Take urgent action to combat climate change and its impacts (SDG 13)

Seventh North and Central Asia Multistakeholder Forum on the Implementation of the Sustainable Development Goals

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Climate change and related socio-economic transformation pose risks for the countries of the Eurasian region

**Physical Risks**

- Central Asia is particularly vulnerable to adverse climate change consequences, including the shortage of water resources, food security risks, and increased frequency of extreme weather events.
- Limited availability of water affects the region’s agricultural sector, and increases the risk of conflicts over the access to water resources.
- According to certain estimates, by 2050, the volume of water in the basins of the Syr Darya and the Amu Darya, two of the most important water sources in Central Asia, may decrease by 10–15%.
- By 2030, spring wheat production in seven regions of Kazakhstan is expected to decrease by 13–37%, with direct economic losses in the sector amounting to ₴456.93 billion in 2019 prices (about $1.2 billion).

**Transition Period Risks**

- The gradual abandonment of fossil fuels (in particular, the use of coal for power generation) and the increasing profitability of RES generation reduce the demand for conventional energy resources, while hydrocarbon exporters find that their sales markets are declining.
- If the current energy policy continues, the global demand for natural gas will increase by only 5% in 2021–2030, while 75% of new global investment in the energy sector will be associated with green energy.
- Under the baseline scenario, additional costs incurred by Russian companies due to the imposition of the EU CBT may be as high as $14.7 billion, of which steel exporters will pay $6 billion, and aluminium exporters $5.6 billion.
- After the imposition of the EU CBT in 2026, Kazakhstan exporters may be losing up to $250 million in revenues per year.
CO₂ emissions per capita in the region on average exceed the global average emissions

<table>
<thead>
<tr>
<th>Country</th>
<th>Emissions per Capita (tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kazakhstan</td>
<td>14.4</td>
</tr>
<tr>
<td>Russia</td>
<td>12.1</td>
</tr>
<tr>
<td>Belarus</td>
<td>6.2</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>3.6</td>
</tr>
<tr>
<td>Armenia</td>
<td>2.4</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>1.4</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>1.1</td>
</tr>
</tbody>
</table>

**Average volume of emissions in countries with below-average income:** 1.8

**Average volume of emissions in countries with above-average income:** 6.7

**Global average volume of emissions:** 4.7

- **Kazakhstan and Russia** have the highest CO₂ emissions per capita, compared with other Eurasian countries and with global averages.
- **In Kazakhstan**, it is due to predominance of coal-fired power; **In Russia**, - due to high energy intensity of the economy and emissions generated in the oil and gas sector.
- The low level of emissions per capita in **Kyrgyzstan** and **Tajikistan** is associated with a large share of hydroelectric power in the energy sector.

Source: Global Carbon Project, 2021, calculations of EDB analysts.
All countries of the Eurasian region have set voluntary climate commitments

<table>
<thead>
<tr>
<th>Country</th>
<th>GHG emissions target by 2030 compared to 1990</th>
<th>GHG emissions in 2020 compared to 1990*</th>
<th>Carbon neutrality target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Armenia</td>
<td>Decrease by 40%</td>
<td>Decrease by 61,5% (in 2019)</td>
<td>2050</td>
</tr>
<tr>
<td>Belarus</td>
<td>Decrease by 28%-35%</td>
<td>Decrease by 39%</td>
<td>-</td>
</tr>
<tr>
<td>Kazakhstan</td>
<td>Decrease by 15% (by 25% in case of international support)</td>
<td>Decrease by 11,1%</td>
<td>2060</td>
</tr>
<tr>
<td>Kyrgyzstan</td>
<td>Decrease by 15.97% (by 43.62% in case of international support)</td>
<td>Decrease by 40.4% (as of 2019)</td>
<td>2050</td>
</tr>
<tr>
<td>Russia</td>
<td>Decrease by 30%</td>
<td>Decrease by 35.1%</td>
<td>2060</td>
</tr>
<tr>
<td>Tajikistan</td>
<td>Decrease by 30-40% (by 40-50% in case of international financial and technical assistance)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Uzbekistan</td>
<td>Decrease by 35% (*to the level of 2010)</td>
<td>Growth by 6.7% for the period of 1990-2017</td>
<td>2050 but only for electricity production</td>
</tr>
</tbody>
</table>

Estimates on the cost of achieving carbon neutrality:

- Kazakhstan (2060) – $666.5 billion
- Russia (2060) – $6.5 trillion
- Kyrgyzstan (2050) – $10 billion

Sources: the Register of the UNFCCC, the World Bank, Sberbank, the EEC, calculations of EDB analysts (* taking into account LULUCF)
Green taxonomies of Kazakhstan, Russia and the EAEU aim to further increase green financing flows.

