

## EIB MED Conference, 8 September 2016

### Annex 1. Conference notes

#### Session I – From Paris to Marrakech – The road travelled since COP21

The session focused on how climate action can contribute to meeting the Sustainable Development Goals (SDGs) in the Mediterranean region. The discussion addressed the implementation of the Paris Agreement, including progress on regulations, strategies and investment plans for both mitigation and adaptation. The role of the NDCs as drivers of investment was highlighted. The importance of understanding the interactions between mitigation and adaptation, and the importance of cooperation among different stakeholders, in particular, was the subject of a focused discussion.

More specifically, the EIB was introduced as the world's biggest provider of climate finance. Its latest Climate Strategy, published in June 2016, was presented. The Strategy will guide the Bank's medium to long-term actions within and outside the EU to reinforce finance for projects with a positive climate impact. It will focus on three strategic areas:

- Reinforcing the impact of climate financing. A minimum of 25% of EIB's lending will be directed to specific climate action projects. The EIB's pipeline of climate action projects is still growing. EIB will continue to develop innovative climate financing solutions, addressing market failure and seizing opportunities to attract private finance, including through the capital market. The EIB will continue to build on the success of its Climate Awareness Bonds to spur further sustainable growth of the Green Bond market.
- Building resilience to climate change. The EIB remains committed to best practice in adaptation, which includes risk screening to enhance resilience of its projects. The EIB will continue to strengthen its support to investments in specific adaptation activities and increase its own portfolio of adaptation projects. One of the barriers identified relates to the lack of knowledge and experience inside and outside the Bank. To address this, the Bank will invest in knowledge building and awareness raising and will also identify ways to prioritize the implementation of urgent or no-regret adaptation actions, to tackle those risks identified through a climate risk and vulnerability assessment for climate-sensitive projects.
- Integrating climate change considerations across all EIB standards, methods and processes. EIB recognizes the need to further strengthen its effectiveness in this sector. To ensure its standards, processes and methodologies remain at the forefront of best practice. The EIB will make continuous improvements to mainstreaming tools. In particular, it envisages to extend the coverage of sector policies and develop the assessment of climate risk and vulnerability. It will also continue to play a leading role in setting and harmonizing standards among bilateral and multilateral Finance Institutions, and more broadly in the financial community.

For the period 2014-2020, the EIB has been given an ambitious mandate by the EU: nearly EUR 10bn for lending activity in the Mediterranean partner countries. EIB's CAMENA portfolio of initiatives was also presented – a climate action envelope specifically for the Mediterranean. EIB's three areas of action in the Mediterranean concern:

- encouraging the growth of the private sector;
- developing socioeconomic infrastructure;
- taking concrete measures in support of climate action.

CAMENA aims to help Mediterranean Partner Countries to fight climate change by providing grants targeted at specific climate initiatives, such as:

- identifying, catalyzing and preparing climate action investment projects, which could subsequently benefit from EIB financing
- funding actions to improve the enabling environment in relation to climate investments among public

and private institutions within the Mediterranean Partner Countries.

Grant support from CAMENA can be used to finance technical assistance to support climate risk and vulnerability assessments, feasibility studies, environmental and social impact assessment studies, targeted capacity-building activities, and specific equity operations.

So far, CAMENA has provided grant support for five projects with a total value of EUR 2million:

- Railway feasibility study for the Melloussa-Tetouan line and environmental and social impact scoping (Morocco)
- Preparation of power plant facilities for the Gaza Central Desalination Plant (Gaza/West Bank)
- Technical assistance in support of the South Lebanon Water and Wastewater project (Lebanon)
- Extension of a Wastewater Treatment Plant (WWTP) in Alexandria (Egypt)
- Potential Nationally Appropriate Mitigation Actions in the Mediterranean Partner Countries - NAMA study (regional)

The need to coordinate CAMENA portfolio with other financial facilities was underlined.

### Session II – Increasing support for Adaptation: Why it matters in the Mediterranean Region

The session looked at the need for adaptation measures in the region, showcasing what the EIB is doing to support Mediterranean countries in terms of its lending, blending and advising activities.

In volume terms the Bank's climate finance has been directed mostly to mitigation through supporting mature technologies, such as sustainable transport (e.g. metros, tramways and high-speed rail) and mature renewable power generation projects (onshore wind, hydro).

Adaptation mainstreaming is part of the EIB Strategy for climate change (furthering discussions initiated in Session I), which calls for a more rigorous approach in project management.

The Bank has developed a number of innovative financial tools and mechanisms which aim at catalyzing and mobilizing private finance into low carbon and adaptation projects. Some others are blending instruments, combining grant and loan finance to improve financing conditions (optimized allocation of risk and/or reduced cost of capital). These products include equity funds, layered risk funds (e.g. Green for Growth Fund, European Energy Efficiency Fund) and fund of funds (e.g. Global Energy Efficiency and Renewable Energy Fund). In addition, the EIB developed joint instruments with the EC and other donors, for example in the area of energy efficiency (e.g. Private Finance for Energy Efficiency) or for conservation of natural capital and adaptation measures (e.g. Natural Capital Financing Facility). By developing these products, the EIB seeks to demonstrate to the market that investments in projects addressing climate change are sound, viable and can be replicated at larger scale.

