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Independent Climate Legal Opinion by Authoritative Scholars Puts IFC, IBRD, ADB, all MDBs and their Member States on Notice

Multilateral Development Banks and their Shareholder States at Risk of Climate Litigation over Fossil Fuels Finance and Inadequate Due Diligence

San Francisco, CA - 19 November, 2025 – Multilateral Development Banks (MDBs), and the governments that oversee them, could be in violation of international legal obligations if they do not take sufficient action to improve their climate change due diligence. They must essentially eliminate, in all but truly exceptional circumstances, their financing of fossil fuel-related activities imminently. Those are the main conclusions of a new legal opinion released today, in the midst of COP30. The opinion by Drs. Lorenzo and Lin, which was commissioned by Bank Climate Advocates, for the first time lays out the international law obligations of International Finance Corporation (IFC), International Bank for Reconstruction and Development (IBRD), and Asian Development Bank (ADB) and their Member States when acting at them.

This issue has become especially important given ICJ's Climate Change Advisory Opinion, MDBs' failures to align their financing activities with the 1.5°C target, and the outsized role MDB's have in development and electrification in the Global South, which some experts think will largely determine if the 1.5°C global warming limitation can be met.

> *"Drs. Lorenzo and Lin's Opinion – the first legal analysis by scholars addressing MDBs' and their member states' climate obligations - is groundbreaking in that it should meaningfully drive climate response at MDBs following the powerful and authoritative ICJ Climate Advisory Opinion," said Jason Weiner, Bank Climate Advocates' Executive & Legal Director. "We think the Opinion will mark a watershed moment for climate change reform at MDBs and in helping to avoid and prevent environmental and social impacts from their financing…It is a critical and previously missing piece needed to push the needle far forward in aligning MDB financing policies and investments with 1.5°C, and brings much needed awareness that MDBs, and each of their member states, must meet their own climate change obligations."*

Alongside the release of the Opinion, Bank Climate Advocates with 21 civil society organizations (CSOs), sent letters to International Finance Corporation (IFC), International Bank for Reconstruction and Development (IBRD), Multilateral Investment Guarantee Agency (MIGA), the entire World Bank Group (WBG), Asian Development Bank (ADB) and all of these MDB member state shareholders. The letters urge them to "take this opportunity to secure a suite of climate policies that align WBG's and ADB's pre and post financing climate change due diligence with the best available science standard and that puts an immediate halt to WBG's and ADB's support for fossil fuel projects and associated infrastructure, consistent with international law obligations, including those detailed in Drs. Lorenzo and Lin's Opinion. Bank Climate Advocates and 14 CSOs also sent ADB and its member states a letter attaching the Scholars' Opinion urging them to postpone a November 24th vote to adopt Energy Policy amendments that would allow continued financing for fossil fuels,

including gas, and that would leave the Policy without other legally insufficient climate due diligence protections.

Drawing primarily on customary international law, as well as on human rights, climate change agreements, and Law of the Sea Treaties, Drs. Lorenzo and Lin's Opinion concludes:

> *Under international law, the Major Shareholders—not accidentally, also major emitters—are especially obliged to ensure that their voting power is exercised towards the rejection of fossil fuel-based development projects and the promotion of alternative energy options that not only emit the least amount of GHGs but are also suitable to the development needs of borrowing States. IFIs' member States are further required not to finance new fossil fuel related projects or increase financing of existing ones, to prevent adverse human rights impacts on the right to life and the right to health.*

Key relevant findings from the Opinion can be found here. In sum, the Opinion authoritatively and independently demonstrates the following:

(1) that each WBG and ADB member state has its own stringent climate change due diligence obligations under customary international law and the Paris Agreement, UNFCCC, the Law of the Sea, and or human rights treaties that apply to the adoption of WBG's and ADB's policies and financing and guarantees;

(2) that WBG and ADB are bound by these same climate obligations under customary international law, and further must meet their Board adopted policy requirements per the obligations in their charters;

(3) that WBG's and ADB's suite of climate policies, including their Paris Methodologies, Environmental and Social Safeguards, Performance Standards, Energy Policies and Prohibited Investment Lists, fall severely short of their and their member states' climate due diligence obligations for the following core reasons:

- They fail to exclude upstream, midstream, and downstream natural gas and other fossil fuel projects;

- They allow WBG and ADB to defer to the countries' desires, discretion, and plans (e.g. Nationally Determined Contributions) where a contemplated investment is located, instead of ensuring the investment is consistent with the climate change obligations of the banks and their member states.

