

Proposed International Finance Corporation (IFC) Investment in Stora China III
February 20, 2014
United States Position

The United States appreciates that this is an investment in a frontier region with substantial development impact: significant job creation; support for broader economic development through links to farmers and small businesses; and promotion of sustainable forest management. The United States takes note of the Forest Stewardship Council and China Forest Certification Council certifications and the potential demonstration effect for China's forestry sector.

This is a complex project that has taken many years to come to fruition, and the United States appreciates the role that the IFC has played in working with the sponsor to address difficult and important environmental and social management issues. The United States notes the information provided in the Update on Forestry Social Land Use Rights Acquisition, and expects the sponsor and the IFC to implement the recommendations outlined therein. Approached properly, with serious effort both before project approval and during implementation, strengthening environmental and social management is precisely where the IFC can add value and have a strong development impact.

The integrated paper mill to be financed by this project will employ best available technology and includes some laudable energy efficiency measures, such as cogeneration for power and heat in both phases of the project and the use of renewable "black liquor" as part of the energy mix in phase two. The United States recognizes that the project will have a lower carbon intensity than the Chinese grid.

However, the project relies on coal for at least 80 percent of its needs in the expected three years of phase one of the project, and 20 percent thereafter. The United States, as a matter of policy, has greater expectations for the rare circumstance of multilateral development bank projects involving coal, related to off-sets and carbon capture and sequestration. Even considering the attractive features of this project, the carbon intensity, particularly in the initial phase, leads us to vote against the project.

The United States further notes that environmental documentation for Category A projects such as this one should be made publicly available on IFC's web site at least 120 days ahead of Board decisions, rather than the standard 60 days applied by IFC. In addition, the United States does not support MDB lending to China unless it is aimed primarily at meeting basic human needs.