

A photograph of three women in a cornfield. They are wearing colorful, patterned dresses and headwraps. They are using traditional wooden hoes to work the soil. The background shows a blue sky with white clouds and green corn plants. The text is overlaid on the right side of the image.

WALKING THE TALK?

World Bank Energy-Related
Policies and Financing
2000-2004 to 2010-2014

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Cover: Women's group farm supported by ALP in Kugri Ghana. Photo by Fiona Percy. 2011.

Executive Summary: Community monitor of Baadare, Soly Tagris Commune presenting the community adaptation action plan (CAAP) developed with the support of ALP. Photo by Harouna Hama. 2013.

Section I: Dela Jari, ALP community early warning volunteer, reading the rain gauge in Aman Bader village, Dakoro Niger. Photo by Agnes Otzelberger. 2015.

Section II: Children sit under solar panels in Dharnai. A solar-powered mini-grid is now supplying electricity to the village. © Vivek M. / Greenpeace

Section III: Visitors listen to a farmer describe his field of groundnuts and pigeonpea, Luhomero, April 2005. Photo credit: R. Bezner Kerr



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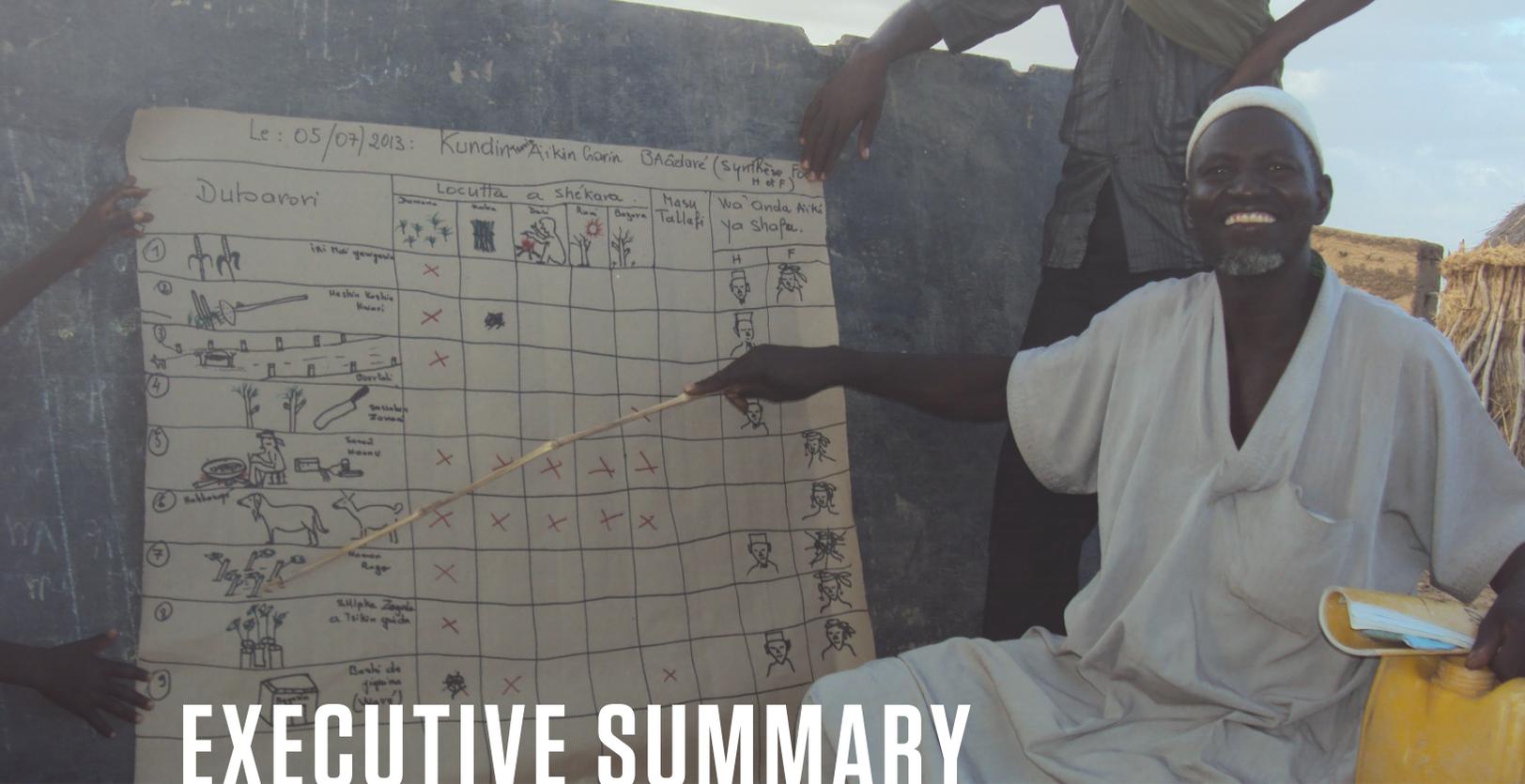
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EXECUTIVE SUMMARY

At least in rhetoric, World Bank leadership has acknowledged for a quarter century that “the possible risks [of global warming] are too high to justify complacency or evasion.”¹ The Bank itself has cautioned that unabated climate change threatens to reverse hard-earned development gains — and that the poorest countries and communities will suffer the consequences first and worst.² The Bank has become increasingly visible at global climate summits and officials regularly comment on the need for reducing greenhouse gas emissions, protecting the climate and making a transition to low-carbon development. However, a sober review of its lending practices reveals the Bank is undermining the cause it purports to champion.

We compared World Bank energy sector financing through the International Bank for Reconstruction and Development (IBRD) and International Development Assistance (IDA)³ for two five-year time periods: 2000 to 2004 and 2010 to 2014.

Key Findings:

- Overall financing for energy-related projects increased 3.5-fold, from a total of \$6.8 billion⁴ in 2000-2004 to \$24.5 billion in 2010-2014.
- The good news: the number of new renewable⁵ energy and demand-side energy efficiency projects (which we will refer to as ‘new renewables’) is reaching parity with fossil fuel projects (Table 1). Also, the dollar amount of lending to new renewables increased almost five-fold between 2000-2004 and 2010-2014 (Fig. 1, pg. 15).
- Disappointingly, because financing for oil, coal and gas grew almost four-fold over the same period, the World Bank is still providing more than 1.5 times the funding for fossil fuel projects as for renewable energy projects (Fig. 1, pg. 15). The increased support for coal and gas projects has been especially strong.
- Despite evidence of their negative environmental and social impacts, financing for large hydroelectric projects has enjoyed a renaissance at the Bank, growing more than 10-fold, from

\$373 million to \$4.3 billion between the two periods. (Fig. 2, pg. 16). Hydroelectric power now amounts to 17% of the Bank’s total energy funding, up from 6% a decade before.

- World Bank energy and related infrastructure investment in the 48 Least Developed Countries⁶ increased from \$1.8 billion in the first period to \$5.2 billion in the second (Fig. 5, pg. 18), but the proportion of overall Bank energy financing going to LDCs dropped from 26% to 21%. Funding for new renewables in LDCs increased more than five-fold. However, while increasing more slowly, funding for fossil fuel projects in LDCs still more than doubled over the same period.

TABLE 1: WORLD BANK (IBRD/IDA) ENERGY FINANCING*

PROJECT TYPE	NUMBER OF PROJECTS		FINANCING (US \$ MILLIONS)	
	2000–2004	2010–2014	2000–2004	2010–2014
FOSSIL FUEL	76	103	\$2,390	\$9,269
NEW RENEWABLE	56	100	\$1,175	\$5,736
LARGE HYDRO	17	23	\$373	\$4,261
OTHER	69	104	\$2,892	\$5,273
TOTAL	218	330	\$6,830	\$24,539

* CATEGORIZATION OF PROJECT TYPE DESCRIBED IN DETAIL IN METHODS DESCRIPTION, ANNEX

RECOMMENDATIONS

If the World Bank is serious about supporting the transition to low-carbon, sustainable development, it should:

- Immediately end coal financing, quickly phase out oil investment, and devote more resources to renewable energy development, as per recommendations in the 2004 Extractive Industries Review. In addition, the Bank should reassess its approach to financing natural gas expansion infrastructure, considering the “lock in” effect of these projects, even those improving the efficiency of fossil fuel facilities.
- Make specific commitments to reduce absolute (as opposed to relative) fossil fuel financing within specific timelines.
- Calculate and make publicly available direct and indirect greenhouse gas emissions for all projects, and harmonize methodologies with other multilateral development banks and public finance institutions to the highest standard.
- Prioritize renewable energy projects in economies in transition, and new renewable mini- and off-grid energy projects in Least Developed Countries.
- Assess alternative renewable energy options for environmental and social, as well as economic, cost and compare them to fossil fuel options.
- Increase clarity and transparency of data and methods, with special attention to better describing the categorization of projects by sector and how funding is allocated within each project.



