

4th Meeting of the CMS Multi-Stakeholder Energy Task Force (ETF4)

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International Finance Institutions, our standards, experiences and views on upcoming needs

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for Reconstruction and Development

Agenda

- Who we are
- Our Environmental and Social Policy Requirements
- Challenges with respect to project finance (emphasis on wind energy sector)
- Views on upcoming needs, next steps and discussion

A multilateral development bank (MDB) is an International Financial Institution (IFI), created by a group of countries, that provides financing and professional advice for the purpose of development. MDBs have large memberships including both developed donor countries and developing borrower countries.

MDBs finance projects in the form of long-term loans at market rates, very-long-term loans below market rates, and through concessional grants.

Main MDBs: different mandates, ownership, business models

- [World Bank/IFC](#)
- [European Investment Bank](#) (EIB)
- [Islamic Development Bank](#) (IsDB)
- [Asian Development Bank](#) (ADB)
- [European Bank for Reconstruction and Development](#) (EBRD)
- [CAF - Development Bank of Latin America](#) (CAF)
- [Inter-American Development Bank](#) Group (IDB, IADB)
- [African Development Bank](#) (AfDB)
- [New Development Bank](#) (NDB)
- [Asian Infrastructure Investment Bank](#) (AIIB)

IFC



IFC: A MEMBER OF THE WORLD BANK GROUP

IBRD

International
Bank for
Reconstruction
and
Development

Loans to
middle-income
and credit-worthy
low-income country
governments

IDA

International
Development
Association

Interest-free loans
and grants to
