World Bank Group Financial Flows Undermine the Paris Climate Agreement:

The WBG contributes to higher profit margins for oil, gas, and coal

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Heike Mainhardt · March 2019[1]

In December 2015, 195 nations adopted the Paris Climate Agreement. Two of the main commitments made by these nations include: 1. to limit global average warming to well below 2°C; and 2. to make financial flows consistent with a pathway towards low greenhouse gas (GHG) development. The burning of fossil fuels (oil, gas, and coal) for electricity, heat and transportation is the largest contributor to global GHG emissions. Even so, according to a recent article in *The Economist*, ExxonMobil and the oil industry have no intention of slowing down investments to grow oil and gas production; as such, it "could end up wrecking the climate."[2] As *The Economist* explains, the reason is simple; the profit margin on oil and gas is higher than for renewable energy.

The World Bank Group (WBG)[3] plays an important role regarding energy sector financial flows in more than 65 countries across the world.[4] Well before the Paris Climate Agreement, the WBG had already pledged to help countries onto a low-GHG development path and to avoid exceeding a 2°C warmer world. Towards this pledge, the WBG committed in 2013 to end assistance for coal power plants[5] and in December 2017, the Bank announced that it will no longer finance upstream oil and gas after 2019 (upstream refers to exploration and extraction).[6] Most recently, the WBG announced a new set of climate targets for 2021-2025, including boosting climate action finance to $200 billion over 5 years and supporting the enabling infrastructure for 35 GW of renewable energy.

This analysis focuses on the Paris Climate Agreement's goal regarding low GHG-financial flows and the role of the WBG. As such, the analysis reviewed the WBG's energy portfolio to assess financial flows toward fossil fuels (high GHG emissions) vs. renewable energy (low or no GHG emissions). The WBG influences financial flows through four main activities: 1. project finance; 2. development policy finance and advisory services; 3. budget support; and 4. financial intermediaries. The analysis covers the first three. It does not cover financial intermediaries due to a lack of available data. The analysis reviewed over 675 WBG operations.

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1. For over twenty years, Heike Mainhardt has consulted to a wide range of civil society organizations, the US government, the United Nations, and the World Bank. She has been an expert contributor to the Inter-governmental Panel on Climate Change (IPCC) and has held senior positions at the Bank Information Center, World Wildlife Fund, and ICF Consulting.
2. *The Economist,* 2019. Crude awakening: ExxonMobil and the oil industry are making a bet that could end up wrecking the climate. *The Economist,* February 9-15, 2019.
3. The departments of the World Bank Group (WBG) include: International Bank for Reconstruction and Development (IBRD), International Development Association (IDA), International Finance Corporation (IFC), and Multilateral Investment Guarantee Agency (MIGA).
4. Determined by the number of countries the WBG has either energy project finance or energy related Development Policy Finance in the last five years.
5. World Bank Group, Energy Sector Directions Paper, 2013. The WBG noted that it would still support coal power plants in rare cases where a low income country does not have any other financially feasible power alternatives. Note: Metz, Bert (Dr.), et al, 2013. New unabated coal is not compatible with keeping global warming below 2ºC. Coal and 2 degrees C statement. European Climate Foundation, The Netherlands. October 2013.
6. http://www.worldbank.org/en/news/press-release/2017/12/12/world-bank-group-announcements-at-one-planet-summit

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Introductory Remarks

According to the International Energy Agency (IEA), instead of reducing emissions, the world emitted a new record 33.1 billion tons of carbon dioxide (CO2) into the atmosphere in 2018. Energy-related CO2 emissions from the burning of coal, oil and gas increased by 1.7 percent. The growing emissions stand as a stark warning that the global community must do more. The unabated emissions put people at risk, especially in the countries of the South, as the recent dramatic floods in Mozambique show.

It was therefore the right step for the World Bank Group to announce its withdrawal from the financing of upstream oil and gas after the Paris Climate Conference. However, the World Bank Group needs to do considerably more to make a real difference. A recent examination of the Bank's active global energy portfolio concludes that in reality the World Bank Group is contributing to the growing fossil fuel emissions and is not sticking to its own climate pledges. Heike Mainhardt, an expert contributor to the Intergovernmental Panel on Climate Change (IPCC), assessed over 675 energy-linked operations of the World Bank Group available on the Bank's websites. The assessment revealed that the Bank provides 3 times as much project finance to fossil fuels as it does to renewable energy. The Bank also continues to require governments to adopt investment incentives for coal and upstream oil and gas. Such flagrant contradictions to climate pledges must end immediately.

Key Findings

Although the WBG is contributing a substantial amount of project finance and policy-based assistance towards renewable energy growth, the WBG's overall influence on financial flows is not consistent with a pathway towards low GHG development. Through its project finance, which reduces the cost of finance, and its policy-based assistance, which provides investment incentives, the WBG is contributing to higher profit margins for oil, gas, and coal operations. Thus, the WBG is creating carbon incentives instead of carbon taxes and, thereby, helping to grow financial flows to fossil fuels.

These overall conclusions are based on:

1. WBG project finance significantly reduces the cost of finance. For example, its longer-term loans bring down the costs of financing by around 25 percent compared to commercial finance.[7]

2. The WBG's active energy project finance significantly favors fossil fuels over renewable energy[8]- $21 billion to $7 billion, respectively. If large hydropower[9] and other "potential renewable energy" operations are included, the gap closes but remains significant at $21 billion to $15 billion, respectively. See Table 1.

3. In recent lending trends (FY14-FY18), the WBG approved over $12 billion for fossil fuel projects compared to a little over $5 billion for renewable energy (excluding large hydropower). See Table 3.

4. The analysis identified $1.3 billion of equity investments in fossil fuels vs. $350 million for renewable energy. Of this amount, $512 million equity is in 12 upstream oil and gas operations (see Appendix, Table 1). Remaining in these investments post 2019 would contradict the WBG's pledge to end finance for upstream operations.

5. Although it may be the WBG's intention to support natural gas as a "lower-GHG" alternative to oil or coal, the analysis found it is sometimes not possible to support gas without also enabling growth in oil. This is especially true of projects and development policy finance that supports upstream gas operations.

6. The WBG's Development Policy Finance, Technical Assistance, and Advisory Services (i.e., policy-based assistance) represent significant loopholes in the WBG's pledges to end finance for coal power plants and upstream oil and gas. These operations involve the drafting and adoption of new laws and regulations.

7. While it is promising that the WBG is targeting renewable energy growth in at least 43 policy-based operations across at least 30 countries; at the same time, the Bank is targeting the growth of fossil fuel sectors in as many operations across at least 25 countries. See Table 4.

8. In the last 5 years, the required Prior Actions of WBG Development Policy Finance (DPF) included new oil and gas investment incentives in at least 4 countries and new coal investment incentives in at least 3 countries (see Appendix, Tables 3a and 3b). In Indonesia, Mozambique and Pakistan, investment incentives are targeted specifically at upstream oil and gas.

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7. World Bank, 2010. Peru: Overcoming the Barriers to Hydropower. Energy Sector Management Assistance Programme (ESMAP), May 2010. Page 68, Paragraph 169.
8. Excluding large hydropower ›50 MW.
9. Large hydropower (›50 MW) can be associated with significant social and environmental impacts, including increasing GHG emissions (e.g., methane), and can be unsustainable due to climate change-induced drought/decreased precipitation, thus it is counted separate from other renewable energy sources.

9 In addition to fossil fuel-targeted investment incentives, the WBG's promotion of general infrastructure investment incentives, especially through Public-Private Partnership (PPP) frameworks, enables subsidies to flow to fossil fuels. The analysis found at least 5 countries with planned coal operations and 6 countries with planned oil and gas operations that stand to receive subsidies through WBG-supported infrastructure investment incentives. See Appendix, Table 4.

10 DPF funding, ranging from $8 billion to over $20 billion a year, is provided as non-earmarked, general government budget support. Because fossil fuels are not included in the Bank's Excluded Expenditures, hundreds of millions to billions of WBG budget support could be used for the building of coal power plants or towards upstream oil and gas operations. Countries with significant coal development plans and large DPF financial flows, include *inter alia*: Indonesia, Mozambique, Egypt, Turkey and Poland.

11 Financial Flows to Coal: Since 2014, the WBG's project finance does not directly support coal power plants. However, some support continues through associated infrastructure, such as transmission lines specified for new coal power plants (e.g., South Africa and India) and a few cases with associated facilities (e.g., captive coal power plants for cement production). Of most concern, WBG policy-based operations are targeting increased investment in the mining sectors of 6 countries with significant coal reserves, including: Mozambique, Vietnam, Nepal, Bhutan, Afghanistan, and Tajikistan.

The WBG often points to their significant support of renewable energy as evidence of its support for low-GHG development arguing that this renewable energy support translates into lower GHG emissions than would be the case without WBG support. However, the same argument clearly applies to the WBG's significant fossil fuel support creating more GHG emissions than would be the case without WBG support.

Recommendations

The WBG needs to bring its energy sector portfolio, including policy-based assistance, into alignment with the Paris Climate Agreement. Moreover, the WBG needs to stop using public finance and investment incentives to increase the profit margins of fossil fuel investments. To begin to address this problem, the WBG should:

1. **Significantly Reduce Fossil Fuel Project Finance:** Too much WBG public project finance is still going to fossil fuels. In addition to ending finance for upstream oil and gas operations, the WBG should also end finance for fossil fuel exports and associated infrastructure, and concentrate its public finance only on domestic energy needs.