SECTION I

A RIVER OF REPORTS, A TRICKLE OF REFORM:

WORLD BANK GROUP CLIMATE CHANGE INITIATIVES AND PERFORMANCE 2000-2015

While the World Bank is no longer the world's largest energy lender, it still has out-sized influence on global development finance, both in giving a tacit “seal of approval” to other investors and lenders, and as a knowledge provider, facilitator of North-South and South-South cooperation, partner of other global institutions, and advocate in a variety of international forums.⁷ Aware of growing concern about climate change and traditional fossil fueled industrialization, the institution has sought to reposition itself at the forefront of clean energy, climate and sustainable development efforts worldwide.

Since the beginning of the 21st century, the World Bank has outlined a number of initiatives in the energy sector aimed at tackling the development implications of climate change. A brief history of the Bank's climate-related energy initiatives appears to suggest that its approach has evolved significantly over 15 years, but this is not matched in practice. In this report, we compare the World Bank's energy sector financing through the International Bank for Reconstruction and Development (IBRD) and International Development Assistance (IDA) for calendar years 2000 to 2004 and 2010 to 2014. Our main finding is that while the Bank's rhetoric on climate and energy has evolved, the largest share of its funding still supports fossil fuels.

Before turning to an analysis of energy projects, we briefly review highlights of World Bank energy initiatives since 2000.

Energy Sector Strategy and Extractive Industries Review (2001-2005)

In 2001, the Bank released an Energy Sector Strategy that included greenhouse gas and energy efficiency targets for developing and ‘transition’ countries. The Bank proposed support for policies that removed market and regulatory hurdles to renewable energy and energy efficiency, and introduced policy supports for carbon trading. The 2001 energy strategy called for privatization and liberalization of the energy sector as a way to facilitate access to modern electricity, and outlined support for “environmentally sustainable extraction, production, processing, transport and distribution of oil, gas, and coal” — particularly promoting fuel switching from coal to gas.⁸

Communities impacted by World Bank lending and their allies in donor countries launched campaigns against the Bank in the early 2000s, alleging human rights violations and environmental degradation from mining and fossil fuel projects.⁹ Amidst these campaigns, the World Bank Group undertook a multi-stakeholder review of its support for extractive industries to determine if oil, gas and mining projects could be compatible with the Bank’s goals of sustainable development and poverty reduction.

The Extractive Industries Review (EIR) concluded in 2004 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.”¹⁰ The report recommended an immediate end to coal financing and a phase out of oil investments by 2008, and called on the Bank to devote its scarce resources to investments in renewable energy development instead.



THE REPORT RECOMMENDED AN IMMEDIATE END TO
COAL FINANCING AND A PHASE OUT OF OIL INVESTMENTS
BY **2008**, AND CALLED ON THE BANK TO DEVOTE ITS
SCARCE RESOURCES TO INVESTMENTS IN RENEWABLE
ENERGY DEVELOPMENT INSTEAD.

World Bank management took note of the EIR’s findings, but argued that “all forms of energy have a role to play” in poverty alleviation. While the Bank’s response recognized the role of fossil fuels in contributing to climate change, it argued for increasing support for natural gas, calling it a “clean” fuel, and claimed that by staying engaged in oil and coal the institution could ensure that its clients followed the best environmental and social practices in those sectors.¹¹

The Bank responded to the EIR’s recommendation for a stronger role in promoting renewable energy by pledging to grow its financing for “new renewable” energy and energy efficiency projects by 20% each year over the following five years, in the context of broadening energy access.¹² The increased lending was projected to effectively double the Bank Group’s then roughly \$200 million per year of clean energy support by 2010 — a target that in 2010 it had met, according to our analysis (see conclusion).¹³

Clean Energy Investment Framework and Strategic Framework on Development and Climate Change (2006-2008)

Two years later, in 2006, the Bank developed a Clean Energy Investment Framework (CEIF) in response to a request from the G8. The CEIF outlined strategies for aligning international financial institutions' efforts to meet the need for affordable, modern energy with the reality of climate change, in the context of sustainable development.¹⁴ The Bank reported progress on the CEIF to its Board in 2006 and 2007, including a forecast that energy lending would rise to \$10 billion by the end of Fiscal Year¹⁵ (FY)06-08, and noted that FY06 and FY07 energy projects emphasized access, efficiency and clean energy.¹⁶ It also claimed that new renewable energy and energy efficiency finance was on track to meet commitments made in response to the EIR, and reported making progress on supporting a low-carbon transition, citing the greatest support for hydropower since 1996 and an expansion of its market-based carbon trading program.¹⁷

Independent research, particularly from the Bank Information Center (BIC), told a much different story. Far from helping countries make a low-carbon pivot, BIC found that the Bank's funding for fossil fuel projects leapt 102% to more than \$3 billion between FY07 and FY08, with coal financing increasing an alarming 642%.¹⁸ Lending to large coal projects like the Tata Mundra Ultra Mega supercritical coal power plant in India effectively ushered in a new era of dirty energy financing.¹⁹



LENDING TO LARGE COAL PROJECTS LIKE THE TATA
MUNDRA ULTRA MEGA SUPERCRITICAL COAL POWER
PLANT IN INDIA EFFECTIVELY USHERED IN
A NEW ERA OF DIRTY ENERGY FINANCING.

The World Bank reported an increase of 87% in renewable energy and energy efficiency financing from FY07 to FY08. However, BIC found that taken alone new renewables grew only 17% and energy efficiency, which according to the Bank's definition includes efficiencies at fossil fuel facilities, was responsible for most of the growth.²⁰ In addition, financing for large hydropower projects — which often have devastating environmental and social impacts — doubled.²¹ Disappointingly, BIC also discovered that on average, from the release of the CEIF in 2006 to 2008, annual fossil fuel financing was double that of new renewable energy and energy efficiency, and five times higher than financing for new renewable sources of energy taken alone.²²

As a successor to the CEIF, the Bank's Development Committee approved the three-year 'flexible' Strategic Framework on Development and Climate Change (SFDCC) in 2008. The SFDCC outlined a much broader role for the Bank in climate issues, articulating a set of principles, action areas and financing tools intended to inform existing operational strategies and help partners better understand, manage and adapt to climate change.²³ SFDCC proposed initial measurements of success, such as growing the share of low-carbon projects to 50% of energy lending by 2011, and increasing financing for energy efficiency and new renewables by an average of 30% a year over three years.²⁴ Financing for renewables has been rising rapidly, but is still nowhere near half the Bank's energy portfolio (see conclusion).

The strategy highlighted two new large-scale investment programs designed to deliver climate and environmental benefits from development deals — the newly approved Climate Investment Funds and scaled up support for carbon finance, particularly in the area of reducing emissions from deforestation and forest degradation (REDD).

