

CDM without the CERs

Using CDM registration to allocate Green Bonds

The African Development Bank Group
SB44 In-session workshop 16th May 2016



Catering to socially responsible investors



AfDB Green Bond program launched in 2013

- To finance eligible climate change mitigation and adaptation
- USD 1.2 billion issued under the program since 2013
- Dedicated Green Bond website and newsletter
- Harmonized impact reporting with other MDBs

AfDB Socially Responsible bonds since 2010. Proceeds used on a best-efforts basis towards lending in the relevant areas of interest



USD 200 million infrastructure bond

BRL 271 million food security uridashi bond

- Clean energy
- Education
- Education support
- Food security
- Gender

- Green
- Infrastructure
- Powering Africa
- Social
- Water



Solid Environmental, Social, and Governance standing



AfDB ESG performance rated by the market



“A clear impression of an institution that is well aware of the challenges posed by climate change as well as other environmental and social concerns that may be associated with investments projects. In particular we are pleased with the consciousness shown towards the external impacts of projects both across space and time”

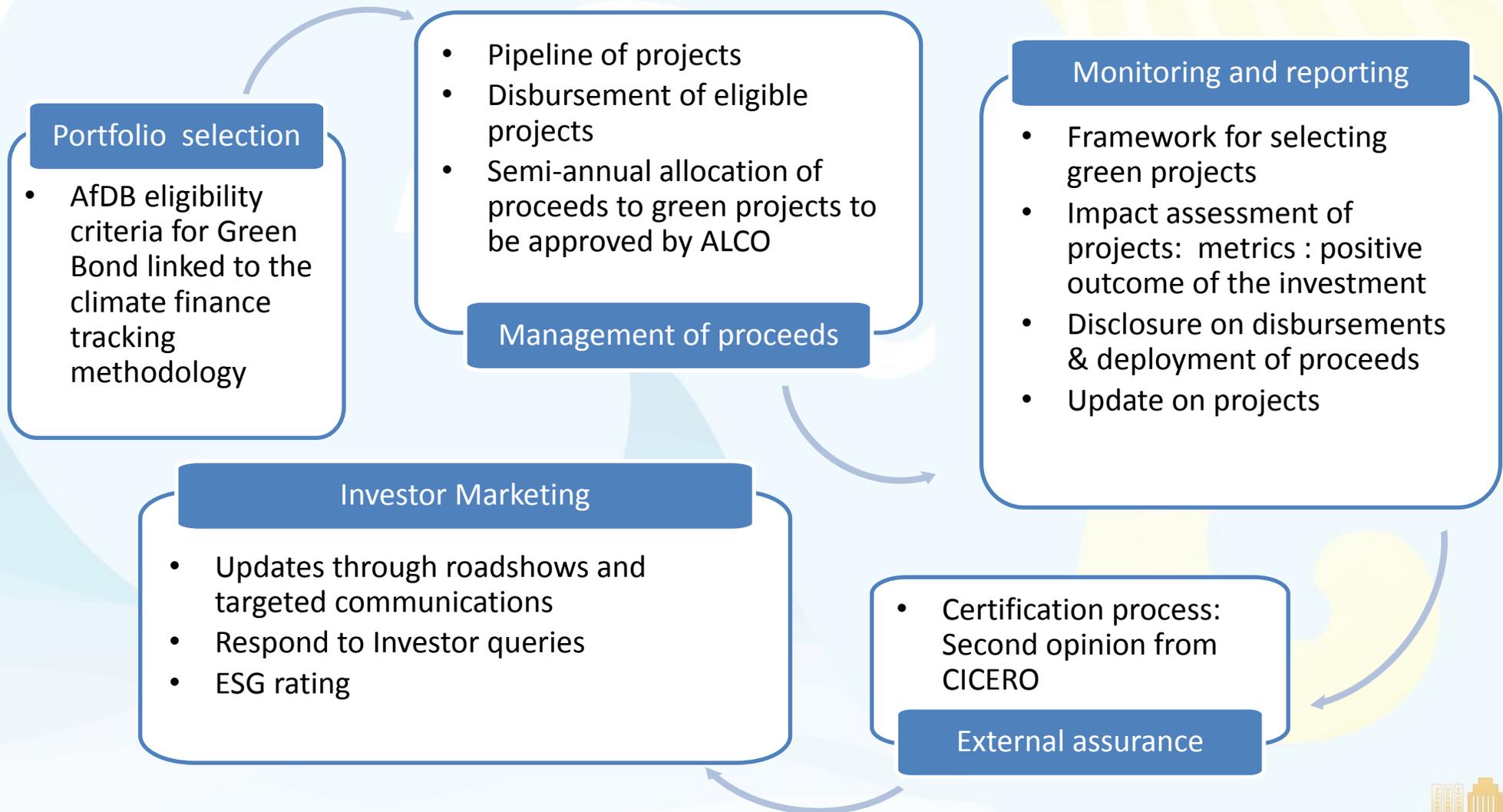
CICERO, 1st September 2013

“On a relative benchmarking with other supranationals and development banks, the bank continues to demonstrate robust benefits and programs to attract and retain talent. Additionally, the bank has a well-defined system in place to manage credit and reputational risks arising from these impacts.”

