



COMMENTS ON THE CLIMATE AND RESOURCE EFFICIENCY-RELATED PROVISIONS OF THE *DRAFT ENVIRONMENTAL AND SOCIAL FRAMEWORK*

February 2015

Submitted by

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INTRODUCTION

The World Bank has recognized that “[g]lobal efforts to overcome poverty and advance development can no longer ignore an urgent need of addressing global climate change.”¹ Therefore, as Dr. Kim stated in the Bank’s recent *Turn Down the Heat* report, the challenge for the Bank is “ensuring all [its] work, all [its] thinking, is designed with the threat of a 4°C degree world in mind.”

But like many institutions, the Bank has not yet fully integrated climate issues into its operational policies. Most notably, the current Safeguard Policy framework does not adequately address the challenges a changing climate presents to client governments, affected communities, local ecosystems and the global commons. The Bank has recognized this shortcoming, and has committed to address climate change as a key emerging issue in the Safeguard Policy Review.

In the first round of public consultations, numerous civil society organizations offered insights on how the Safeguard Policy framework could be strengthened to better address climate-related issues.² While the *Draft Environmental and Social Framework of July 30, 2014 (Consultation Draft)* begins to grapple with the myriad challenges of climate change, it falls short of incorporating best practices in critical areas, and fails to capture important opportunities to promote low-carbon, climate resilient development.

¹ World Bank, 2008. *Development and Climate Change: A Strategic Framework for the World Bank Group*, at 6.

² See, Bank Information Center, *et al* (May 2014). *Model Proposal: Climate Change Assessment (CCA) Safeguard Policy Submission to the World Bank Safeguard Policy Review*. Available at <http://www.bicusa.org/wp-content/uploads/2014/05/Climate-Change-Safeguard-Model-Policy-for-the-World-Bank.pdf>

In developing a climate-sensitive safeguards framework, the Bank should be guided by two core insights that emerge from its own recent analytical work. **First**, climate change will impose a layer of “deep uncertainty” over many investment decisions, which will require more robust and sophisticated assessment and decision-making approaches that, among other things, better integrate stakeholder inputs.³ **Second**, as the Bank noted in its recent *Climate Smart Development* report, the goals of climate sensitivity and resilience need not be in tension with its mandate to alleviate poverty in an environmentally responsible manner.⁴ Ample opportunities exist for the Bank to support projects that capture synergies among these objectives.

To incorporate these insights, the revised *Safeguard Policy* framework should adopt best practice approaches to project selection, appraisal, and alternatives assessment that fully account for the costs, risks and uncertainties of climate change. And, it should narrowly focus the Bank’s efforts on systematically identifying and capturing synergies between climate sensitivity and development objectives, while precluding support for activities with significant tradeoffs until these synergies are fully exploited.⁵

Towards this end, Environmental and Social Standard 1 (ESS 1) in the *Consultation Draft* should be revised to:

1. Better assess and promote climate resilience;
2. Expand the repertoire of planning and assessment tools to reduce emissions;
3. Incorporate country-owned strategies to reduce emissions and strengthen resilience; and
4. Address the problem of harmful subsidies and poor regulatory environments.

In addition, Environmental and Social Standard 3 (ESS 3) should be revised to:

5. Strengthen the resource efficiency requirements and require the use of “best available technologies”;
6. Fully apply the “mitigation hierarchy” to resource efficiency and greenhouse gas emissions; and
7. Preclude support for projects that produce hydroflouorocarbons.

³ Hellegate, et. al 2012. *Investment Decision Making Under Deep Uncertainty Application to Climate Change*, (World Bank, Office of the Chief Economist). Available at <http://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-6193>. Kalra, et. al (2014). *Agreeing on Robust Decisions New Processes for Decision Making Under Deep Uncertainty*, (World Bank, Office of Chief Economist). Available at <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6906>

⁴ World Bank, 2014. *Climate Smart Development: Adding up the benefits of actions that help build prosperity, end poverty and combat climate change*. Available at, <http://documents.worldbank.org/curated/en/2014/06/19703432/climate-smart-development-adding-up-benefits-actions-help-build-prosperity-end-poverty-combat-climate-change-vol-1-2-main-report>

⁵ See, World Bank, 2010. *2010 Environment Strategy: Analytical Background Papers: Assessing the Environmental Co-Benefits of Climate Change Actions*, at 4. (The bank should support “win-win-win’ solutions which are robust under a range of future climate scenarios and which create environmental benefits while simultaneously contributing to development, adaptation, and mitigation.”)

