World Bank Climate Profiteering

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The World Bank's long-running identity crisis is proving hard to shake. When efforts to rebrand itself as a "knowledge bank" didn't work, it devised a new identity as a "Green Bank." Really? Yes, it's true. Sure, the Bank continues to finance fossil fuel projects globally, but never mind. The World Bank has seized upon the immense challenges climate change poses to humanity and is now front and center in the complicated, international world of carbon finance. It can turn the dirtiest carbon credits into gold.

How exactly, does this work, you ask?

Quite simply: The Bank finances a fossil fuel project, involving oil, natural gas, or coal, in Poor Country A. Rich Country B asks the Bank to help arrange carbon credits so Country B can tell its carbon counters it's taking serious action on climate change. The World Bank kindly obliges, offering carbon credits for a price far lower than Country B would have to pay if Country B made those cuts at home. Country A gets a share of the cash to invest in equipment to make fossil fuel project slightly more efficient, the World Bank takes its 13% cut, and everyone is happy.

Everyone, that is, who is cashing in on this deal. If you're after a real solution to the climate crisis, these shenanigans can and should make you unhappy.

Aiding the Tata Group

Consider a project the International Finance Corporation (IFC) had scheduled for board consideration on March 27, but is now, according to its press office, slated for approval in April. (The World Bank Group's boards virtually never reject anything sent to them). The IFC, the World Bank's private sector lending arm, plans to back a massive coal-fired power plant in Mundra, a town in the Indian state of Gujarat. The complex of five 800 megawatt plants will cost $4.14 billion to build and be owned and operated by Tata Power Company Limited, a scion of India's largest multinational corporation, the Tata Group.

To put this in perspective, Tata Motors, a division of the same conglomerate, recently announced plans to buy the luxury car companies, Jaguar and Range Rover from U.S. automaker Ford for $2.3 billion. And Tata Power's 2007 revenues totaled $1.6 billion. So, it's hard not to ask how much help Tata needs from the World Bank, which has as its motto: "our dream is a world free of poverty." Several other corporations are involved. Toshiba, for example, will supply the steam turbine generators.

Once operational, the Mundra power plant will be India's third-largest emitter of greenhouse gases. But it doesn't stop there. Now, the World Bank has planned for the Tata coal burner to be eligible for carbon credits under Kyoto's Clean Development Mechanism. Carbon credits for a coal burner, you ask?

In the bizarre logic of the carbon market, a market the World Bank is both shaping and investing in, yes, Country B can get credits for helping a corporation, even one of the world's wealthiest corporations such as Tata, capture a few carbon emissions, as long as these emissions are captured in a "poor" country, like India, regardless of how rich the company involved may be.

Indonesian Coal

And it gets stranger still. One would hazard a guess that the IFC is lending $450 million, "considering investing up to $50 million in equity as part of its exposure to the project," and possibly helping Tata obtain $300 from other sources at favorable rates for the Tata burner because India has no other choice but to burn its own abundant supply of coal. But, no, the IFC plans to *import* coal from Indonesia to fuel the plant in India. In fact, Tata bought a 30% stake in two Indonesian coal-mining units for $1.3 billion in April 2007 in order to secure the coal resources for the Mundra plant.

On its Website, the World Bank division offered this feeble justification for this transaction: "IFC is supporting thermal power projects which have better GHG (greenhouse gas) and environmental performance than the average plants in India, given the country's large needs for incremental electricity supply."

Surely, if the Bank is involved, the poor, if not in India, then somewhere else are better off as a result of this project? Well, in a word, no. Indonesian coal regulations are largely incoherent and open to manipulation, giving often-corrupt local officials control over the resource wealth, stripping local communities of their resources, and leaving them with a legacy of environmental problems.

Indeed, Indonesia's coal sector is the rule, not the exception, in its posture toward the poor: A three-year review of the World Bank's investments in the extractive industries, the Extractive Industries Review, launched under former World Bank President James Wolfensohn, found that the poor were worse off as a result of investments in extractive industries, and recommended the World Bank get out of coal immediately. (That was back in 2004.)

The Extractive Industries Review, ironically, was developed with input from industry, government, and civil society participants, and overseen by former Indonesian environment minister under Suharto, Emil Salim, who himself sat on the board of a large coal company. Nevertheless, Salim was unequivocal that the World Bank should cease lending for coal, and phase out of oil by 2008. The World Bank's board voted to overrule these recommendations.

Sadly, the IFC isn't the only powerful international financial agency backing the Mundra power project. The Asian Development Bank, The Japan Bank for International Cooperation (JBIC), and the Korea Export Insurance Corporation are also involved.

Climate Change Mitigation?

O.K. The poor are worse off, the corporations are better off, and the Bank is double-dipping on carbon trading. Bad enough. But here's a final, scary twist: The World Bank is increasingly being given a leadership role in various climate investment funds by the world's wealthy countries. In an initiative with pledged contributions from the United States, the UK, and Japan, the Bank will oversee $7-$12 billion for “climate change mitigation and adaptation projects in developing countries.” The funds – the Clean Technology Fund, the Forest Investment Fund, the Adaptation/Climate Resilience Pilot Fund, and the Strategic Climate Fund – are moving forward despite having come under fire from developing countries as well as from environment and development organizations. They are concerned that the funds will, once again, give wealthy Northern governments, and, in particular, their bank of choice, the World Bank, more control over funds intended to “help” developing countries.

Rather than a “Green Bank,” the World Bank is revealing itself to be a banker for the super-powerful corporate elite. In addition, it’s turning into a climate change profiteer. If the Bank were the only one fooled by its new identity, the image would be pathetic if not outright laughable. Unfortunately, the Bank has seemingly fooled some of the richest and most powerful countries in the world. Or maybe, when they look at the Bank, what these wealthy countries really see is not “green” but “greenbacks.”

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