaptation elements under Paris alignment creates opportunities to scale policy engagement and investment in climate adaptation. The methodologies and principles guiding the EBRD's [Paris alignment](#) implementation are publicly available and were formulated following extensive public consultation.

The EBRD helps its clients to transform their operations to align their financial flows with the Paris Agreement. For example:

- **High-emitting sectors.** The EBRD helps its clients or potential clients to identify areas of their operations that are not Paris aligned. It then helps them to take concrete actions to become aligned, for example, as it is doing in its support for one of Ukraine's leading agricultural holdings, Astarta (see page 7).
- **Partner financial institutions.** With more than 300 PFIs, the Bank is moving from a "use-of-proceeds" model – whereby a partner bank that borrows EBRD money must use those funds for a stated purpose and cannot use them to finance investments contrary to the Bank's principles – to a broader "transition plan" approach. Under the new approach, the EBRD will support its partner banks in reforming their business practices, so that their entire portfolio aligns with the green transition. This will impact lending well beyond the EBRD's financial support for that bank alone.

The Bank will continue to refine its approach to Paris alignment based on its implementation experience, with a particular focus on:

- **Incorporating the perspectives of external markets and regulatory developments:** The Bank will reflect emerging good practice in its approach and will share its experience with relevant stakeholders. For example, the International Sustainability Standards Board issued two new standards on sustainability and climate-related disclosures in 2023. These are important considerations in helping clients develop climate-related business practices.
- **Refining sector-specific guidance:** The Bank has developed implementation guidance to determine Paris alignment for sectors such as waste, energy and agriculture. These are important for the application of the Bank's Paris alignment methodology.
- **Internal training:** The Bank is gathering feedback and updating internal processes. A bank-wide training programme was launched to consolidate knowledge on Paris alignment.

### Operational experience

In 2023, 426 projects were assessed for alignment with the Paris Agreement.

Compared to last year's information on Paris-alignment activities, this year we are providing more specific details on how projects have been assessed following various approaches of the EBRD's Paris-alignment methodology.

The methodology defines three assessment approaches, with a breakdown of how Paris alignment was determined shown below.

1. Using the EBRD's Paris-alignment methodology for direct finance investments, **191 projects** were determined as aligned.
  - Specific assessments were conducted for eight projects to determine their alignment with the climate-mitigation goals of the Paris Agreement. This ensured the projects' consistency with a low-carbon pathway.
  - Further assessments were needed for 95 projects to determine their alignment with the climate-adaptation goals of the Paris Agreement. According to a three-step method, in the first step, they were determined as having potential material physical climate risks. In the following two steps, these risks were assessed to understand any existing mitigants or inherent resilience, and/or whether there may be an impact on systemic climate resilience. Where these risks and/or impacts were determined as material, appropriate measures were implemented.
2. Using the EBRD's Paris-alignment methodology for indirect finance investments, **177 projects** were determined as aligned.
  - Nine clients have committed to undertaking transition planning to align all their activities with the goals of the Paris Agreement over time. In total, this relates to 10 projects.

3. Using the EBRD's Paris-alignment methodology for other types of financial instruments, **58 projects** were determined as aligned.
  - Nine projects were equity fund investments, none of which required further assessment.
  - Forty-nine projects were related to finance extended to corporate clients, of which:
    - Specific assessments were conducted for **13 projects** to determine their alignment with the climate-mitigation goals of the Paris Agreement. This ensured the projects' consistency with a low-carbon pathway.
    - Further assessments were needed for 16 projects to determine their alignment with the climate-adaptation goals of the Paris Agreement. According to a three-step method, in the first step, they were determined as having potential material physical climate risks. In the following two steps, these risks were assessed to understand any existing mitigants or inherent resilience, and/or whether there may be an impact on systemic climate resilience. Where these risks and/or impacts were determined material, appropriate measures were implemented.

## Internal operations

The Paris alignment of the Bank's internal activities covers operations related to buildings, travel and procurement, treasury activities and the Bank's retirement plans. It also sets out governance arrangements for the implementation of Paris alignment.

Ongoing areas of work include:

- finalising and disclosing reduction targets for the Bank's GHG emissions linked to buildings, travel and procurement (excluding GHG emissions associated with the EBRD's financing of investment projects)
- developing a systematic approach to Paris alignment disclosures
- setting out options for the Bank to invest in Paris-aligned retirement funds and finalising a monitoring framework.