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## **The World Bank and Climate Change**

The World Bank has inserted itself as a major player in the climate change arena. Throughout 2008, the World Bank has advanced several major initiatives with a purported goal of helping developing countries reduce greenhouse gas emissions and adapt to climate change impacts.

### **Recent World Bank Climate Initiatives**

**Climate Investment Funds (CIFs):** Launched in July 2008, the CIFs are made up of two separate funds, the **Clean Technology Fund (CTF)** and the **Strategic Climate Fund**. According to the World Bank, the CTF “will provide new, large-scale financial resources to invest in projects and programs in developing countries which contribute to the demonstration, deployment, and transfer of low-carbon technologies. The projects or programs must have a significant potential for long-term greenhouse gas savings.” 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.

**Carbon Finance Unit:** The Bank’s climate strategy relies heavily on carbon markets for mobilizing climate finance. The Carbon Finance Unit manages a \$2 billion portfolio of trust funds through which governments and companies in industrialized countries ostensibly buy cuts in greenhouse gas emissions from projects in developing countries. The **Forest Carbon Partnership Facility (FCPF)**, part of the Carbon Finance Unit, is piloting international forest carbon offsets, starting with 14 tropical and sub-tropical developing countries selected in July 2008.

**Strategic Framework on Development and Climate Change and Development (Strategic Framework):** The Strategic Framework attempts to provide an overarching frame for all of the World Bank Group’s climate-related work and includes the Climate Investment Funds and the Carbon Finance Unit. It is intended to inform existing operational strategies and includes no new mandates. As of October 2008, it is still in draft form.

### **Is the World Bank up to the Climate Challenge?**

Nearly 50 percent of the Bank’s energy lending in 2007 paid no attention to climate change.<sup>1</sup> In 2007, less than 10% of the Bank’s carbon finance was allocated to solar, wind, geothermal, biomass, and mini hydropower. The Bank’s carbon credit-earning projects have contributed little to sustainable development, a basic objective of both the Carbon Finance Unit and the Bank itself. Indeed, some projects have intensified environmentally and socially harmful impacts on developing country communities.<sup>2</sup>

**The World Bank is a major climate polluter and remains unaccountable for its own greenhouse gas emissions.** Between 2007 and 2008, the World Bank Group increased fossil fuel financing by 94%. Coal lending alone has increased an astonishing 256% in the last year. The World Bank Group’s fossil fuel financing

<sup>1</sup> *Correcting the World’s Greatest Market Failure: Climate Change and the Multilateral Development Banks*, Smita Nakhooda, World Resources Institute, June 2008, [http://pdf.wri.org/correcting\\_the\\_worlds\\_greatest\\_market\\_failure.pdf](http://pdf.wri.org/correcting_the_worlds_greatest_market_failure.pdf)

<sup>2</sup> *World Bank: Climate Profiteer*, Janet Redman, Sustainable Energy and Economy Network, Institute for Policy Studies, April 2008, <http://www.ips-dc.org/reports/#292>

has reached over \$3 billion in 2008.<sup>3</sup> In April 2008, the Bank approved a \$450 million loan for a massive 4,000 megawatt coal project in India, expected to be one of the 50 largest greenhouse gas emitters in the world.

Under the Bank's Strategic Framework and the Climate Investment Funds, limited public resources could be used to fund massive coal projects that are only somewhat less polluting than the dirtiest existing projects. In the framework, the Bank uses a very generous standard of "low carbon," including projects such as super critical coal and reducing gas flaring. But supercritical coal-fired power plants are already the norm for new facilities in China and are viable with private investment. Gas flaring is illegal in oil-producing Nigeria. These projects are business-as-usual at best, not climate-friendly innovations worthy of limited public finance.

**The World Bank is a major deforester.** Deforestation accounts for some 20% of global greenhouse gas emissions, but the Bank continues to promote industrial logging and agrofuels. A 2007 World Bank Inspection Panel report strongly criticized the Bank's support for industrial logging and violating the rights of indigenous Pygmy and other forest-dependent communities in the Democratic Republic of Congo, home to the second largest tract of rainforests in the world. Throughout tropical rainforest areas, the IFC finances soy and oil palm plantations and cattle ranching, as well as financing shrimp farming in mangrove forests.

**The World Bank promotes big dams.** The Strategic Framework places heavy emphasis on scaling up hydropower investments as part of climate change mitigation and adaptation strategies. However, large hydropower projects cause serious, and often irreversible, negative environmental and social consequences. The Bank has acknowledged in environmental assessments that large hydropower projects require greater land and water resources, which can impact inter-basin resource sharing, vegetation, wildlife, wetlands, microclimates and community resettlement. Moreover, most reservoirs emit greenhouse gases, some in large quantities.

**The World Bank undermines its dream of a world free of poverty.** The Climate Investment Funds would force developing countries to pay for the industrialized world's pollution by loaning them money to adapt to a climate crisis they did not create. Further, fossil fuel financing is not pro-poor. The Strategic Framework argues that coal should remain an important energy source, with an important role in poverty alleviation. However, the World Bank's own 2004 Extractive Industries Review recommended an immediate end to coal financing and a phase out of investments in oil production by 2008 and found that "...oftentimes the environment and the poor have been further threatened by the expansion of a country's extractive industries sector."

**The World Bank is a rights violator.** Numerous communities throughout the world – from those impacted by the Chad-Cameroon pipeline to the Nam Theun 2 Hydropower Project in Laos – have suffered human and environmental rights violations as a direct result of World Bank-backed projects.

**The World Bank vs. the United Nations.** The Climate Investment Funds threaten to undermine discussions to develop finance, technology, and adaptation funds under the UN Framework Convention on Climate Change (UNFCCC). Rather than treating the provision of climate financing as binding obligations by industrialized countries to developing countries under the UNFCCC, the Climate Investment Funds are designed within a fundamentally unequal aid framework of donor and recipient. Though the Climate Investment Funds have been described as new sources of funding by the World Bank, G8 governments have made clear that they are considered as part of Official Development Assistance, and thus are not new and additional. As the Group of 77 (made up of 132 developing countries) and China have clearly articulated at multiple UN climate negotiations, financing for climate change mitigation and adaptation should be fully accountable to and operate under the authority of the UNFCCC.

**For more information, please contact Karen Orenstein, Friends of the Earth, [www.foe.org](http://www.foe.org), 202-783-7400.**

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<sup>3</sup> *Dirty is the New Clean: A critique of the World Bank's Strategic Framework on Development and Climate Change*, Janet Redman, Elizabeth Bast, Stephen Kretzman, Karen Orenstein, and Daphne Wysham, Sustainable Energy and Economy Network, Friends of the Earth US, Oil Change International, October 2008. Available at [www.ips-dc.org/reports](http://www.ips-dc.org/reports).