



student action on world poverty and the environment

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Rt Hon Hilary Benn
Secretary of State for International Development
1 Palace Street
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12 April 2007

Dear Secretary of State,

Thank you for your letter of 5 January 2007 responding to the launch of People & Planet's climate change campaign, Ditch Dirty Development. I am writing to respond to the points raised in your letter, and at the NGO meeting organised by the Bretton Woods Project on 4 April 2007.

There are two key aspects to our campaign. The first is that to tackle climate change while ensuring that developing countries are able to increase access to modern energy, it is essential for countries like the UK to **massively increase support for new renewable and decentralised energy sources**. The second is that this must be accompanied by a complete **phase out of support for fossil fuel extraction**.

On the first point, I believe that we agree, at least in principle. It is essential to increase access to energy for development, and the promotion of new renewable and decentralised energy is crucial to helping countries onto a low-carbon development path. The World Bank's commitment to increasing renewable energy and energy efficiency spending is a welcome move in this direction, as is the development of the Investment Framework for Clean Energy and Development.

I welcome the news that you will be pushing for a higher target for World Bank Group funding for renewable energy and energy efficiency at this year's Spring Meetings (as mentioned at the BWP meeting). This is an essential step towards sustainable, low carbon development. I would like to offer the following analysis and proposals for improving the current World Bank targets for renewable energy and energy efficiency:

- The World Bank's renewables commitment is to a 20% annual increase in comparison to previous years' investments, not to an increase in the proportion of total energy investments which go to new renewables and energy efficiency. This is not sufficient to provide the support that is needed. In 2006, for example, while World Bank investments in renewable energy and energy efficiency did increase in absolute terms, as a proportion of overall energy spending, these investments actually decreased from 17% to 15% of the total.¹ Only by changing the proportion of resources going to renewable energy and energy efficiency compared to conventional energy funding will the Bank make progress towards truly low carbon development.

At the Spring Meetings I urge you to push for new targets which not only increase the absolute level of funding available for renewable energy and energy efficiency, but also increase the proportion of World Bank Group energy investments which go to renewable energy and energy efficiency.

1 See attached table for figures on WBG energy portfolio, broken down by sub sector, for Fiscal Years 2005 and 2006.

- Further, by combining renewable energy and energy efficiency in one target, the World Bank's commitment allows for stagnation, or even decreases in spending on new renewable energy sources. In the year to June 2006, spending on 'new renewables' (ie solar, wind, geothermal, biomass and hydropower >10 MW) only increased marginally, from \$212 million in the previous year to \$221 million in 2006.

Proportionally, World Bank commitments to new renewables, the technologies that are absolutely essential to a transformation in the way we produce and use energy, went down from 8% to a meagre 5% of their total energy spend. This is not demonstrative of a serious commitment to tackling climate change through promoting the use of renewable energy.

You should ensure that in future support for new renewables increases, by proposing separate targets for new renewables and energy efficiency.

On the Investment Framework for Clean Energy and Development, People & Planet has concerns over the effectiveness of this initiative to promote renewable energy. The papers produced in 2006 had a strong focus on clean coal and on carbon capture and storage. Such technologies will lock us into continued dependence on fossil fuels. The urgency of the challenge of climate change requires that we work for a complete transformation of global energy production and consumption, and that requires countries like the UK to champion renewable energy technologies at all levels.

The second aspect of People & Planet's campaign, the need to phase out support for fossil fuel extraction, is intimately interlinked with the first. Tackling climate change will require a shift in energy use, not a continued increase in fossil fuel use combined with a little more renewable energy. Extraction projects expand the available supply of fossil fuels, creating an economic commitment to consume them. While World Bank funding of renewables decreased proportionally to its total energy spending in 2006, investments in oil and gas extraction increased, from \$462 to \$842 million annually, and from 17% to 19% of the total. Funding for oil and gas was nearly four times higher than funding for new renewable energy sources. To put it bluntly, that means that development financing is being used to aggravate one of the biggest threats to sustainable development. This is clearly indefensible as a matter of principle, irrespective of the level of support involved.

In your letter you point out that World Bank investments in oil and gas are only a small part of their overall funding. However, the role and influence of the World Bank is far greater than the financial value of its oil lending suggests. World Bank involvement in oil and gas extraction projects can decrease the risk for the oil industry and for private funders, making projects far more likely to go ahead than would be the case without World Bank support. Additionally, the signal sent to the world from the World Bank's energy funding patterns is clear: oil and gas is still dominant, and renewables are not, in reality, being prioritised. The results will be stark in terms of the impact of climate change on the poorest and most vulnerable people.

