

An autopsy of the World Bank's loan to Eskom and South African climate policy

CENTRE FOR
CIVIL SOCIETY

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OUR OBJECTIVE IS TO ADVANCE SOCIO-
ECONOMIC AND ENVIRONMENTAL JUSTICE
BY DEVELOPING CRITICAL KNOWLEDGE
ABOUT, FOR AND IN DIALOGUE WITH CIVIL
SOCIETY THROUGH TEACHING, RESEARCH
AND PUBLISHING.

South Africa's 'Social Movements United' march from Alexandra Township to
the World Summit on Sustainable Development in Sandton, 31 August 2002.

cartoons by *Zapiro*

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World Bank philosophy: markets and 'impeccable' logic of pollution trade

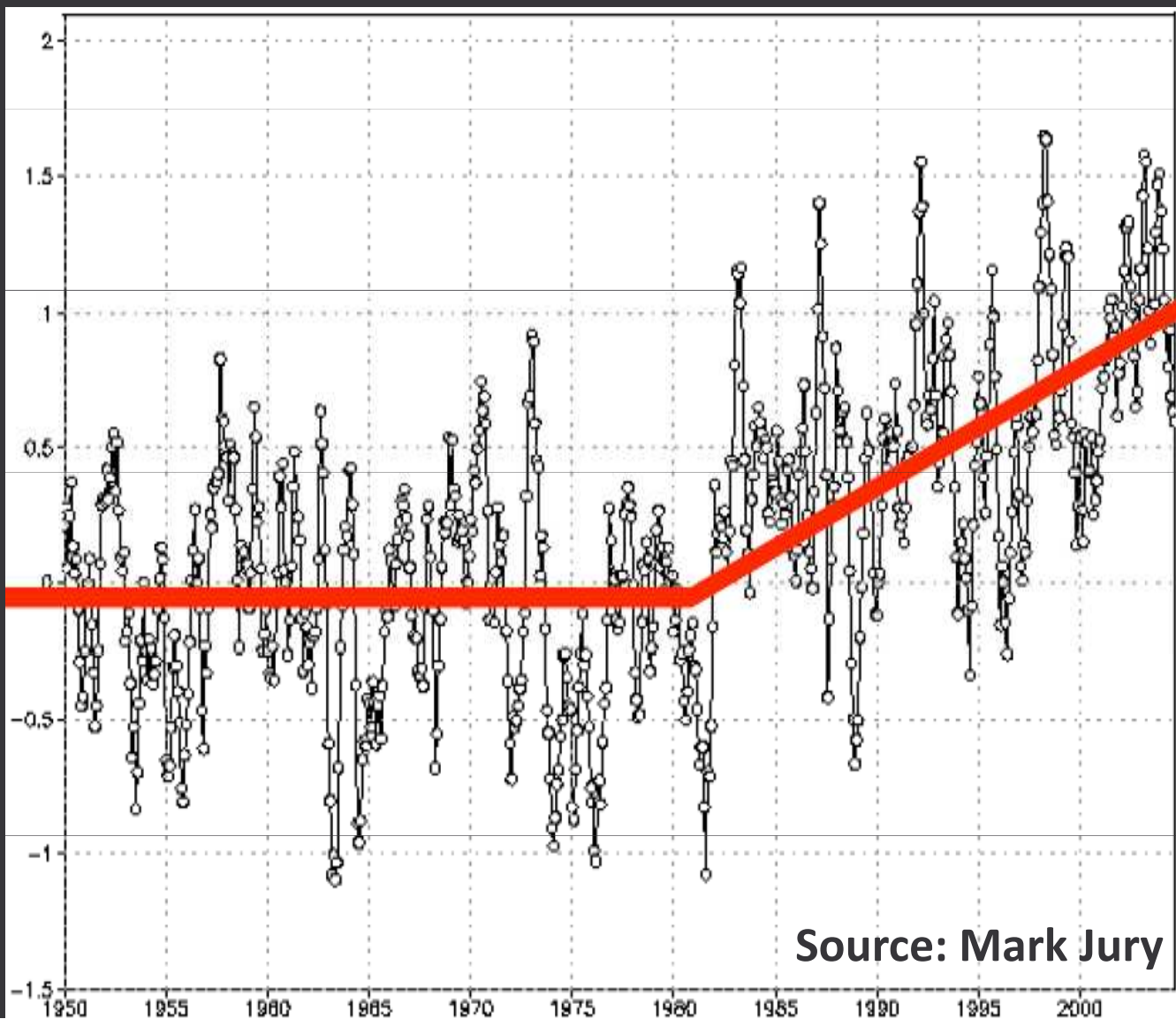
DATE: December 12, 1991
TO: Distribution
FR: Lawrence H. Summers



... I think the economic logic behind dumping a load of toxic waste in the lowest wage country is impeccable and we should face up to that... I've always thought that under-populated countries in Africa are vastly UNDER-polluted.

(full memo at www.whirledbank.org)

'Underpolluted?' Rise in Southern African temperatures over historic norms from 1980



