CLIMATE MISALIGNMENT:

How Development Bank Investments in Industrial Livestock Are at Odds With Their Paris Agreement Commitments

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STOP FINANCING FACTORY FARMING

Acknowledgements

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The Stop Financing Factory Farming Campaign works in partnership with locally affected communities and organizations to shift development finance away from industrial livestock production towards healthier, more humane and sustainable food systems. The campaign's global Steering Committee includes: the Bank Information Center, Friends of the Earth U.S., Feedback Global, the Global Forest Coalition, International Accountability Project, Sinergia Animal, and World Animal Protection. The campaign has more than 30 organizational members and partners globally.

Executive Summary

During the last several years, including at the November 2021 Finance in Common Summit, the world's public development banks committed to shifting their investment strategies and activities to align with and support the objectives of the Paris Agreement.[1] Despite this commitment, multilateral development banks (MDBs) continue to invest in the global expansion of industrial livestock production, or "factory farming", notwithstanding the United Nations Environment Program's and other climate experts' assessments that absolute reductions in GHG emissions from livestock production are necessary to limit global warming to 1.5°C or "well below" 2°C, as the Paris Agreement requires.[2]

According to research by World Animal Protection, leading MDBs including the European Bank for Reconstruction and Development (EBRD), European Investment Bank (EIB), IDB Invest (Inter-American Development Bank), and the International Finance Corporation (IFC, World Bank Group) invested $4.6B in the sector between 2010 and 2021.[3] EBRD and IFC were the largest investors in private sector industrial operations, deploying $2.6B to help extend the global reach of some of the world's largest meat and dairy producers, including Smithfield and Danone.[4]

Despite the incompatibility of factory farming's global expansion with keeping global warming to Paris-aligned levels, some MDBs have dramatically ramped up their investment in industrial animal agriculture, including feed production. For example, between 2018 and 2021, IDB Invest invested ~$500M in operations across Latin America and the Caribbean after investing just ~$15M in the sector between 2011 and 2017.[5] Since 2021, MDB investments in factory farming have continued across Africa, Asia, Eastern Europe, and Central and Latin America and included support for regional and global agribusiness giants including PRONACA (Ecuador/IDB Invest and IFC), Louis Dreyfus Company (Brazil, IFC) and CMI Alimentos (Central America/IDB Invest).[6] Each is briefly profiled in this report.

Shrinking Industrial Livestock Production is Necessary to Meet Paris Climate Targets

The science is clear. To keep Paris-aligned GHG reduction targets within reach, global production and consumption of industrially produced meat and dairy must decline. Recent estimates of the sector's contributions to global GHG emissions range from 11.2% to 19.6%; estimates are far higher when emissions related to foregone carbon absorption resulting from using land for grazing and animal feed.[7] The sector also accounts for one third of anthropogenic methane (CH_4) emissions.[8] **Because CH_4 has 81.2 times the global warming potential (GWP) of CO_2 over a 20-year timeframe, reductions from industrial livestock production are particularly critical for meeting the goal of reducing global GHG emissions by 45% by 2030 to limit global warming to 1.5°C.**[9]

A 2020 *Science* study warns that even if fossil fuel emissions were immediately halted, livestock emissions could make it impossible to limit warming to 1.5°C and difficult to limit it to "well below" 2°C.[10] While industrial meat and dairy production and consumption must decrease in higher-income countries, several studies, including a 2022 report by the Inter-American Development Bank (IDB), have shown that production and consumption can and must also diminish in regions including China and Latin America, where banks are currently supporting the expansion of factory farming.[11]

Livestock production can play a role in meeting the nutritional and economic needs of the populations whom development banks serve. However, the decades-long industrialization and globalization of the sector has driven the overconsumption of animal-based foods in higher-income countries while exacerbating food insecurity among populations in lower and middle-income countries (LMICs) who should be the beneficiaries of development banks' support.[12]

Multilateral Development Banks Misclassify Industrial Livestock as Paris-Aligned

Since 2021, the World Bank and other leading MDBs have published Paris Agreement alignment methodologies**,** including the Joint MDB Assessment Framework for Paris Alignment for Direct Investment Operations, the EBRD Methodology to determine the Paris Agreement alignment of EBRD investments, and the IDB Group Paris Alignment Implementation Approach. While each of the frameworks refers to at least some industrial livestock operations as "high-emitting", none excludes investments in expanding the sector on the basis that emissions from livestock production must significantly shrink to achieve Paris-aligned global GHG reductions.

Our analysis of published MDB Paris alignment methodologies indicates these are flawed in the following ways:

- While MDB support of industrial livestock operations may involve some limited GHG mitigation requirements, no MDB currently requires clients in the sector to undertake **either comprehensive (Scope 1-3) GHG reporting or commit to absolute GHG reduction targets** (or Paris-aligned targets).
- **Investments in cattle and other "high-emitting" sector operations (e.g., non-ruminants with non-negligible GHG emissions) may *still* be labeled as Paris-aligned** "with the exception of operations that expand and promote expansion into areas of high carbon stocks or high biodiversity areas", presumably via deforestation. Given that deforestation is just one of many climate-related impacts of livestock operations, the failure of MDBs to require time-bound GHG reduction targets from livestock value chains (including methane-generating animals, manure "management" systems, and fossil fuel-intensive feed production) is a serious concern.[13]
- All published methodologies are based on alignment with Nationally Determined Contributions **(NDCs), yet only ~40% of countries have incorporated livestock-specific GHG reduction measures into their NDCs.[14]**