DISCUSSION

Proposed Revisions to ESS 1

1. Assess and Promote Climate Resilience

ESS 1 should require borrowers to assess and manage (a) the climate-related risks facing supported projects and the resilience to climate impacts of those projects; and (b) the impacts they will have on the resilience of local communities and ecosystems.

1.1 The Bank has recognized that the proper assessment and management of climate-related risks are critical to ensure that supported projects remain viable, deliver their intended development benefits, and continue to “do no harm” as local climactic conditions change over time. Thus, as part of the IDA-17 replenishment, the World Bank agreed to “screen all new IDA operations for short- and long-term climate change and disaster risks and, where risks exist, integrate appropriate resilience measures.”⁶ ESS 1 should be strengthened to ensure that all Bank projects are rigorously screened for climate risks.

1.2 In order to assess the development impacts of a project under various potential climate scenarios, Paragraph 26 should require borrowers to assess two types of climate-related risks.

1.3 **First**, borrowers should assess the risks a changing climate pose to their project.⁷ This should include how issues such as water stress, vulnerability to severe weather events, effects of increasing temperature (on crops, for example), sea-level rise, and other impacts of climate change will affect the viability and development impacts of their projects.

1.4 Borrowers should also assess the business risks (how their business plans are likely to be altered if climate change affects the local/regional economy and resource base) and regulatory risks (how their operations are likely to be affected by potential regulatory responses to climate change such as carbon-pricing schemes or more stringent efficiency requirements) of a changing climate. Importantly, this need to assess climate risks and resilience is not limited to long-lived projects; it also is relevant to other projects--such as those in agricultural areas--that may be significantly affected by climate change.

1.5 **Second**, Paragraph 26 should also direct borrowers to assess the ways in which their projects and programs may affect the ability of host communities and ecosystems to adapt to climactic changes. For example, a sponsor of a project that would affect an intact forest ecosystem should assess the impacts on the resilience of that ecosystem to climactic changes, and on its capacity to provide ecosystem services to local communities. This assessment should consider the cumulative effects that the project and other existing and future projects may have on climate resiliency.⁸

⁶ <http://www.worldbank.org/en/news/feature/2014/08/04/world-bank-policies-include-screening-climate-risks>

⁷ See, International Association for Impact Analysis, 2012. *Climate Change in Impact Assessment: International Best Practice Principles*.

⁸ *Id.*

1.6 ESS1 should require borrowers to consider these potential adaptation risks and impacts across a range of potential climate change scenarios (e.g., low, medium, and high).⁹ As the Bank’s Office of Chief Economist has explained, traditional assessment and planning tools may not be sufficient to manage these kinds of risks effectively. Because historical weather patterns may no longer be a reliable guide to future conditions, and it may not be possible to assign probabilities to various climate scenarios, the analysis of project alternatives must be conducted under conditions of “deep uncertainty”.¹⁰

1.7 To address this uncertainty, the Office of the Chief Economist has proposed a menu of planning and assessment tools that can better ensure that projects achieve attractive development outcomes and minimize risks under a range of climate scenarios. In particular, they advocate moving away from decision-making processes that focus on identifying one “optimal” alternative, in favor of ones that aim to identify choices that will be robust under a range of climate scenarios. Such “robust decision processes” are designed to (a) identify the vulnerabilities of a proposal and its alternatives to a range of performance criteria and risks; (b) identify a set of “plausible futures,” and evaluate the performance of each alternative under each future; and (c) identify which plans are robust to the futures deemed likely or otherwise important to consider.¹¹

1.8 Robust approaches to decision-making in the face of climate uncertainty include:

- (a) **No-regret strategies** that will yield strong benefits even if initial assumptions about climactic conditions prove to be in error;
- (b) **Reversible and flexible strategies** that allow for course correction to address erroneous climate forecasts;
- (c) **Safety margin strategies** that build in extra protections to reduce vulnerability; and
- (d) **Strategies to reduce investment time horizons** to avoid long-term commitments to maladaptive investments.¹²

