



ASIAN INFRASTRUCTURE
INVESTMENT BANK

Financing I4T:

AIIB's Approach and Practices

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Outline

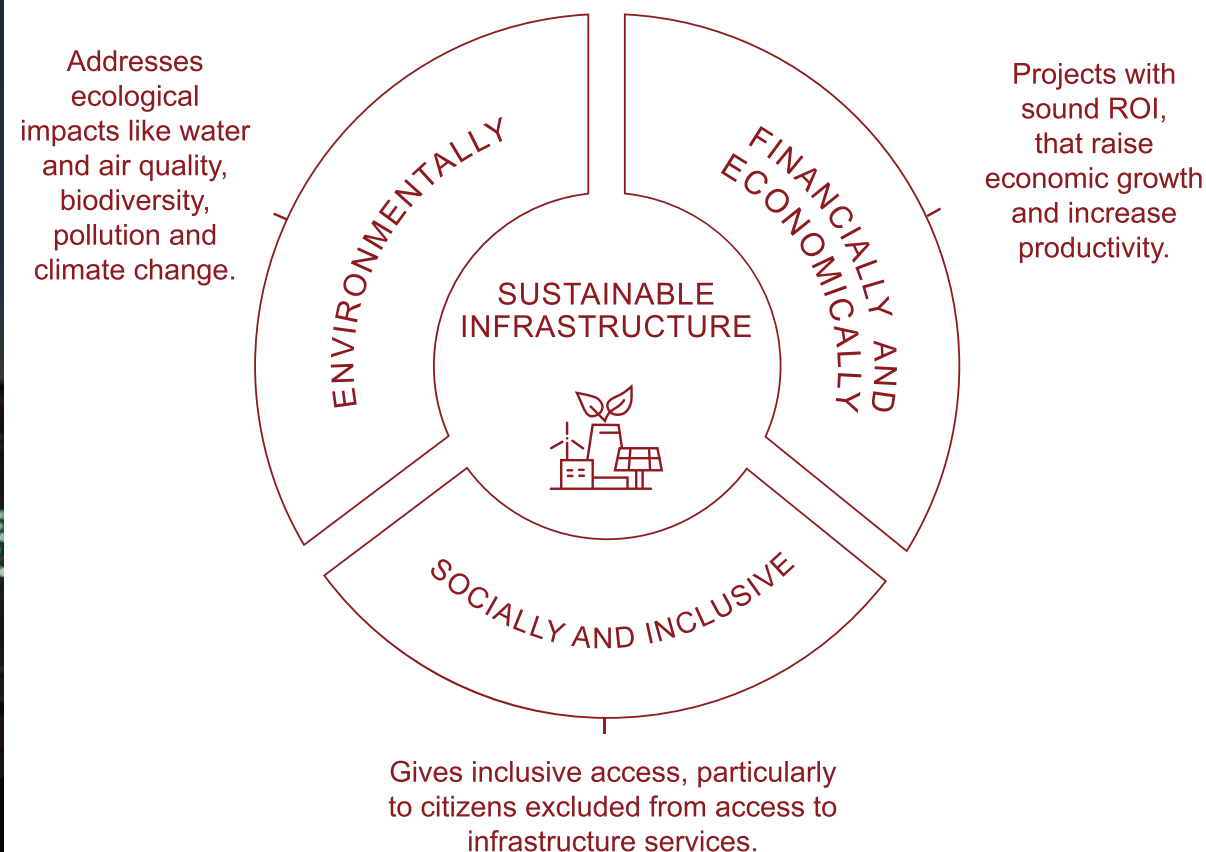
- **AIB Introduction**
- **AIB Institutional Framework for Scaling Green Finance**
- **AIB Support for Climate Innovation**

Who We Are and What We Do

We are a multilateral development bank with a mission to finance the **Infrastructure for Tomorrow (i4t)**. We enable clients to build i4t—green infrastructure with sustainability, innovation and connectivity at its core. We do this by unlocking finance that brings this vision to fruition. As our clients succeed in building i4t, society shares in that success.



AIIB Invests in i4t, the Infrastructure for Tomorrow:

