Civil Society Groups
#World Bank Action Day 2021

October 14, 2021

Open Letter

To the Governors and Executive Directors of the World Bank Group

CC: David Malpass,
President of the World Bank Group

Dear Governors and Executive Directors,

The dramatic news from the IPCC Working Group 1 report released this year about the state of the world's climate breakdown prompts us to ask you to fill the World Bank Group with new management, from the top down. It is high time for the World Bank Group to immediately end all actions that promote coal, oil and gas, and to support countries on a just transition to renewable, resilient and inclusive development pathways. Unfortunately, to this day, direct and indirect WBG support continues to flow into fossil energies and into propping up fossil fuel industry profits, with damaging results to communities and country economies.

The failure of the WBG to position itself with science and justice when it comes to climate change mitigation undermines the mission of the institution. This is, no doubt, in part a reflection of a diversity of political positions on the WBG Board. However, it is also a factor of an established culture and bias among WBG management that has contributed to the perpetuation of fossil fuel dependent development pathways globally, despite advances in climate and energy science, technology, policies and best practices, and despite long-time calls from civil society globally for a paradigm shift. The WBG's investments and policy advice have been a significant normalizing force in dirty and harmful global development pathways, limiting for far too long the terms and parameters of the conversation of what is possible, what is needed, and what is desired by the people who the World Bank is mandated to serve when it comes to the energy systems powering countries' development.

While Presidents of the World Bank are appointed and accountable to the Board, they are hardly mere puppets: they have the ability to steer the strategic direction of the WBG, and therefore, the choice of personnel makes all the difference, and leads us to conclude: personnel is policy. Unfortunately, the WBG's management has failed repeated calls for serious and just action on climate change.

In 2017, nine multilateral development banks (MDB), including the World Bank, committed to align their financial flows with the goals of the Paris Agreement. Earlier this year, over 150 organizations sent a letter calling on World Bank President David Malpass to adopt a whole-of-institution approach to end all its support for fossil fuels. However, the recently released CCAP allows the WB to keep supporting fossil fuels for 2-4 more years, takes a selective approach at phasing out fossil fuels ignoring the science and economics around fossil gas, and fails to address areas of policy based lending and financial intermediaries. It also allows the WB to continue to invest in false solutions like carbon trading--which requires offsets through the use of unproven technologies or tree plantations across the globe, contributing to land-grabbing from communities in the Global South. It also allows support for carbon capture and storage (CCS), an approach supported by major polluters because it allows them to keep polluting, through costly, unproven, and dangerous technologies, shifting responsibility away from polluters and governments' need to regulate them. The CCAP also places excessive emphasis on the mobilization of private finance, an approach that has questionable efficacy and development impacts, which makes it harder for civil society and the WB itself to hold them accountable, and whose fiduciary mandates to increase shareholder return are fundamentally misaligned with incentives to make the energy transition an equitable one.

In order for the WBG group to make the bold and urgent changes needed to decarbonize its activities, support countries to reach universal energy access, and adapt to climate change, shareholders must overhaul the management. Personnel must be put in place with the vision, expertise, and demonstrable commitment to address climate change from a public interest perspective. Empty platitudes and noncommittal catch words, unproven market-centric theories of change, and delayed plans mired with loopholes will no longer suffice.

To this end, we ask the WBG to immediately embark on a process to renew its management, beginning with the replacement of World Bank President David Malpass, and to develop strict climate and social justice qualifications for any personnel responsible for working on climate and energy policies at the WBG, with meaningful input from civil society.

Since the Paris Climate Agreement (2016-2020), the World Bank Group has provided:

$12 billion in direct project finance for fossil fuels in over 35 countries (see Table 1);
$10-$20 billion annually given as government budget support – representing a huge fossil fuel loophole as the World Bank does not restrict spending on fossil fuels, including coal expansion. From 2016 to 2019, 81 countries received budget support.
Billions more in fossil fuel-enabling infrastructure, such as transmission lines to evacuate power from new coal-fired plants. Examples: in India, Indonesia, and Pakistan mega coal power projects would not have gone forward without the World Bank-funded transmission lines.
Fossil-friendly policy reforms in at least 18 countries that increased fossil fuel profits – driving billions into new fossil fuel investments. Examples: tax breaks for coal and gas in Mozambique; tax breaks favoring oil and coal in Colombia; and higher electricity tariffs resulting in higher profits for new coal-fired plants in Pakistan.
Technical assistance in over a dozen countries aimed at increasing fossil fuel investments. Examples: Pakistan’s Thar lignite coal fields – the largest in Asia; Mozambique’s coal and liquified natural gas (LNG) blocks; and Brazil’s pre-salt offshore oil fields.

