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Energy for Growth Hub
May 2021

Do major DFIs finance fossil fuels?

Development finance institutions (DFIs) help catalyze and direct investment in emerging economies. Their policies toward particular energy technologies and fuel sources therefore influence development trajectories. The typical lifespan of power projects means that energy finance decisions can impact a country's emissions (and development) pathways for decades.

Many DFIs are currently reconsidering where best to put their capital in order to meet three ambitious and interrelated goals: achieving universal energy access, powering widespread job creation, and curbing global carbon emissions. To what extent (if at all) should DFIs continue to support new fossil fuel projects? And should they differentiate natural gas from coal and oil?

We analyzed the scope and content of current institutional policies regarding the financing of fossil fuels for power generation at 29 major DFIs. Here's what we found:

TABLE 1: Fossil fuel policies of DFIs by gas allowance

DFI Natural Gas Finance Policy Status				
DFI	Indicated or implied support for gas	Restrictions on most fossil fuels, w/ exceptions for gas	Ban on all fossil fuels (including gas)	No mention of gas restriction
ADB (Asia)	X			
AfDB (Africa)	X			
CDB (CHN)	X			
DFC (USA)		X		
EDFIs (Europe)		X		
BIO (BEL)		X		
BMI-SBI (BEL)				X
CDC (UK)		X		
COFIDES (ESP)				X
DEG (DEU)		X		
Finnfund (FIN)		X		
FMO (NLD)				X
IFU (DEN)			X	
Norfund (NOR)	X			
OeEB (AUT)		X		

Proparco (FRA)		X		
SIFEM (CHE)				X
SIMEST & CDP (ITA)				X
SOFID (PRT)				X
Swedfund (SWE)			X	
EIB (Europe)			X	
ERBD (Europe)				X
FinDev (CAN)				X
IDB (Latin Am.)	X			
IsDB (Islamic states)		X		
JICA (JPN)	X			
KDB (KOR)	X			
World Bank		X		
IFC (WB)				X

Conclusion

There remains a great deal of diversity in how DFIs treat fossil fuel projects. These policy positions on global finance matter because DFIs provide crucial finance and risk mitigation, and influence capital markets. As institutional policy positions evolve, so will available pathways for development.

Annex: DFI Policy Categorization Context

1. Restriction on all fossil fuels

Only three of the institutions -- Swedfund, the European Investment Bank (EIB) and the Danish Investment Fund for Developing Countries (IFU) -- have completely banned (or plan to ban in the very near-term) financing for all fossil fuels.

- **Swedfund's** website states that since 2014 Swedfund has only invested in renewable energy.
- **EIB** released a statement announcing that after end-2020, it will "align all financing activities with the goals of the Paris Agreement," and will no longer consider new financing for unabated, fossil fuel projects (including gas) after 2021.
- **IFU** no longer makes new investments in fossil fuel-based power generation as of 2021. However, it will continue to consider investment in 'transitional' technologies through 2023 -- including hybrid gas and renewable solutions -- with the goal of ensuring a "more reliable and smoother transition" to green technologies. These projects will need to meet development criteria such as aligning with the Paris Agreement, meeting acute energy needs, or securing broader energy access.

2. Restriction on most fossil fuels, with some room for gas financing

Many DFIs restrict financing for coal and oil, but make allowances for natural gas. Some policies impose more restrictions on gas than others, and some include timelines to ultimately phase out support:

- **EDFI**, the European group of DFIs from 15 member countries,* has a fossil fuel-specific exclusion list which bans only new coal and oil generation. The group's climate statement acknowledges that gas-fired generation can be financed -- for now. To receive support, gas projects must be aligned with the Paris Agreement, and EDFI plans to fully exclude gas by 2030 at the latest.
- **The Belgian Investment Company for Developing Countries (BIO)** will support gas and oil projects only under certain conditions, including if they are crucial to achieve an "adequate energy mix," significantly improve energy access, or meet production, price or security of supply targets that renewables cannot. It notes that most of these investments will be located in sub-Saharan Africa, and that they will be heavily risk-assessed. The institution intends to work towards a 100% renewable profile.
- **US Development Finance Corporation (DFC)** just announced that it will aim to achieve net-zero emissions across its investment portfolio by 2040. It will continue financing some fossil fuel projects until 2030, where there is significant development impact.
- **France's Proparco/ Agence Française de Développement (AFD) Group** indicates in its low carbon plan that it will not finance any coal-, oil-, or diesel-fueled plant. Gas may be financed in the short-term in specific situations, based on potential development and climate impact. Proparco prioritizes gas funding to redirect gas flaring, close the energy access gap in Least Developed Countries (particularly in Africa) if it aligns with

their energy transition, and provide LPG for cooking and heating in Africa and Asia if it lowers emissions compared to current methods.

