

‘Second Opinion’ on IFC’s Green Bond Framework

Contents

Summary	2
1. Introduction and Background	3
Expressing concerns with ‘shades of green’	3
2. Brief Description of IFC’s Green Bond Framework and Rules and Procedures for Climate-Related Activities	4
3. Assessment of IFC’s Green Bond Framework and Environmental Policies	8
Eligible projects under the Green Bond Framework	8
Strengths	12
Weaknesses	13
Pitfalls	13
Transparency, monitoring, reporting and verification	14
References	15

Summary

Overall, the IFC green bond framework provides a transparent and robust approach to considering the climate impacts of IFC green bond investments. The framework addresses impacts at the macro-level, including the potential for cross-boundary impacts and lifecycle analysis. IFC's investment framework is further supported by a Sustainability Framework, which establishes transparent environmental performance standards, including a consideration of supply-chain sustainability.

IFC's green bond financed projects include investments that meet IFC's climate definitions and metrics for climate-related activities. These definitions are broad in scope and cover both mitigation and adaptation projects and hence the selection process will have an important role in defining which activities that will be eligible for green bond financing. IFC has a strong focus on Climate. The IFC's Climate Business Department is part of the World Bank group's Climate Change Cross-Cutting Solutions Area which comprises about 270 professionals.

In the selection process for mitigation projects the IFC's carbon emission estimator tool, together with other considerations, is used. This method implies that all shades of green projects from dark to light green could qualify for green financing. The project classification includes fossil fuel energy projects such as energy efficiency improvements in existing fossil fuel plants. CICERO is concerned that some of these projects have the potential to lock-in emitting infrastructure that can result in increased emissions in the long run. CICERO further encourages considering the important interlink ages between adaptation and mitigation projects. IFC has informed us that they have not financed any adaptation projects that facilitate the production of fossil fuels such as increased search for fossil fuel resources and offshore drilling outside hurricane seasons. Our dark green shading of adaptation projects assume that no such projects will be eligible.

A clear strength of the IFC's green bond framework is its established transparent and thorough procedures for reporting and monitoring greenhouse gas (GHG) reductions from green bond investments. CICERO is encouraged to see that IFC already has started (from 2014) to report on the impact of its green bond investments.

Based on an overall assessment of the broad activities that could be financed by the green bond, and the strong governance and transparency structure, the IFC's Green Bond Framework gets a medium green shading.

1. Introduction and Background

As an independent, not-for-profit, research institute, CICERO (Center for International Climate and Environmental Research - Oslo) provides Second Opinions on institutions' framework and guidance for assessing and selecting eligible projects for green bond investments, and assesses the framework's robustness in meeting the institutions' environmental objectives. The Second Opinion is based on documentation of rules and frameworks provided by the institutions themselves (the client) and information gathered during meetings, teleconferences and e-mail correspondence with the client.

CICERO has established the global Expert Network on Second Opinions (ENSO), a network of independent non-profit research institutions on climate change and other environmental issues, to broaden the technical expertise and regional experience for Second Opinions. CICERO works confidentially with other members in the network to enhance the links to climate and environmental science, building upon the CICERO model for Second Opinions. In addition to CICERO, ENSO members currently include Basque Center for Climate Change (BC3), International Institute for Sustainable Development (IISD), Stockholm Environment Institute (SEI), and Tsinghua University's Institute of Energy, Environment and Economy.

CICERO encourages the client to make this Second Opinion publically available. If any part of the Second Opinion is quoted, the full report must be made available.

CICERO's Second Opinions are normally restricted to an evaluation of the mechanisms or framework for selecting eligible projects at a general level. CICERO does not validate or certify the climate effects of single projects, and, thus, has no conflict of interest in regard to single projects. CICERO is neither responsible for how the framework or mechanisms are implemented and followed up by the institutions, nor for the outcome of investments in eligible projects.

This note provides a Second Opinion of IFC's Green Bond Framework and policies for considering the environmental impacts of their projects. The aim is to assess IFC's Green Bond Framework as to its ability to support IFC's stated objective of low-carbon and climate resilient growth.

