

Environmental and Social Sustainability Framework

Standard 5 – Climate Change

Draft – 3 June 2021

This document is for information purposes only.

In case of discrepancies between the different linguistic versions,
the English version of the document prevails.

Glossary

Terms used in these Standards have the following meanings:

“gender”	refers to the social, behavioural and cultural attributes, expectations, norms and opportunities associated with being male or female, or with an individual’s sexual orientation or sexual identity
“mitigation hierarchy”	measures to avoid, prevent and reduce any significant adverse effects and, if required, remedy/compensate any residual effects on affected people, communities and workers, as well as on the environment A human rights mitigation hierarchy is premised on the principle of remedy rather than compensation
“project”	a set of defined works, goods, services and/or business activities for which EIB financing is sought either directly or through an intermediated financing structure for a specific sub-project/underlying investment, as approved by the EIB’s Governing Bodies
“promoter”	EIB’s counterparty implementing a project, as defined in the finance contract
“rights-holders”	from a human rights perspective, all individuals and population groups that can make valid claims to fundamental rights. In the context of EIB projects, persons who are, actually or potentially, adversely affected by the project, including project-affected persons, local community members, workers, etc.
“sexual abuse”	the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions. All sexual activity with children (defined by the UN Convention on the Rights of the Child as any person under the age of 18) is sexual abuse, regardless of the local age of maturity or consent. Mistaken understanding of the age of a child is not a defence
“sexual exploitation”	any actual or attempted abuse of a position of vulnerability, differential power or trust for sexual purposes, including profiting monetarily, socially or politically from the sexual exploitation of another
“sexual harassment”	any form of unwanted verbal, non-verbal or physical conduct of a sexual nature with the purpose or effect of violating the dignity of a person, in particular when creating an intimidating, hostile, degrading, humiliating or offensive environment
“social issues”	issues which pertain to workers and persons or groups affected by the project, in relation to: a) Standards 6 to 10; and b) cross-cutting issues such as human rights, stakeholder engagement, gender equality, building resilience in particular in conflict-affected and fragile situations, and social inclusion
“stakeholder engagement”	an inclusive and iterative process that involves, in varying degrees, identification and analysis of stakeholders, engagement planning, information disclosure, meaningful consultation, and a mechanism ensuring access to grievance and remedy
“stakeholders”	persons and/or communities who: i) are directly and indirectly affected by the project, including their legitimate representatives; or ii) have an interest in the project and/or the ability to influence its outcome, either positively or negatively; and iii) the project workforce

<p>“vulnerable groups”</p>	<p>groups or persons who may be more adversely affected by project impacts than others on the basis of their socioeconomic characteristics, such as, but not limited to, sex, sexual orientation, gender, gender identity, caste, racial, ethnic, indigenous or social origin, genetic features, age, birth, disability, religion or belief, political or any other opinion, activism, membership of a national minority, affiliation to a union or any other form of workers’ organisation, property, nationality, language, marital or family status, medical condition, or migrant or economic status</p>
<p>“vulnerability”</p>	<p>a context-specific characteristic determined the interplay of three factors: i) exposure to risk and adverse impacts; ii) sensitivity to those risks and impacts; and iii) adaptive capacity</p>

DRAFT

STANDARD 5: CLIMATE CHANGE

INTRODUCTION

- 1 This Standard recognises the importance of combating climate change, which poses a major global threat, as rising temperatures increasingly result in severe, pervasive and irreversible negative impacts for people, economic activities, ecosystems and the regenerative capacity of the planet.
- 2 This Standard further recognises the role of finance in supporting low-carbon and climate-resilient development, i.e. in (i) addressing climate change by reducing greenhouse gas (GHG) emissions; and (ii) building the resilience and adaptive capacity of people, nature and assets to cope with current and future climate change-induced impacts.

OBJECTIVES

- 3 This Standard sets out the responsibilities of promoters in the sphere of climate change with respect to climate change mitigation and adaptation¹, as further described below.
- 4 This Standard promotes the alignment of projects supported by the EIB with the goals and principles of: (i) the Paris Agreement² and (ii) the Sustainable Finance Action Plan³. It does so by stipulating that climate change mitigation and adaptation considerations must be explicitly addressed and incorporated by promoters in the decision-making process of the projects that the EIB supports, in line with the approaches established in the EIB Group Climate Bank Roadmap⁴ and the EIB Climate Strategy⁵.