Source: Mark Jury

1970



Kilimanjaro melts, 1970-2000

2000



Source: Al Gore

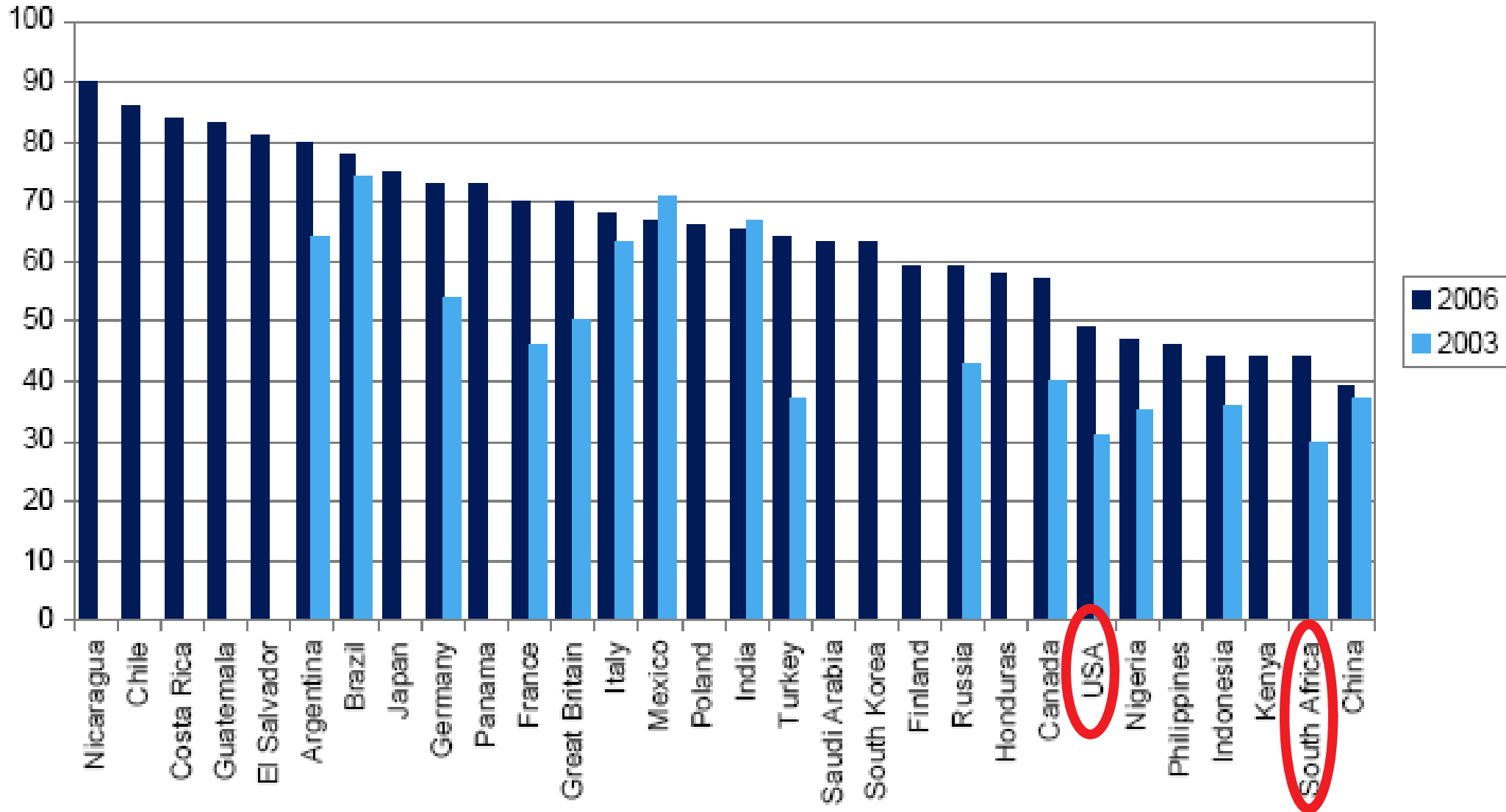
Climate and African food

‘In Africa, crop net revenues could fall by as much as 90% by 2100, with small-scale farmers the most affected.’

– Testimony to the US House of Reps. Select Committee on Energy Independence and Global Warming, by R.K. Pachauri, Chairman, United Nations Intergovernmental Panel on Climate Change, August 2007

Why are we so ignorant about climate?

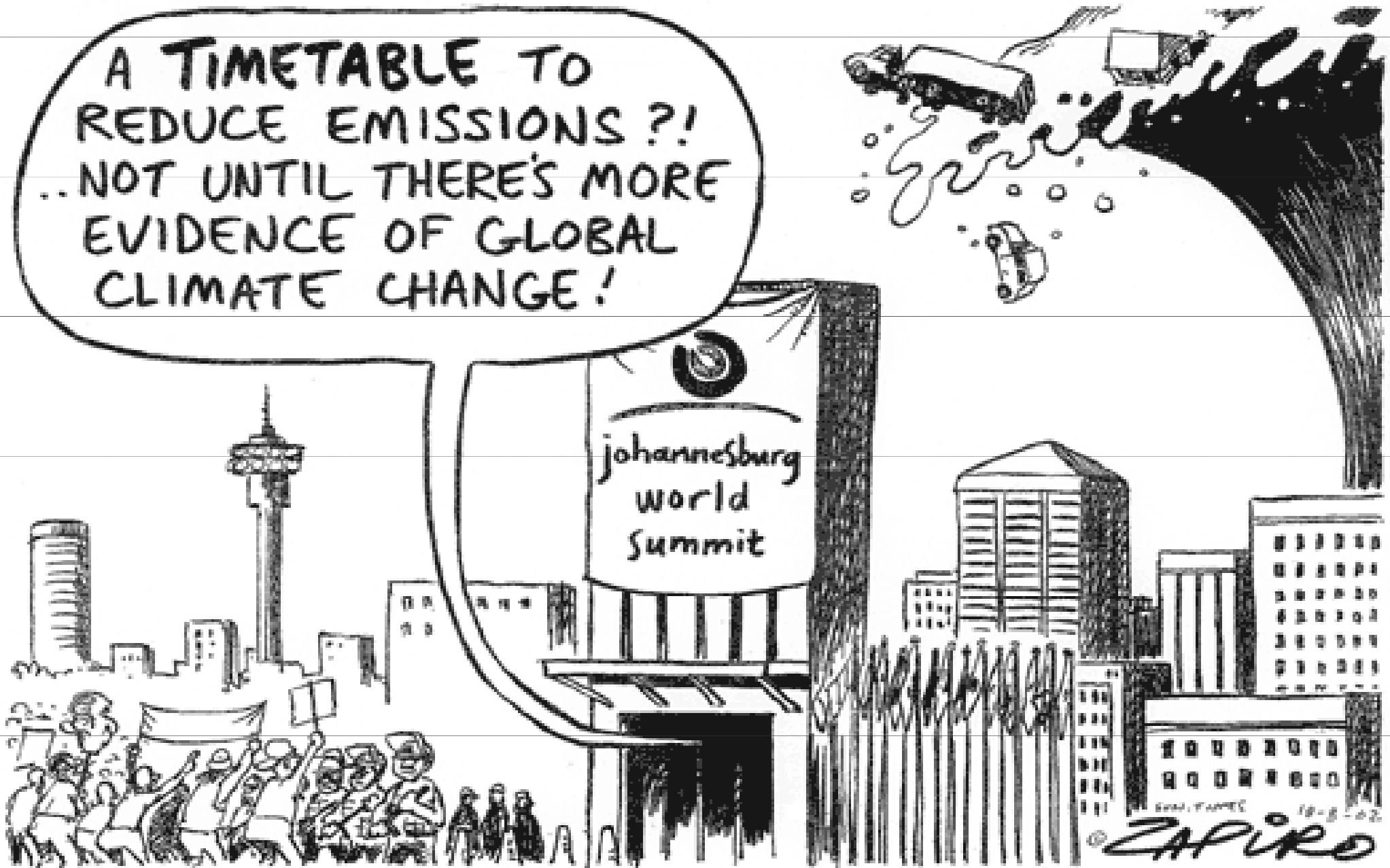
'Is climate change a "serious problem"'? Global Scan polls citizenries: percentage answering 'Yes' (2003, 2006)