2. **Divest Fossil Fuel Equity Investments:** Divest all equity investments in upstream oil and gas operations and coal operations. This analysis identified $512 million in equity investments in 12 upstream oil and gas operations and $34 million in two projects with associated coal facilities.

3. **Close Policy-based Assistance Loopholes in Climate Pledges:** Include Development Policy Finance, Technical Assistance, and Advisory Services in all WBG climate pledges. Start by explicitly including policy-based assistance in the existing pledges on coal power plants and upstream oil and gas.

4. **End Fossil Fuel Investment Incentives:** Every fossil fuel investment incentive represents an incentive to emit carbon. The WBG needs to end support for fossil fuel investment incentives. The WBG needs to ensure that investment incentives embodied in Development Policy Finance, Technical Assistance and Advisory Services do not go to fossil fuels (e.g., exempt fossil fuels from general investment incentives).

5. **Include Coal and Upstream Oil & Gas in Excluded Expenditures:** Add coal operations and upstream oil and gas operations to the Excluded Expenditures list for Development Policy Finance proceeds, i.e., budget support.

6. **Promote an Upstream Carbon Tax:** The WBG should promote an Upstream Carbon Tax applicable to every barrel of oil, every cubic meter of gas, and every ton of coal extracted from the earth based on the carbon content of each fuel. Such an upstream tax would better ensure that the fossil fuel companies that benefit the most from climate destruction will more directly pay for climate change externalities.

Overview of Analysis

The aim of the analysis is to assess the World Bank Group's performance towards making financial flows consistent with a low-GHG development pathway. As part of this effort, the analysis reviewed the finance portfolios of three departments of the World Bank Group (WBG): 1. the World Bank, which has two divisions the International Bank for Reconstruction and Development (IBRD) and the International Development Association (IDA); 2. the International Finance Corporation (IFC) – the private sector arm of the WBG; and 3. the Multilateral Investment Guarantee Agency (MIGA).

The WBG influences financial flows through four main activities: 1. project finance; 2. development policy finance and advisory services; 3. budget support; and 4. financial intermediaries. The analysis covers the first three. Financial intermediaries are not covered by the analysis due to a lack of available data.

The analysis is based on a review of public project documents available on line in the World Bank's, IFC's and MIGA's project databases. More than 675 WBG operations were reviewed for the analysis. In some cases, additional publicly available information was collected to determine project or policy details. The data were collected over an 8-month timeframe from July 2018 to February 2019.

The paper is structured in five parts: 1.WBG Project Finance; 2. Development Policy Finance and Advisory Services; 3. Budget Support; 4. Conclusions; and 5. Recommendations.

1. WBG Project Finance

The WBG's long-term project finance is important for the energy sector. Large energy projects generally require finance and guarantees for longer periods than are available commercially – the standard maturity is 5 to 10 years for commercial loans and guarantees.[10] In the case of the World Bank, a loan maturity can be up to 35 years and the IFC's private sector loans are typically 15 years. According to the World Bank, its longer-term loans bring down the costs of financing by around 25 percent compared to commercial finance, even when blended with shorter-term commercial loans.[11] By reducing the cost of finance, the WBG increases the returns to investors and owners of energy operations. As such, WBG project finance is a subsidy.

Furthermore, WBG finance leverages significantly more private finance into the energy sector. For these reasons and more, WBG project finance is important to overall financial flows into the energy sector. With regards to low-GHG financial flows, the analysis reviews the WBG's project finance to the energy sector to determine how much of this finance flows to fossil fuels (high GHG emissions) vs. renewable energy (low or no GHG emissions).

The WBG provides three types of long-term project finance: loans, equity, and guarantees. Guarantees protect the creditors and investors by insuring the project against various political and market/business risks.[12] As such, WBG guarantees are particularly important in developing and emerging market countries with inherent greater risks than in more developed countries. The WBG also provides a limited amount of grants, which are also covered by the analysis.

The analysis first reviews energy operations across the WBG's active project lending portfolio and secondly provides a yearly account of project funding approved in the last five years.[13] Table 1 provides a summary of the funding amounts associated with energy operations listed as active by the WBG. In most cases, a project is considered to be active in the portfolio when it is either still receiving funding disbursements; represents equity; and/or is still covered by a current guarantee (i.e., still represents a liability for the WBG).

In addition, it is important to point out that in determining what should be counted as fossil fuel or renewable energy is not always straight forward. Sometimes projects have activities supporting both fossil fuels and renewable energy operations. Sometimes projects have direct linkages to coal operations and other times projects involve funds that do not disclose sub-projects. When the actual project is unclear, it has been put into either the Mixed FF and RE category or the Potential RE category. See explanations below Table 1.

Table 1 provides the aggregate totals for the WBG's active energy project finance. Overall, the analysis found that the WBG is providing significantly more project finance to fossil fuels than to renewable energy (excluding large hydropower ›50MW) – $21 billion to $7 billion, respectively (see Table 1). If large hydropower and other potential renewable energy operations are included, the gap closes, but still remains significant at $21 billion to $15 billion, respectively. Large hydropower (›50 MW) can be associated with significant social and environmental impacts, including increasing GHG emissions (e.g., methane), and can potentially be unsustainable due to climate change-induced drought/decreased precipitation, thus it is counted separate from other renewable energy sources.

10. The length of tenor or maturity for a guarantee is the period of time for which the project is covered by the guarantee.
11. World Bank, 2010. Peru: Overcoming the Barriers to Hydropower. Energy Sector Management Assistance Programme (ESMAP), May 2010. Page 68, Paragraph 169.
12. Examples of political risks include: war, political unrest, government breach of contract (e.g., payment obligations of state-owned enterprises, nationalization), regulatory changes, and currency convertibility/volatility. Examples of business risks include: irregular supply of raw materials, market price fluctuations, low demand (i.e., forecasting error), breach of contract, and regulatory noncompliance.
13. For the World Bank, project funding includes operations the Bank designates as "Investment Project Finance."

Table 1. World Bank Group Active Energy Project Finance (million US$)

Energy Type	Equity	Loans	Guarantees	Grants	Total
Gas	529	7,558	3,336	0	$11,422
Oil & Gas	499	1,071	1,527	0	$3,097
Oil	218	1,187	24	0	$1,429
Coal	34	4,780	0	0	$4,814
Fossil Fuel Total	1,279	14,596	4,887	0	$20,762
Mixed FF with RE or EE^	316	3,935	1,358	290	$5,899
with Coal~	140	1,722	783	0	$2,645
Renewable Total (excluding large hydropower)	348	5,163	1,293	178	$6,981
Potential RE*	125	891	41	104	$1,161
Large Hydro	46	5,285	1,559	270	$7,159

^Projects in the Mixed FF with RE or EE category support both fossil fuel operations and renewable energy (RE) or energy efficiency (EE) operations directly or potentially through undisclosed subprojects. This category also includes hybrid mini-grids, such as solar-diesel hybrids.
~Projects in Mixed with Coal category are projects that have specific known links to coal operations such as a transmission project built to connect a specific coal power plant.
*Projects in the Potential RE category often have objectives aimed at renewable energy (RE) or „clean“ or „green“ energy but do not disclose actual sub-projects. Such operations can include: gas operations, large hydropower, waste to energy, and/or energy efficiency associated with coal and gas rehabilitation (i.e., facility lifetime extension).

The WBG active portfolio includes $4.8 billion to coal projects. Given the WBG’s 2013 commitment to stop financing coal power plants, the large majority of this active finance was approved before 2014. In fact, one such project accounts for $3.48 billion – the IBRD loan to Eskom for the 4,800 MW Medupi coal power plant in South Africa.[14] This project was approved back in April of 2010 and the Bank lists a closing date of December 31, 2019.[15] For WBG coal projects that have been approved since the 2013 pledge, see the section below on WBG energy project funding during the last five years.

Even though the vast majority of coal finance was approved before 2014, WBG finance continues to be linked to coal through other operations, such as those included in the Mixed with Coal category. These projects all have known specific links to coal. For example, there is an active $1 billion IBRD loan for the Fifth Power System Development Project in India. This project involves the construction of new transmission lines and was originally supposed to close June 30, 2015. However, the project was extended twice to accommodate delays involving the 4,000 MW Sasan and Mundra coal power plants. According to the Bank’s Implementation Status and Results report (October 2018), setbacks at these coal plants meant that the new transmission lines were not commissioned until January 2017 and thus, the Bank extended the project loan proceeds until May 31, 2019.