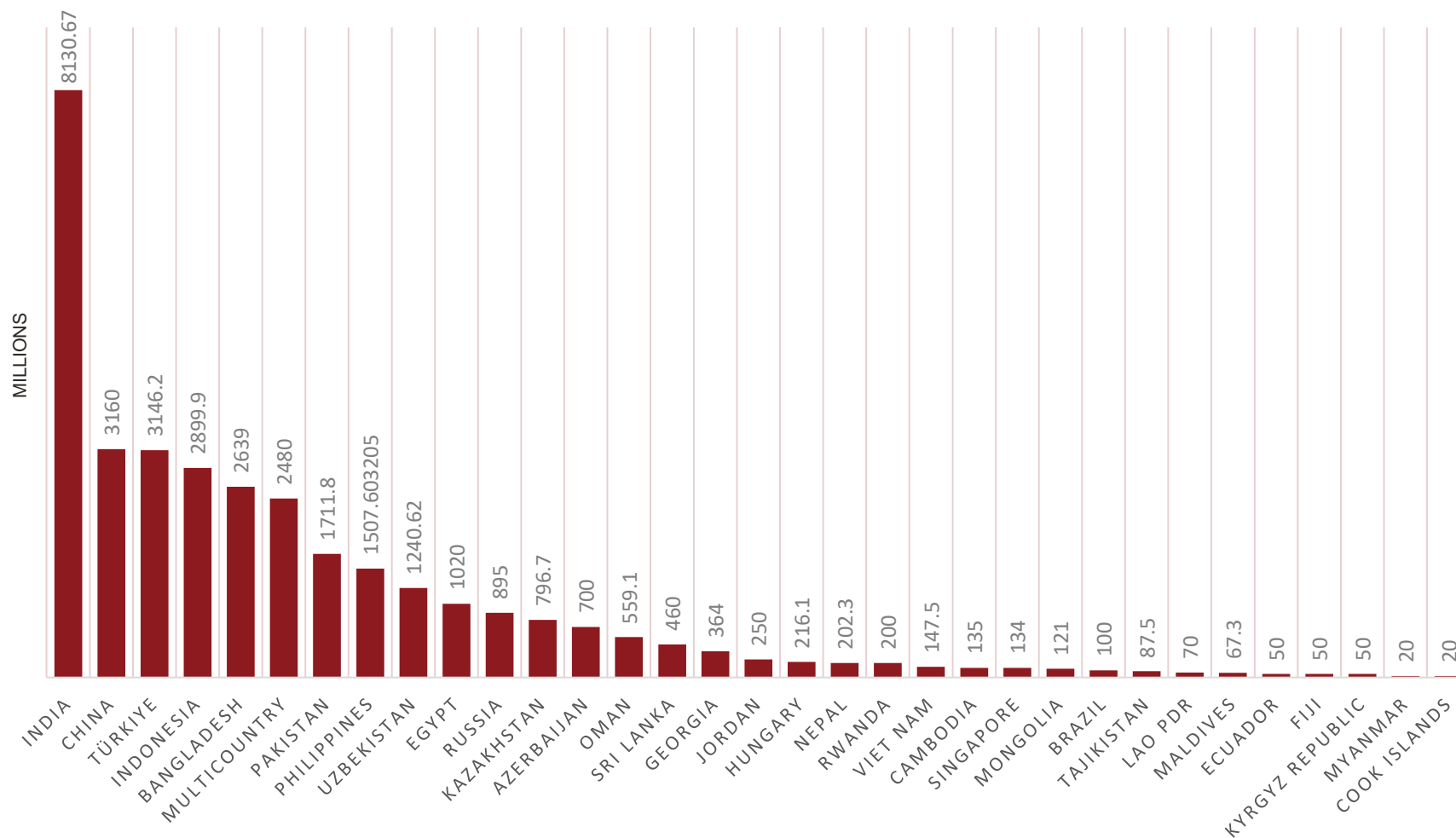


Investment Operations

Approved projects since inception: **USD35.06 billion**.
Number of projects approved: **178**.

Investments in energy, transport, connectivity, digital, water, sanitation, public health, finance, rural infrastructure and agriculture development, urban development and others.

AIIB will leverage its balance sheet to mobilize financing for the private sector.





AIIB's Strategic Priorities in a Post-COVID World

1. Green infrastructure.
2. Expanding into social infrastructure.
3. Private capital mobilization.
4. Connectivity and regional cooperation.
5. Technology-enabled infrastructure.



ASIA'S CLIMATE FINANCE PARTNER



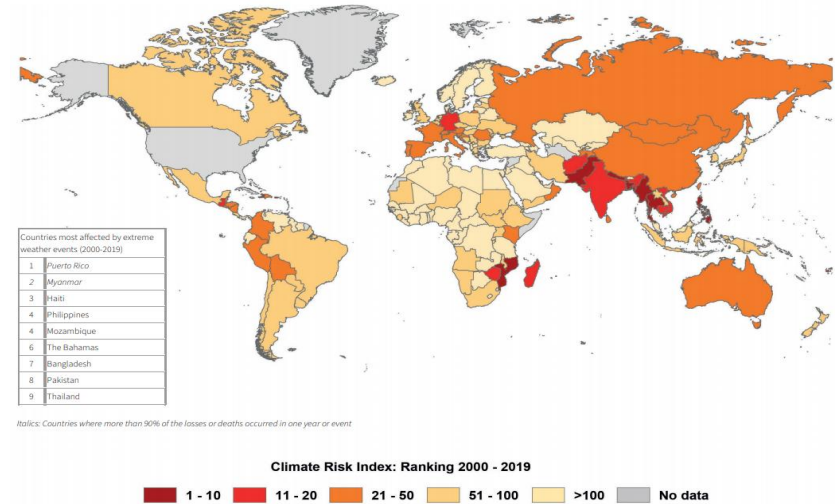
AIIB committed to achieve at least 50% climate finance by 2025*, estimated to be USD 50 billion climate finance by 2030. AIIB announced in October 2021 to fully align its new financing activities with the goals of Paris Agreement by 1 July 2023.

Climate Change Mitigation

- ❑ Asia accounts for 53% of global GHG emissions with rapid economic growth likely to further increase emissions.
- ❑ Human activity is changing the climate in unprecedented and sometimes irreversible ways.
- ❑ Momentum towards net zero: **127** countries, **114** regions, **235** cities and **699** companies have set or potentially set net zero targets.

