Sustainable Transition in CEE

Vienna, 6th May 2024

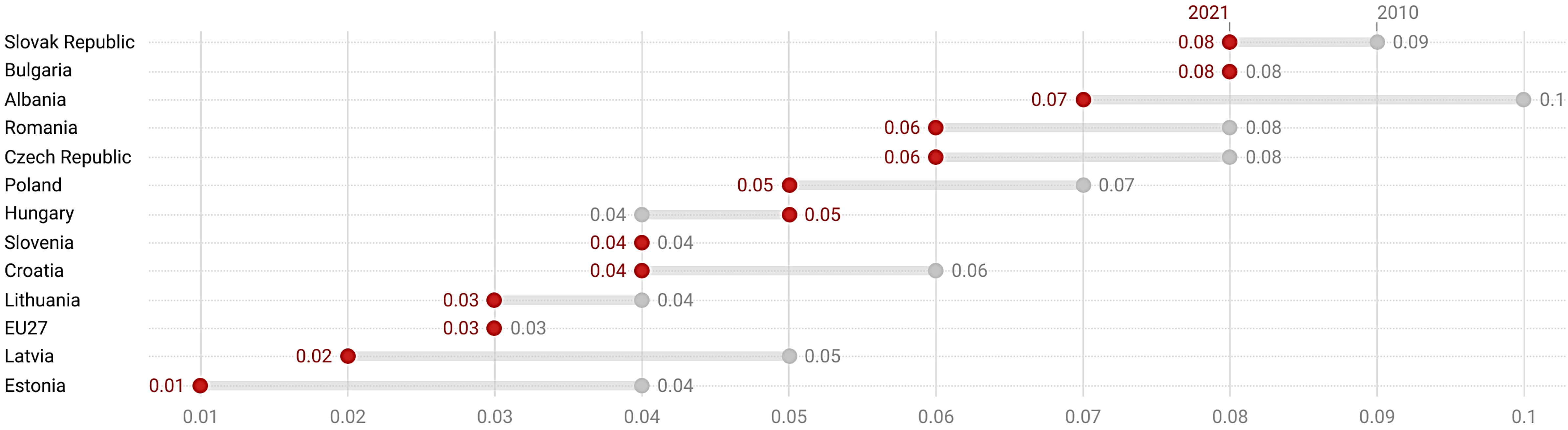
European Bank for Reconstruction and Development

CEE region’s carbon intensity of industry sector is higher than the EU27 avg

Although the CEE region’s carbon intensity of industry sector have improved since 2010 (with the exception of Hungary), it is much higher than the EU27 average (except Estonia and Latvia, which have lower carbon intensities). This highlights the necessity of decarbonisation in the industry sector in the CEE region.

Central Eastern Europe Region*, CO_2 intensity of the industry sector, 2010 vs 2021 (kg CO_2 per 2015 USD)

* OECD definition, Source: International Energy Agency



Industry sub-sector hotspots of final energy consumption

The % shares of each industry sub-category in total industry final consumption highlight certain energy hotspots in the CEE region. Chemical and petrochemicals, food and tobacco, non-metallic minerals have the highest shares accross the region. Poland, Romania, Bulgaria, Czechia, Hungary and Slovak Republic are the biggest total industry final energy consumers in the CEE geography.

Central Eastern Europe Region*, % shares of sub-sectors in the industry total final energy consumption, 2021

