

How are banks coping with climate change ?

A special webinar series on: Climate change and the African financial sector








16th of May 2023



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ADAPTATION



Rules for the webinar

-  The duration of today's webinar is 90 minutes, including questions and answers
-  For better listening comfort, all participant microphones will be disabled for the duration of the webinar
-  Questions can be submitted via "Q&A", or by raising hand.
-  Simultaneous translation will be available in EN/FR/EN
-  Slides and a recording of this presentation will be circulated to registered participants within 72-hours following the webinar - They will also be available on MFW4A.ORG.
-  Send a message to the organizers if you encounter technical problems
-  Do not forget to complete the questionnaire which will automatically appear on your browser at the end of the session



We welcome you to our webinar



Marina Finken

Head of the Making Finance Work for Africa initiative



Dr. Al-Hamndou Dorsouma

Manager Climate and Green Growth Division, AFDB

Session outline: Times listed are GMT



Topic



Facilitator



Duration

Introduction

Marina Finken, MFW4A
Dr. Hamndou Dorsouma,
AFBD

11:00 – 11:10

**How are African banks coping with
Climate Change?**

Sarah Kemmitt, UNEP FI

11:10 – 11:30

Panel discussion

Moderator:
Sarah Kemmitt, UNEP FI

Panelist:

- Judith Sidi Odhiambo, KCB
- John Boateng Akuoko-Tawiah, DBG
- David Ashiagbor, AfDB

11:30 – 12:05

Q&A

Marina Finken, MFW4A

12:05 – 12:25

Closure

Marina Finken, MFW4A

12:25 – 12:30



Please meet our panelists for today



Sarah Kemmitt

Lead Secretariat, Net-Zero Banking Alliance



Judith Sidi Odhiambo

Head of Corporate and Regulatory Affairs at KCB Group



David Ashiagbor

Chief Financial Sector Strategy Officer at the African Development Bank Group



John Boateng Akuoko-Tawiah

Head of ESG and Climate Finance at the Development Bank Ghana (DBG)

How are African banks coping with Climate Change?

Panel discussion

Closure



16/05/2023

UNEP Finance Initiative

How are African banks coping with Climate Change?

