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**Implications of the IFC's Systematic
Failures to Adhere to its Policies
Applicable to GHG Emissions Analysis
and Mitigation on its Paris Agreement
Alignment**

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Paris Alignment: Addressing IFC's Systematic Failures to Adhere to its Adopted Policies



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- **Paris Agreement** – finance flows consistent with limiting global warming to well below 2°C and to achieve a 1.5°C limitation
- **Presentation Focus** – an issue that must be addressed to ensure the IFC adequately aligns its investments with the Paris Agreement's warming limitation objectives
- **IFC Board Adopted Policies**
 - IFC Policy on Environmental & Social Sustainability
 - IFC Performance Standards
 - IFC Access to Information Policy

IFC's Systematic Failures to Adhere to its Policies Applicable to GHGs Before Project Financing



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- **Investigation Scope:** 300 Direct Investments 2012 to 2022
- **IFC's most egregious systematic failures to adhere to its E&S Sustainability Policy – failures to ensure as required by PS 1:**
 - Adoption of a Mitigation Hierarchy
 - Full or Any GHG Quantification
 - E.g. Livestock Manure (Methane), Scope 3 cereal and soy; Agriculture - Fertilizer over application (Nitrous Oxide)
 - E.g. Fugitive GHG emissions from fossil fuel infrastructure
 - Alternatives Analysis
 - Affected Communities GHG Emissions Impact Analysis & Mit.
- **Access to Info Policy - Disclosure Failures**

Mitigation Analysis & Commitments for IFC's Direct Investments 2012-22 (ESIAs & ESRS Avail.)



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General Category	Prior to IFC Approval of Financing for a Project	Total Projects	Applicable Projects	% Projects
GHG Mitigation	Quantification of GHG Emissions Mitigation Amounts or Reductions in GHG Emissions Amount	8	67	12%
	GHG Emissions Mitigation Hierarchy Analysis Conducted	0	67	0%
	Adoption of GHG Emissions Mitigation Hierarchy	0	67	0%
	Analysis Conducted of Technical and Financial Feasibility of Mitigation to Prevent, Minimize, or Offset GHG Emissions to the Furthest Extent Possible	0	67	0%
	Analysis Conducted of GHG Emissions Avoidance Measures	7	67	10%
	Facially Inadequate GHG Emissions Avoidance Analysis	7	7	100%
	Adoption of Measures that Result in Avoidance of GHG Emissions	1	67	1%
	Carbon Credits / Offsets Purchased	0	67	0%
	Adoption of Measures to Reduce GHG Emissions	59	67	88%
	Project Components Defined Prior to IFC Financing Approval + Adoption of Any Specific GHG Emissions Mitigation Deferred Until After IFC Approval	3	67	4%
GHG Alternatives Analysis	Construction is Part of Project, and GHG Emissions Construction Mitigation Adopted	24	64	38%
	GHG Emissions Alternatives Analysis Conducted (Total applicable projects are projects for which the Performance Standards require this Alternatives Analysis)	29	62	47%
	Facially Inadequate GHG Emissions Alternative Analysis (All Alternatives Analysis Provided Considered)	29	31	94%



GHG Emissions Analysis for IFC's Direct Investments 2012-2022 (ESIAs & ESRS Available)

