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Note of Clarification on Renewable Energy and Energy Efficiency Calculations

The World Bank's recent press release of November 30, 2005, "Energy Report: Renewables and Energy Efficiency Up By 120 Percent," asserts that the Bank has increased renewable energy and energy efficiency financing to US\$748 million in fiscal year 2005. While the Bank appears to be making some progress on renewable energy and energy efficiency financing, these figures do not accurately reflect the actual state of renewable and efficiency financing by the World Bank.

World Bank Ignores Spirit of Renewable Energy Commitment by Including Large Hydropower in Tally

- The World Bank's own stated commitment made in June 2004 to increase its renewable energy and energy efficiency financing by 20 percent each year explicitly excludes hydropower projects of over 10 megawatts.
- However, US\$449 million of the US\$748 million the Bank claims in renewable and efficiency financing is for hydropower with capacity over 10 megawatts – including US\$152 million for the highly controversial 995-megawatt Nam Theun 2 dam in Laos.
- Considering large hydropower "renewable" is a misclassification because of the negative environmental impacts of these projects, including greenhouse gas emissions. Greenhouse gas emissions of large tropical reservoirs can be significantly larger than the greenhouse gas emissions of thermal power plants that generate the same amount of power.

World Bank Fails to Follow Own Methodology in Calculating Renewables Financing

- In "World Bank Group Progress on Renewable Energy and Energy Efficiency: 1990-2004," the World Bank clearly indicates that the baseline used for the renewable energy and energy efficiency commitment (an average of fiscal year 2002-2004 financing) did not include any projects from its private-lending arms, the International Finance Corporation (IFC) and the Multilateral Investment Guarantee Agency (MIGA).
- Further, in a discussion of the commitment during the 2005 Annual Meetings, IFC staff indicated that the IFC was not part of the 20 percent target to increase renewables and efficiency. They suggested that any financing for renewables and energy efficiency from the IFC or MIGA would be a "bonus." Friends of the Earth therefore did not include the IFC or MIGA in the calculation of whether the World Bank reached their 20 percent target, although funding for "new" renewables and energy efficiency at the IFC totaled \$30 million for fiscal year 2005.
- The IFC and MIGA should be encouraged to increase renewable energy and energy efficiency lending and should have a target of their own. Inclusion of these entities in the 20 percent target and in the reporting of the financing should be clarified.

World Bank Misclassifies Projects as Energy Efficiency

- Two of the projects that the World Bank classifies as energy efficiency projects are largely regulatory and do not appear to provide direct funding for energy efficiency. These projects – the Kazan Municipal Development project in the Russian Federation (\$8.75 million) and the Programmatic Adjustment Loan in Romania (\$10 million) – should not be included as energy efficiency projects.

World Bank Reaches \$251 Million in Renewables and Efficiency, But Serious Problems Remain

Based on a review of the World Bank data, revised Friends of the Earth calculations show that the World Bank reached \$251 million in financing for renewable energy and energy efficiency financing in FY 2005.* This figure just reaches a 20 percent increase over the Bank's baseline renewable energy and energy efficiency figures, but numerous problems remain.

- Financing for renewable projects is uneven across regions. China received \$145 million, or 58% of IBRD/IDA renewables financing, while South Asia received only \$5.6 million, or 2.2%. Although renewable energy financing in China is very important, the Bank also needs to focus on increasing funding for renewable energy and energy efficiency in other regions.
- Financing for renewable energy largely comes out of carbon finance funds and the Global Environment Facility (GEF), and only half of the renewable energy financing came from the World Bank's own funds per se. The World Bank, while continuing to work with GEF and carbon finance, will need to increase financing from its own funds for renewable energy and energy efficiency.
- Financing for renewable energy and energy efficiency continues to pale in comparison to funding of greenhouse gas producing fossil fuel projects. In fiscal year 2005, only 10 percent of the World Bank Group's energy financing went to renewable energy and energy efficiency projects. The World Bank needs to phase out financing of harmful fossil fuel projects.
- Renewable energy and energy efficiency projects are often poorly labeled and classified on the World Bank website, making it difficult to determine which projects include a renewable energy component. The World Bank needs to increase transparency and improve and clarify its classification system for renewable energy.

Moving forward, the World Bank must make positive choices about energy funding that will be part of a solution to climate change rather than continuing to promote fossil fuel extraction projects that will exacerbate the effects of climate change on developing countries.

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* The calculations for the Friends of the Earth report "Power Failure: How the World Bank is Failing to Adequately Finance Renewable Energy for Development" were based on a review of publicly available projects on the World Bank website. Friends of the Earth shared the calculations and list of renewable energy and energy efficiency projects used for this report with World Bank staff prior to the release of "Power Failure" and asked that the Bank share their list of projects so that we could compare and crosscheck our calculations. The World Bank failed to share its list of projects until after the Friends of the Earth report was released. Upon review of World Bank data, our calculations should have included an additional renewable energy project that was not displayed transparently in the World Bank database. The Energy Sector Recovery Project in Kenya was in fact a geothermal plant; the project was funded for \$31 million. The revised figure of \$251 million for renewables includes this project.