Dr. Sarah Kemmitt, Head of NZBA Secretariat

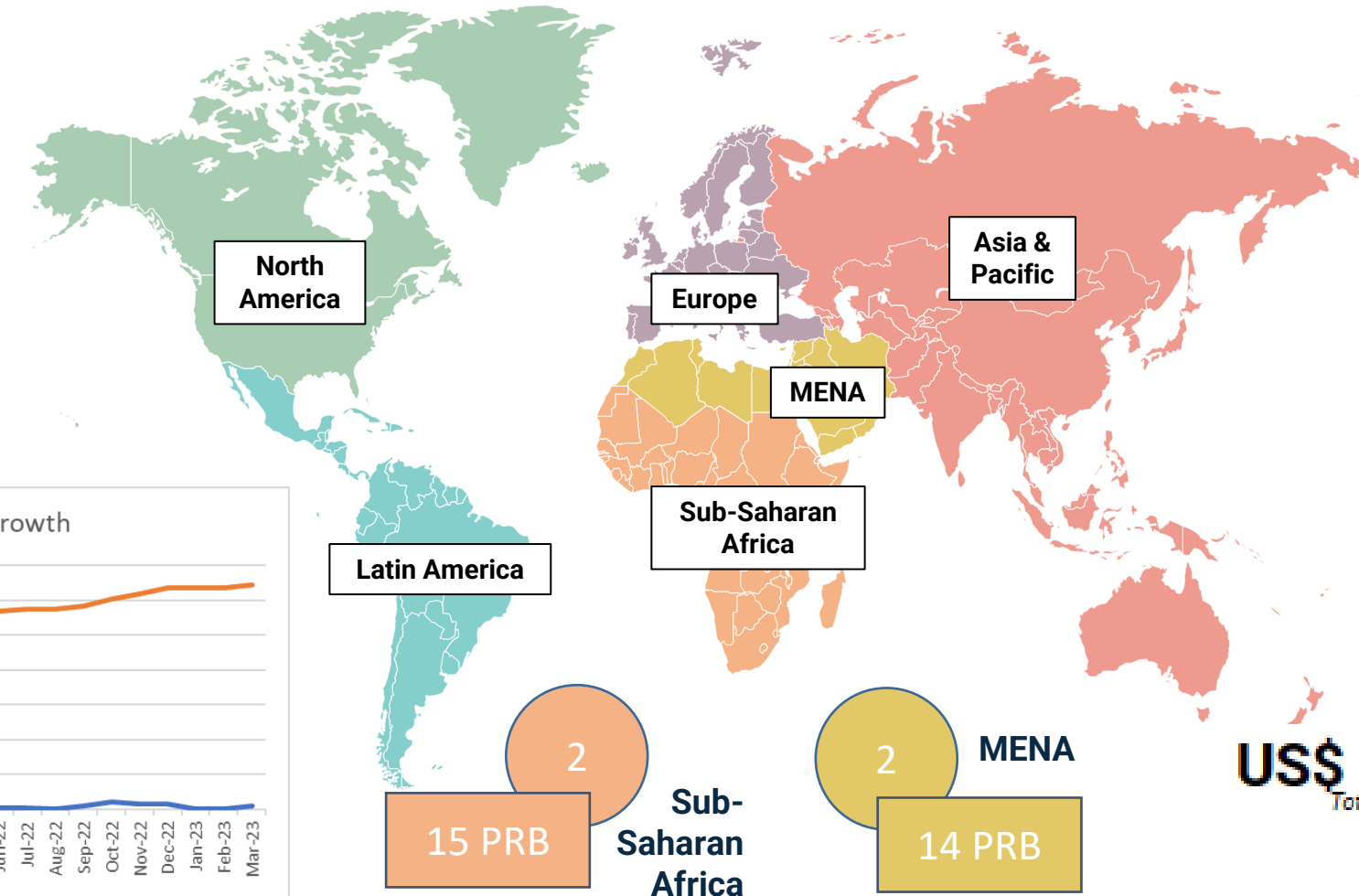


Net Zero Banking Alliance

129 Banks
41 Countries
US\$ 74trn Total Assets
41% of global banking assets

North America
 17
 11 PRB

Latin America
 13
 50 PRB

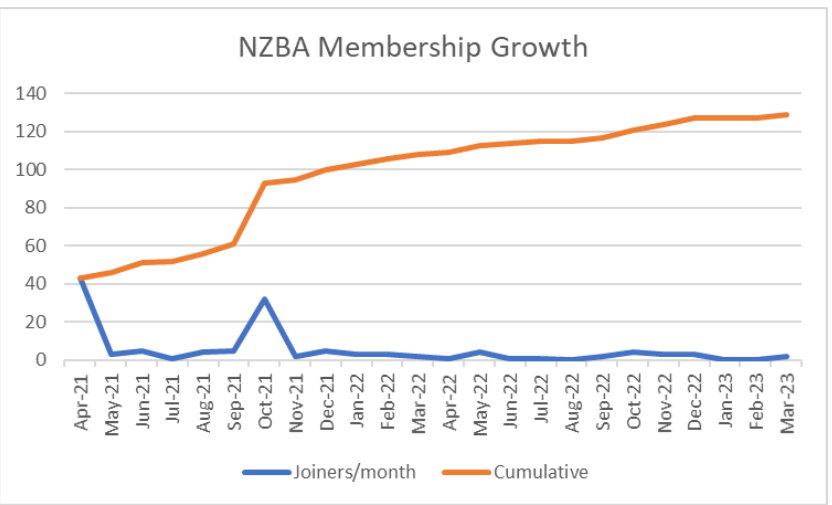


Asia Pacific
 26
 61 PRB

Europe
 69
 171 PRB

Principles for Responsible Banking
322 Signatories

US\$ 89.4trn Total Assets
 ~50% of global banking assets

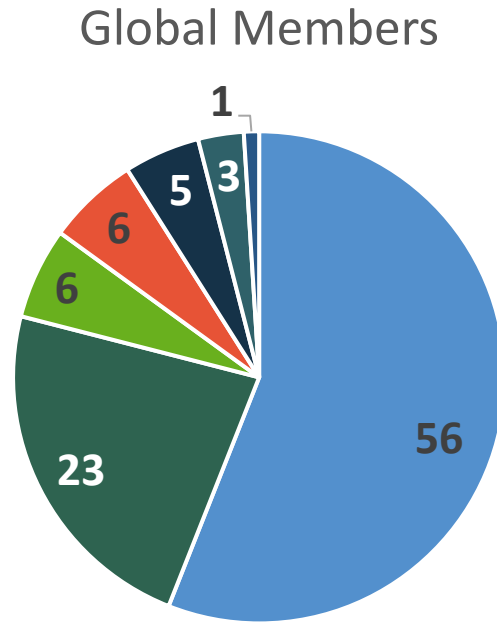


PRB & NZBA membership in the Africa & Middle East Region

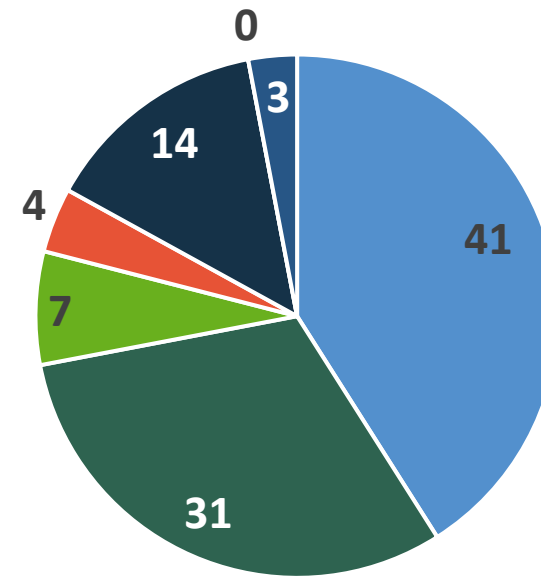
29 African & Middle Eastern banks in the PRB, of which four have joined the NZBA.

AAIB (Arab African International Bank)	Egypt	Jaiz Bank	Nigeria
Absa Bank Ltd.	South Africa	KCB (Kenya Commercial Bank)	Kenya
Access Bank Plc	Nigeria	Land Bank (Land and Agricultural Development Bank of South Africa)	South Africa
Ahli United Bank B.S.C	Bahrain	Mauritius Commercial Bank	Mauritius
ALEXBANK (Bank of Alexandria)	Egypt	National Bank of Egypt	Egypt
Bank of Africa	Morocco	Oragroup S.A.	Togo
Bank of Industry	Nigeria	Polaris Bank	Nigeria
Banque Du Caire	Egypt	QNB AL-Ahli	Egypt
Banque Misr	Egypt	Standard Bank of South Africa Ltd.	South Africa
CIB (Commercial International Bank)	Egypt	TCS Group Holding PLC	Cyprus
Ecobank Transnational Inc.	Togo	Wema Bank Plc.	Nigeria
First Abu Dhabi Bank	UAE	Zenith Bank	Nigeria
First Rand Group Ltd.	South Africa	Bank Nizwa	Oman
Gulf International Bank B.S.C	Bahrain	The Saudi British Bank	Saudi Arabia
Investec Group	South Africa		

Impact areas selected by PRB members



Africa & Middle East Members

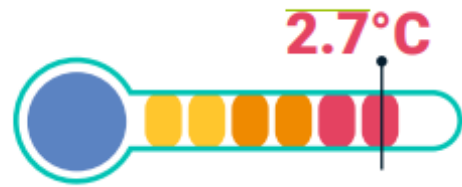


- Climate Mitigation
- Financial Health and Inclusion
- Resource Efficiency
- Inclusive and Healthy economies
- Gender equality
- Biodiversity
- Climate Adaptation

Climate mitigation is selected as an impact area by a smaller % of banks in Africa & Middle East compared to global membership and no Africa & Middle East banks selected biodiversity

Financial Health and Inclusion and Gender Equality are selected by a greater % of banks in this region

