LOST IN TRANSITION: ANALYSIS OF WORLD BANK GROUP'S RENEWABLE ENERGY INVESTMENTS SINCE PARIS

Executive Summary

The Paris Agreement was signed in 2015 In response to the urgent need to address climate change and transition to renewable energy sources. Since then, Multilateral Development Banks (MDBs) including the World Bank (WB) have committed to align their investments with the objectives of the Paris Agreement. Despite its increased attention on renewable energy investments, the WB still faces a number of challenges including calls from various international bodies and groups to triple renewable energy capacity by 2030.

More importantly, concerns remain on how the WB's renewable energy investments still risk repeating the mistakes of the fossil fuel past: from land rights conflict associated with large scale renewable energy projects, extractivist and profit-driven energy models, to labour rights issues in energy transition investments. With governments providing unprecedented levels of public spending to accelerate the energy transition to renewables, international public finance institutions such as the World Bank need to take into account the longstanding demands for it to deliver a just energy transition and support renewable energy economies in the Global South.

These fundamental challenges prompt a closer look at the WB's clean energy portfolio. This research studies the WB's clean energy investments in the period between 2017 to 2022 based on OCI's Public Finance for Energy Database and WB project documents. Some of the key findings of the study include:

- The World Bank's investments in clean energy show an inconsistent trend peaking at USD $4.8 billion in 2018 after which follows a significant 54% dip in 2019.
- Overall, a total of 88% ($16.5 billion) of the WB's clean energy finance between 2017 to 2022 were disbursed in the form of debt-creating loans.
- Only 7% ($1.3 billion) were in the form of concessional finance, whereas 5% (less than $1 billion) were guarantees.
- The majority or 51% of clean energy investments supported solar photovoltaic (PV) projects mainly in the form of solar mini-grids and solar rooftop initiatives.
- Wind projects only accounted for 5.6% while 4.8% went to geothermal development.
- Out of the 114 total clean energy investments studied in this research, 9.6% (11) of projects were categorised as high risk and 11.4% (13) were considered to have substantial risks.
- Only one project got a low-risk classification whereas the majority of projects or 41.2% (47) studied were classified to have moderate risk.
- Findings demonstrate that 45.6% (52) of the Bank's clean energy investments has potential impacts on land rights mostly pertaining to involuntary resettlement.
- Some 12.2% (14) of projects analysed had potential impacts on indigenous communities mostly requiring construction or exploration activities in indigenous lands, while 32% (37) of projects bear potential risk to damage cultural resources and heritage including ancestral lands and forest and marine resources.

Based on the analysis, the recommendations for the World Bank include:

1. Increase highly concessional and targeted financing for renewables. Best practices include to:
    a. Provide capacity building support alongside non-debt-creating finance.
    b. Prioritise high-impact projects and hard-to-decarbonise sectors for the provision of grants and guarantees.
    c. Monitor and evaluate the impact of projects financed through highly concessional funding.
2. Strengthen environmental, social and rights safeguards. To do this, the World Bank must:
    a. Effectively incorporate community engagement and early meaningful stakeholder consultation into the assessment and monitoring process.
    b. Avoid projects that take up huge tracts of lands to develop renewable energy facilities.
    c. Consider providing incentives for sustainable practices that reward projects for complying with environmental, social and transparency standards.
    d. Address systemic barriers affecting gender equality in gender assessments and action plans.
3. Ensure transparency in financial intermediary investments. Specifically, the World Bank must:
    a. Ensure public disclosure of sub-project level information including at the minimum the name, sector, and location of high-risk sub-projects, including through second and third-level sub-investments.
    b. At the same time, the World Bank must require FI clients to disclose disaggregated sub-project information in a timely manner.