* OECD definition, Source: IEA & EBRD calculations

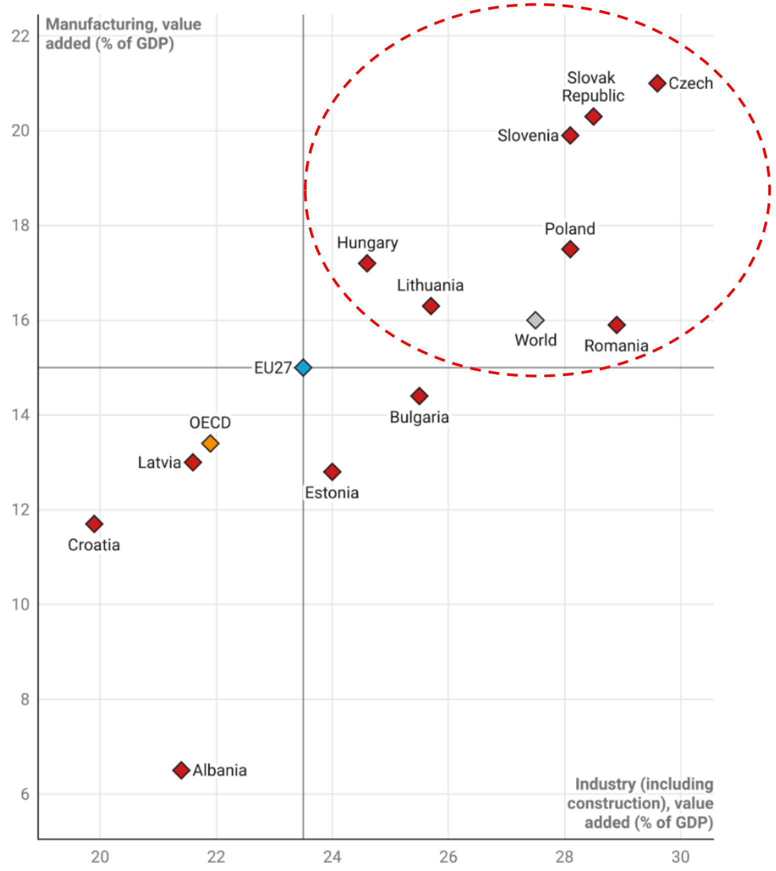
Country	Chemical and petrochemical	Food and tobacco	Iron and steel	Machinery	Non-ferrous metals	Non-metallic minerals	Paper, pulp and printing	Textile and leather	Transport equipment	Wood and wood products	Construction	Industry not elsewhere specified	Mining and quarrying
Albania	3.2%	11.4%	6.7%	0.0%	1.1%	59.3%	2.0%	3.4%	0.0%	0.2%	2.7%	6.1%	3.9%
Bulgaria	29.5%	9.6%	4.1%	4.8%	6.5%	21.0%	6.3%	1.9%	0.6%	3.2%	3.0%	2.9%	6.5%
Croatia	10.7%	14.1%	2.4%	5.4%	1.9%	32.5%	6.8%	1.8%	0.8%	8.2%	10.5%	4.2%	0.6%
Czech Republic	15.8%	8.3%	14.8%	10.3%	1.4%	16.5%	10.7%	2.4%	7.5%	3.4%	2.5%	5.1%	1.4%
Estonia	9.5%	17.3%	0.3%	10.3%	0.1%	8.2%	16.5%	2.9%	2.1%	18.1%	8.2%	5.0%	1.5%
Hungary	25.7%	15.2%	4.3%	11.3%	2.2%	12.3%	5.5%	0.8%	5.0%	3.3%	6.8%	6.9%	0.7%
Latvia	2.7%	8.8%	0.1%	1.9%	0.1%	19.0%	0.6%	0.8%	0.6%	58.8%	3.1%	2.1%	1.2%
Lithuania	33.2%	17.5%	0.1%	3.2%	0.0%	15.1%	4.7%	3.0%	0.7%	10.0%	3.9%	7.8%	0.8%
Poland	19.6%	13.2%	9.8%	5.0%	2.9%	19.8%	9.5%	0.8%	2.6%	7.3%	1.1%	5.4%	3.0%
Romania	23.9%	8.6%	13.2%	5.8%	6.7%	19.2%	2.9%	2.1%	4.3%	4.3%	6.5%	1.9%	0.7%
Slovak Republic	15.9%	4.2%	26.5%	6.2%	7.7%	12.9%	12.6%	0.6%	5.1%	1.2%	0.9%	4.8%	1.5%
Slovenia	12.9%	5.4%	12.0%	15.0%	9.5%	15.6%	11.0%	1.1%	2.2%	4.6%	3.1%	6.2%	1.4%
EU27	21.2%	11.6%	11.3%	6.8%	3.8%	13.8%	13.3%	1.4%	3.0%	3.8%	4.1%	4.5%	1.5%

Industry value added, competetive industrial performance & circular material use

Industry and manufacturing value added (as share of GDP) of majority of the CEE region countries are higher than the EU27 and OECD avg. The competitive industrial performance ranks of the CEE region countries highlights there is room for further improvement. CEE region's circular material use rates are lower when compared to the EU27 avg, which is already behind its circular economy targets.