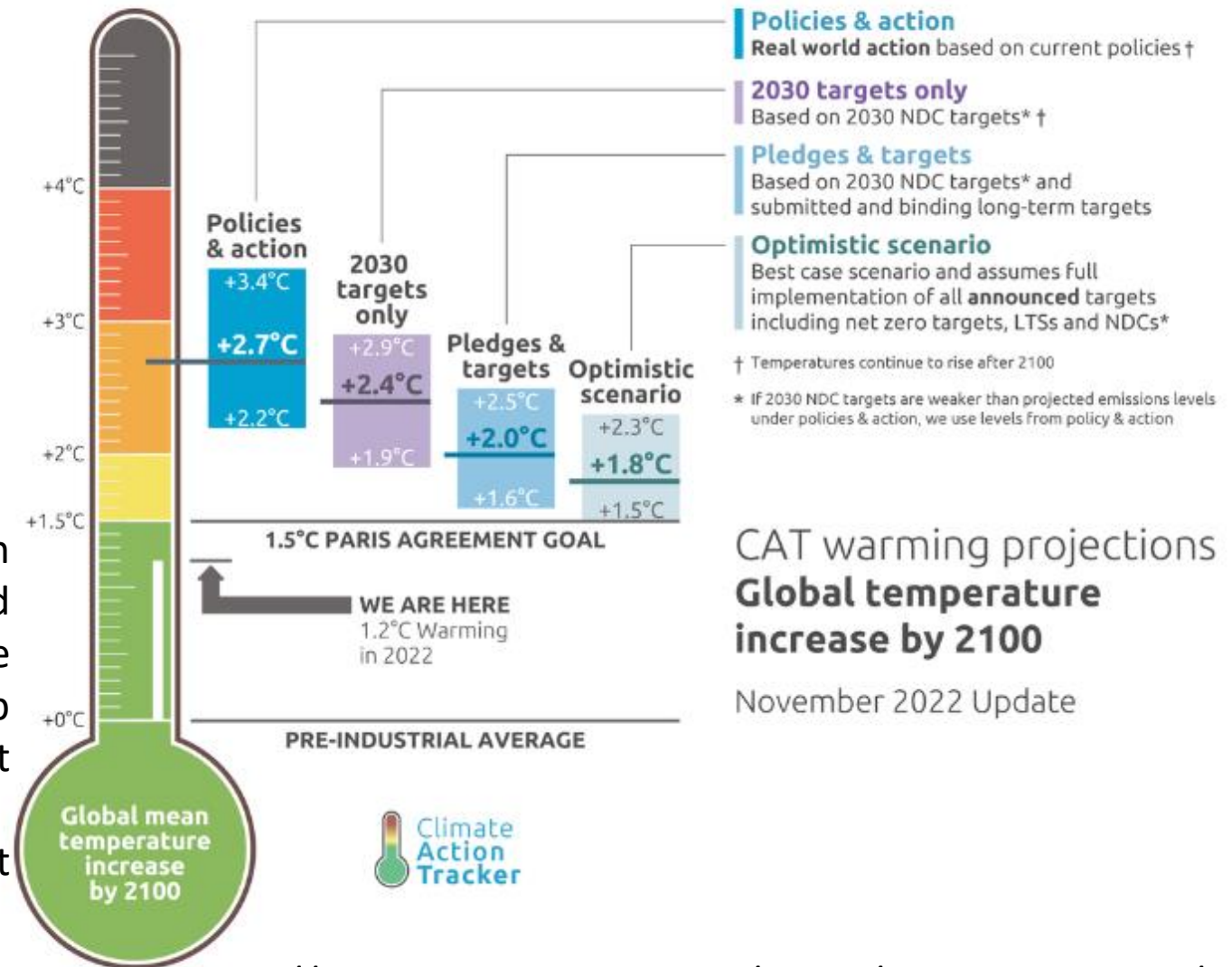
Mitigation



Listed companies are on a path to warm the planet by 2.7° above preindustrial levels this century.

[The MSCI Net-Zero Tracker](#)

Getting the world on track for 1.5 °C requires a surge in annual investment in clean energy projects and infrastructure to nearly USD 4 trillion by 2030. Some 70% of the additional spending required to close the gap between the APS and NZE is needed in emerging market and developing economies. Decarbonising energy systems is the fastest way to get on track for 1.5 alignment



CAT warming projections
Global temperature increase by 2100

November 2022 Update

<https://climateactiontracker.org/global/cat-thermometer/>

Types of Climate mitigation Target

Green financing - \$ in clean technologies or renewables by year X

Exposure - Reduce \$ or % total exposure

Phase out To zero exposure in year X

Financed emissions - Absolute emissions

Financed emissions – emissions intensity

Portfolio Or Sector Or Asset class

▶ Each type of target has its place

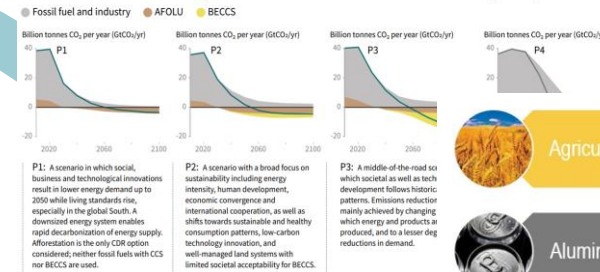
Net Zero Banking Alliance Target Setting Requirements

Review targets to keep up to date with scientific and policy developments

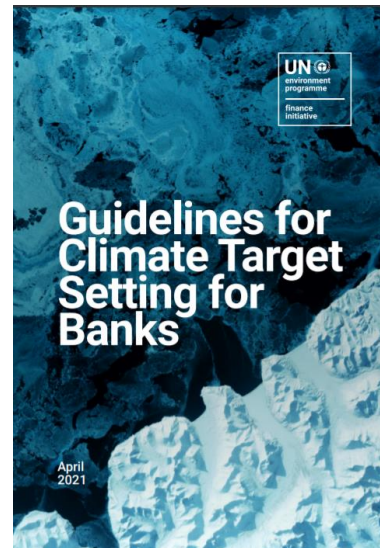


Set Targets...Using credible science-based scenarios

Breakdown of contributions to global net CO₂ emissions in four illustrative model pathways



