

12 September 2013

To: Sir Suma Chakrabarti, President of the European Bank for Reconstruction and Development

## **Open letter from civil society groups regarding the EBRD Energy Sector Strategy and consultations**

Dear President Chakrabarti,

The last time civil society groups met with you in person during the 2013 EBRD annual meetings in Istanbul, we agreed that there would be disagreements ahead. It was a warning not to expect a very ambitious Energy Sector Strategy, and during those two days of discussions, civil society participants heard a number of excuses about why the imperative to end EBRD financing for coal and other fossil fuels could not be realised in our region.

We now turn to you after a week of consultation meetings in Istanbul, Belgrade and Moscow with EBRD staff and other civil society groups, as we believe that some of our concerns deserve your attention. On each occasion participants submitted a petition to the EBRD signed by 16 725 people from around the world, amplifying the call for the EBRD to phase out fossil fuels from its portfolio, beginning with coal. This is a clear sign that interest in and criticism of the EBRD's energy investments are broader than the few civil society groups that have traditionally shown interest in the bank and its operation. It is also a reminder that the EBRD risks falling behind similar financial institutions on its climate commitments.

### About the process

It is clear that the EBRD is making an effort to go beyond its Public Information Policy in the course of this consultation, and we would like to acknowledge this. In particular groups in southeast Europe have commented that the availability of funds for participation in the consultations was useful. However concerns have been raised about the format of the consultations and the likelihood that the inputs from the meetings will reach the real decision-makers at the bank. The presence of a senior member of the bank's Energy and Natural Resources department was a positive sign, yet this was repeated neither in Belgrade nor Moscow. In Belgrade representatives of the Regional Environmental Centre facilitating the consultations committed to sending a text of the comments made during the meetings to participants to ensure that there were no mistakes nor misrepresentations of what was said. We appreciate follow through on this commitment, as past experience shows that inputs can be improperly summarised during EBRD consultations, and this is particularly important given that no senior figures were present in Belgrade and Moscow.

## About the strategy

The biggest disappointment about the draft Energy Sector Strategy is its lack of vision and strategic goals linked to long-term forecasts and climate commitments.

Climate change means that global emissions must be cut by 50 to 70 per cent by 2050 and that up to 80 per cent of the world's known fossil fuel reserves must remain in the ground if we are to stay within the two degrees warming target to sustain our planet.<sup>1</sup> Yet during the discussions in Belgrade it became apparent that the draft strategy is neither based on background projections and scenarios – therefore the bank's 'uncertainty' argument – nor is there a commitment to binding climate targets for the whole of EBRD operations and a projection of what emissions reductions trajectories the countries of operation ought to be following – the 'no climate deal' argument. The project-by-project approach prevails, which in practice translates into an appetite for relative efficiency gains that can justify the involvement in even the most controversial of projects, including the Sostanj thermal power plant or the Kolubara lignite mine 'environmental improvement' project.

The lack of a strategic approach is bedazzling at a time when warnings about overvalued fossil fuel firms and stranded assets are no longer reserved to climate campaigners. Research from investment banks points to the irreversible trends at play in the market that threaten fossil fuel industries<sup>2</sup>. Analysts are alarmed by the notable decline and stagnation in share prices, credit ratings and the grim growth prospects for the fossil fuels sector, leading responsible investors to decrease their exposure to fossil investments.<sup>3</sup> In this new market context, the EBRD would be way off target if it continues to turn a blind eye to such signals, creating liabilities for the region's energy sector in which it plays a crucial role.

The EBRD also now lags behind sister institutions like the World Bank and the European Investment Bank, with the latter including an Emission Performance Standard and shadow price for carbon that virtually eliminates support for coal projects. While we note the introduction of a shadow price for carbon at the EBRD, the level at which this price is set is crucial, and yet it is still not available to the public at this late stage in the revision process. The EBRD should take a lead and outdo its peers by introducing an EPS that mirrors those set in shareholding countries like the UK and Canada, or take a step further and introduce an exclusion list like the Nordic Investment Bank.

These are fundamental issues for the new Energy Sector Strategy and need time to resolve, so we ask that you see what can still be done at this stage to ensure that the strategy really is strategic and that it addresses the challenges of climate change with the urgency it deserves.

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1 See Carbon Tracker and the Grantham Research Institute, <http://www.carbontracker.org/wastedcapital>

2 See Deutsche Bank, HSBC and Bernstein on coal; by Citygroup, Morgan Stanley and Goldman Sachs on oil and gas.

3 See Storebrand press release: <http://www.storebrand.no/site/stb.nsf/Pages/newsdesk.html#/news/storebrand-reduces-carbon-exposure-in-investments-19-companies-exclu>

We look forward to your reaction!

Kind regards,

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Carmelan Polce, Jubilee Australia

Karim Trabelsi, Civil Society Coalition on the African Development Bank, Tunisia

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Ermelinda Mahmutaj, Environmental Center for Development Education and Networking, Albania

Xavier Sol, Counter Balance

Nic Rüdisühli, Zukunft statt Kohle, Switzerland

Garret Tankosić-Kelly, SEE Change Net

John Coequyt, Sierra Club, USA

Mahinour El-Badrawi, Egyptian Center for Economic and Social Rights

Sébastien Godinot, WWF European Policy Office

Dana Yermolyonok, Center for Introduction of New Environmentally Safe Technologies, Kazakhstan

Zoran Ivančić, Public Interest Advocacy Center, Bosnia and Herzegovina

Dejan Milovac, Network for the Affirmation of the NGO Sector - MANS, Montenegro

Edvard Sequens, Calla - Association for the Preservation of the Environment, Czech Republic

Emma Hughes, Platform, UK

Christian Ege Jorgensen, The Ecological Council, Denmark

Yury Urbansky, National Ecological Centre of Ukraine

Istvan Farkas, National Society of Conservationists - Friends of the Earth Hungary

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