

# RECOURSE COP27 Expectations

## Multilateral Development Banks must urgently align with the Paris Agreement

### Finance a 1.5C Pathway NOW!

Tackling the climate crisis and keeping the average global temperature rise below 1.5 degrees Celsius requires fundamental shifts in the way financial flows from publicly backed multilateral development banks (MDBs) are channelled and managed.

The International Energy Agency concluded that “there is no need for investments in new fossil fuel supply in our net zero pathway” including not just coal, but also oil and fossil gas.

In December 2018, at COP24 in Katowice, nine MDBs committed to develop a joint framework to align with the Paris Agreement. At the 2021 COP26 in Glasgow, the MDBs presented a draft framework for direct financing and outlined plans for indirect and policy financing. Also in 2021, the MDBs announced individual deadlines for institutional Paris alignment, with commitments to complete or partial alignment by 1 July 2023.

2022-2023 is a crucial period as the MDBs finalise the overall framework and develop their individual detailed methodologies for implementation. As publicly funded development banks, MDBs are accountable to the global public and therefore should be agents of transformative change to tackle the climate emergency, by scaling up financing for sustainable, renewable energy, helping countries in pursuing equitable, low-carbon transitions, and ending all support for fossil fuels. The MDB’s Paris alignment process is an opportunity to do just that.

But overall, the MDBs have dragged their heels over this urgent process. The Paris alignment process is opaque, with few opportunities for civil society and other key stakeholders to provide input in a transparent and accessible way.

***“It is essential that any attempts to align with the Paris Agreement are truly ambitious and do not undermine the 1.5°C goal. There is no room for gas in 1.5°C pathway”*** says Andri Prasetyo, Trend Asia, Indonesia.

As the MDBs prepares their Paris alignment strategies, fossil gas and liquefied natural gas (LNG) must be ruled out for the energy transition. New data shows that between 2019 and 2021 61% of known direct international MDB public finance for fossil fuels flowed to fossil gas projects. LNG is imported fossil gas and produces significant carbon emissions, as well as toxic air pollution. This energy model has also created significant energy insecurity as LNG is traded to the highest bidder, causing price volatility.

To align with the Paris Agreement MDBs must align all financing and activities — including indirect financing through financial intermediaries, policy-based lending and technical assistance — with a pathway that limits warming to 1.5°C, prevents social and environmental harms, and ensures meaningful consultation with impacted communities, including considerations for gender equality.

#### About Recourse

Recourse is a leading advocacy, research and campaign organisation focusing on Development Finance Institutions’ policies and practices, working in solidarity with affected communities and civil society in the global south to call for rights-based development.

- We campaign to redirect international financial flows away from dirty, harmful investments, towards greener and more inclusive development.
- We work in partnership with others to support communities in their struggle for their rights to be respected and their voices to be heard.
- We hold financial institutions to account for harms to people and the environment

Recourse targets development finance as a means of influencing the wider investment community and governments, to ensure inclusive, environmentally sustainable, and socially just development.

## Finance a 1.5C pathway NOW!



**Paris Alignment Principles:** What IFIs need to do to align their financial intermediary investments with Paris IFIs should adopt to align their FI investments with Paris and tackle climate change. The paper aims to inform ongoing review processes on Paris alignment methodologies for financial intermediary lending across the different IFIs. (Recourse, OCI, BankTrack, Bretton Woods Project, Trend Asia, Heinrich Boll Washington DC, IDI)



**Mixed Messages:** IMF Loans and Green Transition in Argentina and Pakistan This report spotlights how recent IMF lending programmes to Argentina and Pakistan have impacted these countries' phase-out of fossil fuels, including coal. (Recourse, Fundeps, Alternative Law Collective)



**ADB's Climate Challenge:** As the Asian Development Bank (ADB) develops its Climate Change Action Plan, Paris Alignment Guidance and revises its safeguards, it is crucial that it closes loopholes and does not water down commitments already made, but rather strengthens and adds to those commitments to fully support the 1.5C goal.

## NO finance for fossil gas and LNG!



**The Trouble with Gas in Vietnam:** The World Bank and its private sector arm, the International Finance Corporation (IFC), are continuing to support fossil gas and liquefied natural gas (LNG) build out in Vietnam as part of a so-called "renewable energy transition". (Recourse, Friends of the Earth U.S., Asia Pacific Movement on Debt and Development)



**The Trouble with Gas in Pakistan:** How World Bank Group's support for fossil gas has impeded the renewable energy transition. The World Bank and the IFC must support the Government of Pakistan to look to its own indigenous, sustainable and renewable sources and stop investing in costly imports and fossil fuel infrastructure. (Recourse, Alternative Law Collective, Indus Consortium)



**The Trouble with Gas in Bangladesh:** Will the World Bank Group support a sustainable renewable energy transition in Bangladesh? The World Bank and IFC have substantially supported the development of fossil gas and LNG infrastructure, including through financing gas-fired power stations, pipelines and LNG regasification plants in Bangladesh. (Recourse, Change Initiative)



**The Trouble with Gas in Indonesia:** How replacing coal with fossil gas for energy will not achieve necessary emissions reductions. The World Bank must urgently redirect direct and indirect finance away from fossil gas to align both private investment and public policy and practice with the Paris Agreement's goal of keeping global warming below 1.5C. (Recourse, Traction Asia, Greenpeace Asia, Trend Asia)

## For Climate Justice: Gender Justice!



**AIIB, Women and SDG5:** The impacts of climate change often hit women first and hardest since women play an important role in, for example, small scale agriculture and act as main providers of water for rural households. Despite this, the Asian Infrastructure Investment Bank (AIIB), in contrast to most other MDBs, has not yet developed a specific gender policy or strategy to ensure its projects promote gender equality. (Recourse, GenderAction)

### Our Team at COP27

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