



**BRIEFING PAPER FOR  
THE BANK INFORMATION CENTER'S ADVOCACY CAMPAIGN ON  
THE WORLD BANK GROUP'S NEW ENERGY STRATEGY**

*---For Regional/Local Campaign Partners*

**Background**

In July 2009, the World Bank Group (WBG) started the process of developing its new Energy Strategy. The new Strategy will serve for the next ten years (2011-2021) as a guiding policy for all WBG energy-related lending and provision of grants and technical assistance to client nations. As part of the preparation process, the WBG is seeking views, inputs and comments from a range of stakeholders through multiple platforms, including face-to-face meetings, regional/local public consultations, and web-based communications. This provides a unique opportunity for relevant stakeholders to monitor, intervene and participate in the process. More importantly, it allows stakeholders to push the WBG to develop a forward-looking Energy Strategy with the ultimate goal of addressing the issues related to energy poverty, climate mitigation and adaptation under one articulating policy framework.

Against this backdrop, the Bank Information Center (BIC), an independent non-governmental organization, drawing upon its 20 year advocacy experience in dealing with international financial institutions, has launched a campaign advocating a transition toward low-carbon energy lending in the WBG.

Given the complexity of the intertwined issues of energy, climate, and development at all levels, BIC has engaged other civil society organizations (CSOs) and like-minded groups in this important mission by jointly exploring alternative energy options to meet the energy demand for development without damaging our planet.

Within this context, BIC would like to encourage our civil society partners to participate in World Bank regional consultations on the Energy Strategy Approach Paper. The feedback generated from each consultation will be shared with the WBG energy reviewing team, WBG Board of Executive Directors, US Treasury and other relevant stakeholders and will ultimately inform the writing of the draft Energy Strategy.

This briefing paper aims to present key documents released by the WBG for consultation and BIC's campaign concepts in order to provide our civil society partners background information related to BIC's advocacy campaign.

**The WBG's Key Documents**

Since the time that this briefing paper was written, the WBG has released two important documents related to its Energy Strategy development, i.e. the WBG's Energy Strategy Consultation Plan and WBG's Energy Strategy Approach Paper. Both documents were officially released in October 2009 after revisions were made based on comments from CSOs on its previous version.

In the **WBG's Energy Strategy Consultation Plan**<sup>1</sup>, it laid out: 1) the consultation process that was divided into three phases, namely, Pre-consultation Phase, Phase One, and Phase Two; 2) four types of consultation; 3) the timeline for the development of the WBG's Energy Strategy. More information can be found on the WBG's website (see web-link in the footnote 1.), or in the annex of this paper.

The WBG has also made available the **WBG's Energy Strategy Approach Paper** and relevant reference documents as annexes on its website: (<http://go.worldbank.org/77WVBAHME0>), while the comments from CSOs and other relevant stakeholders will not be invited until January/February of 2010 as indicated in the Energy Strategy Consultation Plan.

Although the Approach Paper cannot be seen as a WBG policy document, it does indicate the direction, or intended direction, that the policy paper might go. In addition, the Approach Paper is intended to provide a full-range of background under which the new Energy Strategy will be developed, and serves as a basis for the WBG to communicate with the CSOs and other relevant stakeholders.

The following few paragraphs present some key issues within the Approach Paper:

### ***Fossil Fuels***

In the Approach Paper, the WBG confirms its continued financing for new coal power projects through its traditional financing instruments under the guidelines/criteria set forth in the DCCSF (Development and Climate Change: A Strategic Framework for the World Bank Group). But the new Strategy will device the ways that these guidelines/criteria will be applied in practice.

By contrast, the WBG has disqualified any coal-fired power project as a low-carbon project regardless of technologies to be applied.

### ***Renewable Energy and Energy Efficiency***

Renewable energy and energy efficiency investments will increase by an average of 30 percent a year with projections to reach 50 percent by 2011, according to DCCSF. The Approach Paper emphasizes increasing rural electrification through grid expansion, and promotes measures to increase end-use energy efficiency, supply efficiency, and energy conservation.

