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DIRTY IS THE NEW CLEAN:

A Critique of the World Bank's Strategic Framework for Development and Climate Change

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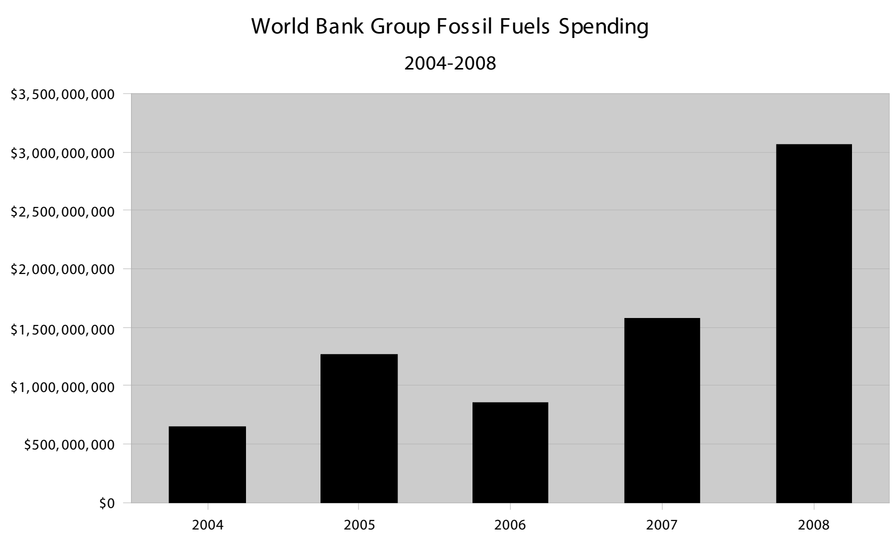
EXECUTIVE SUMMARY

Scientific proof of the urgency of climate change grows every day–this is a global crisis that requires immediate action. Wealthy, industrialized countries like the United States and European nations, which are most responsible for climate change, will need to make deep reductions in greenhouse gas emissions in order to avoid catastrophe, and even then, we will see impacts for years to come. But the climate catastrophe will not be avoided unless developing countries are enabled to leapfrog dirty energy sources, to keep their forests intact, and to shift to cleaner technologies and methods of production for agriculture and other sectors.



The Bank's Strategic Framework on Development and Climate Change[1], a three-year 'flexible' framework for Bank institutions, makes a strong case for urgent action on global warming. It goes so far as to say that climate change will potentially undo development gains made in recent decades in many countries, implying that climate change can trump development, no matter how much money is spent trying to achieve the United Nations' eight poverty-reducing Millennium Development Goals.[2]

With this rhetoric, it appears that the Bank really wants to address climate change. But the Strategic Framework's climate solutions suggest something different. In the name of technological and political neutrality, the Bank does nothing substantial to prioritize "new" renewable energy sources[3] or decentralized, locally-driven mitigation or adaptation efforts. The Bank continues to stall on promises to account for its own greenhouse gas emissions, and it continues to increase financing for fossil fuels.

Our analysis shows World Bank Group lending to coal, oil and gas is up 94percent from 2007, reaching over $3 billion. Coal lending alone has increased an astonishing 256 percent in the last year.[4]

By comparison, the Bank's own numbers indicate that renewable energy and energy efficiency lending is up 87 percent, with the vast majority going to support large hydropower projects and energy efficiency. Only $476 million went this year to support "new" renewables - a 13 percent increase over last year's $421 million according to the Bank's reporting. An independent analysis done by the Bank Information Center suggests that if you exclude large hydropower projects, World Bank Group funding for renewables in 2008 actually dropped by 42 percent from 2007.[5]

From 1997-2007, according to the World Wildlife Fund-UK, the World Bank has financed 26 gigatons of carbon dioxide emissions – about 45 times the annual emissions of the UK.[6]

As always, actions speak louder than words. Is this the agency that should be in charge of funding to fight climate change and fund renewable energy and adaptation efforts in the developing world?

The World Bank's development and climate change Strategic Framework offers the wrong solutions. After examining the Strategic Framework and the Bank's portfolio, *our key findings are:*

1. **The World Bank Group is actually increasing lending for fossil fuels.** Despite the recommendation of a high-level panel selected by the World Bank that it end oil and coal funding, the Bank's funding for oil, gas, and coal projects is up 94 percent this year over 2007, reaching $3 billion.

2. **The Bank's new "Climate Investment Funds"** are inadequately governed, overly dependent upon poorly developed market mechanisms, usurp the role that many nations want the United Nations to play, and **would force developing countries to pay for the industrialized world's pollution by providing loans for them to adapt to a climate crisis they did not create.** *It is, as one observer put it, as if you were to drive your car into someone's house, and then offer them a loan to repair the damage.*

3. **The Bank's "new" approach differs little from its over 60 years of top-down, growth-oriented lending** which has widened inequalities in recipient communities and has largely benefited rich-country corporations that have carried out the "development" projects.

4. **The Bank's claim that it is promoting "clean technologies" and "low-carbon projects" is undercut by its weak definitions of both "clean" and "low-carbon."**

To tackle climate chaos, we need to change course. We need to heed strong voices that call for a strengthened global facility under the United Nations, and robust national and local actions. In particular, *our recommendations are:*

1. **The World Bank Group should immediately implement the full recommendations of the Extractive Industries Review** and phase out lending for oil and coal. Donor countries should demand this of Bank management.

2. **The World Bank should close down its Climate Investment Funds.** There already exists a new Adaption Fund under the UN Framework Convention on Climate Change (UNFCCC) and advanced negotiations are underway to establish a technology transfer and financing mechanism.

3. **In new UN-controlled funds, recipient countries and communities should have full and direct participation in the use of funds for technology, development and adaptation financing mechanisms, as proposed by the G77 (composed of 132 developing countries) and China.** This proposal is based on the fundamental UNFCCC principles of equity and "common but differentiated responsibilities," whereby industrialized countries must both take the lead in deeply cutting their own greenhouse gas emissions and provide the means to enable developing countries to address climate change based on their overwhelming historical responsibility for causing the climate crisis.

4. **These UN mechanisms should prioritize truly clean, renewable energy.**

5. **The mechanisms should stimulate decentralized, locally-driven mitigation and adaptation efforts.**

6. **Governments of the North and South should protect forests by recognizing legal and customary land rights and investing in direct support to community-driven forms of forest conservation, sustainable management and ecosystem restoration.**

Instead of staying the business-as-usual course, international financial institutions and governments must seriously rethink "development" to reflect the reality of a climate-constrained world. The World Bank Group must stop paying lip service to climate action and make real commitments to stop practices and lending that contribute to climate change and do little, if anything, to alleviate poverty.