1.9 Critically, such processes require effective public consultation. As the Office of the Chief Economist noted, they “demand a process of dialogue to determine which project vulnerabilities to consider, which performance metrics suggest success, acceptable levels of risk, and which possible scenarios to evaluate. The stakeholder process is an opportunity to further fortify the project against uncertainty, as a variety of viewpoints and concerns can simultaneously be addressed in distinct scenarios. Incorporation of multiple scenarios builds consensus on the outputs (the project) despite differing inputs (world-views, priorities, and desires).”¹³

⁹ *Id.*

¹⁰ Hellegate, et. al 2012. *Investment Decision Making Under Deep Uncertainty Application to Climate Change*, (World Bank, Office of the Chief Economist). Available at <http://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-6193>

¹¹ *Id.*, at 11; Kalra, et. al (2014). *Agreeing on Robust Decisions New Processes for Decision Making Under Deep Uncertainty*, (World Bank, Office of Chief Economist). Available at <http://elibrary.worldbank.org/doi/pdf/10.1596/1813-9450-6906>.

¹² Hellegate, et. al 2012. *Investment Decision Making Under Deep Uncertainty Application to Climate Change*, (World Bank, Office of the Chief Economist), at 16-17. Available at <http://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-6193>

¹³ *Id.*, at 12.

1.10 Once a preferred alternative has been selected in light of these “deep uncertainties”, borrowers should be required to avoid, minimize and mitigate remaining risks and impacts in accordance with the mitigation hierarchy set out in Paragraph 25. Where the identified risks and impacts cannot be avoided, ESS 1 should require the borrower to develop and adopt an Environmental and Social Commitment Plan that sets out the mitigation and performance improvement measures that it will take to achieve excellent development outcomes across a range of potential climate scenarios, in accordance with Paragraph 34, *et. seq.*

2. Expand the Repertoire of Planning and Assessment Tools to Reduce Emissions

ESS 1 should require the use of transparent planning and assessment tools such as Integrated Resource Planning and full life-cycle accounting to ensure that the Bank’s activities are as low-cost, low-carbon, pro-poor, and sustainable as possible.

2.1 The *Consultation Draft* does not adequately employ long-term planning and comprehensive alternative assessment tools to identify the best options to address sustainable development and reduce carbon emissions. Specifically, it should incorporate integrated resource planning and full life-cycle accounting of environmental and social externalities, including accounting of greenhouse gases and short-lived climate pollutants.

2.2 *Integrated Resource Planning (IRP)*: An Integrated Resource Plan is a strategic tool to evaluate and rank all options for delivering utility services—including all end-use efficiency and distributed generation approaches—according to comprehensive assessments of cost and risk. It facilitates transparency and stakeholder engagement around decisions that otherwise are limited to specific project proposals (usually supply options); enables fuller consideration of environmental and social costs; and reduces corruption and harmful subsidies. It also facilitates the use of a utility’s lower cost of capital and earnings-on-capital requirements in comparing competitive end-use and distributed efficiency gains with supply options.¹⁴

2.3 IRP is a critical up-stream planning tool for achieving the greenhouse gas, energy, and water efficiency objectives expressed in ESS 3. To fully capture the benefits of IRP assessments, IRPs should be used to 1) identify all end-use delivered services the project will provide; 2) identify the costs of improving the end-use efficiencies; 3) incorporate all end-use efficiency options into the project that have a delivered cost up to the cost of expanding new generating supply (including transmission and distribution costs and risk-adjusted costs for externalities like emissions and price volatility of fuels and water requirements); and 4) develop programs to use their low-cost capital to finance these efficiency gains for their customers.

2.4 In footnote 16, the Bank should require clients to develop integrated resource plans when considering utility sector projects, and use them to design interventions that promote the best resource allocation to meet demand. ***To advance the objectives of ESS 3, the revised ESS 1 should make clear that the Bank will not support energy or water supply expansion projects unless it is shown through an IRP process to be the most advantageous service delivery option.***

¹⁴ Regulatory Assistance Project. 2005. Clean energy policies for electric and gas utility regulators. *Issues Letters*. January 2005, www.raponline.org/; Morse, D. 2006. *Water Conservation ratemaking disincentives, the case for decoupling sales from revenues*, 28 March 2006.