Further recommendations for renewable energy expansion include the following:

1. Prioritise transformative sectors and sustainable solutions to enable universal energy access. Specifically, we urge the Bank to:
    a. Channel funds to off-grid and decentralised renewable energy solutions which can bring clean electricity to remote and underserved areas including energy access to women and indigenous communities.
    b. Support energy storage solutions such as advanced batteries are essential for integrating intermittent renewable energy sources into the grid.
    c. Strengthen grid infrastructure investments as crucial for accommodating higher shares of renewable energy.
    d. Invest in renewable electrification technologies for sectors like residential heating, cooling and transportation consistent with environmental and social standards.
2. Avoid high-risk, unsustainable, uneconomic solutions that distract from the energy transition. Specifically, we recommend that the WB:
    a. Approach green hydrogen investments with caution.

b. Avoid high-risk investments such as in the form of large hydropower projects whichpose significant threat on indigenous communities' lands and cultural resources as well as biodiversity and natural resources.

c. Ensure renewable energy support goes toward sustainable and economically sound renewable energy solutions as opposed to energy types like nuclear technology which comes with high capital costs, and long-term environmental risk and waste management issues.

3. Support developing countries' transition to renewable energy economies. To do this, the Bank must:

   a. Scale up successful renewable energy investment models.

   b. Promote technology transfer and innovation.

   c. Develop and strengthen domestic regulatory frameworks that facilitate renewable energy development.

THE NEW 'ENERGY EL DORADO'? THE WORLD BANK'S ROLE IN PROMOTING GREEN HYDROGEN IN CHILE

Executive Summary

While green hydrogen (GH) can be considered a renewable energy fuel, several concerns remain about how it can be produced without diverting renewable energy capacity that could otherwise be used to provide power to communities, or without utilising large tracts of lands to construct the multiple wind turbines necessary to produce green hydrogen fuel. Green hydrogen production also has potential impacts on water supply, especially in areas with scarce water reserves for local needs.

This research aims to analyse the World Bank's investment in the GH industry in Chile and its implications for a just energy transition. Further, this study seeks to determine whether the WB's GH investments in Chile meet the objectives of the Paris Agreement while respecting the rights of the most vulnerable communities and groups in the transition to a greener economy. Key concerns emerging from this analysis:

1. The World Bank's GH investment in Chile is flagged as having 'considerable or substantial environmental and social risk' due to the 'wide range of potential environmental, health and safety impacts.'
    a. The GH industry is not sustainable in the Magallanes region. Scientists warn of serious impacts on biodiversity as more GH megaprojects are developed in the region.
    b. The accelerated development of GH industry in 'sacrificial zones' in Magallanes and Antofagasta regions is adding more potential impacts on communities and the environment without taking into account historical damages.
    c. The GH industry is renewable energy intensive – energy that could otherwise be used by underserved communities without access to clean electricity.
    d. Considering the critical water scarcity in the country, further stress on demand is expected due to the additionality of water needs by the GH generation technology, affecting the access of local populations to water resources.
2. Policies to regulate the GH production value chain are lagging behind project development.
    a. For instance, regulations for the safe management of GH, storage, transport and use remain in the drafting process and are only expected to be enacted by 2025, despite GH production already taking place as early as 2017.
    b. The Chilean government does not have a typology for assessing GH projects, as it does for other sectors and industries.
    c. The lack of transparency in the process of handing out concessions in the production of Green Hydrogen
    d. The development of capacity to effectively supervise GH subprojects consistent with the WB's sustainability policy and environmental and social safeguards will take time and is unlikely to occur in the short term.

3. Corfo, the implementing agency of the WB project, lacks the experience and capacity to manage the environmental and social risks associated with the GH investments.
    a. Corfo does not have the legal function to effectively supervise the environmental and social management of the projects it finances as an intermediary.
    b. Despite submitting a stakeholder engagement plan, Corfo's consultation process places no emphasis on the participation at the local level of Indigenous Peoples and potentially affected communities, nor with civil society.
    c. Corfo's concept of a grievance redress mechanism is in the form of its customer service, complaints and claims service, which functions merely as a mailbox for receiving requests and observations.
    d. There is no existing mechanism to protect human rights defenders against the risk of reprisals, nor are there mechanisms for reparation for any possible damage that the subprojects may cause in the territories.

