

## Issue Brief: IFC's Energy and Climate Change Approach

### AT A GLANCE:

#### IFC's Energy Investments

Many people in developing countries still suffer from extreme shortages of energy. About 700 million South Asians and 550 million Africans don't have access to electricity. Access to affordable energy is essential for poverty reduction. It is IFC's mission to work with private sector companies to bring energy solutions to developing countries. We support renewable energy and energy efficiency where feasible and fossil-fuel development and use where this is economically viable and contributes to poverty alleviation.

IFC aims to maximize access to energy, while helping countries minimize greenhouse gas emissions. IFC's approach to energy investments entails:

- Supporting the optimal fuel type (coal, oil, gas, hydro, wind, biomass) within a country-specific situation;
- Promoting the use of less carbon-intensive fossil fuels
- Promoting new greenhouse gas-reducing technologies for an efficient use of traditional fuel – for example ultra super-critical technology for coal.

In fiscal year 2008, IFC invested a total of \$1.88 billion in oil, gas, coal, and thermal projects. In the same year, IFC invested a total of \$1.28 billion in renewable energy projects and projects with a significant energy-efficiency component. IFC aims to support low-carbon growth in developing countries and is committed to increasing its investments in renewable energy and energy efficiency from \$1.1 billion in fiscal years 2005-07 to over \$3 billion in fiscal years 2009-11.

Access to affordable energy remains essential for poverty reduction. Fossil fuels must play a role as a transition fuel to a less carbon-intensive economy. During this transition, IFC supports fossil-fuel investments like natural gas, where no alternative source of energy is available or economically viable.

#### Climate Change Approach

Climate change is one of IFC's strategic pillars, and we consider climate change implications of all of our investments, especially those related to energy. IFC's approach to climate change is part of the World Bank Group's overall strategy.

In addition to increasing investments in renewable energy and energy efficiency, IFC is currently developing a number of new products to allow us to better respond to climate change challenges:

- **Carbon market:** IFC offers value-added financial products that help carbon-credit sellers access a wide range of potential buyers. IFC acts as an intermediary, selling companies' credits in the market and passing an attractive price back to the projects.
- **Assessment of private sector adaptation risks:** Climate change poses risks to private sector companies. To help its clients understand and manage these risks, IFC is undertaking studies to assess climate change impacts and adaptation measures.
- **Greenhouse gas analysis:** IFC is working to develop a methodology that will allow it to better understand and analyze the greenhouse gas implications of its portfolio of investments. The objective is to better identify climate-related business opportunities and facilitate access to additional funding from carbon finance and donor countries.

## **Process and next steps**

At the annual meetings, the World Bank Group will present to the Board of Directors a proposed road map for climate change entitled “Development and Climate Change: A Strategic Framework for the World Bank Group”. The paper includes a brief summary of IFC’s approach to climate change and is available at <http://siteresources.worldbank.org/EXTCC/Resources/407863-1219339233881/DevelopmentandClimateChange.pdf>

## **About IFC**

IFC, a member of the World Bank Group, creates opportunity for people to escape poverty and improve their lives. We foster sustainable economic growth in developing countries by supporting private sector development, mobilizing private capital, and providing advisory and risk mitigation services to businesses and governments. Our new investments totaled \$16.2 billion in fiscal 2008, a 34 percent increase over the previous year. For more information, visit [www.ifc.org](http://www.ifc.org).

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