2.5 Full Life-Cycle Accounting of Environmental and Social Externalities, Including Accounting of Greenhouse Gases and Short-lived Climate Pollutants: Full life-cycle accounting is essential to better account for the externalized costs and risks of proposed projects, and to better ensure that the World Bank’s investments are as low-carbon, pro-poor, and sustainable as possible. Accordingly, Paragraph 16 should specify that appraisal methodologies will internalize the full life-cycle social and environmental costs of proposed projects and alternatives (including demand-side management alternatives), to identify options with the greatest overall benefits.¹⁵ While the other environmental and social safeguards should eliminate many externalized costs, they should explicitly complement, not displace, a full-cost analysis for all projects.

2.6 Full cost accounting should include the environmental and social costs of greenhouse gases and short-lived climate pollutants, including those from indirect emissions associated with the project, such as from land-use changes and forest degradation. ESS 1 should require project sponsors to consider a “social cost of carbon/short-lived climate pollutants” for the direct and indirect emissions associated with the project, which should be factored into economic and alternatives analyses. This accounting should be conducted in accordance with internationally recognized methodologies and best practice.¹⁶ The Bank should disclose this information, along with the methodologies applied and assumptions used for the supported project or program and the alternatives considered.

2.7 In order to compare the cost effectiveness of its interventions, the Bank should also use this accounting to calculate the “cost per avoided ton of CO_{2eq}” and “avoided tons of CO_{2eq}/year” for each proposed activity and alternatives. This will help the Bank identify those interventions that can yield the cheapest, fastest climate mitigation impacts, in the context of achieving its other environmental, social, and poverty alleviation objectives.

¹⁵ For example, for traditional large-scale, fossil fuel investments, these would include: the costs associated with price volatility of fossil fuel, water, and other resource inputs; the opportunity costs of public subsidies; the risks of disruption of energy supplies; the costs and risks of oil spills, toxic contamination, acid rain, urban air quality health impacts, and other environmental impacts; the climate impacts of carbon dioxide emissions; and the opportunity costs of the “lock in” effects of promoting existing technological pathways that may inhibit the development and deployment of superior technologies. Conversely, the intangible public benefits of investments in end-use energy efficiency and on-site and locally distributed renewable energy initiatives may include: increased local employment, improved security and resiliency of electricity systems, the demonstration effects of bringing new technologies on-line, and increased innovation and economies of scale to help eliminate the incremental costs of certain renewable technologies over time.

¹⁶ See e.g., IFC, 2012. *Performance Standard 3*, para. 9. For example, “Measurement, Reporting and Verification” (MRV) developed for REDD+ (Reducing Emissions from Deforestation and Degradation) may serve as a useful model for carbon monitoring and accounting. See, e.g., *GOFC-GOLD, 2012, A sourcebook of methods and procedures for monitoring and reporting anthropogenic greenhouse gas emissions and removals associated with deforestation, gains and losses of carbon stocks in forests remaining forests, and forestation. GOFC-GOLD Report version COP18-1*, (GOFC-GOLD Land Cover Project Office, Wageningen University, The Netherlands). http://www.gofcgold.wur.nl/redd/sourcebook/GOFC-GOLD_Sourcebook.pdf

3. Incorporate Country-Owned Strategies to Reduce Emissions and Strengthen Resilience.

ESS 1 should ensure consistency between project proposals and national strategies to promote climate-sensitive development.

3.1 Many developing countries have undertaken strategic planning exercises to guide their transition to lower carbon development pathways and strengthen their resilience to climate change. Indeed, through ESMAP, the World Bank has supported such strategic planning at the national, regional, and sectoral levels.¹⁷ *Where such plans and strategies have not yet been developed, the Bank should require them as a prerequisite for support for projects in greenhouse gas intensive or particularly vulnerable sectors.*

3.2 *Low-Carbon Development Strategies, NAMAs and INDCs:* Many developing countries have agreed to develop plans for limiting greenhouse gas emissions under the UNFCCC. With regard to pre-2020 actions, the *Cancun Agreements* encourage developing countries to produce national low-carbon development strategies to guide their mitigation actions,¹⁸ and expect them to specify the “nationally appropriate mitigation actions” (NAMAs) that they will take to reduce the growth in their emissions, consistent with their national circumstances and development aspirations. They also created a registry to record these NAMAs, with separate sections for those that require international support to be implemented and those that do not.¹⁹ With regard to post-2020 actions, most developing countries will come forward with “intended nationally determined contributions” (INDCs) this year in advance of November’s Paris Climate Conference.²⁰