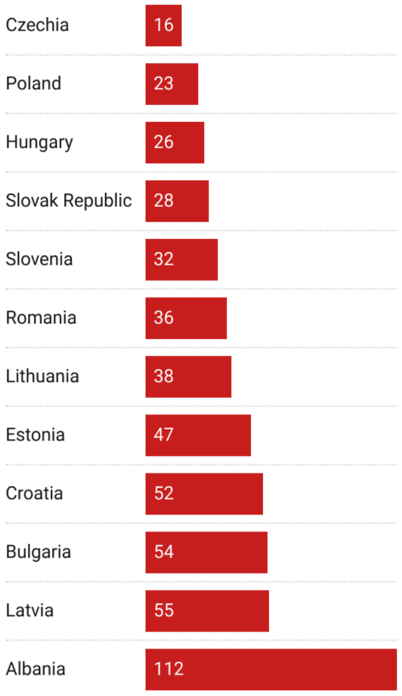
Central Eastern Europe Region*, Industry and Manufacturing Value Added, 2022

* OECD definition, Source: World Bank



Central Eastern Europe Region*, Competitive Industrial Performance Index Rank, 2021

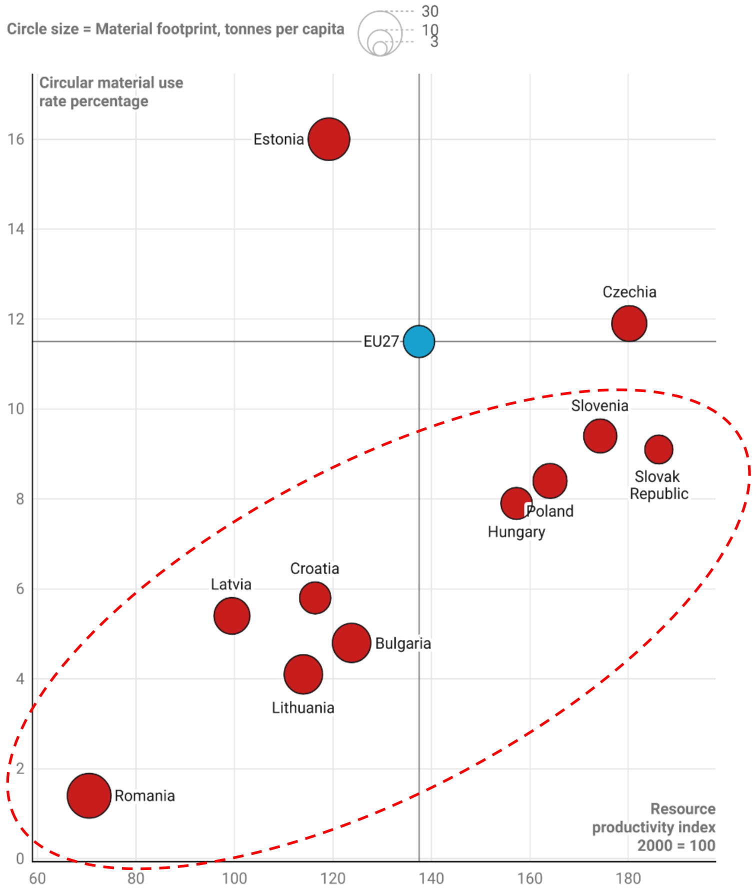
* OECD definition, Source: UNIDO, Note: Rank indicates the comparative advantage of one economy over others.



