

Guidance on Fossil Fuel Energy at the Multilateral Development Banks

Under the *Executive Order on Tackling the Climate Crisis at Home and Abroad*, the United States will promote ending international financing of carbon-intensive fossil fuel-based energy while simultaneously advancing sustainable development and a green recovery. We recognize it is incumbent on the U.S. and other advanced economies to limit fossil fuel energy domestically as we seek to send a strong message to international partners. At the Multilateral Development Banks (MDBs), the United States is committed to supporting developing countries to achieve a clean and sustainable future that is consistent with their development goals and the goals of the Paris Agreement. We will work with MDB Management and shareholders to prioritize clean energy, innovation, and energy efficiency. When considering projects, we will advocate for MDB staff to assess these options first, and only consider fossil fuels if they are unfeasible. We will use the following guidance to inform our positions on fossil fuel energy policies, strategies, and projects at the MDB Boards.¹

Direct investment projects:

- *Opposition to coal.* We will oppose new coal-based projects. We may consider coal decommissioning projects so long as they do not expand the capacity of a plant or extend its life.
- *Opposition to oil.* We will oppose oil-based energy projects. There may be limited exceptions, such as oil-based power generation in crisis circumstances or as backup for off-grid clean energy, if no cleaner options are feasible.
- *Narrow support for natural gas.* We will oppose upstream natural gas projects. We will **only** support midstream and downstream natural gas projects when **all** of the below criteria are met:
 1. The project supports IDA-eligible countries, fragile and conflict-affected states, or small-island developing states;²
 2. There is a credible alternatives analysis that demonstrates that there is no economically and technically feasible clean energy alternative;
 3. The project has a significant positive impact on energy security, energy access, or development; and
 4. The project is aligned with and supports the goals of the Paris Agreement as outlined by the joint MDB Paris-alignment methodology, which factors in a country's decarbonization pathway, greenhouse gas reduction strategies, and avoiding carbon lock-in.
- *Open to support for Carbon Capture, Use & Storage (CCUS) and methane abatement projects.* We are open to supporting CCUS and methane abatement solutions as stand-

¹ The guidance is in addition to, and does not supersede, other U.S. policies, considerations, and legislative provisions regarding MDB projects. Fossil fuel energy issues not addressed by this guidance will be assessed with the guidance in mind. This guidance replaces previous guidance on use of fossil fuels in energy projects at the MDBs.

² Fragile and conflict-affected states based on annual World Bank Fragile and Conflict-affected Situations (FCS) list. Small island developing states based on UN Small Island Developing States (SIDS) list.

alone investments for existing fossil fuel projects assuming they do not expand the capacity of the existing project or a significantly extend its operational life.

- *Open to support for natural gas and oil heat generation.* We are open to supporting the use of natural gas and oil products for household heat generation projects, in particular clean cooking projects, if no cleaner options are feasible. We will consider natural gas and oil products for industrial or district heat generation on a case-by-case basis.

Other types of projects:

- *Policy-based operations.* We will oppose operations with policy reforms that directly support fossil fuel activities that are not consistent with our approach for direct investment projects. We will consider policy-based operations with significant macroeconomic or development reforms that may indirectly support these activities on a case-by-case basis.
- *Financial intermediary and equity investments.* We will oppose all investments to financial intermediaries or companies where we can reasonably determine that the MDB funds will be used for subprojects or activities that are not consistent with our approach for direct investment projects. Where we are unable to determine how the funds will be used, we will assess the project based on decarbonization of the client's overall portfolio on a case-by-case basis.