CICERO takes a long-term view on activities that support a low-carbon climate resilient society. In some cases, activities or technologies that reduce near-term emissions result in net emissions or prolonged use of high-emitting infrastructure in the long-run. CICERO strives to avoid locking-in of emissions through careful infrastructure investments, and moving towards low- or zero-emitting infrastructure in the long run. Proceeds from green bonds may be used for financing, including refinancing, new or existing green projects as defined under the mechanisms or framework. CICERO assesses in this Second Opinion the likeliness that the issuer's categories of projects will meet expectations for a low carbon and climate resilient future.

Expressing concerns with 'shades of green'

CICERO Second Opinions are graded dark green, medium green or light green, reflecting the climate and environmental ambitions of the bonds and the robustness of the governance structure of the Green Bond Framework. The grading is based on a broad qualitative assessment of each project type, according to what extent it contributes to building a low-carbon and climate resilient society.

This Second Opinion will allocate a 'shade of green' to the green bond framework of IFC:

- Dark green for projects and solutions that are realizations today of the long-term vision of a low carbon and climate resilient future. Typically this will entail zero emission solutions and governance structures that integrate environmental concerns into all activities.
- Medium green for projects and solutions that represent steps towards the long-term vision, but are not quite there yet.
- Light green for projects and solutions that are environmentally friendly but do not by themselves represent or is part of the long-term vision (e.g. energy efficiency in fossil based processes).
- Brown for projects that are irrelevant or in opposition to the long-term vision of a low carbon and climate resilient future.

The project types that will be financed by the green bond primarily define the overall grading. However, governance and transparency considerations also factor in, as they can give an indication whether the institution that issues the green bond will be able to fulfil the climate and environmental ambitions of the investment framework.

2. Brief Description of IFC's Green Bond Framework and Rules and Procedures for Climate-Related Activities

IFC is a member of the World Bank Group and is the largest global development institution focused on the private sector in developing countries. IFC is one of the world's largest financiers of climate-smart projects for developing countries, investing about USD 13 billion in long-term financing over the last decade for renewable power, energy efficiency, sustainable agriculture, green buildings and private sector adaptation to climate change.¹

IFC's main mission is to secure social and economic development in the host countries of their projects. The Strategic Priorities include addressing climate change and ensuring environmental and social sustainability.² IFC's Sustainability Framework includes performance standards for all projects, and includes consideration of supply-chain sustainability. The Framework also describes how sustainability reporting adheres to the Access to Information Policy.

IFC was one of the first issuers of green bonds, and launched its green bond program in 2010. As of November 2015, IFC has issued USD 4.3 billion in green bonds. As a member of the Green Bond Principles Executive Committee and the IFI Framework for a Harmonised Approach to Greenhouse Gas Accounting, IFC takes part in developing guidelines and procedures for the green bond market. IFC updated its comprehensive framework for decision-making on climate-related projects in 2012.

¹http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Finance/Investor+Information/Green_Bonds

² See http://www.ifc.org/wps/wcm/connect/corp_ext_content/ifc_external_corporate_site/about+ifc

At the broadest level, IFC's corporate goals include reducing GHGs. According to its annual report 2015, IFC has made long-term investments totalling more than USD 13 billion in climate-related projects since 2005. This includes USD 2.3 billion in 103 projects in 31 countries in 2015 (fiscal year). At the same time, USD 2.2 billion was mobilized from other investors. Analysis of IFC's overall climate related portfolio is available at www.ifc.org/climatebusiness. IFC is a top issuer of green bonds supporting climate-smart projects in emerging markets. It has explicitly tracked its climate-related financing since 2005 and has measured greenhouse gas (GHG) emissions of its investment portfolio since 2010.

According to IFC, projects eligible for Green bond financing in FY14 and FY 15 totaled USD2.1 billion. Green bond eligible projects committed in FY15 are expecting to reduce 2.46 million tons of GHGs. In this Second Opinion CICERO has not validated already financed projects but rather assessed the Green Bond Framework's ability to support a low-carbon and climate resilient growth for future eligible projects.