Climate Change Adaptation

- ❑ Asia is highly exposed and vulnerable to the adverse impact from climate disasters.
- ❑ Climate-related physical risk could cost Asia and the Pacific around **US\$160 billion per year** by 2030.
- ❑ >95% climate adaptation finance today is from public sector



Climate Risk Index: Ranking 2000-2019

Strategies and Policies

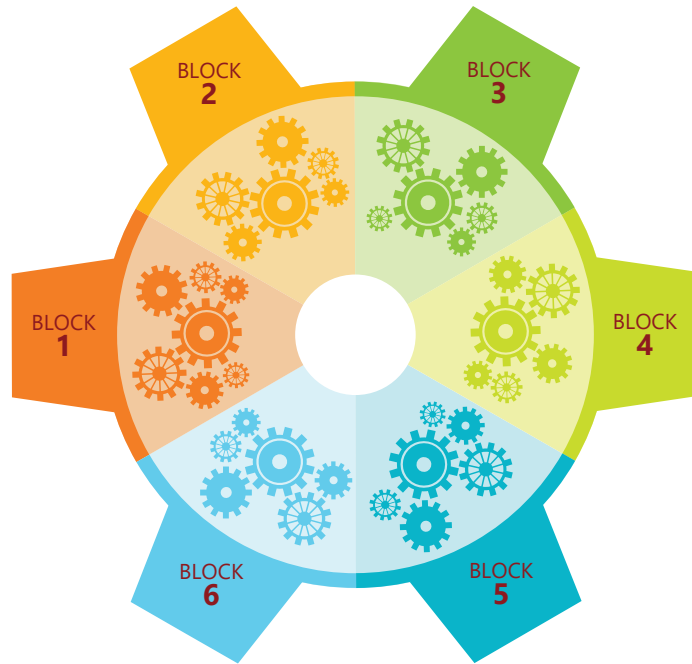
- ❑ Sectoral Strategies
 - Sustainable Energy for Asia Strategy
 - Transport Sector Strategy
 - Sustainable Cities Strategy
 - Water Sector Strategy
 - Digital Infrastructure Sector Strategy

- ❑ Environmental, Social Framework (ESF)

- ❑ Joint MDB methodologies related to Climate
 - Mitigation
 - Sector
 - Technology
 - Benchmark/criteria
 - GHG accounting
 - Climate Adaptation



MDB Paris Alignment Framework



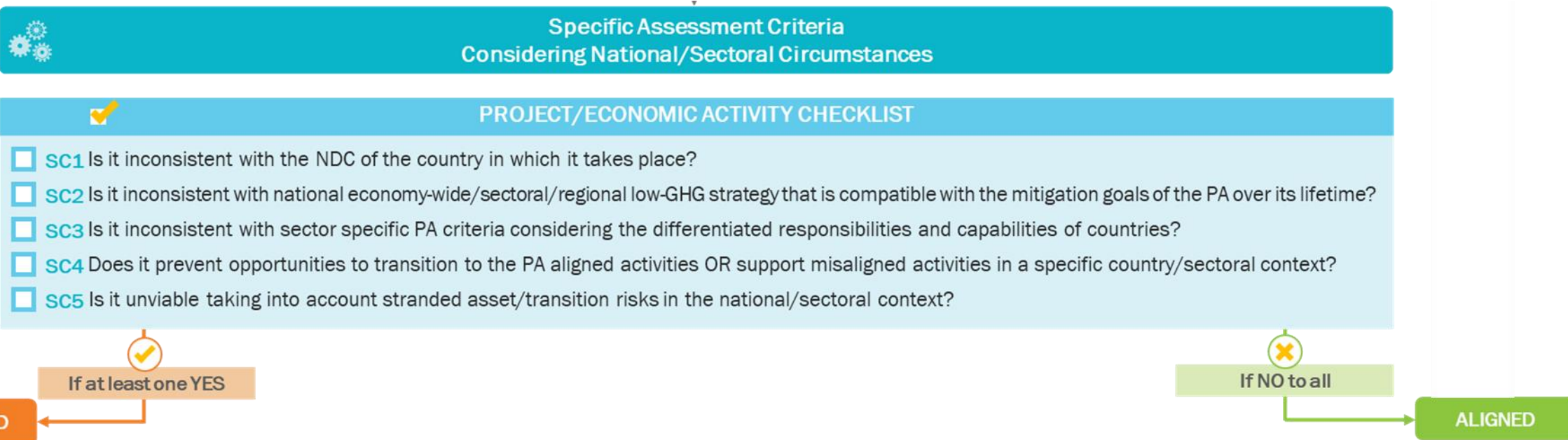
The six building blocks (BBs)

- 1 Alignment with mitigation goals**
 Operations consistent with national low-emissions development pathways and compatible with objectives of the Paris Agreement.
- 2 Adaptation and climate-resilient operations**
 Operations systematically screened for climate-resilience. Support increase in clients' ability to adapt to climate change.
- 3 Accelerated contribution to the transition through climate finance**
 Further scale up climate finance, operationalize new approaches to support Nationally Determined Contributions (NDCs), and accelerate realization of ambitions agreed under UNFCCC and in line with science-based evidence identified by Intergovernmental Panel on Climate Change (IPCC).
- 4 Strategy, Engagement & Policy Development**
 Develop new services to support clients put in place long-term strategies for low-emissions and climate-resilient development while ensuring consistency with Sustainable Development Goals (SDGs).
- 5 Reporting**
 Develop tools and methods for characterizing, monitoring and reporting on Paris-aligned activities.
- 6 Align internal activities**
 Progressively ensure that internal operations, including facilities and other internal policies, are in line with the Paris Agreement.