The Climate Investment Funds (CIFs) created two trust funds to explore ways to develop and disseminate new energy technologies and adaptation strategies, including the Clean Technology Fund (CTF). Its aim was to move large-scale investment into activities that contributed to the demonstration, deployment, and transfer of low-carbon technologies with significant potential for long-term greenhouse gas savings. Civil society criticized the Bank for including new coal power plants, upgrades to existing fossil fuel power plants, and carbon capture and storage for oil and gas in the definition of “low-carbon.”²⁵ One official conceded that the Clean Technology Fund might be better called the “Slightly Cleaner Technology Fund.”²⁶

In a 2010 interim report, the World Bank marked progress on SFDC action areas, claiming an all-time record in renewable energy and energy efficiency financing in FY09 of \$3.3 billion, along with stepped-up support for energy access. It also cited an 88% increase in new renewable energy and energy efficiency commitments, as compared to the SFDC target of an average annual increase of 30%. It warned, however, that FY10 spending would reflect the global financial crisis with a lower share of renewable energy and energy efficiency financing. The report projected correctly that the resulting difficulty for African countries in particular to finance conventional energy development would lead the Bank to support new coal power projects.²⁷

The Bank’s growing support for renewables and energy efficiency projects tells only half the story, though. Oil Change International (OCI) found that in FY09 and FY10, Bank financing for fossil fuels soared to combined \$7.2 billion, dwarfing the \$3.2 billion spent on energy access for the poor by 225%.²⁸ In fact, the Bretton Woods Project found that fossil fuel funding reached a record high in FY10, exceeding \$4.7 billion,²⁹ and that from FY08 to FY10, Bank lending for coal (at \$6.5 billion) roughly matched all donor commitments to the Climate Investment Funds.³⁰

Ultimately, the Bank’s 2008 Strategic Framework on Development and Climate Change did little to prioritize new renewable energy sources or decentralized, locally-driven mitigation or adaptation efforts, stalling on promises to account for its own greenhouse gas emissions, and continuing to increase financing for fossil fuels.³¹

Energy Strategy Approach Paper (2009-2011)

In 2009 the Bank embarked on the process of updating its decade-old energy sector strategy, with the intention of having a new strategy approved in 2011. The Bank proposed two objectives in its 2009 Energy Strategy Approach Paper: improving access and reliability of energy supply, and facilitating the shift to a more environmentally sustainable energy development path. To help expand capacity of energy supply and demand to increase reliability and access, the Bank argued that all options should be on the table — from new renewable electricity generation to large-scale gas, and pledged to increase investment in hydropower projects. The Bank also promised to continue to develop and apply methods for greenhouse gas analysis of energy projects, although no commitments were made to use greenhouse gas accounting as a criterion in funding decisions.³²

In a controversial move, the Bank claimed that situations could arise where climate financing would not be able to buy down the cost difference between coal and a less greenhouse gas-emitting alternative. These situations were seen as especially likely in smaller and poorer countries with limited potential for energy diversification and high vulnerability to oil price shocks. The approach paper outlined conditions under which the Bank could finance new coal power projects, including when a project demonstrated it could improve overall energy security, reduce power shortages, increase access for the poor, or when coal projects used the best appropriate available technology to allow for lower greenhouse gas intensity.³³

The approach paper was used as the basis for initial consultations with stakeholders in developing and developed country governments, regulatory bodies, academia, civil society, the private sector and others in the first half of 2010.

The consultations revealed many areas of agreement among the 2,100 participants and 170 written submissions about an appropriate role for the World Bank in energy finance, including recommendations that it focus on small scale, distributed, renewable energy; delivering more support for renewable technologies overall; tapping local renewable energy and decentralized generation to meet the income-generating needs of people living in poverty; and the importance of investing in energy efficiency, integrated resource planning across sectors, and modernizing household fuels for cooking and heating.³⁴

One of the more hotly contested issues throughout consultations was the World Bank's role in fossil fuel lending. Some private sector, public utilities and government officials were strongly against any prohibitions on financing to develop domestic coal resources, and wanted the Bank to invest in "cleaner" coal while also investing in renewables. Other stakeholders demanded an immediate phase out of fossil fuels, noting that funding carbon intensive technologies counteracts the Bank's efforts to mitigate climate change, and undermines adaptation. Energy subsidy reform and support for large-scale hydropower dams also raised significant debate.³⁵



FROM FISCAL YEARS 2008 TO 2011, THE WORLD BANK
FINANCED OVER **\$33** BILLION IN THE ENERGY SECTOR,
NEARLY HALF OF WHICH (MORE THAN **\$15** BILLION) WENT
TO BUILD OR PROMOTE FOSSIL FUELS.

Ultimately, the Energy Sector Strategy stalled out when developed and developing countries failed to reach a consensus on its most controversial provisions, such as restrictions on support for coal.

Meanwhile, without guidance to steer energy lending to clean technologies, the Bank's fossil fuel lending continued to rise. From fiscal years 2008 to 2011, the World Bank financed over \$33 billion in the energy sector, nearly half of which (more than \$15 billion) went to build or promote fossil fuels.³⁶ Civil society groups pointed out that without a functioning energy strategy, the World Bank would only slip further from its goal of poverty eradication and lose its position as a leader in sustainable energy lending in the international finance community.

Energy in the Kim Era: New Energy Directions and Emerging MDB Common Principles (2012-present)

When Jim Yong Kim took over the World Bank Group presidency in 2012, many development and climate advocates hoped his public health background would lead him to embrace a clean energy agenda. In July 2013, under Kim's guidance, the World Bank board quietly approved a new Energy Directions paper for the Bank's energy

sector.³⁷ The paper highlighted the Bank's intention to focus on the poor in delivering universal energy access, promised increased support for energy efficiency and renewable energy, and—most remarkably—included a halt on financial support for new coal power generation projects except in “rare” circumstances.³⁸

The Energy Directions paper included a list of exemptions from the Bank's claimed halt to coal financing, however. The new restrictions did not apply to coal used in industrial operations for heat, captive power, and chemical needs. The Bank would continue to finance investments in industrial and commercial processes such as steel, cement, and other manufacturing operations. It remained a question if coal power plant expansion and retrofits of existing coal power plants — which usually extend the life of a facility, often for decades — escaped the ban.

The Bank also pledged to scale up its engagement in natural gas, and committed to ramp up spending on hydropower projects. The reiteration of an “all of the above” approach was particularly disappointing given the International Energy Agency's conclusion that local mini- and off-grid solutions based on solar, wind and micro-hydropower projects work best for achieving electrification in rural communities, where the majority of families without access live.³⁹

A pair of reports by Oil Change International revealed disturbing trends. The same year as the Energy Directions paper was approved (2013), they found that Bank support increased to fossil fuels and decreased to clean energy from the preceding year.⁴⁰ The study revealed an increase in natural gas financing from \$590 million in FY12 to \$1.2 billion in FY13, and a leap in large hydropower funding from \$333 million to \$844 million.

In a second study, OCI reported that the Bank had again increased support for dirty energy. Of the total \$9.9 billion provided in energy finance in 2014, 34% went toward fossil fuel projects, while clean energy received only 19%. Despite the World Bank's climate rhetoric, lending for fossil fuel projects had gone up by a third since 2012, including \$400 million in coal finance in 2014.⁴¹ International Rivers found that Bank financing for large dams was on the rise with more than \$2 billion approved for large hydropower projects in 2014, accounting for over half of its support for power generation that year.⁴²

Worryingly, the World Bank's “everything and the kitchen sink” direction on energy seems to have been used as a framework for the common principles on tracking climate mitigation finance agreed to by the Bank, other multilateral development banks and the International Development Finance Club.⁴³ Common definitions can help bring consistency and transparency to donor spending on climate and energy, and the principles insist that hydropower, biomass and geothermal projects would have to show real emission reductions to count. Still, the common principles encourage dirty and destructive energy under the rubric of ‘lower carbon’ fossil fuel, carbon capture and sequestration, large dams, and burning trash as fuel and are conspicuously silent on common methodology for calculating a project's carbon footprint.

The World Bank faces serious challenges in matching its pro-climate discourse with its fossil-heavy lending, as our review of its energy and climate initiatives and track record shows. This is all the more reason why the Bank's ability to influence the lending policies of institutions with significantly larger energy portfolios puts a speedy transition to a climate-friendly, low-carbon economy at risk. Much of existing development aid could simply be redefined as climate finance and emerging institutions like the Green Climate Fund could be distracted from their mission to support a paradigm shift in developing countries energy systems.

At a time when climate change is recognized by the Bank itself as one of the greatest risks to development, its actions need to reflect its rhetoric.

