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IBNI BRIEFING NOTE

IBNI AND MDB POLICY REFORM

1. Introduction

- 1.1 The International Bank For Nuclear Infrastructure (IBNI) is a proposed new International Financial Institution (IFI), to be created by a multilateral treaty, using the same mechanism as countries have employed to create the various Multilateral Development Banks (MDBs), such as the World Bank Group (WBG), the European Bank For Reconstruction and Development (EBRD), and similar institutions.
- 1.2 During discussions which the IBNI Implementation Organisation Strategic Advisory Group (IBNI-IO SAG) has had with interested parties, one of the questions that is frequently asked is: *Why undertake the effort needed to create a new IFI – would it not be preferable to reform the anti-nuclear policies of the existing MDBs, so that the MDBs could support nuclear power projects?*
- 1.3 This Briefing Note sets out the IBNI-IO SAG's response to that question. It presents two main arguments as to why a reform of the MDB's current policies is not a satisfactory alternative to IBNI. In addition, it presents some other considerations in support of the proposition that IBNI is the best vehicle for developing nuclear power in order to achieve global climate change objectives and enhance energy security.

2. Main Arguments

- 2.1 It is Unrealistic to Expect a Near-Term Change in the MDB's Anti-Nuclear Policies. Although the World Bank provided funding for a nuclear power plant in Italy in 1959, it has, for many decades, refused to support any other nuclear power projects. Similarly, the EBRD has essentially restricted itself, in terms of nuclear energy, to supporting nuclear plant shutdowns¹.
- 2.2 Even though the MDBs are structured on a corporate basis, with member countries having voting rights commensurate with their shareholdings, the Executive Directors of the MDBs tend to make decisions on a 'consensus' basis. Accordingly, if a country with a significant level of shares objects to a policy reform, it normally does not occur.
- 2.3 Within the major MDBs, certain significant member countries – notably including Germany and Australia – have consistently been opposed to MDB participation in any nuclear power projects. This opposition is so intense that it is extremely unlikely that the MDBs will reverse their current anti-nuclear policies. The 'consensus' approach also means that, if a group of pro-nuclear countries (such as the United States or France) wanted to campaign for such a reform, the campaign would likely be extremely time-consuming and prolonged, with a very limited chance of success.
- 2.4 The IBNI-IO SAG would welcome policy changes within the MDBs but, as indicated, the prospects of this happening in the near future are very low. Even in the World Bank's recent *Evolution Roadmap* document², there is no mention of nuclear power.

¹ See <https://www.ebrd.com/nuclear-safety>.

² See <https://documents1.worldbank.org/curated/en/099845101112322078/pdf/SECBOS0f51975e0e809b7605d7b690ebd20.pdf>

- 2.5 MDB Policy Reform Would Not Assist Nuclear Power Development in Advanced Economies. Even if a prolonged campaign to reform the MDBs anti-nuclear policies were ultimately successful, this would only address part of the challenge – it would not help nuclear projects in developed countries.
- 2.6 Currently, advanced economies account for approximately 40% of greenhouse gas (GHG) emissions³. Accordingly, there is still a significant need for additional decarbonization in the group of advanced economies that the UN Framework Convention on Climate Change designates as “Annex 1 Countries”.
- 2.7 It is clear that nuclear projects in Annex 1 Countries need an entity such as IBNI to provide the additional support necessary for projects to succeed. For example, in the UK, there is an ongoing issue with financing the Sizewell C project. And, in Canada, the Canada Infrastructure Bank (CIB) was able to provide CDN 1 billion for the Darlington Small Modular Reactor (SMR) Project, but the constraints on the CIB's balance sheet are such that there is a limit on the number of such projects which the CIB can support without co-financing from an entity such as IBNI.

3. Additional Considerations

- 3.1 Institutional Focus. The primary focus of the MDBs is, by definition, on development: i.e., the elimination of poverty. It is true that the MDBs are now also committed to concepts of sustainability, but that commitment is seen through the lens of development. If the MDBs were additionally asked to promote nuclear power, that objective would have to compete for bandwidth in terms of the allocation of the MDBs' financial and human resources. Even the European Investment Bank, which has a mandate to lend to nuclear projects, has made very few investments in new nuclear infrastructure – it simply lacks the specialised expertise for nuclear, and is more comfortable financing smaller-scale renewable projects. This would be in contrast with IBNI, which would be specifically designed to use its balance sheet and the expertise of its staff for a single purpose: namely to facilitate a step-change in the development of nuclear power.
- 3.2 Financial Innovation and Leveraging. Recently, there have been a number of initiatives – such as the *Paris Summit for a New Global Financing Pact* – designed to encourage MDBs to be more creative in mobilising private finance for development. However, the results to date fall far short of the 2015 ‘Billions to Trillions’ agenda⁴, which called for leveraging the billions of dollars of Official Development Assistance (ODA) into trillions of dollars of private sector financing. A recent report from the OECD⁵ shows that the USD 186 billion provided in ODA in 2021 mobilised only some USD 51 billion in private financing. IBNI will, however, be explicitly designed to ‘crowd-in’ private sector investment in nuclear power projects, through the extensive use of instruments such as senior *pari passu* and subordinated loans and other credit facilities, minority equity shareholding, mezzanine financing, convertible loans, lines of credit, guarantees, and various hedging solutions. In short, the IBNI will be a nimble and highly innovative institution, specifically focused on increasing the level of private sector investment in nuclear projects, so as to achieve Net Zero decarbonization and enhance energy security.

³ See <https://theconversation.com/cop27-how-responsible-are-industrialised-countries-for-climate-change-193965>.

⁴ See *From Billions to Trillions: Transforming Development Finance Post-2015 Financing for Development: Multilateral Development Finance* World Bank, 2015, available at <https://thedocs.worldbank.org/en/doc/622841485963735448-0270022017/original/DC20150002EFinancingforDevelopment.pdf>

⁵ See Private Finance Mobilised by Official Development Finance Interventions, OECD 2023, available at <https://www.oecd.org/dac/2023-private-finance-odfi.pdf>.