Alliance for Climate Justice & Clean Energy

To Mr. Najy Benhassine,

Country Director for World Bank, Pakistan,

I write on behalf of the Alliance for Climate Justice and Clean Energy (ACJCE). ACJCE is a Pakistani civil society alliance working for a transition away from dirty fossil-fuels and towards clean and renewable sources in Pakistan's energy sector. We are reaching out to express our serious concerns with the World Bank's role in Pakistan's latest energy sector crisis.

As you might be aware, on 26th of August 2021, under immense pressure to meet its loan obligations towards the World Bank, Pakistan's Cabinet Committee on Energy (CCoE) gave its hasty approval to the controversial Indicative Generation Capacity Expansion Plan, 2021-2030 (IGCEP) developed by the National Transmission and Despatch Company (NTDC) as part of its obligations under the Grid Code. Subsequent to this decision, the National Electric Power Regulatory Authority (NEPRA) also approved the plan in a similarly rushed through process. This plan determines the nation's choice of generation technologies and the scheduling of additions to the national grid in the coming decade. It therefore sets the tone for the energy sector's transition to clean and affordable energy and is a crucial component of Pakistan's efforts for climate action under the Paris agreement.

In its present shape and form, however, the IGCEP, is a flawed plan that has strategized Pakistan's energy future around expensive fossil fuels and risky hydel projects. It has (justifiably) attracted widespread criticism for flouting the "least cost" principle, endangering inter-provincial equity and harmony, and is premised on a reckless disregard for environmental and ecological sustainability. As an alliance comprising policy professionals, academics, lawyers, environmental experts, and a coalition of local affectees of coal power projects, we have observed closely the IGCEP's development and approval process and have also participated as stakeholders in the public hearings and debates. We are therefore familiar with its design flaws and the breakdowns in the planning process that have marked its passage. We have also witnessed first-hand how the policies and institutional practices developed by the World Bank have –knowingly or unknowingly – contributed to these structural failures.

It is no secret that the World Bank is more than just a key partner in energy sector planning and development in Pakistan – it currently is (and has historically been) the single most influential voice in determining the legal, regulatory, and policy frameworks, as well the macrosocial objectives that ground this planning. This IGCEP too is a key component of power sector reforms under the World Bank's Pakistan Program for Affordable and Clean Energy (PACE), which defines the roadmap for "reducing power generation costs and greening the energy mix." The disbursements of loan funds under PACE have been made conditional on the approval of a "least-cost generation plan" as a "prior action" to be carried out by NEPRA. The IGCEP 2021 however, completely circumvents the requirement of a competitive assessment between candidate technologies, and various non-renewable sources have been pushed through as "pre-committed" projects. As a result, the planned generation mix is dominated by expensive and dirty fossil fuels, with additions of around 3.9 GW of coal, and 1.2 GW of RLNG to be made in the next 10 years. This preference for fossil fuels comes at the cost of green technologies which have been allocated a meagre 16% share by generation in the mix.

This planned mix contravenes:

- the 30% minimum variable renewable energy (VRE) share prescribed by Pakistan's Alternative & Renewable Energy Policy (AREP) 2020, as well as
- the *higher than* 30% share recommended by the World Bank's own Variable Renewable Energy Integration and Planning Study.

A shift to a VRE based mix led by solar, wind, bagasse, and hybrids is at the heart of Pakistan's energy transition ambitions and this plan will have a devastating effect on the realization of those goals.

The irony here is that both the AREP and the World Bank's own study are meant to serve as the analytical underpinnings for the IGCEP plan – together they form the basis for the Bank's decision to make the approval of the IGCEP a prerequisite for the release of funds. This is a plan which flagrantly violates the very aims and purposes set by the Government of Pakistan and the World Bank, and it is now being pushed through post-haste precisely because of the conditionalities imposed by the Bank. This self-defeating logic exemplifies the unhealthy dynamic that has historically characterized the relationship between Pakistan's energy sector planning and the World Bank's directives.