“

THE WORLD BANK’S “EVERYTHING AND THE KITCHEN SINK” DIRECTION ON ENERGY SEEMS TO HAVE BEEN USED AS A FRAMEWORK FOR THE COMMON PRINCIPLES ON TRACKING CLIMATE MITIGATION FINANCE AGREED TO BY THE BANK, OTHER MULTILATERAL DEVELOPMENT BANKS AND THE INTERNATIONAL DEVELOPMENT FINANCE CLUB.



SECTION II

WHAT HAS CHANGED? A NEW REVIEW

In order to understand how the World Bank's lending practices align with their increasingly climate-friendly rhetoric, this study compared total volumes of financing approved through the International Bank for Reconstruction and Development (IBRD) and International Development Assistance (IDA) for fossil fuel and renewable energy projects (as a proxy for the Bank's commitment to a clean energy transition) in calendar years 2000-2004 and 2010-2014 (for a full description of report methodology, see Annex).

We found that World Bank funding for all four categories of energy projects - fossil, new renewable, large hydro and other - increased substantially between the two study periods (Fig. 1).

New Renewables

The good news is that the Bank increased spending on new renewables and demand side energy efficiency almost five-fold between 2000-2004 and 2010-2014, from \$1.2 billion to \$5.7 billion. Also, the number of new renewable projects reached parity with the number of fossil fuel projects supported, although renewable projects tended to be far smaller.

In both time periods, energy efficiency and mixed renewables made up the majority of new renewable financing (Fig. 3). Funding for demand side efficiency quadrupled to \$2.1 billion — a smart move by the Bank since investing in energy efficiency is a cheaper and faster way to reduce greenhouse gas emissions than building new lower-carbon power facilities.⁴⁴ Other major shifts included a 40-fold increase in funding for solar power projects, and significant growth in wind energy (although wind still only constitutes 4 percent of new renewable finance).



FUNDING FOR DEMAND SIDE EFFICIENCY QUADRUPLED TO **\$2.1** BILLION — A SMART MOVE BY THE BANK SINCE INVESTING IN ENERGY EFFICIENCY IS A CHEAPER AND FASTER WAY TO REDUCE GREENHOUSE GAS EMISSIONS THAN BUILDING NEW LOWER-CARBON POWER FACILITIES.

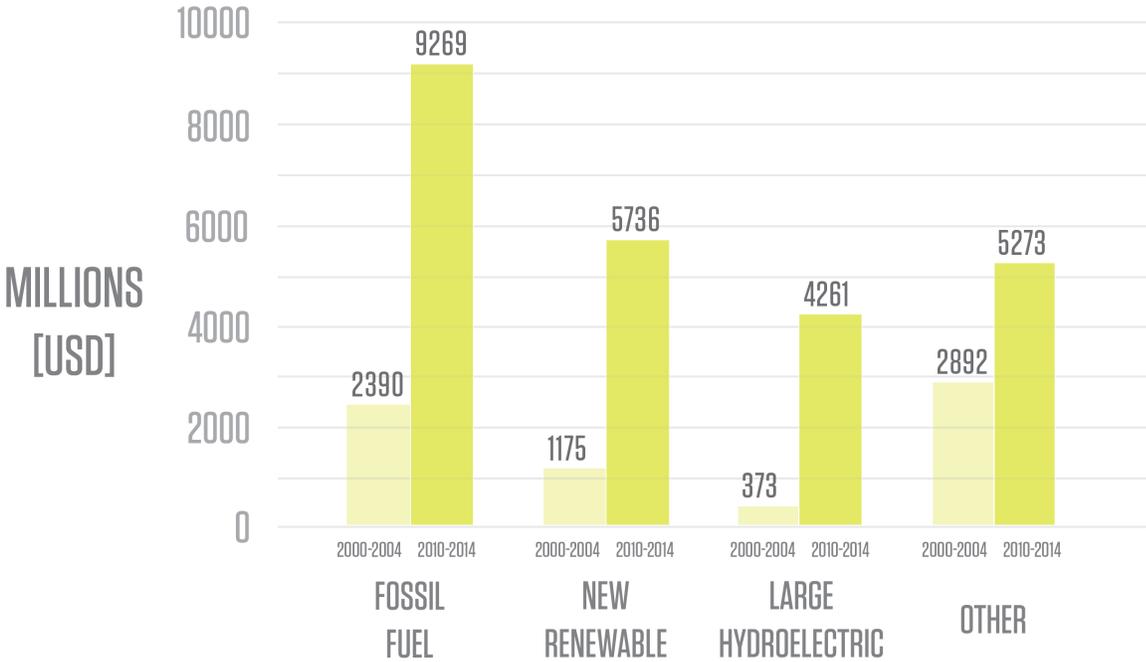
Fossil Fuels

Unfortunately, funding for fossil fuel projects grew from \$2.4 billion to \$9.3 billion — an almost four-fold increase. In the 2010-2014 period, fossil fuel projects still received more than 1.5 times as much support as new renewables, and the share of fossil fuel projects in the Bank's energy portfolio rose from 35% to 38% (Fig. 2).

World Bank financing increased to all types of fossil fuel projects, but the distribution shifted over time. During 2000-2004, mixed fossil fuel projects received the majority of funding (40%), and financing was evenly distributed between gas, coal and supply side energy efficiency (17% each). By the 2010-2014 period coal had leapt to 36% of dirty projects (\$3.4 billion) and gas projects constituted 27% of fossil fuel support (\$2.5 billion) (Fig. 4). The Bank's increase in coal — the most carbon intensive of all fossil fuels — is particularly at odds with the Bank's rhetoric on climate change. The rise in support for gas is also disappointing. Although cited as being less emitting than coal when combusted in new, efficient power plants, methane leaked during drilling, extraction and transport has called into question whether gas projects are actually less harmful to the climate.⁴⁵ Supply side energy efficiency increased five-fold, growing to about 20% of 2010-2014 fossil fuel funding. While lowering the carbon intensity of electricity generation, efficiencies should be considered part of an approach to ultimately transition away from fossil fuel energy generation.

FIGURE 1: WORLD BANK (IBRD/IDA) FINANCING FOR ENERGY SECTOR PROJECTS BY CATEGORY, 2000-2004 AND 2010-2014

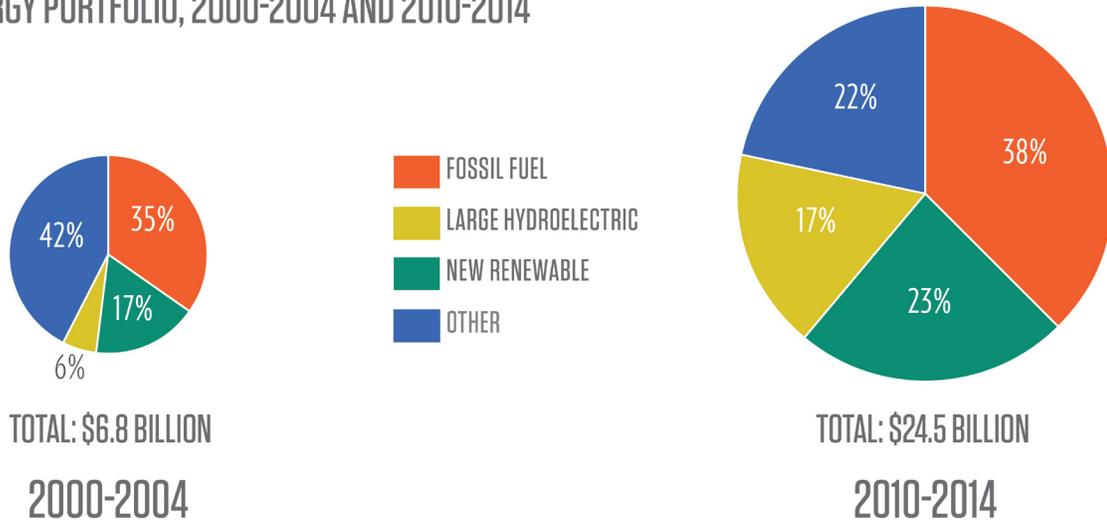
WORLD BANK (IBRD/IDA) FINANCING FOR ENERGY SECTOR PROJECTS BY CATEGORY, 2000-2004 AND 2010-2014



FUNDING FOR FOSSIL FUEL PROJECTS GREW FROM **\$2.4 BILLION** TO **\$9.3 BILLION** — AN ALMOST FOUR-FOLD INCREASE. FROM **2010-2014**, FOSSIL FUEL PROJECTS STILL RECEIVED MORE THAN **1.5 TIMES** AS MUCH SUPPORT AS NEW RENEWABLES.