The EIB is looking into linking its initiatives and actions to the NDCs implementation, particularly those of LDCs and developing countries containing adaptation measures in the agriculture and forestry sectors.

Factors to take into account for further strengthening adaptation action in the Mediterranean have been identified as the following:

- Metrics: impacts of adaptation projects not clear
- Time: funding allocation on short-term vs long-term goals
- Capacity: while there are financial resources available, it is still difficult to find bankable projects
- Integration: a project needs to be conceived as having a global, logical framework

### Session III – Climate Finance

The session highlighted the diverse range of the EIB's available climate financing tools and advisory services available and presented ways in which clients can best avail themselves of these services to improve their projects. The panel, in particular, emphasized the importance of cooperation between public institutions and private sectors for the financing of viable climate projects. The EIB will continue

to maximize synergies with other international financial institutions and partners in the region to improve the implementation and efficiency of investment projects.

The Bank has been a very active financier in various key sectors addressing climate change. It has been instrumental in getting critical emerging renewable technologies such as offshore wind and concentrated solar power (CSP) off the ground and has made important inroads in difficult sectors such as energy efficiency, low-carbon RDI and adaptation. The EIB can be instrumental in developing other sectors and types of projects that will be critical in enabling the necessary transformation of our societies, for example through significant GHG emissions reduction, investment in innovative technology or support for promising policy initiatives. The Bank has drawn up a list of eligible sectors under climate action, which recognize the mitigation and adaptation aspects of this impact. To increase the climate effectiveness of projects classified as climate action, the Bank will progressively adjust the list of eligibility criteria, in response to new insights and developments regarding the impacts of projects. These definitions are being brought into line with the joint MDB climate finance tracking methodology, in particular the design process criteria for adaptation projects. This list will be updated as necessary to reflect the effectiveness of the Bank's climate action and our improved understanding of climate impact, risks and climate adaptation needs.

The Bank will continue to look for ways in which to increase its support to smaller-scale investments. The Bank will seek to innovate and to replicate or build upon the existing financial structures and products (e.g. Framework Loans, Multiple Beneficiary Intermediated Loans and other intermediated structures such as funds) developed in recent years that have proven successful in bundling and/or aggregating smaller climate projects in suitable sectors and regions, in particular outside the EU. Advisory services could also contribute to developing new financing structures for small projects.

The EIB will also continue to place itself at the forefront of financial innovation and assess the needs for further product offering and financial structures addressing market failures, reducing barriers to entry and responding to the needs of emerging business models in climate action areas. The overall aim of these efforts will be to provide channels for private sector investment in climate action at a scale more in line with the needs linked to climate change. A particular, but not exclusive target for these efforts will be institutional investors such as pension funds and asset managers, in addition to the banking system.

Emphasis was put on the identification of barriers to effective climate-related investment:

- Lack of specific criteria for project assessment
- Lack of bankable projects
- Insufficiency of public finances alone; need to look at market scene and commercial system (Portfolio Decarbonization Coalition; UN Principles for Sustainable Investment).

Priorities for future action on climate finance:

- Find partners and work on local solutions
- Work on energy efficiency in cities, urban transport construction, public lightning and revisiting urbanization models
- Undertake more externalities assessments
- Strengthen the institutional and regulatory framework for public-private partnerships.

## **Annex 2. Conference programme**

### **8:30-9:15** Registration and welcome coffee

Moderated by: Jacki Davis, Meade Davis Communications

### **9:15-10:00** Opening session

- Román Escolano, Vice President, European Investment Bank
- Salaheddine Mezouar, Minister for Foreign Affairs and President of COP 22, Morocco
- Fathallah Sijilmassi, Secretary General, Union for the Mediterranean
- Laurence Tubiana, Secretary General, Ambassador

### **10:00-11:30** Session I – From Paris to Marrakech – The road travelled since COP21

- Monica Scatasta, Head of Environmental, Climate and Social Policy, European Investment Bank
- Hachmi Kennou, Governor, World Water Council & Executive Director Mediterranean Water Institute
- Jochen Harnisch, Coordinator Climate Change Policy, KfW Development Bank, Germany
- Mustapha Bakkoury, President, Agency for Solar Energy (MASEN), Morocco

### **12:00-13:30** Session II – Increasing support for Adaptation: Why it matters in the Mediterranean region

- Abdeladim Lhafi, High Commissioner for Water, Forests and the Fight against Desertification, COP22 Commissioner, Morocco
- Nabil Hamada, Director General for Environment and Life Quality, Ministry of Environment and Sustainable Development, Tunisia
- Jane Feehan, Senior Forestry Specialist, European Investment Bank
- Nizar Baraka, Chairman, Economic, Social and Environmental Council (CSE), Morocco

### **15:00-16:30** Session III – Climate Finance

- Tariq Sijilmassi, President of the Board, Crédit Agricole, Morocco
- Allal Sakrouhi, Wali, Director General, Fonds Equipement Communal (FEC), Morocco
- Christopher Knowles, Head of Climate Finance, European Investment Bank
- Elvira Lefting, Managing Director, Finance in Motion, Germany

### **16:30-17:00** Closing remarks

- Román Escolano, Vice-President, European Investment Bank
- Hakima El Haite, Minister Delegate in Charge of Environment, and COP22 Host, Climate Champion, Morocco