Joint MDB Methodology: alignment with PA mitigation goal (BB1)

Two-pronged approach:

2. Activities not included in UC1 and UC2 should go through a multi-criteria assessment (SC 1 to SC5)



Featured Project

Turkey – Izmir Metro Expansion Phase 4: Fahrettin Altay - Narlidere Line Project

39 million

passengers serviced annually

7.2 km

metro network newly constructed

7 additional stations

Built

73% occupancy rate

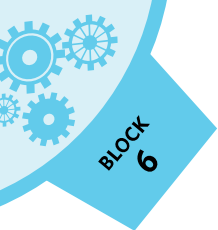
an increase from 65% in 2018

Izmir is the third largest city in Turkey in terms of both population and GDP and is considered the buoyant economic hub of the Aegean coast. Currently, Izmir's metro system has only a single line, which operates at full load at peak hours and cannot meet the strong growing demand for metro and urban rail services.

AIIB is providing EUR50 million nonsovereign loan to increase the capacity, connectivity, and efficiency of Izmir Metro. The Project will expand the size of the network to 26.6 km and 24 stations.

The metro project will provide a cleaner, more efficient alternative to road traffic, thereby reducing noise, air pollution, GHG emissions, road accidents, and congestion. It is estimated that the Project will transport the same number of passengers as a fleet of 251 buses and 537 minibuses, resulting in a total savings of 449,741 tCO₂e of GHG emissions during the projection period 2022-2046.





BB6: Internal operations

1



BUILDINGS

Buildings (e.g. heating, electricity, waste production, water)

2



MOBILITY

Staff commute, fleets and flights

3



PROCUREMENT

Procurement - Works, goods and services

4



TREASURY

Treasury - Management of MDB capital, retained earnings and borrowed funds

5



PENSION

Management of capital for pensions

6



GOVERNANCE

Governance – Policies and strategies in place to ensure Paris Alignment in internal operations

SUSTAINABLE DEVELOPMENT BONDS

Invest in our commitment to sustainability

- AIIB [Sustainable Development Bond Framework](#) presents a summary of the policies, strategies, processes, and mechanisms that govern AIIB's commitment to sustainable financing activities. The Framework applies to all debt issued by AIIB.
- The Framework outlines how AIIB is adhering to the principles set out in its [Environmental and Social Framework](#) that guides project selection, and how it is helping its members to meet their commitments under the Paris Agreement and the UN Sustainable Development Goals.
- The Framework includes the following four core components: (i) Use of Proceeds, (ii) Process for Project Evaluation and Selection, (iii) Management of Proceeds and (iv) Reporting.
- AIIB is rated by three ESG rating agencies; **ISS ESG**, **Sustainalytics**, and **Vigeo Eiris**. These ratings are solicited by investors and are based on industry-specific environmental, social and governance (ESG) criteria.



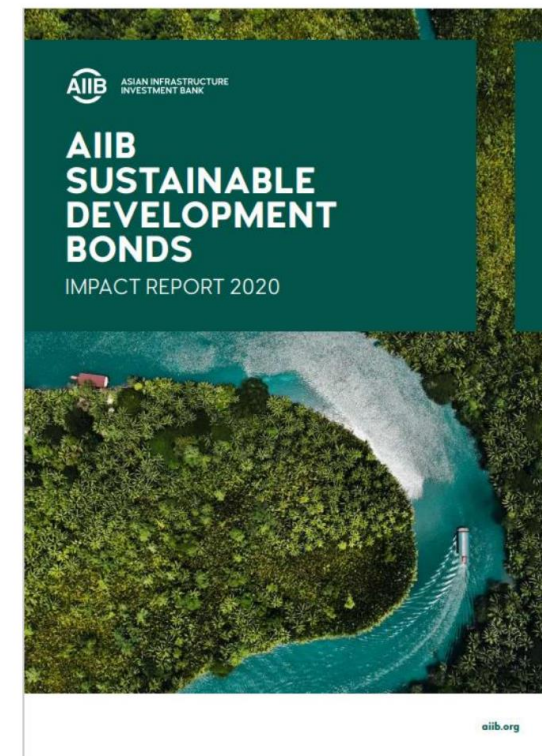
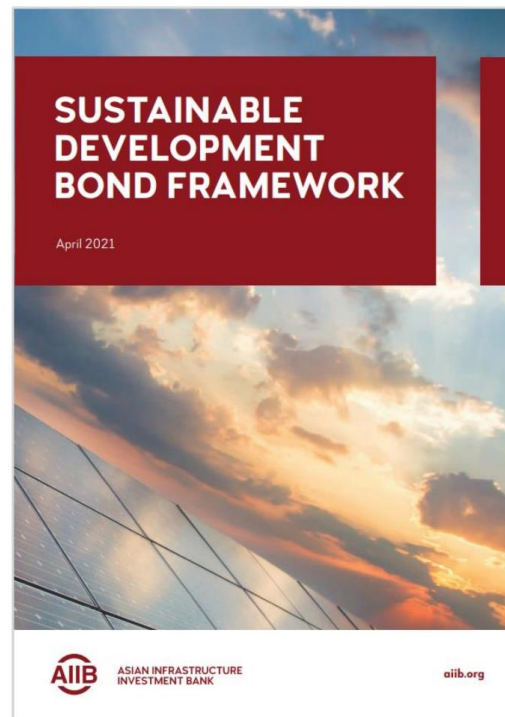
C+ (Prime), Apr. 2019



10.3 Low Risk, Apr. 2021



Advanced, Sep. 2021



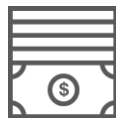
AIIB's support for climate innovation



Inspire
Knowledge and standard setting



De-risk
High standard, product/instrument, risk capital



Demonstrate
Financing and dissemination



Interconnect
Community and Engagements

The AIIB-Amundi Climate Change Investment Framework

The Paris Agreement

Analyzing issuers based on 3 key variables

1 Mitigation

•Is the issuer exposed to transition risk?

