

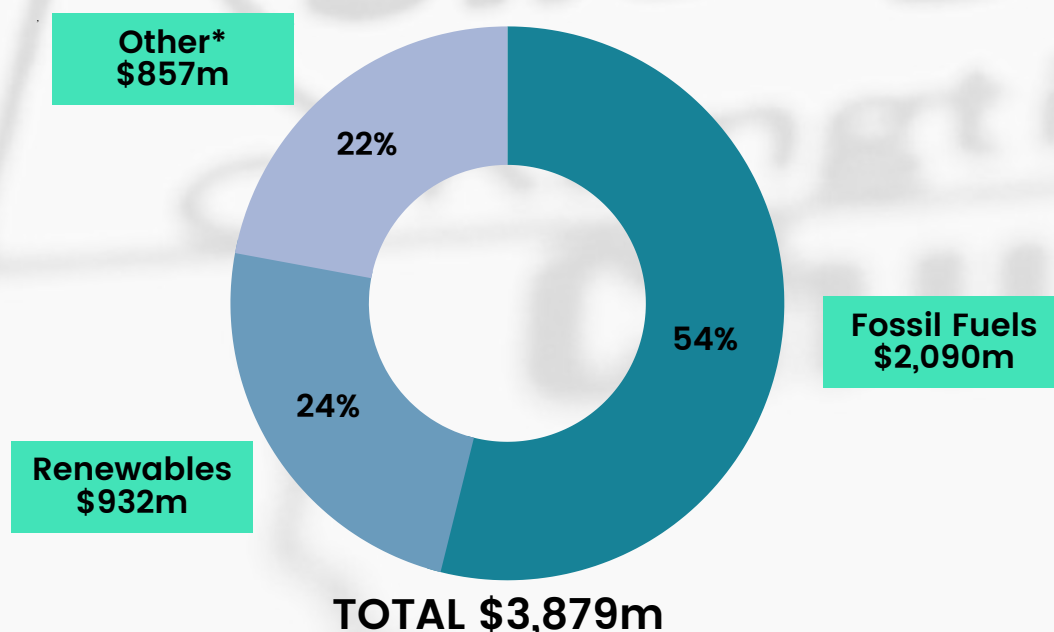
AIIB'S CLIMATE SCORECARD

July 2020

The Asian Infrastructure Investment Bank (AIIB) was launched in 2016, hot on the heels of the Paris Agreement on climate change. From the start it set out to be “lean, clean and green”, but its early portfolio was dominated by fossil fuel investments. Since then the AIIB has made some progress. The share of fossil fuels of the AIIB’s overall portfolio has shrunk from a fifth a year ago, to a tenth today – but this is largely because the proportion of energy investments as part of the overall portfolio has decreased. Energy now represents approximately 20% of the value of the AIIB’s total portfolio. The share of renewable energy has increased but fossil fuels still dominate the energy portfolio. For every \$1 the AIIB has invested in renewables, it has invested more than twice that in fossil fuels.

The lack of progress can be traced back in part to the AIIB’s policies and practices. Despite being part of a group of multilateral development banks (MDBs) that aim to align with the 2015 Paris Agreement on Climate Change, the AIIB is yet to detail a pathway for becoming truly ‘green’. Its forthcoming Corporate Strategy is set to clarify the bank’s ‘green’ mandate, but the process is opaque, so there is no way of knowing whether it will be up to the mark. The ongoing review of the AIIB’s standards, the Environmental and Social Framework (ESF), is another opportunity to strengthen the AIIB’s track record and some of the bank’s shareholders are pushing for it to improve its climate protections.

AIIB’s energy portfolio



* Other includes projects such as transmission and distribution, where the fuel source is not defined
Source: <https://www.aiib.org/en/projects/list/index.html?status=Approved>, 24 July 2020

EIGHT ESSENTIALS FOR MDB CLIMATE CREDIBILITY

Red = no progress

Orange = progress in making

Green = all set

AIIB STATUS

MDB EXAMPLES



Climate change and the Paris Agreement are integrated into the bank's overarching institutional/corporate strategy.



