Public development banks should not prop up the fossil fuel industry

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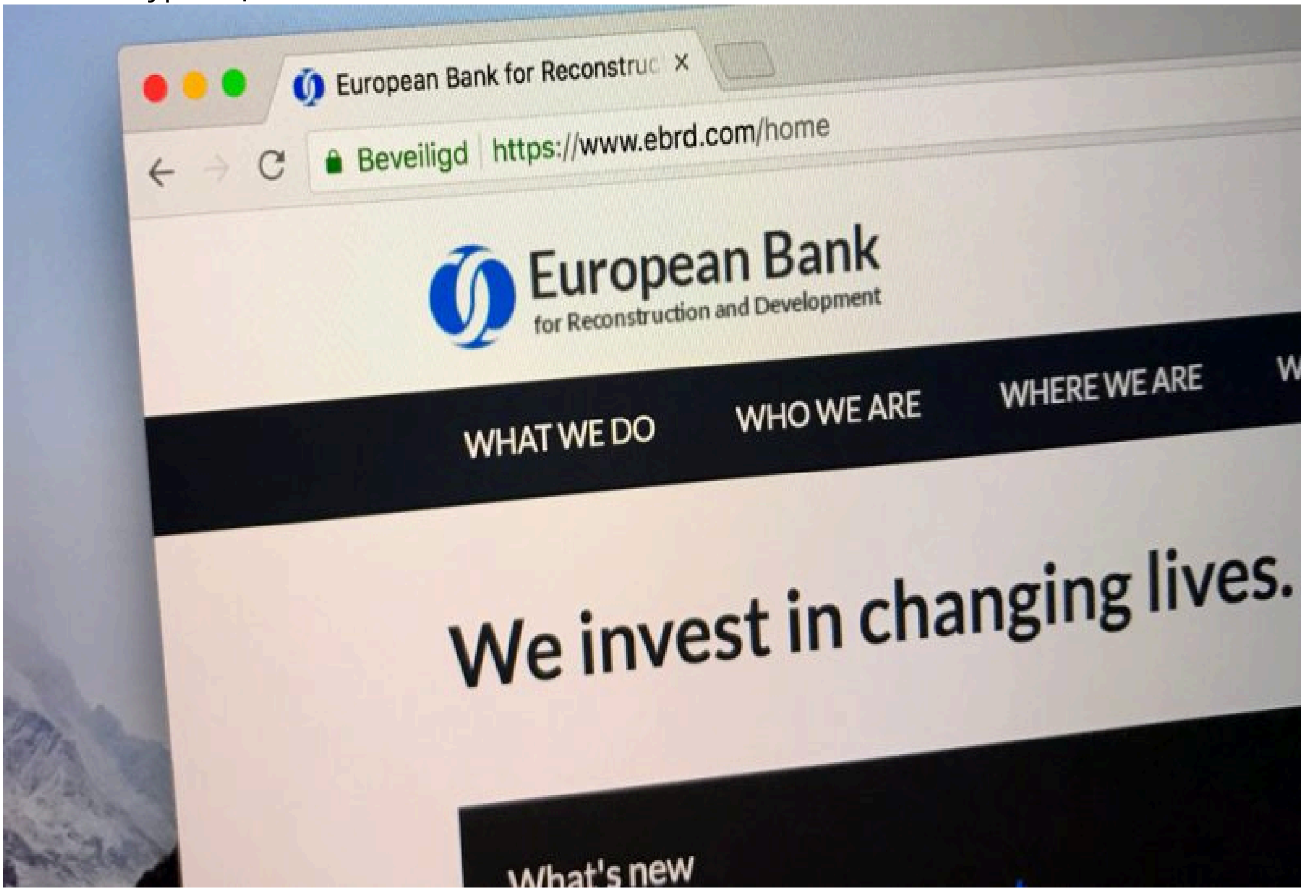

International development banks hold valuable public money that can make a significant difference in lifting people out of energy poverty with cheap, clean energy. Institutions including the EBRD and the World Bank have committed to ensuring their operations are aligned with the Paris Agreement. [Shutterstock/Jarretera]

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In a recent interview with The Banker magazine, President of the European Bank of Reconstruction and Development (EBRD), Odile Renaud-Basso, stated "We must engage with the fossil fuel industry to meet the methane pledge". While reducing methane emissions from the energy sector is undoubtedly an important part of keeping global temperature rise within the 1.5°C goal, *ending* methane emissions from this sector should be the urgent focus.

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The idea that public money is vital to support an industry where **the top 5 companies alone made a profit of USD$111bn** last year alone is questionable. This approach also leads to false solutions like Carbon Capture and Sequestration (CCS), technology that is unproven at scale, expensive and distracting.

Public money should be directed to support developing countries shore up their own decarbonised development pathways, shifting off fossil fuels or leapfrogging directly to sustainable renewable energy. Especially when the money is coming via institutions whose goals are to support development and invest where private financing alone wouldn't intervene.

Methane plays a serious role in contributing to a warming planet. 2021 saw the **largest annual increase in methane emissions** since global monitoring began four decades ago.

Fossil fuel companies are being painfully slow in tackling this. The latest **tracker from the IEA** shows that fossil fuel companies are severely underreporting their methane emissions, stating that "methane emissions implied by existing oil and gas company reporting are 95% lower than the IEA's estimate for 2023.".

Fossil fuel companies have proven time and again that their pledges to cut emissions don't amount to anything and will be abandoned at the first opportunity. Major fossil fuel companies including **Shell** and **BP** recently u-turned on their net zero pledges, to the dismay of many of their investors that trusted their promises.

International development banks are falling for the outdated, disproven arguments of the fossil fuel industry. They should not be wasting public money propping up a billion dollar industry.

These banks hold valuable public money that can make a significant difference in lifting people out of energy poverty with cheap, clean energy. Institutions including the EBRD and the World Bank have committed to ensuring their operations are aligned with the Paris Agreement.

Yet, these same institutions continue to promote gas as a 'transition fuel'. Between 2020 and 2022, the World Bank financed at least **USD$1.2 bn in fossil fuels** on average per year and 68% of this went to gas. In her recent interview, EBRD President Renaud-Basso highlighted that the EBRD "can still, in some cases, finance some gas projects as a transition [fuel] with very stringent conditions and it needs to be Paris-aligned and not create stranded assets."

In 2023, as the EBRD was revising its energy sector strategy, over **130 civil society organisations** in 40 countries called for the EBRD to end fossil fuel finance including for gas.

Any new support to gas ignores the science, which tells us there can be no further expansion of fossil fuels. New gas power generation projects are not aligned with 1.5°C, since forecasted generation from gas power plants already in operation is expected to deliver more emissions than would be consistent with 1.5°C pathways.

Renewable energy is here and now. Public finance should be helping to scale it up. At COP28, countries committed to triple renewable energy.

This requires investments in 100% renewable-ready grids, universal affordable energy access, community-owned projects, and projects aimed at efficient and equitable energy consumption like housing retrofits and electrified public transportation.

Enhanced cooperation between international development banks can be a positive step to increase impact and tackle development challenges. But this must maximise public money to promote clean sustainable renewable energy access that benefits people and planet.