

The Hon. Dr. Janet L. Yellen,
Secretary-designate
U.S. Department of the Treasury
1500 Pennsylvania Avenue NW,
Washington, DC 20220
Via Electronic Mail

January 19, 2021

Dear Dr. Yellen,

We are pleased to congratulate you on your historic nomination as Secretary of the Treasury and we welcome your statement at the time of your nomination that you looked forward to working with the foreign policy team “to help restore America’s global leadership.” We are aware that, as Treasury Secretary, you will face many difficult issues. We are writing to propose two actions that we believe offer the kind of leadership needed at the multilateral development banks (MDB). We believe that both of these can be readily accomplished, will garner broad support, and have immediate and sustained positive impact, with no budget cost:

1. Restore and advance the Obama Administration’s guidance on fossil fuel financing:

Treasury issued [guidance](#) in October 2013 that ended U.S. government support for public financing of new coal plants overseas, with rare exceptions. At the time, this made the United States a global leader in addressing the climate crisis. In 2017, however, the Trump Administration reversed this and adopted guidance that included [support](#) for fossil fuels.

At the same time, the rest of the world moved ahead. The World Bank in Dec. 2017 announced that it would no longer finance upstream oil and gas, except for gas in the poorest countries where there is a clear benefit in terms of energy access for the poor, effective after 2019. In 2019, the [European Investment Bank](#) went further, committing to end all support for fossil fuel energy projects (upstream and downstream) by the end of 2021. The United States can restore its leadership in this arena by restoring and expanding the 2013 policy to cover other fossil fuels, and applying this to all MDBs in which the U.S. participates. This action will promote the needed global energy transition and take advantage of the steadily declining cost of renewable technologies relative to fossils, even absent a global price on GHG emissions.

2. Oppose the use of budget support loans to finance fossil fuels and harmful impacts to the environment:

The World Bank and other MDBs rely on quick disbursing “development policy finance” (DPF) or “policy-based loans” to provide budget support to borrowing countries, especially in times of economic crises, such as that brought on by the coronavirus pandemic. Yet such loans mostly remain exempt from the MDBs’ environmental and social standards. While the U.S. has fought in the past to reverse this exemption without success, global attention to the climate crisis now makes stronger standards within reach. Specifically, the U.S. should use its voice and vote to support the establishment at each MDB of:

- An exclusion list that bars support for programs or policy changes that are inconsistent with MDB climate commitments, including any policy that will have the effect of promoting use of fossil fuels;
- A screening process consistent with a precautionary approach to bar support for programs or policy changes likely to cause negative effects, directly or indirectly, on the country's environment, climate, forests, biodiversity and other natural resources.

In the case of the World Bank, such reforms may require that the Bank undertake a review of its overall DPF policy, which in any case is long overdue.

Taking these actions will provide much-needed leadership at the MDBs and in the global response to the climate crisis by pushing the MDBs to do more to align themselves with the climate commitments of the UN Sustainable Development Goals and the UNFCCC Paris Agreement. While restoring U.S. leadership in the MDBs will take time, these are important first steps, and demonstrate U.S. commitment to achieving global goals to which all have agreed.

Yours sincerely,

Arab Watch Coalition	(USA)
Bank Information Center	(USA)
Church World Service	(USA)
Crude Accountability	(USA)
Friends of the Earth US	(USA)
Gender Action	(USA)
Maryknoll Office for Global Concerns	(USA)
Mennonite Central Committee U.S. Washington Office	(USA)
Oil Change International	(USA)
Trickle Up	(USA)
<u>International:</u>	
NEXAID	(Cameroon)
Germanwatch	(Germany)
AbibiNsroma Foundation	(Ghana)
Alliance for Empowering Rural Communities	(Ghana)
Jamaa Resource Initiatives	(Kenya)
Climate Finance Group For Latin America and the Caribbean	(Mexico)
Youth For Environment Education And Development Foundation (YFEED Foundation)	(Nepal)
Recourse	(Netherlands)
NGO Forum on ADB	(Philippines)
BirdLife International	(United Kingdom)
E3G	(United Kingdom)