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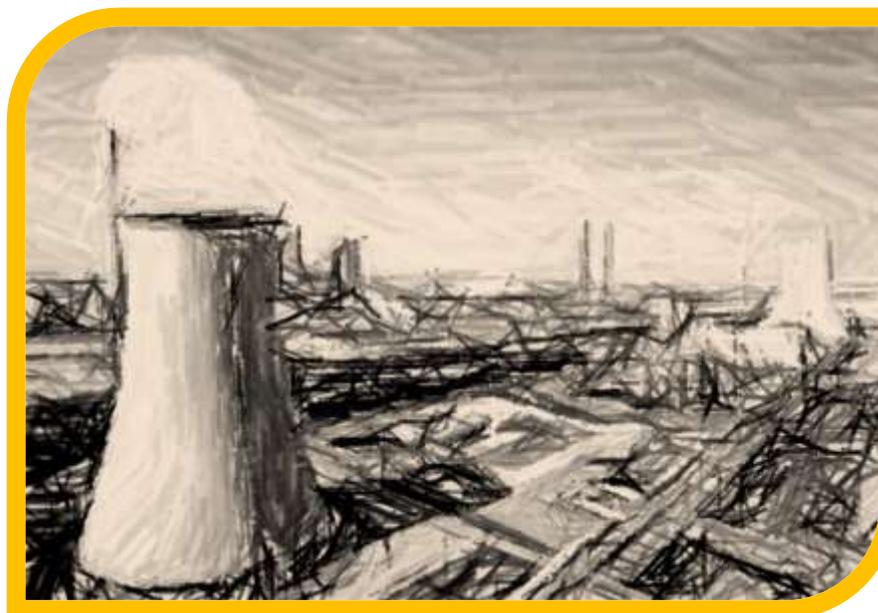


DANGER AHEAD:

NEW GLOBAL INFRASTRUCTURE AGENDA COULD LOCK-IN
FOSSIL FUEL TECHNOLOGY

In 2015, there has been a high level of media focus on climate change issues: The December UN Climate Change Conference in Paris has drawn attention especially from those seeking to avoid the poor outcomes and fiasco of the Copenhagen 2009 Conference. In addition, the challenge of climate change features prominently in a new set of Sustainable Development Goals (SDGs or 2030 Agenda) approved by Heads of States at the United Nations Summit in September.

In both processes, governments and the financial institutions they control, the Multilateral Development Banks (MDBs) such as the World Bank and the European Investment Bank, announced their willingness to contribute heavily to climate change mitigation and adaptation via targeted investments to support climate friendly projects throughout the world. [A report by six large multilateral development banks](#) on their joint climate finance commitments (containing data up to 2014) that was published in June 2015 refers to this commitment. Another one was published in April 2015 as a [joint discussion note by the Development Committee](#) of the World Bank and IMF and refers to the need to mobilize trillions instead of billions of ODA dollars and to transform development finance to meet the SDGs. However, the MDBs do not appear to be “green champions” in this initiative. When joining together to leverage their \$130 billion in infrastructure or scale up development finance „from billions to trillions“, MDBs have a greater focus on the scale of project financing than on its environmental and social sustainability. Indeed, MDBs appear to focus on SDGs and climate only as complementary to the need to finance large scale infrastructure projects, including adaptation projects. The G20 and MDBs are promoting and implementing a new large-scale or “transformative” infrastructure agenda as a key mean to boost global economic growth and recovery.



They are calling for a massive wave of megaprojects (such as dams, motorways, oil and gas pipelines structured around multiple infrastructure corridors) to fill in the so-called „infrastructure gap“.

This analysis is backed by numerous studies and striking numbers:

- The [OECD estimates](#) that an additional \$70 trillion in infrastructure will be needed by 2030 – an average expenditure of more than \$4.5 trillion per year, compared to the \$3 trillion per year currently spent.
- In Europe alone, the [European commission estimates](#) that investment of up to EUR 2 trillion is needed in transport, energy and IT infrastructure across the EU alone by 2020.