Not in leaders' interests to address climate

A TIMETABLE TO
REDUCE EMISSIONS?!
..NOT UNTIL THERE'S MORE
EVIDENCE OF GLOBAL
CLIMATE CHANGE!

johannesburg
world
summit



Pretoria's climate politics v. *Climate Justice Movement's* demands (Copenhagen):

- **1) cut greenhouse gas emissions (45% by 2020) consistent with what science demands**
- **2) pay climate debt (\$400 bn/year by 2020) to eco-social victims**
- **3) decommission carbon markets**

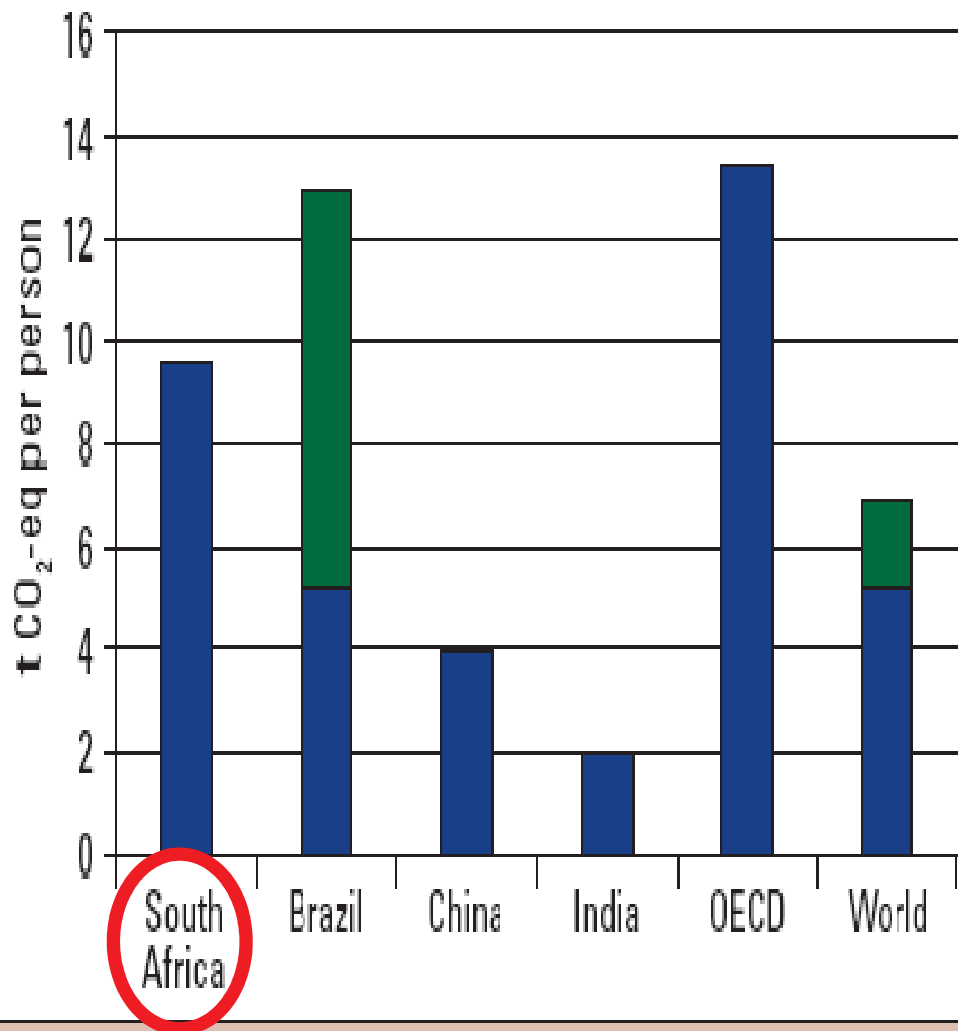
1) Why Copenhagen Summit failed

On last day, backroom deal by Barack Obama (1/2 Luo), Jacob Zuma (Zulu), Lula da Silva, Manmohan Singh, Wen Jiabao – designed to *avoid needed emissions cuts*; instead, business-as-usual for *white-owned fossil-fuel industry and mainly-white overconsumers*

