

**U.S. Position on IDB Investments in
TermoMaranhão and Pécem Thermoelectric Power Plants, Brazil
March 20, 2009**

The United States commends Brazil for an energy matrix that relies mainly on renewable, clean resources. We support the country's efforts to diversify its energy mix in order to reduce its vulnerability to power supply shortages, such as the electricity crisis the country faced in 2001-2002. We recognize that Brazil is a leader in developing clean energy technologies, particularly in biomass production.

However, the United States abstains on both operations on energy and environmental policy grounds.

The Bank proposes to finance subcritical technology coal power plants at a time when cleaner, more energy efficient technology exists at little or no extra overall cost. However, putting forward a subcritical coal power plant is fundamentally inconsistent with the IDB's recently unveiled energy vision as well as the IDB's desire to increase resources to support green growth in the region. This inconsistency is not resolved by the agreement to offset a small fraction of the project's carbon emissions.

The IDB says that the auction process through which the generation contracts were awarded skewed the selection to subcritical designs and that the Bank entered too late to influence project design. However, this raises the question of whether a development bank should finance such projects if it cannot influence the design. A development bank should be able to help overcome the policy failures that lead to the adoption of inefficient technologies. In this case, IDB staff did not engage with the project sponsor and host country government before project appraisal stage and determine whether any viable supply- or demand-side alternatives would have met projected power demand.

While there are some important mitigation measures, notably requiring the plants to use high-quality coal so that they can meet IFC emission standards for NO_x and SO_x, the IDB has not fully developed monitoring and enforcement measures, nor does the plan address mercury emissions. These measures are important because the IDB's assessment shows that the IFC emissions standards are barely met, so any change in the quality of coal would mean the standards would be exceeded, with negative health consequences.

The United States is also concerned that the projects have not undergone sufficient environmental and social due diligence. Surprisingly, the projects were originally considered Category B, despite the fact that large thermal power plants are almost always Category A, at least under World Bank guidelines. The projects only recently were changed to Category A, and the project document says that the only difference concerns public consultations. As a result, each project received only two public hearings, fewer than the six required by the IDB for Category A projects. Moreover, the discussion of alternative technologies in the EIA summary is not meaningful because it focuses on cost.

We would have voted no on these projects if not for Management's efforts to fix what it recognized as a serious problem in the technology choice and, moreover, Management's assurances to us that the Bank moving to end its financing of such projects in this context. Therefore, we call on Management to confirm these intentions to the Board so that it can truly embark on its new mission of green growth.