STOP FUNDING FOSSILS: WORLD BANK GROUP FUNDS FOSSIL FUEL EXPLORATION DESPITE CALLS FOR CLIMATE ACTION

> ***"We've come together in the shadow of an undeniable truth: We simply cannot afford to continue polluting the planet at the current pace. Unless we drastically cut emissions and do more to help countries adapt, the effects of climate change could push an additional 100 million people into poverty by 2030."***
>
> - World Bank Group President Jim Yong Kim, 2015[1]

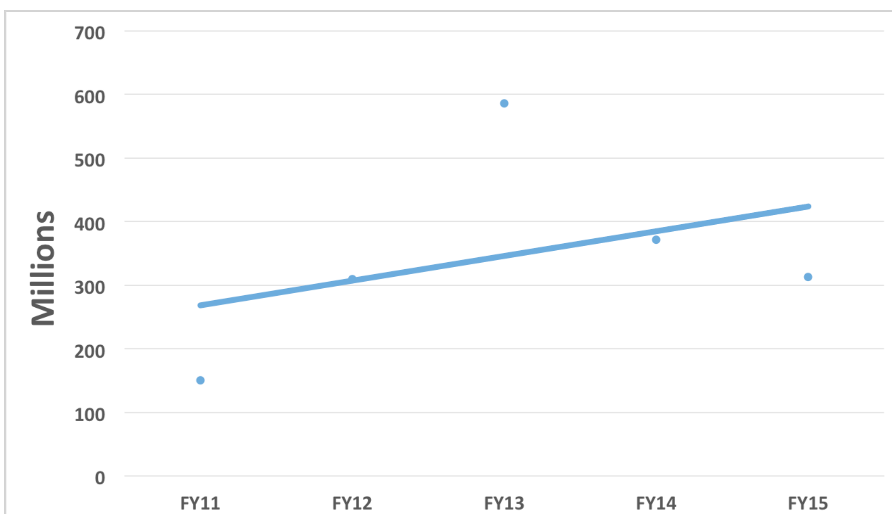
In 2015, the World Bank Group's actions continued to speak louder than its President's strong words on climate change. While the World Bank Group just released a new climate action plan, our analysis finds that there is cause for concern in areas that the climate plan fails to address: the World Bank Group continues to invest in exploration for new fossil fuel reserves despite clear signs that we already have far more fossil fuels than we can afford to burn, and over the last five years, the World Bank Group's total fossil fuel finance has trended upwards, with finance into the billions of dollars nearly every year.

World Bank Group continues to invest in exploration for new fossil fuels

Despite the fact that the world already has far more reserves of oil, gas and coal than we can afford to burn if we hope to avoid the worst impacts of climate change, the World Bank Group – the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the International Finance Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) – continues to finance exploration for unburnable fossil fuels (see Box 1 for the definitions of fossil fuel finance and exploration finance used in this analysis).

In FY 2015, World Bank Group finance for projects that include fossil fuel exploration totaled over $313 million (see Figure 1 for trend in World Bank Group exploration finance from FY 2011 to FY 2015 and Table 1 for details on World Bank Group finance that included fossil fuel exploration from FY 2011 to FY 2015). Between FY 2011 and FY 2015, World Bank Group investments in exploration, or that included an exploration-related component, totaled over $1.7 billion.

Figure 1. World Bank Group exploration-related finance FY11-FY15, with trend line (USD millions)



[1] Remarks by World Bank Group President Jim Yong Kim at Heads of State Carbon Pricing Media Event, Paris, France, November 30, 2015. http://www.worldbank.org/en/news/speech/2015/11/30/remarks-by-world-bank-group-president-jim-yong-kim-at-heads-of-state-carbon-pricing-media-event

World Bank Group finance for fossil fuels overall has increased in the last five years

From FY 2011 to 2015, World Bank Group finance for fossil fuel projects also exhibited an upward trend. While fossil fuel finance declined in FY 2015 in absolute terms, the overall five year trend indicates that World Bank Group finance for fossil fuel projects has increased. The World Bank Group invested more than twice as much in fossil fuels in FY 2015 as in 2011, whether measured in absolute dollars or as a percentage of the World Bank Group's total energy portfolio (see Figure 2 for trend in World Bank Group fossil fuel finance from FY 2011 to FY 2015).