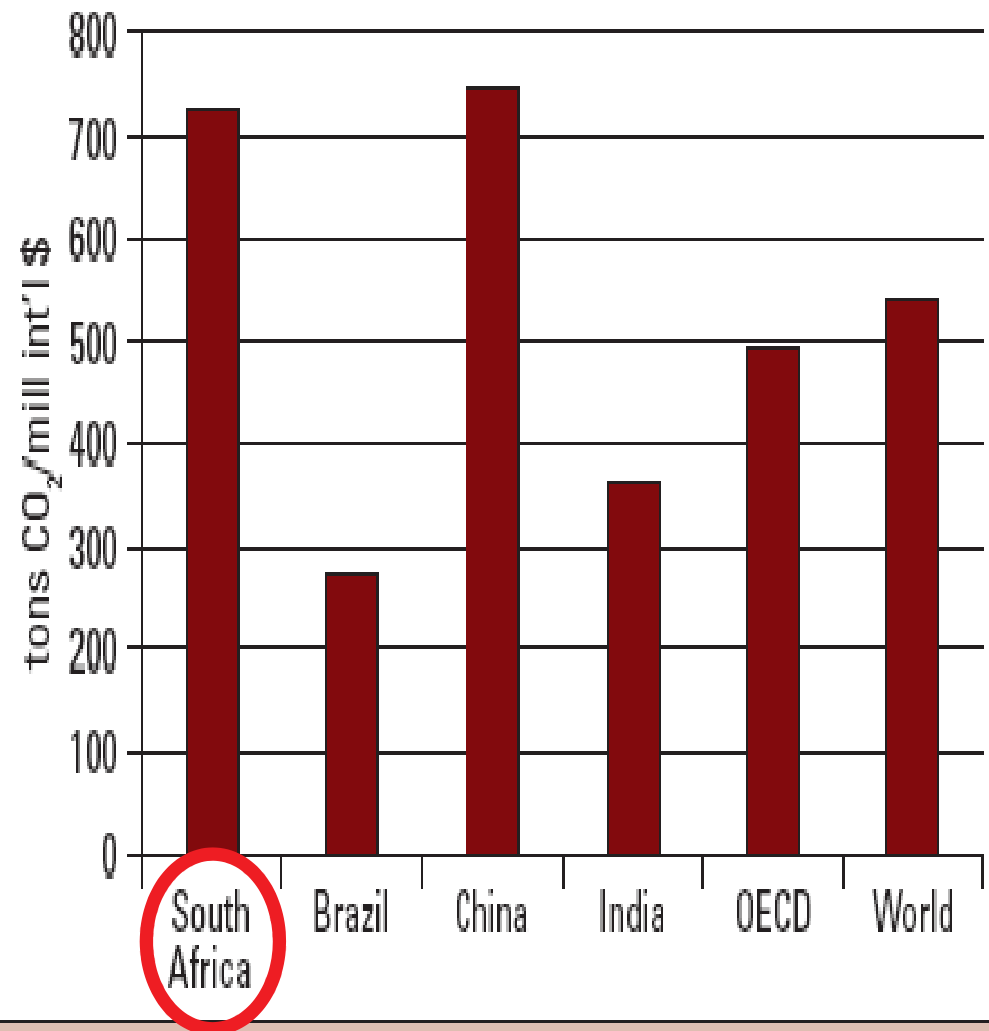


2) Pretoria's 'Long-Term Mitigation Scenario' admits our huge culpability

Emissions per capita



Emissions intensity



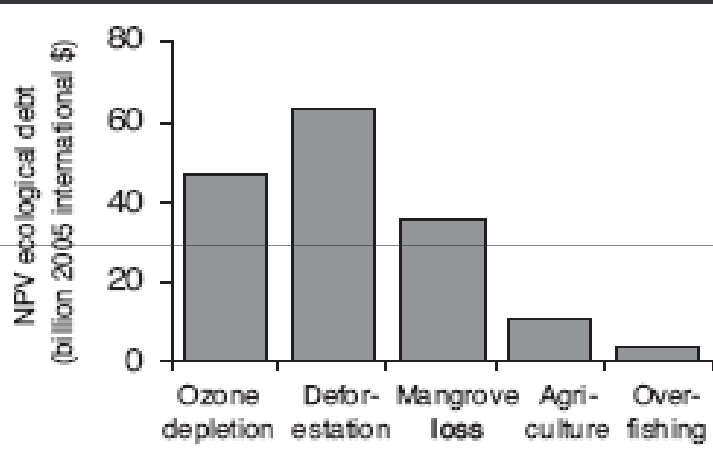
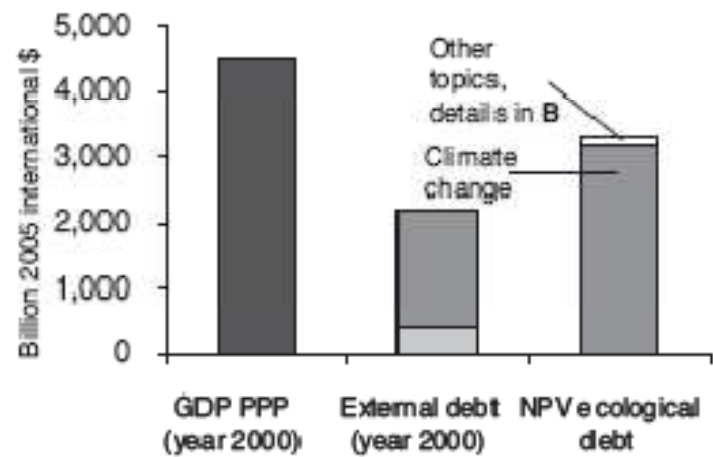
Although Pretoria is in denial, we owe 'climate debt' to the rest of Africa

The debt of nations and the distribution of ecological impacts from human activities

U. Thara Srinivasan^{a,b}, Susan P. Carey^c, Eric Hallstein^d, Paul A. T. Higgins^{d,e}, Amber C. Kerr^d, Laura E. Koteen^d, Adam B. Smith^d, Reg Watson^f, John Harte^{c,d}, and Richard B. Norgaard^d

^aPacific Ecoinformatics and Computational Ecology Laboratory, Berkeley, CA 94703; ^dEnergy and Resources Group, 310 Barrows Hall, University of California, Berkeley, CA 94720-3050; ^cDepartment of Environmental Science, Policy, and Management, University of California, Berkeley, CA 94720-3114; ^eAmerican Meteorological Society, 1120 G Street NW, Washington, DC 20005-3826; and ^fSea Around Us Project, Fisheries Centre, University of British Columbia, Vancouver, BC, Canada V6T 1Z4

Category	Direct or indirect driver
Climate change	Greenhouse gas emissions (carbon dioxide, methane, nitrous oxide)
Stratospheric ozone-layer depletion	Chlorofluorocarbon emissions
Agricultural intensification and expansion	Consumption of agricultural goods
Deforestation	Consumption of agricultural goods and



As human impacts to the environment accelerate, disparities in the distribution of damages between rich and poor nations mount. Globally, environmental change is dramatically affecting the flow of ecosystem services, but the distribution of ecological damages and their driving forces has not been estimated. Here, we conservatively estimate the environmental costs of human activities over 1961–2000 in six major categories (climate change, stratospheric ozone depletion, agricultural intensification and expansion, deforestation, overfishing, and mangrove conversion), quantitatively connecting costs borne by poor, middle-income, and rich nations to specific activities by each of these groups. Adjusting impact valuations for different standards of living across the groups as commonly practiced, we find striking imbalances. Climate change and ozone depletion impacts predicted for low-income nations have been overwhelmingly driven by emissions from the other two groups, a pattern also observed for overfishing damages indirectly driven by the consumption of fishery products. Indeed, through disproportionate emissions of greenhouse gases alone, the rich group may have imposed climate damages on the poor group greater than the latter's current foreign debt. Our analysis provides *prima facie* evidence for an uneven distribution pattern of damages across income groups. Moreover, our estimates of each group's share in various damaging activities are independent from controversies in environmental valuation methods. In a world increasingly connected ecologically and economically, our analysis is thus an early step toward reframing issues of environmental responsibility, development, and globalization in accordance with ecological costs.