The following sections describe in greater detail the Bank's climate activities and how its Strategic Framework is likely to fail in creating an effective climate response within the Bank.

CLIMATE CHANGE:

World Bank at the Crossroads…Again

The World Bank was established in 1945 to help Europe with post-World War II reconstruction. It was established with a philosophy of "development" that placed a high value on western-style mega-project infrastructure, which worked relatively well in rebuilding Europe. The wealthy donor countries to the World Bank quickly realized that with this monumental task completed, they would need to revise their purpose in order for the World Bank to survive.

In the following decades, the World Bank shifted its focus of attention to funding economic growth in developing countries – beginning with the same development approach as was used in European recon-struction. In the late 1960s, facing pressure from global civil society over the Bank's active role in manipulating development away from domestic economic diversity and self-reliance, World Bank president Robert McNamara redefined the institution's mission. It would now be the global institution that alleviates poverty throughout the world.

Over the years, modifications have been made in how the World Bank Group is run, including the addition of a private sector lending arm; a facility for low-interest loans targeting the poorest countries;[7] and the adoption of messages of poverty alleviation and sustainable development. Notably, along the way, the Bank has developed a credible research arm and has established environmental and social safeguard policies and offices to allow project-affected communities to raise their concerns.

But, in essence, the development approach has remained the same. There is still a strong emphasis on mega-projects and resource exploitation for export to industrialized countries, despite numerous studies suggesting that these sorts of projects do not, in fact, alleviate poverty, and further proof that they lead to environmental and human harm. The greater emphasis in the 1980s and 1990s on debt management and structural adjustment further tied the hands of developing countries to make real strides in escaping poverty.

In the Bank-initiated Extractive Industries Review process in the early 2000s, experts from civil society, governments, and even the Bank itself developed recommendations including a phase out of funding for oil and coal. However, the Bank has ignored these recommendations and actually drastically increased support for fossil fuels.

Now, in an era in which the specter of climate chaos looms large, the Bank is again in need of a change – but is this real evolution or just another makeover?

THE STRATEGIC FRAMEWORK:

Same development philosophy with a veneer of climate concern

The aim of the Strategic Framework on Development and Climate Change is to guide the World Bank Group to "effectively support sustainable development and poverty reduction" while acknowledging the profound impacts of climate change on development. The Strategic Framework is intended to inform existing operational strategies for each of the World Bank Group's institutions. But there will be no new mandates. Each Bank entity is free to choose which of the principles, action areas or financial tools it feels will enhance its work to help public and private partners understand, manage and adapt to climate change.

The flexibility of the Strategic Framework and the more specific recommendations laid out do not support the idea that reducing climate change pollution is a prerequisite for development. Instead, it falls back on an "economic growth at all costs now, clean it up later" approach. Instead of helping countries develop sustainably in the first place, the Bank will follow its years-old theory of development to "help" poorer countries get richer so that they can adapt to the impacts of climate change. And in order to get richer, they must increase fossil fuel use, which, of course, continues to drive climate change.

The Bank recognizes that climate change will add costs to development in a variety of ways, including by shifting commodity prices, requiring upgrades to 'climate-proof' infrastructure, and necessitating the move to higher cost and higher risk energy systems. To help cover these costs, the Strategic Framework spotlights two large-scale investment programs designed to deliver climate and environmental benefits from development deals - the newly approved Climate Investment Funds and carbon finance markets.

The Bank's Climate Investment Funds include a Clean Technology Fund (CTF), through which the Bank proposes to transfer and scale up commercially viable "low-carbon" technologies, and a Strategic Climate Fund (SCF). The Strategic Climate Fund is an "overarching fund" that will focus on different programs, the first of which is the Pilot Program for Climate Resilience. A Forest Investment Program to implement market-based forest management strategies is being designed. Other programs under consideration include "Renewable Energy Access" and "Pre-Commercial Technologies," including carbon capture and storage.

The Climate Investment Funds have been controversial due to lax definitions of clean energy, reliance on loans, competition with UN financing mechanisms, governance structures that give less voice to developing countries than that of the UN Adaptation Fund, and a weak sunset clause that could threaten the primacy of UNFCCC in climate financing and policy.

The Bank relies heavily on carbon markets for mobilizing large sums of climate finance in the future. In particular, the Bank attempts to link sustainable development to forest management and agrofuels through forest carbon trading in a new Forest Carbon Partnership Facility (which is in turn linked to the Forest Investment Program). The framework also calls on the Carbon Partnership Facility to 'scale-up' carbon deals and could extend their lifetime past the expiration of the Kyoto Protocol. This facility was created in 2007 to finance projects in sectors like energy, gas flaring, transport and landfills that could potentially generate greenhouse emissions reductions and carbon credit revenues. Currently, carbon finance at the Bank falls outside any effective national or global oversight.

The Strategic Framework proposes Climate Investment Funds and market-based carbon finance as the main mechanisms for channeling climate-related funding. But the Climate Investment Funds have the potential to wrest control and resources out of the UNFCCC, the formal international negotiating body on climate change. Carbon markets operate on the same principles and lack of proper oversight that have led to runaway greenhouse gas emissions and to the current global financial crisis. Carbon finance defers development decisions to parties with the capital to invest heavily in the market, undermining developing country voices in climate funding and policy.

Meanwhile, serious efforts to develop credible technology financing mechanisms for developing countries are ongoing under the UNFCCC. Governments have an opportunity to establish a funding mechanism fully accountable to the UN – based on equity and the principle of common but differentiated responsibilities – with predictable, new and additional funding directly accessible to recipient countries. Recipient countries and communities should have direct and full participation in defining the mandate, governance, implementation and evaluation of any and all technology transfer, development, deployment and adaptation financing mechanisms.[8]

BY THE NUMBERS:

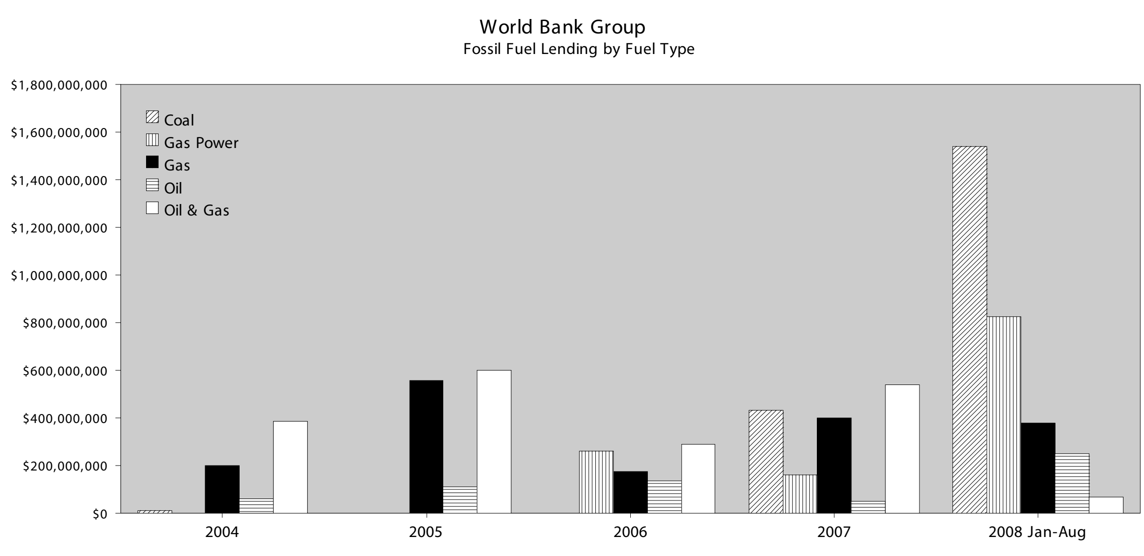
World Bank Group Fossil Fuel Lending

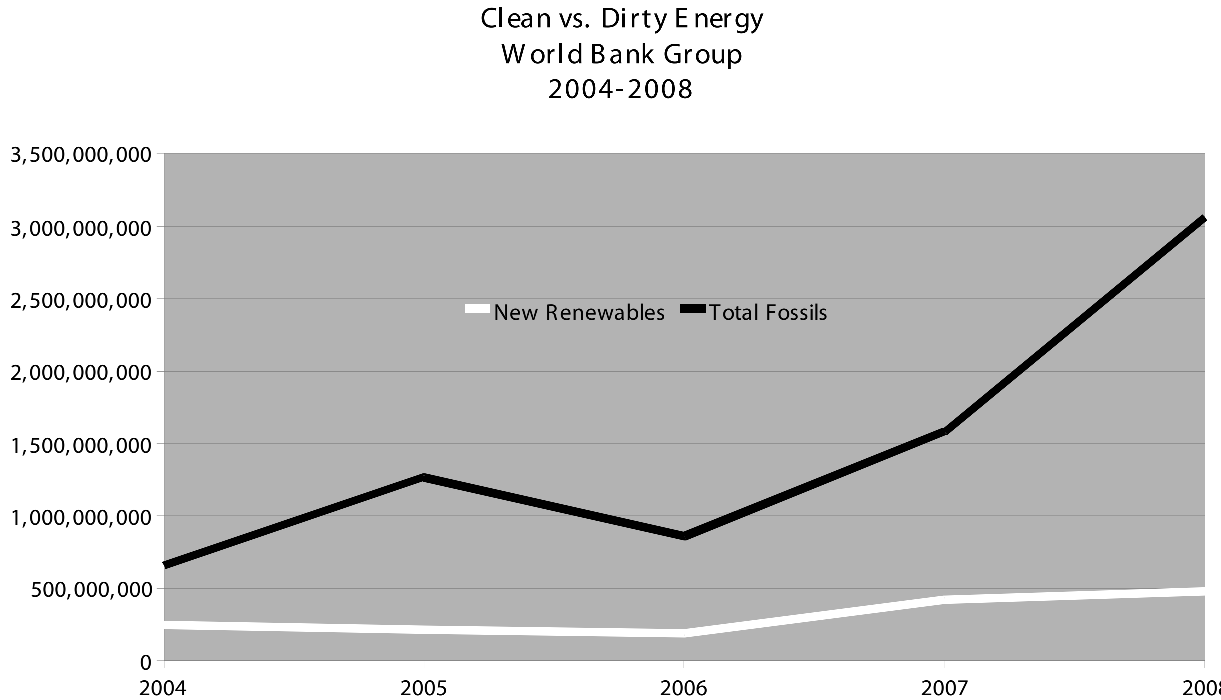
CALENDAR YEARS	2004	2005	2006	2007	2008
Coal	$10,000,000	0	0	$433,000,000	$1,540,000,000
Gas	$198,500,000	$556,300,000	$174,250,000	$399,700,000	$379,000,000
Gas Power	0	0	$259,600,000	$159,000,000	$825,000,000
Oil	$60,000,000	$109,800,000	$135,000,000	$50,000,000	$250,000,000
Oil & Gas	$386,380,000	$600,500,000	$290,000,000	$540,090,000	$67,000,000
TOTAL	**$654,880,000**	**$1,266,600,000**	**$858,850,000**	**$1,581,790,000**	**$3,061,000,000**

Relying exclusively on the World Bank's own figures, our analysis shows World Bank Group lending to coal, oil and gas is up 94 percent from 2007, reaching over $3 billion. Coal lending alone has increased an astonishing 256 percent in the last year.[9]

By comparison, the Bank reported that renewable energy and energy efficiency lending is up 87 percent, with the vast majority going to support large hydropower projects and supply-side energy efficiency. Only $476 million went this year to support "new" renewables. That represents only a 13 percent increase over last year's $421 million, according to the Bank's own numbers.

It's important in the context of the World Bank's claims on increasing renewable energy lending to look more closely at what the Bank is reporting. Even just taking the Bank's own data on increasing renewable energy, the Bank is clearly not making the fundamental changes necessary to make a global shift to clean energy in a world threatened by climate change.





The breakdown of 'renewables' lending from the Bank is the following:

- US$1.007 billion for hydropower projects with capacities of more than 10MW per facility
- US$1.192 billion for Energy Efficiency
- US$476 million for New-Renewable Energy including wind, solar, biomass, geothermal, and hydropower projects that will produce up to 10 MW per facility[10]

Large hydropower is a large portion of the renewables numbers and is up substantially from last year, according to the Bank's own numbers - $751 million to $1.007 billion. Large hydropower projects are bad news for the environment, disrupting river ecosystems and water flows. They are often bad for people, as in many cases dams force relocation of populations. On top of this, large hydropower is bad news for the climate, if you consider greenhouse gas emissions from the reservoirs, which can be quite large.

Energy efficiency lending is up substantially over last year - $262 million to $1.192 billion. The Bank's definition of energy efficiency includes both supply and demand side. Supply side efficiency includes retrofits of hydropower and coal plants which are not necessarily a bad thing, but they do prolong fundamentally dirty or harmful energy sources. Scarce funding resources would be better used to encourage and promote fundamental changes in energy pathways and energy access in the face of climate change.

Demand-side or end-use energy efficiency is certainly a good thing, as it actually lowers consumption, but it is still not facilitating a change from dirty to clean energy sources. And arguably, energy efficiency is quite cost effective, so it's something that the Bank should be doing all the time anyway – and should have started long ago, not something that the institution should be able to brag about incrementally increasing.