FIGURE 2: WORLD BANK (IBRD/IDA) ENERGY SECTOR PROJECT FINANCE AS A PERCENTAGE OF TOTAL ENERGY PORTFOLIO, 2000-2004 AND 2010-2014

WORLD BANK (IBRD/IDA) ENERGY SECTOR PROJECT FINANCE AS A PERCENTAGE OF TOTAL ENERGY PORTFOLIO, 2000-2004 AND 2010-2014



Large Hydropower

Financing for large hydroelectric power projects, defined by the World Bank as projects with production capacity of greater than 10 megawatts, make up a quickly growing proportion of the Bank’s energy portfolio. In the first period, large hydroelectric projects constituted 6% of the energy portfolio (\$373 million). Ten years later, 17% of energy funding (\$4.3 billion) went to large hydro projects (Fig. 2) — a more than 10-fold increase.

The role of large hydropower in a sustainable energy regime is still hotly debated. On one hand, the World Bank and others have argued that large hydropower can help meet baseload electricity demand in a low-carbon energy system. However, dammed reservoirs, especially in the tropics, emit greenhouse gases. Large dams are also highly vulnerable to climate change as rainfall and river flow becomes increasingly unpredictable.⁴⁶

In addition to its climate impacts, large hydropower is often considered a ‘dirty’ energy because of its broader social and environmental impacts. In project documents, the Bank itself has acknowledged that larger hydropower projects require greater land and water resources, which it noted could impact inter-basin resource sharing, vegetation, wildlife, wetlands, local microclimate and village resettlement.⁴⁷ And International Rivers has found that large dams often overrun costs, on average by 96%, making the electricity generated too expensive for poor consumers.⁴⁸

FIGURE 3: WORLD BANK (IBRD/IDA) NEW RENEWABLE FUNDING BY PROJECT TYPE, 2000-2004 AND 2010-2014

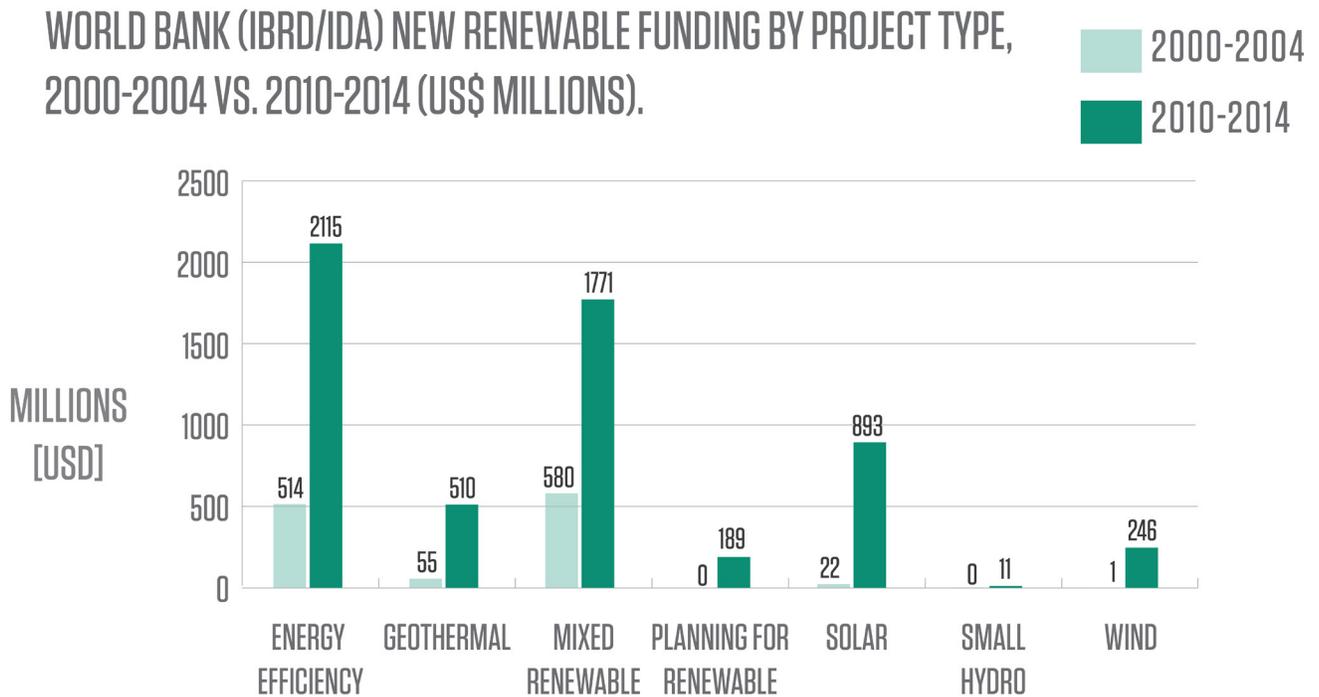
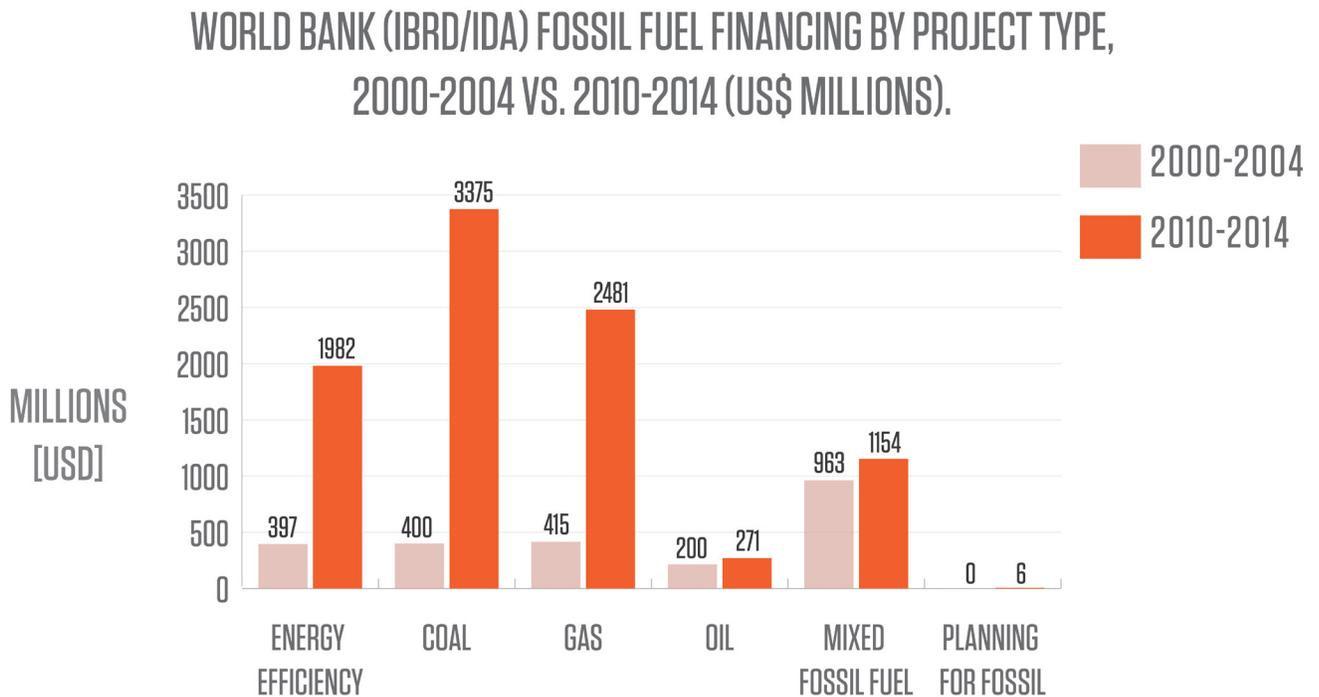