3) SA promotion of carbon trading

Marthinus van Schalkwyk
(runner-up to be UN climate chief)
to International Emissions Trading
Association (September 2007):



- ‘An all-encompassing global carbon market regime which includes all developed countries is the first and ultimate aim.’

But isn't carbon trading a gimmick for the North to avoid emissions cuts; and now dead?

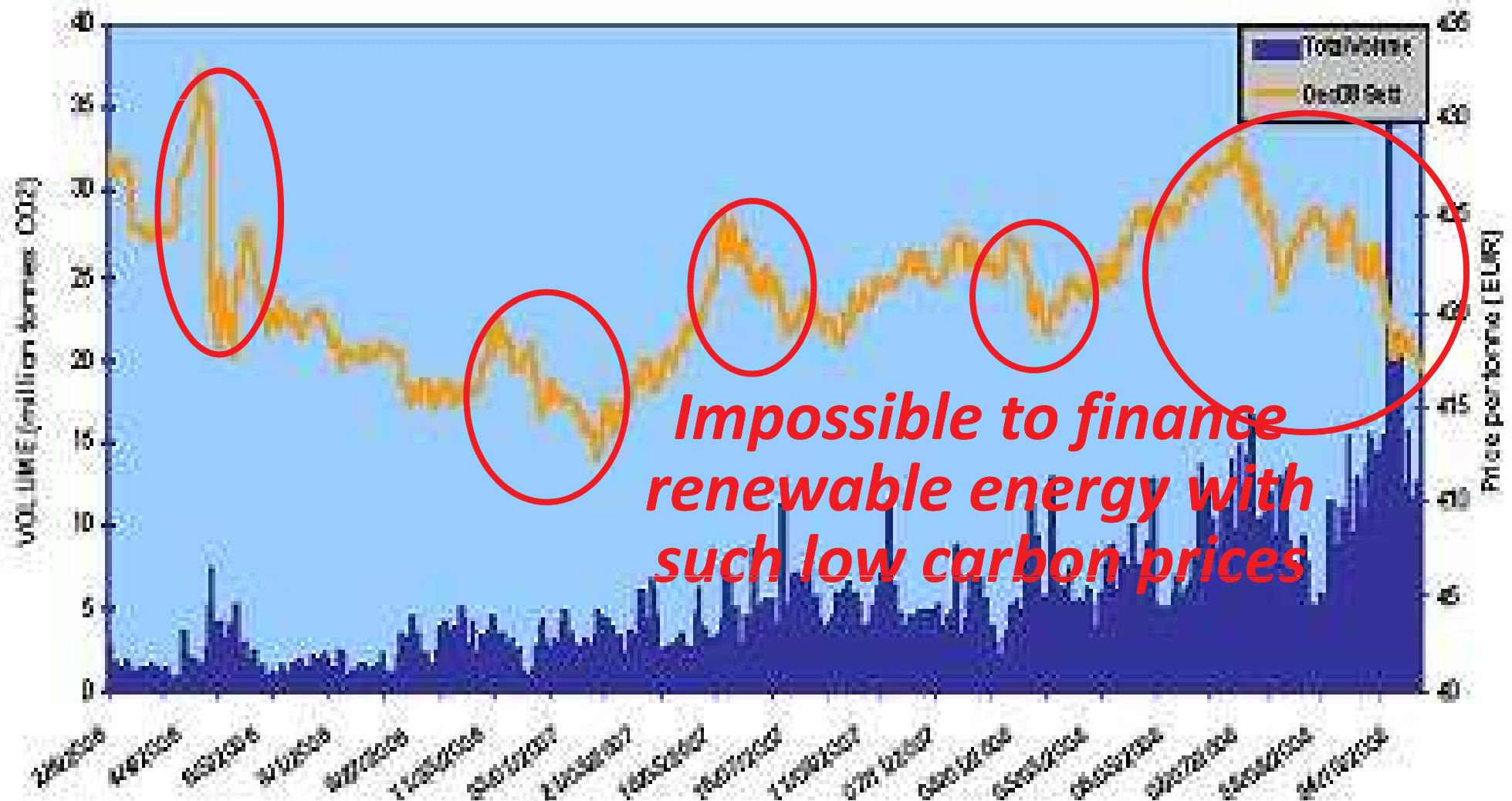
- 'The concept is in **wide disrepute... Obama dropped all mention of cap and trade** from his current budget... Why did cap and trade die? The short answer is that it was done in by the **weak economy, the Wall Street meltdown, determined industry opposition and its own complexity**'

– *New York Times*, 26 March 2010

- plus, Senator Maria Cantwell (D-Washington) adds: **'Enron scandal and rocky start to a carbon credits trading system in Europe that has been subject to dizzying price fluctuations and widespread fraud.'**

Carbon market's 5 crashes, 2006-09

Figure 1. EEX CFI Futures Contracts: Price and Volume



Source: EEX Exchange.



In Durban, a crucial
carbon-trading
*Clean Development
Mechanism* pilot

Bisasar Road
\$15m conversion of
methane-to-electricity
at **environmentally-
racist dump** (Africa's
largest landfill), placed in
black residential suburb
Clare Estate by apartheid;
municipality refused to
close it thanks to 2002
investment hype:
*World Bank Prototype
Carbon Fund credits*

Sajida Khan (1952-2007)

though felled by cancer from dump, she co-hosted 'Durban Group for Climate Justice' (2004) and her EIA challenge to methane flaring rebuffed World Bank (2005)

