



DFID Department for
International
Development

1 Palace Street London SW1E 5HE

Telephone: 020 7023 0316
Email: psthomas@dfid.gov.uk
Website: www.dfid.gov.uk

Mr Robert Zoellick
President
The World Bank
1818 H Street, NW
Washington DC 20433
USA

Dear Bob,

23 July 2009

Douglas Alexander has already written to you to announce the launch of the UK's new White Paper on development – *“Eliminating World Poverty: Building our Common Future”* – which puts climate change at the heart of the UK's international development policy. However, I wanted to follow up on one issue in particular: shifting energy lending by the multilateral development banks (MDBs) towards clean technologies.

We need to support all developing countries in identifying and exploiting the new economic opportunities created by the transition to a global low carbon economy, whilst avoiding high carbon lock-in when new infrastructure is built. Furthermore, the G20 London Summit in April 2009 called on the MDBs to “contribute fully” to the “goal of building a resilient, sustainable and green recovery”, which highlights the urgency of ensuring that increased lending activity over the next few years does not come at the expense of longer term priorities.

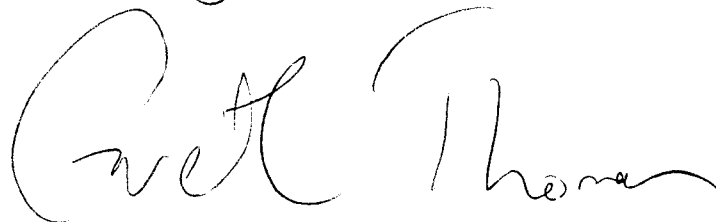
To help deliver on this, we are calling on each of the MDBs to adopt stretching new targets for the percentage of energy sector lending that goes to ‘clean energy’ projects and programs beyond the increase in lending we would expect to see as a result of the Climate Investment Funds. Taking account of current performance and likely future trends, we believe that a target of 60% should be adopted by the World Bank Group, to be achieved by 2012. Such a target would clearly signal the priority you attach to supporting the move to low carbon, climate resilient development.

You may be interested to note that the targets we are proposing for the other MDBs are as follows: 80% for EBRD, 60% for ADB, and 40% for AfDB and IDB.

We also believe that the time has come to take a fresh look at the role of MDB financing for large-scale, fossil-fuelled electricity generation projects. With immediate effect, the UK will begin to test each carbon-intensive project coming to the Executive Board against the broad principles set out in the Strategic Framework on Development and Climate Change. We would expect the World Bank Group to identify where additional concessional financing is required to pursue low carbon alternatives, and to consider existing and future sources to cover this. We would also like to see the work being done on a 'shadow price of carbon' fast tracked so that the MDBs can consider the case for its introduction in the light of the post-2012 deal being negotiated in Copenhagen.

I am asking Andrew Steer, Director General for Policy and Research, to write to Kathy Sierra and a number of Executive Directors to outline our proposals in more detail. In the meantime, I look forward to continuing to work with you and your staff on this urgent and pressing agenda.

Yours sincerely,

A handwritten signature in black ink, reading "Gareth Thomas". The signature is written in a cursive, flowing style with a long, sweeping underline.

GARETH THOMAS

Minister of State