

CIVIL SOCIETY EXPECTATIONS FOR PARIS ALIGNMENT OF PUBLIC AND DEVELOPMENT BANKS

Introduction:

Public and development banks have an obligation to align their own bank activities with the Paris Agreement, in addition to a broader responsibility to transform economies toward alignment with the Paris Agreement. As governments around the world prepare historic levels of public finance to recover from the still-unfolding COVID-19 pandemic, it is more critical than ever that these institutions help us build a more resilient future instead of exacerbating the climate crisis.

Paris alignment means ensuring that a bank's portfolio's emissions are reduced to net-zero, ending support for fossil fuels and other high-carbon activities, while using bank operations to accelerate client and country-level transitions toward net-zero, in line with credible 1.5C pathways and in the spirit of the Paris Agreement. On the adaptation side, it means ensuring that a bank's own portfolio is resilient to the physical impacts of climate change, while using bank operations to deliver adaptation and enhanced resilience at the level of communities, countries, and clients.

In a transversal sense, banks must ensure an increase in the quality and quantity of finance, for mitigation and adaptation, which supports communities on the ground. Bank engagement and policy assistance should facilitate the design, adoption, and implementation of targets and policies that support the Paris Agreement. All the above should be underpinned by robust transparency and reporting of portfolio and project-level information, as well as institutional commitments to Paris alignment, reflected in a bank-wide climate strategy, sectoral strategies, internal governance, key performance indicators, and staff incentives.

THEME	EXPECTATION
Overarching:	<ul style="list-style-type: none"> - Set a target date in the near future after which all new bank commitments will be Paris-aligned. - Go beyond portfolio alignment to be a driver of the alignment of economies with the Paris Agreement, helping to correct and compensate for the non-alignment of private finance. - Develop a climate strategy for driving alignment with the Paris Agreement in the bank's clients and countries of operation. - Bank shareowners, represented via Executive Directors on boards, should approve and provide high-level momentum for the process.
Mitigation:	<ul style="list-style-type: none"> - Adopt science-based target (or cap) to reduce overall portfolio emissions to support credible scenarios for 1.5C, covering both direct and indirect lending, and Scopes 1, 2, and 3 - Finance projects that draw capital to support projects consistent with scenarios of 1.5C or below, aiming to correct and compensate for the misalignment of financial flows more broadly. - End support for fossil fuels (coal, oil, and gas) and activities relating to fossil fuels, with official policy and full implementation including direct and indirect lending.

	<ul style="list-style-type: none"> - Increase investments in sustainable renewable energy technologies, to help attain universal energy access by 2030. - Agree and publish common and binding positive and negative lists for Paris-aligned activities for all sectors, based on current science of mitigation, importantly the IPCC Special Report on Global Warming of 1.5C. - Support a just transition for workers and communities, including by equitably decommissioning fossil assets early and investing in sustainable energy - Where an investment cannot be clearly categorised as aligned or misaligned, for example because of a lack of data, pursue a precautionary approach and assume misalignment - Develop and publish more detailed guidelines on how consistency with (i) country long-term strategies, (ii) global sectoral pathways, (iii) no-regret tests and (iv) economic analysis accounting for stranded asset risks will be assessed and what current scientific research and methodologies has been used to establish those benchmarks.
Adaptation and Resilience:	<ul style="list-style-type: none"> - Screen and manage all new projects for climate risk through a harmonized scenario-based decision-tree process, rejecting projects with too much risk and investing in climate-proofing/adaptation options where possible, incorporating this in project financial and economic analysis - Adopt enhanced adaptation and resilience metrics, including output- or outcome-based metrics to allow tracking and reporting on the quality and results of adaptation finance, in addition to quanta. - Invest in climate-proofing or re-design of approved and existing projects in the bank's portfolio, notably in infrastructure, to enhance project-level and portfolio-level resilience - Take advantage of joint mitigation and adaptation opportunities, notably with nature-based solutions. - Deliver transformational activities to enhance systems-level or client-level resilience, responding to strategic resilience gaps and vulnerabilities facing communities and countries
Better contribution of climate finance:	<ul style="list-style-type: none"> - Increase the quantity (i.e. volume) of climate finance - Adopt a proportional target for climate finance to be 50% of overall operations, in line with best practice - Aim to reach a balance between adaptation and mitigation finance. - Improve the quality of climate finance, by maximizing transformational outcomes and ensuring that climate finance (particularly adaptation finance) reaches communities on the ground and upholds human rights - Limit climate finance to those activities that will continue to be part of a climate-neutral economy. (Fossil-related activities, even those that increase efficiency or reduce emissions relative to baselines, should thus not be labelled climate finance.)
Engagement and policy development support	<ul style="list-style-type: none"> - Support countries in regulatory and market reform toward decarbonisation and enhanced resilience, ending non-aligned technical assistance and development policy lending that supports fossil fuels

	<ul style="list-style-type: none"> - Support design and implementation of enhanced 1.5C-aligned nationally determined contributions (NDCs) and long-term strategies (LTS), for example through policy-based lending, to seize economic opportunities from the transition (e.g. from renewable energy), and reallocate subsidies from fossil fuels to climate finance and other environmentally sustainable investments - Scale up the technical and financial support to countries as part of the NDC revision cycle, particularly in the lead up to the 26th Conference of the Parties (COP26). - All country policies should describe how they support the development / implementation of LTS and revised NDCs - Request and support intermediaries to develop Paris-aligned climate strategies and implementation plans, e.g. to adopt net-zero pathways, to reduce exposure to coal and other fossil fuels, to pursue adaptation and enhance resilience - Engage more broadly to promote Paris-aligned climate commitments and pathways across all actors, including clients, firms, investors, local and national institutions, insurers, central banks and regulators.
<p>Reporting and transparency</p>	<ul style="list-style-type: none"> - Report all Paris-aligned and non-aligned activities - Report impacts of projects on mitigation and resilience indicators - Report high-carbon/carbon-intensive asset exposure and overall portfolio emissions and portfolio decarbonisation - Report on efforts to increase climate resilience in the portfolio - Report climate-related transition risks for individual projects and aggregate at portfolio level in line with recommendations of the TCFD - Report climate-related physical risks for individual projects and aggregate at portfolio level in line with recommendations of the TCFD - Make project-level information (including via intermediaries) available with detailed descriptions, using the same reporting format as OECD or better.
<p>Aligning internal policies and governance</p>	<ul style="list-style-type: none"> - Integrate climate and the Paris Agreement into the bank's overarching institutional/corporate strategy - Adopt, develop, or refine a standalone climate strategy which aligns with and supports the Paris Agreement - Ensure all sectoral strategies and policies (e.g. transport, energy, etc) align with and support the objectives of the Paris Agreement (aiming for 1.5C as well as adaptation and resilience) - Enact strong institutional measures to ensure bank climate goals are met, including in governance, staff compensation and incentives, key performance indicators, and independent review/ombudsman - Decarbonise internal operations as soon as possible but by 2050 at the latest with interim targets and milestones every five- years.