

Responding to the World Bank Paris Alignment instrument methodologies and sector notes

We welcome the implementation of the World Bank Paris Alignment Methodology (WB PA) from 1st July 2023. However, the instrument methodologies and sector notes fundamentally fail to respond to the scale of the climate crisis we confront. They miss an historic opportunity for the WB to play its part in the just transition to a renewable energy economy, and instead entrench WB support for a fossil fuel based energy model. Urgent revision of these documents is needed to ensure that all WB investments are driving just transition actions that keep global temperature rise below 1.5°C while delivering its overarching objectives of ending extreme poverty and boosting shared prosperity, while respecting and promoting rights.

As a coalition of civil society organisations we welcome the opportunity to respond to the WB PA methodology, including the instrument methodologies and sector notes, and that the WB has agreed to refine and update these notes as needed.

Our concerns on the WB PA are as follows:

- 1. The WB PA has a flawed foundation.** It is blind to climate science, therefore undermining the integrity of the methodologies and sector notes. **It fails to acknowledge the increasing urgency of keeping the Paris 1.5°C temperature goal within reach, which was affirmed in the COP27 decision in December 2022.** It does not recognise the most recent science from the Intergovernmental Panel on Climate Change (IPCC) that says that to achieve the 1.5°C target global greenhouse gas (GHG) emissions need to peak before 2025 and reduce by 43% by 2030. This trajectory allows for no delay in action, and for no new investments in fossil fuel or high greenhouse gas emission projects.
- 2. The inclusion of fossil gas as a transition fuel in the WB PA fundamentally undermines the integrity of achieving the Paris Agreement 1.5°C goal,** and the inclusion of false and unproven (technically or economically) technologies such as carbon capture usage and storage (CCUS), or blending hydrogen, synthetic fuels and ammonia with fossil fuels will simply prolong fossil fuel dependency.
- 3. The different circumstances of developing countries should not mean that they go slow on the energy transition but rather they should expect greater finance and support to make the necessary and urgent transition.** In 2015 (eight years ago) the Paris Agreement said that peaking of GHG emissions will take longer for developing countries, however the science tells us that the time for this delayed peaking has passed. Also the principle of 'common but differentiated responsibilities and respective capabilities in the context of their different national circumstances' means we have a common responsibility to keep to the 1.5°C limit, and that richer countries with greater capability need to provide the means of implementation for this urgent transition in countries with low capability. It does not mean a delayed response in any country.

4. The climate impact and loss and damage suffered by client countries is already undermining development gains, and the WB cannot continue to invest in future climate damages. The methodologies imply there is a conflict between investing in energy transition in low-income countries and the right to development. However, low-income countries are experiencing the devastating impacts of climate change right now, with predicted escalation of impacts in the coming decades. WBG should in no circumstances fund any escalation of GHG emissions which add to the climate crisis and undermine the development gains in these countries.

Keeping in view the devastating impacts on the economies of the developing and low income countries having more vulnerability to climate change but minimal carbon footprints, the WB should provide concessionary financing with less conditionalities attached for promoting sustainable development in these countries.

5. The WB PA sets an extremely low bar to be accepted as Paris aligned and offers multiple routes to continue business as usual investment in high carbon technologies. It simply asks if an investment is a risk to low-GHG commitments such as nationally determined contributions (NDCs), and then looks for ways to justify those projects which do pose a risk. The PA methodologies only ask if the investment 'does not hinder the achievement of the country climate strategies', instead of asking how the WB can help accelerate delivery of the strategies. It is shocking that the instrument methodologies say that projects which produce 'significant GHG emissions' can be Paris aligned with justification will be based on 'expert judgement' rather than science based, transparent criteria.

By only setting coal and peat power and extraction projects as universally non-aligned technologies, any other technology can feasibly be considered aligned regardless of GHG emissions. Lack of definition of terms such as low-carbon and carbon lock-in, and with no time frames for transition pathways, maintains ambiguity and potential for long-term, high carbon investments.

We note that the United Nations Environment Programme estimates that full implementation of current NDCs will lead to a global temperature rise of 2.4-2.6°C, so on their own, NDCs are inadequate in delivering the Paris temperature goal.

6. The Energy and Extractives Sector Note is not fit for purpose and should be withdrawn immediately. It blatantly classifies high emitting projects including fossil gas as 'Paris aligned'. It does not provide positive promotion of energy efficiency and renewable energy, or define clearly a taxonomy of good projects to be promoted [1], or on how these can be considered alternatives to high carbon options. Instead it provides a list of projects that the WB considers 'not inconsistent with the country's climate commitments' which include 'grid-connected unabated emissions-intensive power and heat generation', with the only restriction on this being that the policy and purchase agreement does not hinder low-carbon development in the country.

[1]See Harnessing public finance potential to create renewable energy economies: Methodology to assess World Bank Group progress in supporting the transition to sustainable, renewable economies, Recourse, March 2023. [Harnessing-Public-Finance-Potential-to-Create-RE-Economies_FINAL.pdf](#) (re-course.org)

The classification of high emitting fossil gas and LNG as transition fuels opens the door to locking in high carbon energy systems for decades to come. It allows for 'transportation and storage of natural gas and distribution of emissions-intensive heat' despite the risk of fugitive methane emissions from these systems and long term high carbon lock-in. The note also states that 'as the share of solar and wind power increases, natural gas can also play a useful role in strengthening supply reliability'. However, there is significant evidence today showing that battery storage of renewable energy with an effective electric grid and demand management can adequately and cost effectively provide supply side reliability.

