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The U.S. Should Appoint a World Bank President Committed to Energy Prosperity

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As the World Bank's largest shareholder, the United States has traditionally managed the selection process for appointments to the presidency of the institution, chartered after World War II to help finance the reconstruction of war-torn countries. It is a reflection of the pre-eminence of the U.S. role at the bank that, to date, every World Bank president has been an American citizen. It is also important that the World Bank president be an American citizen in order to help to ensure continuing congressional funding of the bank.

In recent decades, unfortunately, the bank has strayed far from the vision of its founders, particularly with regard to its energy-financing policies. Affordable, reliable energy is an essential tool for lifting people and countries out of poverty. Yet the World Bank has, unconscionably, taken off the table legitimate energy-financing options for sources such as coal, oil, and natural gas. The bank is not making decisions based on evidence or to help the poor, but is ideologically compromised to subsidize only renewable energy.

The U.S. should exercise its historical prerogative to name World Bank presidents, and should appoint the replacement for outgoing president Jim Yong Kim, who announced his resignation effective February 1. Rather than turning the World Bank into the secretariat for the Paris Climate Agreement, as Kim had tried to do, the new World Bank president should be committed to energy finance policies that are resource neutral and technology neutral, in order to best help developing countries meet their energy needs.

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Energy: Key to Breaking Poverty

While many Western nations have enjoyed relatively uninhibited access to energy for over a century, an estimated 990 million people around the world have access to no electricity at all. The World Bank estimates that only 42 percent of people in sub-Saharan Africa have access to electricity.[1] Thirty percent of homes in India have yet to be electrified.[2]

Affordable, reliable, and widely available energy is essential for lifting people out of poverty into better, healthier standards of living and economic opportunity.[3] Energy heats homes and meals, runs schools and hospitals, and powers businesses that create jobs, products, and services. Lack of access to affordable electricity and fuel has various and wide-ranging consequences. For example, as the World Bank reported in 2009, "more firms cited electricity as a major constraint to doing business than any other factor in nearly four out of every ten client countries for the World Bank Group."[4] Policies that increase the cost of electricity and fuel, or arbitrarily restrict energy resources put opportunity, mobility, and prosperity further out of reach—particularly for the poorest.

World Bank Policy and Praxis

Eighty percent of the world's energy needs are met through conventional resources like coal, oil, and natural gas. In recent decades, however, the World Bank has adopted anti–fossil fuel policies

based not on sustainable economic growth, but, principally, on the idea that the world must rapidly transition to wind, solar, and energy-storage technologies in order to address global warming.

Accordingly, guidance published in 2008 "defining the [World Bank Group] policy on the issue of development and climate change" established that:

- "Adequate, reliable, and competitively priced modern energy is essential for business development, job creation, income generation, and international competitiveness";
- "[E]nergy service delivery and consumption must be made more efficient [to eliminate energy poverty]"; and
- "[A]ffordability will be the first priority, given the incremental GHG [greenhouse gas] emissions from extending access to the poor will not make a material difference."

Nevertheless, the World Bank finances coal projects "only in rare circumstances."[5]

This Orwellian policy has expanded to oil and gas exploration, drilling, and well operation. Starting in 2019, the World Bank will not consider financing any upstream oil and gas but for "exceptional circumstances...in the poorest countries where there is clear benefit in terms of energy access for the poor and the project fits within the countries' Paris Agreement commitments."[6]

Instead, the World Bank has repositioned itself to help countries meet Paris climate accord commitments. It has set a goal of increasing financing for renewable energy technologies to 28 percent of its portfolio, or roughly up to $29 billion annually, for a total of 30 gigawatts of renewable and variable-renewable energy by 2020.[7] The World Bank also has started using "shadow carbon pricing" in the economic analysis of projects—the price for 2018 ranges from $38 to $77 per ton depending on the country.[8]

In practice, the World Bank has shown little flexibility. For example, Kosovo is overhauling its electricity sector to meet economic and environmental objectives by employing large domestic coal reserves. Currently, 92 percent of Kosovo's electricity comes from two coal power plants, one of which the World Bank dubbed "the worst single-point source of pollution in Europe."[9] Change is sorely needed. Kosovo is steadily moving away from a centrally planned economy to economic freedom after a half-century under Cold War communism and civil war. Ten percent of Kosovo's gross domestic product comes from international aid, and it remains one of Europe's poorest countries with 30 percent unemployment.[10] A 2013 World Bank survey found that electricity was identified as a "main obstacle" in running a business in Kosovo.[11]