FIGURE 4: WORLD BANK (IBRD/IDA) FOSSIL FUEL FINANCING BY PROJECT TYPE, 2000-2004 AND 2010-2014



Other

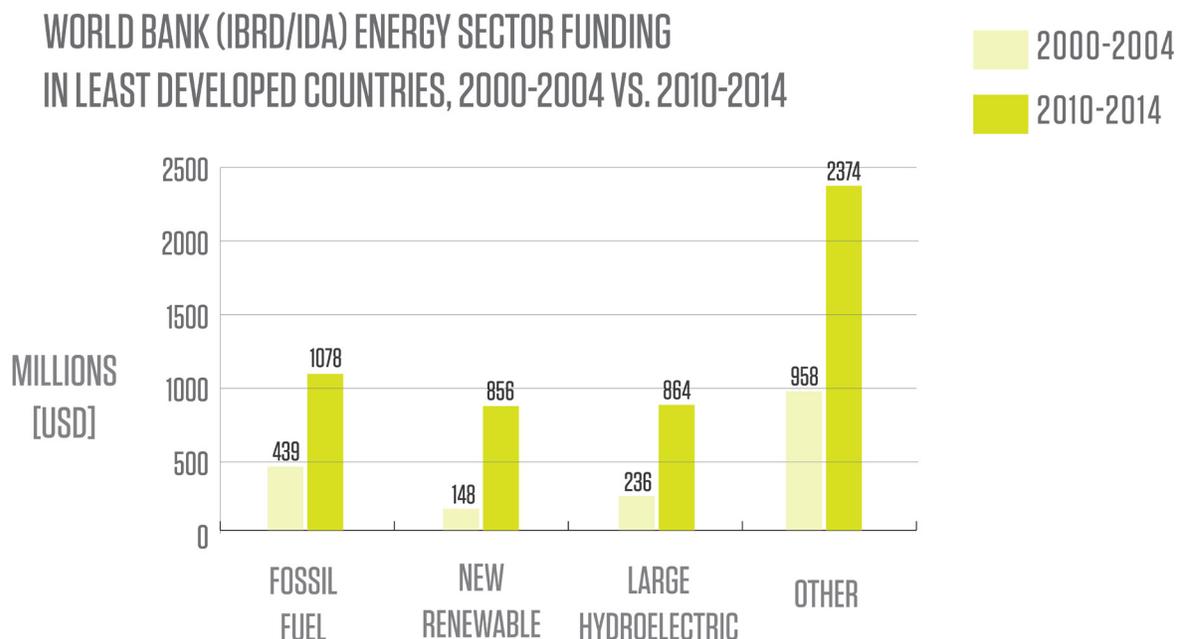
In 2000-2004, landfill gas recovery, biofuel and energy infrastructure, planning and electrification projects that were not clearly identified as fossil or renewable made up more than 40% of the Bank's entire energy portfolio (\$2.9 billion). By 2010-2014 that proportion had been halved to about 20%, but the volume of financing almost doubled in absolute terms to \$5.3 billion.

The considerable amount of funding classified as "other" points to the need for more detail and clarity in project descriptions, environmental impact assessments and other documents. It also raises issues about the World Bank's categorization of biofuel projects as renewable, given the risk of land grabbing and potential competition for land with food production. Similar problems arise when claiming landfill gas recovery as renewable. In 2007 the Intergovernmental Panel on Climate Change found that landfill gas capture systems may prevent as little as 20% of methane emitted.⁴⁹ And installation of landfill gas capture infrastructure can lock-in landfill operations, or their expansion, in place of putting in place less polluting, climate-friendlier zero waste strategies.

Energy Funding for Low-Income Communities

This report also examined whether the world's poorest nations have received a growing piece of the Bank's energy investment pie, as has been recommended repeatedly in World Bank reports over the past fifteen years. We found that the Bank's total volume of energy funding to LDCs has increased from \$1.8 billion in 2000-2004 to \$5.2 billion in 2010-2014. However the proportion of overall Bank energy financing going to LDCs dropped from 26% to 21%. Funding for new renewables in LDCs increased almost six-fold, from \$148 million to \$856 million. As discussed above, mini- and off-grid solar, wind and micro-hydro projects are considered most effective for addressing energy poverty.⁵⁰ However, this increase in new renewables does not necessarily mean projects were targeted at energy access for the poor. Finally, while increasing more slowly, funding for fossil fuel projects in LDCs more than doubled between the two periods, from \$439 million to \$1.1 billion.

FIGURE 5: WORLD BANK (IBRD/IDA) ENERGY SECTOR FUNDING IN LEAST DEVELOPED COUNTRIES, 2000-2004 vs. 2010-2014





SECTION III

MEETING THEIR PROMISES:

CONCLUSIONS AND RECOMMENDATIONS

As one of the most influential financial institutions on Earth, the World Bank's actions will be a critical piece of humanity's response to climate change. This report reviews fifteen years of initiatives and statements by the World Bank on the importance of shifting away from fossil fuels towards renewable energy, and providing for the needs of developing nations while avoiding the worst impacts of climate change. In examining all World Bank (IBRD/IDA) energy projects between 2000-2004 and 2010-2014 it finds that the Bank has increased spending on energy efficiency and new renewables such as wind and solar. But despite wilting criticism and its own internal statements the World Bank also has ramped up spending on fossil fuels, including coal and natural gas, and continues to fund massive hydroelectric plants.

Looking back at the World Bank's own pledges proves useful. The 2004 Extractive Industries Review, and a related pledge made in Bonn upon the release of the EIR, committed the Bank to increasing its lending to new renewables and energy efficiency by 20% per year from 2004. The Bank also promised in the 2008-2011 Strategic Framework for Development and Climate Change to increase financing for energy efficiency and new renewables by an average of 30% a year. For the years that these pledges overlap with our study period (2010-2011) we see an almost 80% increase in new renewables and energy efficiency, from \$1.2 billion to \$2.2 billion.

The World Bank also proposed as an initial measure of success in the SFDCC growing the share of low-carbon projects to 50% of energy financing by 2011. Using our classification system, in 2011 new renewables made up 40% of the Bank's IBRD/IDA energy portfolio. For the entire 2010-2014 timeframe, new renewables made up only 24% of all IBRD/IDA energy spending. When considering all World Bank financing streams (IFC and MIGA, as well as IBRD and IDA) in 2010-2014, new renewables account for only a fifth (22%) of energy funding.⁵¹

Recommendations

If the World Bank is serious about supporting the transition to low-carbon, sustainable development, it should:

- Immediately end coal financing, quickly phase out oil investment, and devote more resources to renewable energy development, as per recommendations in the 2004 Extractive Industries Review. In addition, the Bank should reassess its approach to financing natural gas expansion infrastructure, considering the “lock in” effect of these projects, even those improving the efficiency of fossil fuel facilities.
- Make specific commitments to reduce absolute (as opposed to relative) fossil fuel financing within specific timelines.
- Calculate and make publicly available direct and indirect greenhouse gas emissions for all projects, and harmonize methodologies with other multilateral development banks and public finance institutions to the highest standard.
- Prioritize renewable energy projects in economies in transition, and new renewable mini- and off-grid energy projects in Least Developed Countries.
- Assess alternative renewable energy options for environmental and social, as well as economic, cost and compare them to fossil fuel options.
- Increase clarity and transparency of data and methods, with special attention to better describing the categorization of projects by sector and how funding is allocated within each project.

Annex: Methodology

This study set out to ascertain whether the World Bank's lending practices align with their increasingly climate-friendly rhetoric by comparing total volumes of financing approved for fossil fuel and renewable energy projects (as a proxy for the Bank's commitment to a clean energy transition) in calendar years 2000-2004 and 2010-2014.

