<http://www.washingtonpost.com/blogs/wonkblog/wp/2013/06/27/the-u-s-will-stop-subsidizing-coal-plants-overseas-is-the-world-bank-next/?print=1>

**The U.S. will stop financing coal plants abroad. That’s a huge shift.**

One of the more significant lines in President Obama’s [climate-change speech](http://www.washingtonpost.com/blogs/wonkblog/wp/2013/06/25/obama-tries-the-kitchen-sink-approach-to-global-warming/) this week got relatively scant notice. In a major policy shift, Obama said he would place sharp restrictions on U.S. government financing for new coal plants overseas.

The announcement comes after years of federal support for coal projects abroad, and it’s a shift that could divert billions of dollars away from a cheap source of electricity that contributes heavily to global warming.

Obama’s coal pledge also comes at a time when the World Bank [is mulling](http://www.bloomberg.com/news/2013-06-26/world-bank-to-limit-coal-power-financing-to-rare-circumstances.html)a proposal to limit its lending for coal projects in developing countries.

“Today, I’m calling for an end to public financing for new coal plants overseas unless they deploy carbon-capture technologies, or there’s no other viable way for the poorest countries to generate electricity,” Obama said in his speech at Georgetown University on Tuesday.

Those restrictions will most heavily affect the U.S. Export-Import Bank, a government-backed lender that acts to boost American sales overseas. Over the past five years, the bank has provided financing for a handful of large coal plants, including [$805 million](http://www.exim.gov/newsandevents/releases/2011/ex-im-bank-financing-for-sub-saharan-africa-exceeds-1-billion-for-first-time.cfm) for a 4,800-megawatt plant in South Africa and [$917 million](http://www.exim.gov/newsandevents/releases/2010/ex-im-bank-approves-917-million-export-financing-for-indias-sasan-power-plant-supporting-approximately-1-000-u-s-jobs.cfm) for a 4,000-megawatt facility in India. The lender said each of those deals helped support hundreds of American jobs, from engineers to coal miners.

And there’s at least one coal project currently in the pipeline: The Ex-Im Bank [has been reviewing](http://www.exim.gov/generalbankpolicies/environment/pending-and-approved-transactions.cfm) a proposal for a 1,200-megawatt plant in Vietnam.

Environmentalists have long criticized the federal government for providing billions to finance fossil-fuel projects overseas, particularly at a time when the United States [has pledged billions](http://www.wri.org/publication/ocn-us-fast-start-finance) in foreign aid to help developing countries deal with climate change.

“This new policy sends a message that coal is not an acceptable fuel source for the 21st century,” says Justin Guay, international climate and energy representative of the Sierra Club.

**The coal debate at the World Bank**

Meanwhile, World Bank officials are now circulating [a discussion draft of a new energy strategy](http://www.washingtonpost.com/blogs/wonkblog/files/2013/06/WB-Energy-Strategy-SecM2013-0281.pdf) (pdf) that suggests the lender should stop providing financial support for new coal plants “except in rare circumstances where there are no feasible alternatives available to meet basic energy needs.”

There’s no guarantee that the Bank’s board will adopt the energy strategy. In the past, proposals to restrict coal finance [have been blocked](http://www.fas.org/sgp/crs/misc/R41912.pdf) by countries like China. But the vision fits with World Bank President Jim Yong Kim’s push to address climate change. The lender hasn’t funded a coal project since offering South Africa a [$3 billion loan](http://www.washingtonpost.com/wp-dyn/content/article/2010/04/08/AR2010040805407.html) in 2010 to build a large power plant near Johannesburg.

Neither the Obama administration’s new policy nor the proposal being floated at the World Bank are absolute bans on coal. Both institutions would allow financing for coal plants in poor countries that can’t meet their energy needs in any other cost-effective way.

“It leaves the door open so that if there’s a direct conflict between development aims and climate aims, they can lean on side of development,” says Scott Morris, a policy fellow at the Center for Global Development who worked on development debt and financing in the Treasury Department during Obama’s first term.

A big early test case for both the White House and the World Bank will come in Kosovo, [which is planning to build](http://web.worldbank.org/WBSITE/EXTERNAL/EXTINSPECTIONPANEL/0,,contentMDK:23168914~pagePK:64129751~piPK:64128378~theSitePK:380794,00.html) a new 600-megawatt plant fired by lignite coal, a particularly carbon-intensive fuel. The U.S. Agency for International Development has provided technical assistance to Kosovo over the years, and the World Bank is deciding whether to provide loan guarantees for the project.

**Energy poverty vs. climate change**

In an April teleconference, Kim [discussed](http://www.worldbank.org/en/news/speech/2013/04/16/transcript-pre-spring-meetings-bloggers-teleconference-with-world-bank-group-president-jim-yong-kim) the Kosovo project and noted that tension can often arise between tackling global poverty and cutting carbon emissions so as to avoid severe global warming.

“Climate change and the coal issue is one thing,” Kim said, “but the humanitarian issue is another, and we cannot turn our backs on the people of Kosovo who face freezing to death if we don’t move in.” He added, however, that the World Bank is currently studying whether there were viable cleaner-energy alternatives for Kosovo.

Some development experts have long argued that gas- or coal-fired plants are often the cheapest option for poorer urban areas. What’s more, Morris notes, it could be unwise for the United States or the World Bank to abandon all support for fossil fuels — particularly if it means that poorer countries would just seek financing from China, which could require even fewer environmental safeguards.

Guay, however, disputes the notion that coal is always the cheapest or easiest way to bring electricity to poorer countries. A 2011 [study](http://www.iea.org/papers/2011/weo2011_energy_for_all.pdf) by the International Energy Agency found that in 70 percent of rural developing regions, large coal- and gas- power plants weren’t cost-effective, since homes are too far removed from the existing grid. In those cases, wind turbines or solar panels are often a more viable option.

**The U.S. is still financing oil and gas abroad**

Even if the White House’s new ban on financing for coal plants proves restrictive, the U.S. government will still be providing plenty of support for fossil-fuel projects overseas.

In 2012, the Export-Import Bank provided a record $9.6 billion in financing for natural-gas plants, oil exploration, pipelines and refineries in countries like Mexico and Turkey, [according to figures](http://pacificenvironment.org/downloads/FACT%20SHEET:%20ExIm%20Bank%20fossil%20fuel%20financing.pdf) compiled by Pacific Environment. Overall support for fossil fuels has surged in recent years:

These loans and loan guarantees provide a boost to U.S. companies and exports. For instance, in May the Bank [approved](http://www.bloomberg.com/news/2012-05-31/obama-boosts-coal-exports-prompting-allies-complaints-1-.html) a $90 million loan guarantee to XCoal Energy & Resources, a company in Pennsylvania that ships coal overseas to Japan, South Korea, and China.

Environmentalists have been fighting for years to reorient these policies. In 2002, groups like Greenpeace, Friends of the Earth, and the city of Boulder sued both the Ex-Im Bank and the Overseas Private Investment Corporation (OPIC) over their carbon footprints. In 2009, OPIC, which promotes markets overseas, [agreed to a cap on its carbon emissions](http://www.wri.org/stories/2009/02/counting-carbon-overseas-investments) when funding projects. But the Ex-Im Bank’s financing habits have remained a major point of contention.

In a statement, a spokesman for the Ex-Im Bank said the institution’s board would meet in the near future to discuss “how to implement President Obama’s initiative to reduce greenhouse gas emissions, including his call to end public support for most new coal-fired power plants overseas.”