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1 February, 2018

**Subject: Towards a post-Paris Agreement EBRD Energy Sector Strategy**

Dear ladies and gentlemen,

we are contacting you concerning the EBRD's ongoing review of its Energy Sector Strategy. We are representatives of Food & Water Europe, environmental NGO focused on fracking and gas infrastructure, Gastivists, a collective closely liaising with communities impacted by gas extraction and gas infrastructure projects in Europe, and the Leave it in the Ground Initiative (LINGO) which works on speeding up the transition to 100% clean energy by keeping fossil fuels in the ground. With the present letter we want to urge you to thoroughly reconsider the role you give to fossil gas in your current lending policy, given recent developments that should influence the direction of your Energy Sector Strategy.

The EBRD vote to end its investment in coal plants in 2013 was a needed step towards aligning the bank's policy with the climate emergency. Now, over 4 years later, the urgency to end its support for fossil gas<sup>1</sup> projects is greater than ever. The Paris Agreement has significantly changed the goal posts for global climate change mitigation efforts by introducing the 1.5°C temperature target. This target is based on science about climate change impacts, has been promoted by those most vulnerable to these impacts and ultimately been accepted as the necessary level of ambition the global community needs to attain. As such, it constitutes the natural starting point for a post-Paris Agreement Energy Sector Strategy. Furthermore, the Paris Agreement has established „net zero“ emissions as global long-term target which – in connection with a

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<sup>1</sup> We will mostly refer to fossil gas, often called „natural“ gas in this submission. Nevertheless, there are numerous caveats to consider concerning the use of so-called “renewable” gases. Biogas, synthetic methane and P2G result in the production of methane with all the climate risks this greenhouse gas entails. Moreover, we remind that projects to generate “renewable” gases or transport hydrogen, are still in their pilot phases and are not ready for larger-scale use.



scientific understanding of the global climate system and the temperature target must be interpreted as a complete phase-out of the burning of fossil fuels by 2050.<sup>2</sup>

Given the long lifetimes of energy infrastructure, the post-Paris Agreement Energy Sector Strategy can no longer be a „low-carbon“ strategy. It must be a zero-carbon strategy.

While its oil and coal which are mainly in the focus of discussions about the needed phase-out of fossil fuels, our organizations have been working intensely on the third of the three main fossil fuels: “natural” gas.

Besides the updated mitigation ambition of the Paris Agreement, new scientific research on methane leakage has cast doubts over fossil gas as a „low-carbon“ fuel. We explicitly caution against using IEA reports on this topic, because the agency openly promotes the use of fossil gas<sup>3</sup> and has chosen to use erroneous US EPA numbers as a global baseline for gas leakage along the supply chain.

In order to facilitate a proper treatment of fossil gas in the EBRD's new Energy Sector Strategy, we have collected some of the manifold issues around the extraction and use of gas, particularly against the backdrop of strong industry spending on promoting the narrative of fossil gas as a “bridge fuel”.

### *Gas is no solution for the ongoing climate crisis*

2016 saw global warming of around 1.1 degree Celsius above pre-industrial levels<sup>4</sup> and climate change is already leading to increasingly severe impacts<sup>5</sup>. NASA finds that two key climate change indicators - global surface temperatures and Arctic sea ice extent - have broken numerous records through the first half of 2016<sup>6</sup> and, according to NASA, 2017 was the hottest year since the beginning of global measurement without the El Niño phenomenon.<sup>7</sup>

The impacts of climate change will get far worse unless immediate action is taken to cut the emissions of greenhouse gases which are causing climate change. The Paris Agreement<sup>8</sup> aims to keep warming to 1.5 degrees, but nations' pledges so far are likely to ensure warming of more than 3 degrees.<sup>9</sup> Hence, increased ambition is urgently

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<sup>2</sup> Schleussner, Carl-Friedrich, et al. "Science and policy characteristics of the Paris Agreement temperature goal." *Nature Climate Change* 6.9 (2016): 827.

<sup>3</sup> See e.g. Birol, Fatih, and Christian Besson. "Golden Rules for a Golden Age of Gas, World Energy Outlook Special Report on Unconventional Gas." *International Energy Agency* 12 (2012).

<sup>4</sup> <https://public.wmo.int/en/media/press-release/wmo-confirms-2016-hottest-year-record-about-11%C2%B0c-above-pre-industrial-era>

<sup>5</sup> <https://public.wmo.int/en/media/press-release/climate-breaks-multiple-records-2016-global-impacts>

<sup>6</sup> <https://www.nasa.gov/feature/goddard/2016/climate-trends-continue-to-break-records>

<sup>7</sup> <https://www.nasa.gov/press-release/long-term-warming-trend-continued-in-2017-nasa-noaa>

<sup>8</sup> [http://unfccc.int/meetings/paris\\_nov\\_2015/items/9445.php](http://unfccc.int/meetings/paris_nov_2015/items/9445.php)

<sup>9</sup> <https://www.un.org/press/en/2017/sgsm18543.doc.htm>



required. As the majority of greenhouse gases come from the burning of fossil fuels (coal, oil and gas), it is essential to phase them all out as quickly as possible and to stop encouraging investments in this sector. If this phase-out does not start now, the cliff-shape emission reduction necessary to achieve the needed decarbonisation of our economy, will become increasingly difficult.