Equity in Upstream Oil and Gas: Scientists have determined that there is far more carbon in existing fossil fuel reserves than can be safely burned. In fact, around two-thirds of the world’s current proven fossil fuel reserves need to stay in the ground if we are to avoid raising global temperatures above 2°C.[16] As such,

14. IBRD project: Eskom Power Investment Support Project. This project also involved $268 million for renewable energy (solar), which is accounted for in the renewable energy figures.
15. Another significant operation includes the $450 million IFC loan for the 4,000 MW Tata Ultra Mega coal power plant in India. This IFC loan was approved in April of 2008 and is listed as active (IFC does not list a closing date).
16. McGlade, Christopher and Paul Ekins, 2015. The geographical distribution of fossil fuels unused when limiting global warming to 2°C. Nature, 517, 187-190, January 8, 2015. https://www.nature.com/articles/nature14016

in December 2017, the WBG announced that it will no longer finance upstream oil and gas (i.e., exploration and extraction) after 2019. This analysis found that the WBG has close to $1.3 billion of equity investments in fossil fuels. Of this amount, at least $512 million is invested in 12 upstream oil and gas operations. In order for the WBG pledge to be meaningful and for its portfolio to be in alignment with the 2°C goal of the Paris Agreement, the WBG must divest the $512 million equity in upstream oil and gas operations (see Appendix, Table 1).

In addition, the analysis identified $34 million of equity investments in two projects involving associated coal facilities. One project in Kenya is the National Cement Company Ltd., which has an associated new captive generation 15 MW coal power plant. The IFC has $18.5 million in equity and $80 million in loans ($55 million approved in June 2014 and $25 million approved in January 2019) for this cement company. The second coal equity project is STG Cement in Myanmar. The Shwe Taung Cement Company (STC) partially owns and operates this cement plant as an integrated cement manufacturer with mining concessions providing captive sources of limestone and coal. The IFC has $15 million in equity and a $20 million loan that were approved in July 2017.

Table 2 provides a regional breakdown of the WBG's active energy project finance. Africa has the largest amount of WBG fossil fuel project investments at $9.7 billion. Asia & Pacific has the largest amount of WBG renewable energy investments (excluding large hydropower) at $2.2 billion. However, Latin America & Caribbean has the best low-GHG financial flows as it is the only region that has more project finance for renewable energy ($2 billion) than for fossil fuels ($1.5 billion). See Appendix Tables 2a and 2b for detailed regional breakdowns.

Table 2. World Bank Group Active Energy Project Finance: Regional Summary (million US$)

Region	Fossil Fuels	Renewables*	Large Hydropower
Africa	$9,739	$1,779	$653
Middle East	$744	$371	$0
Asia & Pacific	$3,706	$2,167	$5,544
Latin America & Caribbean	$1,515	$1,985	$213
Europe & Central Asia	$5,058	$679	$749

*Excludes large hydropower >50 MW.

Notable WBG Large-scale Fossil Fuel Projects: The WBG is providing project finance for some of the largest oil and gas projects in the world, including: $1.1 billion MIGA guarantee in Azerbaijan and $800 million IBRD loan in Turkey for the Trans-Anatolian Natural Gas Pipeline (TANAP); three IBRD loans worth over $1.3 billion for Tuz Golu gas storage facility in Turkey; $700 million IDA and IBRD guarantees and $235 million IFC loan for the Offshore Cape Three Points (OCTP) oil and gas blocks in Ghana; $540 million in multiple MIGA guarantees for the oil and gas Block CI-27 in Cote d'Ivoire; and $150 million IFC loan for the Dangote Oil Refinery and Petrochemical Complex (world's largest oil refinery).

Natural gas can enable more oil: It deserves to be pointed out that over half of the fossil fuel finance is for natural gas. However, although it may be the WBG's intention to support natural gas as a lower-GHG alternative to oil and coal, often it is not possible to support gas without also supporting oil. One of the WBG's largest projects in Africa, in terms of amount of financing and size of oil and gas reserves, is the Sankofa

Gas Project, within the Offshore Cape Three Points (OCTP) block in Western Ghana. Approved in FY2016, this project received a total of $935 million in World Bank guarantees and IFC loan. Project documents reveal that the Sankofa Gas Project is critical to securing finance for the Sankofa oil fields. The Sankofa oil fields contain an estimated 500 million barrels of oil, which is considered to be a "super giant" field by industry standards.

The following excerpts taken from the World Bank's project Appraisal Document clearly illustrate that the WBG's support for the "gas project" is interconnected with oil development and makes the development of the "super giant" oil fields possible:

§

Paragraph 39
Project Description: The proposed natural gas project will also ensure the development of two non-associated oil fields.

Paragraph 56
Rationale for using World Bank Guarantees. The Private Sponsors have been unsuccessful in seeking commercial insurance in support of the payment security structure proposed under the project and as last resort have sought guarantees support from the Bank….

Paragraph 57
The US$700 million World Bank Guarantee support will leverage substantially larger gas payment flows over the terms of the contract (20 years) and facilitate an investment in the OCTP block of up to US$7.9 billion by the private sector.[17]

Transmission & Energy Efficiency: It should be noted that the WBG's active energy project portfolio also includes $8.4 billion in transmission and distribution projects (links to specific power generation unspecified) and $3.5 billion in projects that target, at least partially, energy efficiency. Energy efficiency projects can sometimes involve rehabilitation of coal and gas power plants and heating systems, which involve an extension of the fossil fuel facility's lifetime. It was beyond the scope of this analysis to assess energy efficiency projects to determine net GHG emissions outcomes associated with WBG assistance.

Recent WBG Energy Project Financing Trends: Table 3 provides the WBG's energy sector project finance approved in the last five years (FY2014 to FY2018). As shown, the WBG's most recent five-year project finance continues to be heavily in favor of fossil fuels with $12 billion for fossil fuels compared to only $5 billion for renewable energy (excluding large hydropower). If large hydropower and other "potential renewable energy" operations are included, the renewable energy total increases to $9.5 billion.

Coal post-2013 pledge: Since 2014, there have not been any WBG project finance to coal power plant projects, but there has been $274 million in project finance provided to other types of coal projects, including: 1.) IBRD $69 million loan to Industrial Waste Management and Cleanup Project in Montenegro for the clean-up of a coal ash disposal facility in Pljevlja (September 2014); 2.) IFC $55 million loan and $15 million equity investment in National Cement Company with associated coal power plant in Kenya (June 2014; for details see Equity section above); 3.) IBRD $100 million loan (May 2015) to Huainan Mining Area Rehabilitation Project in China for the rehabilitation and clean-up of coal mining sites; and 4.) IFC $20 million loan and $15 million equity to STG Cement in Myanmar (July 2017; for details see Equity section above).

17. http://documents.worldbank.org/curated/en/173561467986250592/pdf/96554-PAD-P152670-R2015-0143-1-IDA-R2015-0200-1-Box391499B-OUO-9.pdf.

Operations Linked to Coal: Also noteworthy is over $1 billion in the Mixed with Coal category, which has projects with known links to specific coal operations. Included in this category is a $783 million MIGA guarantee covering loans by Deutsche Bank AG and Mizuho Bank Ltd to Eskom, South Africa's state-owned power company. The loans are in support of Eskom's capacity expansion program to expand generation and transmission by over 17GW by 2021.

While MIGA claims proceeds will only be used for transmission, money is fungible and a significant portion of Eskom's expansion program is coal (9600 MW Medupi and Kusile Coal Power Plants). Newly constructed transmission lines will predominantly be used to evacuate power from new coal power generation. The loans may also be partially used to service very high debt payments of approximately $4.9 billion starting in 2019, which is tied to the mega coal power plants.[18] (See above for the World Bank $3.48 billion loan to the Medupi coal power plant.)

Table 3. World Bank Group Energy Project Finance FY2014-FY2018 (million US$)

	FY2014	FY2015	FY2016	FY2017	FY2018	Total
Gas	1,526	1,738	1,343	1,968	2,175	8,750
Oil & Gas	359	325	1,262	226	75	2,247
Oil	153	70	428	30	170	851
Coal	139	100	0	0	35	274
Fossil Fuel Total	2,177	2,233	3,033	2,224	2,455	12,122
Mixed FF with RE or EE^	984	1,087	876	1,088	476	4,511
with Coal~	250	0	783	0	96	1,129
Renewables Total (excluding large hydropower)	499	1,176	249	1,114	2,087	5,125
Potential RE*	139	0	0	625	75	839
Large Hydropower	1,681	416	837	791	10	3,735

^Projects in the Mixed FF with RE or EE category support both fossil fuel operations and renewable energy (RE) or energy efficiency (EE) operations directly or potentially through undisclosed subprojects. This category also includes hybrid mini-grids, such as solar-diesel hybrids.
~Projects in Mixed with Coal category are projects that have specific known links to coal operations such as a transmission project built to connect a specific coal power plant.
*Projects in the Potential RE category often have objectives aimed at renewable energy (RE) or „clean" or „green" energy but do not disclose actual sub-projects. Such operations can include: gas operations, large hydropower, waste to energy, and/or energy efficiency associated with coal and gas rehabilitation (i.e., facility lifetime extension).

18. Eskom Investor Presentation, April 2018. Original debt service figure provided in South African Rand (ZAR) converted to USD using 1 ZAR = 0.0708187 USD.

2. Development Policy Finance and Advisory Services

In addition to project finance, the WBG has broader influence on financial flows through its development policy finance (DPF), technical assistance and advisory services.[19] DPFs and technical assistance are administered by the World Bank, while advisory services are administered by the IFC. These operations involve many types of activities that impact financial flows, including *inter alia*: drafting and adoption of new legislation on taxes and regulations directly or indirectly targeting the energy sector; new energy sector development strategies (priorities); new energy tariffs; and new infrastructure investment frameworks.