- They fail to mandate use of a "best available science" standard which requires ensuring best available science and methods are used for and applied to: (i) quantifying Scope 1, 2, and 3 greenhouse gas (GHG) emissions, analyses of GHG emissions cumulative and community impacts, and GHG emissions alternatives analyses prior to financing and guarantee decisions; (ii) providing public review and opportunity to comment on these analyses; (iii) avoiding financing fossil fuel projects wherever possible and where renewables can meet energy demand even at higher costs; and (iv) for all projects, avoiding of GHG emissions as far as the alternatives and mitigation analysis demonstrates is feasible.

Fossil Fuel Financing is Happening, and Expansion is on the Table: In June 2025, both IFC and ADB financed the Barrick Gold heavy fuel oil power plant in Pakistan that will emit 1.3 million tons CO2-eq/year, even though solar power infrastructure – with so many sunny days per year in the region - was economically and technically feasible (see BCA analysis here detailing extreme lack of climate change due diligence far out of line with legal obligations). Continued and accelerated support for fossil fuels by WBG and ADB is a threat, as both banks show unwillingness to prohibit up, mid, and downstream fossil fuel financing, and lack adequate checks or restrictions on the financial intermediaries (typically commercial banks or equity funds) that constitute half of their portfolios. Increasing financing for natural gas and LNG has moved up their agendas in

the current geopolitical climate, including in WBG's Mission 300 project to electrify Africa using least cost power generation as a criterion.

Forty governments, including many EU and global north WBG and ADB Member States (such as the US, Canada, Germany, France, the UK, Sweden, Denmark, Finland, Netherlands, New Zealand, Italy, Switzerland, Belgium, Ireland, Spain and Iceland) signed onto the 2021 Clean Energy Transition Partnership. In doing so they committed to end their international public finance for fossil fuels by 2022. Yet, these Member States are still voting to approve financing for specific fossil projects at WBG, ADB, and other MDBs.

> *"With MDBs expected to play a significant role in raising and administering the $1.3 trillion New Collective Quantified Goal for climate change mitigation, adaption, and loss and damage for the Global South, whether MDBs and their member states adhere to their climate due diligence obligations under international law is poised to have a tremendous impact on the future of the planet and its people," added BCA's Jason Weiner. "The legal opinion puts MDBs and their Member States on notice. They need to stop financing fossil fuel projects and drastically enhance their climate due diligence to meet the best available science standard, or face potential litigation risks. The Opinion puts considerable legal might behind what should already be obvious: public money should not be used to enable dirty projects and worsen the climate crisis that threatens the survival and well-being of millions of people and communities around the world."*

Civil Society Reflections on the Significance of the Opinion

Maria Alejandra Vesga, Legal Officer, Global Public Finance at Oil Change International: "This opinion is yet another confirmation that international obligations in climate change apply to all. It's clear that Multilateral Development Banks' financing of fossil fuels may become the next target of litigation."

Rayyan Hassan, Executive Director, NGO Forum on ADB: "As this legal opinion makes crystal clear, ADB and its major shareholders are not doing us a 'favour' when they avoid fossil fuels – they are complying with binding international obligations to prevent significant climate harm, act on the best available science, and align all operations with the Paris Agreement. In the current Energy Policy Review, ADB's Board of Directors must therefore stop hiding behind borrower sovereignty, weak NDCs, or creative 'Paris-alignment' methodologies, and instead use their voting power to categorically reject any project that expands or prolongs fossil fuel dependence. Every approval of a gas plant, LNG terminal, or fossil-heavy transmission line from this point forward is not just bad development – it edges ADB and its shareholders closer to clear legal breach. The Board's choice is stark: either they become a genuine agent of a rapid, just energy transition, or they preside over an institution that knowingly finances climate damage in defiance of its own legal duties."

Karabo Mokgonyana, Campaigns and Energy Advisor at Power Shift Africa: "Africa cannot afford another generation of World Bank Group (WBG) policies that ignore international legal obligations or lock our countries into stranded, high-carbon pathways. This legal opinion makes clear that the WBG and its member states must urgently realign their climate-related policies with their due-diligence and harm-prevention obligations, ending support for upstream, midstream, and downstream fossil-fuel projects, mandating best-available-science standards across all Paris alignment and environmental assessments, and ensuring transparent public review of climate-related decisions. If Mission 300 is to have any credibility as a pathway to scale climate action through clean energy access, it must be grounded in these legal obligations rather than sidestepping them. This is a critical moment for the WBG to correct course and implement the reforms outlined in the legal opinion."

Petra Kjell Wright, Programme Director, Recourse: "Multilateral development banks are seen as rising stars on the climate stage, yet their continued funding of destructive projects is undermining progress and justice.

This landmark legal opinion makes clear what civil society organisations have been saying for years — MDBs' claims of Paris Agreement alignment are based on false premises, including a failure to exclude fossil fuels and stick to the science in their investment decisions. This groundbreaking conclusion establishes that MDBs and their shareholders have not only a moral but also legal obligation to brush up their act and deliver on their climate commitments."