2 Adaptation

•Is the issuer exposed to physical risk?

3 Transition

•Does the issuer contribute to the transition?

This analysis defines three types of issuers

Issuers that perform poorly on the 3 variables

Excluded from the Framework

B-List: Issuers that are moving in the right direction

Eligible and targeted for engagement

A-List: Issuers that outperform for all variables

Eligible

An investment strategy targeting these issuers is:

- ✓ More resilient to climate change risk
- ✓ More exposed to opportunities not priced in by the market

Encouraging Impact: B to A List Issuer Engagement



A-List Issuer:
Issuers that perform well in all 3 variables



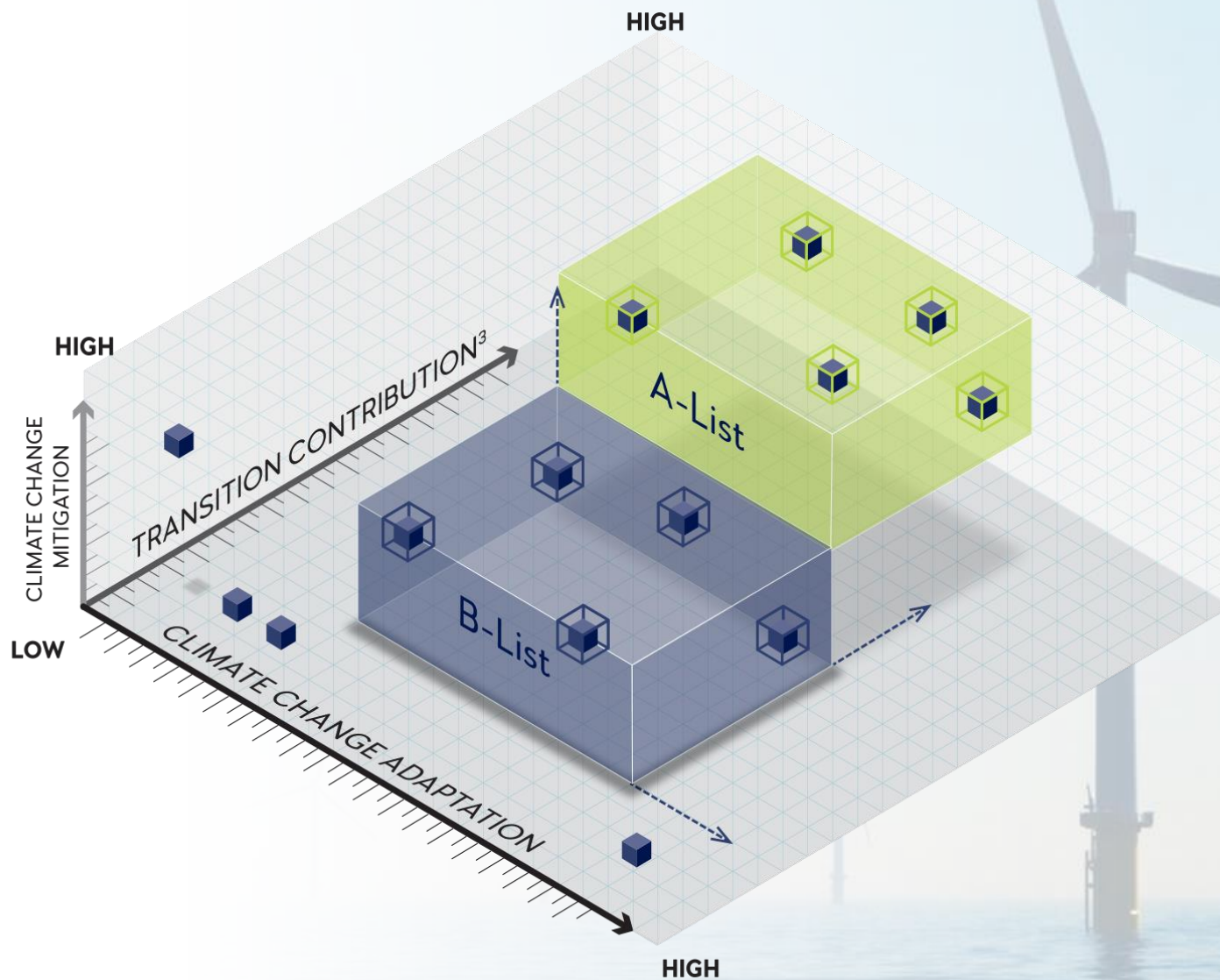
B-List Issuer:
Issuers that are on the fringes of the A-List



Engagement



Eligible issuer



AIIB's Asia Climate Bond Portfolio and AIIB-Amundi Climate Change Investment Framework