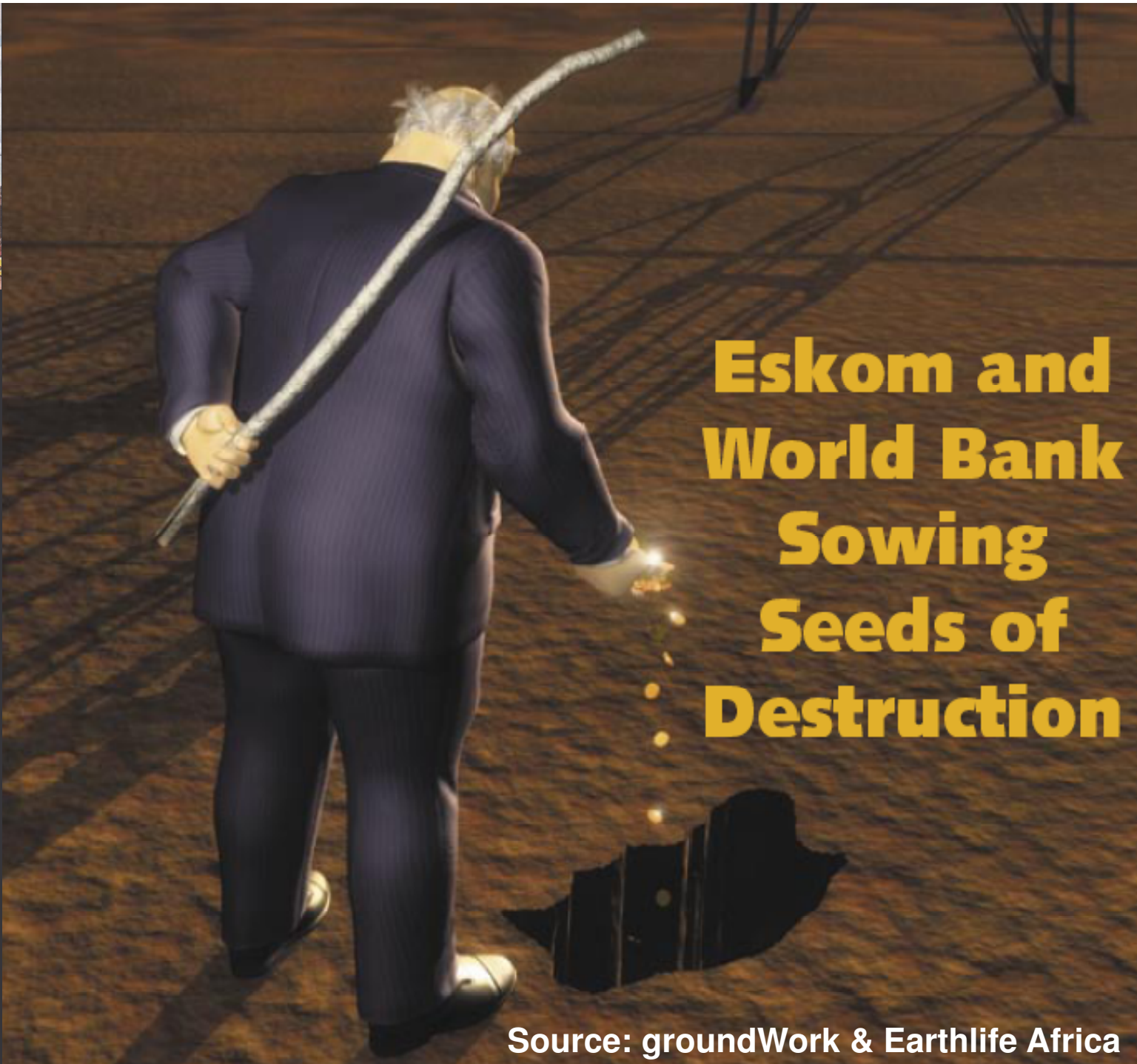
Currently CDM is paid just €14/tonne





**Most recent
SA attack on
climate:
\$3.75 bn loan
from the
World Bank to
mainly finance
Eskom's coal-
fired Medupi
power plant...**

**why is it so
wrong?**



**Eskom and
World Bank
Sowing
Seeds of
Destruction**

Source: groundWork & Earthlife Africa

Ten reasons to reject Medupi

climate destruction

local ecologies, health

procedural problems in World Bank process

poor people pay excessive prices

multinational corps. get ultra-cheap power

profit outflow to multinationals

increased foreign debt

privatisation

ANC corruption

World Bank's apartheid history

*Eskom's Medupi: world's
fourth-largest coal-fired plant,
to emit 25-35 mn CO2-equiv.
tonnes/year (more than 115 countries)*



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**Medupi has no pollution scrubbers
yet ambient SO₂ standards already
excessive, area is water-scarce, 40
new coal mines needed, and mining
causes extreme water degradation**



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Bank's Dec. 2009 'consultation' had no attendees from affected areas; Bank procurement rules violated; Eskom has huge governance crises, including extreme leadership turmoil (e.g. chair and CEO fired each other, Nov. 2009)



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25%/year price rise; 127% real increase for 2008-12; electricity disconnections, ubiquitous 'service delivery protests' and threatened national labour strike



1/3 of Eskom's four million customers have 'zero' consumption – most were disconnected

 Eskom



Upsurge of community protest against electricity disconnections, price increases, World Bank loan



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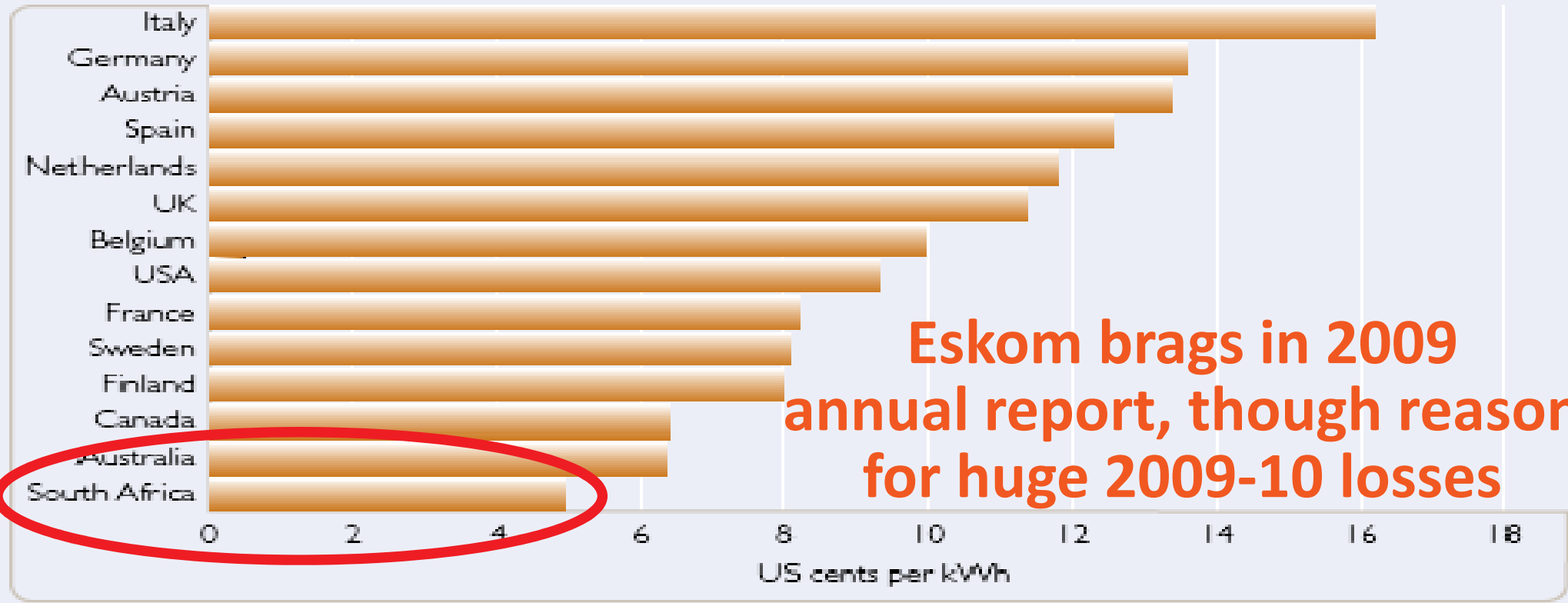
sweetheart deals: multi-decade 'Special Pricing Agreements' made during late apartheid give BHP Billiton and Anglo American R0.12 (\$0.015)/kWh electricity for smelters (1/6 what households pay); resulting in Eskom's R9.7 billion (\$1.3 bn) loss in 2009