According to the Joint MDB and EBRD Paris alignment frameworks, non-ruminant operations with "negligible" emissions are classified as "universally" aligned. Yet in both frameworks, the term "negligible" is undefined. Whatever that definition may involve, the reality is that ***all*** industrial non-ruminant operations involve significant GHG emissions, including methane associated with manure management systems, N2O emissions from fertilizer application for feed production, and CO2 emissions from energy use for irrigation, pesticide and fertilizer production, processing, transportation, and refrigeration.[15] Industrial livestock production (inclusive of feed) is also a leading cause of deforestation worldwide and the single largest driver of land conversion in Latin America.[16]

- **In every global region, large-scale, industrial livestock value chain operations—from feed production to animal feeding operations to processing facilities—are inherently highly vulnerable to climate change and its ancillary impacts**. These include heat stress, rapid disease spread, and water shortages. While both the EBRD Paris alignment framework and the World Bank's Agriculture and Food Sector Note on Applying the World Bank Group Paris Alignment Methodology acknowledge some of these adaptation vulnerabilities, none of the published Paris alignment frameworks excludes industrial livestock operations from Paris-alignment on the basis of intensifying vulnerability to the impacts of climate change.

MDBs Should Stop Financing the Global Expansion of Factory Farming

To support the goals of the Paris Agreement—including "increasing the ability to adapt to the adverse impacts of climate change and foster climate resilience and low greenhouse gas emissions development, in a manner that does not threaten food production"—all public development banks must confront the necessity of ***reducing***, not increasing, industrial livestock production.[17] While discussions among industry representatives, policymakers, and leading MDBs about the climate-related impacts of industrial livestock operations have centered on strategies designed to enhance the "sustainability" of industrial livestock operations by reducing the GHG emission *intensity* (GHG emissions per kilogram of meat, dairy, or eggs), such strategies will not suffice for meeting Paris-aligned climate targets.[18] Data show that even the most ambitious scenarios for reducing livestock emissions via intensity reductions (lowering CO2 eq per kg or liter of meat or milk) are insufficient to meet critical climate targets.[19]

Where livestock production can improve nutrition, food security, and livelihoods, MDBs should, in consultation with local communities, support diversified, agroecological, mixed crop and livestock and plant-based systems that not only deliver climate and biodiversity-related benefits but also support small-scale farmers who are the backbone of community food sovereignty and food security.[20] Providing such support would also enable MDBs to better meet their pledges to align their investments and activities with the UN Sustainable Development Goals (SDGs).

With just over six years left to avoid the most catastrophic effects of climate change and sufficiently address the concurrent factory farming-driven crises of deforestation, biodiversity loss, and the overuse and pollution of the planet's air, land, and water, we are calling on the world's leading MDBs to acknowledge the need to shrink—not expand—the global industrial livestock sector.[21] Instead, these institutions should leverage their political, economic, and intellectual heft to transform the global food system into one that can sustainably address global food security.

As an important first step, MDBs should add all industrial livestock activities, including feed production, to the list of activities they consider universally not aligned with the goals of the Paris Agreement. In addition, MDBs' agriculture-related development, project finance, and advisory services should:

1 **Stop supporting the expansion of industrial livestock production.** Instead, MDBs should facilitate the transition of GHG-intensive and otherwise environmentally destructive industrial farming systems to climate-impact mitigating and adaptive agroecological systems. These systems should prioritize the production of crops for human consumption and integrate livestock only where such integration can deliver ecological and social benefits and effectively address—rather than exacerbate—food insecurity and gender inequalities.

2 **Strengthen mitigation requirements for all animal agriculture investments,** including requirements for mandatory Scope 1-3 reporting and science-based, time-bound absolute emissions reduction targets that align with global targets. Mitigation measures that focus on GHG intensity-reducing technologies should not allow for absolute emission increases, nor should they be permitted if they lead to other negative impacts (e.g., increased water pollution or diminished animal welfare).

3 **Strengthen adaptation requirements.** At a minimum, "Paris-aligned" labeling should require all borrowers to demonstrate how their operations reduce the risks associated with extreme weather events. These include mass pollution, the increased spread of disease associated with global warming, and reliance on brittle supply chains, interruptions of which can cause severe food insecurity among vulnerable populations.

4 **Acknowledge the need for and support critical demand-side shifts,** including the convergence of global diets toward reduced levels of meat and dairy consumption, by refraining from making investments in livestock and feed operations that serve over-consuming regions including the EU, US, and parts of South America, and by supporting policies, projects and initiatives that promote more sustainable, plant-forward diets.[22]

5 **Work with governments** in countries with significant industrial livestock production to ensure that NDCs encompass absolute GHG reductions from the sector.

6 **With active community participation and consent, support small- and mid-scale agroecological production systems,** including diversified, mixed crop and livestock systems, silvopasture, agroforestry, and managed grazing. MDBs should direct their support toward an enabling environment that promotes smallholders' traditional and collective rights to seeds, livestock breeds, territories, and local and indigenous forms of production. These institutions should also seek efficient ways to guarantee access to land and technical support for women and other marginalized groups.

Endnotes

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