Radhika Goyal, Policy Associate, Accountability Counsel: "The Legal Opinion endorses what affected communities and their advocates have been demanding all along – MDBs and their constituent members cannot opt out of the obligation to ensure financing does not harm people or the planet. Accountability Counsel echoes Bank Climate Advocates' call for MDBs to align their policies with their international legal obligations, which we hope opens the door for a new era of accountability and remedy."

Joe Athialy, Executive Director, Centre for Financial Accountability: "The World Bank Group cannot continue to pretend to be climate champions and find innovative ways to finance the fossil fuel industry through the backdoor. It has a critical climate and hence human costs as well as financial risks. After *Jam vs IFC*, WBG cannot hide behind the veil of immunity from legal cases either. Delaying to take appropriate and quick actions - like, climate change obligations under international law, will only put the WBG at heightened legal, financial and reputational risks."

Nukila Evanty, Chairperson of Inisiasi Masyarakat Adat (IMA) – "We, representing indigenous peoples and members of Inisiasi Masyarakat Adat (IMA) an Indigenous peoples organization in Indonesia, strongly feel that development projects can have significant environmental impacts on indigenous peoples, affecting our lands, seas, cultures, resources, and livelihoods. It is important for us to work together with Bank Climate Advocates, who can voice the concerns experienced by indigenous peoples. We also appreciate the legal opinion issued by Dr. Lorenzo and Dr. Lin, which explains that all development projects must comply with international legal obligations and that any financial contributions should refrain from supporting development projects that do not lead to decarbonization and they must listen to the aspirations of indigenous peoples on any development projects."

Brex Arevalo, Climate and Anti-Incineration Campaigner, GAIA Asia Pacific: For nearly five years, GAIA and its global network of organizations, waste worker unions, and practitioners have lobbied for alignment of ADB with international laws. We have raised several projects, including technical assistances, that are grossly undermine the Paris Agreement, the Stockholm Convention on Persistent Organic Pollutants, the Minamata Convention on Mercury, the Basel Convention on the Control of Transboundary Movements of Hazardous Wastes, and the Rotterdam Convention on Prior Informed Consent for Certain Hazardous Chemicals and Pesticides in International Trade. Waste-to-energy incineration, chemical recycling, refuse-derived fuel, and waste co-processing are all activities regulated under these conventions and treaties, but remain integral parts of ADB's investment portfolio. In our study of ADB projects approved or implemented since the Paris Agreement in 2015, these activities have been components of USD 15.3 billion worth of projects. Of this amount, USD 11.2 billion are loans that worsen debt burdens of countries already challenged with the triple planetary crisis.

Shereen Talaat, Director at MENAFem Movement for Economic, Development and Ecological Justice
"Women in the MENA region carry the burden of climate and economic crises driven by global financial decisions that continue to support fossil fuel expansion. The new legal opinion makes clear that WBG and ADB member states have binding climate obligations when shaping policies and approving finance. You cannot claim climate leadership while funding projects that lock communities into debt, pollution, and climate harm. This opinion closes the door on excuses. MDBs and their shareholders must end support for all fossil fuels, apply best available science in every decision, and shift finance toward just, renewable pathways that protect people's rights and lives."

Zain Moulvi, Research Director, Alternative Law Collective (ALC): "Lorenzo & Lin remind us that MDBs are bound not only by Paris but by customary obligations, human rights law, and the duty to use the best available science. For a country like Pakistan—already carrying the scars of super-floods, heatwaves, and debt-stress—it is intolerable that public development banks continue to violate these principles and refuse the obligations they owe to the world. When the ADB refuses to phase out its stranded coal investments like Jamshoro plant and insists on financing ecologically destructive and socially inequitable large hydropower and mega irrigation projects like Balakot and Jalapur Canal, it is not development; it is a legally recognized act of harm that also functions as bad debt. Climate justice demands that MDBs honour their obligations to prevent environmental damage, align with science, cancel these bad debts and stop exporting climate risk to the most vulnerable."

Dr. Dustin Schaefer, Team Lead Multilateral Financial Institutions, Urgewald: "The independent legal opinion by Drs. Lorenzo and Lin is crystal clear: existing international law requires multilateral development banks to stop financing fossil fuel projects and to base every climate decision on the 'best available science' standard. Recent climate disasters underscore the urgency of this mandate. The devastating Category 5 hurricane that ripped through Jamaica this month left thousands homeless, destroyed critical infrastructure, and highlighted the lethal consequences of unchecked emissions. Across the Pacific, a series of super typhoons battered the Philippines, causing massive flooding, landslides, and loss of life in communities already struggling to adapt to a warming climate. By still funding high-emission projects, MDBs breach their obligations to protect the right to life and health, jeopardizing their legitimacy and exposing themselves to climate litigation. It is time for the IFC, IBRD, ADB and their shareholder governments to show real leadership. They should immediately suspend new fossil-fuel financing and adopt rigorous, science-driven due diligence. In addition, ADB should postpone the November 24 amendment of its Energy Policy until these legal standards have been fully implemented."