Climate is rumoured to feature in the AIIB's new Corporate Strategy, but there are no drafts available to verify this.

The Inter-American Development Bank (IDB) strategy includes climate change as one of its five priority areas.



A standalone climate strategy exists or is in development, which aligns with and supports the Paris Agreement.



The AIIB has no climate strategy or action plan to guide its investments.

Out of the nine MDBs joining forces to align with the Paris Agreement, it is only the AIIB and the New Development Bank which lack a climate strategy or action plan.

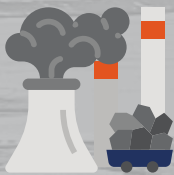


A proportional target for climate finance to be 50% of overall operations, in line with best practice.



The AIIB's new Corporate Strategy is expected to include a 50% target for 2025, but this has not yet been confirmed.

The European Investment Bank (EIB) has a 50% target for financing for climate action and environmental sustainability by 2025.



Targets for ending support for and activities related to fossil fuels (coal, oil and gas).



No target. The 2017 Energy Sector Strategy allows investment in fossil fuels, including coal.

The EIB has committed to phasing out all funding for fossil fuel power by the end of 2021.

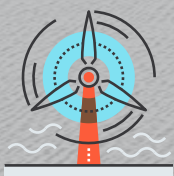


Targets for reducing portfolio greenhouse gas (GHG) emissions in line with the Paris Agreement, covering both direct and indirect lending.



The AIIB does not measure its investments' overall GHG emission and has no target to reduce them

The Asian Development Bank (ADB) aims to peak direct GHG emissions by or before 2030. The EIB aligns with the EU's targets and includes indirect lending in its commitment to phase out fossil fuels by end of 2021.



Targets to increase investment in sustainable renewable energy technologies, to help attain universal energy access by 2030.



AIIB's renewable energy portfolio is growing, but slowly, and investments in fossil fuels are double those in renewables. The AIIB has no targets for energy access.

The African Development Bank (AfDB) has set of target of 75 million "off-grid" connections by end of 2025.



All sectoral strategies and policies (e.g. transport, energy, etc) align with and support the objectives of the Paris Agreement.



The AIIB's Energy Sector Strategy commits to Paris alignment but does not say how this will be measured. The AIIB's Water Strategy mentions climate, but without reference to the Paris Agreement.

This is a weak point for most MDBs. An overall focus on climate and Paris alignment does not always translate into concrete sector specific commitments.



Internal operations are decarbonised by 2050 at the latest with interim targets and milestones every five years.



The AIIB has no such commitment and given the opacity of the Corporate Strategy, it is unclear if this will be addressed there.

The EIB's Environmental Management System has a framework to align internal environmental objectives and targets to meet the goals of the Paris Agreement.

GOLDEN OPPORTUNITIES: MDB PARIS ALIGNMENT AND THE FINANCE IN COMMON SUMMIT

The 2015 Paris Agreement unites in common cause to fight climate change and help developing countries adapt to its effects. The agreement aims to keep the global temperature rise to well below 2°C above pre-industrial levels, while pursuing efforts to limit warming to 1.5°C. In December 2018, nine MDBs, including the AIIB, announced their intention to develop a joint framework for aligning with the Paris Agreement. This followed a 2017 commitment to align their financial flows with the objectives of the Paris Agreement, and in September 2019, the MDBs committed to jointly increase climate finance to \$175 billion by 2025. To date there is little information on how the AIIB will contribute to these commitments. Unlike its MDB peers, the AIIB does not have a climate change action plan, which spells out how a bank seeks to address the climate challenge systematically through its internal and external processes and operations.