An extractivist and carbon intensive approach to infrastructure

Major dam projects, energy related infrastructure such as power grids, transport projects (roads, fast train lines, airports), water and waste management provision, or energy extraction/generation projects have tended to come with significant environmental and social costs¹. A major concern of affected communities around the world, as well as of civil society groups that monitor infrastructure finance, is that the top-down 'megaproject' emphasis that has prevailed for decades has not usually proven to be effective in delivering good outcomes to serve the needs of people and communities on the ground, or for society in general.

As a result, the new global infrastructure agenda relies on high-carbon infrastructure projects: mega-corridors designed all over the world are based on transport (airports, motorways) and energy infrastructure including dams and fossil fuel (gas and coal) plants.

For instance, the new “investment plan for Europe” drawn up by the European Commission and the European Investment Bank to unlock investments of over EUR 300 billion from 2015 to 2017 sends a worrying signal: out of the 2000 “investible projects” identified by a Task Force, there is a strong bias towards environmentally

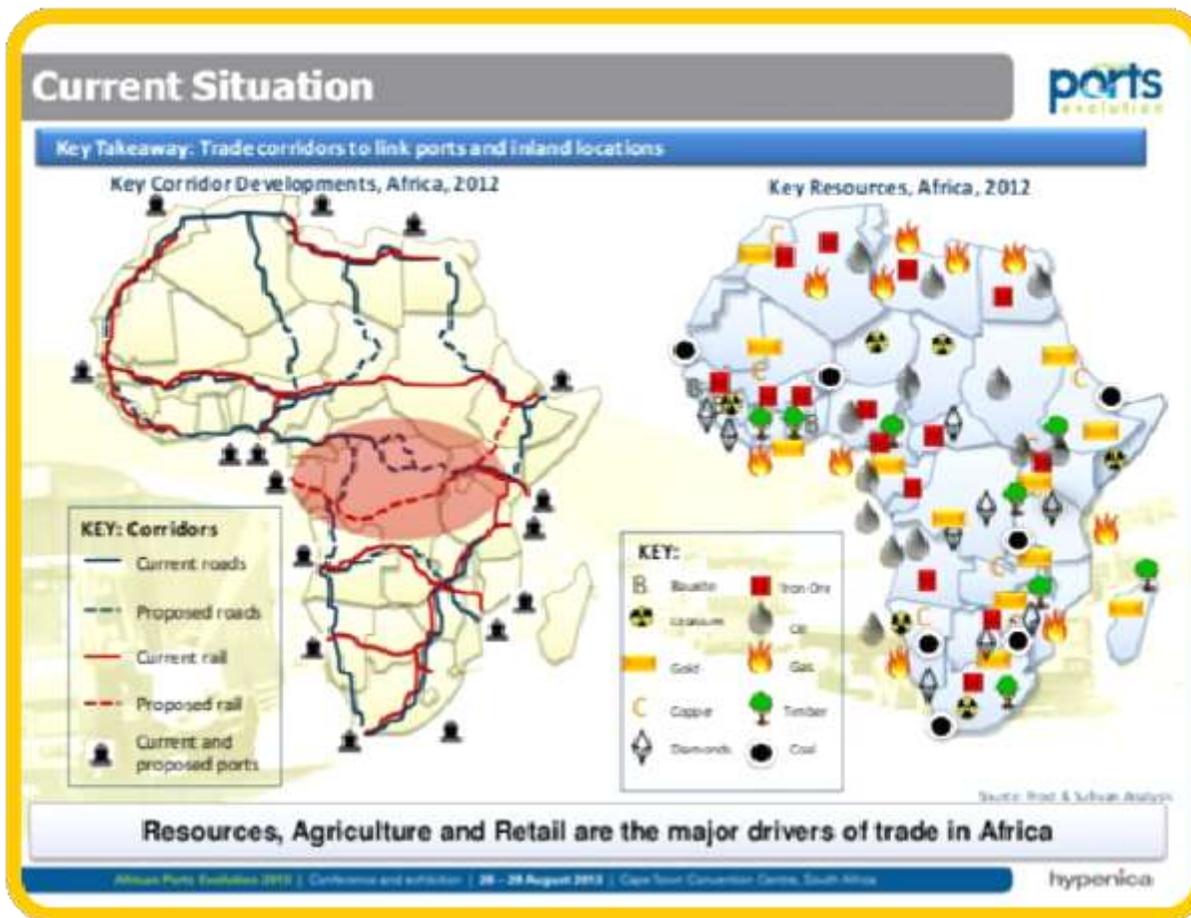
unsustainable projects. It includes nuclear and coal power plants, along with waste incinerators and mining projects. For example, out of 77 projects proposed by the Croatian government, there are 2 coal power plants, 10 motorways, 3 airports and 5 gas projects (e.g., pipelines, terminals and airports). The construction of the first nuclear power plant in Poland is also on the list of identified projects.