Nazareth Del Pilar, Just Transitions Advocacy Officer, NGO Forum on ADB: "In the advocacy standpoint, we believe that ADB seems to downplay its huge role in the development finance in Asia and the Pacific. Its selective adherence to international obligations, especially on climate, is a big threat to the urgently needed action. Saying that they are not bound to international laws is a dangerous loophole that they may cop out. Nonetheless, we remain firm with the stance that ADB must ensure that its policies and operations align with global climate commitments and the rights-based standards it claims to uphold. It is essential for the institution to demonstrate genuine leadership by adopting binding safeguards, enhancing transparency, and embracing accountability mechanisms that reflect the scale and urgency of the crises facing the region. Only by doing so can the ADB credibly position itself as a true partner in sustainable and equitable development."

Rev. Prof. Dr. Jerry Pillay, General Secretary, World Council of Churches (WCC): "Financing fossil fuel expansion today, with the full weight of scientific evidence available, is an act of complicity in the deaths and devastation of the climate emergency. New research now documents this responsibility, laying it at the feet of Multilateral Development Banks and their shareholder states. We urge these institutions' decision-makers to prioritize rigorous due diligence and transparent, climate-responsible financial choices. This is not merely a strategic necessity for a livable future; it is a profound moral imperative to protect children and future generations from foreseeable harm. As the research affirms, this duty is also their binding international legal obligation."

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- The legal opinion was authored by Dr. Johana Aleria P. Lorenzo from the University of Amsterdam Law School, Amsterdam Center for International Law and Dr. Jolene Lin from the National University of Singapore Faculty of Law, Asia-Pacific Centre for Environmental Law. It can be accessed in full here.

- Highlights from the legal opinion can be accessed here.
- BCA's letter to IFC, IBRD, MIGA, the WBG and their member states transmitting the legal opinion and asking them to meet the climate change obligations the Opinion details can be found here.
- BCA's letter to ADB and their member states transmitting the legal opinion and asking them to meet the climate change obligations the Opinion details can be found here.
- BCA's letter to ADB and their member states asking them to meet the Opinion's requirements in its Energy Policy review and thus postpone a vote to adopt the Energy Policy on Nov 24, 2025 can be found here.
- BCA's case study on the June 2025 IFC and ADB investment in Barrick Gold's heavy fuel oil captive power plant in Pakistan, and their and their member states' climate change due diligence failures in financing that project can be found here.
- As detailed in BCA's and 28 CSOs' January 2025 ask for IFC to implement its own Compliance Advisor Ombudsman's determinations of IFC's board adopted policy requirements applicable to climate change, the climate problems at the WBG extend well beyond implementation of its legally inadequate policies. For instance, BCA continues to see the same old GHG emissions diligence shortcoming we documented over 350 IFC investments and 60 MIGA guarantees from 2012-2023 to the present that has resulted in tremendous avoidable GHG emissions and fossil fuel infrastructure where renewable energy is economically and technically feasible. Take for instance IFC's/IDA's $700 million investment in the Barrick Gold Reko Diq Copper Mine in Pakistan IFC approved in June 2025 (see BCA's full analysis here), IFC's Morocco LNG Advisory Services project # 607416 approved in June 2023, IFC's financing of 11 Natural Gas Power Plants through March 2023, and IFC's financing of the Java 9 & 10 coal fired power plants and 10 additional coal fired power plants in the Philippines through financial intermediaries. Further, there is no indication IFC is taking action to make sure its financial intermediary clients, which represent over half of IFC's investments, meet IFC's own inadequate climate due diligence policies. And BCA remains especially concerned with the new "least cost generation" criteria the WBG has set forth for its Mission 300 project to electrify Africa. This new criterion threatens to erode WBG's weak Paris Methodologies that already fall so far short of the stringent due diligence obligations in the ICJ Opinion because it would allow WBG investments in natural gas, LNG, and other fossil fuel power projects if the WBG determines they are lower cost than feasible renewables that could meet energy demand instead.

About Bank Climate Advocates (BCA): *BCA is an innovative organization helping drive the systemic change in finance needed to avert the worst effects of climate change and help transform the global energy system. Our focus is on aligning the climate change policies and practices of leading public financial institutions (PFIs) with 1.5°C using legal advocacy and action. With such alignment, these PFIs will not only meet their critical share of climate obligations, but the conditions will be created for other public and private banks to follow suit. More about BCA can be found at: www.bankclimateadovactes.org*