(Out of 153 economies)

Central Eastern Europe Region*, selected circular economy indicators, 2022

* OECD definition (Albania is excluded due to lack of data), Source: Eurostat



A growing number of initiatives reward planning for climate risks and opportunities

Disclosure Frameworks and Regulations

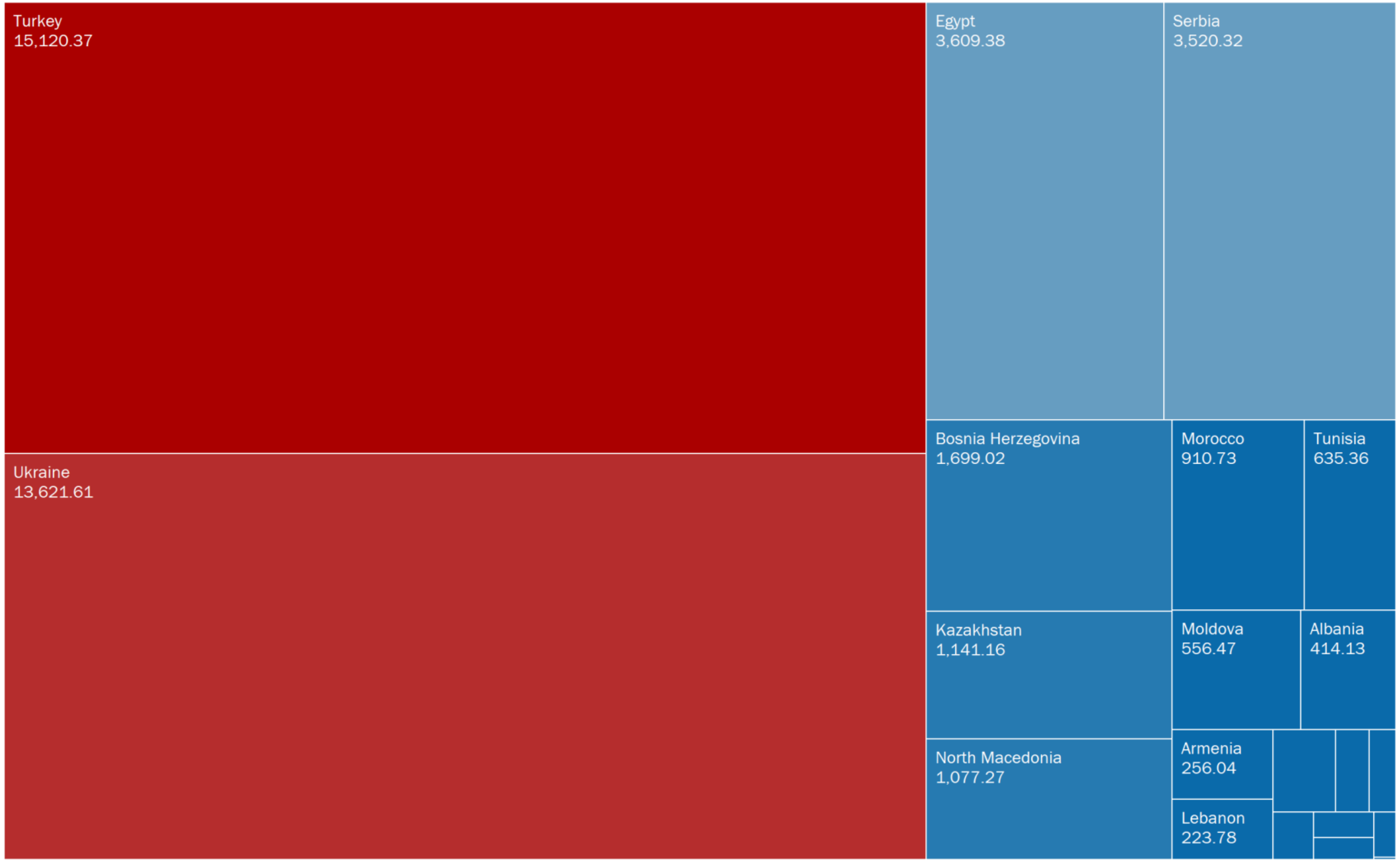
Task Force on Climate-related Financial Disclosures (TCFD)	A voluntary framework of 11 disclosure recommendations
International Sustainability Standards Board (ISSB)	Sets the global baseline for sustainability disclosures
Corporate Sustainability Reporting Directive (CSRD)	Requires EU and some non-EU companies to disclose climate-related factors
Corporate Sustainability Due Diligence Directive (CSDDD) Proposal	Requires EU and some non-EU companies to identify and mitigate their environmental and human rights impacts
Carbon Border Adjustment Mechanism (CBAM)	Imposes a carbon price on goods imported to the EU
Monitoring, reporting and verification (MRV) programs in COOs	Sets the process for large emitters to measure and disclose GHG emissions