The EBRD has an important role to play with its energy lending policy, shaping the support that energy production and infrastructure projects receive. After ending (direct) support for coal-fired power plants, it is more than ever in the responsibility of the EBRD to stop financial support to gas projects to respond to the climate crisis.

There is more and more evidence and peer reviewed science which show the contribution of “natural” gas in aggravating global warming. Despite repeated claims mainly by the oil and gas industry, “natural” gas is a fossil fuel and by no means a bridge fuel. If natural gas emissions (including both CO<sub>2</sub> emissions resulting from combustion and methane emissions) continue to be as high as today, they will add 0.6°C to global temperature rise. At the same time, its continued use together with other fossil fuel use would mean that Europe’s carbon budget would be exhausted in less than 10 years.<sup>10</sup>

Fossil gas not only emits CO<sub>2</sub> while being burned it also consists mainly of methane (CH<sub>4</sub>), which is emitted all along the life-cycle of gas: during extraction, liquefaction, transport, regasification, distribution and consumption. Methane emissions are not measured properly and on a large scale yet, but need to be taken into consideration properly when looking at the climate impact of natural gas. Methane is a greenhouse gas 85 times more potent than CO<sub>2</sub> on a 20-year time scale<sup>11</sup> and more than a hundred times more potent during the twelve years it remains in the atmosphere. Up to 12% of the total methane production can be lost with unconventional extraction techniques such as fracking,<sup>12</sup> but also conventional gas extraction and transport sees significant amounts of leaked methane.

Until reliable figures about actual methane leakage rates are available, the burden of proof rests with the gas industry to substantiate the claim that fossil gas would provide climate benefits over coal.

The EBRD already carries out climate assessments for projects it funds. However, we do not expect that any fossil gas infrastructure project would pass a proper climate assessment, taking the 1.5°C target seriously, including comparing lifecycle externalities of infrastructures to their renewable equivalent, and genuinely using the precautionary approach to take into account uncertainties around methane leakage rates along the gas lifecycle. An explicit ban would be more straightforward and would effectively show that the EBRD’s is committing to protect our climate.

### *Economic risks connected to fossil gas project funding*

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<sup>10</sup> <http://www.foeeurope.org/NoRoomForGas>

<sup>11</sup> [https://www.ipcc.ch/pdf/assessment-report/ar5/wg1/WG1AR5\\_Chapter08\\_FINAL.pdf](https://www.ipcc.ch/pdf/assessment-report/ar5/wg1/WG1AR5_Chapter08_FINAL.pdf)

<sup>12</sup> <http://www.howarthlab.org/>



With the emerging awareness of the climate crisis we are in, the global Paris Agreement as well as the rapid growth of renewable capacities, investments in natural gas projects need to be carefully weighed against future developments.

The EBRD has to take into account that gas infrastructure is constructed to remain active for at least 40 years.<sup>13</sup> This means that e.g. pipelines or LNG terminals might still be operating in the year 2058 or 2068, by when a phase-out of fossil fuels will have to be completed. Investing in costly gas infrastructure or supporting gas plants is economically short-sighted and risks creating stranded assets.<sup>14</sup>

Investments in gas projects nowadays constitutes building a bridge to nowhere, while channeling urgently needed money away from energy efficiency and renewable energy projects.

### No social license for gas projects

The extraction, transport, processing and burning of gas impacts human rights in many ways. Gas extraction can cause severe damages to the environment and lead to air and water pollution by which it indirectly also threatens human rights of affected communities. Gas extraction, particularly unconventional techniques such as fracking can harm persons living near fracking sites, cause serious health problems, contaminate drinking water, lead e.g. to a rise in traffic accidents and evoke a range of other social issues in affected communities.<sup>15</sup>

Likewise, people living along pipelines or next to LNG terminals are negatively affected – often without means to mitigate the impacts of gas infrastructure on their lives.

The Sustainability Impact Assessment on TTIP rightly highlights that “[...] low gas prices reinforce our dependency on fossil fuels, and fracking and horizontal drilling are not without impacts and risks (e.g. through methane leakage, and water and land use) for the environment and thus the human right to health, human right to a clean environment and human right to water.”<sup>16</sup>

Many gas extraction countries, and especially EBRD’s countries of operation such as Azerbaijan, Turkmenistan or Kazakhstan can be characterized as repressive police states or dictatorships where we observe human rights violations, corruption or political unrest. The drilling for fossil fuels in these countries is often done through state companies that support the ruling regime and local communities tend to be unable to express their opinion due to lacking consultation.

