Congress of the United States
House of Representatives
Washington, DC 20515

September 23, 2021

The Honorable Janet Yellen
Secretary of Treasury
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Yellen:

As you know, last month, the Intergovernmental Panel on Climate Change (IPCC) released a sobering assessment declaring "code red" on human-driven global warming.[1] The report finds that climate change is already affecting weather and climate extremes around the world, and many of these changes are already irreversible. According to IPCC Working Group 1 Co-Chair Panmao Zhai, "Stabilizing the climate will require strong, rapid, and sustained reductions in greenhouse gas emissions," including that of methane.[2] These scientific findings make evident that climate change, and the worsening natural disasters and climate indices as a result, are locked in for the next 30 years. However, the report highlights that if significant reductions in greenhouse gas emissions occur in the near future, we still have time to right the ship for the second half of this century, preserving a future for our children and posterity. It is in this light that the U.S. government, and all governments, have a moral obligation to advance global decarbonization and support adaption efforts, particularly among the most marginalized and vulnerable domestic and global populations.

With this alarming global alert in mind, we applaud your efforts to restrict U.S. public financing for fossil fuels globally through the recently released guidance on the U.S. government's voting position on fossil fuel projects at multilateral development banks (MDBs).[3] As one of the largest shareholders at the MDBs, the Department of Treasury's ("the Department") voice and vote carry significant weight, and the Guidance commits the Department to voting against many types of fossil fuel projects that the MDBs have continued to support despite the dire warnings from the IPCC and opposition from civil society and impacted communities. However, while this guidance sets an important precedent, it lacks critical implementation details. For this guidance

[1] https://www.ipcc.ch/report/ar6/wg1/
[2] https://news.un.org/en/story/2021/08/1097362
[3] https://home.treasury.gov/system/files/136/Fossil-Fuel-Energy-Guidance-for-the-Multilateral-Development-Banks.pdf

to decisively spur a shift of resources away from fossil fuels at the MDBs, currently a major global financier of fossil fuels, it will require clear implementation guidelines. In particular, criteria for exceptional support for natural gas projects in developing (IDA-eligible) countries, and financing going through indirect channels, need to be more clearly defined.

In addition, the Guidance does not explicitly state that the Department of Treasury will seek to align MDB policy with its provisions. Instead, it commits the Department to use the Guidance to "inform" its positions on "fossil fuel policies, strategies, and projects at the MDB Boards." To be truly effective, the Guidance should be used in a way that proactively seeks policy change at the institutions, rather than trying to shape the portfolio on a project-by-project basis. One important and timely opportunity to align the World Bank's ("the Bank") policies with this guidance and further limit its financing of fossil fuels is the 20th Replenishment of the International Development Association (IDA). The policy package attached to IDA20 replenishment will include several policy commitments related to climate change and, as the largest historical donor, the Department has significant influence in these negotiations. However, the draft policy commitments are vague and lack ambition or specificity when it comes to supporting countries to transition away from fossil fuels and avoiding locking them into fossil fuel investments that will soon become stranded assets. Therefore, we hope to see these draft commitments significantly strengthened in the final IDA20 policy package, along the following lines:

- **The Bank should support all IDA countries to implement and update their Nationally Determined Contributions (NDCs) in line with 1.5C through specific policies and investment plans that are integrated into national budgets and expenditure frameworks, with specific support for a just transition away from fossil fuels.** If NDC's are not incorporated into the country's national budget, it becomes more difficult for countries to implement them and attract more investments. The draft policy commitments only offer support to 40 out of 74 IDA countries to update and/or implement their NDCs.[4] IDA19 committed to support at least 15 countries, but according to the Bank itself, after less than two years there are already 21 countries receiving support.[5] Clearly there is room for greater ambition to support all IDA countries, and the urgency of the crisis demands it.

- **To truly boost its support for renewable energy and assist the world's poorest countries to leapfrog fossil fuels, the Bank should commit to facilitating the development of "low-carbon energy sector development strategies" in *at least* half of the IDA countries it supports—and commit to supporting the rest in the next replenishment period.** The Bank has so far only committed to supporting 20 IDA

[4] https://documents1.worldbank.org/curated/en/374421625066951199/pdf/IDA20-Special-Theme-Climate-Change.pdf
[5] Ibid.

countries to develop these strategies, which is less than one third of its IDA members.[6] The Bank's own draft documents state that "renewable energy and related battery storage will be key priorities in IDA20, because of their potential to enable IDA countries to scale up energy provision and expand energy access."[7] It is critical that it offers support for both off-grid and mini-grid solutions, especially in rural areas, and that it measures its progress on facilitating energy access by tracking the number of low-income households provided with new, affordable, reliable, and sustainable electricity service over the replenishment period.

- **To ensure the greatest impact of its analytical work on climate, the Bank should commit to integrate climate diagnostics and/or NDC-based results indicators in IDA Country Partnership Frameworks (CPF).** The draft documents commit the Bank to develop Country Climate and Development Reports, a new analytical tool introduced by the Bank's recently released Climate Change Action Plan (CCAP) in at least 30 countries,[8] which is a welcome development. However, the relationship they will have to CPFs, which guide the World Bank's support and selection of projects for member countries over a three-five-year period, is unclear. The CCAP currently state that these new reports will be used to "inform," and "prioritize" climate action through the engagement process.[9] However, too often the Bank's knowledge products are ignored when CPFs are developed.

We understand the need for the World Bank to accelerate IDA20 negotiations in the face of the unprecedented crisis we are experiencing and appreciate the role the Bank is playing to support the world's poorest countries in weathering the pandemic as well as tackling climate change. However, we also hope to see much stronger climate policies in the final policy package as we have detailed in this letter. We thank you for your leadership on this important matter and look forward to your timely response.

Sincerely,

Adriano Espaillat
Member of Congress

Rashida Tlaib
Member of Congress

[6] Ibid.
[7] Ibid.
[8] Ibid.
[9] https://openknowledge.worldbank.org/bitstream/handle/10986/35799/CCAP-2021-25.pdf?sequence=2&isAllowed=y

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