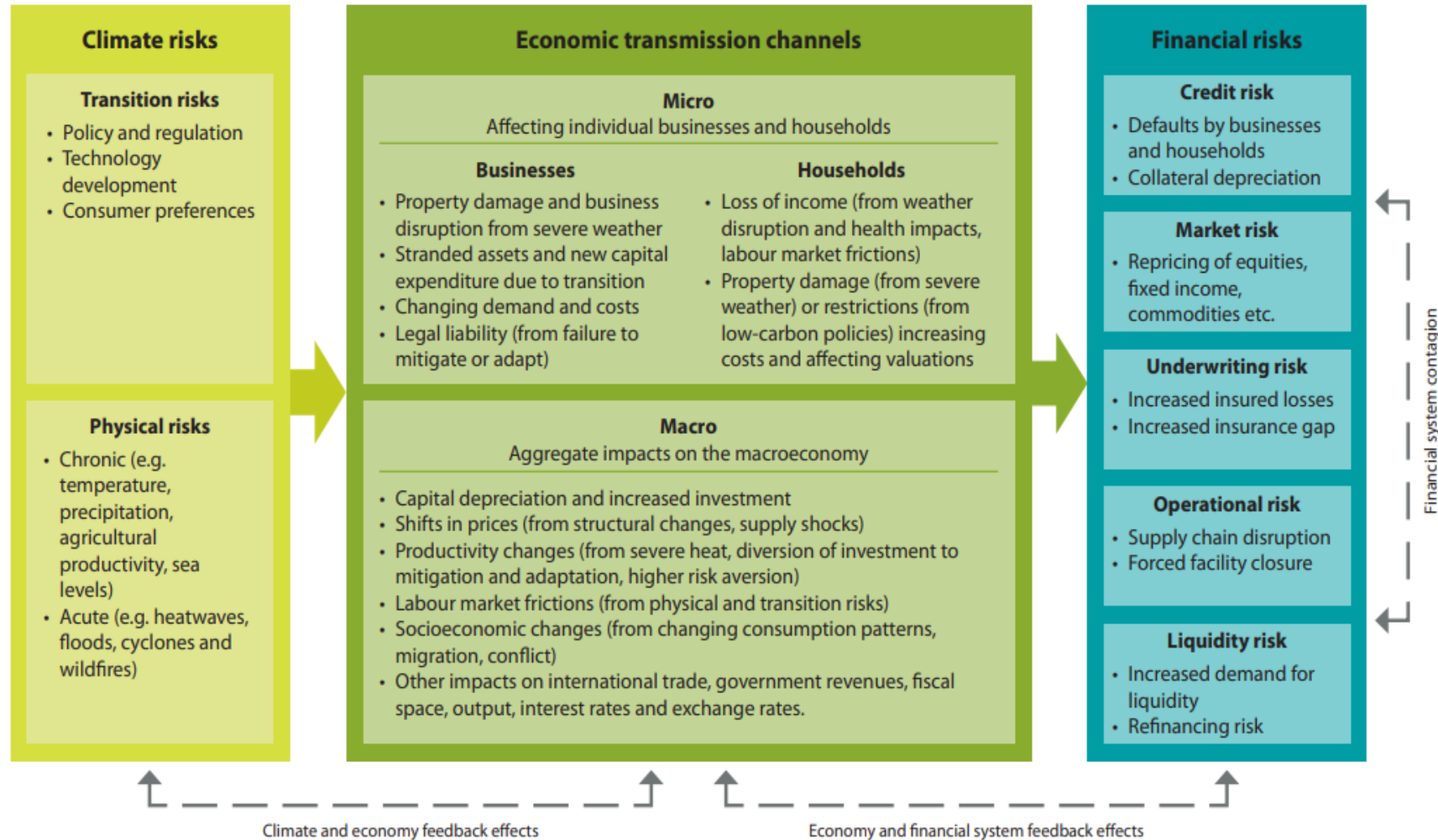
Including for 9 carbon-intensive or high-emitting sectors



Report on targets, plans to meet targets and progress against targets. On an absolute and intensity basis

► NZBA requires emissions-based targets (absolute or intensity) for decarbonisation of the portfolio

Why does NZBA require the setting of emissions based targets?



► We may fail to make the required impact on global emissions unless we focus on reducing emissions [unepfi.org](https://www.unepfi.org) | 14

Adaptation



Adaptation

Only 1% of PRB banks globally, and 10% of PRB banks in Africa & Middle East have identified climate adaptation as an impact area, despite clear evidence of worsening physical impacts, especially in developing countries. Thus far, no banks have set adaptation targets.

Initial work on the development of financial products and the development of lending criteria are underway in a small number of banks.

2022

- study to capture the state of work on adaptation, with deep dives in the Middle East and North Africa and Latin America—[Adapting to a New Climate](#)