IFC published and updated Definitions and Metrics for Climate-Related Activities in 2012 that includes a list of the types of projects that will be considered as mitigation, adaptation and other climate-related projects. This Second Opinion is based on the updated version of these definitions from June 2015. The framework includes guidance for accounting and reporting GHG emission reductions. Documentation and information reviewed for this assessment is information about green bonds at the IFC webpage³.

The table below lists the documents that formed the basis for this Second Opinion:

Table 1: Documents Reviewed

Document Number	Document Name	Description
1	Overview of IFC's Green Bonds on http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Finance/Investor+Information/Green_Bonds	Description of IFC green bond framework
2	IFC Definitions and Metrics for Climate-Related Activities 2015. IFC Climate Business Department Version 2.2. Updated June 2015.	Description of how to define IFC's Climate-Related Activities. These activities include both mitigation and adaptation.
3	IFC Sustainability Framework	Description of sustainability policy, including performance standards and access to information policy
4	IFC Guidance Note on Environmental and Social Risks and Impacts	Guidance on application of performance standards
5	IFC Annual Report 2015	Report on IFC's financials and impact of activities
6	IFC Exclusion List	List of excluded project types

³http://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+Finance/Investor+Information/Green_Bonds

7	IFC Development Goals	Management strategy on development outcomes
8	GHG Reduction Calculation Guidance Notes	Guidance on emission impact calculations
9	International Financial Institution Framework for a Harmonised Approach to Greenhouse Gas Accounting	Agreed principles for emission accounting
10	Joint Report on Multilateral Development Banks Climate Finance 2014 (published June 2015)	The report covers financing for climate change mitigation and adaptation projects and activities, in developing and emerging economies, committed by MDBs in 2014.

According to IFC the green bond process complies with the four components identified by the Green Bond Principles⁴:

1. Use of proceeds

IFC's green bond financed projects may include investments that meet IFC's climate definitions and metrics for climate-related activities. IFC's green bond financed projects include (for the full list of eligible projects see table 2A, 2B and 2C in section 3):

- Investments in equipment, systems and services which result in a reduced use of energy per unit of product or service generated, such as waste heat recovery, cogeneration, building insulation, energy loss reduction in transmission and distribution;
- Investments in equipment, systems and services which enable the productive use of energy from renewable resources such as wind, hydro, solar and geothermal production;
- Investments to improve industrial processes, services and products that enhance the conversion efficiency of manufacturing inputs (energy, water, raw materials) to saleable outputs, including reduction of impact at source;
- Investments in manufacturing of components used in energy efficiency, renewable energy or cleaner production, such as solar photovoltaics, manufacture of turbines, building insulation materials;
- Investments in sustainable forestry; and
- Lending to financial intermediaries with the requirement that the IFC's investments be on-lent to specific climate projects that fit the IFC's green bond eligibility criteria.

⁴<http://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-bonds/>

2. Process for project evaluation and selection

Projects eligible for green bond financing are selected from IFC's climate-related loan portfolio (equity investments and guarantees are ineligible for funding via green bonds). IFC's climate-related investment portfolio comprises projects that meet IFC Definitions and Metrics for Climate-Related Activities. In addition to meeting the green bond eligibility criteria, any project financed through green bond proceeds must follow the IFC's investment process. All projects financed by IFC undergo a rigorous due diligence process which includes disclosure and consultation requirements and integrity due diligence.

All projects shall comply with IFC's Performance Standards for environmental and social issues and IFC's Corporate Governance Framework. In some cases, the climate-related component of a project supported by green bonds may be a part of a larger investment. In such cases, the climate portfolio only accounts for the project's share of climate financing.

3. Management of proceeds

All proceeds from IFC green bonds are set aside in a designated account. The proceeds are credited to a separate "Green Cash Account" and disbursed to green bond eligible projects. Disbursements are often made over a period of time, depending on a project's amortization schedule. As green bond proceeds are disbursed, corresponding amounts are adjusted from the Green Cash Account accordingly on a regular basis.

IFC has also established a process for reviewing the eligibility of projects. All climate-related projects are reviewed by the Climate Finance and Policy Unit to determine a project's eligibility. New project types can be proposed to the Climate Business Steering Committee.

