

DITCH DIRTY DEVELOPMENT

Briefing Notes for meeting with Hilary Benn

Friday 9 February 2007, Leeds.

Key points to make during the meeting:

- Hilary Benn has a real opportunity to show global leadership on this issue.
- DFID's current policy of supporting oil and gas extraction contributes to climate change.
- Oil and gas extraction has a history of negative economic impacts and local environmental destruction. We see no reason to think that this will change in the future.
- DFID should champion renewable and decentralised energy, which have local, national and global benefits, and could start countries on a path to low carbon development.

Points Hilary Benn might make
(quotes are from a letter to P&P):

How you could answer these points and questions you might like to put
to Hilary Benn:

“It would be inappropriate for those of us whose development has been fuelled by fossil fuel energy to impose a moratorium – which I take it you are arguing for – on those developing countries who seek to use such resources in their own development.”

- We are not arguing that developing countries should not use fossil fuels for their own development. We believe that a diversity of energy sources will be needed to meet the energy needs of developing countries.
- Current funding for oil and gas extraction primarily results in export, feeding the energy addiction of wealthy countries like the UK, and does not provide energy for use in developing countries. To make this point you could ask:

Q: What proportion of the oil projects funded by the World Bank primarily supply oil to domestic markets (ie supply oil within the country where it is extracted)?

A: Only 18%. Research done by the Institute for Policy Studies in the USA showed that 82% of World Bank funding for oil projects between 1992 and 2004 went to projects with the primary aim of exporting oil.

- DFID should focus on helping countries to create new, low-carbon development paths. Climate change means that we must cut our use of fossil fuels, and the earlier we start the process of converting to new sources of energy the easier this process will be. It would be short-sighted to help developing countries build costly fossil fuel infrastructure which will become obsolete in the near future. We must instead help develop renewable energy.

Q: How does DFID funding support increased access to energy in developing countries? How much has access to energy increased as a result of DFID or World Bank projects?

Oil and gas projects CAN have positive economic benefits and the UK is trying to make sure that they do:

“The UK has led on the

- Oil and gas extraction projects have a history of negative economic effects, are associated with corruption, conflict and authoritarianism, lead to local environmental destruction and contribute to climate change. DFID support for these projects is contrary to its own mandate of poverty reduction. If something

Extractive Industries Transparency Initiative (EITI)... [which] seeks to increase transparency of payments made by oil, gas and mining companies and revenues received by host governments. This will allow civil society to hold their governments to account for the use of those revenues and help ensure revenues stimulate economic growth and social development.”

isn't good for sustainable development, it shouldn't be funded.

- Renewable and decentralised energy projects do not have a history of negative impacts. DFID should learn from the past and support projects which are most likely to have a positive impact on development and poverty reduction.
- The EITI is a useful initiative to improve governance and increase accountability of governments to their citizens. However, transparency of payments is not enough to overcome the problems associated with oil and gas extraction. In particular, the EITI does nothing to mitigate the climate impacts of supporting the expansion of the oil and gas industry.
- We would hope that DFID support for transparency, accountability and good governance would continue even if they stop funding fossil fuel extraction.

World Bank involvement guarantees high quality environmental, social and governance standards. Countries will exploit their resources anyway, and DFID's involvement will improve standards.

- With limited resources, DFID should fund the most positive projects, not those that it can make least bad.
- We are not suggesting that DFID or the World Bank disengage from resource-rich countries. There is no reason not to continue to support improvements in governance and environmental standards, while not being directly involved in oil and gas projects.

“the World Bank's involvement in the oil and gas sector is a very small part, 2%, of total World Bank Group financing (and amounts to about US \$600 million annually).”

- It's true that we are talking about relatively small amounts of funding. This money would have a higher relative impact if put towards renewable energy (a new sector) than put towards the fossil fuel industry (fully established and one of the most profitable in the world).
- If Hilary Benn uses the figure of \$600 million, you can challenge him. In Fiscal Year 06 (ie July 2005 – June 2006) World Bank Group funding for oil and gas was \$893 million, nearly double the amount spent the previous year.

Q: Is the increase in World Bank funding for oil and gas extraction part of a long term strategy to increase support for oil and gas extraction?

The World Bank is committed to increasing renewable energy investment. They made a commitment to increase funding for renewable energy and energy efficiency by 20% annually, and are developing a new Investment Framework for Clean Energy and Development.

- An increase of 20% is nothing compared to the increase in oil and gas funding.
- While funding for energy efficiency has increased, funding for “new” renewables (this excludes large dams) actually decreased between 2005 and 2006. While energy efficiency is important, it is essential that we support alternative sources of energy to replace fossil fuels.
- funding for oil and gas still outweighs funding for new renewables (nearly 5 times more in fiscal year 2006) and this undermines the positive climate impact that renewable energy could have (if we increase the use of fossil fuels by more than we increase renewables, the overall effect will be an increase in CO₂, when we know that we MUST be decreasing CO₂ with immediate effect).

Q: Is the Investment Framework for Clean Energy and Development a new strategy for ALL energy funding, or will its proposals run alongside continued investment in dirty energy (ie oil and gas extraction)?

Note: this would be a really interesting question to get an answer on – it's really unclear from World Bank information on the new framework.