AIIB Asia Climate Bond Portfolio



AIIB-Amundi Climate Change
Investment Framework,
endorsed by CBI

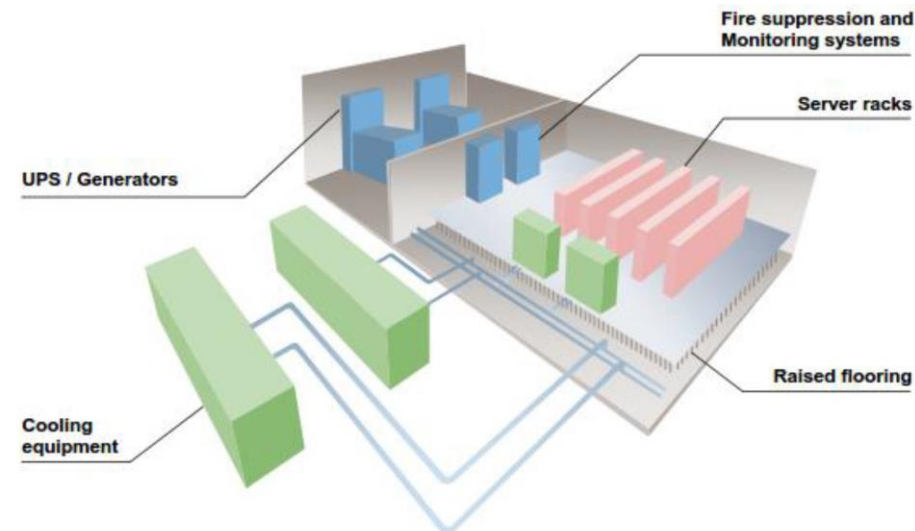
Standardize climate risk and
opportunities assessment for
institutional investors, (build
climate-resilient investment
portfolios)

Investment

Anchor investment of
USD 500 million, as living “case
study”

Green DCs Development in Emerging Asia

- IEA: DCs consumed approximately 200 TWh of electricity, or nearly 1% of global electricity demand, contributing to 0.3% of all global CO2 emissions (2020).
- Working with strategic partner, AIIB will support:
 - Development of green DC technology good practice guidelines; and
 - Promotion of DC as a core infrastructure asset class.

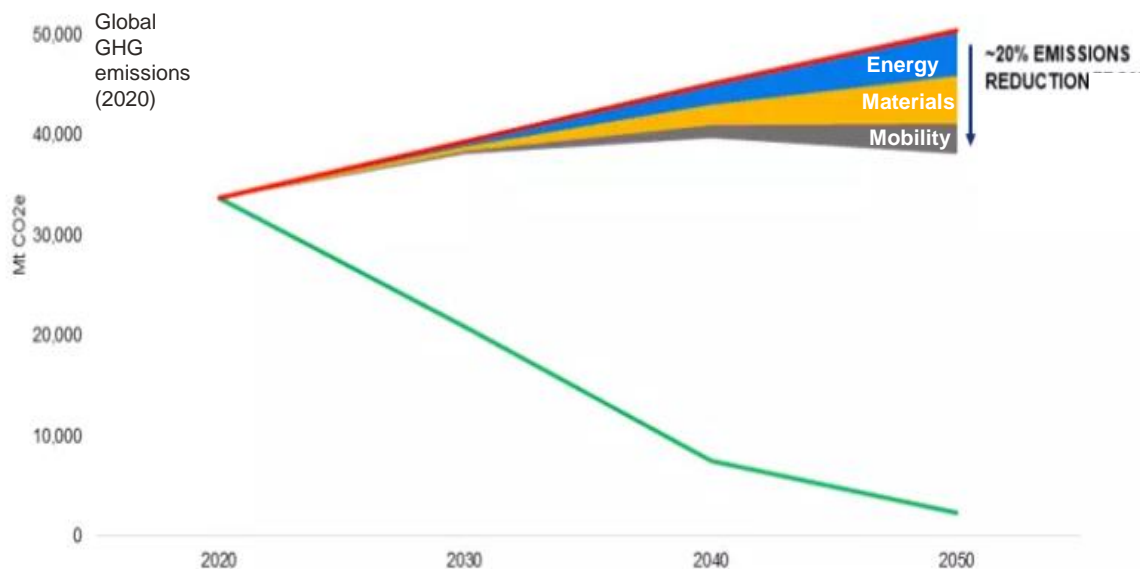


Pivotal role of Climate Infratech

Existing countries' climate pledges for 2030 would decrease GHG emissions by 7.5% - but the world needs a 55% reduction by 2030 to stay on track to meet the goals of the Paris Agreement. Digital tech can help!

Digital Solutions can accelerate net zero trajectories in high emission industries