SCOPE

- 5 This Standard applies to all operations and its the specific requirements that need to be addressed are determined during the environmental impact assessment/environmental and social impact assessment (EIA/ESIA) process (as outlined in Standard 1) and the EIB appraisal, based on the nature and scope of the project.
- 6 This Standard outlines the responsibilities of the promoter with regard to assessing, managing and monitoring project-related (i) GHG emissions and transition climate risks⁶ and (ii) physical climate risks⁷. More specifically, the promoter's responsibilities involve:
 - Assessing GHG emissions at the project level and the project's alignment with pathways to limit global warming to 1.5°C above pre-industrial levels and options to reduce transition risks;

¹ Climate change mitigation refers to human intervention to reduce emissions or enhance GHG sinks. Note that this encompasses carbon dioxide removal (CDR) options (IPCC Glossary at: https://www.ipcc.ch/site/assets/uploads/2018/11/sr15_glossary.pdf). Climate change adaptation refers to adjustments in structures and practices to reduce potential damage or to benefit from opportunities resulting from a changing climate. It is centred on the understanding that the climate attributes of the past no longer represent the future, and therefore adjustments are required for societies, economies or ecosystems to continue to function in the future.

² Adopted on 12 December 2015 at the 21st session of the Conference of the Parties to the UN Framework Convention on Climate Change (COP 21) in Paris. https://unfccc.int/sites/default/files/english_paris_agreement.pdf

³ Communication from the Commission, Action Plan: Financing Sustainable Growth (COM/2018/97 final), and subsequent supporting legislation, notably Regulation 2020/852 on the establishment of a framework to facilitate sustainable investment ("the Taxonomy Regulation") <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32020R0852>

⁴ Adopted on 11 November 2020 by the EIB Board of Directors. <https://www.eib.org/en/publications/the-eib-group-climate-bank-roadmap>

⁵ Update adopted on 11 November 2020 by the EIB Board of Directors. <https://www.eib.org/en/publications/eib-climate-strategy>

⁶ Transition climate risks are risks caused by the process of transitioning to a lower-carbon economy. This process may entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of financial and reputational risk to organisations. (<https://www.tcfhub.org/Downloads/pdfs/E06%20-%20Climate%20related%20risks%20and%20opportunities.pdf>). Transition risks may also threaten the provision of services to the general public and local communities.

⁷ Physical climate risks result from both chronic or slow onset climate-related hazards (such as average temperature increases and rising sea levels) and rapid or acute climate related hazards (such as extreme rainfall, storm surges, flooding and heat waves).

- Assessing the project’s resilience to physical climate risks, its alignment with climate-resilient development pathways⁸, and the options to reduce physical climate risks to the project, its natural environment and the people that may be affected by it.

GENERAL REQUIREMENTS

- 7 All projects located in EU, EFTA, Candidate and potential Candidate countries shall comply with the applicable national and EU environmental legislation. All projects shall also support the delivery of relevant international, EU and national climate change mitigation and adaptation targets, pathways and strategies. Clear reference points include the European Green Deal,⁹ National Energy and Climate Plans and Adaptation Plans. For projects located in Candidate and potential Candidate countries, the promoter shall consider any timeframes for reaching compliance with specific EU climate-related legislation as arranged with the European Union through bilateral agreements and/or action programmes.
- 8 All projects located in the rest of the world shall comply with the applicable national legislation and align with the principles of EU legislation relevant to climate mitigation and adaptation. All projects shall also support the delivery of relevant global and national climate change mitigation and adaptation targets, pathways and strategies. Clear reference points include the Paris Agreement, national climate change mitigation and adaptation strategies and/or Nationally Determined Contributions¹⁰.
- 9 All projects shall comply with the EIB’s alignment framework, as set out in the EIB Group Climate Bank Roadmap (CBR), including adherence to the principle of “Do No Significant Harm” to climate change mitigation or adaptation objectives, as defined by the Taxonomy Regulation¹¹.
- 10 The promoter shall provide the EIB with information establishing the project’s impact on GHG emissions and its exposure to physical climate change risks, as well as its alignment with relevant low-carbon and climate-resilient pathways.
- 11 The extent of the promoter’s reporting requirements relating to physical and transitional climate risks and impacts shall be commensurate to the risks and potential impacts identified.
- 12 The promoter shall report to the EIB any changes that take place during the project’s implementation phase that are likely to lead to significantly different transition risks, including annual GHG emissions, or physical risks to the project and to people, nature and assets, as compared to those reported to the EIB and assessed ex-ante.

