

The International Finance Corporation is closing a loophole that allowed its financial clients to continue funding new coal projects

The International Finance Corporation (IFC), the private sector arm of the [World Bank](#), **is to stop supporting new coal projects**, a move described by campaigners as welcome but long overdue. An update to the organisation's 'green equity approach' policy, which is aimed at intermediary clients such as commercial banks, explicitly states that IFC investment will no longer support new coal.

The policy previously only required financial clients to reduce their exposure by half by 2025, and to zero by 2030. Financial intermediaries represent more than half of IFC's investments and have received almost **\$40 billion** of IFC support since May 2019. The loophole had allowed the IFC's financial clients to support a number of substantial new coal projects over the past five years.

Hana Bank in [Indonesia](#), for example, financed a 2 GW coal power plant in Indonesia in 2019. The plant is predicted to release 10 million tonnes of carbon dioxide a year, a similar amount to the the whole of Jamaica, for 25 years. PVI Holdings, another IFC client, provided insurance to the Vung Ang II coal power plant in Vietnam in 2021.

Kate Geary, co-director of sustainable finance watchdog Recourse, said the change in policy sent a signal to the wider investment community that **"the era of coal is over"** and called on the IFC to extend the exclusion to oil and gas investments too. "This is a welcome step but a long time coming."

David Pred, executive director of NGO Inclusive Development International, said it needed to enforce the new policy with its existing financial intermediary clients like Postal Savings Bank of China, which is among the leading financiers of [coal](#) in Asia.

Private backers

A growing number of financial institutions around the world have committed to ending support for coal. But a report published today by Global Energy Monitor found that, while international public coal financing has all but dried up, new and expanded projects are still being backed by **private money**.

Of 99 private financial institutions that adopted new or updated coal policies in 2022, the report found most were "insufficient to align banks, insurers, and investors with climate science". Only 12 of these policies were considered strong enough to halt support for the developers of new [coal mines](#) and power plants or set deadlines to end all coal power-related finance in the timeframe required.

The **IFC** is expected to publish a plan to align its portfolio with the Paris Agreement during

next week's [World Bank](#) meetings. The Compliance Advisor Ombudsman has received several complaints about the environmental and social impacts of the IFC's support for coal. The Centre for Financial Accountability filed the first such complaint in 2011 over the backing of a coal project in India's Odisha state, which the ombudsman is still monitoring. Joe Athialy, the centre's executive director, noted that it had taken over a decade for the IFC to finally end its support for new coal. **"In the meanwhile, communities got scattered, their livelihood stolen and the climate crisis made more severe,** with nobody held accountable for all these, and more. We can only hope it moves faster to stop funding oil and gas."

As well as fossil fuels, the IFC has been involved in other controversial projects such as a [hydropower project](#) that threatens to displace thousands of people in Mozambique.

Source: [Climate Home News](#)