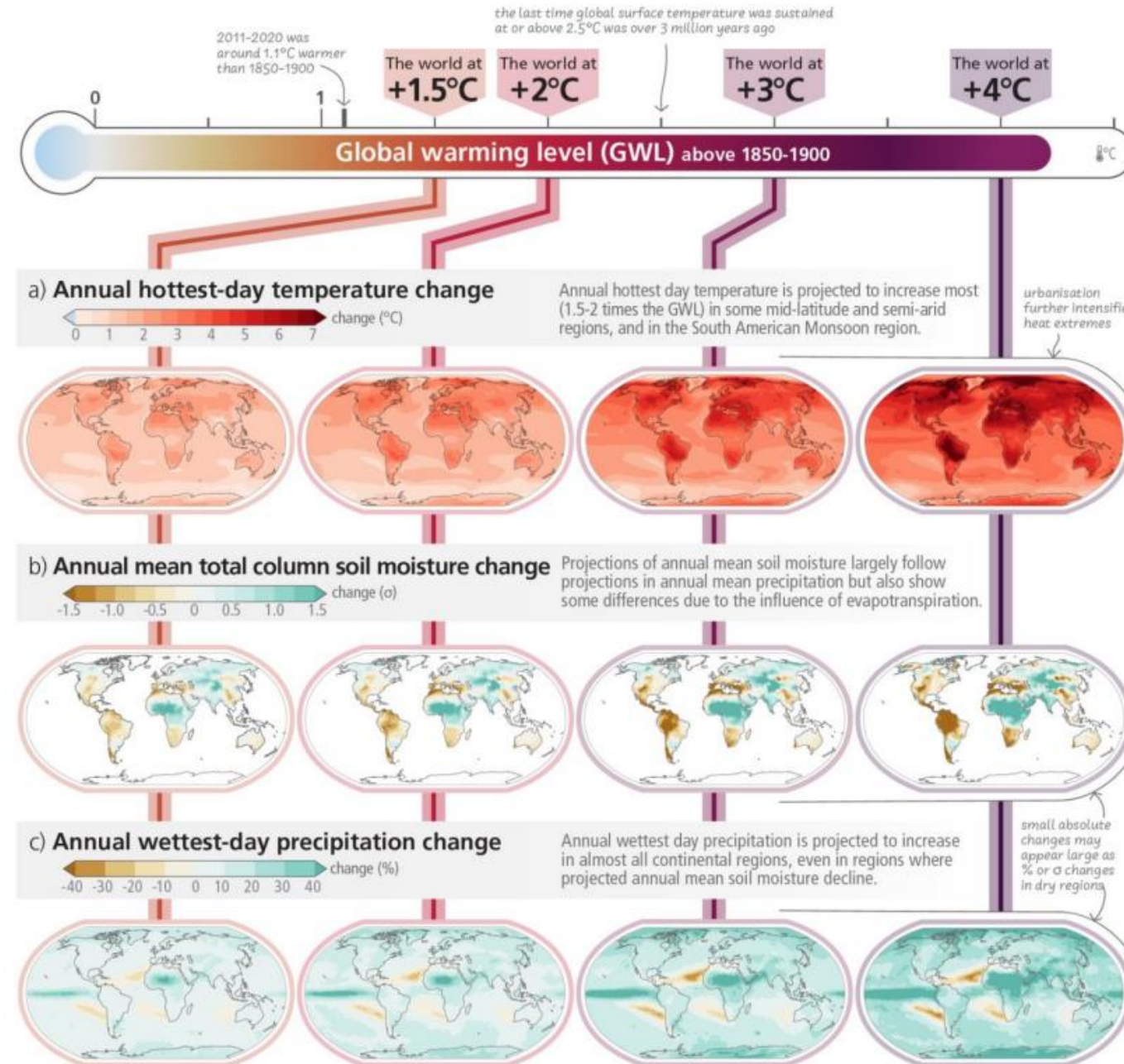
2023

- working group of almost 30 banks coming together to develop guidance on setting targets for climate adaptation



With every increment of global warming, regional changes in mean climate and extremes become more widespread and pronounced

Adaptation is required to minimise the risk faced by climate change that can not be mitigated



Adaptation financing needs & Sources

Sources

- multilateral adaptation funds (AF, GCF and GEF)
- bilateral adaptation finance providers
- Developing countries also use domestic sources, although the extent varies with the level of economic development, political priorities and other factors. According to national adaptation databases, more than 60 per cent of adaptation actions in South Africa and almost 20 per cent of those in Kenya were domestically funded.

Table 3.2 Potential developing countries adaptation finance needs for the 2021–2030 period by region

Region	Annual adaptation finance needs in US\$ billion (2020 value)		Annual adaptation finance needs as a percentage of GDP	
	Median	Min–Max	Median	Min–Max
East Asia & Pacific	69	27–208	0.35	0.14–1.05
South Asia	59	23–177	1.69	0.66–5.10
Sub-Saharan Africa	36	14–109	2.10	0.82–6.34
Latin America & Caribbean	21	8–62	0.41	0.16–1.25
Middle East & North Africa	15	6–44	0.47	0.19–1.43
Europe & Central Asia	4	1–11	0.69	0.27–2.08
Global	202	79–612	0.60	0.24–1.80

Source: UNFCCC (2022c)

[Adaptation Gap Report 2022 | UNEP - UN Environment Programme](#)

	Annual cost of adaptation for developing countries	
	2030	2050
AGR	US\$160 billion/year to US\$340 billion/year	US\$315 billion/year to US\$565 billion/year
IPCC WGII AR6	US\$15 billion to US\$411 billion/year (median US\$127 billion/year)	US\$47 billion to US\$1,088 billion/year (median US\$295 billion/year)

▶ Estimates vary but hundreds of billions of dollars are needed every year out to 2050, but it is nevertheless a small % of GDP

Barriers faced by African banks on setting climate mitigation and adaptation targets

Mitigation target setting

- Lack of data on clients' emissions (scope 1,2,3)
- Lack of country-specific emissions factors
- Lack of pathways at the country level and sectoral level for 1.5 alignment
- Lack of capacity and skills
- Difficulty in obtaining good consultancy services

Adaptation target setting

- Lack of measurement approaches and KPIs

Issues faced by African banks on climate mitigation and adaptation

- Financing gap for mitigation and adaptation. Africa will need around USD 133 billion annually in clean energy investment to meet its energy and climate goals between 2026–2030 (IEA, 2022).
- UNEP's [Adaptation Gap Report 2022](#) shows that the level of financing for adaptation projects is significantly less than required. International adaptation financing is five to 10 times below what is needed, and the gap is widening.
- Adaptation that reduces risk is not necessarily inclusive.
 - Adoption of resiliency technologies is often hindered by their availability and affordability. To be effective, enabling conditions must be created alongside the adaptation measures. ([Adaptation Gap Report 2022 | UNEP - UN Environment Programme](#))
 - Frontline communities have been underrepresented and underserved in climate resiliency efforts to date, mirroring their underinvestment in the investment field as a whole.
- Competing priorities – pandemic, inflation etc.
- High cost of capital – up to 7x more expensive than in advanced economies.
- Policy and regulatory reforms needed + modernisation of the Bretton Woods Institutions

Key opportunity – to leverage the might of the Glasgow Finance Alliance for Net Zero

- GFANZ is an alliance of 8 financial sector net zero alliances, which together have over 550 members
- GFANZ convened a private sector working group to support the development of the Egypt NWFE Country Platform
- GFANZ launched the Africa Regional Network in September 2022 to support African institutions to transition to net zero



Key opportunity – Africa has many of the ingredients for clean tech.