Recommendations:

1. Ensure environmental impact assessment processes meet highest standards by:
    a. requiring comprehensive environmental impact assessments for all subprojects instead of the simpler environmental impact 'statements'.
    b. preventing the 'splitting' of projects to circumvent impact assessment regulations.
2. Establish measures to increase transparency and accountability of financial intermediary operations. Examples include:
    a. ensuring early access for relevant sub-project information to all project-affected peoples, especially women, Indigenous Peoples and other vulnerable groups.
    b. disclosing in an early and culturally appropriate manner information on subprojects at different stages of their life cycle.
3. Guarantee meaningful stakeholder consultations by:
    a. requiring funding stakeholders to conduct in-depth, extensive and inclusive binding consultation processes with communities and civil society.
    b. strengthening the processes and procedures for consultation and citizen participation, ensuring the right of access to information.
    c. ensuring the consultation with Indigenous Peoples whenever appropriate.
4. Provide access to functioning grievance redress mechanisms by:
    a. installing an independent complaints mechanism for the reception and investigation of community complaints.
    b. implementing measures to protect against reprisals.
    c. establishing fair compensation and reparation measures.
4. Strengthen environmental and social management efforts by:
    a. ensuring that ESMS plans, mitigation and compensation measures, and other commitments are established to comply with the WB's ESF.
    b. mandating periodic reports on compliance with ESMS obligations of subprojects contracted with Corfo.

EXPLORING GEOTHERMAL ENERGY DEVELOPMENT IN INDONESIA: POLICY FAILURES AND IMPACTS ON WOMEN'S RIGHTS

Executive Summary

The relentless pursuit of geothermal energy sources in Indonesia has sparked a range of concerns that warrant careful examination on the national government's agenda for geothermal expansion (e.g. Plan for Flores Islands to be a geothermal hotspot) while disregarding communities' rights and needs. While geothermal energy holds significant promise as a sustainable and environmentally friendly alternative to fossil fuels, its rapid development, including aggressive exploration and drilling operations, raises a series of pressing issues. These concerns encompass economic viability, technological challenges, social implications on indigenous communities and women in particular as well as potential environmental risks. The government's indifference to the ecological, social, economic and cultural factors of the local community is reflected in the following case studies covered in this research.

The World Bank's active support for the development of geothermal energy in Indonesia has played a pivotal role in advancing the country's energy objectives. As Indonesia strives to harness the potential of geothermal energy to address its energy needs and climate goals, it is imperative to address these key concerns in a comprehensive manner to prevent further negative impacts on communities and avoid further reputational risks on renewable energy development in general.

The experience presented in this report detail a chain of failings by the Indonesian Government and the World Bank as investors, including:

- While geothermal energy is a sustainable and renewable power source, the way related projects are being implemented in Indonesia lacks concern for the people or nature in the target areas.
- WB support for geothermal expansion increased Indonesia's national debt, as it did not cover the highly expensive exploratory drilling operations, and the WB does not take responsibility for the impacts of the testing phase of the project.
- Government laws for geothermal development give priority towards permit granting, allowing little community recourse when there is environmental damage or issues related to land acquisition.
- Corporations that have vested interest in geothermal projects usually undertake the environmental and social impact assessment process, which results in an over-emphasis on the benefits of profit-oriented development over potential project impacts on the ecosystem and communities.
- Gender impact assessments for geothermal projects studied in this research were too narrow, only considering employment and not the impact on women in project-affected communities.
- There is a lack of information on the potential scope and impact of projects provided to communities, and whatever available information is not provided in an accessible format for the communities to use (i.e., documents are only available in English).

- Investment-induced large scale expropriation of land and living space has now taken a new form under the auspices of energy transition, including geothermal power plant development.

Based on the findings of this study, we forward the following recommendations:

- The exploration and implementation of geothermal power plants must be only conducted and driven by the consent and needs of local communities, especially women and indigenous communities in the area.
- The Government of Indonesia and the World Bank Group (WBG) must ensure a meaningful participation of project-affected communities in every step of the geothermal project and other large scale development projects.
- The WBG must ensure that their financial intermediaries and all entities within their projects comply with strengthened Environmental and Social Standards (ESS).
- The WBG and all entities involved in geothermal development projects must ensure the accessible and understandable information (e.g. Gendered Environmental Impact Assessment) for local communities and Governments in order for them to rationally determine and/or provide their consent.
- The Government of Indonesia must fulfil their constitutional mandate to respect and protect the rights and lives of the Indonesian people over any large-scale climate investment projects.
- The Government of Indonesia must strengthen the capacity of local governments to manage environmental and social risks related to geothermal projects in order for them to critically examine the impacts toward communities in their area.

