environmental defense fund
finding the ways that work

POLICY BRIEF

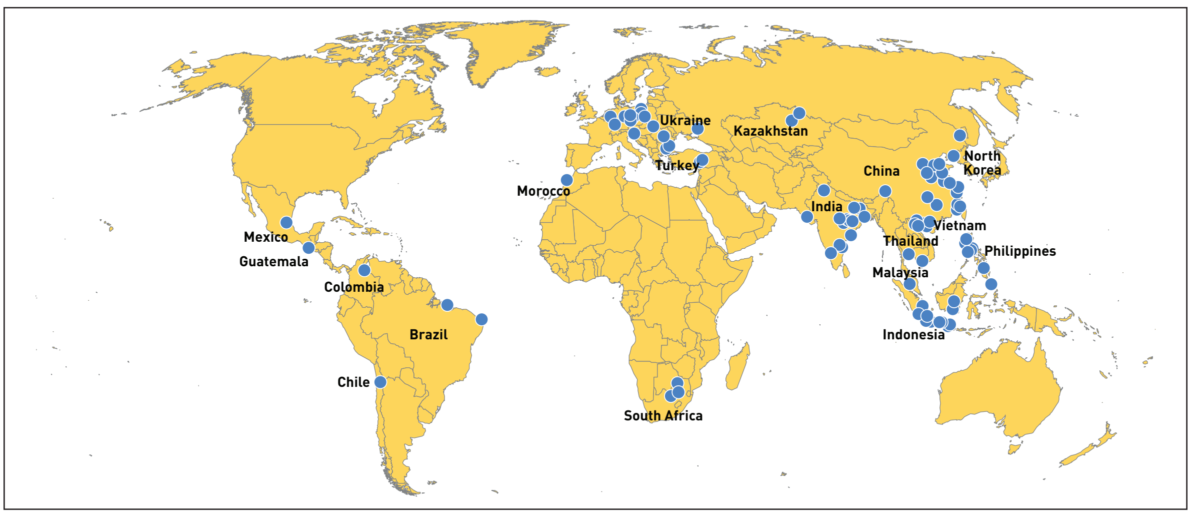
FORECLOSING THE FUTURE:

COAL, CLIMATE AND INTERNATIONAL PUBLIC FINANCE

The World Bank and other international public financial institutions are continuing a 15-year trend of supporting coal-fired power plant construction throughout the developing world and economies in transition. By financing this new carbon-intensive infrastructure, multilateral development banks (MDBs) and export credit agencies (ECAs) of the industrialized world are hamstringing the fight against global warming, and setting back longer term efforts to alleviate poverty in the world's poorest countries.

A new analysis, by the **Environmental Defense Fund**, of the World Bank, other MDBs and ECAs found 88 new and expanded plants financed since 1994. These plants will generate roughly 791 million tons of CO_2 emissions per year, or more than three-quarters of the current emissions for coal-fired power in the entire European Union. According to the International Energy Agency, without a decisive reorientation of energy investment from carbon-intensive sources in developing and emerging economies, atmospheric CO_2 will overshoot the point of no return for dangerous global warming, even if the industrialized world were to reduce its CO_2 emissions to zero by 2030.

A world of coal



Between 1994 and January 2009, international public financial institutions provided more than $37 billion to help build 88 coal-fired plants in developing countries and emerging economies. In Europe, the plants are in Bulgaria, Czech Republic, Germany, Poland, Romania, Slovakia, Slovenia, Turkey and Ukraine. Source: Carbon Monitoring for Action (carma.org)

DELUGED BY CO_2

More than $37 billion in direct (and over $100 billion in indirect) financial support for new coal-fired generation has been provided by MDBs and ECAs since 1994, the year the United Nations Framework Convention on Climate Change entered into force. This dwarfs the $6.4 billion mobilized by the United Nations' Global Environment Facility for climate change over the same period.

Driven in part by this international public financing, global coal use grew at a rate of 4.9% per year from 2000 to 2006, while renewable energy grew at an annual rate of 3.1%.

Coal plants have an operating life of 40–50 years, so unless the CO_2 they generate can be captured and safely stored, subsidizing the construction of such plants will contribute to rising carbon emissions for decades. This works directly at cross purposes with urgent international efforts to reduce global warming.

Recent ECA joint efforts to promote renewable energy through favorable financing terms amount to about $310 million per year, but over the past 15 years ECAs have financed coal plants at a rate of $1.5 billion per year. This stark imbalance reflects the fact that ECAs have no common climate policy, and often no climate policy at all to govern energy investments.

