



Private Infrastructure  
Development Group  
Pioneering infrastructure changing lives

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Spotlight:

## Taking action on climate change

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**Climate change is accelerating fast, and we are running out of time to alter the current trajectory of global Green House Gas (GHG) emissions and to transition towards net zero emissions by 2050, in line with the goals of the Paris Agreement on Climate Change. This is the last decade at our disposal to change course before irreversible damage to our planet and the time for global action is now. The large stimulus packages that governments are arranging to address the COVID-19 pandemic, provide an unprecedented opportunity to accelerate a fundamental transition. Private finance and investors have a key role to play in this transition. As a responsible investor focused solely on infrastructure in some of the poorest and most fragile contexts, PIDG takes climate change into account in every investment and operation decision. This year we have further strengthened our climate change approach and stepped up action. Here is why and how.**

There are five dimensions that define the markets in which we invest and that particularly inform our approach.

First, PIDG invests where the infrastructure needs are the greatest to fulfil basic socio-economic development needs. For example, despite some progress in recent years, according to the UN over 800 million people still have no access to electricity, 785 million people still lack a basic drinking water service, and over 1 billion people still live in slums. Access to electricity, water and housing is fundamental to achieve poverty reduction and it enables so many other Sustainable Development Goals, including decent jobs, health and education. Take SDG 7 - Energy for All; the latest World Bank data available for the countries in which PIDG invested last year show that. In Sierra Leone less than a quarter of people have access to electricity, and only 5% in rural areas. In Senegal access to electricity is above 60% but less than 40% in rural areas. In Myanmar, electricity access is higher at 70% on average, and 60% in rural areas. Everywhere in Europe by comparison, nearly 100% of people have electricity access.

Second, infrastructure investments are long term. Today's choices will lock-in future GHG emissions for decades. The infrastructure that we plan today must be future-proofed and consider the risks of future climate scenarios, which brings us to the third aspect.

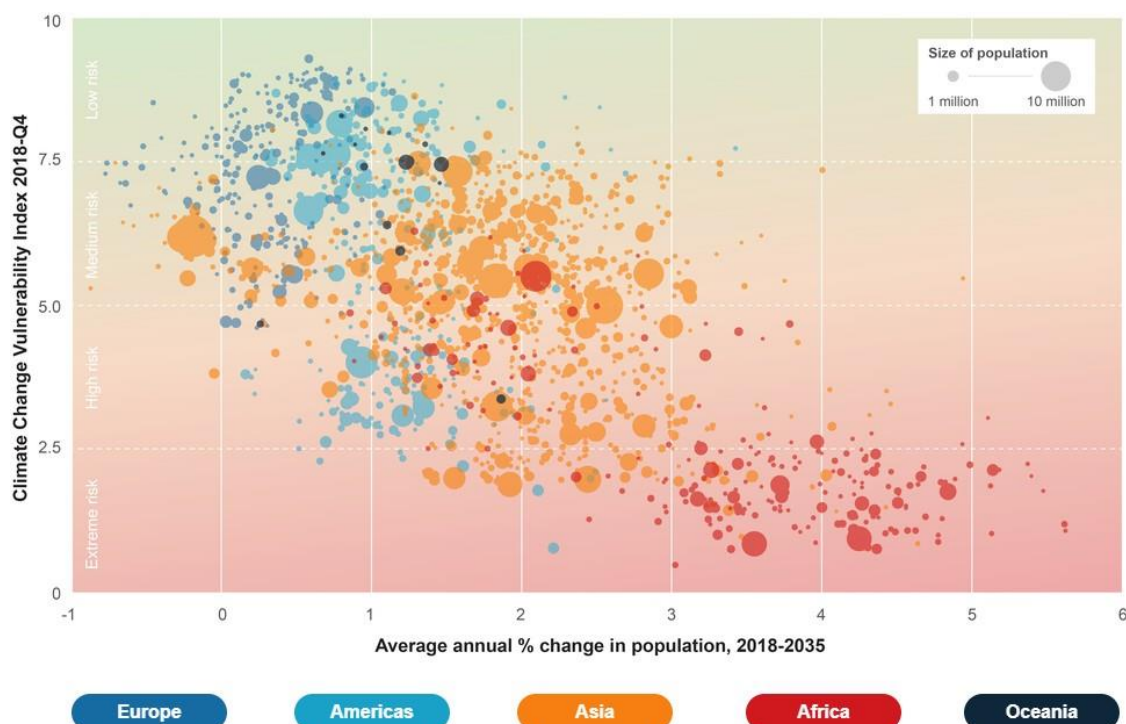
The regions in which PIDG invests – sub-Saharan Africa, south and south-East Asia, the Pacific – are the regions with the highest current and future vulnerability to climate change in the world. They are consistently the countries least resilient to climate shocks and therefore face the greatest risks to health, livelihoods, food security, water supply, human security, and economic growth, from climate change.