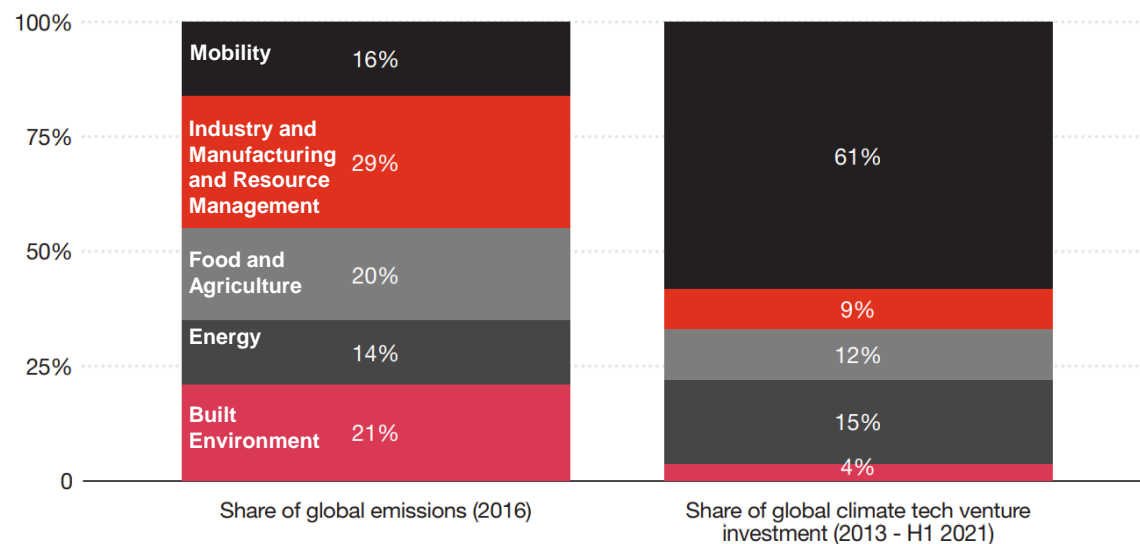
- ✓ Energy, materials, and mobility constitute the three highest-emitting sectors, contributing 34%, 21% and 19% of total 2020 GHG emissions respectively.
- ✓ Digital tech themselves are responsible for 4% of GHG emissions but hold the 20% decarbonized potential within these sectors.



Source: Accenture analysis (2022); IEA Net Zero Emissions by 2050 Scenario (2021); OECD Environmental Outlook to 2050 (2012); various WEF, UN, U.S. Government and enterprise data

Compared with global GHG emission share, some areas are not proportionally funded

- ✓ The funding gap is largest in the Industry and Manufacturing and Resource Management and Built Environment areas, which received just 13% of funding in proportion to its contribution to GHG emissions of 50%*.
- ✓ The Mobility and Energy areas received more venture investment.



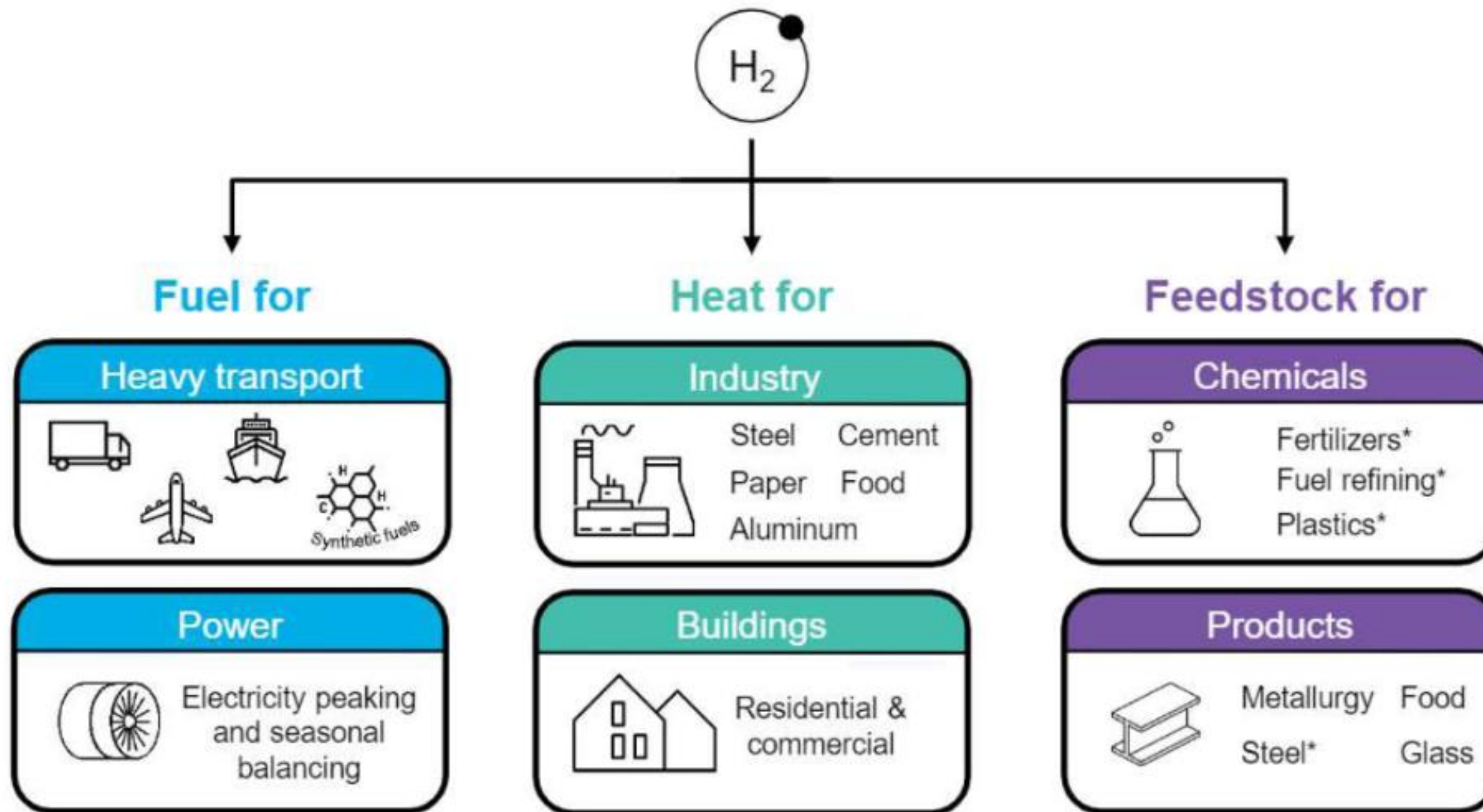
Legend: ■ Mobility ■ Industry and Manufacturing and Resource Management ■ Food and Agriculture ■ Energy ■ Built Environment