MSCI ESG Research, 5th December 2014



AfDB's Green Bond framework



AfDB guiding principles for climate change finance tracking



Projects reducing vulnerability of human or natural systems to climate change by maintaining or increasing adaptive capacity and resilience

Projects leading to significant GHG emissions reductions over the lifetime of the asset will also be eligible

Only projects whose financing can be qualified **in full** as promoting either low-carbon or climate resilient development will be considered for the Bank's Green Bond portfolio

Typology of climate mitigation for tracking purposes

Wind, Solar and other renewables

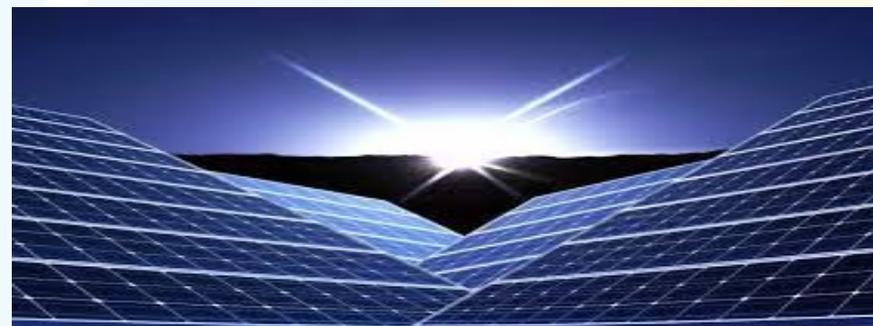
- Strengthen regulatory and institutional framework to support expansion of renewable energy generation



- Construct power generation capacity from solar thermal, solar PV and wind

Transmission and energy efficiency

- Build transmission lines and interconnections to strengthen regional power pools



- Promote and support the development of new business models in the energy sector

Activities with Mitigation benefits

Typology of climate adaptation for tracking purposes

Water supply for domestic and productive use

- Water and sanitation to build resilience at the household level



- Water for irrigation, agro-processing and other productive uses

Sustainable infrastructure and agricultural value chains

- Urban and rural infrastructure planning and design to accommodate climate variability



- Improved access to market and reduced loss of product increases household income and builds resilience