It's also important to note that these numbers include Global Environmental Facility (GEF) projects - $90 million - in the new renewables category. The Bank always includes these numbers in their renewable energy lending figures, but the GEF is actually a different institution. Likewise, the Bank includes carbon finance numbers - another $104 million. Although they are housed at the Bank, the carbon finance funds are actually different funding streams set up independently from the Bank's own funding. This would bring the actual World Bank Group funding down to $280 million.

Providing $280 million a year in renewable energy will not get developing countries where they need to go in terms of shifting to a clean energy supply nor will it effectively combat climate change, particularly when compared to the significant increases in fossil fuel lending at the Bank.

Finally, an independent analysis done by the Bank Information Center suggests that if you exclude large hydropower projects and efficiency, World Bank Group funding for renewables in 2008 actually dropped by 42 percent from 2007.[11]

From 1997-2007, according to the World Wildlife Fund-UK, the World Bank has financed 26 gigatons of carbon dioxide emissions – about 45 times the annual emissions of the UK.[12]

DIRTY IS THE NEW CLEAN

At the core of the fundamental disconnect between the Bank's outdated development paradigm and today's carbon-constrained reality is the Bank's weak definitions of clean technologies and low-carbon projects. The Strategic Framework outlines an incremental and "cleaner" (i.e. less dirty) approach to energy access rather than a strategic, bold break from the patterns of energy production and consumption that are responsible for creating the climate crisis in the first place.

Within the context of the Clean Technology Fund, a clean technology is defined as "one which reduces greenhouse gas emissions to the atmosphere…"[13] This definition excludes virtually no technology, giving no priority to the promotion of renewable energy over coal. It fails to set a baseline from which emissions must be reduced. It even uses the potential for installation of a technology unproven on a commercial scale – carbon capture and storage – as a criterion for supporting projects that "improve efficiency" of energy supplies.

A similar problem exists with the Bank's definition of low-carbon projects. In the Strategic Framework, the Bank claims to have increased lending to low-carbon energy projects between fiscal years 2006 and 2008 by 41 percent,[14] but the designation used by the Bank to arrive at that figure was based on an extremely generous standard of "low carbon." Fossil fuel projects that include new supercritical and ultra-supercritical coal-fired thermal plants,[15] upgrades to existing power plants, and gas flaring reduction are all classified by the Bank as "low carbon."

Yet supercritical coal-fired power plants are already the norm for new facilities in China and are viable with private investment.[16] This contradicts the Bank's claim that, without public finance, these projects would not go forward. Gas flaring is illegal in oil-producing Nigeria. These projects should be considered business-as-usual at best, not climate-friendly innovations worthy of limited public finance. Moreover, the Bank's claim that it has increased its support for "low carbon" projects includes in its calculations major investments in large hydropower projects, which cause often irreversible ecological and social harm, and whose reservoirs are frequently sources of methane, a potent greenhouse gas.

These definitions will continue the patterns of destructive energy pathways. By funding such projects, the Bank is missing a critical opportunity to spur the development of wind and solar power and to drive down the price of climate friendly technologies.

CLIMATE INVESTMENT FUNDS:

Threats to an international climate agreement

At the heart of the UN global climate negotiations lies the principle of common but differentiated responsibilities and respective capacities. This principle formally recognizes industrialized countries' historical role in causing climate change, and their duty to act quickly and profoundly to solve the climate crisis, including financing for climate change assistance in developing countries. The Bali Action Plan, agreed to at the UN negotiations in December 2007, also stipulates that rich countries must finance developing country climate mitigation in the form of sustainable development in measurable, reportable and verifiable ways.

UNDEMOCRATIC DECISION-MAKING STRUCTURE

The control over decision-making on the Bank's board by the wealthiest countries means that rich countries can institute energy and climate financing regimes that suit their best interests – whether that means generating a consumer base for certain technologies, sourcing cheap energy, or creating inexpensive carbon offset projects. Alternately, the UN's one country–one vote structure is more democratic, giving countries with less money a greater role in managing resources and making decisions.

The Bank claims to be policy-neutral within international negotiations, but the Bank has long advocated a resource-intensive development path for poorer countries to follow. Given its false claim of neutrality, the World Bank's enthusiasm to convene joint working groups, enhance its work with UN offices, and strengthen coordination with the UNFCCC secretariat is worrisome.

COMPETITION WITH UNFCCC FUNDS

The UN Adaptation Fund, operationalized in December 2007, has a mandate to fund concrete, country-driven adaptation projects and programs based on the needs, views and priorities of eligible developing countries. It has an independent board to oversee the new fund on which developing country governments hold a majority of seats. In 2008, the Bank opened a Pilot Program for Climate Resilience (PPCR) under the Strategic Climate Fund, which directly competes for contributions with the Adaptation Fund. A technology financing mechanism is also being developing under the UNFCCC.

Money from donor countries pledged to the PPCR could have instead gone to the Adaptation Fund. Alternatively, monies could be deposited in the existing UN Least Developed Country Fund or Special Climate Change Fund (both of which have been severely underfunded) housed at the Global Environment Facility.[17]

LACK OF REAL SUNSET CLAUSE

The Climate Investment Funds include a sunset clause that states that the funds will "take the necessary steps to conclude its operations once a new financial architecture is effective."[18] The World Bank cites this as evidence that it's climate funds represent only a transitional measure. However, depending on the outcome of the UNFCCC negotiations, the sunset clause could allow the Bank to continue operating the climate funds. The Bank's self-withdrawal from climate financing seems no more likely than their earlier promise to relinquish carbon trading to the private sector once the market had been properly piloted. Today they sit on a $2 billion carbon fund, earn an estimated 13 percent overhead on the carbon deals they broker, and are proposing expansion into sector-wide trading through a Carbon Partnership Facility.[19]

ADDITIONALITY TO DEVELOPMENT AID

According to the UNFCCC, climate funding must be new and additional to current overseas development assistance (ODA). The Bank claims in the Strategic Framework that "[t]he Climate Investment Funds represent new sources of financing,"[20] but the Summit Leaders Declaration at the 2008 G8 Summit in Japan stated, "G8 members have thus far pledged approximately US$6 billion as an ODA contribution to the [Climate Investment] funds…"[21] In this case, financing is not being offered in addition to normal development assistance, meaning that money needed for health, education and other basic needs could be diverted to deal with climate change impacts.

LOANS AND CONDITIONALITY

The Climate Investment Funds propose a mix of grants, loans, guarantees and equity as 'instruments' to finance climate projects. Adaptation loans stand in violation of the principle of differentiated responsibility based on historical contribution to global greenhouse gas emissions agreed to by countries signatory to the Climate Convention. The climate funds will require developing countries to foot the bill for coping with a problem they did not create with yet another loan.