Fourth, in the next three decades, the regions we invest in will see the fastest population and urbanisation growth on Earth. UN forecasts show that Africa will account for a quarter of the world population by 2050.

There is a huge opportunity to harness the so-called ‘population dividend’, the energy and ingenuity of a large young population and their aspirations but also a major challenge to find the appropriate models of sustainable socio-economic development. We can be sure of at least one thing, the need to develop infrastructure will become even more pressing and the current vulnerabilities – including to extreme climate events – will be made even more complex with increasing populations. Fig 1 below illustrates the previous two points, looking at climate risk vulnerability and population forecasts of different regions.

Fifth and by no means last, the countries in which PIDG invests consistently present the lowest current and historic per capita GHG emissions. All available data confirms this and the map on this page illustrates the point. It could be said that people living in those countries face the consequences, bearing little responsibility for the problem.

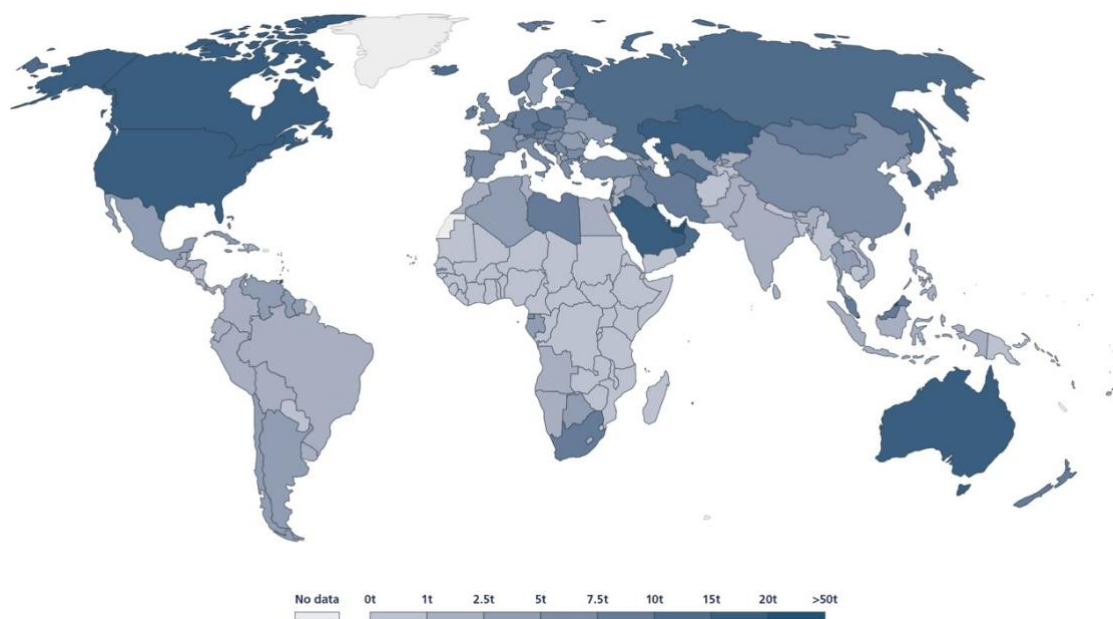
**Fig 1: Climate Change Vulnerability and predicted population growth by region**



Source: <https://www.maplecraft.com/siteassets/images/risk-indices--product-images/ccvi-2018.png>

**Fig 2: CO<sup>2</sup> emissions per capita, 2017**

Average carbon dioxide (CO<sup>2</sup>) emissions per capita measured in tonnes per year.



Source: OWID based on CDIAC; Global Carbon Project; Gapminder & UN OurWorldInData.org/co2-and-other-greenhouse-gas-emissions/ • CC BY

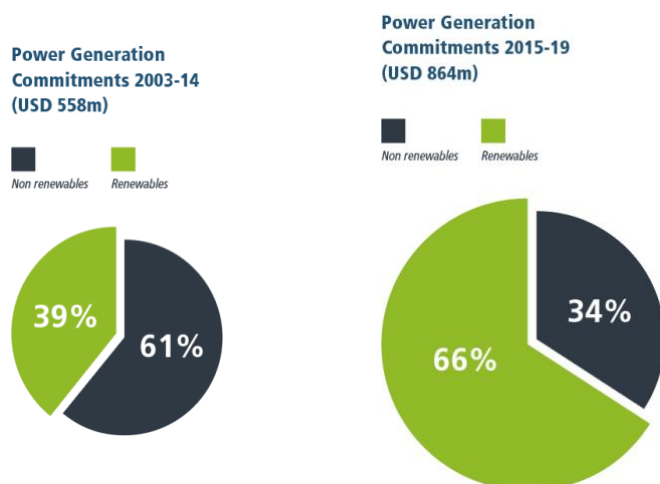
### PIDG's role to pioneer sustainable infrastructure

PIDG has been a pioneer in promoting sustainable infrastructure, mindful of the specific contexts in which we invest.