Investment incentives are typically a form of subsidy intended to attract investment, including: financial incentives (such as grants, loans, or guarantees from the government or WBG project finance); fiscal incentives (such as tax exemptions or reduced tax rates/royalties); subsidized associated infrastructure (such as transmission lines or pipelines); and exemptions from regulations (such as lower fines for exceeding pollution limits).

The specific legislation and/or specific investment incentives covered by the WBG's operations are most often unclear. For example, IFC's publicly disclosed development results for its advisory services simply state that the program activities resulted in the drafting of X number of regulations or the adoption of X number of laws but do not provide any information on which laws/regulations; how the laws changed; or what IFC's specific role/advice/supported changes were. Instead of WBG disclosure, sometimes news articles or government press statements will indicate WBG involvement in drafting a specific new law (for example in Guyana).[20]

Furthermore, DPF operations cover a wide range of activities. Within these activities, the DPF operation will prioritize a shorter list of actions, typically 8 to 10, of required Prior Actions that are included in the Financing Agreement between the Bank and the government of the borrowing country. Prior Actions are legal conditions for disbursement of the funding, i.e. these actions must first be completed by the country in order to receive funding. Often Prior Actions require the drafting or adoption of new laws. However, the World Bank's program documents and Financing Agreement most often do not provide information on the specific measures within the new laws, including any new investment incentives. To understand what the new laws actually contain usually requires further research.

In addition, the actions implemented under DPFs, technical assistance and advisory services can drive financial flows for many years. Thus, it is difficult to assess the specific impacts on the level of financial flows into fossil fuels vs. renewable energy. As such, the analysis does not attempt to determine actual financial flows. The analysis focuses on fossil fuel- and renewable energy-targeting of these operations and where possible, specific investment incentives. Furthermore, the analysis only covers WBG operations approved over the last five years (2014 – 2018) and only a subset of DPFs (i.e., DPFs with titles indicating an energy or wider economy focus).

Significant Energy Sector Focus: As shown in Table 4, over the last five years, energy has been a large focus of policy-based operations. The WBG has engaged in 121 policy-based operations across 56 countries that contain actions targeting the energy sector.[21] Operations were determined to be targeting the energy sector if it was a stated target in program documents or if any Prior Actions included the energy sector. Regionally, Africa and Asia/Pacific had by far the most operations targeting the energy sector with 43 and 37 operations, respectively.

In general, it was found that these operations strive to increase financial flows into the energy sector. Most often one of the overall development objectives of the operation is to "improve the investment climate in the energy sector" and/or "increase private sector investment in the energy sector." Sometimes,

19. Development Policy Finance (DPF) also includes under its umbrella Program for Results and Poverty Reduction Support Credits (PRSC).
20. Government of Guyana, Ministry of Natural Resources, 2018. World Bank contributes to redraft of Petroleum Commission Bill – Minister Trotman meets with World Bank team. May 15, 2018. Available at: https://dpi.gov.gy/world-bank-contributes-to-redraft-of-petroleum-commission-bill-minister-trotman-meets-with-world-bank-team/
21. In addition to the targeted actions listed in Table 4, there were 3 DPF operations to Chad specifically to provide finance to fill budget gaps due to low oil and gas prices.

the objective is to specifically increase investment into the oil and gas sector, mining sector (potential coal), and/or renewable energy sector. It is important to note that the WBG most often states a related objective to improve the government's management of the energy sector, including increasing transparency and doing less harm to the environment. Assessing the adequacy of such governance improvements is beyond the scope of this analysis.

Table 4. WBG Development Policy Finance, Technical Assistance and Advisory Services (2014-2018)

	Africa	Asia & Pacific	Latin Amer. & Caribbean	Europe & Central Asia	Middle East	Total Operations & Funding	Total Countries
Operations Targeting Energy	43	37	14	20	7	121	56
Funding (million US$)	$7,852	$5,657	$7,310	$6,364	$3,533	$30,716	
Electricity or Fuel Tariffs	13	7	4	5	4	32	20
Power Generation Legislation	6	3	1	2	1	13	11
Targeting Oil and/ or Gas Sector	20	9	2	7	4	42	25
Transaction Advisor for Oil/Gas	2	1	0	0	0	3	2
Targeting Mining Sector in countries with Coal	3	6	0	1	0	10	6
Transaction Advisor for Coal+	0	2	0	1	0	3	3
Targeting RE Sector^	20	12	4	4	3	43	30
Transaction Advisor for RE~	2	1	0	1	0	4	4
General Infra-structure Investment*	12	26	5	12	2	57	38

^Includes large hydropower.
*Some of these operations would also be included in „Operations targeting Energy."
~ One project in Europe and Central Asia is for large hydropower project.
+ The IFC is an active Transaction Advisor to the Kosovo e Re coal power plant; the Central Java coal power plant; Indonesia and Nghi Son 2 coal-fired power plants, Vietnam. See Appendix for details.

Targeted Energy Sub-sectors: With regards to targeting energy sub-sectors, the analysis found 42 operations across 25 countries that targeted the oil and gas sector; 10 operations across 6 countries with coal resources that targeted the mining sector; and 43 operations across 30 countries that targeted the renewable energy sector (see Table 4). Regionally, Africa and Asia/Pacific come out on top for both operations targeting fossil fuels and for operations targeting renewable energy. The 6 countries with significant coal resources where the WBG policy-based operations are targeting increased investments in the mining sector, include: Mozambique, Vietnam, Nepal, Bhutan, Afghanistan, and Tajikistan.

It is promising that the WBG is targeting renewable energy growth in a large number of policy-based operations (43) across many countries (30). At the same time, the Bank is targeting the growth of fossil fuel sectors in as many operations across at least 25 countries. Among these countries is Afghanistan and Guyana. As stated above, unfortunately the World Bank is not transparent regarding the specific policy advice it is giving to countries. In the case of Afghanistan and Guyana, both countries struggle with weak governance and disagreement regarding the development of oil and gas, including contract terms. The WBG's policy-based operations in these countries have not been transparent and need to disclose what specific advice the WBG is providing.

Investment Incentives Targeting Fossil Fuels: As part of the WBG's commitment to assist countries onto a low-GHG development path, the Bank specifically pledges to promote carbon taxes and to help countries end fossil fuel subsidies.[22] Given that investment incentives targeting fossil fuels are subsidies and are a carbon incentive instead of a carbon tax, it stands to reason that the WBG should not support any fossil fuel investment incentives.

In DPFs and technical assistance operations that targeted the oil and gas sector or the mining sector, the analysis took a closer look at Prior Actions to see if specific investment incentives could be determined. This often necessitated reviewing the new legislation required by the Prior Actions. Keeping in mind that information was often not readily available, the analysis did find:

- In the last five years, the WBG supported new oil and gas-targeted investment incentives in at least four countries, including: Indonesia, Mozambique, Pakistan, and Vietnam (see Appendix, Table 3a).
- In the last five years, the WBG supported new coal-targeted investment incentives in at least three countries, including Mozambique, Vietnam, and Bhutan (see Appendix, Table 3b).

Investment incentives largely comprise various tax breaks, including *inter alia*: value added tax (VAT)/ sales tax exemptions, accelerated rates of depreciation, and customs duty exemptions. In addition, it is important to point out that in Indonesia, Mozambique and Pakistan, WBG Prior Actions specifically aim to increase investment in upstream oil and gas. Indonesia further illustrates how even though the World Bank would like to target its support for natural gas, laws and investment incentives targeting the upstream sector are typically going to cover both oil and gas. In the exploration phase, oil and gas companies are exploring for both commodities.

22. See http://www.worldbank.org/en/news/feature/2015/03/18/5-ways-reduce-drivers-climate-change

Indonesia Upstream Oil and Gas: The World Bank's Energy Sector Development Policy Loan ($500 million, approved December 2015) for Indonesia has Prior Actions and targeted outcomes aimed at increasing investment in natural gas, including upstream operations. Prior Actions and triggers for funding include:[23]

- **Indicative Trigger:** "The Borrower [i.e., the government of Indonesia] adopts revised fiscal terms for production sharing contracts to increase investment into the upstream/midstream including incentives for developing marginal fields, and unconventional resources." [Unconventional resources include deep water reserves and the use of hydraulic fracturing to extract oil or natural gas from deep underground.]
- Indicative Trigger: "The Borrower introduces regulatory measures in the gas mid-stream that would encourage mid-stream entities to accelerate investment in critical gas processing, transportation and storage facilities."
- Prior Action: Adoption of the Ministry of Energy and Mineral Resources Regulation 15/2015, which is a time-bound process for managing expiring production sharing contracts.

