



Lending to Climate Change Adaptation

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Brief Presentation of EIB

- European Union's long-term lending bank set up in 1958 by the Treaty of Rome
- Shareholders: 27 EU Member States
- Largest source of loan financing to the sector,
- Total loan amount of EUR 23bn over the past 10 years (financing 282 major projects),
- Active in the water sector in SSA since 1974
- Two mandates: Cotonou Agreement (ACP) and Republic of South Africa Mandate
- Since 1974, signed loans amount to 1.2 Bn EUR (for 64 projects) in Sub-Saharan Africa



Living with Climate Change: Should we panic, wait for better science?

- Different scenarios, different models
- Uncertainties of model projections vary regionally
- Limited accuracy of local projections
- Annual averages mask changes – “when” sometimes matters more than “how much”





Adaptation in project development

How to cope with uncertainty?

- (i) No-regrets measures, low-regrets measures,
- (ii) Diversification of sources,
- (iii) Interconnections,
- (iv) Adaptive management/incremental adaptation.

Resilience

Mainstreaming CC adaptation into project design:

- (a) at Master Plan stage (priority investment planning)
- (b) at feasibility level (technical design of investments),
- (c) through ESIA's (environmental & social due diligence).

Smart (?) Design



Adaptation to CC: EIB approach



- Focus on:
 - Projects in risky sectors (esp. projects exposed to water cycle)
 - Project in vulnerable areas (e.g. costal zones)
 - Projects potentially affecting livelihoods already near the limit of tolerance (e.g. the Sahel)
- Identify risks: environmental, credit, insurance, and reputational
- Actively manage risks - “Assess / Hedge / Review”:
 - Systematic screening of all projects for climate risks
 - TA to support clients in integrating climate risk assessment
 - Request promoters to address vulnerability to CC in project planning and design
- Cooperate with the EC, MDBs and EU FIs - share best-practice, lessons-learned; adopt consistent risk management approaches



Adaptation to Climate Change – EIB water lending policy

- Water efficiency:
 - Support efficiency in: (i) use by consumers; (ii) allocation of resources; (iii) systems (losses); (iv) management of utilities
 - Promote principle of cost recovery in line with WFD
 - Support industries aiming at improving “water footprint”

- Development of new water resources:
 - Demand side management and efficiency as 1st priority
 - Financing desalination, dams, basin transfers and fossil water under conditions



- Initial goal : increase supply & access to low income areas in Lilongwe & Blantyre
- Leakage reduction made a priority thanks to EIB experts & TA support: (i) makes water available to increase access at lower costs - in Blantyre water needs to be pumped up 800m; (ii) helps reduce energy consumption and GHG emissions
- Innovations: (i) procurement of management contract; (ii) scaling-up of successful NGO solutions
- Resulting benefits: access at lower cost; community involvement; improve finances of Water Boards; reduce GHG emissions; increase system resilience
- Delivering CC, water and development benefits (even if initial objectives did not include CC..)

Metolong Dam Project



Conclusion and recommendation

Based on the selection of GCMs, (i.e. CCC, CNRM, ECHAM, GISS and IPSL) and the A2 greenhouse gas emissions scenario, it appears highly unlikely that in the intermediate future (i.e. 30 to 50 years from now), the available long-term yield of Metolong Dam will decrease, compared to the yield as determined based on analyses of historically observed hydro-meteorological data. Therefore, no special adaptation measures are required to account for the impacts of climate change on the yield of the dam over a planning horizon of 50 years.



Metolong Dam Site



Good news and bad news!



THANK YOU FOR YOUR INTEREST!



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