Global carbon budget continues to shrink

According to the Intergovernmental Panel on Climate Change, at least three quarters of already-known fossil fuel reserves must remain unburned if there is a reasonable chance of limiting climate warming to below 2 degrees C. In light of the Paris Agreement, which enshrines this 2 degree target and indicates that governments will strive to keep warming to below 1.5 degrees, an even higher proportion of already-known fossil fuel reserves must stay in the ground.

Figure 3 shows the remaining carbon budget and already-known fossil fuel reserves under a 2 degree C scenario. This scenario clearly indicates how little space we have to burn existing reserves of fossil fuels, let alone embark on a search for new reserves. A 1.5 degree C scenario would be even more stringent.

As the Rockefeller Family Fund recently made clear in a statement on the Fund's decision to divest from fossil fuels, "there is no sane rationale for companies to continue to explore for new sources of hydrocarbons."[2]

Figure 2. World Bank Group total fossil fuel finance FY11-FY15, with trend line (USD millions)

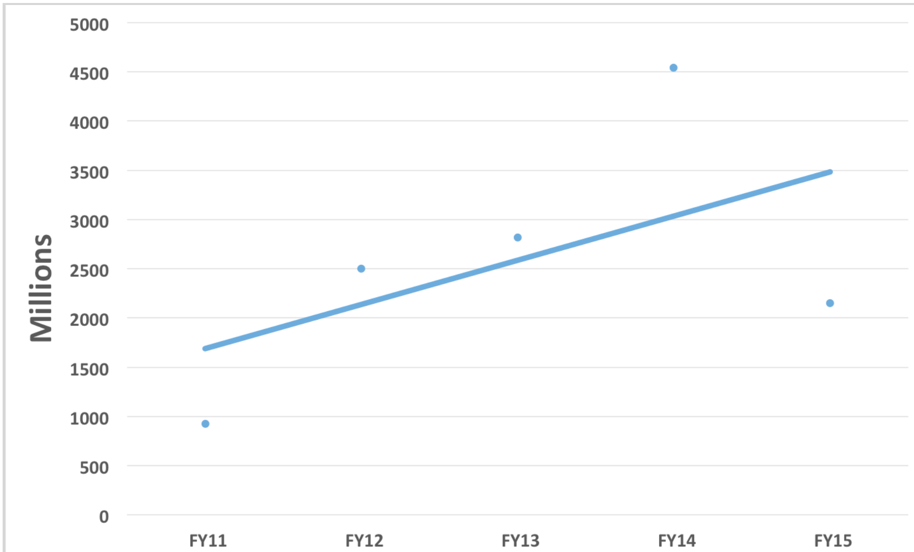
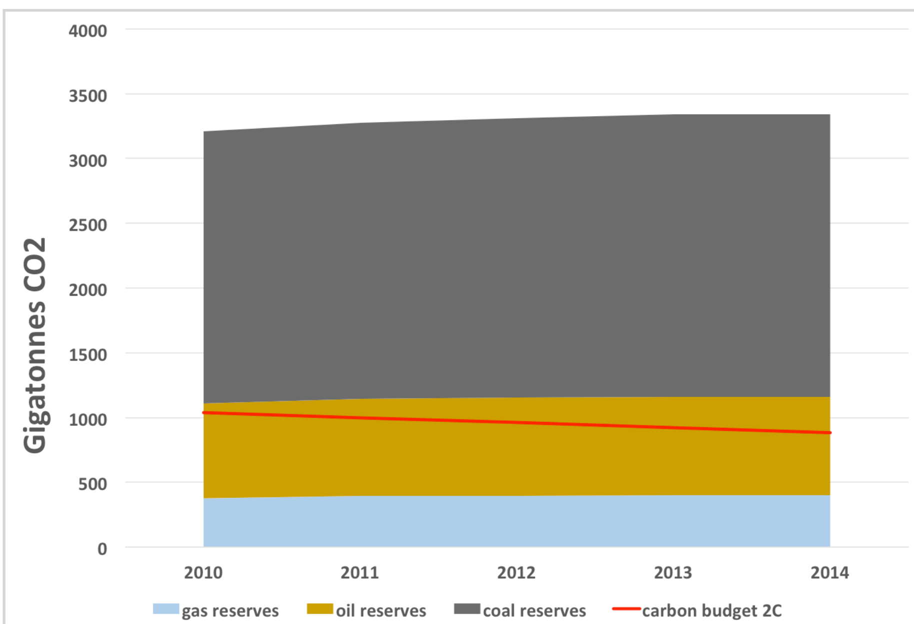