Voluntary Commitments and Best Practices

Leadership in in Energy and Environmental Design (LEED)	A set of rating systems for the design, construction, operation, and maintenance of green buildings
Responsible Steel Standard	Aims to ensure the responsible sourcing and production of steel
Sustainability-linked Loan (SLL) Principles	Voluntary guidelines for the issuance and reporting related to SLLs
Green Bond Principles	Voluntary guidelines for the transparency, issuance and disclosure of green bonds
Partnership for Carbon Accounting Financials (PCAF)	Standard to measure and disclose emissions for the financial sector
Principles for Responsible Banking	Signatories align their strategy and investments with UN Sustainable Development Goals and Paris Agreement
Science Based Targets Initiative (SBTi)	Enables companies to set Paris-aligned emissions reduction targets
Climate Action 100+	Investor initiative to engage companies on improving climate change governance and cutting emissions
Glasgow Financial Alliance for Net Zero (GFANZ)	Group of financial alliances whose members have committed to support the transition to net zero by 2050
Coalition of Finance Ministers for Climate Action (CFMCA)	Group of finance ministers committed to achieving the objectives of the Paris Agreement
Network for Greening the Financial System (NGFS)	Group of central banks to share best practices and develop tools like climate scenarios
Principles for Responsible Investment (PRI)	Signatories commit to six principles to incorporate ESG issues into investment practice

CBAM will affect US$ 43 billion of goods imported from EBRD economies annually*

EU Imports covered by CBAM (US$ million)



*Data from 2021

Estimated costs of CBAM vary, but they are high

Turkey
CBAM costs for electricity, cement, steel and aluminum is expected to be €399 million in 2026. EBRD

Ukraine
The tax burden on Ukrainian exports is expected to be around €1 billion annually. EBA

Egypt
Projected exports losses will be the highest in the electricity transmission, oil, and chemical (including fertilizers) sectors, with declines of 8.3%, 4.3%, and 3.9% respectively .WB.

Current climate-related dynamics in the financial sector

Demand to green the financial sector is growing	
Regulatory standards	**Regulators are expecting more climate related disclosures.** 20+ regulators in the EBRD region are now members of the Network for Greening Financial Systems (NGFS). **IFRS has launched the International Sustainability Standards Board, to establish globally consistent climate disclosure standards for financial markets.** The majority of financial institutions in the EBRD region report under IFRS.
Investor demand and risk appetite	**Investors are focusing on climate change driven by their own Paris Alignment commitments** as well as their recognition of financial risks resulting from climate change and regulatory pressures. **Rating agencies are starting to include climate risk** in credit ratings.
New client needs	Clients are starting to manage their climate risks more systematically and **making investment plans for new green opportunities** – requiring financial institutions to provide the right financial instruments.
International partnerships	**Regulators, central banks, financial and non-financial institutions are working together to develop best practices, guidelines and principles** – through initiatives like Race to Zero, Net Zero Asset Managers Initiative and Climate Action 100+.

Meeting investor demands

Green financial institutions can meet new business opportunities, become more resilient to regulatory changes and raise more capital by meeting investor demands.

Clients that embrace transition planning for Paris alignment will gain a competitive edge, stay ahead of the regulations, and attract capital from a diverse group of investors.

EBRD supports the green transition in 36 economies

FINANCED

3,000+

green projects since 2006

COMMITTED

€55 billion

of green financing since 2006

REPORTED

$51 billion

of private climate co-finance (2016-2022)

REDUCING

135 million

tonnes of CO_2 annually since 2006

SAVING

475 million

m^3 of water annually since 2013

AVOIDING

3.9 million

tonnes of material use annually since 2013

We are on track to meet our climate commitments

Increase the share of green financing to **more than fifty per cent of ABI** by **2025**.

Align activities with the objectives of the **Paris Agreement** by the **end of 2022**.

