

Consultation on EBRD's Methodology to determine the Paris Agreement alignment of directly financed EBRD investments

FAIRR Initiative response, 16 July 2021

1. As it stands, the overall list of projects does not appear to align with the scientific consensus for cross-sector transformations needed to limit warming to 1.5°C, or with Article 2.1c of the Paris Agreement (“making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development”), despite EBRD’s statement in paragraph 1.5. This may risk sending the wrong signal to the broader markets at a time when capital market actors are increasingly expecting and requiring regulatory action and mandatory portfolio alignment.
2. Looking at the agriculture sector specifically, we request further detail on the information and decision-making that has led to the inclusion of “Fishing and aquaculture” and “Non-ruminant livestock with negligible lifecycle GHG emissions” as Paris-aligned activities within the “Agriculture, forestry, land use and fisheries” category (A.2.1, p.23).
 - It is unclear why fishing, aquaculture and non-ruminant livestock production are alongside, thus equated with, potential projects in afforestation/reforestation, conservation, low-GHG agriculture or flood management. These activities have fundamentally different profiles in terms of emissions, climate impacts and other environmental impacts. Afforestation, reforestation, and soil health improvement, for example, are activities that limit emissions and sequester carbon, whereas animal agriculture is an emitting sector with other substantial negative environmental and social impacts.
 - It is unclear how livestock projects relative to other agricultural investments in the aligned list will be able to meet the two conditions set out in paragraph 1.14 (consistency with long-term low-carbon development, and low likelihood of carbon lock-in).
3. **We recommend strengthening the criteria included for “Fishing and aquaculture” and “Non-ruminant livestock” for their inclusion on the Paris-aligned list to avoid other ESG and climate change impacts, or otherwise excluding them from the list.** Specifically, it would be useful to see more granular criteria for what constitutes “Non-ruminant livestock with negligible lifecycle GHG emissions”:
 - We note the emphasis is on non-ruminants and applaud the implicit recognition that ruminant livestock is a significant contributor of greenhouse gas emissions, particularly methane.
 - However, it is concerning that there is no supporting documentation to explain the criteria for “Non-ruminant livestock with negligible lifecycle GHG emissions”.
 - i. Overall, all animal agriculture is highly emitting in comparison to arable production. See for example: <https://ourworldindata.org/environmental-impacts-of-food>
 - ii. How will EBRD define “negligible lifecycle GHG emissions”? Is there an absolute threshold or will it be considered on a relative, or case by case basis? Without explicit criteria and understanding of whether there will be a uniform rule, region- or project-specific requirements, this guidance may be insufficient. Relatedly, it is unclear whether this may include either intensive or extensive production systems, or both.
 - It is unclear whether feed and supply chain emissions are considered in relation to “Non-ruminant livestock with negligible GHG emissions”.
 - Where there is an exception for “projects that expand or promote expansion into areas of high carbon stocks or high biodiversity”: for livestock and aquaculture, this should explicitly include reference to deforestation, land use and land use change, and feed supply chains.

- i. At present, it is **unclear whether it is only the *direct footprint* of projects that is considered when assessing potential expansion or promotion of expansion into areas of high carbon stocks or high biodiversity.**
 - ii. For livestock and aquaculture alike, feed inputs are a significant component. For this reason, notwithstanding direct emissions, additional aquaculture and livestock projects drive demand for feed such as soy, which further drives deforestation and emissions from land use change in high biodiversity biomes such as the Cerrado and Amazon.
 - iii. Given some integration of biodiversity considerations into the framework (i.e. protecting areas of high carbon stocks or biodiversity), it may be problematic that the different biodiversity and other ESG impacts (such as water and waste pollution) of intensive agriculture do not appear to be incorporated.
 - **EBRD should take feed production and effluent and manure management into consideration for non-ruminant systems** given these are significant drivers of emissions in these production systems. According to FAO, in hog production, the bulk of emissions are related to the feed supply and manure storage in processing, while feed supply represents the bulk of emissions in poultry production, followed by energy consumption. Given that feed and manure result in N₂O and CH₄ emissions (primarily), it makes it even more important for EBRD to account for this for Paris-alignment, given the higher Global Warming Potential (GWP) of these GHGs. See for example <http://www.fao.org/3/i3437e/i3437e.pdf>.
 - It is unclear why the comment on “taking into account (international) transport” apply to “Low-GHG agriculture, climate-smart agriculture” but not the animal agriculture equivalents (“Fishing and aquaculture” and “Non-ruminant livestock”). International transport considerations could be considered as applicable to all categories.
 - i. We note that when considering overall emissions from agriculture, transport is typically a marginal component compared to emissions in production. See for example Poore & Nemecek (2018). [Reducing food’s environmental impacts through producers and consumers](#). *Science*, 360(6392), 987-992.
 - ii. Furthermore if this parameter is applicable to arable agriculture, also it is unclear why it is not also applicable to animal agriculture.
4. We note that paragraph 3.16 is particularly relevant when considering further impacts of new livestock projects that will impact the climate resilience of communities or businesses in their vicinity. Specifically, non-ruminant livestock production requires significant volumes of water, which could as noted in 3.16 “create climate risks for farmers [and other stakeholders] dependent on the availability of water downstream from their business activities”. Further, there is substantial existing evidence that livestock operations significantly impact the communities in which they are based, for example through high water use, wastewater pollution, poor manure management, and particulate pollution. All of these risks potentially “undermine climate resilience in the context in which [they] operate”, failing to meet the condition stated at 1.15b. As it is not straightforward that these four conditions will be met by livestock operations, it adds to the issues of provisionally including non-ruminant livestock in the list of Paris-aligned activities.
 - With regards to assessing the climate lock-in risk of projects, EBRD may find it helpful for agricultural investments to make use of [FAIRR’s Climate Risk Tool](#), which is one of the first climate risk tools that provides investors with an online model to help quantify potential downside risks and upside opportunities for meat companies in a scenario of 2°C of global warming.
5. In addition, **we propose that sustainable and alternative protein could be added as a category within the agricultural section. These are emerging alternative investment opportunities with the potential to be both low emitting and nature-positive**, and can provide for nutritional (e.g. protein) requirements,



such as investment into plant-based protein production (both arable crop expansion, and processing/manufacturing facilities), or early stage cellular agriculture.

We await the sector-specific guidance for agriculture, and animal agriculture specifically, as per paragraph 1.11 in the methodology document.

Thank you for your consultation and consideration of our suggestions.

Kind regards,

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About FAIRR

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