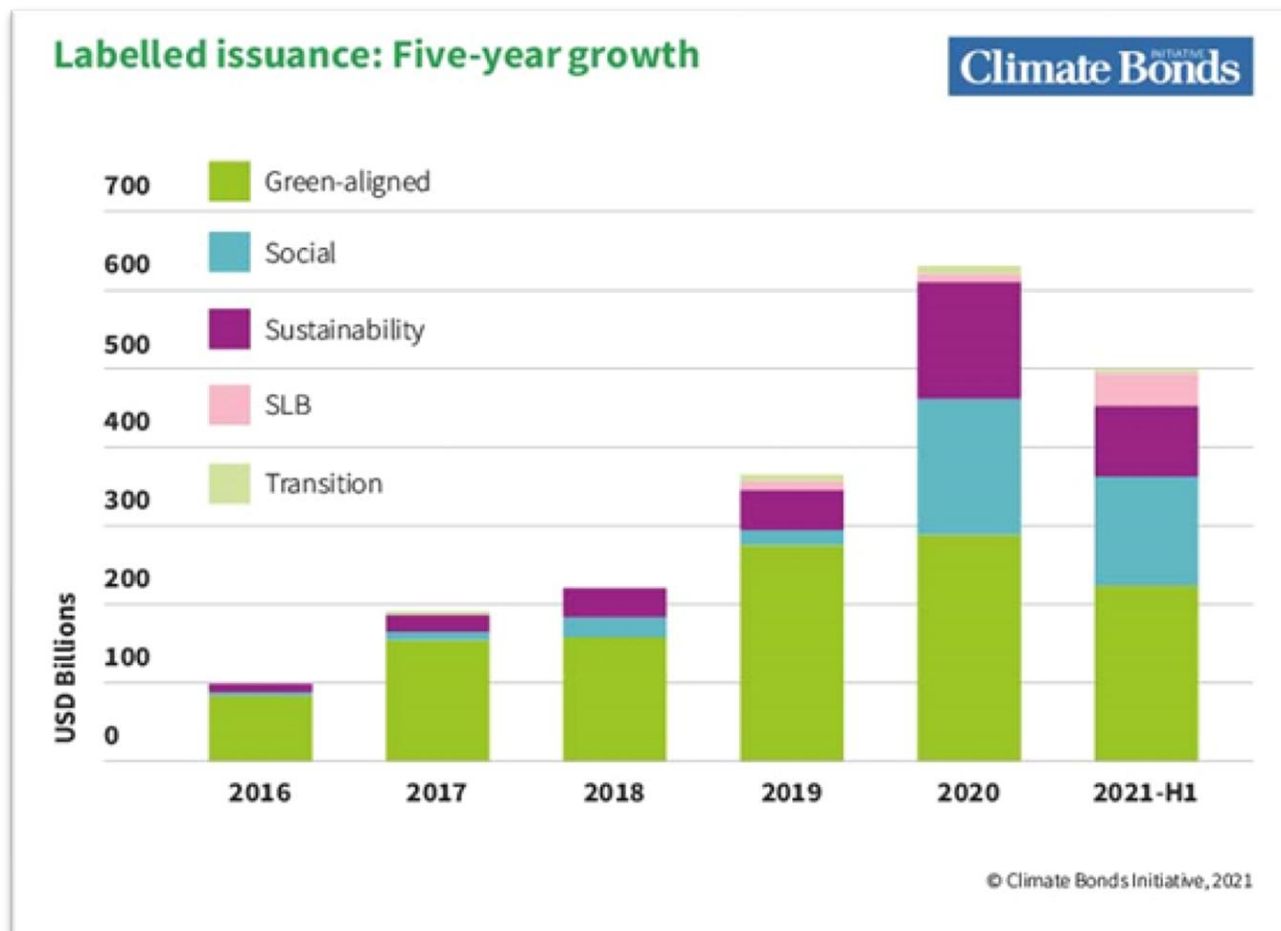
Source: Accenture, WEF, IEA, PWC

* The GHG emissions data is 2016 global emissions data. Emissions data is allocated to the end sector associated with emissions. For example, energy use associated with mobility is allocated to Mobility & Transport rather than Energy. Likewise, no emissions are allocated directly to Financial Services.

Green Hydrogen



Pioneering incentive mechanism for maximizing climate finance



Everbright Infrastructure Investment Fund II

OBJECTIVE

To (i) enable investments into green infrastructure in emerging Asia, and (ii) pioneer the innovative sustainability-linked incentive scheme to promote climate finance, gender diversity and ESG governance in the private equity fund industry.

Few questions for further scaling green finance:

1. Improved practical standards and tools for impact quantification, monitoring and reporting
 - The role of digital technologies
2. How to scale climate adaptation finance
 - How to prove “past is no longer a good indication for the future” in a changed climate? Thus, the entire projects design needs to be rethought (e.g., design standard/code)
 - How to quantify cost-benefits of climate adaptation measures, thus it can be priced in the financial model?
3. How to ensure a Just and Inclusive low-carbon transition?
 - Countries at different development level
 - Sectoral realities
 - Local community livelihood

It requires new skillsets and new ways of doing business. We look forward to collaborating with you!



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