An analysis of our investments in the energy sector, PIDG's largest sector, highlights the role that PIDG companies played. InfraCo Asia enabled the first FDI investment in a large hydropower plant in [Northern Vietnam](#) as well as the first investments in [wind generation in Pakistan](#), and played a key role in one of the [largest solar plants ever planned in Vietnam](#). All these investments have since been successfully exited. EAIF invested in a portfolio of mini hydropower [projects](#) in Uganda that now contributes significantly to the local grid. In Rwanda, EAIF invested in the first [commercial solar on grid facility in East Africa](#) and in the ground-breaking [KivuWatt project](#), harnessing harmful gas from Lake Kivu to produce clean energy. InfraCo Africa is being instrumental in developing what will be the [first geothermal project in Ethiopia](#) and the [first large solar project in Chad](#). Last year GuarantCo with EAIF enabled the [first green bond in East Africa](#) (in local currency), focused on the highest standards of green construction. GuarantCo previously financed local currency green bonds to enable greenfield renewable projects in [India and Philippines](#).

In 2002-19 PIDG committed 1.58bn USD to energy projects in some of the most difficult investment contexts. Just over half of those commitments were in renewables. Of the total, 1.42bn USD were in power generation, 56% of which in renewables. But this is only part of the story. Over half of PIDG energy commitments were signed since 2015, the year of the Paris Agreement on Climate Change.

The trajectory in the share of renewables in PIDG investments pre and post 2015, shows a clear commitment and action towards pushing the frontier of renewable energy investment.



## PIDG commitment to action in 2020 and beyond

In 2019 we took a fresh look at PIDG climate change approach driven by the urgency to accelerate a transition toward net zero carbon. We estimated the carbon emissions of our portfolio by sector and decided to take further action in the highest emission sectors. We adopted an ambitious climate change approach across the Group, incorporating *Governance, Strategy, Risk and Metrics and Targets*, along the pillars of the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) to which PIDG is now a signatory.

PIDG's overall commitment is to support the goals of the Paris Agreement on climate change. Specifically, PIDG investments will support the countries in which we invest to contribute to transition towards a global net zero carbon economy by 2050, in line with the goals of keeping global temperature increase below 2 degrees and towards 1.5 degrees above pre-industrial levels.

Incorporating climate considerations in the PIDG strategy means that we will continue to pioneer innovative technical and financing solutions to support sustainable infrastructure that meet the socio-economic needs of the population and contributes to climate change mitigation. We will proactively seek to remain at the frontier of what is technological feasible and commercially viable across our sectors.

We are conducting a systematic climate risk assessment of our portfolio and we have fully incorporated climate risks (physical and transition risks) in our risk management approach and investment decisions.

### In terms of metrics and targets we are making two fundamental commitments:

1. Following international best practice guidance we started with the energy sector as it is the largest and highest emitting PIDG investment sector. In 2020 we are developing a methodology and targets for the transport sector. We will progressively expand our approach to other sectors.

For our energy investments, in practice this means that we will continue to invest in renewable energy generation. In practice this means that we will continue to invest in renewable energy generation. Coal power generation is already outside PIDG's investment policy. We will not start working on new energy generation projects powered by Heavy Fuel Oils and we do not expect to financially close any further HFO projects. We will only invest in gas fired power generation where it meets stringent tests and a robust investment decision tree based on international best practice. PIDG does not invest in gas exploration or extraction. Evaluations of investment in gas power generation are made against our commitment to be part of the transition to zero carbon by 2050. The decision tree includes consideration of the economic status of the country, the need for infrastructure, the alternatives available – for example for baseload power generation – and whether the investments replace higher-emitting fuel sources, and do not displace investments in renewables. Crucially we look at the physical and transition risks of the infrastructure itself, ensuring that it adheres to technological best practice on climate emissions and that a transition and repurposing of the gas infrastructure is planned and costed before 2050. We firmly believe that this country by country and investment by investment approach is the most appropriate balance between the urgency of the infrastructure needs and the need to ensure that the infrastructure will not be climate inadequate or hamper the transition to zero carbon by 2050.

2. From 2020 we are estimating the future GHG emissions of all our investments and we will report annually on the carbon intensity the PIDG portfolio as part of our commitment to the Task Force on Climate Related Financial Disclosures (TCFD) recommendation. We focus on actual GHG emissions in our approach rather than avoided emissions. While we will first report in line with TCFD recommendations in 2021 for 2020, we are publishing this year on the PIDG website the draft data on the carbon intensity of the PIDG portfolio (aggregate for the active portfolio and per \$million invested) and the methodology that we use. We will continue to refine our methodology and we reserve to fine-tune the final data reported in the 2021 TCFD disclosure.

We believe that this early disclosure is in line with our role as a pioneer responsible investor and a sign of real commitment on this journey. We will succeed or fail together and the time for action is now.