Although the World Bank only mentions natural gas as a target of the improved energy investment conditions, a letter from the government of Indonesia to the World Bank regarding the DPF speaks of the new law (Regulation 15/2015) and indicates that it is clearly aimed at both oil and gas investments.[24]

Mozambique – coal-targeted investment incentives: The World Bank's Poverty Reduction Support Credits (PRSC 9, 10, & 11) in Mozambique included Prior Actions and Indicative Triggers requiring the adoption of a new Mining Law (see Appendix, Table 3). On September 23, 2014, the Mozambique Government enacted Law No. 28/2014, the new Mining Tax Law, which entered into force January 1, 2015.[25] The World Bank originally intended for the new Mining Tax Law to be a Prior Action for PRSC-10. However, the Bank was concerned that limits to tax deductions, *inter alia*, could potentially discourage investments; especially in coal projects (see Box 1). As such, the Bank removed the Prior Action from the PRSC-10 operation and indicated that if coal investments were deterred, the Bank's PRSC series could support another revision to the law. Subsequently, PRSC-11 included a Prior Action requiring the adoption of the regulations for the new Mining Law.

The Bank's language in Box 1 clearly indicates that the Bank was pushing for more favorable fiscal terms for coal investments. This indicates that the Bank was in support of the investment incentives contained in the new law, which include *inter alia*: a tax reduction of 50% of the Mining Production Tax when coal is used by domestic industry, e.g. power plants; exemption from custom duties (rate of 20%) for a period of five years, in relation to the importation of capital and goods; and a relatively low royalty of 3% for coal.

23. World Bank, 2015. First Indonesia Sustainable and Inclusive Energy Development Policy Loan: Program Document. World Bank, November 3, 2015.
24. World Bank, 2015. First Indonesia Sustainable and Inclusive Energy Development Policy Loan: Program Document. World Bank, November 3, 2015. Note: Letter from the Government of Indonesia is attached to the Program Document.
25. EY, 2014. Global Tax Alert: Mozambique introduces new tax regime and incentives for the Mining Industry. Ernest and Young (EY), October 20, 2014. http://www.ey.com/gl/en/services/tax/international-tax/alert--mozambique-introduces-new-tax-regime-and-incentives-for-the-mining-industry

Food Not Coal
to Batang Coal Power Pl
UDARA KOTOR
SAKIT
TOLAK PLTU

BOX 1

World Bank Pushes for Greater Coal Mining Investment Incentives

World Bank Poverty Reduction Support Credit-10 (PRSC-10) Program Document, Paragraph 47: "There are concerns that the approved Fiscal Regime for Mining may impose an excessively high burden on potential investors and discourage investment. The revised fiscal regime specifies that royalties are to be paid on resources extracted rather than resources sold. The regime does not allow royalties to be deducted from corporate income tax liability. Both of these elements could result in excessive fiscal pressure in the mining sector and as a result lower investment. These provisions are not in line with those in the fiscal regimes of many other mining countries, including Brazil, Ghana, Indonesia, Peru and South Africa. Other expenditures such as Corporate Social Responsibility and resource rent taxes cannot be deduced either from corporate income tax liability, further increasing the burden on investors. The Government must continuously balance the interests of investors and the public interest, as this legislation tries to do. The Government will have a new bidding round for coal mining in the near future, to be governed by the new sector law and fiscal regime. This bidding round will be a good opportunity to test whether the new regulatory framework strikes the right balance between investors' and the public's interests. If the new regulatory framework deters further investment in the sector, particularly at a time of relatively low coal prices, a further revision of the legislation may be needed and the ongoing [PRSC] series could support such a revision. In light of these limitations, the new fiscal regime was not included among the actions supported by this operation while the policy dialogue continues."

Infrastructure Investment Incentives: Table 4 shows that the analysis found at least 57 policy operations across 38 countries that supported general infrastructure investment frameworks that potentially have incentives that could be passed on to fossil fuel infrastructure projects. In many of these countries, the WBG is specifically promoting Public-Private Partnership (PPP) investment frameworks.

According to the World Bank – "by definition there is always a public component to a PPP."[26] The form that the public component takes depends on the country and the project. It can involve direct financial support; tax breaks; in-kind support (e.g., provision of land), and contingent support (e.g., government guarantees). However, no matter what form the support takes, it costs the government, i.e., public money. In other words, by definition PPP projects are subsidized projects.

The WBG's support of general infrastructure investment incentives, especially through PPP frameworks, enables subsidies to flow to fossil fuels, including coal and upstream oil and gas. While looking into a subset of countries with new investment laws supported by WBG operations, the analysis found at least 5 countries with significant proposed coal operations that stand to benefit from new infrastructure incentives. The countries include Mozambique, Egypt, Kenya, Indonesia, and Poland (see Appendix, Table 4).

In addition, there are also at least 6 countries with proposed oil and gas operations that stand to receive PPP-based subsidies or other infrastructure investment subsidies. These countries include: Afghanistan, Mozambique, Egypt, Nigeria, Peru, and Kenya. The last 3 countries have multi-billion dollar oil or gas pipelines that are planned PPPs (see Appendix, Table 4).

26. http://ppp.worldbank.org/public-private-partnership/financing/government-support-subsidies

3. Budget Support

In addition to investment incentives, DPF operations represent a substantial financial flow into countries. Based on World Bank reported data from FY07 to FY15, DPF commitments as a share of total World Bank lending in any given year can range from 20 to 40 percent.[27] In any given year, DPF funding can equal from $8 billion to over $20 billion. Over the last five years, this analysis identified at least $31 billion in DPF operations that specifically targeted the energy sector (see Table 4).

Unlike project finance, which is directed to specific physical or social infrastructure projects, DPF funding is provided as non-earmarked, general government budget support. This means a government is free to spend this money, typically hundreds of millions to billions per country, on anything except for Excluded Expenditures. The Bank's Excluded Expenditures include items such as alcoholic beverages, tobacco, gold jewelry, military goods, and nuclear reactors, and parts thereof, including fuel (see Appendix, Table 5 for Excluded Expenditures).

Therefore, governments are free to use these proceeds to pay for expenditures involved in the building of coal power plants or towards upstream oil and gas operations. There are many countries with large coal build out plans and increasing investment into upstream oil and gas that are receiving large financial flows through World Bank Development Policy Finance. Countries with significant coal development plans and large DPF financial flows, include *inter alia*: Indonesia, Mozambique, Egypt, Turkey, and Poland. It is especially a concern in countries where the WBG is also supporting PPP investment frameworks, which are specifically designed to use government guarantees, funding, and various tax breaks to help fund large infrastructure in the energy sector (see Appendix, Table 4).

The first step in making these large DPF financial flows be in alignment with the Paris Climate Agreement is for the World Bank's DPF Excluded Expenditures to include expenditures involved in coal power plants, coal mining and upstream oil and gas operations. These are expenditures that the World Bank Group has already committed to end.

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27. World Bank, 2016. 2015 Development Policy Financing Retrospective - Results and Sustainability. Operations Policy and Country Services, World Bank.

4. Conclusions

Although the WBG is contributing a substantial amount of project finance and policy-based assistance towards renewable energy growth, the WBG's overall influence on financial flows is not consistent with a pathway towards low GHG development. Moreover, through its project finance, which reduces the cost of finance, and its policy-based assistance, which provides investment incentives, the WBG is contributing to higher profit margins for oil, gas, and coal operations. Thus, the WBG is creating carbon incentives instead of carbon taxes and, thereby, helping to grow financial flows to fossil fuels.

Key findings that support the overall conclusions include, *inter alia*:

1. WBG project finance reduces the cost of finance for projects. For example, its longer-term loans bring down the costs of financing by around 25 percent compared to commercial finance.[28]
2. The WBG's active project finance is three times greater for fossil fuels than for renewable energy (excluding large hydropower) – $21 billion to $7 billion, respectively. See Table 1.
3. WBG equity investments favor fossil fuels over renewable energy – $1.3 billion to $350 million, respectively.
4. At least $512 million of equity investments are in 12 upstream oil and gas operations and $34 million equity is in coal-associated operations. See Appendix, Table 1.
5. WBG support for natural gas sometimes enables growth in oil.
6. In the last 5 years, WBG Development Policy Finance (DPF) supported new oil and gas-targeted investment incentives in at least 4 countries and new coal-targeted investment incentives in at least 3 countries. See Appendix, Tables 3a and 3b.
7. WBG-supported infrastructure investment incentives enable subsidies to flow to fossil fuel investments, including in at least 5 countries with new large-scale coal operations and at least 6 countries with new upstream oil and gas operations. See Appendix, Table 4.
8. The World Bank's Development Policy Finance, which is non-earmarked government budget support, provides billions of dollars (US$) of potential funding for coal power plants and upstream oil and gas operations because such operations are not included in the World Bank's Excluded Expenditures list.

Instead of the WBG helping to slow down the pace of fossil fuel development and thereby promote the transition to low-GHG development, these findings argue that the WBG is helping to grow financial flows to oil, gas, and coal; and, thereby, increase the pace of high-GHG development. The WBG often points to their significant support of renewable energy as evidence of its support for low-GHG development arguing that this renewable energy support translates into lower GHG emissions than would be the case without WBG support. However, the same argument clearly applies to the WBG's significant fossil fuel support creating more GHG emissions than would be the case without WBG support.

The WBG approach heightens risks to the climate and thus, to the most climate change-vulnerable communities, the poor. According to the International Energy Agency (IEA)[29]:

"The growth in energy-related carbon dioxide emissions in 2017 [by 1.4%] is a strong warning for global efforts to combat climate change, and demonstrates that current efforts are insufficient to meet the objectives of the Paris Agreement."