4. Reporting and monitoring

IFC follows best practices and the Green Bond Principles, a voluntary set of guidelines for transparency and disclosure. On an annual basis, IFC publishes the list of projects which have received funding from green bond proceeds. Subject to confidentiality approvals, the list of projects include: a brief description of the project, the amount disbursed, the expected environmental impact and links to relevant public documents about the project. IFC publishes Socially Responsible Bonds newsletters on an annual basis, which provides investors highlights of projects, news and updates.

In addition to Green Bond reporting, IFC's climate-related portfolio – from which green bond-eligible projects are selected – is reported through several channels. IFC reports climate-related investment figures through its Annual Report, which undergoes an independent assurance report.

IFC supervises all its investments – including green bond investments. The supervision process comprises regular reports by the investee company on project activities and performance and is monitored by IFC throughout the lifetime of the investment.

Projects eligible under the Green Bond Program comply with IFC's Sustainability Framework, Corporate Governance Framework, and other policies and procedures addressing project integrity. Compliance is assessed at the individual project level.

3. Assessment of IFC’s Green Bond Framework and Environmental Policies

Overall, the IFC green bond framework provides a detailed and sound framework for climate-friendly investments. The framework and procedures for IFC’s green bond investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects, whereas the weaknesses are typically areas that are more unclear or too general to conclude clearly that these projects supports a low carbon or climate resilient future.. Pitfalls are also raised in this section to note areas where issuers should be aware of potential macro-level impacts of investment projects.

Eligible projects under the Green Bond Framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide certainty to investors that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the “overall environmental profile” of a project should be assessed and that the selection process should be “well defined”.

Table 2A Direct Mitigation

Category	Eligible project types	Green Shading and some concerns ⁵
Renewable energy generation	<ul style="list-style-type: none"> a. Wind b. Geothermal c. Solar d. Biomass (that does not deplete existing terrestrial carbon pools) e. Tidal and other ocean f. Hydropower g. Biofuels 	<p>Dark Green</p> <ul style="list-style-type: none"> ✓ Consider negative impacts on wildlife, nature and lifecycle pollution. ✓ Care should be taken with large hydro project due to scale of environmental impacts. ✓ Consider emissions from construction phase and landscape issues and mass deposits ✓ Potential for heavy metal pollution from geothermal energy.
Energy efficiency	<ul style="list-style-type: none"> a. Energy savings in existing industrial operations, utilities, and commercial and residential buildings b. Technical loss reductions in existing transmission and distribution operations 	<p>Light Green</p> <ul style="list-style-type: none"> ✓ Rebound effects need to be considered. Efficiency improvements in existing

⁵ Note: An investment category that includes projects and solutions that are realizations today of the long-term vision of a low carbon and climate resilient future are dark green. Typically this will entail zero emission solutions and governance structures that integrate environmental concerns into all activities. Medium green covers projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Projects and solutions that are environmentally friendly but do not by themselves represent or is part of the long-term vision (e.g. energy efficiency in fossil based processes) are graded light green.

	<ul style="list-style-type: none"> c. Energy-efficiency improvement in existing thermal power plants d. Green buildings (greenfield) e. Manufacturing energy efficiency (greenfield) f. Cogeneration of useful thermal energy and electricity g. Waste Heat Recovery 	<p>thermal plants can prolong the lifetime of the power plant, thus possibly increasing accumulated GHG emissions from the plant.</p>
Agriculture, forestry, and land use	<ul style="list-style-type: none"> a. Afforestation and reforestation (enhanced GHG removals) b. Sustainable forest management (that does not deplete existing terrestrial carbon pools) c. Reduced emissions from deforestation and forest degradation (REDD+) d. Reduced emissions or enhanced removal in terrestrial carbon pools through no till agribusiness e. Revegetation (enhanced GHG removals) 	Dark Green
Waste Management	<ul style="list-style-type: none"> a. Methane capture and destruction b. Waste-to-energy generation (including wastewater) c. Waste incineration d. Selected waste recycling projects that recover or reuse materials and waste as inputs into new products or as a resource e. Composting 	<p>Medium green</p> <ul style="list-style-type: none"> ✓ Consider life cycle emissions, including reducing incineration of fossil fuel derived waste streams, and avoid negative impacts on biodiversity. Consider recycling into material of fossil fuel waste instead of incineration.
Transport	<ul style="list-style-type: none"> a. Efficiency improvements, through retrofit or replacement, of existing fleets of aircraft, road or rail vehicles or boats b. Urban mass transit improvements (existing and greenfield) c. Transport management improvements through improved traffic systems and vehicle restriction policies (e.g. high-occupancy vehicle lanes) d. Shifts from existing transport to less-GHG intensive modes of transport (with verifiable displacement) 	<p>Medium Green</p> <ul style="list-style-type: none"> ✓ Consider the fuel type and comparison to current practice of all elements of each project.
Other mitigation	<ul style="list-style-type: none"> a. Industrial process improvements and cleaner production GHG reductions (existing) b. Retrofits or replacement of existing heating and cooling systems with reduced global warming potential refrigerants (existing) c. Carbon capture and storage (CCS) d. Fuel switches in existing operations to lower-GHG fuels e. Decrease in fugitive GHG emissions in existing operations 	<p>Medium Green</p> <ul style="list-style-type: none"> ✓ Care should be taken with projects and solutions that are environmentally friendly but do not by themselves represent or is part of the long-term vision. These projects should only be chosen when feasible greener alternatives doesn't exist

