Civil society organisations react to World Bank Climate Change Action Plan’s failure to end finance for fossil fuels

Today, the World Bank Group released its new Climate Change Action Plan (CCAP) for 2021-2025.

The CCAP represents a colossal failure to end the Bank’s long-standing support for fossil fuels.

The Bank has also rejected requests from civil society and World Bank shareholders for a public consultation on a full draft of the plan. The World Bank’s press release notes the Bank, “will regularly update its Board on the implementation of the Action Plan,” without providing further details of what aspects of the plan it will report on.

In March, 153 organizations and academics across six continents called on the World Bank Group President David Malpass and WBG leadership to immediately adopt a whole-of-institution commitment to end all types of direct and indirect support for fossil fuels, including gas.

The CCAP falls well short of this, as it includes no concrete new restrictions on World Bank finance for fossil fuels. While the World Bank CCAP states that new gas investments will be “assessed for consistency” with countries’ national climate plans, it provides no details of the screening process the Bank will adopt going forward.

This lack of detail is a concern, given the Bank’s considerable recent support for fossil fuels. According to a new report from the International Institute for Sustainable Development (IISD), the Bank provided 12 percent of G20 and MDB public finance for fossil gas projects in developing countries between 2017-19. World Bank Group finance for fossil fuel projects has totaled more than $12 billion in over 30 countries since the Paris Agreement.

In response to the release of CCAP, civil society representatives made the following statements:

“The World Bank Group’s selective approach to phasing out fossil fuels is about as effective as throwing both water and gasoline at a house fire. With far-away Paris alignment dates, this Plan fails on both science and justice metrics. The Climate Change Action Plan allows the WBG to continue to expose the countries and communities it's mandated to support to the risks and harms of fossil fuel development, including increasingly expensive and volatile energy prices, lock-in of obsolete infrastructure, stranded assets, illness, displacement, and a delayed and unjust transition,” said Luisa Galvao, International Policy Campaigner, Friends of the Earth US.
“Recourse has repeatedly exposed IFC’s links to fossil fuel projects via financial intermediaries - including coal, oil and gas. Refusing to detail a timeline and targets for cleaning up its FI portfolio - which comprises over half of IFC’s business - is simply inexcusable. Time is running out for meaningful climate action, and IFC needs to lead rather than wait for collective action,” said Kate Geary, Co-Director of campaign group Recourse.

“The gender-blind CCAP belies the Bank’s decades-long claim that it “mainstreams” gender dimensions into all activities, including CCAP’s poverty, biodiversity, energy, agriculture, cities, transport and manufacturing priorities. CCAP fails to recognize that while the climate crisis harms all people, not everybody is affected equally. Marginalized gender groups, especially women and LGBTQ people, are disproportionately impacted. With 79% of women reporting their livelihoods depend on agriculture and natural resources as does their unpaid care work collecting household water and fuel, climate catastrophes often fall most heavily on women,” said Elaine Zuckerman, of Gender Action.

“The World Bank has to stop pushing policy reforms that make fossil fuels profitable. The World Bank’s policy reforms, including tax breaks and higher energy tariffs, are driving fossil fuel investments across the globe. CCAP is not a meaningful plan to address climate change if it doesn’t address fossil fuel investment incentives within the Bank’s policy-based lending” said Heike Mainhardt, Senior Advisor, Urgewald. “Furthermore, the CCAP’s central climate commitment to boost “climate finance” to an average 35% of World Bank Group’s finance is a bogus climate commitment. The Bank is not transparent about what counts as “climate finance” and intends to partially fulfill this pledge with non-earmarked budget support provided through policy-based lending. The non-earmarked budget support does not have to be spent on any specific climate expenditure and because the Bank refuses to put fossil fuels on the Excluded Expenditures list, this funding can be spent on any fossil fuel expenditure, including coal.”

“The World Bank Group first pledged to align its finance with the Paris Agreement in 2017, and in 2021 we’re still waiting. The new CCAP leaves the door open for continued large scale gas support with very unclear language on how it will be screened. It adds nothing on how they will end the Bank’s influential and hard-to-track support for oil, gas, and coal via development policy finance, associated facilities, and financial intermediaries. This public money is urgently needed to support a fair green recovery and a just transition from fossil fuels for workers and communities instead.” said Bronwen Tucker, Research Analyst, Oil Change International.

“The World Bank’s new Climate Change Action Plan identifies key sectors that require urgent transformation to avert catastrophic climate change, but falls well short of committing to a bold new World Bank agenda that would help to deliver this transformation. In the energy sector, the Bank must develop a robust approach to phasing out its support for fossil fuels, starting with rapidly scaling back its investments in fossil gas, across all aspects of its lending portfolio. The plan’s reliance on ‘crowding in’ private sector investors also risks deepening inequality within and between countries as the climate crisis unfolds, particularly without consultative and transparent decision-making processes being baked into these efforts. As noted by prominent economist Daniela Gabor, this approach relies on de-risking green investments to maximise the
returns for the same institutional investors who are systematically financing the climate crisis," said Jon Sward, Environment Project Manager, Bretton Woods Project (UK).

“The CCAP reiterates the Bank’s commitment to achieve an average of 35% of direct climate finance for its entire portfolio. This is just 3% more than the 32% that was already achieved in 2018. However, more concerning is that even though the CCAP explains its desire to expand their definition of climate finance, it does not recognize nor commits to more transparency of its climate finance reporting at the project and activity level to ensure that limited resources are being effectively used and accounted for. So far, it’s practically impossible to have full confidence in the Bank’s numbers. Despite our best efforts, Oxfam has found it impossible to verify the levels of climate finance the Bank has reported so far at the project level with the information currently disclosed,” said Christian Donaldson, Senior Policy Advisor, Oxfam.

Contacts:
Jon Sward, Bretton Woods Project: jsward[at]brettonwoodsproject.org
Heike Mainhardt, urgewald: heike.mainhardt[at]urgewald.org
Bronwen Tucker, Oil Change International: bronwen[at]priceofoil.org
Kate Geary, Recourse: kate[at]re-course.org
Jacey Bingler, Urgewald: jacey[at]urgewald.org