These figures are based on data collected from World Bank Group websites and project documents. It is true that the World Bank has ambitions to invest in renewable energies widely. We want to see this supported even more strongly.

However, at the same time, fossil-friendly policies are being promoted unnoticed. This leads to more calamitous natural disasters, driving increasing numbers of people into flight and poverty. Any allowance of further investments in coal, oil and gas by the bank is an economic risk and an affront to the human rights of those communities saddled with the impacts.

The reasons for an immediate and comprehensive phase-out of all fossil fuel production are obvious. But this needs a fresh start, starting with the president of the World Bank and extending into the bank's management that has continued with fossil policies.

We hope that you will understand the urgency of our request and respond to us with this in mind.

Sincerely yours,

Table 1. World Bank Group Fossil Fuel Finance since Paris Climate Agreement[1]

Type of Operation	**Loans & Guarantees** (million US$)	**Equity** (million US$)	**Technical Assistance** (million US$)	**Total** (million US$)	Countries
Upstream Oil and Gas[2] (exploration, production)	$534	$697	$131	**$1,362**	Afghanistan, <u>Argentina</u>, <u>Brazil</u>, Colombia, Guyana, Egypt, Ghana, <u>India</u>, Kenya, <u>Mexico</u>, Mauritania, Mozambique, Nigeria, Paraguay, <u>Russia</u>, Senegal, Tanzania, & other undisclosed Sub-Saharan Africa
Oil Refineries	$530	$120		**$650**	<u>Argentina</u>, Egypt, Nigeria, <u>Turkey</u>
Oil & Gas Exports (pipelines; port facilities)	$1,963	$245	$50	**$2,258**	Azerbaijan (gas), <u>Turkey</u> (gas), Nigeria (oil), Colombia (oil), Kazakhstan (oil & gas), Kenya (transaction advisor, oil pipeline)
Oil & Gas fuel purchases (imports)	$540			**$540**	Mauritania (oil), Ukraine (gas)
Oil Power Generation (HFO & dual oil/gas)	$945	$230		**$1,175**	Bangladesh (dual-fuel), Iraq (dual-fuel), Jordan (dual-fuel), Kenya (HFO), Senegal (HFO), Sierra Leone, The Gambia (HFO), & Latin America
Liquefied Petroleum Gas (LPG)	$75			**$75**	Bangladesh, Pakistan, Ukraine
Liquefied Natural Gas (LNG) Processing & LNG-to-Power	$764	$226	$2	**$992**	Bangladesh, <u>Brazil</u>, <u>China</u>, El Salvador, <u>India</u>, Pakistan, Panama, Senegal, Sierra Leone
Gas Power and Heat Generation	$3,767	$358	$22	**$4,148**	Afghanistan, Armenia, Bangladesh, Cote D'Ivoire, Ghana, <u>Indonesia</u>, Jordan, <u>Mexico</u>, Mozambique, Myanmar, Nigeria, <u>Russia</u>, <u>Turkey</u>, Uzbekistan
Gas Processing of oil field-associated gas	$158			**$158**	Iraq
Gas Storage or Distribution (domestic)	$600	$30		**$630**	<u>India</u>, <u>Turkey</u>
Coal (power and mining)	$45	$54	$53[3]	**$152**	Afghanistan (TA), Kenya (captive coal plant), Mozambique (TA), Myanmar (captive coal plant)
Total	**$9,920**	**$1,960**	**$205**	**$12,085**	

Source: All data collected from World Bank Group webpages by Heike Mainhardt for **Urgewald**, August 2020

Note: G20 countries are underlined.

1 The UN Paris Climate Agreement was adopted on December 12, 2015. **These data represent World Bank Group investments approved up to August 12, 2020**. This table does not include finance from investments made through financial intermediaries, or through budget support. The World Bank Group includes the International Development Association (IDA), the International Bank for Reconstruction and Development (IBRD), the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).

2 Upstream oil and gas includes $750 million in new investments/technical assistance and $300 million in existing equity.

3 Technical Assistance that targeted coal mining in Mozambique also targeted oil and/or gas, thus the $53 million for coal is not added to the overall total to avoid double counting. Furthermore, the finance for technical assistance in Afghanistan was provided by the donor-funded Afghanistan Reconstruction Trust Fund. Thus, no finance was included in this table as it does not come from the World Bank's budget.