SA offers world's cheapest electricity to metals smelters - *phase-out needed!*



2009 International electricity cost comparison

Cost per kWh



Eskom brags in 2009 annual report, though reason for huge 2009-10 losses

The survey is based on prices as of 1 June 2009 for the supply of 1 000kWh for a site with a monthly usage of 450 000kWh. All prices are in US cents per kilowatt hour and exclude VAT. Where there is more than a single supplier, an unweighted average of available prices was used. Where available in each country and widely used by the consuming public, deregulated or liberalised contract pricing was used in this survey.

Source: Extract from ©2009 NUS Consulting Group International Electricity Survey and Cost Comparison, June 2009.

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BHP Billiton, Anglo, Arcelor Mittal, Xstrata and other beneficiaries of Eskom largesse headquartered (and send their profits) abroad, hence putting extreme pressure on current account deficit

World's most risky emerging market

Country	Current-account as % of GDP*	Short-term debt as % of reserves*	Banks' loan/ deposit ratio	Overall risk ranking†
South Africa	-10.4	81	1.09	17
Hungary	-4.3	79	1.30	16
Poland	-8.0	38	1.03	14 =
South Korea	1.3	102	1.30	14 =
Mexico	-2.5	39	0.93	12 =
Pakistan	-7.8	27	0.99	12 =
Brazil	-1.5	22	1.36	10 =
Turkey	-2.3	70	0.83	10 =
Russia	1.5	28	1.51	9
Argentina	0.2	63	0.74	8
Venezuela	0.8	58	0.75	7
Indonesia	1.2	88	0.62	6
Thailand	0.3	17	0.88	5
India	-2.4	9	0.74	4
Taiwan	7.9	26	0.87	3
Malaysia	11.3	15	0.72	2
China	5.2	7	0.68	1