SPECIFIC REQUIREMENTS¹²

Assessment and minimisation of GHG emissions

- 13 The promoter shall provide to the EIB all relevant information on the nature and magnitude of the project’s GHG emissions and/or sequestration, as required by the EIB in order to conduct its assessment in line with the EIB methodology¹³.
- 14 The promoter shall demonstrate, on request, that due consideration has been given to alternatives to minimise project-related GHG emissions. These measures may include, but are not limited to: the use of best available techniques (BAT) and/or any emerging techniques,¹⁴ energy efficiency, resource efficiency, adoption of less carbon-intensive or renewable energy sources, or the

⁸ Climate-resilient pathways refer to iterative processes for managing change within complex systems in order to reduce disruptions and enhance opportunities associated with climate change (IPCC Glossary at: https://www.ipcc.ch/site/assets/uploads/2018/11/sr15_glossary.pdf).

⁹ Communication from the Commission, The European Green Deal (COM/2019/640 final), and subsequent supporting policies https://ec.europa.eu/info/strategy/priorities-2019-2024/european-green-deal_en

¹⁰ Nationally Determined Contribution is a term used under the United Nations Framework Convention on Climate Change (UNFCCC) to refer to a statement in which a country that has joined the Paris Agreement outlines its plans for reducing its net GHG emissions.

¹¹ Criteria on alignment with the Paris agreement defined in the EIB Climate Bank Roadmap may in some instances be more stringent than the “Do No Significant Harm” to climate mitigation criteria defined in the Taxonomy.

¹² Specific requirements are applicable to all projects regardless of their location, unless specified otherwise.

¹³ Where above a defined threshold, EIB reports routinely on the GHG emissions – absolute and relative – of a project in accordance with its publicly available methodology for assessing a project’s carbon footprint, *Methodologies for the Assessment of Project GHG Emissions and Emission Variations*. <https://www.eib.org/en/about/cr/footprint-methodologies.htm>

¹⁴ As defined in Standard 3.

reduction of fugitive emissions.

Physical climate risk assessment and minimisation

- 15 Where a project is determined by the EIB to be at risk from physical climate hazards, the promoter shall carry out a Climate Risk and Vulnerability Assessment (CRVA), in line with the approach adopted by the EIB¹⁵, in order to assess how climate change may affect the project and the system in which the project takes place, including the natural environment and the people potentially affected, and to identify commensurate adaptation measures.
- 16 The extent of both the CRVA and the information that the promoter shall provide to the EIB (including but not limited to scoping, risk identification, adaptation planning, monitoring, engagement of authorities, public consultation and awareness) shall be commensurate to the project's characteristics, in particular its complexity and the availability of climate data and information.

Climate-related aspects of economic analysis

- 17 The promoter shall, on request, provide the EIB with climate-related information relevant to assessing the economic case¹⁶ for the project. This may include:
 - Climate change mitigation aspects: (i) the volume of GHG emitted per relevant time period, with and without the project; and (ii) the unit value and conceptual basis for the cost of carbon emissions;
 - Climate change adaptation aspects: (i) the change in exposure to physical climate risk per relevant time period, with and without the adaptation measures of a project; and (ii) the economic valuation of this change in risk;
 - For projects motivated primarily by climate considerations, when practical and feasible, the economic analysis should include an assessment of climate-related project impacts on different groups in society, with a particular focus on vulnerable groups.¹⁷

OTHER REQUIREMENTS

- 18 For all projects (located in EU, EFTA, Candidate and potential Candidate countries) listed in Annex I of the EIA (Environmental Impact Assessment) Directive¹⁸ and for those listed in Annex II, in respect of which the relevant competent authorities have concluded that an EIA is required, the promoter shall ensure that the information relevant to the assessment of climate change mitigation and adaptation and its conclusions are clearly distinguishable and identifiable in the EIA report.

¹⁵ The EIB approach for conducting a CRVA is based on the methodology developed by the European Financing Institutions Working Group on Adaptation to Climate Change (https://econadapt.eu/sites/default/files/2016-11/EUFIWACC_Adaptation_Note_Version_1.0_ENGLISH_FINAL_20160601%5B1%5D.pdf) and is reviewed regularly to take account of new developments in this field.

¹⁶ See Chapter 4 of the EIB Guide to the Economic Appraisal of Investment Projects. <https://www.eib.org/en/publications/economic-appraisal-of-investment-projects>

¹⁷ See also paragraph 16 of Standard 7: Rights and Interests of Vulnerable, Marginalised, and/or Discriminated-against Groups and Indigenous Peoples.

¹⁸ Directive 2014/52/EU amending Directive 2011/92/EU on the assessment of the effects of certain public and private projects on the environment (EIA Directive), as addressed in more detail in Standard 1: Environmental and/or Social Impacts and Risks.