



27th October 2021
(Submitted by email)

Open letter: Civil Society expectations on Paris alignment for Multilateral Development Banks at COP26

Dear Heads of the MDBs,

As publicly-funded development banks, MDBs should become agents of transformative change, pushing for a green, just and resilient development model. For that, they need to scale up financing for sustainable, green development, help countries in pursuing equitable, low-carbon transitions, and end all support for fossil fuels.

MDBs have a mandate to support sustainable and inclusive development and are accountable to the global public, therefore they should do everything they can to treat the climate emergency as a major risk for our societies. Failing to transparently communicate what MDBs will do to limit global warming to 1.5°C globally will be a significant blow to the international community's attempt to jointly tackle the climate emergency. **As the world comes together at COP26, the MDBs have failed to present how they will jointly contribute to keeping the limit of 1.5°C global warming in reach.**

We call on all the MDBs to come forward with a statement outlining ambitious targets for quantity and quality of their climate finance mobilization prior to COP26, in order to make a substantially greater contribution to a green, fair and resilient transition.

On ending support for fossil fuels, the UK government is inviting other governments and public finance institutions, including MDBs, to commit to ending public finance for fossil fuels and prioritize finance for clean energy finance at COP26. **As a first step towards delivering on their Paris alignment promise, the MDBs should join this initiative.**

In 2017, the MDBs committed to align all their operations with the provisions of the Paris Agreement. To that end, the MDBs started the Joint Paris Alignment Process and set up a working group to develop joint methodologies. However, four years later, the MDBs have yet to disclose comprehensive details of their methodologies. Meanwhile, they continue to invest in non-aligned projects, such as fossil fuels and associated infrastructure.

The undersigned NGOs, therefore, demand the following from the MDBs to implement meaningful Paris Alignment:

1. **Substance of Paris Alignment:** Paris Alignment has to mean alignment with a 1.5°C pathway. In line with recent publications of the IEA, the MDBs must stop all direct and indirect financing to the supply and use of fossil fuels. An updated exclusion list is necessary that bans any activities that increase the extraction, processing, transportation, or combustion of coal, oil, and fossil gas. Projects involving electricity transmission, short-sea shipping, inland waterways, port infrastructure, and rail infrastructure must not be considered universally aligned. All such projects have to be proved not to further fossil fuel expansion.



'Climate' must become a central feature of all investment activities, in particular in industry, transport, infrastructure, cities, energy and agriculture. The MDBs must significantly increase their support towards a just, equitable and resilient transition in developing and emerging countries, ramping up investment in mitigation, adaptation and climate neutral development. MDBs must work with client countries in fair partnership, offering long-term strategic support and technical assistance to identify deep decarbonisation and resilience pathways.

2. **Extending Paris alignment beyond project finance:** The MDBs must extend Paris Alignment to intermediary lenders and clients, in particular for private sector finance. The MDBs must align all policy-based lending and technical assistance with the Paris Agreement, ensuring that any policy reforms that incentivize fossil fuel usage or investments (e.g., through lower tax liability and/or higher tariffs) are excluded and wherever possible include and promote climate action. Multiple billions of dollars are provided annually as budget support with no restrictions on fossil fuel expenditures, including for coal. Paris Alignment must include MDB government budget support - fossil fuels must be on the Excluded Expenditures list. The methodologies should be published latest by June 30, 2022.
3. **Timeline for consultation and implementation:** By COP26, all MDBs should publish a high-level plan and date by which all their operations will be fully aligned with and support the objectives of the Paris Agreement. The MDBs must present the current state of the Joint Paris Alignment Methodologies for public consultation and publish the finished parts. All methodologies should be published latest by June 30, 2022 with sufficient time for a public consultation ahead. All MDBs must commit to complete the Paris Alignment process latest by 2023 or earlier.
4. **Reporting and transparency:** The MDBs must report annually on their progress on Paris alignment. The MDB Paris alignment methodologies must include annual analysis and publication of portfolio-wide greenhouse gas emissions including scope 1, 2 and 3 to demonstrate that each institution is aligned with the 1.5°C pathway. For each project, the MDBs must publish how the Paris alignment methodologies have been applied. This transparency will help build confidence in the methodologies.

We understand the Paris alignment methodologies will be applied once a project has been chosen. However, we encourage the MDBs to use the 'aligned lists' as the default option during the development of a project pipeline and identification of individual projects. The MDBs should detail how they intend to ensure that Paris alignment is included as a core consideration for project originators before the Paris alignment stage of project appraisal.

The NGOs signing below expect the MDBs to follow-up on our demands and make sure that they contribute to a successful COP26 and the transformation toward a climate safe world.

Best regards,

The undersigned:



350.org

AbibiNsroma Foundation

African Coalition for Sustainable Energy and Access

Avaaz

Bank Information Center

CAN-International

CAN-Latin America

Co-ordination Office of the Austrian Bishops' Conference for International Development and Mission (KOO)

E3G

Eurodad

Friends of the Earth US

Germanwatch

Innoeva Development Foundation - Climate Forum

Oil Change International

Pan African Climate Justice Alliance

Peoples Federation for National Peace and Development

Recourse

Uganda Coalition for Sustainable Development / INFORSE East Africa

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