

Resolution on the World Bank's energy strategy for developing countries

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Following the debate which took place during the sitting of 15 February 2011 the European Parliament adopted a resolution tabled by the on behalf of the Committee on Development on the World Bank's energy strategy for developing countries.

Noting that some 1.5 billion people are currently without access to electricity, four out of five of whom live in sub-Saharan Africa and South Asia, Parliament welcomes the energy strategy and recalls that it should specifically address **how access to energy can help lift people out of poverty, while facilitating the shift to an environmentally sustainable energy development path**. It urges the World Bank to pursue an approach to private-sector development that delivers maximum benefit to the poor while tackling climate change. Environmental and social factors, at both national and local community levels, must be taken into account in a comprehensive cost-benefit analysis of energy options.

Whilst welcoming the World Bank's strategic goal of phasing out lending to fossil fuel projects by 2015, the resolution notes that fossil-fuel lending continues to play a dominant role in the World Bank's overall energy portfolio, despite recent increases in lending for renewable and energy efficiency initiatives. Fossil-fuel investments are also taking place through financial intermediaries, and this is not being accounted for by the Bank in its annual energy sector figures. Parliament notes also with concern that the **Bank is continuing to make significant investment in coal-fired power plants**, locking developing countries into coal-based energy for decades to come, and that the Bank considers energy from large hydropower dams and from biofuels as clean energy. Members highlight, in particular, the warnings of the UN Food and Agricultural Organisation about the **threat of biofuels to food supply**. Nearly 2.4 billion people still use traditional biomass fuels for cooking and heating, causing severe health problems and the death of 1.9 million people per year from indoor pollution, as well as ecological damage due to unsustainable use of natural resources.

Given the problems arising from over-reliance on one energy source for power generation, such as imported fossil fuels or hydropower (where prolonged drought means empty reservoirs that dramatically reduce generating capacity), Parliament urges the World Bank to **scale up its investment in renewable energies and energy efficiency**, but to refrain from investing in large hydroelectric projects, whose negative social and environmental impact resulting from greenhouse gas emissions from reservoirs must be properly assessed prior to their financing. Members underline the fact that that small hydropower dams are more sustainable and economically viable than large hydropower facilities.

They go on to note with concern that a large amount of **multilateral financing provided to financial intermediaries is poorly monitored**, and stress the need to define clear requirements that financial intermediaries must meet in order to be eligible for multilateral financing. These should include having clear development objectives (beyond financial performance), as well as strong social and environmental safeguards as embodied in international protocols and treaties.

Parliament regrets that the **World Bank mainly promotes a large-scale and export-oriented energy model** rather than supporting small-scale decentralised energy projects that are often more appropriate and effective in meeting basic needs in rural areas. The World Bank is urged to support alternative, small-scale decentralised energy projects which take account of the needs of local communities and the economic realities of different countries, and to set specific targets and monitoring guidelines to ensure that energy lending will benefit the poor.

Lastly, Members stress the need to **develop reporting and disclosure rules that allow maximum transparency**. They insist that the World Bank publicly disclose the specific development benefits before financing is committed, and express concern at the fact that the principle of ‘free, prior, and informed consent’ (FPIC), as embedded in the UN Declaration on the Rights of Indigenous Peoples, is not recognised in the IFC's performance standards framework.