It is this very logic that also derails any socially responsible and evidence-based planning process. Over the last two years, ACJCE and various other organizations have contributed meaningfully to consultations opened to key civil society stakeholders and industry experts. This process has yielded visible gains with the authority acknowledging the need to uphold the statutory minimums on VRE shares and pledging to conduct an evidence-based reappraisal of the IGCEP with continuing dialogue and input from stakeholders and independent experts at the public hearing in June 2021. A much-needed collaborative and inclusive process has now been interrupted and a fatally flawed plan is being rubber stamped and bulldozed through in a frantic bid to secure the Bank's funds. This ad-hoc top-down approach has also seriously compromised inter-provincial harmony with Sindh's grievances with the decision-making process making national headlines last week. The stability of the federation is thus a direct casualty of the Bank's lending practices.

A similar fate also awaits Pakistan's hopes for an ecologically and socially responsible approach to hydropower. Despite being fully aware of the long-term dangers of hydropower projects, the World Bank has peddled in the dangerous trope that hydropower is "green" energy. The Bank's PACE program either negligently assumes or recklessly pretends that the AREP includes hydel as a renewable source, despite the fact that the AREP very explicitly and pointedly excludes it as such. Under pressure to meet the 66% target for renewables (defined by the Bank as including hydropower and set as part of a prior action condition), the IGCEP has now been forced to add a number of large hydropower projects into the mix, without any preparatory impact assessments or the development of adequate mitigation strategies. Beyond the well-known problems of construction delays and cost overruns associated with large hydel, these projects also incur massive social and environmental costs. This includes mass displacements, loss of livelihood, greenhouse gas emissions, and irreversible ecological impacts on lower riparian regions. These dangers are well established in studies by the World Commission on Dams (WCD) set up in 1997 by the World Bank itself. Pakistan is now condemned to suffer these costs unprepared and unwilling in the decades to come.

This one-step-forward and two-steps-back institutional dance, has plagued the energy sector for several decades now, and it is closely tied to your organization's own policy inconsistencies – especially on matters related to social and environmental protection. For instance, the World Bank's much-celebrated 2013 moratorium on coal projects has been hailed as a defining step in the future of environmentally responsible energy financing. At the same time, the Bank's massive indirect support of the disastrous

Thar Coal Projects in Sindh in the post-2013 years betrays the emptiness of this rhetoric. The Bank's multiple investments in equity and the forwarding of loans subsequently used to finance the Thar Coal-to-Power projects are common knowledge. So are the technical and advisory assistance and the on-lending through Government Budget Support which have been instrumental in the on-going expansion of coal power plants. This contradiction between the Bank's public rhetoric and its practices on the ground has not escaped the notice of the Thar Coal affectees (and now environmental refugees) in Sindh, who are suffering from the enormous social and environmental fallouts of these projects. The Bank is surely cognizant of its contradictory and counterproductive role given that it boasts of its ability to ensure the compliance of government counterparts by "requiring decisions to be made at high level in the governmental hierarchy" in order to ensure that climate goals are met.

As a global community, we are presently at a crossroad in the effort for climate action. This juncture is marked on the one hand by the possibility of a sincere commitment to rectifying our historical mistakes, and on the other, by the dangers of a duplicitous double game inflected by lip service to "green energy" in public, and a cynical serving of narrow and parochial self-interests behind closed doors. It is clear that the World Bank's policies and institutional practices are due for an honest reassessment. Pakistan's present crisis with the approval of an environmentally disastrous IGCEP provides a good opportunity for charting a more responsible way forward. With the expectation of such responsible stewardship, we therefore ask the Bank: What mechanisms do you have in place for ensuring that this flawed IGCEP doesn't derail Pakistan from its environmental goals? What are your plans for internal accountability given the contradictory, inconsistent, and damaging nature of your development policy lending practices? What institutional reforms do you plan to undertake within your own organization to ensure that these failings are not repeated? What debt relief programs do you plan to develop and support in order to offset the damaging effects of the Bank's historical practices on developing nations like Pakistan?

Your response is keenly awaited.

Respectfully,

Zain Moulvi
Member Alliance for Climate Justice and Clean Energy (ACJCE)
Website: www.acjce.com