Category	<u>Prior to IFC Approval of Financing for a Project</u>	Total Projects	Applicable Projects	% Projects
GHG Emissions	Quantification / Calculation of Any GHG Emissions Figures (not considering adequacy, completeness, sufficiency of scope, etc.)	52	67	78%
	If Project funded includes an addition to or expansion of an existing activity/facility, GHG emissions figures are quantified for the expansion or addition	15	23	65%
	GHG Emissions Figures Quantified Include all Clearly Recognized Sources of GHG Emissions from a Project	0	67	0%
	Project Components Defined Prior to IFC Financing Approval + Deferral of the Calculation of GHG Emissions Until After IFC Approval Instead of Before	6	67	9%
	If Prior to Mitigation, an Increase in Scope 1 GHGs from the Loss of Carbon Sequestration Due to the Project is Foreseeable, a GHG analysis was conducted	3	39	8%
	Quantification of Any Scope 3 Indirect GHG Emissions	6	67	9%
	Any Scope 3 GHG Emissions Analysis Conducted	7	67	10%
	If Transportation Related Scope 3 GHG Emissions Due to Project are Foreseeable, a GHG analysis was conducted for this	0	13	0%
	If Local Population Growth Related Scope 3 GHG Emissions Due to Project are Foreseeable, a GHG analysis was conducted for this	0	21	0%
	Construction is Part of the Project & GHG Emissions from Construction Quantified	10	64	16%
Cumulative Impacts	Cumulative GHG Impact Analysis Conducted (includes e.g. GHG emissions impact analysis on 1.5-2° C warming goals, global emissions, and or national/regional/sector specific GHG contributions)	34	67	51%
	Paris Agreement, Kyoto Protocol, UNFCCC, or 1.5°C - 2°C Warming Goals Taken Into Account	41	67	61%



Affected Communities Requirements - IFC Direct Investments 2012-2022 (ESIAs & ESRS Available)

Category	<u>Prior to IFC Approval of Financing for a Project</u>	Total Projects	Applicable Projects	% Projects
Affected Communities	Analysis Conducted of a Project's GHG emissions' contribution to global warming impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent	7	67	10%
	Facially Flawed Analysis of a Project's GHG emissions' contribution to global warming impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent	4	7	57%
	Acknowledgement / Identification that project's GHG emissions' contribute to global warming impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent	5	66	8%
	Adoption of Any Mitigation for project's GHG emissions' contribution to global warming impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent (if such impacts are identified)	4	5	80%
	Adoption of a Mitigation Hierarchy (as required by the PS) to anticipate and avoid, or where avoidance is not possible, minimize, and, where residual impacts remain, compensate/offset for project's GHG emissions' contribution to global warming impacts on biodiversity or on ecosystem services upon which Affected Communities' livelihoods are dependent	0	5	0%
	Assessment Conducted as to whether individuals or groups may be directly and differentially or disproportionately affected by the Project's GHG emissions' contribution to global warming because of their disadvantaged or vulnerable status	2	66	3%
	Identification of individuals or groups that may be directly and differentially or disproportionately affected by the Project's GHG emissions' contribution to global warming because of their disadvantaged or vulnerable status	2	66	3%
	When individuals and/or groups that may be directly and differentially or disproportionately affected by the Project's GHG emissions' contribution to global warming because of their disadvantaged or vulnerable status are identified, Proposal for and Adoption of differentiated measures so that adverse impacts do not fall disproportionately on them and they are not disadvantaged in sharing development benefits and opportunities	2	2	100%
	Identification of risks and potential impacts of the Project on priority ecosystem services (outside of those services on which the project is directly dependent for its operations) that may be exacerbated by climate change	8	67	12%
	When risks and potential impacts of the Project on priority ecosystem services (outside of those services on which the project is directly dependent for its operations) that may be exacerbated by climate change are Identified, Avoidance of these Impacts or if Impacts are Unavoidable the Process in PS 6 ¶¶ 24 & 25 has been Followed and there is a Commitment to Implement Mitigation Measures in Accordance with PS 6 ¶¶ 24 & 25	1	8	13%

IFC Env. & Social Sustainability & Access to Info Policies' Requirements for Direct Investments 2012-2022