STOP SUBSIDIZING COAL PLANTS

The World Bank claims that by building more efficient "supercritical" coal power plants, it prevents the construction of less efficient ones, thus helping to fight climate change. This argument fails on multiple counts:

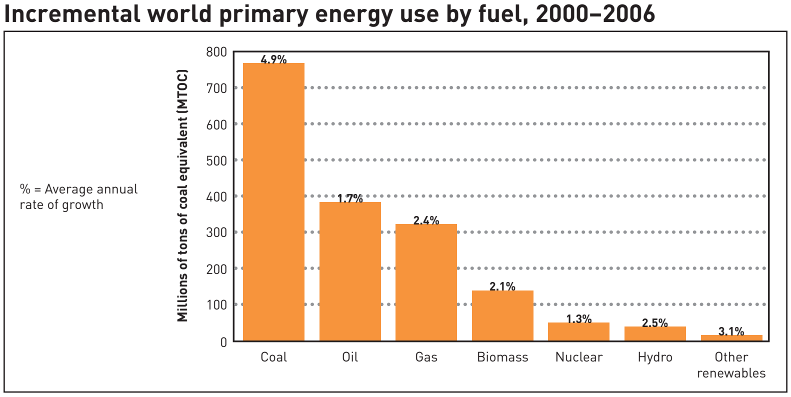
- Coal is the most carbon-intensive of all energy sources. The difference in CO_2 emissions between older and newer coal plants is marginal compared to the difference between coal and renewable alternatives.

- In countries such as India, most new coal plants are already being built with supercritical technology, whose life-time operating efficiencies help pay for the increased cost of construction.

- Several new studies suggest that solar thermal power and other forms of renewable energy, given economies of scale that international public financing could make possible, may be competitive with coal power within a few years. This makes a powerful case for public financing to speed the inevitable global transition to renewables.

As the world's leading nations prepare to funnel hundreds of billions of new dollars through the development banks and export credit agencies to battle the global recession, the World Bank, other MDBs and the ECAs should align their energy investments with the imperative of promoting sustainable development and creating jobs while averting catastrophic climate change.

Incremental world primary energy use by fuel, 2000–2006



Source: IE A, 2008

© Warrenski (Flickr Creative Commons)

To help the poor and fight global warming, MDBs and ECAs should focus investment on renewable energy, not carbon intensive sources like coal. Above: Darling National Wind Farm, Cape Town, South Africa.

THE TIME FOR CHANGE IS NOW

Environmental Defense Fund urges the MDBs and ECAs to hasten the shift to renewable energy by adopting the following recommendations:

1. **DEPLOY** public international finance in support of renewable energy, energy efficiency and other alternatives to coal. Scarce public international resources should go to renewable technologies and energy efficiency programs, which will help countries grow and alleviate poverty while reducing the impacts of global warming on the poor.

2. **CALCULATE** coal's true cost; MDBs and ECAs should institute comprehensive Greenhouse Gas Screening and Accounting and Shadow Carbon Pricing for all projects that emit greenhouse gases. (Shadow Carbon Pricing includes the external cost of carbon emissions to society and the economy.)

3. **CREATE** under the auspices of the United Nations Framework Convention on Climate Change the first international database of GHG-intensive investments (including coal plants) and their emissions by public finance institutions. No such database currently exists.

4. **NEGOTIATE**, as soon as possible, an international agreement among OECD member nations on a common climate/GHG policy for their ECAs.

The Environmental Defense Fund supports the sovereign right of all nations to choose their energy investments. But public international finance should support the necessary transition from coal power in the developing world and economies in transition. Otherwise it will be impossible to achieve the reductions in CO_2 needed to prevent unstoppable climate change. And the worst consequences of catastrophic warming—drought, flooding, mass evacuation—will fall most heavily on the poor, the very people public international development finance is supposed to help.

This report was prepared by Bruce Rich, senior counsel for international finance and development at EDF, assisted by Trey Lord.

For a summary of the report and the full report, visit **edf.org/coalfinance**.
For an analysis of the health costs of coal power, visit **edf.org/documents/9553_coal-plants-health-impacts.pdf**.

For more information, please contact Bruce Rich at 202-572-3334 or BRich@edf.org
ENVIRONMENTAL DEFENSE FUND
257 Park Avenue South, New York, NY 10010 • 212-505-2100 • edf.org
Austin • Beijing • Bentonville, AR • Boston • Boulder • Los Angeles • New York • Raleigh • Sacramento • San Francisco • Washington, D.C.