

It is time for EBRD to become the lighthouse for fossil-free development banks

June 2021

An unprecedented climate crisis is upon us. The devastating effects of climate change for people and the environment - from severe floods in Asia to drought and desertification in Africa and hurricanes in the United States - are already happening worldwide.

Three years ago, the world's leading climate scientists, the Intergovernmental Panel on Climate Change (IPCC), called for a complete transformation of the global energy system to prevent planetary warming by more than 1.5 degrees Celsius. The IPCC demanded a quick reduction of burning fossil fuels globally and a rapid switch to carbon-free energy systems, and a halt to deforestation and forest degradation at the same time. Unfortunately, the IPCC's call was mostly ignored by the financial world.

Though the EBRD phased out direct investments in coal, it is still supporting oil and gas through its portfolio. Since the ratification of the Paris Agreement, the EBRD invested more than USD 4.8 billion into fossil fuels.

Decarbonisation is critical across the EBRD regions because the economies in which the bank operates remain among the most carbon-intensive globally. Their average greenhouse gas emissions per capita are 20 per cent higher than those of comparable economies with similar populations and per capita incomes. Fifteen of the 38 economies where the EBRD invests have a higher carbon intensity than the world average, and ten are in the top 20. Similarly, 16 have a higher energy intensity than the world average.

Carbon assets are making these economies non-competitive in the medium to long term. The risk of stranded fossil fuel assets weighs heavily on the development prospects of the bank's countries of operation.

At the same time, the EBRD's region of operations includes some of the areas that are most vulnerable to climate change. Climate impacts will add pressure to the already stressed and

exploited resources in these countries, which largely lack the financial or political capacity to overcome these growing challenges.

Fossil fuels are currently propped up by the market's failure to look a decade into the future, and the EBRD has the mandate to support countries towards a zero-carbon future. The EBRD region is ready for this transition, and the EBRD's efforts to promote a just transition need to go hand in hand with phasing out dependence on oil and gas.

Scientific evidence proves that fossil gas is a significant driver of global warming and climate change – not just due to the CO₂ emissions produced during combustion but also because of the methane leaks that occur during extraction and transport.

The International Energy Agency (IEA) in its latest net-zero emissions pathway rightfully dismissed the idea of fossil gas as a transitional fuel. The IEA report concludes that new investments in fossil fuels extraction must end and a radical reduction in fossil fuels, including gas, is needed in the next decade if we are to reach the Paris Agreement aim of limiting global warming to below 1.5 degrees Celsius. It is important to note that the IEA report also received strong criticism for swapping fossil fuels with false solutions such as hydrogen and bioenergy.

The EBRD should also align its support for other sectors that are greenhouse gas intensive, such as agriculture, forest and land use, with the goals of the Paris Agreement. It should, among others, stop finance in any form for natural ecosystem conversions factory farming, and utility-scale biomass.

Green hydrogen is foreseen as an option to decarbonise niche and hard-to-abate sectors. However, experts increasingly agree that the use of hydrogen in heating and mobility is inefficient and unsustainable. Also, fossil fuels-based hydrogen, combined with carbon capture and storage, has yet to prove efficient and may in fact lead to generating a significant risk of a lock-in effect into the fossil fuel economy that is to be avoided.

If we act now, we can reduce the economic, social and human costs of climate change. The worst consequences of climate-related risks – global famine, water scarcity, and mass vegetation die-offs – can still be limited.

This year the EBRD has the opportunity to help avert climate breakdown by putting itself at the heart of the global transition to a carbon-free economy. The EBRD can have a cascading effect on other financial institutions worldwide.

If it does not act, the EBRD instead risks becoming a laggard among international public banks. The United Kingdom, European Union, and the United States have all made commitments to phase out fossil fuels finance in the past six months, with explicit commitments to pursue diplomacy to encourage others to do the same. The European Investment Bank announced its own fossil fuel exclusions in 2019, and the UN Secretary-General has called for international public banks to end all fossil fuel finance.

The latest announcement from EBRD President Odile Renaud-Basso that the bank aims to reach a complete alignment of its activities with the Paris Agreement by the beginning of 2023 is a step in the right direction for the EBRD's climate ambition. Such an alignment needs to lead to the complete decarbonisation of the EBRD's investments and therefore we ask the bank to accept the following principles.