**Green taxonomy of Kazakhstan**
- Green projects
  - Renewable energy
  - Energy efficiency
  - Pollution prevention and control
  - Green buildings
  - Clean transport
  - Sustainable use of water and waste
  - Sustainable agriculture, land use, forestry, biodiversity conservation and eco-tourism

**Transitional projects**
- Low-pollution energy

**EEU Model green taxonomy**
- Green projects
  - Waste management
  - Energy
  - Industry
  - Construction
  - Transport & industrial machinery
  - Water supply and sanitation
  - Agriculture
  - Natural landscapes, rivers, water bodies and biodiversity

**Nuclear energy and fuel for it**

**Green taxonomy of Russia**
- Green projects
  - Waste management
  - Energy
  - Industry
  - Construction
  - Transport
  - Agriculture
  - Water supply
  - Conservation of biodiversity and environment

**Adaptation projects**
- Infrastructure
- Energy
- Industry
- Transport
- Agriculture

Financing of projects in the field of environment, ecology and climate change.

Projects (project portfolios) must meet the requirement of no significant side effects on the environment (the principle of “do no significant harm”).

Verification of the “greenness” of the financial instruments and regular reporting are mandatory.

EAEU Model green taxonomy is the basis for the development or updating of national taxonomies.

High level of compatibility of the EAEU Model green taxonomy with other international standards.

Regularly reviewed and updated in line with technology changes and market developments.

Transitional status for a number of areas and projects related with green technological modernization of carbon intensive industries.
MDBs ramp up climate finance in developing economies but Central Asia is not in the spotlight

- In 2022, the volume of climate financing for MDBs amounted to $99.5 billion.
- More than $60.7 (61%) billion has been provided to countries with low- and middle-income per capita for climate mitigation and adaptation.
- Of all the targeted low- and middle-income income economies, Central Asia region has received only 4% of MDB’s climate finance ($2,626 million).

Nevertheless, the climate finance flows to Central Asia increases in a high rate (+85% 2022 vs 2020) than the overall climate finance to low- and middle-income economies (+60% 2022 vs 2020).

Source: Joint report on MDB’s climate finance 2022, 2021, 2020
Multilateral development banks can encourage private sector investment in green projects, mitigating risks

**MDB’s climate finance commitments in low- and middle-income countries, 2022 (million dollars)**

- **1,050**
  - Special Programme for Central Asia
  - Financing for Sustainable Rural Development in Uzbekistan ($200 million)
  - Master Plan for the Development of Islamic Finance in Kazakhstan until 2025

- **2,311**
  - Focus on infrastructure and technological climate projects
  - The share of climate finance in the total volume is 50% by 2025

- **4,165**
  - One of the world leaders in supporting green projects
  - Contributes to carbon-neutral growth in Kazakhstan, Kyrgyzstan, Tajikistan
  - The volume of the portfolio of green projects in the region is about 1 billion euros

- **4,289**
  - Green Economy Financing Facility (GEFF) (>€4 billion), contributing to the reduction of 7 million tonnes of emissions per year
  - The share of green financing in the total volume is 50% by 2025
  - Partnership with the Global Environment Facility (GEF) in the Eurasian region

- **7,107**
  - The share of climate finance in the total volume is 75% by 2030
  - The volume of adaptation financing is $34 billion by 2030
  - The ASEAN Green Recovery Platform ($655 million)

- **31,666**
  - Water and Energy Program for Central Asia ($2.5 billion in 2023 as a plan)
  - Support from the International Fund for Saving the Aral Sea and the Regional Environmental Centre for Central Asia

Source: Joint report on MDB’s climate finance 2022
A Leading Multilateral Development Bank in Eurasia

17 Years of stable growth and investment in sustainable development

284 successful national development projects and integration projects

$7bn: The EDB charter capital

$5.1bn: Current investment portfolio

$1.9bn: Equity

The EDB invests in promoting better living standards for >200 million people living in Eurasian region

As of 01 July 2023
Promoting sustainable development

Unleashing the potential of climate finance in the region in a timely manner is one of the Bank's main goals.

Development of renewable energy sources is one of the key priorities of the energy sector of the participating countries.

- 18 green projects with a total value >$600m
  - 11% Energy efficiency
  - 7% Water use
  - 17% Wind energy
  - 27% Solar energy
  - 38% Hydro energy

- EDB implements the best international practices for responsible finance
  - Explores the potential of the region’s green economy
  - Integrates ESG aspects across all business processes through the Sustainability Committee
  - Undergoing ESG assessment by rating agencies

- Green and social bonds
  - In 2021, bonds were issued for a total amount of 40 billion tenge in accordance with ICMA standards

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