In addition, development and debt relief advocates have raised concerns that under the climate investment funds, access to climate finance could be linked to conditions imposed by the implementing institutions – the multilateral development banks. Eligibility requirements such as enabling policy environments, removal of 'barriers to trade' and sectoral emissions targets must not act as conditions for climate-related loans or grants. It is the primary responsibility of developed countries to both lower their emissions and provide financing and technology to developing countries to work toward non-binding emissions reductions. World Bank programs and policies should facilitate compliance with these commitments.

As a result of governance, additionality, and other concerns, the 132 developing country members of the G77 and China have heavily criticized the Climate Investment Funds. In a statement made at international negotiations in Bonn, Germany, in June 2008, they declared any funds channeled through the Bank instead of the UNFCCC null and void toward developed country commitments to provide measurable, reportable and verifiable support for low-carbon development.[22]

CARBON FINANCE:
Using the problem to solve the problem

The Bank's climate strategy relies heavily on private carbon markets for mobilizing climate finance. Yet the current lack of regulation and clarity after 2012 when the first phase of the Kyoto Protocol under the UNFCCC expires, as well as the dearth of evidence of the market's efficacy in actually generating credible greenhouse gas emissions reductions, brings the reliability of climate financing from carbon markets into serious question.

In addition, the Bank's own track record in the carbon market is a cause for concern. In 2007, less than 10 percent of the Bank's carbon finance was allocated to clean, renewable energy projects. Energy efficiency captured 80 percent of the money allocated to purchase emissions reductions credits, the majority of which went to a single project in China to reduce emissions by burning off HFC-23.[23] Environmental and development groups have sharply criticized the generation of carbon credits from HFC-23 destruction and projects that similarly reward heavily-polluting industries in the global South.[24]

An overwhelming majority of the World Bank's carbon credit dollars do not lead to sustainable development, a basic objective of both the Carbon Finance Unit and the Bank itself. Indeed, many projects have environmentally and socially harmful impacts on Southern communities and may create perverse incentives to continue business-as-usual fossil fuel investments.[25]

In the Strategic Framework, the World Bank Group encourages packaging development lending with "frontloading mechanisms" that provide loans against future carbon revenues.[26] If projects fail to produce expected emissions reductions, Southern country governments may then be left holding the bill for loans they cannot repay. In light of the current global financial crisis, many find it irresponsible to depend on extremely complicated finance markets in intangible assets like carbon emissions reductions to underpin global mitigation and adaptation finance.[27] Instead of relying on poorly regulated carbon markets with questionable efficacy to reduce emissions, financing should be tied to binding commitments of financial and technical support from industrialized countries, as called for under the UNFCCC.

STILL THE SAME OLD BANK:

Strategic Framework allows business as usual

The Strategic Framework continues the Bank's policy of supporting oil, gas and coal financing, for which the Bank has in fact increased its lending in recent years. Moreover, the World Bank makes no commitments to measure or reduce the greenhouse gas emissions in its portfolio.

CONTINUED AND INCREASING COAL FINANCING

According to the World Bank Group, impoverished countries can meet the higher development costs imposed by climate change by growing their economies and improving living standards. Access to energy Key to the Strategic Framework vision of expanding Southern economies and reducing poverty. But the Bank has built its climate strategy on the business-as-usual principle that cheap coal should remain at the center of the primary energy mix for decades to come. The Strategic Framework even names coal as a central component of meeting development goals.[28] Inexplicably, the Bank is advocating investment in fossil fuels as a strategy for poor countries to fight climate change.

FOSSIL FUEL FINANCING IS NOT PRO-POOR

In addition to coal, the Strategic Framework continues a failed policy of supporting oil and gas. History has shown that developing countries endowed with natural resources like oil tend to have less human development, less equality, and even less economic growth than those without. Benefits that do accrue rarely trickle down to the poorest. Instead of reaping riches from fossil fuel investments, the World Bank's own Operations and Evaluation Department revealed a negative relationship between extractive industry dependence and economic growth between 1990 and 1999 for all countries borrowing from the Bank.[29]

In 2004, the Bank's own Extractive Industries Review (EIR) found that "project funding in the extractive industries has not had poverty reduction as its main goal or outcome… Increased investments have not necessarily helped the poor; in fact, oftentimes the environment and the poor have been further threatened by the expansion of a country's extractive industries sector."[30] The report recommends an immediate end to coal financing. The review also recommends that the World Bank Group phase out investments in oil production by 2008 and devote its scarce resources to investments in renewable energy resource development.

The Bank often responds to such critiques by claiming its participation in oil and gas projects ensures the application of the most stringent environmental and social safeguards. But again, examples such as Bank support for the Chad-Cameroon pipeline, an environmental and human rights nightmare, reveal this claim to be false. Once the World Bank's model project, this pipeline project was so mismanaged, and social programs so under-funded, that the Bank demanded its loan be repaid in full by Chad so that it could walk away from the project.

WORLD BANK'S GREENHOUSE GAS EMISSIONS

The Strategic Framework fails to acknowledge the Bank's own past and present contributions to global warming. If the World Bank was truly serious about shifting its development paradigm to reflect climate concerns, a first step would be to reduce the climate change impacts of its own development projects. The Bank could start with its energy lending. According to a study by the World Resources Institute, in 2007 nearly half of World Bank's energy portfolio met no criteria for integrating climate change considerations into lending decisions.[31]

RECOMMENDATIONS FOR CLIMATE FINANCING:

Developing a credible mechanism under the UNFCCC and Changing the Bank's Paradigm

In the Strategic Framework, the World Bank Group acknowledges the primacy of the UNFCCC in setting and implementing global climate policies. At the same time, the Bank continues to aggressively move ahead of international negotiations in developing funding mechanisms for technology, adaptation and reducing emissions from deforestation and forest degradation. In particular, the Bank's new Climate Investments Funds and Forest Carbon Partnership Facility undermine UN authority, stifle developing country participation and jeopardize international climate negotiations.

The world is waiting for industrialized countries to keep – and, in some cases, make –commitments to drastically cut emissions. Industrialized countries must also deliver on their obligations (financial and otherwise) to strengthen existing knowledge in developing countries and build capacity and infrastructure to support the development of local scientists, engineers, agriculturalists, business people, and other climate experts.

» Governments that are party to the UNFCCC must establish financing mechanisms fully accountable to the UNFCCC - based on equity and the principle of common but differentiated responsibilities - with predictable, new and additional funding directly accessible to recipient countries, as the Adaptation Fund has been set up to do. Recipient countries should have direct and full participation in defining the mandate, governance, implementation and evaluation of any and all adaptation and technology transfer, development and deployment financing mechanisms.