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<sup>13</sup> <http://cbw.ge/gas/southern-gas-corridor-to-remain-active-for-50-60-years/>

<sup>14</sup> See for Europe:

[https://ec.europa.eu/energy/sites/ener/files/documents/MJ0614081ENN\\_002.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/MJ0614081ENN_002.pdf)

<sup>15</sup> For context information:

[https://www.foodandwaterwatch.org/sites/default/files/Social%20Costs%20Fracking%20Report%20Sept%202013\\_0.pdf](https://www.foodandwaterwatch.org/sites/default/files/Social%20Costs%20Fracking%20Report%20Sept%202013_0.pdf)

<sup>16</sup> <http://www.trade-sia.com/ttip/wp-content/uploads/sites/6/2014/02/TSIA-TTIP-Final-Report.pdf>



### Example Case: Southern Gas Corridor

- The project is surrounded by scandals and corruption, such as the Azeri laundromat scheme.
- The negative externalities of TANAP have been quantified at between 2 and 13 Euros per Euro invested<sup>17</sup>, directly contradicting the mission of EBRD to develop and reconstruct. It is especially worrying that a part of this cost is born by the most vulnerable parts of global society which have contributed little to the unfolding climate crisis themselves.
- The Italian leg of the corridor, the Trans Adriatic Pipeline (TAP) has met with a determined local resistance movement. Protests have been contested violently by police and the military in Melendugno, Italy, where an entire town was locked down.<sup>18</sup>
- In Azerbaijan, protest is prevented by jailing opposition voices.<sup>19</sup>
- A new study found that in the majority of scenarios taking into account unintended releases of methane during extraction and transmission of gas through the Southern Gas Corridor, the risk of exacerbating, rather than mitigating, climate change would rise through this pipeline and could even be higher than in the case of using coal.<sup>20</sup>
- Availability of sufficient gas supply from Azerbaijan has been questioned, eroding the technical rationale for the project in the first place and leaving Russia to step in and fill it up.

### Conclusions

This will be the first post-Paris Agreement energy sector lending policy of the EBRD, since the last approval of such a strategy, the world has seen more heat records and more devastation through natural disasters linked to climate change than ever before. At the same time, resistance to all fossil fuels, coal, oil and gas, is growing. The energy transition is picking up speed and ambition in climate targets is getting stronger, as signaled by the Paris Agreement which sets a tight temperature target and designed a ratchet mechanism to increase ambition in the near future.

The promise of 2013: *“In the context of a growing climate challenge, EBRD will, as a key priority, promote the transition to a low-carbon energy sector. The efficiency agenda that*

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<sup>17</sup> Kartha, Sivan (2017) The AIIB'S Energy opportunity: Background Research Report. Oxfam Research Report, June 2017.

[https://www.oxfam.org/sites/www.oxfam.org/files/file\\_attachments/rr-aiib-energy-opportunity-background-research-210617-en.pdf](https://www.oxfam.org/sites/www.oxfam.org/files/file_attachments/rr-aiib-energy-opportunity-background-research-210617-en.pdf)

<sup>18</sup> <http://www.independent.co.uk/news/world/europe/melendugno-trans-adriatic-pipeline-tap-red-zone-italy-protests-a8085586.html>

<sup>19</sup> Mammadov, Ilgar (2017) A letter from an inmate of the Southern Gas Corridor. Open Democracy, 20 January 2017.

<https://www.opendemocracy.net/od-russia/ilgar-mammadov/open-letter-from-inmate-of-southern-gas-corridor>

<sup>20</sup> <https://bankwatch.org/wp-content/uploads/2018/02/smoke-mirrors-SGC.pdf>



*is relevant to all EBRD's activities will be central to this approach, as will growing support for renewable energy sources and policy dialogue to promote the move to prices that reflect all costs, including those of externalities.”<sup>21</sup>*

stands as a baseline upon which to build a post-Paris Agreement Energy Sector Strategy.

The Paris Agreement has finally set the goal of humanity as an end to the fossil fuel age (paraphrased as “net zero carbon emissions in the second half of the century”). Taking into account peer reviewed climate science, this basically means an end of fossil fuel burning globally by 2050 at the latest. A post-Paris Agreement Energy Sector Strategy must therefore be in line with the higher end of ambition, that is staying below 1.5°. Such a strategy clearly cannot leave space for new fossil gas infrastructure – or any fossil fuel investments. As analysis has shown, if externalities are taken into account properly, new fossil fuel projects can certainly not be considered economically acceptable.

### Recommendations

The EBRDs first post-Paris Agreement Energy Sector Strategy should:

- embrace the challenge to swiftly exit the fossil fuel age,
- target a zero carbon energy system,
- align with the 1.5° temperature target of the Paris Agreement,
- explicitly ban fossil fuel investments of all kinds, including fossil gas,
- prioritize renewable energy sources and energy efficiency

We thank you for the opportunity to provide input for the development process of a new Energy Sector Strategy in these crucial times and hope that our contribution will meet with your thoughtful consideration.

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<sup>21</sup> <http://www.ebrd.com/downloads/policies/sector/energy-sector-strategy.pdf>