

U.S. Position on Draft World Bank Energy Strategy

April 11, 2011

Summary

The World Bank Group has a key role to play in addressing energy poverty by expanding access to and improving the reliability of affordable energy services. Access to power is a critical determinant of economic growth and poverty reduction. At the same time, the Bank must be a leader in encouraging low-emissions growth. The United States commends the dual focus of the draft energy strategy and appreciates the Bank's consultative approach to its revision. We expect that there will continue to be robust global consultations throughout the process of developing and finalizing this strategy.

The World Bank's Post-Crisis Directions strategy emphasizes the importance of global collective action on climate change, and the United States believes the energy strategy will chart a useful course to help countries achieve their clean energy development goals as part of broader low emissions development strategies.

Priority Issues

Much of the Bank's work to achieve the dual goals of access and sustainability will need to focus on the enabling environment, i.e., improving financial sustainability, regulatory frameworks, operational performance and governance in the sector. The United States particularly welcomes the Bank's continued focus on fossil subsidy reform. Technical assistance and policy-based loans will be important for this type of work, as will the close engagement with the IFC and MIGA to encourage market-based approaches and private sector participation and investment. The United States welcomes the strategy's focus on the enabling environments and commends its increased attention to energy issues in Country Assistance Strategies.

Another key area of focus must be energy efficiency. Given constrained multilateral resources, the World Bank Group must invest where it can maximize returns in terms of both increased access and reduced emissions. By reducing overall energy consumption, improvements in efficiency can help with both goals. The Bank has a strong but brief track record in energy efficiency projects; we would like to see much greater engagement in this area where the Bank provides clear additionality. In this respect, the strategy would be improved by the inclusion of explicit targets for the overall energy efficiency portfolio in the results matrix.

Consistent with our own policies and the guidelines of the Bank's Strategic Framework on Development and Climate Change, we will continue to consider coal lending in IDA countries within certain parameters. In this connection, we welcome the proposed approach in the paper on greenfield coal plants and believe it should go forward to the Board for consideration.

The IFC provides the bulk of the Bank's financing for upstream oil and gas projects. In any operation where the World Bank Group seeks to support extraction projects, it must establish that the borrower has in place functioning systems for: (i) accounting for payments to the government by companies involved in the extraction and export of natural resources; (ii) independent auditing of accounts receiving such payments; and (iii) public dissemination of the findings of such audits, and verification of government receipts against company payments.

Transparency must be central to all of the Bank's extractives operations. In addition, there needs to be strong implementation of environmental and social safeguards given the high risks of these projects. The United States believes the strategy needs to give more detail on when the World Bank Group would engage in such projects.

Hydropower is expected to be the largest source of affordable renewable energy and some believe may be one of the only options for Africa to increase access to electricity on a large scale. The Bank has an important role to play in developing small, medium and large-scale hydropower projects. The United States supports the Bank's work in integrated water basin management and welcomes the proposed regional approach for developing hydropower. We also believe hydropower projects should consider and account for their net life-cycle emissions.

The United States believes there should be accounting for greenhouse gas emissions for new power generation projects and all energy sector projects by FY2014. This is an important step in the right direction and would send a signal to donors by indicating the level of incremental cost financing needed to internalize costs. To be most effective: (i) the baseline for comparison with projected project emissions should be dynamic rather than merely projecting continued emissions from an existing facility at current levels; (ii) emissions accounting information should be publicly disclosed; and (iii) emissions accounting should feed into a sector- or institution-wide portfolio target.

Finally, the United States supports development of emissions projections for each proposed project and its alternatives at the pre-appraisal phase so that results may help inform country-owned choices. In the future, the United States believes that greenhouse gas accounting should become an integral criterion in the project selection and approval process.

Implementation

Ultimately, implementation will be up to countries themselves. But the World Bank can help interested countries assess their energy options and steer them to the cleanest and most efficient solutions. This discussion will occur primarily in the context of the Country Assistance Strategies, but the results framework for the energy strategy (and the other relevant sector strategies such as Environment, Transport, Urban, Agriculture and Forestry, etc.) should also set ambitious overall portfolio targets. And, of course, given the significant environmental impacts of many projects in these sectors, the Bank needs to ensure strong implementation of safeguards.

The United States looks forward to continued engagement on this strategy.