3.3 As a general principle, the *Safeguard Policies* should respect and internalize the agreements, objectives, standards, and commitments regarding sustainable development and environmental protection that the Bank’s Members agree to in other multilateral fora.²¹ The World Bank Group has already recognized that the UNFCCC is the primary venue for the international community to devise modes of global cooperation on climate change, including the provision of financial assistance.²²

3.4 Therefore, the Bank should respect the primacy of the UNFCCC process by integrating national action plans, INDCs and NAMAs into its investment decision-making. The Bank should use these country-driven strategies as critical planning tools that reflect a country’s particular development priorities and challenges. Paragraph 24 of the *Consultation Draft*, which instructs borrowers that “national environmental or social action plans” must be “take[n] into account”, does not provide adequate direction. It should be strengthened to make clear that the Bank will expect that all the activities it supports are consistent with the strategic plans, priorities and

¹⁷ <http://www.esmap.org/EASP>

¹⁸ FCCC/CP/2010/7/Add.1, paras. 45, 65.

¹⁹ FCCC/CP/2010/7/Add.1, paras. 48, 54; <http://namanews.org/news/the-nama-registry/>

²⁰ FCCC/CP/2013/10/Add.1, para. 2(b); FCCC/CP/2014/Add.1, para. 13.

²¹ IFC’s *Performance Standards* have made noteworthy progress in this regard. On issues such as human rights, labor conditions and practices, hazardous waste and toxic pollution, pesticide use, the protection of habitats and biological diversity, and the protection of cultural heritage, the *Performance Standards* recognize that international agreements and standards provide authoritative guidance for what its policies should include.

²² World Bank, *Development and Climate Change: A Strategic Framework for the World Bank Group*, 2, 3 (2008).

objectives that countries have adopted as part of their national development plans, INDCs or NAMAs.

3.5 Moreover, given its limited funds, and the limited public funds available for climate-sensitive development generally, the Bank should establish a clear framework for prioritizing support. The *Cancon Agreements* anticipate three distinct “baskets” of potential investments:

1. Low-carbon NAMAs that have attractive rates of return and do not need international public support to be implemented.
2. Low-carbon NAMAs that may need catalytic support or carry incremental costs, and will require international support to be implemented.
3. “Business as usual” investments that will not appreciably limit emissions growth.

3.6 The Bank should focus on providing support to projects in the second category, as this is where it can best advance its poverty alleviation, sustainable development and climate mitigation objectives. By contrast, projects in the third category will involve fundamental trade-offs between development and climate mitigation objectives, and the Bank should treat these as inconsistent with its strategic focus on capturing synergies between its strategic objectives.

3.7 *National REDD+ Strategies:* Many countries are also developing strategies to reduce emissions from deforestation and forest degradation (REDD+) in ways that can maintain the structure, function, and ecosystem services provided by forests. Indeed, the World Bank already provides extensive support for REDD+ initiatives through funds such as the Forest Carbon Partnership Facility, Forest Investment Program, and Biocarbon Fund. The World Bank should ensure that its investments are consistent with national REDD+ strategies, and seek synergies with REDD+ readiness efforts and programs. Importantly, ensuring such consistency will require consideration of emerging national REDD+ safeguard systems.

3.8 *National Adaptation Plans:* Similar planning efforts are underway with regard to climate resilience and adaptation. National Adaptation Programs of Action are key planning frameworks that almost all Least Developed Countries have developed in order to address urgent adaptation needs. Similarly, a number of other developing countries have also created their own national adaptation strategies and plans. Many countries will put forward new or revised adaptation strategies and plans as part of their INDCs.²³ In a number of countries, national trust funds and other mechanisms have also been created or are in development to steer and oversee finance for climate adaptation based on national priorities and strategies. The World Bank should ensure that its financing is consistent with the adaptation priorities, strategies and plans articulated through national-level processes and should work through national mechanisms whenever possible. The Bank should also work to ensure that its adaptation financing is developed and carried out based on meaningful, robust consultation and participation involving civil society and local affected communities.

²³ FCCC/CP/2014/Add.1, para. 12.

