

CLIMATE INVESTMENT FUNDS

CTF/TFC.18/Inf.4/Rev.1

April 10, 2017

Meeting of the CTF Trust Fund Committee
Washington, DC
Monday, December 5, 2016

Greenhouse Gas Analysis and Harmonization of Methodology

1. Introduction

1. The CTF Trust Fund Committee agreed in November 2014 that “[T]he MDBs will report every two years, beginning in 2014, to the Trust Fund Committee on the current and planned work of each MDB in GHG analysis and the development and application of methodology for estimating GHG emissions reduction and their joint efforts to harmonize GHG estimation methodology among the MDBs.” The first report on GHG analysis and harmonization of methodology was presented to the Trust Fund Committee in November 2014 as an information document. This document provides an update to the information presented in the previous report. The document has been compiled by the CIF Administrative Unit based on inputs provided by the MDBs.
2. Section II of this document summarizes the joint efforts to harmonize GHG estimation methodologies among the MDBs. Section III presents an overview of the status of the MDBs in GHG analysis and the development and application of GHG accounting methodologies.

2. Harmonization of GHG Estimation Methodologies

3. The MDBs involved in implementing the Climate Investment Funds (CIF) have been working together through the Working Group of the International Financial Institutions (IFI Working Group) to harmonize project-level greenhouse gas accounting. Close to 30 institutions are members of the Working Group, although the level of engagement varies among the IFIs. The group has lately expanded to cover international organizations such as the UNFCCC, the GCF, and the GEF. All CIF MDBs have expressed an interest in harmonization.
4. In November 2012, nine members¹ of the IFI Working Group agreed to a framework for a harmonized approach to GHG accounting, including a set of principles on policy commitment, methodology, and reporting. As stated in the framework document, the purpose was “to establish minimum requirements in undertaking this work, all of which each IFI can optionally exceed with additional considerations and reporting.” Since then, the IFI Working Group has been active in discussing the overall potential and specific technical aspects of moving toward a joint IFI methodology for GHG accounting. MDBs have developed harmonized approaches for [transport](#), [renewable energy](#) and [energy efficiency](#). Based on experience, the goal of the Working Group has been evolving toward reducing the variance in GHG reporting by focusing on the development of joint guidance, while providing flexibility linked to data quality.

¹ They are the Agence Française de Développement (AfD), the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB), the Inter-American Development Bank (IDB), the International Finance Corporation (IFC), KfW Development Bank, the Nordic Environment Finance Corporation (NEFCO), and the World Bank (WB).

5. The Transport sector group has produced a joint approach, and Forestry and Landscapes are discussing how to proceed with harmonization. In addition, the IFI Working Group would like to start working on harmonized approaches for other sectors such as urban development, agriculture, and forestry, as well as conventional energy projects.

3. Status of Individual MDB Efforts

3.1. African Development Bank

6. AfDB currently reports ex-ante emission reductions of select green projects using Clean Development Mechanism (CDM) methodologies. AfDB is establishing an in-house GHG accounting and reporting system as part of the requirements of the Integrated Safeguard System (ISS) whose operational safeguards apply to the entire portfolio of AfDB's operations. AfDB subscribes to the notion of a harmonized approach with other IFIs to foster good practice and transparency, though taking cognizance of varying IFI mandates and geographic coverage.
7. AfDB is currently piloting a project level GHG emission accounting tool. This piloting phase started with the energy sector. The Agriculture sector emissions calculation is based on the FAO EX-ACT carbon accounting system. The emissions from roads projects is calculated based on the Highway Development and Management-4 (HDM-4) tool. AfDB's GHG accounting tool will be fully aligned with common methodologies/approaches adopted by the IFI Working Group.

3.2. Asian Development Bank

8. No new updates since the 2014 harmonization report.

3.3. European Bank for Reconstruction and Development

9. No new updates since the 2014 harmonization report.

3.4. Inter-American Development Bank

10. No new updates since the 2014 harmonization report.

3.5. International Finance Corporation

11. In FY17, IFC has updated its Definitions and Metrics for Climate-Related Activities (Climate Definitions) to provide institutional guidance on what can be categorized as climate-related activities.² The latest version (3.0) reflects principles for tracking mitigation finance agreed to by the MDBs, incorporates the climate smart agriculture typology used by the World Bank and FAO, and provides more granularity on climate financing delivered through financial intermediaries.

² See www.ifc.org/ghgaccounting.

12. Through the in-house Carbon Emissions Estimator Tool (CEET) IFC conducts Gross GHG accounting for all real sectors projects. In FY17, specific methodological approaches used by CEET are being reviewed in response to introduction of carbon shadow price for investment appraisal.
13. GHG emissions reductions' approaches and practices are being reviewed to ensure harmonization with the WB, other MDBs and IFIs, and in response to the updated IFC climate definitions. Collectively, the MDBs have completed the harmonization of the GHG reduction accounting methodologies across the Renewable Energy, Energy Efficiency, and Transport sectors and are currently in the process of implementing them.

3.6. World Bank

14. GHG accounting for investment lending is a corporate mandate of the World Bank since 2012. As of July 2016, the World Bank has developed and rolled out GHG accounting methodologies in six sectors: energy, transport, agriculture, forestry, water and solid waste.
15. The WB and IFC continue their work on harmonizing GHG accounting practices. Both IFC and the WB participate in the external IFI Working Group on GHG Accounting and run an internal WBG GHG Consultative Group. These groups serve as platforms to promote an open and transparent exchange of experience and lessons and facilitate harmonization of practices. These groups further aim at developing a harmonized approach to project-level GHG accounting that is undertaken at the project appraisal stage. IFC and the WB are planning to test the new set of harmonized GHG Accounting tools on select project cases in the energy, transport, agriculture, forestry, water, and solid waste sectors. These GHG Accounting harmonization activities are linked to the operationalization across the WBG of the Common Principles for Tracking Mitigation Finance agreed by MDBs and members of the International Development Finance Club (IDFC).