28. World Bank, 2010. Peru: Overcoming the Barriers to Hydropower. Energy Sector Management Assistance Programme (ESMAP), May 2010. Page 68, Paragraph 169.
29. IEA, 2018. Global Energy and CO2 Status Report. International Energy Agency, March 2018. https://www.iea.org/geco/emissions/

5. Recommendations

The WBG needs to bring its energy sector portfolio, including policy-based assistance, into alignment with the Paris Climate Agreement. Moreover, the WBG needs to stop using public finance and investment incentives to increase the profit margins of fossil fuel investments. To begin to address this problem, the WBG should:

1. **Significantly Reduce Fossil Fuel Project Finance:** Too much WBG public project finance is still going to fossil fuels. In addition to ending finance for upstream oil and gas operations, the WBG should also end finance for fossil fuel exports and associated infrastructure, and concentrate its public finance on domestic energy needs.

2. **Divest Fossil Fuel Equity Investments:** Divest all equity investments in upstream oil and gas operations and coal operations. This analysis identified $512 million in equity investments in 12 upstream oil and gas operations and $34 million in two projects with associated coal facilities. The IFC will need to also divest the upstream oil and gas, and coal-linked equity of its Asset Management Company and other IFC-managed Funds.

3. **Close Policy-based Assistance Loopholes in Climate Pledges:** Include Development Policy Finance, Technical Assistance, and Advisory Services in all WBG climate pledges. Start by explicitly including policy-based assistance in the existing pledges on coal power plants and upstream oil and gas.

4. **End Fossil Fuel Investment Incentives:** Every fossil fuel investment incentive represents an incentive to emit carbon. The WBG needs to end support for fossil fuel investment incentives. The WBG needs to ensure that investment incentives embodied in Development Policy Finance, Technical Assistance and Advisory Services do not go to fossil fuels (e.g., exempt fossil fuels from general investment incentives).

5. **Include Coal and Upstream Oil & Gas in Excluded Expenditures:** Add coal operations and upstream oil and gas operations to the Excluded Expenditures list for Development Policy Finance proceeds, i.e., budget support.

6. **Promote an Upstream Carbon Tax:** The WBG should promote an Upstream Carbon Tax applicable to every barrel of oil, every cubic meter of gas, and every ton of coal extracted from the earth based on the carbon content of each fuel. Such an upstream tax would better ensure that the fossil fuel companies that benefit the most from climate destruction will more directly pay for climate change externalities.

APPENDIX

Table 1. IFC's Fossil Fuel Equity Investments

Project Name	Country	Amount (million US$)	Operations/IFC loan
National Cement Company Limited	Kenya	$15	Cement production, new captive generation 15 MW coal plant; $55 million IFC loan; $15 million IFC's AMC* equity
Pan African Energy	Tanzania	$15	Upstream: natural gas production; Songo Songo natural gas; $85 million IFC loan
ERC Refinery	Egypt	$120	Oil refinery
Apex International Limited	Egypt	$75	Upstream: oil and gas exploration and production
Tobene	Senegal	$5	70 MW heavy fuel oil power plant; $41 million IFC loan
Delonex Energy	Sub-Saharan Africa	$60	Upstream: oil and gas exploration
Seven Energy	Nigeria	$75	Upstream: oil and gas development; IFC 17% ownership
Africa Oil	Kenya	$50	Upstream: oil and gas exploration; appraisal activities, South Lokichar Basin
STG Cement	Myanmar	$15	Cement plant; integrated cement manufacturer with mining concessions providing captive sources of coal; $20 million AMC*
Petronet LNG Limited	India	$50	LNG regasification plant, 2 x 7.6 MW gas turbine generators and LNG terminal; $150 million IFC loan
Punj Upstream Phase One	India	$5	Upstream oil and gas service company; $25 million IFC loan
GSPL	India	$30	Natural gas distribution; $75 million IFC loan
Engro Energy	Pakistan	$3	217 MW combined cycle gas power plant; $67 million IFC loan
Elengy Terminal	Pakistan	$15	Floating LNG Storage and Regasification terminal and pipeline; $20 million IFC loan
China Tian Lun Gas	China	$75	Gas distribution and LNG processing facilities; $40 million IFC loan; $75 million AMC*
Summit Bibiyana II Power Company Limited	Bangladesh	$5	341 MW combined cycle gas power project; $75 million IFC loan
United Ashuganj Energy Ltd.	Bangladesh	$3	195 MW combined cycle gas power plant; $41 million IFC loan
Bangla LNG	Bangladesh	$11	Offshore LNG terminal: storage, regasification, and pipeline to shore

Medco Power 2011	Indonesia	$25	Gas power plants: subsidiary of oil and gas exploration company
Borets	Russia	$18	Upstream: Electric Submersible Pumps (ESP) for oil extraction
KKS Group	Russia	$8	CHP Gas power plants construction and energy efficiency improvements to existing heating facilities; $18 million IFC loan
UNIT Equity	Turkey	$143	Gas power plants construction
ECT [EASTCOMTRANS]	Kazakhstan	$20	Oil and gas transport; $30 million IFC loan
Medanito SA	Argentina	$25	Upstream: exploration and production of oil and gas
Pacific Infrastructure	Colombia	$75	Oil port and oil pipeline: IFC's AMC = $150 million equity
Pacific Midstream Ltd.	Colombia, Guyana, and others	$80	Upstream: Oil and gas development; oil field services; 2 oil pipelines; 1 gas pipeline; and 95 exploration blocks; IFC is 36% owner, IFC's AMC* also has equity
President Energy	Paraguay	$24	Upstream: Oil and gas exploration
Citla Energy	Mexico	$60	Upstream: oil and gas exploration and production
Mass Global Energy Suleimanya	Iraq	$125	1,000 MW natural gas, power generation; $125 million IFC loan
Unit Zakho	Iraq	$47	1,260 MW natural gas, power generation; $150 million IFC loan
Total		**$1,276**	

* The IFC owns and operates the IFC Asset Management Company (AMC) and the IFC Global Power Fund. Both of these provide further equity and loans alongside the IFC in companies and infrastructure projects. AMC investors include sovereign wealth funds, pension funds and other development finance institutions.

Table 2a. WBG Regional Summary of Active Energy Project Portfolio (million US$)

	Equity	Loans	Guarantees	Total
Africa				**$9,739**
Gas	15	1,703	1,574	3,292
Oil & Gas	260	434	1,390	2,084
Oil	125	634	24	783
Coal	19	3,562	0	3,581
Middle East				**$744**
Gas	172	350	222	744
Oil & Gas	0	0	0	0
Oil	0	0	0	0
Coal	0	0	0	0
Asia & Pacific				**$3,706**
Gas	191	1,530	422	2,143
Oil & Gas	30	367	132	529
Oil	0	20	0	20
Coal	15	999	0	1,014
Latin America & Caribbean				**$1,515**
Gas	0	632	6	638
Oil & Gas	189	240	5	434
Oil	75	218	0	293
Coal	0	150	0	150
Europe & Central Asia				**$5,058**
Gas	150	3,343	1,113	4,606
Oil & Gas	20	30	0	50
Oil	18	315	0	333
Coal	0	69	0	69
Total	**1,279**	**14,596**	**4,887**	**$20,762**

Table 2b. WBG Regional Summary of Active Energy Project Portfolio

Excluded Expenditures	Equity	Loans	Guarantees	Grants	Total
Africa					
Mixed FF with RE or EE^	0	2,301	1,358	155	$3,814
with Coal~	0	50	783	0	$833
Renewable (excluding large hydropower)	5	1,387	326	61	$1,779
Large Hydro	0	180	203	270	$653
Middle East					
Mixed FF with RE or EE^	0	0	0	0	$0
with Coal~	0	0	0	0	$0
Renewable (excluding large hydropower)	0	269	32	70	$371
Large Hydro	0	0	0	0	$0
Asia & Pacific					
Mixed FF with RE or EE^	46	1,675	0	135	$1,856
with Coal~	40	1,280	0	0	$1,320
Renewable (excluding large hydropower)	152	1,953	16	46	$2,167
Large Hydro	8	4,406	1,131	0	$5,544
Latin America & Caribbean					
Mixed FF with RE or EE^	0	41	0	0	$41
with Coal~	0	0	0	0	$0
Renewable (excluding large hydropower)	91	979	915	0	$1,985
Large Hydro	0	213	0	0	$213
Europe & Central Asia					
Mixed FF with RE or EE^	270	1,046	0	0	$1,316
with Coal~	100	392	0	0	$492
Renewable (excluding large hydropower)	100	575	4	0	$679
Large Hydro	38	486	225	0	$749

^Projects in the Mixed FF with RE or EE category support both fossil fuel operations and renewable energy (RE) or energy efficiency (EE) operations directly or potentially through undisclosed subprojects. This category also includes hybrid mini-grids, such as solar-diesel hybrids.
~Projects in Mixed with Coal category are projects that have specific known links to coal operations such as a transmission project built to connect a specific coal power plant.