» Governments of the North and South should protect forests by recognizing legal and customary land rights and investing in direct support to community-driven forms of forest conservation, sustainable management and ecosystem restoration. Forests must not be included in carbon markets.

International financial institutions and governments must seriously rethink “development” to reflect the reality of a climate-constrained world. In particular, the World Bank Group should:

- » Follow the recommendations of the Extractive Industries Review and immediately phase out finance to oil, coal and gas projects. Governments should aggressively invest public finance in truly clean, renewable energy;
- » Calculate the direct and indirect greenhouse gas emissions from all project and policy financing activities in its portfolio and set a clear timetable and implementation plan for achieving and systematically lowering emissions targets. The cap should be in line with keeping global warming under 2 degrees Celsius from pre-industrial levels;
- » Screen all projects for greenhouse gas impacts and make individual project financing contingent on carbon emissions, not carbon intensity, with the full lifecycle environmental and social externalities taken into consideration; and
- » Stop using carbon finance to offset inaction by industrialized countries. Governments in the North must commit to deep emissions cuts that cannot be ‘outsourced’ to developing countries.

CONCLUSION

Given the lack of real action to address climate change within the World Bank, the World Bank Group's Strategic Framework on Development and Climate Change is more of a smokescreen than an answer to climate change. The Bank's rhetoric gives an impression of deep understanding and melding of development and climate concerns. But, in fact, the Strategic Framework takes a number of old ideas and repackages them with the concept of climate change to create the appearance of a new direction for the Bank.

As some would say, the Bank's new commitment to climate change is only "lipstick on a pig." And what we need is an entirely different animal.

» *The Sustainable Energy and Economy Network (SEEN) works in partnership with citizens groups nationally and globally on environment, human rights and development issues with a particular focus on energy, climate change, environmental justice, gender equity, and economic issues, particularly as these play out in North-South relations (www.ips-dc.org/SEEN). SEEN is a program of the Institute for Policy Studies (www.ips-dc.org). Since 1963, IPS has strengthened social movements with independent research, visionary thinking, and links to the grassroots, scholars and elected officials.*

» *Friends of the Earth-U.S. (www.foe.org) is the U.S. voice of the world's largest grassroots environmental network, with member groups in 70 countries. Since 1969, Friends of the Earth has fought to create a more healthy, just world.*

» *Oil Change International campaigns to expose the true costs of oil and facilitate the coming transition towards clean energy. We are dedicated to identifying and overcoming political barriers to that transition. Visit us at www.priceofoil.org*

» *Campagna per la riforma della Banca mondiale (CRBM) is a Rome-based coalition of 41 Italian development NGOs, environmental associations and human right groups advocating that international financial institutions and Italian investment agencies should promote environmentally and socially sustainable investment in solidarity with local communities affected by projects and investment worldwide.*

Many thanks to IPS director John Cavanagh for his thoughtful edits, Ilana Solomon of ActionAid USA and Kenny Bruno of Oil Change International for their helpful comments.

Visit the interactive Oil Aid Database and track subsidies to the international oil industry at: http://oilaid.priceofoil.org

For additional historical perspective on the World Bank's Energy and Climate record, read the 2006 report published by these and other organizations:

How the World Bank's Energy Framework Sells the Climate and Poor People Short, available at: http://priceofoil.org/wp-content/uploads/2006/09/WBGEnergyReportFinal091406.pdf

NOTES:

1 In this brief we refer to the August 21, 2008 consultation draft of the World Bank Group's Strategic Framework on Development and Climate Change available at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTCC/0,,contentMDK:21876999~pagePK:210058~piPK:210062~theSitePK:407864,00.html

2 The United Nations member states and at least 23 international development institutions have agreed to the following Millennium Development Goals (MDGs) to improve the social and economic conditions of the world's most impoverished nations: eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability, and develop a global partnership for development. For more information see http://www.un.org/millenniumgoals/bkgd.shtml.

3 New renewables include wind, solar, geothermal, and small hydro. http://www.enn.com/business/article/38322

4 This leap is particularly due to large increases of lending to coal projects by the IFC, effectively ending a Bank-wide informal moratorium on coal financing. Fossil fuel lending calculations made by Oil Change International. Additional information compiled earlier in the year shows similar trends. See Bank Information Center, "World Bank Group extractive industries and fossil-fuel financing, FY05-FY08." Heike Mainhardt-Gibbs, July 23, 2008. Available at http://www.bicusa.org/en/Article.3840.aspx

5 See Bank Information Center, "World Bank Group extractive industries and fossil-fuel financing, FY05-FY08." Heike Mainhardt-Gibbs, July 23, 2008. Available at http://www.bicusa.org/en/Article.3840.aspx

6 WWF-UK, "The World Bank and its carbon footprint: Why the World Bank is still far from being an environment bank," Lies Craeynest and Daisy Streatfeild, June 23, 2008. Available at http://assets.wwf.org.uk/downloads/world_bank_report.pdf

7 The International Finance Corporation was created in 1956 to foster private sector investment in developing nations. In 1960, the International Development Association was established to reduce poverty in the poorest countries by providing interest free loans and grants.

8 At climate negotiations in Ghana in August 2008, the members of the G77 and China proposed an enhanced financial mechanism to ensure the effective implementation of the UNFCCC. More information can be found at http://www.twnside.org.sg/title2/climate/news/TWNaccraupdate6.doc.

9 Data compiled by George Draffan for Oil Change International between August 25 and September 5, 2008 from agency website databases, news releases, annual reports, and minutes of meetings of boards of directors. Research notes and specific sources are available at http://oilaid.priceofoil.org. Another independent analysis complied earlier in the year shows similar trends. See Bank Information Center, "World Bank Group extractive industries and fossil-fuel financing, FY05-FY08." Heike Mainhardt-Gibbs, July 23, 2008. Available at http://www.bicusa.org/en/Article.3840.aspx

10 World Bank Press Release October 2, 2008: http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:21923783~pagePK:34370~piPK:34424~theSitePK:4607,00.html

11 See Bank Information Center, Op. Cit.

12 WWF-UK, "The World Bank and its carbon footprint: Why the World Bank is still far from being an environment bank," Lies Craeynest and Daisy Streatfeild, June 23, 2008. Available at http://assets.wwf.org.uk/downloads/world_bank_report.pdf

13 World Bank Group, "Strategic Framework on Development and Climate Change," August 2008, p35.

14 World Bank Group, Op. Cit. Aug 2008, p32

15 A prime example of this practice is the recent approval of a $450 million loan to Tata Mundra Ultra Mega, a 4000 MW supercritical coal fired power plant, by the International Finance Corporation (IFC) on April 8, 2008. A critique of the project can be found at http://priceofoil.org/wp-content/uploads/2008/05/tataletterfinal.pdf.