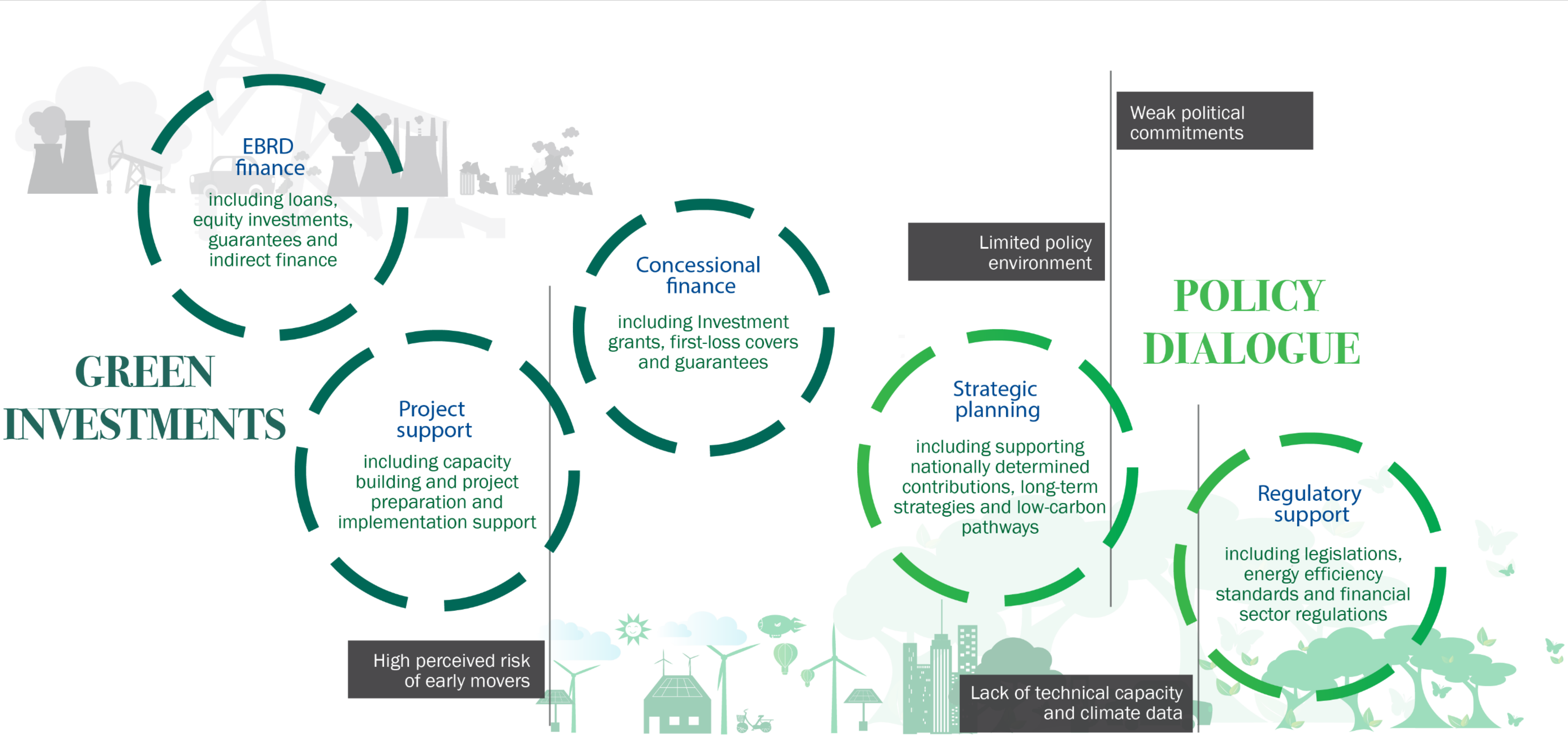
Double the mobilisation of private sector climate financing **by 2025**.

Since 2021, green investments have **been 50%** of our ABI

The EBRD is **fully Paris aligned**. We are also **helping our clients** become Paris aligned.

Private indirect mobilisation **doubled between 2021-2022**

EBRD's approach provides investments and policy dialogue



Thank you

Gianpiero Nacci
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EBRD

6th May, 2024