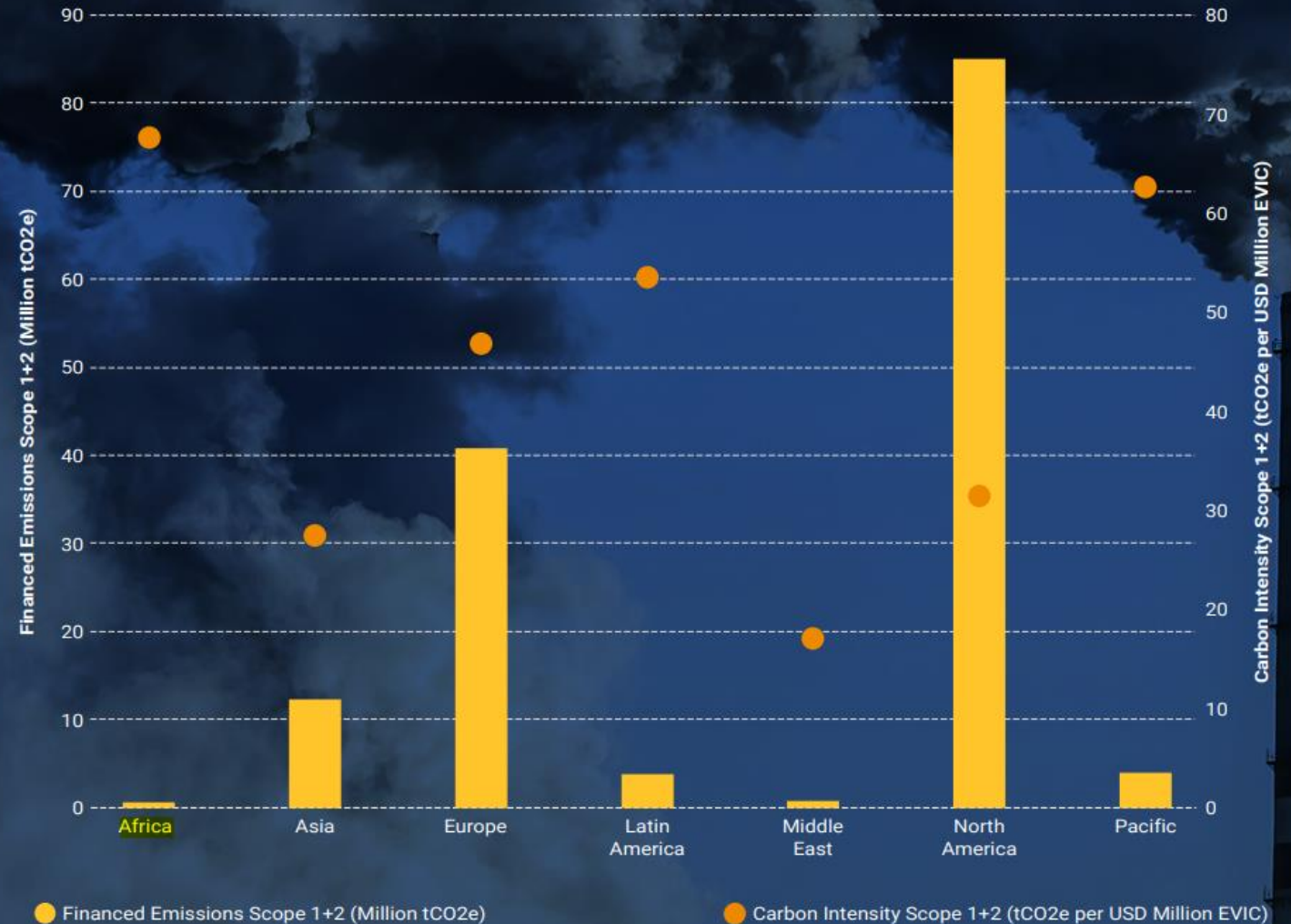
- Meeting the Paris climate goals to curb global warming could quadruple demand for metals like lithium, cobalt and nickel by 2040, according to the International Energy Agency. About a fifth of these critical reserves are found in Africa.
- With mining activity ramping up across Africa, civil society organizations are asking for concrete changes in how mining is done and whose needs it addresses.
- Many activists who work with communities in Africa fear that far from benefiting from their mineral wealth, countries that hold reserves for critical minerals will pay the steepest price for their extraction.
- There is a need to pursue the highest environmental, social and governance standards.



Source: [Will clean-energy minerals provoke a shift in how mining is done in Africa? \(mongabay.com\)](https://www.mongabay.com)

Key opportunity - for efficiency

- Private unlisted assets in Africa are highly carbon intensive; as the continent develops, it is important for that intensity to come down to avoid absolute emissions shooting up.
- Opportunity to chart a new lower emissions path for development



Source: MSCI ESG Research and Burgiss, data as of Sept. 30, 2022. The analysis reflects estimated emissions of companies only and does not include buildings.



Key opportunity - to mobilise private capital

- In many places, renewable energy is cheaper over its lifetime than fossil fuels, but it requires more capital up front. Because emerging economies are much riskier places to invest, renewable energy projects cost a lot more to finance than they do elsewhere. And with interest rates high right now, the challenge is particularly tricky.
- Opportunity for blended public-private finance to overcome the risk-return issue – not to remove the risk of private finance but to bring it into risk appetite and reduce the cost of capital
- Remove policy and regulatory barriers and bring in supportive energy policies

86%

of the world's population lived in an 'emerging economy' country in 2020.¹

58%

of total GDP in 'emerging economy' countries in 2020.²

3.6%

of global pension assets were invested in emerging economies in 2018.³

Sources:

¹ IMF World Economic Outlook, Oct 2020. ² IMF World Economic Outlook, Oct 2020. ³ UNCTAD, World Investment Report, 2018

► Higher mobilisation ratios can be achieved by selecting the blending instrument that most directly addresses the underlying obstacles

Harness opportunities – to mobilise private capital

One example:

- Mobilising Institutional Capital Through Listed Product Structures (MOBILIST) supports investment solutions that help deliver the Global Goals for Sustainable Development and the climate transition.
- MOBILIST competitively sources and selects dedicated emerging and frontier market investment products and supports these products to list on global and local public exchanges. By demonstrating products' commercial viability, they aim to build momentum for developing country investment opportunities at scale.
- Invested \$7m in the CLEAR Fund, a climate-focused and Africa-dedicated private equity fund
- offers:
 - Seed capital to invest in new products
 - Technical assistance to support listing and other related costs
 - Technical advisory via a panel of experts
 - Enhanced visibility through the UK government's platforms, guidance and backing



“ MOBILIST is a great initiative by the Foreign, Commonwealth and Development Office and UK government. The Least Developed Countries Group much appreciates it as we are looking for innovative financing ideas that will bring the money for climate adaptation and mitigation to the people who need it. ”

Ambassador Perks Ligoya

Malawi Ambassador and Chair of the Least Developed Countries Group, United Nations

Poll # 1: How well do you
understand climate change
so far?