The new wave of proposed financing mechanisms for infrastructure will enhance a lock-in of the current development model based on large-scale infrastructure and fossil fuels for many generations. Such an approach has significant implications for developing countries' choices over which development path to follow. Megaprojects in trade facilitation and resource extraction fuel the competitive scramble for natural resources and control of food production, therefore contributing to maintaining unacceptable levels of inequalities and environmental degradation. The mega-corridors being currently designed are functional to foster the global oil and gas markets and risk perpetuating the model of a fossil fuel-based economy. Particularly given the fact that commodity prices are at a 16-year low (and show no indication of rising), one wonders how such large projects will pay for themselves.

Even infrastructure and energy projects labelled by promoters as „climate friendly“, when deployed on a large scale, are likely to contribute to climate change. This is for example the case of dams, which are far from being climate neutral. International Rivers has documented that, particularly in the tropics, organic matter rotting in their reservoirs emits methane, a powerful greenhouse gas. Scientists have estimated that reservoirs account for 4% of all human-made climate change, equivalent to the climate impact of aviation².

¹ Counter Balance (2015), Going for Broke – why financialisation is the wrong fix for infrastructure. See: <http://www.counter-balance.org/going-for-broke/>

² Methane Emissions from Large Dams as Renewable Energy Resources: A Developing Nation Perspective <http://link.springer.com/article/10.1007%2Fs11027-007-9086-5>



The floods and droughts caused by climate change in turn make large dams less safe and less economic³.

Social and environmental safeguards are not at the core of this new infrastructure agenda. The G20's effort to advance environmental safeguards is stalled, and the World Bank's safeguards are being diluted. There is little indication that the safeguards of the new MDBs – the Asian Infrastructure Investment Bank (AIIB) or the New Development Bank (NDB) of the BRICS will set higher standards. These are worrying signs. As financial institutions are willing to pool funds for investment in multiple public-private partnership (PPP) projects in infrastructure, voluntary codes of conduct could apply to investors, but these are not accompanied by meaningful monitoring, evaluation, or enforcement measures⁴. As it stands, climate considerations are poorly embedded and mainstreamed in this race to infrastructure as a new asset class (infrastructure becoming an anonymous product traded on the financial markets with shares changing hands between investors who are not bound to the construction itself).

These maps of Africa show the link between extraction of natural resources and trade corridors being designed on the continent.

Source: African Ports Evolution <http://goo.gl/tZiooq>

³ 10 things you should know about dams (<http://www.internationalrivers.org/node/8326>)

⁴ Alexander Nancy (2014), The Emerging Multi-Polar World Order: Its unprecedented consensus on a new model for financing infrastructure investment and development. See: http://us.boell.org/sites/default/files/alexander_multi-polar_world_order_1.pdf

Actually, there is a growing disconnection between the physical infrastructure to be built – a dam, a motorway, etc. – and the financial engineering around it. As a consequence, the climate impact of the infrastructure project may be of importance for the local population and local or regional authorities where the project is built. But this is of little concern to those investors who are primarily seeking profit generation out of a pool of various infrastructure projects. Whereas in the past infrastructure was conceived as an essential service for the population, the investors' necessity for returns on infrastructure investments requires a constant stream of profit, independently from the real needs of the population.

A matter of policy coherence and locking-in the world on an unsustainable path

The infrastructure agenda as promoted by the G20 and MDBs simply does not fit with decarbonisation targets or attempts to tackle climate change on a global scale.

