



# Third World Network

131 Jalan Macalister, 10400 Penang, MALAYSIA

Tel: 60-4-2266728/2266159

Telefax: 60-4-2264505

E-mail: [twnet@po.jaring.my](mailto:twnet@po.jaring.my)

Website: [www.twinside.org.sg](http://www.twinside.org.sg)

## **CIVIL SOCIETY VOICES RISE AGAINST WORLD BANK LOAN TO ESKOM**

Community, labour and environmental groups in South Africa, supported by civil society around the world, are rallying to oppose a loan by the World Bank to build the world's fourth largest coal-fired power plant.

Most of the proposed \$3.75 billion loan would finance the massive 4800 MW Medupi plant, which will emit 25 million metric tons of carbon dioxide per year. The loan's main beneficiaries will be multinational corporations BHP Billiton, Anglo American Corporation, and other energy intensive industries, which already receive the world's cheapest electricity supply. BHP Billiton's rate is just over US\$0.01 per kWh, about a tenth as much as poor people pay.

According to many of South Africa's leading community and faith-based organizations, citizen and environmental groups, social movements, academic institutions and trade unions, the loan will not alleviate poverty nor increase access to electricity. On the contrary, it will actually exacerbate energy poverty; disconnections will increase dramatically as a 127% price increase from 2010-2012 hits poor and working people in what is the world's most unequal major country.

At the same time it is pushing this giant coal loan, the World Bank - supported by many developed country governments - is aggressively promoting itself as the globe's climate banker. At United Nations climate negotiations, developed countries have upheld the Bank as the institution that should be in control of funds from developed countries to pay for climate change mitigation and adaptation activities in developing countries.

On the other hand, the G77- which represents more than 130 developing countries at the climate negotiations - has explicitly rejected putting the World Bank in charge of climate finance. Rather, the G77 and China have proposed a new financial mechanism that would be under the authority of the UNFCCC, which would allow for direct access to funding by recipient countries without having to go through international financial institutions like the World Bank.

The Bank has embarked on a no-holds-barred push to capture control of short and long term climate financing for developing countries. At last December's UN climate negotiations in Copenhagen, the Bank maintained a high profile. Among other initiatives, they launched their fifth fund under their Climate Investment Funds (CIFs).

A recent World Bank board briefing on Copenhagen stated, "The WBG [World Bank Group] is particularly well positioned to serve as a channel for fast track financing for adaptation and mitigation... We have already heard from donors who are developing their strategies. We have sent the message that the CIFs are able to receive additional funding to support the Fast Track Financing." Bank staff are conducting an "outreach campaign" to "build awareness on our role, not just with out traditional partners ... but also with the Ministries of Environmental and Foreign Affairs."

The World Bank has also situated itself in a pivotal position for facilitating carbon trading and international offsetting through the Clean Development Mechanism (CDM), though the CDM itself has highly questionable climate benefits and very few development benefits. Thus, the Bank launched its *twelfth* carbon fund in Copenhagen, the Carbon Partnership Facility, designed to be a post-2012 offsetting mechanism.

Civil society throughout the world contends that the proposed World Bank coal loan, which would go to the South African utility Eskom, exemplifies why the Bank should not be vested with responsibility for climate financing. The Bank's energy portfolio remains a boon for the fossil fuel industry. It is one of the world's top multilateral fossil fuel financiers.

From 2006 to 2008, coal lending at the World Bank Group increased an incredible 648 percent. In FY2008, fossil fuel funding increased 102 percent.<sup>1</sup> With its very troubling development, environmental, and human rights record, the World Bank is not in a position to lead on climate change. In terms of bringing about sustainable development, it is a deeply flawed institution.<sup>2</sup>

The proposed South African coal loan is one of the most extreme cases within the Bank's climate-destabilizing, unsustainable portfolio. More than 190 groups worldwide have signed on to a South African statement strongly opposing the loan, calling it "a bad project, contributing to energy poverty and environmental destruction."

Contrary to the requirements of its own Strategic Framework on Development and Climate Change, the Bank gave very little consideration to clean energy alternatives to coal or to rigorous Demand Side Management, which would entail redirecting subsidized, below-cost electricity for multinational mining and metal corporations negotiated under secret Special Pricing Agreements with Eskom. These Special Pricing Agreements were concluded in a non-transparent manner during the last days of apartheid. Less than 7 percent of the \$3.75 billion loan would go towards renewable energy.

Groups opposing the loan say that it will exacerbate, rather than alleviate, energy poverty. The poor actually pay far more for their electricity than the export-oriented metals and mining industries. Moreover, South Africa's National Energy Regulator just approved a tariff increase of 25% every year for three years to help raise funds for Eskom's expansion program, which will double household bills. At the same time, the largest industrial users are exempt from paying their share of the costs to build the coal plant because of the Special Pricing Agreements.

Furthermore, the groups contend that the Bank did not properly assess the potential health impacts and associated costs of the coal plant. The loan will open up 40 new coal mines to feed the plant and related projects, polluting the country's already compromised water table and air, and posing a grave threat to communities.

The World Bank board vote on the South Africa loan is currently scheduled for April 8.

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<sup>1</sup> Bank Information Center, *World Bank Energy Sector Lending: Encouraging the World's Addiction to Fossil Fuels* (February 2009), available at <http://www.bicusa.org/en/Article.11033.aspx>.

<sup>2</sup> Multiple studies demonstrate this. For example, 1) Independent Evaluation Group. Improving Effectiveness and Outcomes for the Poor in Health, Nutrition and Population: An Evaluation of World Bank Group Support since 1997. World Bank. 2009; 2) Independent Evaluation Group. World Bank Assistance to Agriculture in Sub-Saharan Africa. World Bank. 2007