DFID should use its influence within the World Bank, and other international financial institutions, to push for a real transformation of energy lending. Renewable energy needs additional support to gain a foothold in a fossil fuel dominated market, while oil and gas must be seen as yesterday's energy sources. There must be a phase out of support for oil and gas, and a much more substantial increase in energy spending on renewables.

In your letter you make the assumption that People & Planet is calling for a moratorium on developing countries using fossil fuels for their own development purposes. I would like to make it clear that this is not the case. People & Planet believes that increased access to energy is crucial to meet development objectives, and that for developing countries a diverse mix of energy sources will be appropriate to achieve this increased access. It is industrialised countries like the UK, historically and presently responsible for the vast majority of carbon emissions, who must take primary responsibility for cutting consumption of fossil fuels. There must be scope within a global climate change framework, for per capita emissions in developing countries to increase, while those of the industrialised world decrease dramatically.

However, while the use of fossil fuels in developing countries will continue to be necessary, we believe that the role of agencies like DFID and the World Bank must be to champion the renewable technologies that will enable developing countries to meet their energy needs without the increase of carbon emissions associated with conventional development paths. The development advantages of renewable and decentralised energy are summarised in our report, and we believe that mainstreaming such energy solutions must be a key priority of DFID.

Finally, in your letter you state that DFID is required to report to Parliament on progress towards achieving the Millennium Development Goals, including Goal 7 on Ensuring Environmental Sustainability. However, DFID's Public Service Agreement for 2005-2008 has no targets related to sustainability, climate change or energy. The indicators for monitoring progress towards the MDGs, as listed in DFID's Departmental Report 2006 do not include indicators on energy consumption or production. People & Planet would like to see clear, timebound targets for increasing support for renewable energy, phasing out support for fossil fuel extraction, and for increasing access to energy. These should be included in future PSAs and reported on to Parliament accordingly.

DFID has the opportunity to take on a global leadership role in the increasingly important area of energy and climate change. Wealthy and influential countries, like the UK, must champion a global energy revolution. Development aid must be spent on projects which increase access to energy, increase national energy independence, and which are part of a new, just, low carbon future. Continuing support for fossil fuel extraction would undermine such goals.

I look forward to hearing your responses to the points raised in this letter, and the students in the People & Planet network will also be interested to find out more about DFID's position on this issue and steps you intend to take at the Spring Meetings of the World Bank.

Yours sincerely,

Ian Leggett
Director



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World Bank Group Energy Sector Commitments – Fiscal Years 2005 and 2006

Sub sector	Fiscal Year 2005 (US \$ millions)	Percentage of total (FY 2005)	Fiscal Year 2006 (US \$ millions)	Percentage of total (FY 2006)
Power (generation, transmission and distribution)	1064 ^(a)	38.1	2453 ^(a)	55.4
Oil and Gas (extractive industries)	462 ^(a)	16.5	842 ^(b)	19.0
Coal (including mine closure)	234 ^(a)	8.4	103 ^(a)	2.3
Large Hydro (>10 MW)	449 ^(c)	16.1	192 ^(d)	4.3
Energy efficiency	250 ^(a)	8.9	447 ^(d)	10.1
New renewables (solar, wind, hydro <10 MW, geothermal, biomass)	212 ^(c)	7.6	221 ^(d)	5.0
General Energy Sector	125 ^(a)	4.5 ^(a)	170 ^(a)	3.8
Total	2796		4429	

Sources:

- a) World Bank Group 2006. *An Investment Framework for Clean Energy and Development: A Progress Report. Background paper for World Bank Development Committee, Sept 2006, p42.*
- b) World Bank Group 2006. *Implementation of the Management Response to the Extractive Industries Review, December 2006, p16.*
- c) World Bank Group 2005. *World Bank Group Progress on Renewable Energy and Energy Efficiency Fiscal Year 2005, December 2005, p4.*
- d) World Bank Group 2006. *Improving Lives: World Bank Group Progress on Renewable Energy and Energy Efficiency Fiscal Year 2006, December 2006, p39.*

Notes:

The figures in this table are slightly different from those used in People & Planet's report. This is because the World Bank has published new figures for Fiscal Year 2006 from those in *An Investment Framework for Clean Energy and Development: A Progress Report*, for renewable energy and energy efficiency and for the extractive industries.

The most recent overview of the total World Bank energy portfolio, found on p6 of the draft of *Clean Energy for Development Investment Framework: The World Bank Group Action Plan*, to be presented to the Development Committee at the Spring Meetings of the World Bank 2007, provides figures on the World Bank Group's energy portfolio that are categorised completely differently from these.

There appears to be no single and authoritative source of statistics on the World Bank's energy portfolio, which makes comparison of spending on different forms of energy extremely difficult.