16 Center for Global Development, "Crossroads at Mmambula: Will the World Bank choose the clean energy path?" David Wheeler, February 2008. Available at http://www.cgdev.org/content/publications/detail/15401/ Also, according to Emerson, a global manufacturing and technology company, even ultra-supercritical technologies are becoming more prevalent in China because they can boost the efficiency of coal-based electricity generation by more than 50 percent, while maintaining superior environmental performance.

17 The GEF, and its funds, are not free from criticism themselves. For a comprehensive overview of GEF climate-related financing, see ActionAid US, "Compensating for climate change: Principles and lessons for equitable adaptation financing," Ilana Solomon, December 2007. Available at http://www.actionaidusa.org/images/climate_change/CompensatingforClimateChange.pdf

18 The World Bank Group, "The Clean Technology Fund," June 9, 2008. The full CTF and SCF design documents can be found at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/ENVIRONMENT/EXTCC/0,,contentMDK:21713769~menuPK:4860081~pagePK:210058~piPK:210062~theSitePK:407864,00.html

19 Sustainable Energy and Economy Network, "World Bank: Climate Profiteer," Janet Redman, April 2008. Available at http://www.ips-dc.org/reports#292

20 World Bank Group, Op. Cit. Aug 2008, Annex 2.

21 G8 Hokkaido Toyako Summit Leaders Declaration Hokkaido Toyako, July 8, 2008. Full declaration available at http://www.g8summit.go.jp/eng/doc/doc080714__en.html

22 See Third World Network, http://www.twnside.org.sg/title2/climate/news/TWNbonnupdate7.doc

23 It is widely suspected that factories purposely increased HFC-23 (a chemical byproduct of refrigerant production that is an extremely potent greenhouse gas) production simply to destroy them and reap profits from the sale of credits.

24 Sustainable Energy and Economy Network, "World Bank: Climate Profiteer," Janet Redman, April 2008. Available at www.ips-dc.org/reports#292

25 Sustainable Energy and Economy Network, "World Bank: Climate Profiteer," Janet Redman, April 2008. Available at
www.ips-dc.org/reports#292

26 World Bank Group, "Strategic Framework on Development and Climate Change," August 2008, p45.

27 Friends of the Earth, "Carbon 202: The current credit crisis: lessons for carbon finance?" Michelle Chan and Elizabeth Bast. Forthcoming Friends of the Earth Newsmagazine.

28 World Bank Group, "Strategic Framework on Development and Climate Change," August 2008, p34.

29 Friends of the Earth International, Oil Change International, World Environment, Ecology and Development, Jubilee South – AMPDD, "Poverty, climate and energy: The case gainst oil aid," June 2008. http://foei.org/en/publications/pdfs/pdf-oil-poverty-briefing

30 http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/0,,contentMDK:20306686~menuPK:592071~pagePK:148956~piPK:216618~theSitePK:336930,00.html

31 Criteria for integrating climate change into energy lending included: GHG emissions accounting, identification of lower emission alternatives, climate specific indicators or targets, and consideration of incremental cost and financing. World Resources Institute, "Correcting the world's greatest market failure: Climate change and the multilateral development banks," Smita Nakhooda, June 2008. Available at http://pdf.wri.org/correcting_the_worlds_greatest_market_failure.pdf

ANNEX 1:

World Bank Group Fossil Fuel Projects: 2004-2008.

For more detail see http://oilaid.priceofoil.org

AGENCY	PROJECT	REGION	AMOUNT	TYPE	SECTOR	YEAR
International Finance Corporation	Novatek Gas	Russia	$35,000,000	Loan	Gas	2004
International Finance Corporation	BAPTFF	African, regional/ multi-country	$60,000,000	Guarantee	Oil	2004
International Finance Corporation	Petrofalcon	Venezuela	$36,000,000	Loan	Oil/Gas	2004
International Finance Corporation	Merlon Egypt	Egypt	$45,000,000	Loan	Oil/Gas	2004
International Finance Corporation	MB Petroleum - Block 5	Oman	$40,000,000	Loan	Oil/Gas	2004
Multilateral Investment Guarantee Agency (MIGA)	Sasol Petroleum Temane Ltd. and Republic of Mozambique Pipeline Investment Company	Mozambique	$25,700,000	Guarantee	Gas	2004
Multilateral Investment Guarantee Agency (MIGA)	Sasol Petroleum Temane Ltd. and Republic of Mozambique Pipeline Investment Company	Mozambique	$87,800,000	Guarantee	Gas	2004
World Bank (IBRD/IDA)	CN-PCF Jincheng Coal Bed Methane Project	China	$10,000,000	Grant	Coal	2004
World Bank (IBRD/IDA)	West African Gas Pipeline (IDA S/UP)	African, regional/ multi-country	$50,000,000	Guarantee	Gas	2004
World Bank (IBRD/IDA)	Emergency Power Supply	Tanzania	$43,800,000	Loan	Oil/Gas	2004
World Bank (IBRD/IDA)	Energy Sector Recovery Project	Kenya	$80,000,000	Loan	Oil/Gas	2004
World Bank (IBRD/IDA)	Economic Recovery Support Operation	Dominica	$3,000,000	Loan	Oil/Gas	2004
World Bank (IBRD/IDA)	Economic Recovery Support Structural Adjustment Loan (ERSAL)	Argentina	$50,000,000	Loan	Oil/Gas	2004
World Bank (IBRD/IDA)	Power Sector Development Project	Burkina Faso	$63,580,000	Loan	Oil/Gas	2004
World Bank (IBRD/IDA)	Institutional Reform Support Credit	Chad	$25,000,000	Loan	Oil/Gas	2004
TOTAL FOSSIL FUELS			**$654,880,000**			**2004**
International Finance Corporation	Afren	African, regional/ multi-country	$1,000,000	Equity	Oil	2005
International Finance Corporation	Vaalco Gabon Offshore Oilfield Development	Gabon	$35,000,000	Loan	Oil	2005