governments
of poorest
countries

IFC

International
Finance
Corporation

Solutions in
private sector
development

MIGA

Multilateral
Investment
Guarantee
Agency

Guarantees of
foreign direct
investment's non-
commercial risks

ICSID

International
Centre for
Settlement of
Investment
Disputes

Conciliation
and arbitration
of investment
disputes

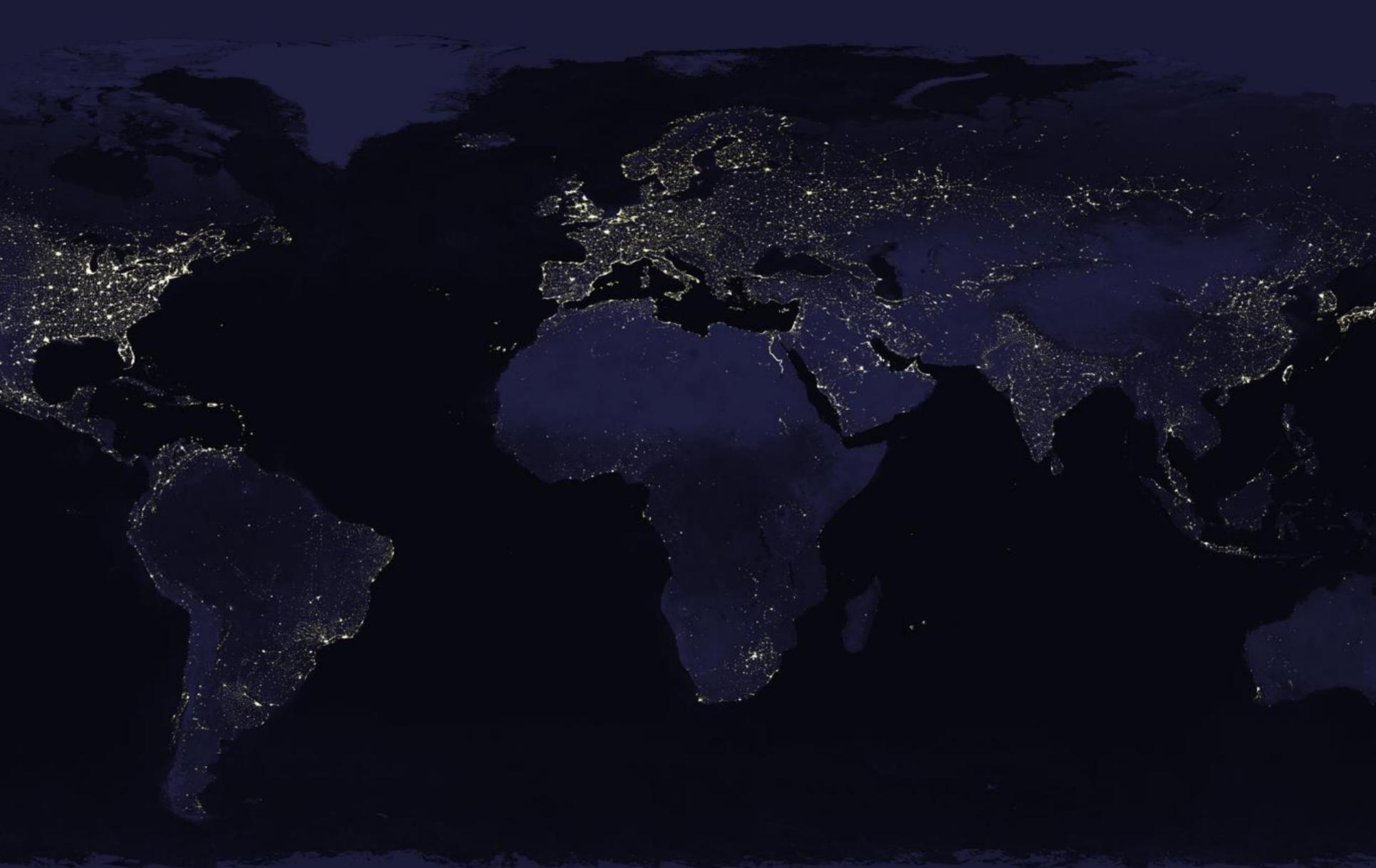


Creating Markets, Creating Opportunities

IFC is the largest global development institution focused on the private sector in emerging markets.

- Provides investments, advice, resource mobilization
- Present in nearly 100 countries





1.2 billion people don't have access to electricity

IFC's Environmental & Social "Performance Standards"

1
Risk Management



2
Labor



3
Resource Efficiency



4
Community



5
Land Resettlement



6
Biodiversity



7
Indigenous People



8
Cultural Heritage



“Equator Principles Financial Intuitions”

94 members across 37 countries
all follow the Performance Standards



IFC ROLE:

EBRD

EBRD is an international financial institution supporting the development of sustainable well-functioning market economies

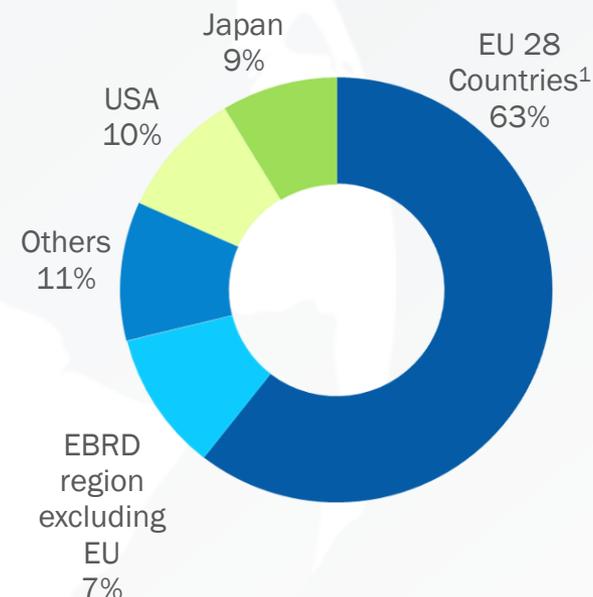
Highest credit rating (AAA/Aaa)

Owned by 69 countries and 2 inter-governmental institutions (the EU and EIB)

Capital base of €30 billion

- 1991** Established
- 1992** Russia and 11 other members of the former Soviet Union join
- 2007 /08** Czech Republic first country to “graduate”; Turkey becomes Country of Operations
- 2012** Starts investing in Egypt, Jordan, Morocco and Tunisia
- 2016** 25th anniversary; China becomes 67th member
- 2017** Starts investing in Lebanon and the West Bank and Gaza