To do so, we reviewed project documents (including projects description and environmental assessments) for the 480 energy sector projects in the World Bank's IBRD and IDA online project database⁵² approved in the two time periods. We analyzed projects in five-year blocks to smooth out potential "lumpiness" in lending data caused by large projects approved in a single year.⁵³

We analyzed both the number of projects and the nominal value of financing in the following energy categories:

New renewable: included geothermal, wind, solar, small hydroelectric power generation (< 10MW) or run of river hydroelectric of any capacity, and mixed renewables (two or more renewable components, like solar and wind, in the same project). We also included energy efficiency projects directed at demand-side energy use reduction in this category.

Fossil: included fossil fuel sources - oil, gas, coal, mixed fossil (two or more fossil components, like gas and oil, in the same project) — and projects that contributed to "lock-in" of fossil fuel use, such as energy efficiency for fossil plants and planning for fossil fuel energy.

Large hydroelectric power projects: included those with more than 10MW generating capacity.

Other: included biofuels, landfill gas recovery, and energy infrastructure (including transmission lines and pipelines), planning (including energy assessment) and electrification, where not specified as fossil or renewable.

Energy-related projects that lacked sufficient information to determine which of the four categories best applied were excluded from the analysis.

If a project fit into multiple categories, the financing amount was allocated according to sector proportions provided by the World Bank project descriptions (when available). This allowed us to account more accurately for "mixed" projects that did not fit within a single categorization. An example of such a project devoted specific proportions of total project funding to both transmission lines (*other*) and gas powered electricity utility plants (*fossil*). Where the World Bank indicated multiple sectors but was not clear about proportions, total project funding was divided equally among the sectors named.

The findings using this methodology are therefore limited by amount and quality of the information made public by the World Bank on its web portal. While the Bank is more transparent than many other donor institutions, its online project database often lacked clear, detailed information about the nature of activities being funded. Thus, a degree of coder judgment was involved in categorizing projects based on limited information. Additionally, there were discrepancies between the data on the website and in the project's documents. In cases where project documents conflicted with the information summarized on the World Bank's project database website, we used the information presented in the online summary page.⁵⁴

Finally, by examining only projects included in the IBRD and IDA online database, our analysis excludes the significant energy financing flowing through the World Bank Group's private sector entities - the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA). We chose to examine only the Bank's public sector energy finance because we were most interested in understanding to what degree contributions raised from taxpayer money were focused on serving the public good of averting climate change and delivering clean energy in the context of sustainable development. However, this limited scope constrains our efforts to assess broader patterns at the Bank.

Endnotes

- ¹ These first warnings were issued by then-Bank President Barber Conable over 25 years ago. His full speech is available at <http://digitalcommons.wcl.american.edu/cgi/viewcontent.cgi?article=1581&context=auilr>.
- ² World Bank Group. 2008. A Strategic Framework for the World Bank Group: Technical Report. <http://siteresources.worldbank.org/EXTCC/Resources/407863-1219339233881/DCCSFTechnicalReport.pdf>.
- ³ Although the World Bank Group also finances energy through its private sector arms, the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA), we chose to examine project financing flowing through its public institutions where contributions raised from taxpayers money should be most focused on serving the public good; i.e. averting climate change and delivering clean energy in the context of sustainable development.
- ⁴ All financing amounts in this briefing are presented in US dollars (USD).
- ⁵ Projects categorized in this study as “new renewable” included geothermal, wind, solar, small hydroelectric power generation (< 10 MW) or run of river hydroelectric of any capacity, and mixed renewables. Energy efficiency projects directed at demand-side energy use reduction were also included in this category. For a full discussion of our methodology, see Annex.
- ⁶ A current list of low-income countries, as classified by the World Bank, can be found at <http://data.worldbank.org/region/LDC>. Between 2000 and 2010 Cape Verde was removed from the list of LDCs and Timor Leste was added.
- ⁷ World Bank Group. October 12, 2008. Development and Climate Change: A Strategic Framework for the World Bank Group. Available at <http://bit.ly/1Feyi4O>.
- ⁸ World Bank Group Energy Program: Poverty Reduction, Sustainability and Selectivity. Available at <http://siteresources.worldbank.org/INTENERGY/Publications/20269216/energybrochure.pdf>.
- ⁹ Including campaigns against the Chad-Cameroon oil pipeline project, Camisea Peru LNG pipeline project, Baku-Tbilisi-Ceyhan export oil pipeline, etc.
- ¹⁰ Emil Salim. December 2003. Striking a Better Balance -- Volume I: The World Bank Group and Extractive Industries: The Final Report of the Extractive Industries Review. Available at http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/02/20/000442464_20140220114614/Rendered/PDF/842860v10WP0St00Box382152B00PUBLIC0.pdf.
- ¹¹ World Bank Group. September 17, 2004. Striking a Better Balance --The World Bank Group and Extractive Industries: World Bank Group Management Response. Available at <http://documents.worldbank.org/curated/en/2004/09/5138809/striking-better-balance-world-bank-group-extractive-industries-final-report-extractive-industries-review>.
- ¹² “New renewables” are defined by the Bank as energy from wind, solar, geothermal, biomass, and hydropower with a capacity less than 10MW per facility. World Bank Group. March 2005. World Bank Group Progress on Renewable Energy and Energy Efficiency: 1990–2004. Pages 4-5. Available at http://siteresources.worldbank.org/INTENERGY/Resources/335544-1111615897422/Annual_Report_Final.pdf.
- ¹³ World Bank Group. June 2, 2004. World Bank Announces Targets, Calls for Partnerships on Renewable Energy. Available at <http://web.worldbank.org/WBSITE/EXTERNAL/NEWS/0,,contentMDK:20208378~menuPK:34463~pagePK:64003015~piPK:64003012~theSitePK:4607,00.html>.
- ¹⁴ World Bank Group. April 5, 2006. Clean Energy and Development: Towards an Investment Framework. <http://bit.ly/1Asmgbt>. See also Clean Energy for Development Investment Framework: The World Bank Group Action Plan. Available at <http://siteresources.worldbank.org/DEVCOMMINT/Documentation/21289621/DC2007-0002%28E%29-CleanEnergy.pdf>.
- ¹⁵ The World Bank’s fiscal year runs from July 1 through June 30. Our analysis is based on the calendar year (January 1 through December 31) within which projects were approved.
- ¹⁶ World Bank Group. August 28, 2007. Clean Energy for Development Investment Framework: Progress Report on the

World Bank Group Action Plan. Available at <http://bit.ly/1J3sXls>.