1. World Bank, Sustainable Energy for All (SE4ALL) database, "Access to Electricity (% of Population)," https://data.worldbank.org/indicator/EG.ELC.ACCS.ZS?locations=ZG (accessed December 11, 2018).
2. Rural Electrification Corporation Limited, "Saubhagya Dashboard," http://saubhagya.gov.in/dashboard (accessed December 11, 2018).
3. Terry Miller and Anthony Kim, *2015 Index of Economic Freedom* (Washington, DC: The Heritage Foundation, 2015), Chapter 5, https://www.heritage.org/index/pdf/2015/book/chapter5.pdf.
4. The World Bank, "Toward a Sustainable Energy Future for All: Directions for the World Bank Group's Energy Sector," September 7, 2013, p. 1, http://documents.worldbank.org/curated/en/745601468160524040/Toward-a-sustainable-energy-future-for-all-directions-for-the-World-Bank-Group-8217-s-energy-sector (accessed December 11, 2018).
5. Ibid., p. v.
6. News release, "World Bank Group Announcements at One Planet Summit," The World Bank, December 12, 2017, http://www.worldbank.org/en/news/press-release/2017/12/12/world-bank-group-announcements-at-one-planet-summit (accessed December 11, 2018).
7. World Bank Group, *Climate Change Action Plan, 2016–2020* (Washington, DC: International Bank for Reconstruction and Development/The World Bank, 2016), https://openknowledge.worldbank.org/bitstream/handle/10986/24451/K8860.pdf (accessed January 8, 2019).
8. The World Bank, "Shadow Price of Carbon in Economic Analysis," Guidance Note, November 12, 2017, http://documents.worldbank.org/curated/en/621721519940107694/pdf/2017-Shadow-Price-of-Carbon-Guidance-Note.pdf (accessed January 25, 2019).
9. The World Bank, "World Bank Group Support to Kosovo's Energy Sector," slideshow, undated, p. 6, http://siteresources.worldbank.org/KOSOVOEXTN/Resources/297769-1329940905064/kosovo_slideshow.pdf (accessed December 11, 2018).
10. Central Intelligence Agency, "The World Fact Book: Kosovo," https://www.cia.gov/library/publications/the-world-factbook/geos/kv.html (accessed December 11, 2018).
11. The World Bank and the International Finance Corporation, "Kosovo, Republic of, Country Profile, 2013," p. 4, http://www.enterprisesurveys.org/~/media/GIAWB/EnterpriseSurveys/Documents/Profiles/English/kosovo-2013.pdf (accessed December 11, 2018).

The World Bank considered financing the coal plant as one of the rare exceptions, noting the health and environmental improvements of replacing Kosovo's oldest coal plant with a new facility. As the World Bank wrote in 2012 of the plan, "particulate matter emissions would be reduced by more than 90 percent, SOx [sulfur oxides] and NOx [nitrogen oxides] by around 70 percent and [replacement would] be at least carbon neutral, if not carbon reducing."[12]

However, World Bank president Kim stated in October 2018 that the bank "made a very firm decision" not to extend partial risk guarantees for the new coal plant.[13] The bank now argues that renewable energy technologies are a cheaper option and that any additional electricity demand can be met through imports and energy-efficiency measures.

Inconsequential Climate Impact

The World Bank defends its policy on the premise of addressing global warming. However, these efforts amount to little more than a stimulus package for renewable energy technologies and are misguided for a variety of reasons:

1. Coal Remains a Dominant Source of Energy Globally. There are roughly 6,700 coal plants in operation around the world, providing 39 percent of the world's heat and electricity.[14] Nearly 500 additional coal plants are under construction, the majority of which are being built in Asia, the Middle East, and Africa—where electricity access is desperately needed.