Climate change: What does it mean for the Banking Sector in Africa

Panel discussion

Closure

Please meet our panelists for today



Sarah Kemmitt

Lead Secretariat, Net-Zero Banking Alliance



Judith Sidi Odhiambo

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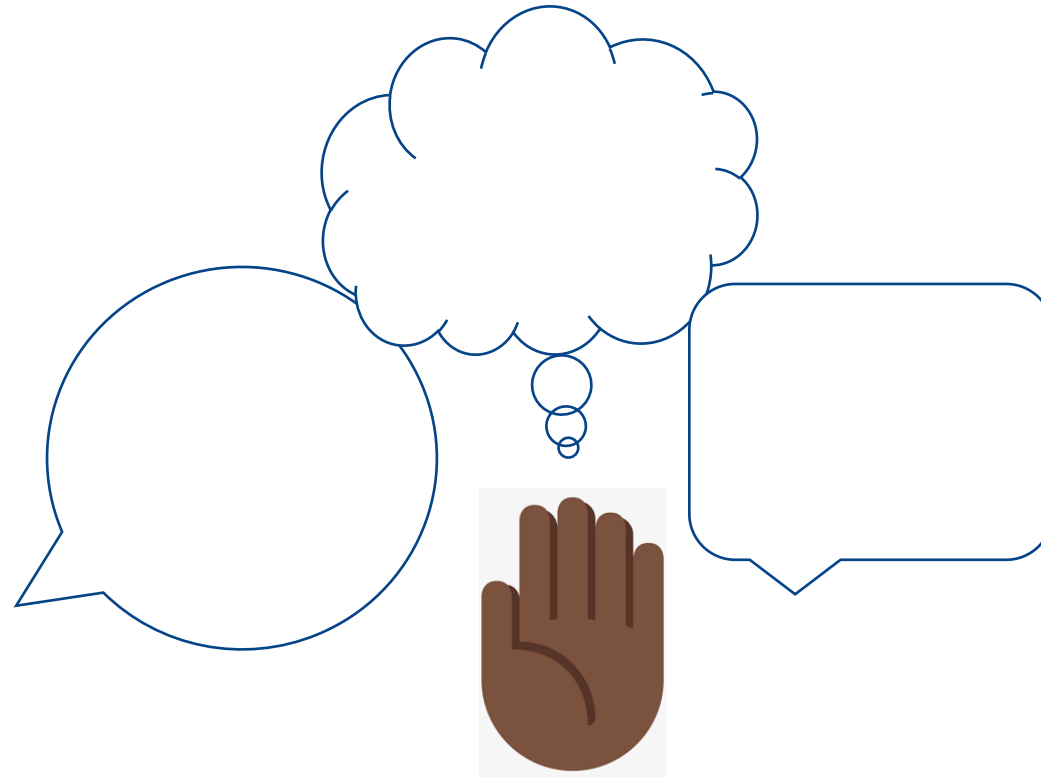


John Boateng Akuoko-Tawiah

Head of ESG and Climate Finance at the Development Bank Ghana (DBG)

Poll # 2: What are the main challenge(s) that you are encountering to incorporate climate (risks and opportunities) in your organization?

Poll # 3: What would be the best levers to address your challenges?



**Submit your questions via the "Chat" or "Q&A"
You can also raise your hand for live question**

Agenda

Climate change: What does it mean for the Banking Sector in Africa

Panel discussion

Closure

Our next webinars



6th of June (TBC)

How is the African insurance industry responding to climate change?



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HOW ? AFAC has developed a comprehensive theory of change to achieve its long-term vision

PRELIMINARY

Long-term goal

Make the African Financial sector resilient to climate risks

Impact

Increased climate resilience of financial sector

Enhanced investments to drive low-carbon and climate-resilience development pathway

Outcomes

Outcome 1

African financial systems are aware of climate changes risks to their economics

Outcome 2

The financial system actors have access to comprehensive and comparable data on climate vulnerability

Outcome 3

An enabling policy environment ensure climate-related risks management is mainstreamed in financial operations

Outcome 4

The financial system actors are adequately capacitated to be able to address climate risks and vulnerability in their decision-making

Outcome 5

Capita is mobilized towards sustainable development

Output

Output 1 and 2

Convening for climate risk and climate adaptation action policy in place

Capacity to assess and respond to climate and nature-related risks built

Output 3 and 4

Public and private sector financial actors trained on open-source climate data

Countries central data repositories in place

Output 5, 6 and 7

Financial institutions applying recommendations of the TCFD and TNFD with robust risk assessment

Country roadmaps to mandatory climate risk disclosure defined

Output 8 and 9

Climate and nature-related risk in financial decision making trainings held

Countries' roadmaps to adopt national green taxonomies for investment purposes defined

Output 10

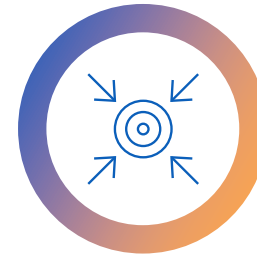
Strategy to mobilize climate financing in place within each AFAC member

Detailed activities will be defined by working group (detailed next)



Vision

AFAC 2030 vision is that « **financial capital and financial products and services are mobilized to support Paris Agreement goal to make financial flows consistent with a pathway toward low greenhouse gas emissions and climate-resilient development** »



Impact

To **transform the continent's financial sector** by 2030 ...

... to ensure it is **resilient to climate risks** ...