Carbon markets	a. Carbon markets and finance (including the purchase, sale, trading, financing, guarantee and technical assistance) includes all activities related to the Clean Development Mechanism (CDM), Joint Implementation (JI), and Emissions Trading associated with Assigned Amount Units as well as standards like the Verified Carbon Standard (VCS) or the Gold Standard.	Medium Green
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Table 2B: Indirect Mitigation

Category	Eligible project types	Green Shading and some concerns
Climate-Related Products:	<p>a. Manufacture and sale of finished products that when used result in increased RE generation by others</p> <p>b. Manufacture and sale of finished products that when used result in EE in others' operations</p> <p>c. Manufacture and sale of finished products that when used enable others to decrease or destroy GHGs</p>	<p>Medium Green</p> <ul style="list-style-type: none"> ✓ Rebound effects need to be considered. Efficiency improvements in existing thermal plants can prolong the lifetime of the power plant, thus possibly increasing accumulated GHG emissions from the plant.
Mitigation through Financial Intermediaries (FI)	<p>a) Finance of direct mitigation activities through financial intermediaries</p> <p>b) Technical advice and standards for financial institutions that enable mitigation activities</p>	<p>Medium Green</p> <ul style="list-style-type: none"> ✓ Consider negative impacts on wildlife, nature and lifecycle pollution. ✓ Care should be taken with large hydro project due to scale of environmental impacts. ✓ Consider emissions from construction phase and landscape issues and mass deposits ✓ Potential for heavy metal pollution from geothermal energy.
Advisory Services Market-Level Activities	<p>a) Technical advice and standards in market transformation programs where barriers to adoption of technologies or practices are addressed</p> <p>b) Policy-related work that results in GHG reductions</p>	<p>Medium Green</p>

Table 2C: Adaptation

Category	Eligible project types	Green Shading and some concerns
Adaptation	<p>Projects or advisory services that incorporate information about climate change risks into decision-making (ex ante) and, by directly addressing identified risks, vulnerabilities, or impacts:</p> <ul style="list-style-type: none"> I. reduce the risk, exposure or sensitivity to climate change II. increase climate resilience III. build problem solving capacity to develop responses to identified risks, vulnerabilities or impacts IV. address impacts directly linked to climate change 	<p>Dark green</p> <ul style="list-style-type: none"> ✓ Adaptation projects that facilitate the production of fossil fuels should be excluded from green bond financing.