Table 3a. Development Policy Finance with Investment Incentives Targeting Oil and Gas

<table>
<tr><th>Policy-based Operation Name</th><th>Country</th><th>Amount
(million US$)</th><th>Timeframe</th></tr>
<tr><td>Energy Sector Development Policy Loan</td><td>Indonesia</td><td>$500</td><td>Dec 1, 2015 to
June 30, 2016</td></tr>
<tr><td colspan="4">"Prior action #4: The Minister of Energy and Mineral Resources has issued a regulation for a systematic and time-bound process for managing expiring production sharing contracts as evidenced through MEMR Regulation 15/2015 [Note: this law is for expiring production sharing contracts for both oil and gas.] Trigger #3: The Borrower adopts revised fiscal terms for production sharing contracts to increase investment into the upstream/midstream including incentives for developing marginal fields, and unconventional resources. Trigger #4: The Borrower introduces regulatory measures in the gas mid-stream that would encourage mid-stream entities to accelerate investment in critical gas processing, transportation and storage facilities."</td></tr>
<tr><td>Poverty Reduction Support
Credit 10 (PRSC-10) & 11 (PRSC-11)*</td><td>Mozambique</td><td>$110 &

$70</td><td>Dec 1, 2014 to
Mar 31, 2015 &

Dec 22, 2015 to
Dec 31, 2016</td></tr>
<tr><td colspan="4">PRSC-10 Prior Action 3: "The Council of Ministers has approved the bill defining the fiscal regime for the hydrocarbon sector and has submitted the bill to its National Assembly for approval as evidenced by the letter issued by the Prime Minister on July 17, 2014, (Communication Nr. 68/PM/152/2014)." PRSC-11 Prior Action 4. The Council of Ministers has approved the implementing regulations for Law No. 21/2014 dated August 18, 2014, published in the Boletim da Reptiblica No. 66 Serie I on August 18, 2014, (the Hydrocarbon Law) as evidenced by the communication of the Secretariat of the Council of Ministers dated November 12, 2015. [The new Hydrocarbon Law entered into force on January 1, 2015 includes: VAT exemption for services related to exploration, drilling and construction of infra-structure to oil and gas companies; accelerated rates of depreciation for oil and gas operations, in-cluding 100% of capital expenditures for exploration and appraisal, and reduction of 50% of the Pe-troleum Production Tax when the oil and gas in question is destined to be used by the local industry.]</td></tr>
<tr><td>Power Sector Reform 1 -
Development Policy Finance</td><td>Pakistan</td><td>$600</td><td>May 1, 2014 to
June 30, 2015</td></tr>
<tr><td colspan="4">WB Prior Actions: Prior Action 5. (i) MPNR [Ministry of Petroleum and Natural Resources] has disclosed the 2013 Model Petroleum Concession Agreement on its website; (ii) MPNR has announced the award of petroleum exploration blocks for the 2013 bidding round; and (iii) OGRA has issued at least three (3) pricing notifications to enable producers to start developing new and incremental gas production with increased prices allowed under the 2012 Petroleum Policy. [Note: Business Recorder, Dec. 6, 2013: "In the 2012 Petroleum Policy, the government has announced incentives and higher prices for exploration companies to boost oil and gas exploration and overcome energy shortage that has en-gulfed the entire economy. The lucrative incentives are expected to bring investment in petroleum ex-ploration and production. In the new policy, well-head gas price has been set at $6 per Million British Thermal Unit (MMBTU) for Zone-III, $6.3 for Zone-II and $6.6 for Zone-I. It provides a comprehensive pricing mechanism for Zone-0 with $7 per mmbtu for shallow wells, $8 for deep wells and $9 for ul-tra-deep wells." Source: https://fp.brecorder.com/2013/12/201312061261943/]</td></tr>
</table>

Second Power Sector Reform - Development Policy Finance	Pakistan	$500	Nov 12, 2015 to Dec 31, 2016
WB Prior Action 4. MPNR [Ministry of Petroleum and Natural Resources] has signed supplemental agreements agreeing on revised prices for 92 exploration concessions and production leases at the levels set out in the 2012 Petroleum Policy, including 26 with the private sector. [Note: See note above for Power Sector Reform 1 for "lucrative incentives" contained in the 2012 Petroleum Policy.]			
Second & Third Economic Management and Competitiveness Development Policy Credit (EMCC 2 & 3)	Vietnam	$250 & $400	Jun 5, 2014 to Jan 31, 2015 & May 12, 2016 to Apr 30, 2017
WG Prior Action 11 for EMCC2 and Prior Action 1 for EMCC3: "GOV through National Assembly, has adopted the Amended Law on Value Added Tax to: (a) adjust the group of goods and services not subject to value added tax; (b) clearly specify the goods and services subject to 0% value added tax rate; and (c) apply thresholds as appropriate."[Note: the new Amended VAT law includes exemptions for: Starting on Jan. 1, 2019 - "Exported natural resources which are unprocessed or processed with at least 51% of their costs being natural resources and energy subject to 0% VAT rate" and "Equipment, machinery, spare parts, specialised means of transport and necessary materials which cannot be produced in Vietnam for prospecting, exploration and development of oil and gas fields" (Sources: KPMG & PwC). The World Bank also had Technical Assistance advising on the new VAT law as well as IFC Advisory Services. Also note that drilling rigs had already been on the VAT exemptions and were not new due to this Amended law].			

Note: All World Bank Prior Actions are taken from the Financing Agreement signed between the World Bank and the borrowing government.
*Poverty Reduction Support Credits are a form of Development Policy Finance.

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Table 3b. Development Policy Finance with Investment Incentives Targeting Coal

Policy-based Operation Name	Country	Amount (million US$)	Timeframe
Second Fiscal Sustainability and Investment Climate Development Policy Credit	Bhutan	$24	Dec 21, 2016 to Jun 30, 2018
DPF-Development objective includes improving the investment climate with the mining sector as one of the targeted sectors. Prior Action 2.The Recipient (i.e., the Government of Bhutan), through the MoF (Ministry of Finance), has approved the revised rule and regulations on fiscal incentives in order to broaden the tax base and align with the Economic Development Plan. [Note: The revised fiscal incentives include: Sales Tax & Customs Duty exemption on equipment & machineries for mining industry granted until 31st December 2020. (Source: https://www.gnhc.gov.bt/en/wp-content/uploads/2017/05/FiscalIncentives2016.pdf Bhutan has coal resources with a significant portion exported to Bangladesh.]			
Poverty Reduction Support Credit 11 (PRSC 11)*	Mozambique	$70	Dec 22, 2015 to Dec 31, 2016
PRSC-11 Prior Action 3. “The Council of Ministers has approved the implementing regulations for Law No. 20/2014 dated August 18, 2014, published in the Boletim da Republica No. 66 Serie I on August 18, 2014, (the Mining Law) as evidenced by the communication of the Secretariat of the Council of Ministers dated October 13, 2015.” [Note: new Mining Law regulations cover: a tax reduction of 50% of the Mining Production Tax when coal is used by domestic industry, e.g. power plants; exemption from custom duties (rate of 20%) for a period of five years, in relation to the importation of capital and goods; and a relatively low royalty of 3% for coal]. See Box 1 back in the paper for World Bank language in support of investment incentives.			
Second & Third Economic Management and Competitiveness Development Policy Credit (EMCC 2 & 3)	Vietnam	$200 & $400	Jun 5, 2014 to Jan 31, 2015 & May 12, 2016 to Apr 30, 2017
Prior Action 11 for EMCC2 and Prior Action 1 for EMCC3: Government “through National Assembly, has adopted the Amended Law on Value Added Tax to: (a) adjust the group of goods and services not subject to value added tax; (b) clearly specify the goods and services subject to 0% value added tax rate; and (c) apply thresholds as appropriate.”[Note: the new Amended VAT law includes exemptions starting on Jan. 1, 2019 for “Exported natural resources which are unprocessed or processed with at least 51% of their costs being natural resources and energy subject to 0% VAT rate” (Sources: KPMG & PwC). The World Bank also had Technical Assistance advising on the new VAT law as well as IFC Advisory Services.]			

Note: All World Bank Prior Actions are taken from the Financing Agreement signed between the World Bank and the borrowing government.
*Poverty Reduction Support Credits are a form of Development Policy Finance.