Future use of technologies such as carbon capture usage and storage (CCUS), and cofiring fossil fuels with hydrogen, synthetic fuels and biofuels are used to justify current investments in fossil gas, with no analysis of their cost or the technology barriers to their exploitation. These technologies have become a distraction from delivering a pathway based on proven renewable energy technologies such as solar and wind.

The low-cost alternatives model should not be the deciding factor in setting investment priorities, and all externality costs of high carbon fuels must be factored into the model, including the cost of national climate-induced loss and damage. The low-cost alternative model should be adapted to examine how innovative finance and support can be delivered to a country to make the lowest GHG, renewable energy option favourable in the national context, and to inform innovative financing for renewable energy.

The note on Technical Assistance leaves the door open for technical assistance to upstream oil and gas, which the WB has already explicitly committed not to support. The WB PA should recommend technical assistance to countries with "plentiful reserves" of oil and gas which supports them to leave the fossil reserves in the ground, and to transition to sustainable renewable energy.

7. Development Policy Finance and Prior Actions: The WB PA Methodology for Development Policy Financing does the bare minimum on fossil fuels. The WB has committed to assess policy lending prior actions as part of their PA process which is a welcome move, but the methodology allows for some to be considered Paris aligned even if they result in a large increase in greenhouse gas emissions. Prior actions will be assessed as aligned or non-aligned based on "expert judgement", rather than based on scientific evidence or clear criteria. This leaves the door open for interpretation so that in some cases, prior actions will enable fossil fuels.

Within this methodology it is worrying to see that if a prior action generates significant GHG emissions but is in line with long-term decarbonisation pathways and has a low risk of locking in carbon intensive patterns, then it can be considered Paris aligned. Development Policy Finance should not support any activity that generates significant GHG emissions. This is not the role of public finance and is inconsistent with the Paris Agreement.

Some prior actions are considered Paris aligned if there is a significant increase in GHG emissions but there is not a viable alternative pathway. The justification given for this is that it balances lower income countries' essential development needs against GHG reductions and allows for trade offs between a country's national climate commitments and development objectives. The energy versus development debate is a false dichotomy given the increasing affordability of sustainable renewable energy, and given the massive human and environmental consequences of the continued use and expansion of fossil fuels.

8. While the Climate Change Action Plan (CCAP) says it is founded on three principles of people, nature and partnership, the **WB PA methodologies and notes do not prioritise civil society consultation, human rights, social and environmental safeguarding or transparency**. While social concerns are raised for adaptation and resilience actions, there is very little concern for social or environmental outcomes and impacts of mitigation actions in the CCAP or methodologies.

9. **There has been a lack of transparency and consultation on the PA methodologies, and a lack of clarity on ongoing engagement with civil society as they are implemented.** Civil society had understood that the methodologies would be open to public consultation, following the lead of the EBRD which set good practice for its Paris Alignment methodologies consultations. In contrast, the instrument methodologies were published ahead of the Spring meetings in April 2023 and WB staff had been trained in their use before consultation took place. The analysis of Paris alignment will be integrated into the project information documents, but there is no process for civil society to be part of the analysis or to comment on the PA analysis for individual projects.

Recommendations

Public finance is scarce and must be used efficiently and effectively to target priority sectors to enable the just energy transition. The World Bank Group (WBG) should fund measurable emissions reductions in middle-income countries, and help least developed countries to leapfrog fossil fuels to renewable energy and energy efficiency. This means entirely ending public finance support for fossil fuels, and catalysing the shift to sustainable, renewable energy that puts human rights, people and planet front and centre. The WBG needs to set a high bar to prompt a race to the top in addressing the role of public finance in tackling the climate crisis.

There is an urgent need to Invest in large-scale rollout of renewable energy in partnership with the Global South and democratic institutions to support energy access and enable governments to develop zero-carbon industrial strategies that do not entrench fossil fuel development.

We recommend an urgent revision of the WB PA instrument methodologies and sector notes to include:



Setting a 1.5°C pathway for transition

- Recognise that Paris alignment means achieving the 1.5°C goal with global greenhouse gas emissions need to peak before 2025 and reduce by 45% by 2030.
- Classify all assistance and investments involving fossil fuels as universally non-aligned, including fossil gas, with all loopholes to fossil fuel investment closed.



Driving a renewable energy economy

- **Accelerate the transition to renewable energy** with funding prioritised for sustainable renewable projects that do no harm, a clear taxonomy of sustainable renewable technologies, and exclusion of false solutions such as CCUS or hydrogen and ammonia blending with fossil fuels.
- **Facilitate an enabling environment for low and zero GHG development** options to accelerate countries' low-carbon pathways, by providing innovative financing for renewable energy, policy advice, technical assistance and investment. This should include concessionary financing with less conditionalities attached for promoting sustainable development in these countries.

- **Support a holistic development vision for each country that ensures energy sovereignty while meeting the needs of disadvantaged communities** who are at least responsible for the climate crisis.



Ensuring the transition works for people and nature

- **Prioritise a just energy transition**, with a rights-based approach that centres host communities, puts people and planet at the heart of decision-making, and ensures transparent and accountable social and environmental safeguarding.
- **Ensure transparency and open consultation** with stakeholders including civil society on the WB PA implementation and future revision.



Delivering across the whole economy

- Project finance, Development Policy Financing, Technical Assistance, and Program for Results, should all work towards driving a truly 1.5oC Paris Aligned future which delivers a safe climate future for client countries.

This response is supported by:

- Arab Watch Coalition
- Bank Climate Advocates
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