Table 2D: Special Climate

Category	Eligible project types	Green Shading and some concerns
Mitigation	<ul style="list-style-type: none"> a) Mitigation activities for which a GHG reduction calculation is not credibly quantifiable for lack of client specific data due to legal or privacy concerns, high uncertainty, or the activity is too far removed for data collection and verification. b) Climate-related products (as defined earlier as Mitigation) financed through FIs c) New mitigation project types 	<p>Medium green</p>
Mitigation	<ul style="list-style-type: none"> a. Critical climate-related product components and other inputs intended for use in climate-related products. Examples (but not limited to) of these include: <ul style="list-style-type: none"> I. RE-specific energy storage II. Transmission lines connecting RE to national grids 	<p>Medium green</p>

	<ul style="list-style-type: none"> III. Aluminum paste as an input into solar panels IV. Wind turbine blades 	
	<ul style="list-style-type: none"> b. Trade and short-term financing specific to climate-related activities through financial intermediaries c. Advisory services that enable GHG reductions: <ul style="list-style-type: none"> I. Capacity building II. Research and Studies III. Advocacy activities IV. Knowledge sharing 	

Strengths

Beyond the project boundaries, IFC emission calculations address lifecycle impacts and potential impacts that could occur outside of a project boundary. The mitigation calculation notes provide guidance as to the determination of a project boundary, the scope of the net GHG emissions calculations, and the inclusion of the guidance for the annual reporting of emission reductions for specific technologies is publically available.

IFC also signals that it considers GHG emissions at the corporate level, through the explicit mention of GHG reduction in the corporate Development Goals and IFC’s Strategic Priorities. While the Development Goals do not have an operational role in the green bonds program, they do establish the motivation to measure and report on GHG mitigation at the highest level of the organization. Potential competing priorities are analyzed and reported according to the Sustainability Framework.

Definitions and Metrics for Climate-Related Activities provide a transparent and publically-available guidance. This transparent approach will help build confidence in IFC climate-related investments, and improve the knowledge base regarding green investments more broadly. IFC’s system for monitoring, reporting and validating climate-related projects seems to be thorough from the information provided in the Annual Report.⁶ Progress towards the IFC Development Goals is monitored through the Development Outcome Tracking System (DOTS), through which IFC staff identify targets and baselines for projects, and provide qualitative assessments. DOTS ratings are reviewed centrally and compared with industry benchmarks. The Independent Evaluation Group (IEG) complements DOTS by providing its own

⁶ IFC also provides guidance Sustainability Performance Standards. Climate change is a cross-cutting issue across multiple Performance Standards on Sustainability. It is not entirely clear how reporting on climate change projects relates to reporting on sustainability.

assessments directly to the Board of Directors. IEG validates approximately half of IFC projects. In addition, the Compliance Advisor Ombudsman (CAO) audits environmental and social outcomes.

IFC has a strong governance structure on dealing with climate change issues. IFC has informed us that its Climate Business Department is part of the World Bank Group's Climate Change Cross-Cutting Solutions Area, which comprises about 270 professionals working in a variety of adaptation, mitigation, climate finance and policy analysis areas. The Climate Business Department GHG metrics experts work to adapt and continuously update climate finance definitions to meet evolving standards in the marketplace and also to address IFC's climate goals. Any changes to the IFC Climate Definitions require approval by the IFC Climate Metrics Steering Committee, which comprises Climate Business Department managers and other IFC staff. The Committee's decisions are based on the advice of the GHG metrics experts and other input.

Weaknesses

Investing in projects that may improve the climate impacts from the activity today, may lead to a postponement for even more climate benign projects. This will always be difficult to assess in an objective manner, but should nevertheless be part of the project appraisals. The long term goal of low carbon societies will eventually require a near phase out of fossil fuels, and marginal climate improvements 'today' should not come in the way of more future oriented solutions that eventually will be required. One should avoid investments in projects that lead down 'blind alleys'.

IFC has informed us that efficiency improvements in existing fossil fuel plants could be eligible for green bond financing. IFC believes that these types of investments should continue to be part of a climate mitigation strategy that is focused on reducing fossil fuel dependence while addressing increased energy demand, given the associated GHG reduction, energy savings, and reduced local water and air pollution impacts of thermal power efficiency projects (e.g., the conversion of single cycle to combined cycle and replacement of separate heat and power with cogeneration). Such projects could potentially in CICERO's view lead to an increase in GHGs. They can prolong the lifetime of the power plant, locking-in emitting infrastructure, and result in increased accumulated GHG emissions in the long run. IFC has told us that they will endeavour in the future to elucidate the impact of such projects in a more transparent way by publishing estimates of emissions reductions.