THE TAIBA N'DIAYE WIND FARM IN SENEGAL: RENEWABLE ENERGY FOR WHOM?

Executive Summary

The Parc Éolien Taïba N'Diaye (PETN) is the first large-scale wind energy project in Senegal and aims to provide clean energy to more than 2 million people, while investing in the local community to improve education, entrepreneurship and the environment. The Multilateral Investment Guarantee Agency (MIGA), part of the World Bank Group, has issued a USD 105.4 million (EUR 90.6 million) guarantee to support this project. However, the project is classified as Category A under the MIGA Policy on Environmental and Social Sustainability (2013) as there were potentially significant environmental and social impacts related to the loss of livelihoods of people affected by the project, biodiversity on the installation site.

This research aims to look at how the PETN project from construction to its current operations is affecting the lives and livelihoods of project-affected communities. The research found issues regarding:

- Transparency, access to information and community participation: Interviews with local communities, stakeholders and elected representatives revealed major concerns about transparency and inclusion in the implementation of the project. Indeed, while the majority of local stakeholders agree that Lekela is a pioneering CSR company in the municipality, a series of problems and gaps in terms of involvement and communication between the company and local communities were shared.
- Land acquisition, involuntary resettlement and restoration of livelihoods: The expropriations resulting from the construction of the wind turbines have thus contributed to a decline in their economic activities and the loss of much of their livelihood.
- Gendered impacts on communities: A number of gendered impacts on affected communities have been documented mainly stemming from the fact that women have not been properly consulted nor have they been part of decision-making processes throughout project implementation.
- Impacts on the environment: Overall, using wind to produce energy has fewer effects on the environment than many other energy sources, but associated infrastructure can still have impacts especially when located close to or in agricultural fields.

Based on the analysis, the paper recommends:

For the World Bank Group to:

- Increase Transparency and Accountability: The Bank should demand complete transparency in the implementation of funded projects, including full disclosure of environmental and social impact assessments, as well as monitoring reports.
- Assess Long-Term Impacts: The World Bank should require long-term impact assessments of its projects, monitoring their performance beyond the initial financing phase to ensure long-term sustainability and continued benefits for local communities.
- Review ESS Standards: The World Bank should revise its environmental and social standards to align them with international best practices, ensuring better protection of the environment and the rights of communities.

- Establish an Independent Monitoring Mechanism: Establish an independent monitoring mechanism to assess project compliance with World Bank standards and national regulations. If discrepancies from World Bank standards are identified, demand that corrective measures be implemented to address these issues.

For the Senegalese Government to:

- Strengthen Environmental and Social Regulations: The government should review and strengthen environmental and social laws and regulations to ensure that development projects adhere to international standards in sustainability, environmental protection, and the rights of local communities.
- Facilitate Community Participation: Promote active participation of local communities in the planning, implementation, and monitoring of projects, ensuring that their concerns are addressed from the outset of the process with the support of administrative authorities and local governments.
- Enhance Transparency and Accountability: Establish independent monitoring and evaluation mechanisms to ensure that projects adhere to environmental, social, and ethical standards, and ensure that the results are accessible to the public.

For PETN to:

- Enhance Engagement with Local Communities: The company should establish an open and transparent dialogue with local communities, ensuring that they are informed, consulted, and involved in all phases of the project.
- Improve CSR Policy and Impact Mitigation: Giving greater consideration to the needs of communities and vulnerable groups such as women could enable the company to implement a more effective CSR policy that genuinely benefits the communities of Taïba Ndiaye.
- Ensure Fair Compensation: Ensure that communities affected by the project receive fair compensation for the loss of their land and livelihoods, following international standards.
- Promote Local Job Creation: Prioritise the employment of local labour in the maintenance of the wind farm.