- ¹⁷ For a critique of the World Bank's carbon finance program, see Institute for Policy Studies. April 2008. World Bank: Climate Profiteer. Available at http://www.ips-dc.org/world_bank_climate_profiteer/.
- ¹⁸ Bank Information Center. February 2009. World Bank Energy Sector Lending: Encouraging the World's Addiction to Fossil Fuels. Available at <http://www.bicusa.org/en/Document.100733.pdf>. Additional information compiled earlier in 2008 by the Bank Information Center shows similar trends. See Bank Information Center. July 23, 2008. World Bank Group extractive industries and fossil-fuel financing, FY05-FY08. Available at <http://www.bicusa.org/proxy/Document.11300.pdf>.
- ¹⁹ Oil Change International. World Bank Group Financing for Coal FY2007 – FY2010. Available at <http://priceofoil.org/content/uploads/2010/04/wbg-fossil-fuel-2008-10.doc>.
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- ²¹ See Institute for Policy Studies, Oil Change International, Friends of the Earth US and Campagna per la Riforma della Banca Mondiale. October 2008. Dirty is the New Clean: A critique of the World Bank's Strategic Framework for Development and Climate Change. Available at <http://www.ips-dc.org/wp-content/uploads/2008/10/1223558266dirtyisnewcleanFINAL1.pdf>. See also Bank Information Center. July 23, 2008. World Bank Group extractive industries and fossil-fuel financing, FY05-FY08. Available at <http://www.bicusa.org/proxy/Document.11300.pdf>.
- ²² Bank Information Center. February 2009. Op. Cit.
- ²³ World Bank Group. October 12, 2008. Development and Climate Change: A Strategic Framework for the World Bank Group. Available at <http://bit.ly/1Feyi4O>.
- ²⁴ World Bank Group. October 12, 2008. Annex 3: Key Actions and Deliverables for Fiscal Years 2009-11. Op. Cit.
- ²⁵ A major criticism of the SFDC and the Clean Technology Fund was the Bank's definition of 'low-carbon' projects, which included renewable energy projects (including all sizes of hydropower projects), energy efficiency, power plant rehabilitation; district heating; biomass waste-fueled energy; gas-flaring reduction; high-efficiency coal-fired thermal plants (super-critical and ultra-supercritical, where they upgrade plant efficiency relative to the business-as-usual scenario). World Bank Group. October 12, 2008. p.9. Op Cit.
- ²⁶ Oil Change International. May 1, 2008. World Bank's "Slightly Cleaner Technology Fund." Available at <http://priceofoil.org/2008/05/01/world-banks-slightly-cleaner-technology-fund/>. In addition, the CIFs were seen to be in direct competition with existing funds under the UN Framework Convention on Climate Change, like the Adaptation Fund and the still under debate Green Climate Fund. A sunset clause was put in place to trigger closure when a new financing mechanism was effective under the climate convention. With the Green Climate Fund now operational, many are calling on the CIFs to close, but at recent meetings with World Bank staff it appears the sunset clause may be scrapped. For deeper analysis of the Climate Investment Funds, visit the Bretton Woods Project CIFs Monitor here <http://www.brettonwoodsproject.org/publications/climate-investment-funds-monitor-11/>.
- ²⁷ World Bank Group. April 20, 2010. Development and Climate Change: A Strategic Framework for the World Bank Group Interim Progress Report. Available at <http://bit.ly/1FCxkkZ>.
- ²⁸ Oil Change International. October 2010. World Bank Group Energy Financing: Energy for the Poor? Available at <http://priceofoil.org/2010/10/01/world-bank-group-energy-financing-energy-for-the-poor/>.
- ²⁹ Much of that total can be accounted for by a single project — a \$3.75 billion loan from the IBRD to South African energy giant Eskom, the majority of which goes to build the 4,800 MW Medupi power plant, which is set to be the world's fourth largest coal-fired power plant. Oil Change International found that this project is not directed at delivering energy access to the poor, despite Bank claims.
- ³⁰ Bretton Woods Project. September 2010. The World Bank and the International Finance Corporation: Input to the

DFID Multilateral Aid Review. Available at <http://www.brettonwoodsproject.org/wp-content/uploads/2014/04/bwpmarsubmission.pdf>.

- ³¹ Institute for Policy Studies, Oil Change International, Friends of the Earth US and Campagna per la Riforma della Banca Mondiale. October 2008. Dirty is the New Clean: A critique of the World Bank's Strategic Framework for Development and Climate Change. Available at <http://www.ips-dc.org/wp-content/uploads/2008/10/1223558266dirtyisnewcleanFINAL1.pdf>.
- ³² World Bank Group. October 2009. Energy Strategy Approach Paper. Available at <http://siteresources.worldbank.org/EXTESC/Resources/Approach-paper.pdf>.
- ³³ World Bank Group. October 2009. Op. cit.
- ³⁴ World Resources Institute. March 10, 2011. World Bank Energy Strategy Must Address Energy Poverty and Climate Change. Available at <http://www.wri.org/blog/2011/03/world-bank-energy-strategy-must-address-energy-poverty-and-climate-change>.
- ³⁵ World Resources Institute. March 10, 2011. Op. Cit.
- ³⁶ Oil Change International, Friends of the Earth US, groundWork, International Rivers, Sierra Club, Campagna per la riforma della Banca Mondiale, Urgewald, BASIC South Initiative. December 2011. Unclear on the Concept: How Can the World Bank Group Lead on Climate Finance Without an Energy Strategy? Available at <http://priceofoil.org/content/uploads/2011/11/Unclear-on-the-Concept-Dec-2011.pdf>.
- ³⁷ While significant in setting a new tone for energy finance, doubts persist about whether a "directions" paper can provide the same institutional guidance as a formal strategy or policy.
- ³⁸ World Bank Group. July 2013. Toward a Sustainable Energy Future for All: Directions for the World Bank Group's Energy Sector. Available at <http://bit.ly/PPsagB>.
- ³⁹ International Energy Agency. October 2011. Energy For All: Financing Access for the Poor. Available at http://www.worldenergyoutlook.org/media/weowebiste/energydevelopment/weo2011_energy_for_all.pdf. See also International Institute for Environment and Development. November 2013. Shaping a global goal on energy access that leaves no one behind Available at <http://pubs.iied.org/17183IIED.html>.
- ⁴⁰ The Bank provided nearly US\$7 billion in energy lending, including US\$2.7 billion in fossil fuels, US\$1.7 billion in clean energy, and US\$2.6 billion in "other" energy projects, such as large hydropower or transmission projects. Oil Change International. October 2013. World Bank Group Increases Lending for Fossil Fuels and Large Hydro; Continues to Fail on Delivering Energy Access to the Poor. Available at <http://priceofoil.org/content/uploads/2013/10/OCI-World-Bank-Energy-Lending-Oct-2013-Final.pdf>.
- ⁴¹ Oil Change International. April 2015. Still Funding Fossils: World Bank Group Energy Finance FY 2014. Available at <http://priceofoil.org/content/uploads/2015/04/world-bank-april-2015-FINAL.pdf>.
- ⁴² International Rivers. April 2015. The World Bank and Dams Part 1: Lessons Not Learned. Available at http://www.internationalrivers.org/files/attached-files/world_bank_and_dams_fact_sheet_web.pdf.
- ⁴³ World Bank. July 9, 2015. Development Banks Agree Common Approach to Measure Climate Finance. Available at <http://www.worldbank.org/en/news/press-release/2015/07/09/development-banks-common-approach-climate-finance>. The principles are available at <http://www.worldbank.org/content/dam/Worldbank/document/Climate/common-principles-for-climate-mitigation-finance-tracking.pdf>.
- ⁴⁴ Lawrence Berkeley National Laboratory. What's Energy Efficiency? Available at <http://eetd.lbl.gov/ee/ee-4.html>.
- ⁴⁵ E.G. Union of Concerned Scientists. Environmental Impacts of Natural Gas. Available at http://www.ucsusa.org/clean_energy/our-energy-choices/coal-and-other-fossil-fuels/environmental-impacts-of-natural-gas.html#.VgjiLnmRViko.
- ⁴⁶ International Rivers. April 2015. The World Bank and Dams. Available at http://www.internationalrivers.org/files/attached-files/world_bank_and_dams_fact_sheet_web.pdf.
- ⁴⁷ For example, in World Bank Group. September 4, 2002. Costa Rica - PCF Umbrella Project (76421): Draft Environmental Assessment Framework. Available at: <http://www-wds.worldbank.org/external/>.
- ⁴⁸ International Rivers. April 2015. The World Bank and Dams. Available at [---

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- ⁵⁰ International Energy Agency. October 2011. *Energy For All: Financing Access for the Poor*. Available at http://www.worldenergyoutlook.org/media/weoweb/energydevelopment/weo2011_energy_for_all.pdf. See also International Institute for Environment and Development. November 2013. *Shaping a global goal on energy access that leaves no one behind* Available at <http://pubs.iied.org/17183IIED.html>.
- ⁵¹ Data on IFC and MIGA energy financing provided by Oil Change International.
- ⁵² Project data was accessed on the World Bank Energy Project & Programs online database, available at <http://www.worldbank.org/en/topic/energy/projects/all>.
- ⁵³ Data was collected on September 30, 2014. Projects approved between October 1 – December 31, 2014, are not included in this analysis.
- ⁵⁴ Discrepancies between the findings of this report and the World Bank's own assessment of its energy lending is to be expected since, as one World Bank economist noted, According to World Bank different methodologies mean "it is expected, and desirable, that (sic) results should not be highly correlated." Raymond Zhong. Aug. 4, 2015. *The Wall Street Times*. "Is the World Bank's 'Doing Business' Report at Odds With How Business Is Done in the Developing World?" Available at <http://blogs.wsj.com/economics/2015/08/04/is-the-world-banks-doing-business-report-at-odds-with-how-business-is-done-in-the-developing-world/>.