Pitfalls

The so-called rebound effect may occur in projects that aim at improving the efficiency for a single unit activity, but which then in turn may lead to a higher overall activity level. Thus, for instance investments in transport infrastructure may make every trip more climate efficient (lower emissions), but may invite a larger number of trips. It is possible that rebound effects may be more noticeable in developing countries because of a larger unmet demand for modern services.

We note these issues here because they are recurrent themes that come up time and again in discussion with many financial institutions, and are not particularly related to IFC. To be climate conscious requires a focus also on this aspect of investments.

IFC addresses potential rebound and cross-boundary effects, at least in part, through the inclusion of leakage calculations in the mitigation calculation guidance. However it is unclear if it explicitly considers the potential for rebound effects in climate-related projects such as energy efficiency. IFC mitigation calculation

guidance notes include the computation of “any form of leakage or change in GHG emissions that occur beyond the project boundary as a result of the project.” These could be interpreted to include potential rebound effects, as well as other effects, but they are not mentioned specifically. To clarify that the potential for rebound effects are explicitly considered, IFC could specifically note the potential for rebound effects in the guidance for calculating GHG reductions from energy efficiency projects.

IFC has also been part of an initiative of the International Financial Institutions (IFIs) to develop a Framework for a Harmonised Approach to Greenhouse Gas Accounting. This approach stipulates that each IFI will estimate the annual gross and the net GHG emissions for each project. By including both the gross and the net emission accounting approach, IFC should be able to consider the potential for rebound effects of a project. Again, by specifically mentioning the potential for rebound effects, IFC could clarify its treatment of this issue.

CICERO encourages considering the important interlink ages between adaptation and mitigation projects. Adaptation projects that facilitate the production of fossil fuels such as increased search for fossil fuel resources and offshore drilling outside hurricane seasons or zones should be avoided for green financing. The 2014 joint Report on Multilateral Development Banks’ Climate Finance published June 2015 lists such projects. IFC has informed us that they have not financed any such adaptation projects. Our dark green shading of adaptation projects assume that no such projects will be eligible.

Transparency, monitoring, reporting and verification

Transparency, reporting and verification are key in order to enable investors to follow the implementation of the IFC Green Bond Program. Without becoming too burdensome impact reporting enhances transparency in regard to the projects economic risk from climate change and the environmental effectiveness of the projects.

IFC has in place very good procedures for monitoring and reporting of green bond projects. IFC is providing newsletters with highlights of eligible projects. IFC will provide a list of green projects related to the bond issuance on IFC's website as well as annual newsletters to the green bond investors. CICERO is encouraged to see that IFC since 2014, has published an impact report which illustrates the expected climate results of green bond eligible projects.

Future impact reports will be in accordance with the Harmonized Framework for Impact Reporting, a collaborative effort with other issuers to simplify impact assessment for investors by reporting four core indicators; Annual energy savings (EE), Annual Greenhouse Gas (GHG) emissions reduced or avoided (EE and RE), Annual renewable energy produced (RE) and Capacity of renewable energy plant(s) constructed or rehabilitated (RE). In some cases confidentiality considerations may restrict the detail that can be disclosed. In such cases IFC will report on a portfolio level rather than project by project.

The World Bank Group’s Independent Evaluation Group (IEG) assesses the performance of about one out of four projects, measuring outcomes against original objectives, sustainability of results and institutional development impact. IEG conducts not only project-level evaluations, based on the review of self-evaluation reports prepared by Bank Group staff and supplemented by independent assessments, but also

reviews of literature, analytical work, and project documentation, portfolio reviews, country case studies, structured interviews and surveys of staff and stakeholders, and impact evaluations. In addition, IEG has evaluated the World Bank Group's experience in climate change on a sector-wide basis and IFC continues to implement IEG's recommendations to scale impact.

The Office of the Compliance Advisor/Ombudsman (CAO) oversees investigations of IFC's social and environmental due diligence at the project-level. Investigations aim to enhance project outcomes and strengthen adherence to relevant standards which is the independent recourse mechanism for IFC. CAO's mission is to address complaints by people affected by WBG projects and to enhance the social and environmental accountability of both institutions' CAO's Compliance function.

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