- **Austria's OeEB (Oesterreichische Entwicklungsbank)** notes it follows all EDFI principles and provides no other exclusions.
- **The UK's CDC Group** fossil fuel policy bans financing for most coal and oil projects, with exceptions for downstream gas projects that align with a country's path to net zero emissions by 2050, noting gas's critical role in meeting baseload power demand in Africa and South Asia.
- **The German Investment Corporation (DEG/KfW)** exclusion list includes coal and non-conventional oil -- but gas projects remain viable, if developed in accordance with environmental resource protection standards.
- **Finland's Finnfund** will not, in principle, invest in new fossil fuel projects. However, its sustainability policy leaves room for exceptions, including for gas-fired power solutions that can contribute to significant emission reductions.
- The **World Bank** has largely eliminated finance for upstream gas in an effort to align its support with Paris Agreement goals, but has not added additional language on downstream gas funding.

3. No mention of gas restriction

Many institutions don't have explicit, publicly available policy language on natural gas financing. In some cases, this lack of clarity on financing restrictions poses its own challenges. Where financing policies are opaque, vague, or non-existent, it can be difficult for host-countries, developers, and other financiers to understand which institutions might be potential partners, or to streamline collaboration and deal structuring. And unclear policies within the financing institutions themselves can leave staff without clear guidance on where to focus their time and energy.

- **The Belgian Corporation for International Investment (BMI-SBI)** and **Portugal's SOFID (Sociedade Para O Financiamento Do Desenvolvimento)** provide no extra documentation on their policies.
- **Spain's COFIDES (Compañia Española de Financiación del Desarrollo)** does not indicate limiting any energy sources in its handbook for assessing project development risks.
- **Netherlands Development Finance Company (FMO)** has an institutional position statement against coal, but makes no mention of gas or oil.
- **Swiss Investment Fund For Emerging Markets (SIFEM)** lists coal in its exclusion list, and promotes renewables, but says nothing about limiting gas.
- **Italy's SIMEST & CDP (Società Italiana Per Le Imprese All'estero & Cdc Development Finance)** note that gas projects can qualify as high risk for environmental and social impact, but impose no restrictions.
- **Canada's FinDev** doesn't list fossil fuel exclusions in its development impact or ESG guidelines.
- **The International Finance Corporation (IFC)** has no gas project exclusions (though its available exclusion list hasn't been updated since 2007), and provides guidance for liquified natural gas (LNG) projects, indicating clear support for gas. Its sustainability

guidelines do specify that any extractive projects where assessed risks outweigh the benefits will not receive support.
- The **Islamic Development Bank (IsDB)** lists upstream gas, coal and oil in their exclusion list, as well as processing, storing or marketing these fuels, but does not exclude downstream generation of gas in their Sustainable Finance Framework.
- **The European Bank for Reconstruction and Development (ERBD)** excludes coal and oil projects, noting that applicable large-scale gas projects are assessed for environmental and social risk.

4. Clear support for gas

A few institutions are open about their intentional inclusion of gas, or have readily available documentation on active gas projects.

- The **African Development Bank (AfDB)** has an inclusive energy sector policy, stating that the bank will "support optimal use of oil and gas resources" to secure equitable benefits and increase energy security. They explicitly support gas generation but will not support exploration.
- The **Asian Development Bank's (ADB)** energy policy clearly states that "ADB will continue to support financing natural gas-based power plants, because of their environmental benefit."
- **China Development Bank (CDB)** has no formal statement on its website about fossil fuels or gas, but its Culture Manual references the gas transmission projects CDB has supported, and external resources point out involvement in downstream gas activity.
- **Japan International Cooperation Agency (JICA)** states that about 10% of its financial projects in 2018 were for gas and electric power for grid stability.
- The **Inter-American Development Bank (IDB)** of Latin America/the Caribbean's energy policy highlights the opportunity to expand regional gas generation as a low-carbon way to reach universal energy access. The Bank's active energy projects include oil and gas support.
- **Korea Development Bank (KDB)** has no documented ban on any fuel type. Its 2019 Annual Report documents funding several foreign LNG projects and gas companies.
- **Norway's Norfund** openly indicates support for natural gas as part of its clean energy portfolio, noting the importance of gas in stabilizing the grid and balancing other power sources in African countries.

**The DFIs that make up this coalition include: BIO, BMI-SBI, CDC, COFIDES, DEG, Finnfund, FMO, IFU, Norfund, OeEB, Proparco, SIFEM, SIMEST & CDP, SOFID, and Swedfund. It can be assumed that all of these are subject to the EDFI fossil fuel exclusion and guidelines for energy projects, whether or not extra documentation is available on the Member's own website.*