... while **sustainably meeting the needs** of its growing population

WHY? AFAC expected outcomes



Leadership and Awareness

The African financial actors and policymakers are aware of climate change risks to their economies

Access to data

The African financial institutions have access to comprehensive and comparable climate-related data

Climate risk regulation

An enabling policy environment ensure climate-related risks management is mainstreamed in financial operations

Climate risk management

The African financial stakeholders are adequately capacitated to address climate risks and vulnerabilities in their decision-making

Green finance

Capital is adequately allocated towards sustainable development in Africa

WHY ? AFAC unique value proposition

1

○
**An African-led platform
that convenes the voice
of Africa**

2

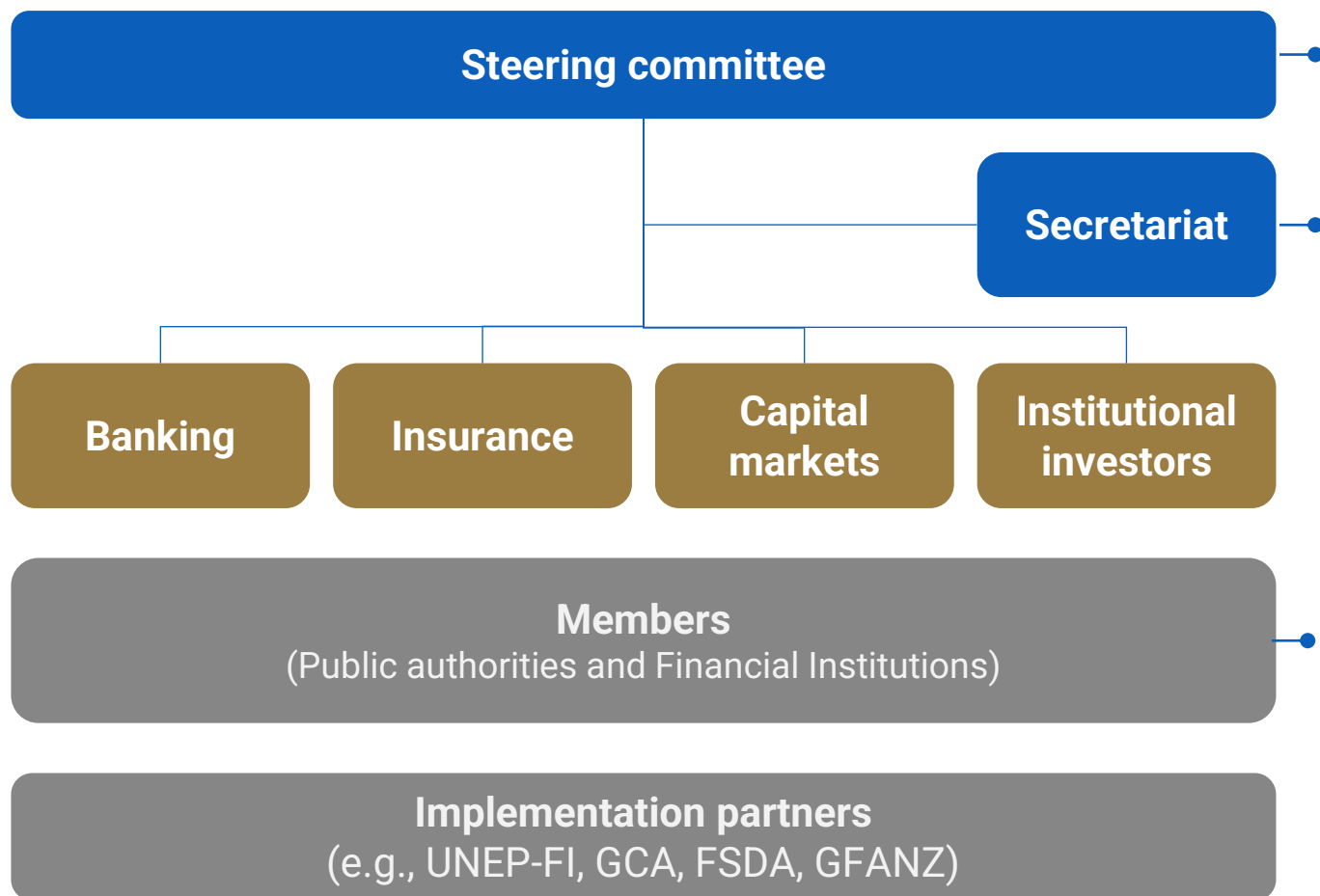
○
**A knowledge-sharing
structure** that facilitate
partnerships and allow
regional institutions
to share ideas, experiences,
best practices, and expertise

3

○
A central structure which
allows to achieve synergies
between initiatives active
in the region

WHO ? A dedicated governance is being defined and is articulated around the 4 sector groups

PRELIMINARY FOR DISCUSSION



Members: Rotating membership of member organizations and implementation partners

Key responsibilities: (i) Undertake strategic planning and major decisions, (ii) Responsible for operational decision-making

Frequency: meet twice a year

Members: Hosted by the AfDB

Key responsibilities: Coordinate the day-to-day operations

Frequency: Ongoing support

Members: Consist of Members and Implementing partners; Co-chaired by 2 members of AFAC

Key responsibilities: Development and implementation of the portions of the work plan to be defined during inception phase (Q4 2022/Q1 2023)

Frequency: Bimonthly (or as agreed with the co-chair)

HOW? Operating model of working group in practices

- 1 Membership:** representatives from African financial institutions, as well as policymakers / regulatory authorities. Chaired by a representative from a leading African bank or financial institution. Implementation partners are invited to attend/contribute
- 2 Contribution:** expertise and perspectives of the members (e.g., sharing of experiences and best practices, and to actively engage in discussions on climate risk assessment, financing opportunities, knowledge sharing, needs assessment, design of interventions (trainings etc.) and policy advocacy)
- 3 Frequency of meetings:** bi-monthly to discuss progress and plan activities. Communication expected regularly outside of formal meetings to share information, coordinate activities, and seek input from members.
- 4 Activities:** range of activities to address climate risks and opportunities in African financial institutions as defined during their initial kick-off



Status and next steps

Q3 2023

September

From September



AFAC steering committee

Africa Climate Week

**Implementation kick-off
by sector working groups**

Formal validation
of the strategy

Public Launch of
the AFAC 2023-2025
strategy