The French government is hosting the 'Finance in Common' summit in November 2020, which aims to gather together public development banks to 'implement the transition to a low carbon and resilient economy' as part of the build-up to the next round of climate negotiations (COP 26). With COP 26 postponed until 2021 due to Covid-19, this summit presents an important opportunity for the AIIB to join its MDB peers to report back on progress and outline ambitious next steps on its path to Paris alignment.

A VISION FOR THE FUTURE? THE AIIB CORPORATE STRATEGY

The AIIB's first Corporate Strategy is under development and will go for Board approval in September 2020. According to Board members, the strategy will define the AIIB's 'green' mandate, and will detail how the AIIB will tackle climate change, including setting a 50% climate finance target by 2025 and committing to introduce greenhouse gas accounting and a shadow carbon price. This could move the institution to the front of the MDB pack. But the process has been kept under wraps, with no public consultations, which makes it difficult to assess whether it will be up to the task and set the AIIB on a strong and ambitious pathway to tackle climate change in its external and internal policies and operations.

IMPROVING CLIMATE PROTECTIONS: THE ENVIRONMENTAL AND SOCIAL FRAMEWORK REVIEW

In January 2020, four years after the AIIB launched, it opened a review into its Environmental and Social Framework (ESF). In the first phase, civil society, AIIB shareholders and the AIIB itself all identified climate change as one of the key areas that needed to be improved. The review is an opportunity for the AIIB to raise the bar to ensure that all projects are Paris aligned, by for example, introducing a project exclusion list, setting emissions benchmarks and targets, and introducing rigorous greenhouse gas accounting. Importantly, this must include all types of funding, including through financial intermediaries - third parties such as infrastructure funds, that then on-lend to sub-projects or clients - to ensure that there are no loopholes for investments in fossil fuels. The delayed second phase of the review is due to start in September, when the bank will release the new proposed text for public consultation. The AIIB Board is expected to approve the new ESF early next year.

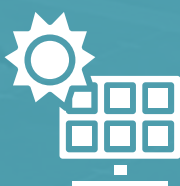
FROM WORDS TO ACTION – THE AIIB SHOULD:



Develop an AIIB Climate Change Action Plan, with clear and ambitious targets for how the AIIB will align its policies and operations with the goals of the Paris Climate Agreement and efforts to limit the global temperature increase to 1.5°C above pre-industrial levels.



Provide a road map for the AIIB to shift direct and indirect investments from fossil fuels to renewable energy by the end of 2020, including ruling out all financing for coal and any investment that would result in increased coal use, and matching the World Bank's commitment to end financing for upstream oil and gas.



Ensure all energy projects funded by the AIIB help lift more people out of energy poverty in a sustainable way, especially by scaling up support for decentralised renewable electricity and clean cooking solutions. This should exclude large hydro dams which can cause extensive social and environmental harms.



Include ambitious and comprehensive climate considerations in the revised Environmental and Social Framework and the new Corporate Strategy, and ensure they cover all types of AIIB investments.

SELECTED RESOURCES

- [Do No Harm: Recommendations for the AIIB's Environmental and Social Framework by BiC Europe, NGO Forum on ADB and GenderAction](#)
- [AIIB's Climate Loopholes by BIC Europe](#)
- [AIIB and Climate Change by BIC Europe and The Big Shift Global](#)
- [AIIB and Fossil Fuels by BIC Europe and The Big Shift Global](#)
- [Dangerous Distractions: Why the AIIB must help Bangladesh turn the tide on fossil fuels by BIC Europe, CLEAN and NGO Forum on ADB](#)
- [Risky venture: The AIIB's hands off approach to funding infrastructure in India by BIC Europe and Centre for Financial Accountability India](#)
- [Banking on Reform: Aligning the development banks with the Paris Climate Agreement by E3G](#)
- [Banking on Asia: Alignment with the Paris Agreement at Six Development Finance Institutions in Asia by E3G](#)

*BIC Europe changed name to Recourse in February 2020



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