Climate Action
in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

Find more case studies online at https://www.mainstreamingclimate.org/

The EBRD's Measuring, Reporting and Verification (MRV) Approach Allows for Transparency and Accountability

Principle	Related Work Stream(s)
PRINCIPLE 4: IMPROVE Climate Performance	MAPPING REPORTING INITIATIVES AND UNDERSTANDING IMPLEMENTATION CHALLENGES

Publication date: December 2015 – Emerging Practice Document 2015

Date Policy/ Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
2006	The Board approved the Sustainable Energy Initiative (SEI), which resulted in the implementation of the SEI strategy throughout the EBRD. The Energy Efficiency and Climate Change (E2C2) department has been the driver behind the development of the MRV approach with the support of the banking sector teams and other departments in gathering and managing data.	Implementing the MRV approach has been an evolutionary process that began in 2006 with screening a number of selected climate projects out of the annual activities portfolio. Today it has evolved into a day-today activity managed by the E2C2 team and others within the banking sector teams and other departments.	With the implementation of MRV, the E2C2 team has allocated dedicated resources to support the MRV activities, including hiring a full-time MRV manager and having sector engineers support in providing the climate investment-related data. The E2C2 team is comprised of approximately 40 people. Beyond the E2C2 team, there are additional resources and staff members allocated in other sector teams to help in providing the relevant data. There are also IT staff members dedicated to MRV data management and integration of information to the rest of the existing banking system.

Key Lessons

- MRV should be integrated into the rest of the financing operations, and not be an isolated activity.
- Having an IT system that supports the MRV activities and integrates it into the rest of the banking system is essential.
- Setting specific targets or objectives for climate investment is an important driver of getting the relevant MRV data. (The EBRD became the first MDB to set itself a carbon emissions target in 2009.)

Introduction

In 2006, the EBRD launched its Sustainable Energy Initiative (SEI) to address the twin challenges of energy efficiency and climate change by mainstreaming in their financial activities. To assess the impact of its investments in sustainable energy and resources, the EBRD developed a specific Measuring, Reporting and Verification (MRV) approach that ensures accountability of its climate investment throughout a project cycle. It also launched the Sustainable Resource Initiate (SRI) in 2013, an umbrella initiative that broadens the scope of the resource efficiency agenda from energy to water and materials efficiency.

Development and Design

The launch of SEI naturally kick-started the MRV process for the EBRD, which started collecting and verifying data from its project portfolios. It initially began as an annual exercise, and over the next few years evolved into a daily operational activity, closely integrated with the banking activities. Being the first multilateral development bank (MDB) with a dedicated pool of inhouse technical experts, an internal team developed and implemented the MRV approach. Known as the Energy Efficiency and Climate Change (E2C2) team, it comprises engineers, financial experts and policy and carbon market experts, as well as a dedicated MRV manager. No external consultants were hired, making it critical for people who understand the internal system to steer the process. Outside consultants were hired only for specific tasks of gathering climate data on certain project. The UNFCCC standards were initially used to account for greenhouse gases.

Implementation

At project initiation, the EBRD's MRV approach provides guidance as to what projects can be classified as climate investments and how to attribute climate finance to these investments. Once the project passes its concept review stage, the climate impact is assessed. Climate impact is defined as climate mitigation and/or adaptation, and for their assessment, projects are disaggregated into different savings components and translated into financial terms. The process also includes calculating forecasts for annual GHG reductions and energy, water and materials savings. After Board approval, the in-house MRV expert conducts a final verification of the project impact assessment before the investment is made with the client. Throughout the project cycle, key climate-related data are captured, revised and reported as part of the EBRD's ongoing portfolio management, as well as its data management and reporting system. Information gathered is used for both internal and external reporting, including to donors.

Experience and Impact

The EBRD's MRV approach has been in place since 2006, and has proven to significantly contribute toward increasing climate investment, both in number of project and business volume, allowing the banking teams to put greater focus on climate projects. The EBRD also conducts post-signing verification of its climate projects, and in 2013, it undertook a review of the 80 largest sustainable energy projects from 2006 to 2009, which represented more than 80 percent of the climate finance portfolio in terms of emissions reductions. The results showed that the actual emission reductions turned out to be about 2 percent more than initially estimated.

The EBRD's environmental and social policy mandates greenhouse gas (GHG) assessment for all its projects with over 25 kilotons of expected CO_2e emissions per year. The results of the GHG assessment are published in the EBRD's annual Sustainability Report. The assessment combines projects that result in significant GHG savings, Greenfield projects and capacity expansions in sectors like energy generation that typically lead to net emission increases.

The EBRD has been working with other MDBs on harmonizing the tracking of its climate investments, including approaches to GHG accounting. As part of this initiative, the EBRD publishes a joint annual MDB Climate Finance Report, including both climate mitigation and adaptation finances.

FIGURE 1 The EBRD's Project Cycle and MRV Approach