The EBRD portfolio must be decarbonised by ending fossil fuel and utility-scale biomass finance, as follows:

- The EBRD must stop financing oil and gas projects.
- The EBRD should divest from companies that hold coal, oil or gas assets themselves or through entities they control:
 1. Have annual hydrocarbons production (Coal, Oil, Gas, Condensate, Natural Gas Liquid) higher than 20 mmboe, or
 2. Operating, constructing or planning fossil fuels pipelines longer than 100 km and LNG terminals with a combined capacity higher than 1 Mtpa, or
 3. Operate combined fossil fuel power capacity higher than 100 MW, or planning to increase their existing capacity.
- The EBRD should demand decarbonisation plans as a condition of investing in or lending to companies, which themselves or through entities they control, currently rely on fossil fuels for their operations.
- The EBRD must entirely exclude support for large-scale forest biomass.
- This must likewise exclude indirect support to fossil fuels and utility-scale biomass production through related infrastructure, advisory services, technical assistance, or financial intermediaries.

To reiterate the latest findings of the IEA report, if we are to prevent climate catastrophe, fossil fuels must stay in the ground while massive investments need to be directed towards demand-side energy efficiency projects and the fast deployment of sustainable forms of renewable energy, mainly appropriately-sited wind and solar.

On the occasion of the 30th anniversary of the EBRD, we call on the bank's management and shareholders to make a clear and ambitious announcement on these principles during the 2021 EBRD annual meeting. Once the direction of travel is set, dedicated policies and procedures should be operationalised as a priority for the institution.

It's time to stop pouring fuel on the fire. It's time to stop public money keeping the planet dependent on fossil fuels. We demand a fossil free EBRD.

Signed:

1. CEE Bankwatch Network
2. Counter Balance
3. urgewald
4. RSEU/FoE Russia
5. NGO Ecoaction (Ukraine)
6. Sentient Media
7. BankTrack
8. Feedback
9. World Animal Protection
10. Za Zemiata
11. Big Shift Global
12. 350.org
13. 50by40
14. Sinergia Animal
15. ReCommon
16. Alliance of Associations Polish Green Network
17. Brighter Green
18. Stowarzyszenie Pracownia na rzecz Wszystkich Istot
19. Friends of the Earth-CEPA, Slovakia
20. Fundacja "Rozwój TAK - Odkrywki NIE"
21. Food & Water Action Europe
22. TransfarmAg

23. Friends of the Earth Estonia
24. Friends of nature EKO ELEMENT
25. Centar za ekologiju i energiju
26. Społeczny Instytut Ekologiczny
27. NGO Green Home
28. Organic Agriculture Association
29. NGO Eco-team
30. Socio-ecological union international
31. Green Institute/Zielony Instytut
32. "EcoLur" Informational NGO
33. Bankwatch Romania
34. Biomass Finance Working Group, the Environmental Paper Network
35. Centar za životnu sredinu/Center for Environment
36. Eko centar' Višegrad
37. Aarhus centar u BiH
38. Crude Accountability
39. Environmental organization "Little Earth"
40. Oil-Workers' Rights Protection Organization Public Union
41. The Little Earth (Tajikistan)
42. Center for Karst and Speleology, Sarajevo
43. Rivers without Boundaries
44. Ассоциация "За экологически чистую Фергану"
45. Friends of the Siberian Forests
46. Towarzystwo dla Natury i Człowieka
47. NGO Center "Globus"
48. Brod Ecological Society-BED
49. Society for the Earth
50. Green team Novi Grad
51. Fundacja na rzecz Efektywnego Wykorzystania Energii
52. Institute for Sustainable Development
53. Association Crvena, Sarajevo
54. Stowarzyszenie Ekologiczne EKO-UNIA , Poland
55. Polish Ecological Club Mazovian Branch
56. Movimento No TAP/SNAM Brindisi
57. Redazione emergenzaclimatica.it
58. Comitato "Per il Clima, Fuori dal Fossile"
59. Zelena akcija/Friends of the Earth Croatia

60. Oil Change International

61. MTVSZ (National Society of Conservationists) – Friends of the Earth Hungary

62. LIR Evolution

63. Centre for Transport and Energy