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Categories		Select 2012-2022 IFC Approved Category A & B Projects with EIA Documents & ESRS Available			Select 2012-2022 IFC Approved Category A Projects with only ESRS Available			Select 2020-2022 IFC Approved Category B Projects with only ESRS Available		
Category	<u>Prior to IFC Approval of Financing for a Project</u>	Total Projects	Applicable Projects	% Projects	Total Projects	Applicable Projects	% Projects	Total Projects	Applicable Projects	% Projects
IFC Environmental and Social Sustainability & Access to Info Policies	IFC Ensured that the project complied with the Performance Standards' impact analysis and mitigation requirements applicable to GHG emissions prior to its approval to finance the project	0	67	0%	0	39	0%	0	191	0%
	IFC Ensured that the project's non-compliance with the Performance Standards' impact analysis and mitigation requirements applicable to GHG emissions was cured prior to its approval to finance the project	0	67	0%	0	39	0%	0	191	0%
	In Assigning a Project Risk Categorization, the IFC Factored in the Environmental and Social Risks and Impacts from a Project's GHG Emissions	0	67	0%	0	39	0%	0	191	0%
	IFC Publicly Provided the GHG Environmental and Social Impact Assessments and Documents with GHG Emissions and Mitigation Analysis and Calculations for the Project	67	67	100%	0	39	0%	0	191	0%
	Quantification of Project's GHG Emissions or No Deferral of the Calculation of Project's GHG Emissions	9	67	13%	12	39	31%	23	191	12%
	IFC Publicly Provided all of the Project's expected GHG emissions amounts when these amounts will exceed a total 25,000 tCO ₂ -eq throughout a project's life cycle	0	67	0%	0	39	0%	0	191	0%
	IFC Publicly Provided a portion of the Project's expected GHG emissions amounts when these amounts will exceed a total 25,000 tCO ₂ -eq throughout a project's life cycle	52	67	78%	26	39	67%	156	191	82%
	IFC Required supplemental actions to be implemented to mitigate the GHG emissions risks and impacts of the project in a manner consistent with Performance Standard 1, including if the project is expected to emit over 25,000 MT CO ₂ -equivalent over its life cycle or on an annual basis	0	66	0%	0	37	0%	0	187	0%



Implications for IFC Paris Agreement Alignment and Financial Intermediary Investments

- ▶ An important part of the IFC's Paris Alignment is adhering to its policies pertaining to GHG Emissions it already has in place
- ▶ Implications of Systematic failures at the Env. & Social Impact stage prior to project financing
 - ▶ Precludes Paris Alignment & Limiting a Project's GHG Emissions as far as Feasible
 - ▶ Leaves voids needed to fill Paris Methodology gaps
 - ▶ e.g. only Perf. Standard have alternatives analysis and affected community impact analysis & mitigation requirements;
 - ▶ e.g. swine & poultry may be on universally aligned list and without Perf. Standard 1 application, would be approved w/out: (i) manure and scope 3 cereal/soy GHG emissions quantification; (ii) mitigation hierarchy w/ supporting analysis;
 - ▶ Precludes informed decision making to achieve WBG objectives & Paris Alignment
 - ▶ IFC inability to report on the carbon footprint of its portfolio

Implications for IFC Paris Agreement Alignment and Financial Intermediary Investments

- ▶ **Questions Raised by BCA's Findings Applicable to IFC's Paris Alignment:**
 - ▶ Will the IFC adhere to its Paris Methodology & also its board adopted policies pertaining to GHG Emissions?
 - ▶ Capacity: If the IFC can't or won't adhere to the provisions of its policies pertaining to GHGs, does it have the capabilities to adhere to its additional Paris alignment methodology?
 - ▶ And, if the IFC is not following its GHG Policies for its Direct Investments, how can it ensure Financial Intermediaries (i) exclude fossil fuels and (ii) follow IFC policies applicable to GHG emissions & mitigation?

The Path to Paris Alignment



- **What is needed - Suggestions:**
 - Sufficient Paris Alignment Methodology that Excludes Fossil Fuel Financing and Achieves Net Zero Emissions for Projects
 - Rigorous Application of the Plain Requirements of the IFC's E&S and Access to Info Policies, and Paris Methodology
 - Ensuring FIs held to same standards as Direct Investments
 - Sufficient Staffing & Training
 - Checklist of PS 1, E&S, and Access to Info Policy Requirements
 - Cure Disclosure Deficiencies prior to project financing
 - Stop, Look, and Listen – Adequate time for public review



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