Shareholding structure



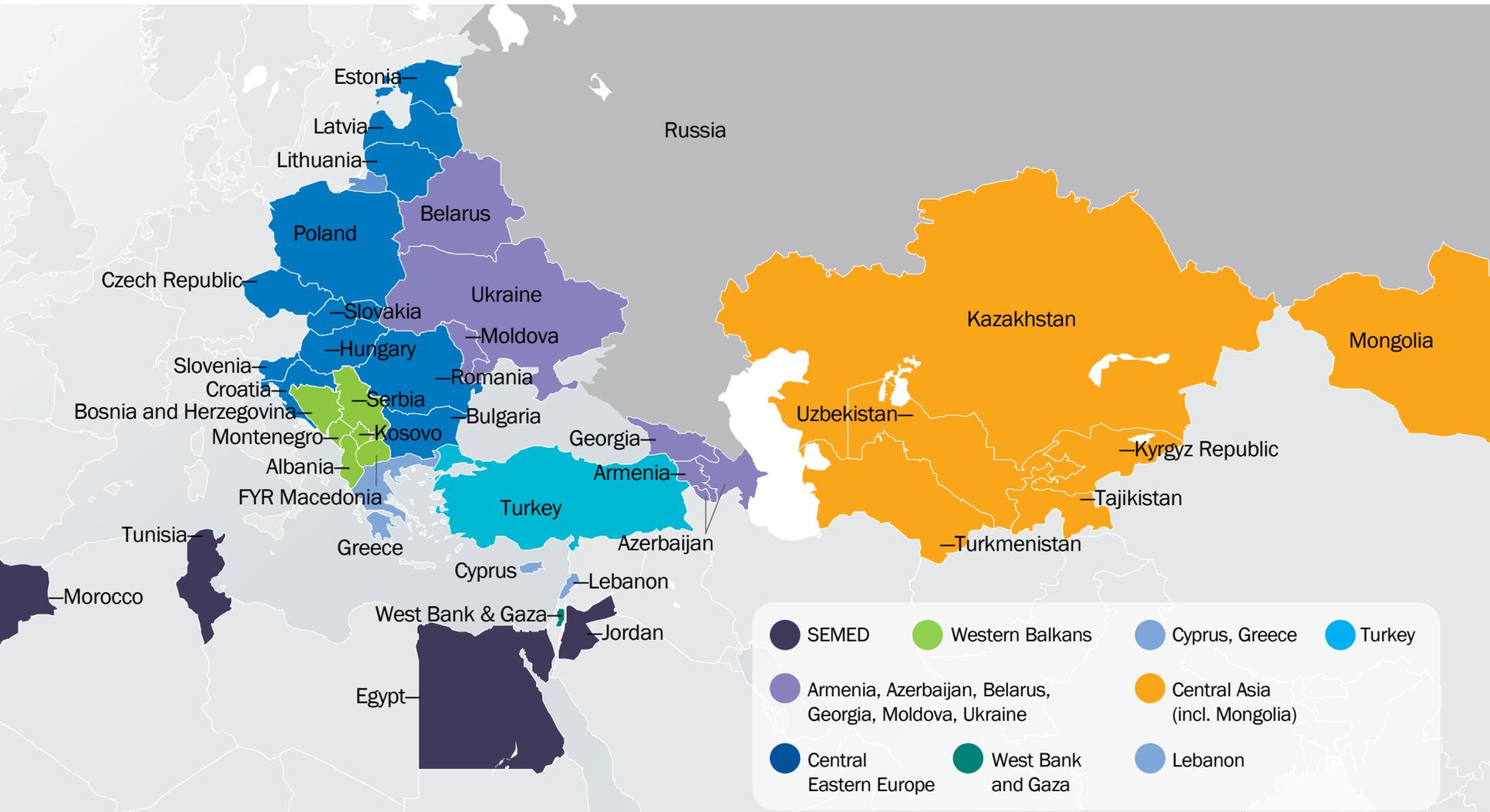
1. Includes European Community and European Investment Bank (EIB) each at 3%. Among other EU countries: France, Germany, Italy, and the UK each holds 8.6%