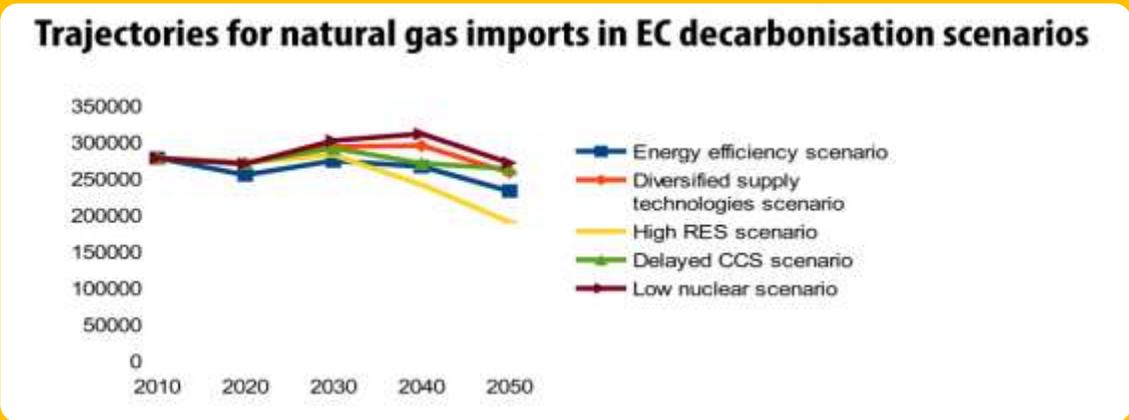
Therefore it is key for civil society and especially climate justice groups to further the understanding of the scale of this new infrastructure financing wave and develop new campaigning strategies around it. Creating alternative campaigns would lead to the identification and promotion of lower scale, less risky and less costly infrastructure. For instance, the European Union could choose more realistic, cost efficient and sustainable solutions than the rush for gas infrastructure by lowering energy consumption and generating more energy from domestic, sustainable and democratically controlled renewable sources.

The crisis in Ukraine has put the issue of the European Union's energy security (and especially the dependence on Russian gas) on top of the political agenda again. However, to date the EU's response has been uninspired and has largely consisted of building more gas infrastructure, even though, as of 2014, demand had fallen for the fourth year in a row (see <http://www.counter-balance.org/wp-content/uploads/2014/06/PCI-June2014-webnew.pdf>).

Large new import pipelines and LNG terminals (Liquified Natural Gas) are part of the European Commission's list of priority energy projects (Projects of Common Interest) as well as its blueprint for energy security (the European Energy Security Strategy). For example, 110 projects in the European Commission's Projects of Common Interest are related to gas storage or transport – from mega-pipelines between Azerbaijan and Italy and Germany to transforming the harbour of Rotterdam into an LNG hub.

But investments in gas infrastructure of that scale are not future-oriented. Europe is currently consuming three times more gas than it should in order to stay within a global warming scenario below 2 degrees Celsius in 2050. The planned investments will generate a huge overcapacity – even according to the EU Commission's own forecasts – which crowd out investments in domestic, sustainable and democratically controlled renewables and the reduction of energy consumption through demand side energy efficiency investments.

In addition, the new gas imports will increase the dependence of Europe on countries such as Azerbaijan, Algeria, Qatar and Nigeria – not the most stable democracies to say the least, and all with a well-documented track record of human rights abuses. It is not necessary to lock ourselves into such a future.



European Commission, 2050 Energy Roadmap, December 2011, http://ec.europa.eu/energy/energy2020/roadmap/doc/sec_2011_1565_part2.pdf

To sensitise and inform citizens, it is crucial to expose the flaws and dangers associated with the new G20 and MDB infrastructure agenda. Another challenge will be to work on a well-informed counter-narrative with the communities involved in struggles against damaging infrastructure projects, such as dams, mines or fossil fuel projects.

About us

Counter Balance



Counter Balance – Challenging public investment banks is a European coalition of development and environmental non-governmental organisations (NGOs) with extensive experience working on development finance and the international financial institutions (IFIs) as well as campaigning to prevent negative impacts resulting from major infrastructure projects.

www.counter-balance.org Email: info@counter-balance.org

Both Ends



Both ENDS is an independent non-governmental organisation (NGO) that works towards a sustainable future for our planet. We do so by identifying and strengthening civil society organisations (CSOs), mostly in developing countries, that come up with sustainable solutions for environmental and poverty-related issues. Building on such effective alternatives, we create and support strategic networks capable of promoting social-environmental interests. At the same time we directly influence policies and promote our vision in fora that matter, both on national and international levels.

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