3.9 National Action Plans for SLCPs: Under the aegis of the Climate and Clean Air Coalition (CCAC), many developing countries are developing national action plans to reduce the impacts of short-lived climate pollutants.²⁴ These action plans will focus on five strategic areas: (1) reducing black carbon emissions from diesel vehicles and engines; (2) reducing black carbon and other pollutants from brick production; (3) reducing SLCPs from municipal solid waste; (4) promoting HFC alternatives and standards; and (5) reducing SLCPs from oil and natural gas production.²⁵ As a partner in the Coalition, the World Bank should promote the development of these plans by integrating them into its investment decision-making to ensure that its activities are consistent with the national SLCP reduction priorities.

4. Address the problem of harmful subsidies and poor regulatory environments

ESS 1 should include criteria to prioritize support for low-carbon initiatives and improved end-use resource efficiency where regulations or other market distortions incentivize throughput and investments in fossil fuel-based supply expansion.

4.1 Government regulations and policies can have a profound effect on the degree to which the Bank's clients seek (or are able) to maximize end-use resource efficiency, and otherwise minimize greenhouse gas emissions and climate impacts. The Bank must determine how to meet its sustainable development, climate mitigation, and resource efficiency objectives in governance environments where bad policies, inappropriate subsidies, and perverse incentives externalize the environmental and social costs of fossil fuel based energy, and obscure its cost premium over renewables and end-use oriented service delivery.

4.2 Paragraph 24 of the *Consultation Draft* requires borrowers to consider the “country's applicable policy framework.”²⁶ This provision should be strengthened to require the Bank and its clients to assess how subsidies and regulations may impede the Bank from achieving its sustainable development and climate mitigation objectives. It should provide clearer direction regarding how the regulatory landscape should be assessed and how the outcomes of those assessments should be factored into project decision-making. In particular, it should provide guidance as to what kinds of projects may or may not merit support given identified shortcomings in the regulatory and policy framework, and how better regulations should be considered as an alternative to a proposed project.

Proposed Revisions to ESS 3

5. Strengthen the resource efficiency requirements and require the use of “best available technologies”

ESS 3 should strengthen its resource efficiency requirements to prioritize end-use resource efficiency improvements as a core climate and development strategy, and to require the use of “best available technology”.

²⁴ <http://www.unep.org/ccac/Actions/SLCPNationalActionPlans/tabid/104670/Default.aspx>

²⁵ <http://www.ccacoalition.org/>

²⁶ OP 4.01, *Environmental Assessment*, para. 3.

5.1 As the World Bank’s Independent Evaluation Group²⁷ and numerous other observers have noted, increasing end-use efficiency is the single most important strategy for expanding and improving energy service delivery, while facilitating the transition to sustainable, low-carbon energy systems at least cost and risk. From a development perspective, systemic improvements in end-use efficiency can do more, faster, cleaner and at lower (often negative) cost to help countries meet their energy needs, and particularly those of the poor, than any other approach.²⁸

5.2 Similarly, from a climate mitigation perspective, end-use efficiency improvements offer the greatest benefits and lowest opportunity costs—they can eliminate by far the most carbon emissions per year and per dollar spent.²⁹ Indeed, McKinsey Global Institute and others have identified a number of efficiency initiatives that can reduce emissions almost immediately, with very attractive returns on investment and short pay-back periods.³⁰

5.3 Given the extraordinary opportunities for end-use efficiency initiatives to achieve the Bank’s development, environmental, and carbon mitigation objectives at least cost and risk, the Bank should prioritize an end-use oriented approach to the delivery of utility services in all of its activities. ***In the utility sector, ESS 3 should preclude support for a project to expand energy or water supply where the same services could be more advantageously delivered through improved end-use efficiency.*** This strategy has already proven effective in prioritizing energy investments through a project ‘loading order’ where efficiency projects are given first priority, followed in succession by those with the lowest gC/MW impact.³¹

5.4 Outside of the utility sector, ESS 3 should require all resource and energy intensive projects to undertake efficiency audits to identify and capture opportunities for resource use reductions and efficiency improvements.³²

5.5 ESS 3 should also provide more specific policy guidance regarding acceptable efficiency performance standards for the construction or procurement of buildings, vehicles, appliances, industrial motor systems, lights, and other energy and water consuming devices used in Bank supported projects. In particular, it should create a presumption that clients will use “best available technologies” unless the client can make a compelling case that they are not appropriate to the specific project circumstances.

²⁷ Independent Evaluation Group, 2009. *Climate Change and the World Bank Group. Phase I: An Evaluation of World Bank Win-Win Energy Policy Reforms*. Washington, DC: World Bank.