Figure 3. Global fossil fuel reserves vs carbon budget (67% chance of 2°C), 2010-2014



[2] Rockefeller Family Fund, 2016. "RFF's Decision to Divest," available at http://www.rffund.org/divestment

Table 1: World Bank Group finance for projects including fossil fuel exploration, FY11 to FY15

	Countries	#of transactions	Total $ amount (USD)
FY 2011	*Kuwait, Argentina, East Asia and Pacific (regional)*	3	$150,000,000
FY 2012	*Cote D'Ivoire, Uzbekistan, Ghana, Middle East and North Africa (regional)*	4	$ 309,670,000
FY 2013	*Colombia, Cote D'Ivoire, Indonesia, Middle East and North Africa (regional), Albania*	10	$585,790,000
FY 2014	*Africa (regional), Paraguay, Afghanistan, Egypt, Tunisia, Morocco, Gabon, Southern Asia (regional), Turkey, Tanzania*	11	$372,040,000
FY 2015	*Papua New Guinea, Egypt, Argentina, Tanzania*	5	$313,320,000

World Bank Group policy on financing fossil fuel exploration

In the World Bank Group's 2013 paper on "Directions for the World Bank Group's Energy Sector," the main reference to financing fossil fuel exploration explicitly indicates that the International Finance Corporation will continue to make investments across the natural gas supply chain, including exploration: "The WBG will continue to assist countries to address barriers to commercializing natural gas and increasing possibilities for private investment by engaging on the policy and regulatory front, by providing World Bank and MIGA risk-mitigation instruments, and through IFC investments across the entire gas exploration, production, and downstream supply chain."[3]

Indeed, IFC made an $18.3 million pure exploration investment in 2015, in natural gas exploration in Papua New Guinea. Investments in natural gas exploration are no more defensible than investments in exploration for new reserves of other fossil fuels: the Intergovernmental Panel on Climate Change has found that, over a 20-year time horizon, each unit of mass of methane traps 86 times more heat than a similar unit of mass of carbon dioxide over a 20-year period.[4] Even relatively small amounts of methane escaping into the atmosphere during natural gas extraction and transportation can quickly obliterate the supposed climate benefits of natural gas compared to coal.

Comparison: Asian Development Bank will not finance 'any oil and gas field exploration'

In contrast to the World Bank Group's policy, the Asian Development Bank's policy explicitly disallows any oil and gas exploration projects. The ADB's 2009 Energy Policy says: "ADB will continue its policy of not financing any oil and gas field exploration projects because of the associated risks."

[3] World Bank, 2013. Toward a sustainable energy future for all : directions for the World Bank Group's energy sector. Washington DC ; World Bank.

[4] Myhre, G., D. Shindell, F.-M. Bréon, W. Collins, J. Fuglestvedt, J. Huang, D. Koch, J.-F. Lamarque, D. Lee, B. Mendoza, T. Nakajima, A. Robock, G. Stephens, T. Takemura and H. Zhang, 2013: Anthropogenic and Natural Radiative Forcing. In: Climate Change 2013: The Physical Science Basis. Contribution of Working Group I to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change.

Box 1: Energy financing classifications used in this analysis:

Fossil fuel financing: In this analysis, fossil fuels include any oil, gas, or coal projects, or projects supporting the development or transmission of fossil fuel power.

Exploration financing: In this analysis, exploration in the oil and gas sector refers to activities to identify and access new reserves and expand proven reserves. For the coal industry, exploration activities include initial phases of development of coal deposits (i.e. greenfield coal mine development) and the expansion of existing mines to develop resources that previously were well-defined. Public finance support often benefits fossil fuel exploration alongside extraction, and projects included in the analysis include both projects that are primarily focused on exploration and projects that include both exploration and extraction components. For the oil and gas industry, we include any activities to identify and access new resources and to convert resources or probable reserves to proven reserves.

See more at http://shiftthesubsidies.org/#methodology

The World Bank Group must shift away from fossil fuel finance

In a post-Paris Agreement landscape, the World Bank Group should establish an immediate and explicit ban on financing fossil fuel exploration activities, in light of climate concerns and to protect against stranded asset risk, and to send a signal to the global community that the World Bank Group is as serious about climate change as its President's statements suggest.

Given the urgency of climate change, we can no longer afford to prop up fossil fuel infrastructure with public finance. The World Bank Group should develop a clear policy to phase out finance for fossil fuel projects as soon as possible.

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