Activities with Adaptation benefits

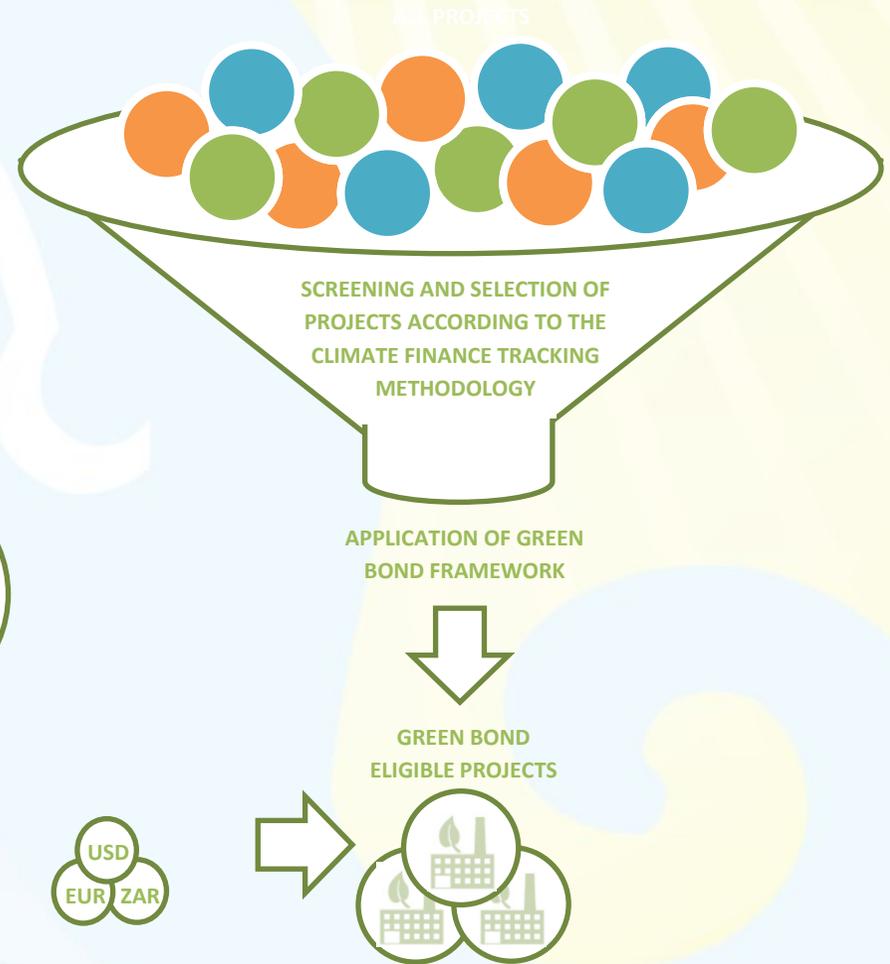
Project evaluation & selection

Joint MDB
Report on
Adaptation/
Mitigation
Finance

Bank's
Environmental
Strategy
permeates design
of all projects

Bank's
Methodology for
Tracking Climate
Adaptation and
Mitigation
Finance

- Energy, Environment and Climate Change Department with operational departments evaluate and select climate change projects according to the Bank's methodology for tracking climate finance
- Energy, Environment and Climate Change Department with Treasury Department evaluate and select projects for the Green Bond portfolio according to the Bank's Green Bond framework



What can be financed with AfDB Green Bonds?

Greenfield Renewable Energy Generation (e.g. solar, wind, geothermal, and ocean power)

Biosphere conservation projects (reduce emissions from deforestation and degradation of ecosystems)

Solid Waste Management (e.g. incineration of waste, landfill gas capture and landfill gas combustion)

Fugitive emissions and carbon capture (e.g. carbon capture and storage, reduction of gas flaring or methane fugitive emissions in the oil and gas industry, coal mine methane capture)

Vehicle energy efficiency fleet retrofit or urban transport modal change

Industrial Processes (reduce GHG emissions from industrial processes improvements and cleaner production)

Demand-side Brownfield and Greenfield Energy Efficiency (e.g. energy efficiency improvements in lighting and equipment; retrofit of transmission lines, substations or distribution systems to reduce technical losses)

Water Supply and Access (e.g. water-saving measures such as introduction of less water intensive crops or preservation of soil moisture and fertility)

Urban Development (e.g. rehabilitation and upgrade of urban water drainage systems in areas vulnerable to frequency and/or severity of flash floods and storm surges brought by climate change)