The Economist, 25 Feb 2009

Sources: HSBC; Economist Intelligence Unit

*2009 forecast † Higher score implies higher risk

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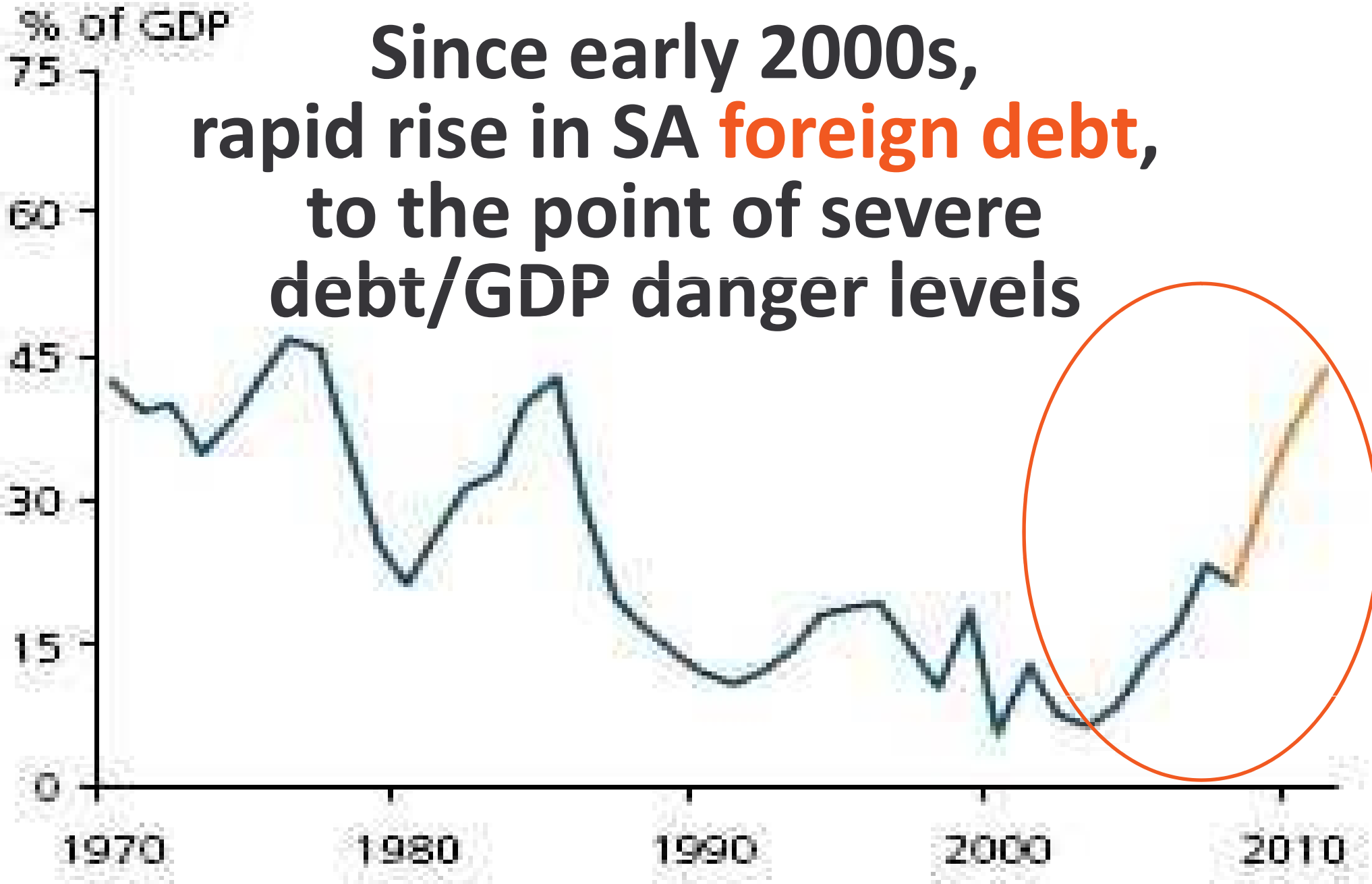
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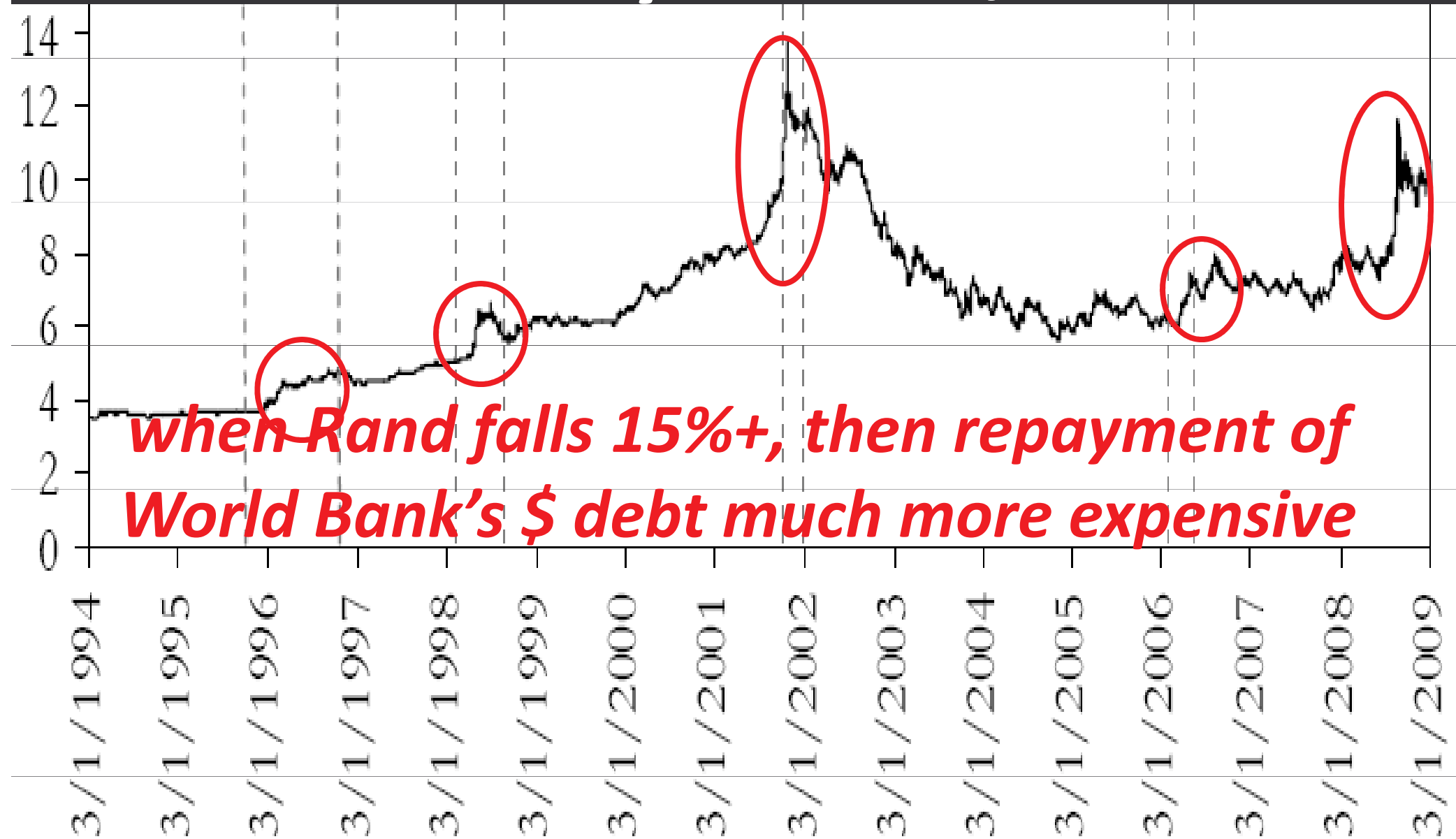
SA's foreign debt is already dangerously high - \$80 billion – and repayment costs on Medupi loan will soar when R/\$ rate crashes (as now happens regularly)

Since early 2000s,
rapid rise in SA **foreign debt**,
to the point of severe
debt/GDP danger levels



Source: SARB, RMB FM Research

Five SA currency crashes, 1996-2008



when Rand falls 15%+, then repayment of World Bank's \$ debt much more expensive

Source: I-Net Bridge

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privatisation of electricity generation is underway in this loan (for 'figleaf' renewable component) – and will be increased for Kusile (to 49% private ownership); unions fighting for full public supply

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*ruling party investment arm, Chancellor House,
to 'earn' at least R50 mn (probably more) pure
profit from contracts in conflict-of-interest
Hitachi tender; Eskom chair Valli Moosa acted
'improperly', according to state investigators*

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from 1951 (3 years after formal apartheid began) to 1966, loans to Eskom of \$100 mn resulted in NO electricity to black townships or rural areas; Jubilee SA demands 'reparations' for Bank's apartheid profits



Civil society (Climate Justice Now!SA) opposes Medupi, Eskom pricing/privatisation, carbon trading: demands *conservation/renewables* and *electricity-as-a-right*

**Otherwise
this danger:**

HOPES FOR THE WORLD SUMMIT

ZAPIRO

