

AIIB and Paris Alignment

As the Asian Infrastructure Investment Bank (AIIB) – the world’s newest multilateral development bank (MDB) – is approaching its five year anniversary, so is the Paris Agreement on climate change. From the very start, the AIIB set out to be ‘green’ and to support the implementation of the agreement. But despite these lofty promises, for every \$1 invested in renewable energy, it has invested more than twice that in fossil fuels.

In contrast to all other major MDBs, the AIIB does not have a climate strategy, policy or action plan, which guides its actions towards Paris alignment. In September 2020, 60 climate and rights groups launched the [Principles for Paris-Aligned Financial Institutions](#). These provide a useful roadmap against which the AIIB can measure its progress and whether it is on track to combat climate change, in line with the Paris goal of limiting global warming to 1.5°C, in the run up to the next global climate negotiations in November 2021, COP26. As a public bank tasked with acting for the common good, AIIB should far exceed these principles.

PARIS PRINCIPLE 1: Adopt a commitment by COP26 that requires that the projects and companies it finances are aligned with 1.5°C:

INDICATOR	AIIB STATUS
No financing for projects exploring new fossil fuel reserves, expanding extraction of fossil fuels, or building new fossil fuel infrastructure.	AIIB does not exclude fossil fuels in any of its policies or strategies, such as the Corporate Strategy and the Energy Sector Strategy.
Rapidly phase out of all financing for coal companies.	President Jin has repeatedly stated that AIIB won't fund coal and to date it has not funded any coal power plant, but this has not yet translated into policy.
No finance for any company that is expanding fossil extraction or infrastructure, or exploring for new reserves.	AIIB's Energy Sector Strategy allows financing for all fossil fuels.
No financing for projects involving degradation or loss of natural forests or other natural ecosystems.	AIIB's draft new Environmental and Social Framework (ESF) excludes logging in primary and old-growth forests, but allows other activities to be 'offset'.
Clear, time-bound requirements for fossil fuel or deforestation-risk clients, that respect human and Indigenous People's rights.	Human rights are absent from AIIB policies and the draft ESF does not recognise Indigenous Peoples' right to Free Prior and Informed Consent.

PARIS PRINCIPLE 2: Have in place a process by COP26 to measure and disclose climate impact, commit to phase out financed emissions in alignment with 1.5°C, and develop a specific plan for establishing science-based targets:

INDICATOR	AIIB STATUS
Commit to reducing climate impacts to zero by 2050, with an interim commitment of halving impact by 2030.	The Corporate Strategy commits AIIB to increase climate finance to 50% by 2025 – but there is no commitment to also reduce GHG emissions.
Measure and disclose overall carbon footprint in a transparent and verifiable fashion.	There is no requirement for the AIIB to measure and disclose AIIB's overall carbon footprint.
No “net zero” accounting based on discredited schemes, such as offsets.	AIIB's draft ESF allows offsets, including for biodiversity.
Adopt a process for transparent third-party monitoring of progress on meeting commitments and annual reporting of the results.	AIIB reports impacts on climate finance in its Annual Report and is developing a tool to measure internal GHG emissions, but not operational emissions.



Paris Agreement and MDBs

The Paris Agreement was adopted in December 2015 and unites countries around the world in common cause to fight climate change and help developing countries adapt to its effects – with a core commitment 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, AIIB joined eight other multilateral development banks (MDBs) 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. The MDBs are anticipated to provide an update on their commitments by or during COP26.



AIIB's environmental and social standards review

AIIB launched its review of its Environmental and Social Framework (ESF) in early 2020. 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, measuring project-level GHG emissions, and setting emissions benchmarks. In the first phase of the consultation, many stakeholders identified strengthening the language on climate change as a top priority. But disappointingly the draft new ESF, released in early September, lacks any meaningful improvement to climate commitments – leaving the AIIB far behind other MDBs. It is essential that AIIB ensures the final version of the ESF, expected to be approved by the AIIB Board in early 2021, aligns with the Paris Agreement.



The Finance in Common Summit

The French government is hosting the 'Finance in Common' summit 9 - 12 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 (COP26). With COP26 postponed until 2021 due to the Covid-19 pandemic, this summit presents an important opportunity for the AIIB to join its MDB peers to stake out a roadmap for meaningful climate action towards COP26.



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 COP26, including ruling out all financing for coal, oil and gas and any investment that would result in increased use of coal, 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 and add coal and other fossil fuels to the exclusion list in the revised Environmental and Social Framework, and ensure all types of AIIB investments are covered including direct and indirect financing.