Green Bond impact reporting

CDM registered projects deliver verified mitigation outcomes

Year	Name of project	Country	Type	Total project cost (USD)	ADB amount approved (USD)	Installed capacity (MW)	Annual energy output/savings (GWh)	Lifetime GHG emissions reduced or avoided (in tonnes CO2e)	Annual GHG emissions reduced or avoided (in tonnes CO2e)	Volume of water saved/treated (in million m3)	Job creation (no. of people)
2014	Ouarzazate Solar Complex Project - Phase II (NOORo II and NOORo III power plants)	Morocco	Solar	2,455,588,069	121,410,016	350	1,100	13,050,000	522,000		1,800
2014	Xina Solar One Project	South Africa	Solar	908,000,000	100,000,000	100	383		400,000		1,415
2014	Urban Water Sector Reform and Post Harcourt Water Supply & Sanitation Project	Nigeria	Water	346,060,000	204,781,073						
2014	Transforming Rural Livelihoods in Western Zambia - (NRWSSP) Phase II	Zambia	Water	35,713,167	15,500,000						12,501
2014	Ezulwini Sustainable Water Supply and Sanitation Service Delivery Project	Swaziland	Water	27,007,000	23,013,000						
2013	Lake Turkana Wind Power Project	Kenya	Wind	756,125,998	139,621,518	300	1,249	16,000,000	736,615		750
2012	Ouarzazate Solar Power Station Project - Phase I (NOORo 1 power plant)	Morocco	Solar	1,489,000,000	203,968,826	160	497	6,784,150	271,366		2,650
2012	ONEE Integrated Wind/Hydro and Rural Electrification Programme	Morocco	Wind/Hydro	2,389,000,000	435,861,957	1100	2,496	65,000,000	3,250,000		4,350
2012	Ithezi-Tezhi Power Project	Zambia	Hydro	239,000,000	35,000,000	120	611	14,400,000	560,654		820
2011	Project to Improve the Quality of Treated Water	Tunisia	Water	48,245,373	39,397,550					100	
2011	Rural Drinking Water Supply (RDWS) Programme	Tunisia	Water	131,566,436	115,120,977						20

Third party assurance



°CICERO

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CICERO, 1st September 2013



MSCI

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MSCI ESG Research, 5th December 2014



Corporate
Responsibility
Prime
rated by
oekom research

The company's environmental social lending and investment banking guidelines cover client-related environmental and social risks and impact management aspects, including risk and impact assessments, effective stakeholder engagement and grievance mechanisms.

Oekom Corporate Rating, 12th December 2014



vigeo
rating The way to responsible investment

“The AfDB, in accordance with its mandate as set out in Article 1 of the Bank Agreement and Article 2 of the Fund Agreement, and the provisions in Article 38 of the Bank Agreement and Article 21 of the Fund Agreement, views economic and social rights as an integral part of human rights, and accordingly affirms that it respects the principles and values of human rights as set out in the UN Charter and the African Charter of Human and Peoples’ Rights. These were among the principles that guided the development of the Integrated Safeguards System.”

