

Clean energy targets for the World Bank: time for a recount

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As the World Bank reviews its energy strategy and the deadlines for its clean energy targets approach, this paper questions what the World Bank counts as clean energy and whether it reports on its energy lending in an accountable way. The concerns set out below demonstrate the need for a far more rigorous and transparent approach, subject to independent monitoring.

In 2008, the World Bank committed to make half of its energy investments ‘low carbon’ by 2011.ⁱ Last year the UK government went further, calling for 60 per cent of the Bank’s energy portfolio to comprise ‘clean energy investments’ by 2012. That target has since been endorsed by Denmark.

These targets fall short of the recommendations of the Bank’s 2004 Extractive Industries Review, which included phasing out investment in new coal mining and oil production, to “concentrate its lending on activities that reduce pollution and greenhouse gas emissions”.ⁱⁱ Many civil society organisations argue that the Bank should go even further and shift away from all support to fossil fuels, so that its limited resources can be devoted to clean energy.ⁱⁱⁱ

Whether or not they are sufficiently ambitious, for the targets to be meaningful, they must be based on robust classifications and transparent reporting practices.

Among the key concerns highlighted in this paper are:

- The inclusion of major investments in large hydropower and upgrading fossil fuel power plants in the ‘low carbon’ figure;
- The fact that 40 per cent of the Bank’s reported finance for renewable energy over the last six years comes from carbon finance and the Global Environment Facility, which is not Bank money;
- The lack of information about the 20 per cent of finance supporting ‘other energy’;
- The absence of rigorous, independent monitoring.

Clean energy: what counts?

The Bank claims that renewable energy and energy efficiency exceeded 40 per cent of its total energy lending of \$8.2 billion in financial year 2009. However, much of that investment went to energy projects that are arguably neither renewable nor low-carbon. The following section highlights contentious elements of the Bank’s energy definitions. The UK government has not yet developed its own framework to judge progress towards its target for the Bank, despite the approaching deadline, and uses the Bank’s definitions by default.

- The Bank’s **energy efficiency category includes the rehabilitation of fossil fuel power plants**. Upgrading plants can prolong their period of operation, locking developing countries into carbon-intensive energy supplies for decades to come. More than half of the Bank’s renewable energy and energy efficiency portfolio in 2009 relates to improving the efficiency of fossil fuel power.^{iv}

- **The World Bank’s renewable energy figures include biomass.**¹ However, the Bank does not differentiate between waste and non-waste biomass. Concerns about using non-waste biomass for energy include potential impacts on land rights, food security, water resources, and soil conservation.^v
- In reporting its energy portfolio, the Bank distinguishes between renewable energy, large hydropower and efficiency. However, it also provides a total for **‘low carbon’ lending, against which progress towards the clean energy targets is reported. Unlike the renewable category, ‘low carbon’ projects include all hydropower,** regardless of scale, despite serious concerns about the social and environmental impacts of large hydropower projects and reservoirs, which can produce more greenhouse gases than fossil fuel power plants.^{vi}

Transparent reporting?

In addition, there are a number of concerns about the way the Bank reports on its energy portfolio.

- **Carbon finance² and funding through the Global Environment Facility (GEF) are included in the Bank’s renewable energy and low carbon figures,** even though carbon finance comprises funding streams set up independently of the Bank’s own funding, while the GEF is a different institution.^{vii} Moreover, carbon finance is used to purchase emissions offsets for wealthy countries, so does not represent a reduction in climate impacts. These two funding sources **account for over 40 per cent of the Bank’s reported finance for renewables** over the last six years.³
- **Neither the UK’s nor Bank’s targets set specific requirements for renewable energy, which remains only a small proportion of Bank energy funding.**⁴ Noting that renewables only accounted for 17 per cent of the Bank’s energy portfolio in 2009, the Dutch government has called for this to increase to 40 per cent by 2013.^{viii}
- The Bank’s reporting also uses an **‘other energy’ category,** components of which include budgetary support and investments in multiple energy sub-sectors. This **has been the fastest growing category, accounting for more than one fifth of lending in 2009. However, it is unclear where this funding is going** as none of the categories are broken down by type of investment or specific energy source.
- **Greenhouse gas accounting is required only as ‘an analytical exercise and not a business requirement’** by the Strategic Framework for Development and Climate Change. This runs counter to the Extractive Industries Review recommendation that “energy that is generated by fossil fuels must take into account the release of greenhouse gases and their contribution to climate change”. In 2008, the Bank’s Independent Evaluation

¹ The Bank has provided around \$290 million for biogas power plants and bagasse (residue from sugarcane or sorghum stalks, used in the manufacture of pulp, paper products and building materials), from FY 2003-09.

² The World Bank Carbon Finance Unit uses money contributed by governments and companies in OECD countries to purchase greenhouse gas emission reductions in developing countries and countries with economies in transition.

³ Carbon finance has accounted for \$715 million and the GEF for \$632 million out of total finance for renewables of \$3.255 billion from FY 2003-2009 (source: email communication with World Bank and <http://go.worldbank.org/ERF9QNT660>.)

⁴ World Bank lending for renewables averaged only 12 per cent of World Bank energy finance between 2007 and 2009 (\$774 million annual average out of average annual lending of \$6.5 billion).⁴

Group also called for “more rigorous economic and environmental assessment” to “account for externalities, including the net impact on GHG emissions”.^{ix}

This briefing has focussed on how the Bank reports on clean energy, but there are other concerns with its energy portfolio reporting that fall outside the scope of this paper. For example, in low-income countries the Bank counts *all* power generation, transmission and distribution projects as contributing to increasing energy access for the poor.^x This would therefore include large-scale, export-oriented projects that are accused of having limited benefits in terms of improving energy access among poor and rural communities.^{xi}

Conclusion

The energy strategy review is a crucial opportunity for the World Bank to begin a transformation of its energy lending, so that it focuses on increased access to energy and low-carbon development. As part of this, it must adopt robust categories for its energy portfolio and clear, consistent reporting practices. These should be subject to independent monitoring to ensure that it is making genuine progress towards supporting clean energy.

By setting targets for the World Bank, the UK and other shareholder governments have signalled that they wish to play a leading role in its transformation to a low-carbon development institution. They must now push the Bank to meet those targets without using definitions or reporting that obscure the figures.

May 2010

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ⁱ World Bank Group (2008) *Strategic Framework on Development and Climate Change*.

ⁱⁱ Extractive Industries Review (2004) ‘Striking a better balance: the World Bank and Extractive Industries.’

ⁱⁱⁱ Bretton Woods Project (2003) ‘Controversial extractives review nears endgame.’

^{iv} Netherlands Ministry of Foreign Affairs (2010) ‘Position Paper: Promoting World Bank investments in Renewable Energy.’

^v CEE Bankwatch (2009) *Change the lending, not the climate*.

^{vi} *Ibid.*

^{vii} IPS, CRBM, Oil Change International, Friends of the Earth. (2008) *Dirty is the new clean*.

^{viii} Netherlands Ministry of Foreign Affairs (2010) ‘Position Paper: Promoting World Bank investments in Renewable Energy.’

^{ix} Independent Evaluation Group (2008) *Climate Change and the World Bank Group. An Evaluation of World Bank Win-Win Energy Policy Reforms*.

^x World Bank (n.d.) ‘Classifications used in World Bank Group energy lending reporting.’

^{xi} Romina Picolotti and Daniel Jorge Taillant, Centre for Human Rights and the Environment (2009) ‘The human rights dimensions of the World Bank’s energy policy.’ <http://www.bicusa.org/EN/Article.11688.aspx>.