



Climate Action in Financial Institutions

PRINCIPLES FOR MAINSTREAMING CLIMATE ACTION

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EIB Publication of Carbon Footprint Methodologies, Project Level Absolute & Relative GHG Data, Aggregate Annual Data, and Impact Reporting for Green Bonds

Principle

Related Work Stream(s)



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Date Policy/Tool Established	How Established?	How Implemented	Additional Capacity Required (e.g., staff, resources, other)
<p>Work began in 2008. Systematic pilot across all sectors started in 2009. Pilot completed in 2011.</p> <p>External consultant review of pilot and Methodologies 2012–2013.</p> <p>Methodologies publically available since 2014—http:// www.eib.org/about/documents/ footprintmethodologies. htm.</p> <p>Reporting of annual aggregate Absolute and Relative numbers in EIB Annual Reports began in 2011.</p> <p>Project level data reporting (Absolute and Relative) began in 2012 and is now systematically published on Project Environment and Social Data Sheets EIB's Public Register on our website—http://www.eib.org/ infocentre/register/ index.htm.</p> <p>External auditing of the annual GHG figures started for the 2013 Annual Report.</p>	<p>Proposal to start the pilot was authorized by Management Committee (MC).</p> <p>Methodologies were developed using a cross-sector group of experts and supported by external consultants.</p> <p>Results after a year were presented to the MC again, authorizing the application of the thresholds for inclusion and for limiting the work to Investment Projects and not intermediated lending.</p> <p>After 2 years the pilot and results were presented to the Board. Decisions on methodologies what numbers to present publically were largely made at technical level and the management of the Bank were informed accordingly and agreed. Technical decisions were not raised to the management.</p>	<p>Completely new methodologies and systems—but building on the in-house expertise of EIB's sector experts—and on the inclusion of economic costs of carbon in our economic analysis—ad hoc work had been going on in Transport and Energy projects prior to the Footprinting pilot commencing.</p>	<p>Additional resources external and internal and training are significant—it requires external consultants to start the work, plus external review midterm.</p> <p>Although now mainstreamed into our project appraisal, resources to handle the data verification and the auditing system are significant. Long term resources continue to be needed.</p>

Key Lessons

- Involve sector experts—and go slow as needed at the start to ensure buy in from—since they are the ones that eventually you want to carry out this work.
- Once it is mainstreamed into appraisal a strong system of training and helpdesk function is needed—it is essential to develop key experts in each sector and to bring them together to review any overall changes.
- Once GHG figures are produced, they will ultimately fall under the organization's audit systems. It is essential to be well prepared for this, with good records and a rigorous checking system for consistent application of the Methodologies. At EIB, for our Climate Awareness Bonds (CAB), the project impact reporting framework we have developed draws heavily from our GHG analysis and reporting—increasing transparency and clarity for CAB investors.

Introduction

Six years in development—starting with the original proposals in 2008, EIB Carbon Footprinting Methodologies are mainstreamed into EIB project appraisal since 2012 and further improvements are permanently ongoing—widening to more challenging sectors such as Forests and considering

challenges such as footprinting intermediated lending, construction emissions etc. Methodologies themselves are updated annually to include updated emissions factors—and as needed other technical updates, approved by the Carbon Footprint Task Force—CFTF.

Development and Design

The footprinting covers all sectors and is used for Climate projects and non-climate projects. It was developed to assess and report the overall footprint of EIB lending— both in absolute and relative terms. In all cases Absolute and Relative are published— both at project level on our Environmental and Social Datasheets (ESDS) for the Project, and later in aggregate in the Annual Report for the year's finance— where the GHG figures are prorated to EIB's finance volume to avoid double counting of savings with other financiers. As well as the published Methodologies, there are also exchanges with CSOs and with other technical organizations such as IFI Carbon Footprint working group and CDM team at UNFCCC.

Implementation

After the second full year, a presentation was made to the Board and the cross-sectoral Carbon Footprint Task Force was created, chaired by the Environment Climate and Social Office, to take the work forward as we rolled out the mainstreaming. Increasingly work was done by the sector experts with ECSO providing back up. However the backup checking training and methodological improvement tasks continue throughout.

Templates for calculating and presenting Project level data were developed and standard specific phrases and explanations for baselines were developed by sectors.

Ongoing improvements required by auditors (external audit with project sampling) include more systematic recording of the 4-eyes checks.

Experience and Impact

- Involve sector experts—and go slow as needed at the start to ensure buy in from—since they are the ones that eventually you want to carry out this work. The project team leader should also be a technical expert.
- Once it is mainstreamed into appraisal a strong system of training and helpdesk function is needed—it is essential to develop key experts in each sector and to bring them together to review any overall changes (we call them the Carbon Footprint Task Force—CFTF).
- 0.5 to 1x full-time post is needed to follow this up on a long term basis, manage data, queries, quotes in external reports and managing audit trails.

- Once GHG figures are produced, every part of the organization is keen to use them and report them—and they will ultimately fall under the organization's audit systems. It is essential to be well prepared for this, with good records and archives for GHG information such as: data sources, assumptions and calculations, as well as a rigorous checking system for consistent application of the Methodologies. At EIB, management of funds for our Climate Awareness Bonds (CAB) and the project impact reporting framework we have developed draws heavily from our climate finance tracking definitions and from our GHG analysis and reporting—increasing transparency and clarity for CAB investors.