Vigeo, July 2014

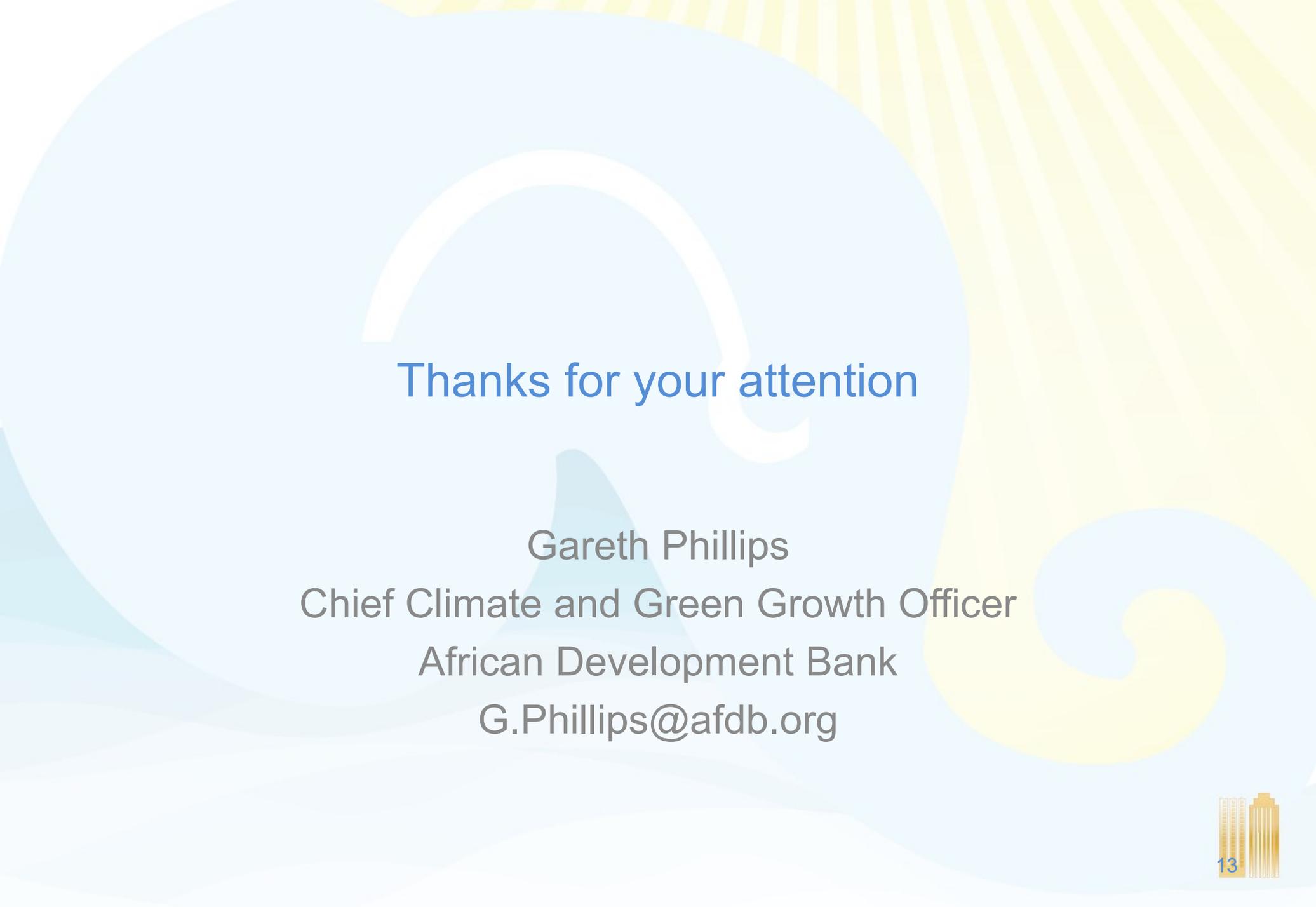
CDM / UNFCCC
Logo

“The AfDB has applied the modalities and procedures of the Clean Development Mechanism to demonstrate the mitigation benefits associated with their Green Bond Portfolio. Through the use of conservative accounting methodologies and the cancellation of some CERs, the AfDB’s Green Bond Portfolio helps African nations achieve their commitments under the Paris Agreement”

CDM EB, Sep 20xx

Future role for the CDM?

- AfDB has successfully used the CDM as a tool to allocate green bond finance
- CDM processes constitute third party assurance, adding to existing assurance processes – could the CDM EB offer an opinion based on the use of CDM projects?
- Registration of projects confirms their ability to deliver mitigation benefits but does it matter if the CERs are used to offset emissions?
- Registration costs and fees – what if no CERs are sold? Would Green Bond managers pay for CDM registration?
- If the CERs are not of interest to the Green Bond managers, then why stop at registering mitigation projects – could CDM also register adaptation projects, delivering verified adaptation benefits?
- Is the CDM stamp of mitigation more or less relevant under the Paris Agreement?



Thanks for your attention

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