2. If the World Bank Were Serious About Reducing CO_2 Emissions, It Would Consider Nuclear Energy. Nuclear power emits no air pollutants or carbon dioxide (CO_2), and is a reliable, energy-dense source of power. Nuclear power provides 56 percent of the United States' CO_2-free electricity.[15] However, the bank has not financed any nuclear power since 1957, and states that it will not reconsider.[16]

3. The World Bank's Efforts Will Have a Negligible Impact on Global Temperatures. In the case of Kosovo, the country's two coal power plants contribute less than a tenth of 1 percent of global CO_2 emissions.[17] However, even if the entire industrialized world eliminated all CO_2 emissions, *only 0.278 degree Celsius of warming would be averted by the end of the century.*[18]

The World Bank's posture is ultimately self-defeating. Its energy-financing policies are inconsequential to curbing global temperatures and hinder access to affordable energy for the poorest countries and people, energy that may ultimately enable them to be more prosperous and therefore more resilient against natural disasters. As noted energy and environment journalist Rupert Darwall has pointed out, energy access is a clear immediate concern for millions, and the role that fossil fuels have played in making peoples' lives easier, healthier, and cleaner is undeniable.[19]

Recommendations: Change Direction and Correct Past Policy Mistakes

The World Bank's stated mission is to "eliminate extreme poverty" and to "promote shared prosperity." Access to reliable and inexpensive energy is necessary for achieving these worthy objectives. However, by reducing access to energy sources, the World

12. The World Bank, "Energy: Expert Panel Finalizes Its Review of the Kosovo Power Project," February 1, 2012, http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTENERGY2/0,,contentMDK:22970700~pagePK:210058~piPK:210062~theSitePK:4114200,00.html (accessed December 11, 2018).
13. The World Bank, "Civil Society Townhall, 2018," Bali, Indonesia, October 10, 2018, video, http://live.worldbank.org/cso-townhall-2018?intcid=ECR_E_WBLReminder_EN_EXT_AM2018-pre (accessed December 11, 2018).
14. EndCoal.org, https://endcoal.org/global-coal-plant-tracker/summary-statistics/ (accessed December 11, 2018), and International Energy Agency, "Coal Information: 2018 Overview," July 26, 2018, https://webstore.iea.org/coal-information-2018-overview (accessed December 11, 2018).
15. Nuclear Energy Institute, "Air Quality," https://www.nei.org/advantages/air-quality (accessed December 11, 2018).
16. The World Bank, "Toward a Sustainable Energy Future for All," p. 14.
17. The World Bank, "CO2 Emissions," 1960–2014, data, https://data.worldbank.org/indicator/EN.ATM.CO2E.KT (accessed December 11, 2018).
18. David Kreutzer, Nicolas D. Loris, Katie Tubb, and Kevin Dayaratna, "The State of Climate Science: No Justification for Extreme Policies," Heritage Foundation *Backgrounder* No. 3119, April 22, 2016, https://www.heritage.org/environment/report/the-state-climate-science-no-justification-extreme-policies.
19. Rupert Darwall, "The Anti-Development Bank: The World Bank's Regressive Energy Policies," The Global Warming Policy Foundation *Report* No. 27, 2017, https://www.thegwpf.org/content/uploads/2017/10/Darwall-WB-1.pdf (accessed January 22, 2019).

Bank is putting advocacy for renewable resources above its own mission. In fact, the World Bank has been a hindrance to affordable energy—and, consequently, the road out of poverty for millions of the world's poorest.

The U.S. should use the opportunity of Kim's resignation to:

- **Propose as the new president an American citizen who is committed to realigning the World Bank with its mission** rather than its assumed role as financier of the Paris Climate Protocol. A new president must be committed to technology-neutral energy-financing policy so that millions of people in developing countries may gain access to economically generated electricity.
- **Lead an international coalition of like-minded member countries** (such as Australia and Poland) committed to pro-market, pro-growth World Bank policies. Climate-related deaths across the globe have fallen over 80 percent in the past century as people have gained access to reliable power that protects them from excessive cold and heat.[20] Free-market, pro-growth policies will provide people with more resources and innovative technologies to prepare countries for climate-related events.

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20. Hannah Ritchie and Max Roser, "Natural Disasters: An Empirical View," Oxford Martin Programme on Global Development and Global Change Data Lab, https://ourworldindata.org/natural-disasters#deaths-from-disasters (accessed January 24, 2019).