²⁸ Casillas, C. and Kammen, D. M. (2010) “The energy-poverty-climate nexus,” *Science*, 330, 1182 – 1182. DOI: 10.1126/science.1197412.

²⁹ World Bank Independent Evaluation Group, 2008. *Climate Change and the World Bank Group, Phase I: An Evaluation of World Bank Win-Win Energy Policy Reforms*; UN Secretary General’s Advisory Group on Energy and Climate Change, 2010. *Energy for a Sustainable Future*. Amory Lovins, 2005. *Energy End-Use Efficiency*. www.rmi.org.

³⁰ McKinsey & Company, *Pathways to a Low Carbon Economy. Version 2 of the Global Greenhouse Gas Abatement Cost Curve* (2009); Lovins, *Id.*

³¹ *Implementing California’s Loading Order for Electricity Resources*. (2005). California Energy Commission, CEC-400-2005-043 <http://www.energy.ca.gov/2005publications/CEC-400-2005-043/CEC-400-2005-043.PDF>

³² EBRD supports such energy efficiency efforts through its Sustainable Energy Initiative. <http://www.ebrd.com/downloads/research/factsheets/industriale.pdf>

6. Fully apply the “mitigation hierarchy” to resource efficiency and greenhouse gas emissions.

The Safeguard policies should fully apply the “mitigation hierarchy” to issues of resource efficiency, water use, energy use, and emissions of greenhouse gases and short-lived climate pollutants, and allow offsets only for emissions that cannot be avoided or reduced.

6.1 ESS 1 makes clear that borrowers are expected to apply a mitigation hierarchy that looks first to anticipating and avoiding risks and impacts. Where avoidance is not possible, risks and impacts must be minimized, residual risks and impacts be mitigated, and unmitigated risks and impacts must be compensated or offset. (ESS 1, footnote 2; paragraph 25). Under ESS 1, offsets are only required where financially and technically feasible. (*Id.*)

6.2 Resource efficiency measures are a frontline avoidance strategy. They minimize adverse impacts associated with activities across the entire production chain: they avoid impacts upstream by reducing resource inputs, and downstream by reducing wastes and pollutants.

6.3 In accordance with ESS 1, then, resource efficiency measures should be prioritized at the top of the mitigation hierarchy with other avoidance strategies. Borrowers should be expected to apply efficiency measures along with other avoidance measures wherever possible, and undertake efforts to minimize, restore, or offset impacts only where such avoidance is not possible.

6.4 ESS 3, however, applies a diluted version of the mitigation hierarchy to resource efficiency and pollution prevention measures. **First**, rather than treating efficiency measures as a core avoidance tool that should be implemented wherever possible under ESS 1, ESS 3 requires that they only be implemented where “technically and financially feasible.”³³ This is odd, since ESS 3 purports to apply “in accordance with the mitigation hierarchy.” (Para. 3). Instead of limiting efficiency requirements in the same way as offsets—and thus functionally putting them at the bottom of the mitigation hierarchy—ESS 3 should make clear that efficiency will be prioritized within the mitigation hierarchy along with other avoidance strategies, and that feasibility considerations of efficiency measures will be evaluated no differently than other avoidance strategies.

6.5 **Second**, ESS 3 applies an even weaker standard to other measures to reduce greenhouse gas emissions. It only requires borrowers to implement “technically and financial feasible and cost effective options” to reduce emissions. (Para. 5). This is hard to justify. Greenhouse gas emissions should be treated like any other pollutant or waste, to which the mitigation hierarchy fully applies. (Paras. 10, 14). Indeed, footnote 1 properly defines “pollution” to include greenhouse gas emissions. Paragraph 5 therefore should be amended to specify that the mitigation hierarchy will fully apply to greenhouse gas pollution.

³³ Moreover, since “feasible” is defined as “capable of being done or carried out”, it is not entirely clear what distinction the *Consultation Draft* is trying to draw between actions that are “possible” and those that are “technically and financially feasible”. But because the mitigation hierarchy uses the distinction to limit the applicability of the offset requirement, it is clear that it intends “technical and financial feasibility” to apply to a narrower set of circumstances.

7. **Preclude support for projects that produce hydroflouorocarbons**

The *Safeguard Policies* should preclude support for projects that produce hydroflouorocarbons, and should require clients that use them to quantify their use and use substitutes, where available.