


Treasury Announces Fossil Fuel Energy Guidance for Multilateral Development Banks

August 16, 2021

WASHINGTON – Today, the U.S. Department of the Treasury issued [Fossil Fuel Energy Guidance for Multilateral Development Banks \(MDBs\)](#) , which is key Guidance in response to President Biden’s Executive Order 14008 on Tackling the Climate Crisis At Home and Abroad announced earlier this year. In its Guidance, Treasury advocates for MDB investments prioritizing clean energy, innovation, and energy efficiency, which will help achieve a clean and sustainable future consistent with the development goals of the Paris Agreement. U.S. Secretary of the Treasury Janet L. Yellen previewed Treasury’s MDB Guidance at the April 2021 G7 Leaders Summit on Climate and more recently discussed this with Heads of the MDBs in July 2021.

“Today, the United States takes bold, proactive steps to address the climate crisis by working with our international partners to establish a clear path to end Multilateral Development Banks’ support for fossil fuels except in exceptional circumstances while helping developing countries build a strong and sustainable future,” said Secretary Yellen.

Addressing the climate crisis is no longer business as usual and requires significant investments in clean energy. As the largest shareholder across the MDB system, the United States takes a leadership role with the new Treasury Guidance that advocates for MDB staff to assess options for clean energy, innovation, and energy efficiency, and to only consider fossil fuels if less carbon-intensive options unfeasible. The Guidance advocates for non-fossil fuel energy projects financed by the MDBs, while maintaining some flexibility for developing countries to support limited fossil fuel projects critical to their development objectives if certain criteria are met.

During the July meeting with MDB Heads, Secretary Yellen requested MDBs to rapidly align MDB portfolios with the Paris Agreement, prioritize innovation and impact to match the scale of the climate crisis, develop ambitious capital mobilization rates consistent with broader climate goals, develop targets for green bonds, “green” the partnerships with financial intermediaries, double the current \$40 billion pledge for private sector financing focused

upon climate adaptation, and align policy based operations with climate goals. The Treasury Guidance will help MDBs meet these targets.

By ending its support for direct investment in coal and oil projects and encouraging cleaner energy options, Treasury's Guidance supports poor and vulnerable countries, conflict-affected states, and small-island developing states in meeting their development goals while applying rigorous standards to reduce overall emissions and achieve the goals of the Paris Agreement. The United States looks forward to working with MDB shareholders, Management, and staff to bring clean and sustainable energy to the developing world.

[For more information, please see an FAQ.](#)

####