The WBG also plans to increase investments in hydropower and encourages the utilization of integrated water resource management. By region, the Bank plans to finance hydropower projects in Africa, Latin America, and South Asia (see appendix). The Approach Paper did not elaborate the method or criteria for hydropower project selection, while in the DCCSF, all sizes of hydropower are seen a renewable energy source and can be financed through low-carbon energy project financing instruments.

The Approach Paper also asserts that projects, which are not the least-cost option, including many renewable energy projects, should be funded by international financing systems such as the carbon financing mechanisms established in international climate talks. However, the Approach Paper underscores the need for technology transfer, with particular emphasis on carbon capture and storage (CCS), and developing the capacity to store renewable energy for base load supply. With regard to

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<sup>1</sup>[http://siteresources.worldbank.org/EXT/ESC/Resources/Consultation\\_Plan\\_101609\\_Final.pdf](http://siteresources.worldbank.org/EXT/ESC/Resources/Consultation_Plan_101609_Final.pdf)

financing for clean technology and renewable energy, the Approach Paper also highlights potential synergies with the World Bank's Climate Investment Funds, including the Clean Technology Fund (CTF) and Scaling Up Renewable Energy Program for Low Income Countries (SREP).

### ***Energy Sector Reform***

The WBG energy strategy will aim to expand access and supply through regional trade and improved governance in the energy sector. The Approach Paper emphasizes the importance of strengthening governance to increase the reliability of service, quality, and fiscal efficiency of energy supplied. The paper also emphasizes the need for reformed fiscal policies (i.e. allowing utilities to price electricity at cost, rather than below cost) and improved management of power utilities to enhance utilities' capacity to generate capital for new investments. The paper also emphasized the need to "develop approaches tailored to individual countries' specific circumstances."

### ***Distributional Impacts of the Strategy***

Concern with the distributional impacts of the WBG new Energy Strategy arises from a widely-held perception that only a small amount of people would benefit considerably greater than those who badly need energy services from the Strategy. The WBG needs to pay more attention to energy governance when the lending is aimed to help client nations develop their energy infrastructure.

## **BIC's Campaign Concepts**

BIC is asking the WBG to adopt two principles when they are developing its new Energy Strategy, which are: 1) the Strategy should have a clear and explicit pro-poor focus; 2) the energy systems that the WBG supports to develop in client nations should be environmentally sustainable, at both local and global levels.

## **Important Events in the Timeline**

BIC hopes to work with partners to ensure the WBG adopts a more progressive Energy Strategy in early 2010 that will more aggressively assist developing countries in adopting low-carbon energy strategies. This Energy Strategy will promote the development of clean, safe, and renewable energy in its client countries. Working with consultants and seeking input from our partners, we plan to develop policy recommendations to present to the Bank during the Spring Meetings in April 2010. In the process of developing the policy recommendations to the WBG, BIC will solicit inputs on WBG Energy Strategy concerns and priorities from civil society partners. BIC and partners will campaign for a meaningful and informed consultation process from winter to summer 2010. In addition, BIC plans to engage the World Bank management and executive directors to elevate the concerns of civil society and advocate for the adoption of a more progressive policy. With reference to the WBG's Energy Strategy Timetable, as shown below, BIC, working in conjunction with our partners, has made a plan to be involved in each event proposed in the Timetable.

## **Additional Resources**

BIC's Climate Change Campaign page (<http://www.bicusa.org/en/Issue.48.aspx>)

The World Bank's Energy Strategy Consultation page (<http://go.worldbank.org/53B858M1Q0>)

<b>Annex 1: Energy Strategy Timetable Date</b>	<b>Item (Consultation activities)</b>
Oct 2009	Approach Paper and reference documents posted on the Web site
Jan 2010	Start of face-to-face and video and Web-based consultations on the Approach Paper (The Bank has postponed this session till February/March)
May 2010	Close of the initial comment period
Sep 2010	CODE discussion of draft strategy
Oct–Nov 2010	Draft strategy posted on the Web for a two-month electronic comment period
Jan/Feb 2011	Board discussion of the strategy
April 2011	Publication of the strategy

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