Table 4. WBG-supported Infrastructure Investment Incentives and Large-scale Fossil Fuel Projects

Significant Projects	Country	World Bank-supporting Operation
South Lokichar Oil Basin & Oil Pipeline	Kenya	Kenya Petroleum Technical Assistance
WB Operation Details: Build capacity of institutions engaged in development of petroleum sector to allow execution of their mandates in a way that is conducive to investments while ensuring safeguards. The Financing Agreement includes "Drafting and implementation of a comprehensive petroleum policy, and establish frameworks for sector planning, monitoring and evaluation" and "Support selective geo-science data acquisition and interpretation to promote exploration investments in the Project Area." Transaction Advisory Services: support Government in a variety of upstream petroleum sector negotiations, including for the first crude oil pipeline. Project Indicators: Approved Petroleum Bill; Approved Exploration License. Note: the Bank's technical assistance lists the capital gains tax as one area of new legislation to be targeted. The Kenya Oil and Gas Association has requested that the capital gains tax be lowered from 30 - 37.5 percent to 5 percent for oil and gas operations. (Source: The East African. Oil firms in Kenya oppose capital gains tax. Nov. 21, 2015.)		
Priority PPP projects: 980MW Lamu Coal Plant, Lamu Port Development Project: including Oil Refinery and Pipelines; Kitui Coal Plant 960 MW	Kenya	Infrastructure Finance/Public Private Partnership Project (IFPPP)
WB Operation Details: Improve enabling environment to generate pipeline of bankable Public-Private Partnership (PPP) projects. Seed money for feasibility studies. WB serving as transaction advisor for priority PPP projects include: 980MW Lamu Coal Plant, Lamu Port Development Project: including Oil Refinery and Pipelines; and Kitui Coal Plant 960 MW.		
Moatize Coal Mine & Rovuma Gas Basin	Mozambique	Mining and Gas Technical Assistance
WB Operation Details: Move forward the pipeline of LNG projects and support new investment into minerals sector. New legal and regulatory regime/licensing for extractive sectors. Results include: Coal Price Benchmark; Passage of Decree Law for Rovuma Basin paving the way for future LNG projects; Preparation and negotiation of 3 agreements for LNG projects (financial advisor for Block 1 Anadarko & Block 4 ENI; End Targets: 5 New mining/gas related contracts negotiated benefitting from the new frameworks and procedures. 5 studies assessing economic and financial feasibility for development of gas infrastructure.		
Moatize Coal Mine & Rovuma Gas Basin; Priority PPP Projects: Nacala Corridor Coal Railway and Port Project; 600 MW Moatize Coal Fired Power Plant; 300 MW Ncondezi Coal-Fired Plant	Mozambique	Poverty Reduction Support Credits 8 - 11
Moatize Coal Mine is the world's 4th largest coal mine with 954 million tonnes. PRSCs included Prior Actions: Adoption of New Mining Law and New Petroleum Law; new laws include: hyper-accelerated rate of depreciation coupled with a loss carry forward allowance of 5 consecutive years, and VAT exemptions for oil and gas investments; subsidized coal for domestic uses (power generation, cement production), VAT exemption, and low royalty for coal (3%). The PRSCs included new Law on Public Private Partnerships, Mega-Projects and Concessions. Investment incentives include *inter alia*: compensation for project preparation costs and land acquisition costs, and government guarantees; see priority PPP projects above. Note: 600 MW Moatize Coal Fired Power Plant is partially owned by ACWA Power (Saudi Arabia), an IFC financial intermediary equity investment.		

<table>
<tr><td>PPP Priority Project: AKK Gas Pipeline</td><td>Nigeria</td><td>Public Private Partnership Program; and Nigeria Kaduna State Economic Transformation Program-for-Results Project</td></tr>
<tr><td colspan="3">WB Operation Details: Capacity building to key ministries in the area of PPPs, technical support for legal/regulatory reform. Upstream support for project preparation and transaction advisory services to develop PPPs. Provide infrastructure financing for projects prepared under the Viability Gap Facility (VGF) and a financial intermediary loan (FIL) facility. AKK gas pipeline is 1 of 4 priority PPP projects. It is by far the largest PPP project at $2.8 billion.</td></tr>
<tr><td>12.5 GW of coal-fired power stations by 2022; upstream oil and gas in Western Desert and Gulf of Suez.</td><td>Egypt</td><td>First, Second, & Third Fiscal Consolidation, Sustainable Energy and Competitiveness DPF</td></tr>
<tr><td colspan="3">Prior Actions support adoption of new Investment Law, which provides: Free or low cost land for infrastructure projects (April 2015 to April 2020); subsidized electricity; Refund of expenses paid to extend infrastructure facilities to the project's land (e.g. power transmission lines); cut sales tax to 5% from as high as 10%; and Lower customs duties on equipment used for production to 2%. The incentives apply to all new electricity generation investments. In addition, the geographical areas targeted by the government to receive new incentives have planned oil and gas developments and exploration blocks, including: Western Desert, Gulf of Suez and Upper Eqypt.</td></tr>
<tr><td>Amu Darya and Afghan-Tajik oil and gas basins</td><td>Afghanistan</td><td>1.Fiscal Performance Improvement Support Project; 2.Sustainable Development of Natural Resources Project (SDNRP); 3.Public-Private Partnerships and Public Investment Advisory Project; and 4. Inclusive Growth Development Policy Grant</td></tr>
<tr><td colspan="3">WB Operations Details: Financing Agreement (1), December 25, 2017: Component 2: Revenue Mobilization: Supporting increased revenue mobilization and compliance through inter alia: (a) strengthening capacities of relevant domestic revenue collecting entities; and (b) strengthening capacities to effectively regulate Recipient's minerals and hydrocarbon resources sector. SDNRP series results include: modernizing the legal and institutional framework for private sector-led gas development; preparation of two corporatization studies for Northern Coal Enterprise (NCE) and Afghan Gas Enterprise (AGE). Public-Private Partnerships and Public Investment Advisory Project: supports development of a Public Investment Management - Public-Private Partnerships framework; and the Inclusive Growth DPGPrior Action 5. The Recipient's Cabinet has approved a public-private partnership policy and legal framework...</td></tr>
<tr><td>PPP Priority Project: Central Java Coal Power Plant (1,900 MW)</td><td>Indonesia</td><td>1. series of Infrastructure Development Policy Loans; 2.Indonesia Infrastructure Guarantee Fund (IIGF); and 3.Indonesia Infrastructure Finance Facility Project; 4. IFC Transaction Advisor to Central Java Coal Power Plant</td></tr>
<tr><td colspan="3">Infrastructure DPLs supported the adoption of Indonesia's PPP investment framework and the establishment of the Indonesian Infrastructure Guarantee Fund, which provides government guarantees to PPP projects. The first projct awarded and IIGF guarantee was the Central Java Coal Power Plant. PPP investment incentives and subsidies that are part of Indonesia's PPP framework include: project preparation costs; land acquisition costs (in the tens to hundreds of millions US$ per project); VAT tax exemptions; import duty exemptions; income tax rate reductions; land tax exemptions; and building tax exemptions. These subsidies apply to PPP power projects whether fossil fuel-based or renewable.</td></tr>
<tr><td>Southern Peru Gas Pipeline, PPP project</td><td>Peru</td><td>Public Expenditure and Fiscal Risk Management DPF ($1.25 billion)</td></tr>
<tr><td colspan="3">Prior Actions 5 through 8 stipulate the issuance of Legislative Decree No. 1224 – the New PPP Law. The New PPP Law includes PPP project investment incentives, including refund of VAT, project preparation finance, government project finance (including new definition of "self-financed" which can still receive up to 5% of total project costs from government; New PPP Law raised cap on government support from 7% to 12% of GDP. The two biggest PPP projects are the Metro lines (World Bank $300 million loan) and the Southern Peru Gas Pipeline (now on hold due to Odebrecht scandal). The Southern Peru Gas pipeline works were 37.60% complete before being halted and some $4.2 billion is still needed to finish construction. Note: extended closing date for this DPF has been extended by three years (from Feb 18, 2019 to Feb 18, 2022): No disbursements have taken place yet.</td></tr>
</table>

Table 5. Excluded Expenditures

The following example of Development Policy Finance – Excluded Expenditures was copied from: The Financing Agreement for the Eleventh Poverty Reduction Support Development Policy Financing between the Republic of Mozambique and the International Development Association, December 23, 2015. Available at: http://documents.worldbank.org/curated/en/538301468059697348/pdf/RAD1852173042.pdf

"F. Excluded Expenditures. The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled."

5. „Excluded Expenditure" means any expenditure:

(a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

(b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Table 5. Excluded Expenditures

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
97		Gold, non-monetary (excluding gold ores and concentrates)

(c) for goods intended for a military or paramilitary purpose or for luxury consumption;

(d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;

(e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and

(f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur."

Glossary

AGE	Afghan Gas Enterprise
AMC	Asset Management Company
DPF	Development Policy Finance (or Development Policy Financing)
EE	Energy Efficiency
EMCC	Economic Management and Competitiveness Development Policy Credit
ESMAP	Energy Sector Management Assistance Programme
FF	Fossil Fuel
FIL	Financial Intermediary Loan
FY	Fiscal Year (from July 1st of previous year until June 30th)
GDP	Gross Domestic Product
GHG	Greenhouse Gas
GW	Gigawatt
IBRD	International Bank for Reconstruction and Development
IDA	International Development Association
IEA	International Energy Agency
IFC	International Finance Corporation
IFPPP	Infrastructure Finance/Public Private Partnership Project
IIGF	Indonesia Infrastructure Guarantee Fund
IPCC	Inter-Governmental Panel on Climate Change
LNG	Liquefied Natural Gas
MEMR	Ministry of Energy and Mineral Resources
MIGA	Multilateral Investment Guarantee Agency
MMBTU	Million British Thermal Unit
MPNR	Ministry of Petroleum and Natural Resources
MW	Megawatt
NCE	Northern Coal Enterprise
OCTP	Offshore Cape Three Points
PForR	Program-for-Results
PPP	Public-Private Partnership
PRSC	Poverty Reduction Support Credits
RE	Renewable Energy
SDNRP	Sustainable Development of Natural Resources Project
STC	Shwe Taung Cement Company
TANAP	Trans-Anatolian Natural Gas Pipeline
VAT	Value Added Tax
VGF	Viability Gap Facility
WBG	World Bank Group

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