International Finance Corporation	Diadema II	Argentina	$70,000,000	Loan	Oil	2005
International Finance Corporation	Geopark	Latin America	$30,000,000	Loan	Oil/Gas	2005
International Finance Corporation	Soco Facility	MENA Region	$45,000,000	Loan	Oil/Gas	2005
International Finance Corporation	Pan American Energy LLC	Argentina	$120,500,000	Loan	Oil/Gas	2005
Multilateral Investment Guarantee Agency (MIGA)	West African Gas Pipeline Company Ltd., Ghana	Ghana	$75,000,000	Guarantee	Gas	2005
World Bank (IBRD/IDA)	Nigeria National Energy Development Project	Nigeria	$172,000,000	Loan	Gas	2005
World Bank (IBRD/IDA)	Energy Community of South East Europe Project (ECSEE APL #1)	Romania	$84,300,000	Loan	Gas	2005
World Bank (IBRD/IDA)	Urgent Electricity Rehabilitation	Rwanda	$25,000,000	Loan	Gas	2005
World Bank (IBRD/IDA)	PE (CRL) Guarantee Facility	Peru	$200,000,000	Guarantee	Gas	2005
World Bank (IBRD/IDA)	Natural Resources Management Development Policy Loan	Gabon	$3,800,000	Loan	Oil	2005
World Bank (IBRD/IDA)	ID-Domestic Gas Market Development Project	Indonesia	$80,000,000	Loan	Oil/Gas	2005
World Bank (IBRD/IDA)	Gas Sector Development	Turkey	$325,000,000	Loan	Oil/Gas	2005
TOTAL FOSSIL FUELS			**$1,266,600,000**			**2005**

International Finance Corporation	Block Z-1	Peru	$50,000,000	Equity	Gas	2006
International Finance Corporation	RedMed	Algeria	$10,000,000	Loan	Oil	2006
International Finance Corporation	MB Holding Company LLC / Partial Credit Guarantee	World Region	$100,000,000	Guarantee	Oil	2006
International Finance Corporation	IPR EGYPT	Egypt	$25,000,000	Loan	Oil	2006
International Finance Corporation	Toreador Resources Corporation	World Region	$50,000,000	Loan	Oil/Gas	2006
International Finance Corporation	Dewan Petroleum	Pakistan	$25,000,000	Loan	Oil/Gas	2006
International Finance Corporation	Dewan Petroleum	Pakistan	$25,000,000	Equity	Oil/Gas	2006
International Finance Corporation	Petrotesting Colombia S.A.	Colombia	$35,000,000	Equity	Oil/Gas	2006
International Finance Corporation	Melrose II	World Region	$50,000,000	Loan	Oil/Gas	2006
International Finance Corporation	Kappa	Colombia	$30,000,000	Equity	Oil/Gas	2006
International Finance Corporation	Rally Energy	MENA Region	$25,000,000	Loan	Oil/Gas	2006
International Finance Corporation	Cairn India	India	$45,000,000	Equity	Oil/Gas	2006

Multilateral Investment Guarantee Agency (MIGA)	Mehr Petrochemical Company (JV)	Iran	$122,000,000	Guarantee	Gas	2006
World Bank (IBRD/IDA)	Nanjing Steel Convertor Gas Recovery Project	China	$2,250,000	Grant	Gas	2006
World Bank (IBRD/IDA)	Eg-El Tebbin Power	Egypt	$259,600,000	Loan	Gas Power	2006
World Bank (IBRD/IDA)	2nd Mining Sector Cap. Building Supplemental	Mauritania	$5,000,000	Loan	Oil/Gas	2006
TOTAL FOSSIL FUELS			**$858,850,000**			**2006**

International Finance Corporation	Far East Energy Corporation	China	$26,000,000	x	Coal	2007
International Finance Corporation	Lanco Amarkantak Thermal Power Station	India	$8,000,000	Equity	Coal	2007
International Finance Corporation	PT Makmur Sejahtera Wisesa	Indonesia	$122,000,000	x	Coal	2007
International Finance Corporation	Masinloc Power Partners Co	Philippines	$275,000,000	Equity	Coal	2007
International Finance Corporation	Petronet	India	$350,000,000	x	Gas	2007
International Finance Corporation	GSPL	India	$0	Equity	Gas	2007
International Finance Corporation	Engro Energy (Pvt) Limited	Pakistan	$69,000,000	x	Gas Power	2007
International Finance Corporation	QGOG Rigs	Brazil	$50,000,000	Loan	Oil	2007
International Finance Corporation	MB Holding Company	x	$100,000,000	Guarantee	Oil/Gas	2007
International Finance Corporation	Melrose II Expansion	x	$20,000,000	Loan	Oil/Gas	2007
International Finance Corporation	Pan American Energy LLC	Argentina	$150,000,000	Equity	Oil/Gas	2007
International Finance Corporation	QGOG Rigs	Brazil	$50,000,000	Loan	Oil/Gas	2007
International Finance Corporation	Schahin Rigs	Brazil	$50,000,000	Loan	Oil/Gas	2007
International Finance Corporation	IPR Egypt	Egypt	$25,000,000	Equity	Oil/Gas	2007
International Finance Corporation	Cairn India	India	$45,000,000	Equity	Oil/Gas	2007
International Finance Corporation	Maple Energy	Peru	$40,000,000	X	Oil/Gas	2007
International Finance Corporation	Vostok	Russia	$50,000,000	X	Oil/Gas	2007
Multilateral Investment Guarantee Agency	Companhia Mozambique	Mozambique	$49,700,000	Guarantee	Gas	2007
World Bank (IBRD/IDA)	LPTAP Additional Financing	Kosovo	$2,000,000	Loan	Coal	2007
World Bank (IBRD/IDA)	Jo-Amman East Power Plant	Jordan	$45,000,000	x	Gas Power	2007

World Bank (IBRD/IDA)	Amman East Power Plant	Jordan	$45,000,000	Loan	Gas Power	2007
World Bank (IBRD/IDA)	Palau Oil and Gas	Palau	$240,000	Loan	Oil/Gas	2007
World Bank (IBRD/IDA)	Add Financing for Mineral Resources Governance	Madagascar	$8,000,000	Loan	Oil/Gas	2007
World Bank (IBRD/IDA)	Gas Seep Harvesting project	Timor-Leste	$1,850,000	Loan	Oil/Gas	2007
TOTAL FOSSIL FUELS			**$1,581,790,000**			**2007**

International Finance Corporation	CTA	Chile	$740,000,000	x	Coal	2008
International Finance Corporation	Tata Ultra Mega	India	$500,000,000	x	Coal	2008
International Finance Corporation	Calaca Power	Philippines	$300,000,000	x	Coal	2008
International Finance Corporation	Geometric	Nigeria	$4,000,000	Equity	Gas	2008
International Finance Corporation	Peru LNG	Peru	$300,000,000	Equity	Gas	2008
International Finance Corporation	Enerjisa Enerji Uretim A.S.	Turkey	$825,000,000	x	Gas Power	2008
International Finance Corporation	Cairn India II	India	$250,000,000	Loan	Oil	2008
International Finance Corporation	ROCH	Argentina	$37,000,000	x	Oil/Gas	2008
International Finance Corporation	Punj Upstream Phase One	India	$30,000,000	Equity	Oil/Gas	2008
World Bank (IBRD/IDA)	Egypt-Natural Gas Connections Project	Egypt	$75,000,000	Loan	Gas	2008
TOTAL FOSSIL FUELS			**$3,061,000,000**			**2008**