Where we invest

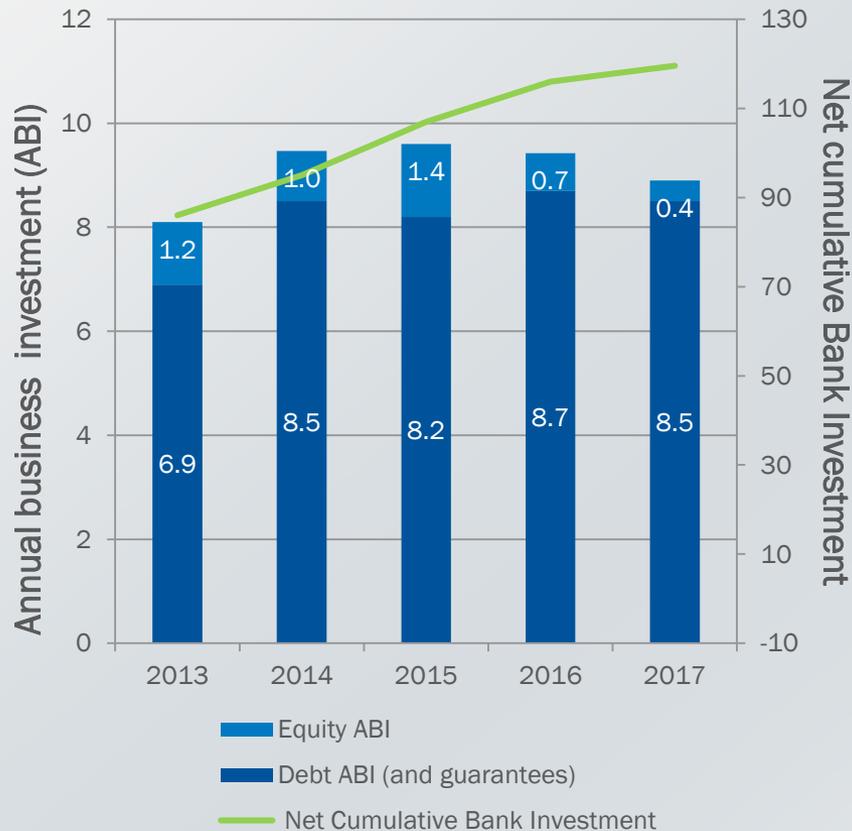
Increasing footprint



European Bank
for Reconstruction and Development



Since 1991, EBRD invested over €119 billion in around 5,035 projects



In 2017

€9.6 billion

412 projects

Private sector accounted for share of 71%

Debt 88%

Equity 5%

Guarantee 7%

EBRD Top 10 investee countries in 2017 (€m)

1	Turkey	1,540
2	Egypt	1,413
3	Ukraine	740
4	Poland	659
5	Greece	614
6	Kazakhstan	586
7	Romania	546
8	Azerbaijan	456
9	Serbia	382
10	Tunisia	324

EBRD E&S Policy Structure

ENVIRONMENTAL AND SOCIAL POLICY (ESP)

Purpose, principles & commitments

Integrating E&S considerations into projects

Public reporting and accountability



PR 1

Assessment & Management of Environmental and Social Impacts & Issues



PR 2

Labour and Working Conditions



PR 3

Resource Efficiency and Pollution Prevention and Control



PR 4

Health, Safety & Security



PR 5

Land Acquisition, Involuntary Resettlement and Economic Displacement



PR 6

Biodiversity Conservation and Sustainable Management of Living Natural Resources



PR 7

Indigenous Peoples



PR 8

Cultural Heritage



PR 9

Financial Intermediaries



PR 10

Information Disclosure and Stakeholder Engagement

2 - PERFORMANCE REQUIREMENTS (PRs)

How we Compare



- Overall very similar and our E&S polices are complimentary
- EBRD is a regional Bank focused on Transition (mainly Central and Eastern Europe) and now Green Transition. Strong EU mandate and implementing EU substantive standards
- IFC is global and more focused on Emerging Markets and being a first mover in Fragile and Conflict States
- We are frequently “co-lenders” on the same project

Project financing – challenges / timing



- EBRD / IFC are often approached by companies when the project is largely designed and the ESIA is completed or nearing completion. We also finance existing portfolios.
- Additional challenge with energy projects given the tight timeframes to reach COD (“Commercial Operations Date”) often imposed by governmental bodies (usually the public utility) and contained within the PPP (which determines the tariff)
- Wind energy projects are often sited based on technical aspects only (not environmental)
- There are very often gaps with respect to our requirements / standards as we approach at a later stage
- But, EBRD / IFC have little time to make adjustments in the environmental baselines and impact assessments

Biodiversity challenges wind energy sector



- Consultants not using data to inform the siting of projects as often the **site is ‘pre-selected’**
- **Wide variation of pre-construction survey methods** utilized globally (vantage point surveys, collision risk modeling) that are often not compatible (making the assessment of cumulative impacts difficult or impossible....)
- **National authorities often not requiring biodiversity baseline data for wind energy** – rather just “secondary data” or “desk studies”
- **Inappropriate methods** (mist netting) also sometimes being imposed
- Operating in data-poor regions
- Although there are many excellent biologists, **few of them are trained in wind-wildlife science in emerging markets**
- **The most effective minimization measures are not always implemented** (burying collector lines, using flashing lights, set backs from waterbodies), **others are often repeated although they are not scientifically substantiated** (e.g., blade painting).



Biodiversity challenges wind energy sector



- **Shutdown on-demand and curtailment** (at low wind speeds for bats) **needs to be factored into financial modeling** and sensitivities at an early stage
- They should be adaptive and guided by a well-developed **post-construction monitoring program**
- The focus should be on priority species / at-risk species BUT *there is still a limited understanding of the actual collision susceptibility of birds and bats*, especially in emerging markets
- There is only way to understand the actual impacts of wind energy projects – and that is through a **post-construction fatality monitoring program**
- *Unfortunately, there is still a very wide application of fatality monitoring and much of the time this essential component is not being adequately implemented*
- Without more consistency, the ability to collate data will be limited

Discussion and Next Steps



- More upstream strategic siting that accounts for technical, environmental and social factors
- More clarity on how much baseline data and what kinds of data are “adequate” for decision making? This will be essential to conducting cumulative assessments
- International guidance needed on post-construction fatality monitoring is needed that represents recent practices (adequate bias corrections and Generalized Estimator software)
- Cumulative and Strategic Assessments need to be considered
- IFC / EBRD interested in developing and looking for partners
- Important that whatever guidelines are developed, they are based on experience on operational wind farms
- Monitoring may need to be longer to account for climatic changes