



# Broken Promises

The World Bank, International Investors and the Fight for Climate Justice in the Philippines





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\* Names with asterisks have been changed for security reasons.

In late December 2017, as families across the Philippines prepared for Christmas, a typhoon called Tembin roared into life over Mindanao, the country's second-largest island. Residents scrambled for higher ground, caught off guard by the storm's sudden intensity.

Lanao del Norte, a province on Mindanao's northern coast, was one of the hardest-hit areas. In the pre-dawn hours, with the wind howling, a woman named Angelica\* stumbled up a hill near her house, her terrified children in tow. "The waves were huge. We were too afraid to collect our things," Angelica said. Her husband stayed behind to look after the family's fishing boat, an irreplaceable source of income. "I thought he was going to die," she said.

By the time Tembin had swept through Mindanao, it left behind a tangle of death and damage. Storm surges, mudslides and floods [killed](#) at least 200 people, according to local media. Nearly 150,000 people were [displaced](#), with many of them [remaining](#) in shelters well into January. The government [estimated](#) losses of tens of millions of dollars.

When Angelica returned home, she was relieved to find that her husband had survived. The boat and house were intact. But the family would not escape unscathed. Fishing would prove impossible until pollution and debris in the sea cleared. The lost income was a serious hardship for the family, which was already living hand to mouth.

Angelica began buying food on credit and cutting back on what the family ate. Her children went to bed hungry. She eventually managed to pay back the loan, but the storm crystalized for her the growing danger of typhoons. Until recently, Mindanao was considered at [low risk](#) for the types of storms that have ravaged other parts of the Philippines. In the past decade or so, the island has become increasingly [susceptible](#) to destructive typhoons.

"I never worried about typhoons before, but I worry now. These storms are making it difficult for us to survive," Angelica said.

The Philippines is the one of the world's most [vulnerable](#) countries to climate change, according to the Global Climate Risk Index. The island nation is located in an area of the Pacific Ocean that has especially warm water, which is further heating up as global temperatures rise. This warming has [in-](#)

[creased](#) the intensity of typhoons, according to scientists. Four of the worst storms in Philippines history have occurred in the last decade, including Typhoon Haiyan, which [killed](#) at least 6,300 people in 2013. Sea levels in the country are expected to [rise](#) three times faster than in the rest of the world.

The impact of these storms reverberates long after the initial deaths and property damage are tallied. In 2016 alone, natural disasters [displaced](#) an estimated 6 million Filipinos. As storms become fiercer, the number of people vulnerable to physical and economic displacement will increase commensurately. The country's poor, like Angelica and her family, will be disproportionately affected, in many cases falling deeper into poverty.

Philippine President Rodrigo Duterte has publicly acknowledged the dangers of climate change. He has [said](#) that addressing global warming is a "top priority" for his government. (He has also [argued](#) that industrialized nations must shoulder the greatest burden in addressing the problem.) After months of delay, Duterte [signed](#) the Paris Agreement in March 2017. The Philippines had already adopted the Renewable Energy Act of 2008, which [codifies](#) the country's strategy for shifting from fossil fuels to green energy.

Despite progress on the policy level, something quite different is happening on the ground. The Philippines is in the midst of a coal boom. On a per capita basis, the coal expansion there is [rivaled](#) by few countries. The Philippines plans to build some 10.4 gigawatts of new coal capacity over the next decade. This would more than double the [current](#) capacity to 17.8 gigawatts. If the country follows through with these plans, the consequences could be disastrous for a planet that has zero margin for error in its quest to meet the Paris Agreement's targets and stave off climate catastrophe.

That this coal expansion is happening at all is extraordinary. Renewable energy is actually [cheaper](#) than coal-fired power in the Philippines. Yet coal plants continue to be built, primarily due to fossil fuel-friendly regulations dating from the dictatorship of Ferdinand Marcos and a small group of politically connected business families that have de facto control of the energy sector.

This coal expansion is being propelled by a domestic banking sector that operates on autopilot. Loan officers send money out the door for new projects without properly assessing the financial and operational risks. And those risks are legion.



Global warming is increasing the intensity of typhoons in the Philippines, one of the world's most vulnerable countries to climate change. Photo by Shutterstock.com.

The Institute for Energy Economics and Financial Analysis (IEEFA), an international think tank, estimates that all \$21 billion worth of coal plants in the pipeline are likely to become [stranded](#) — not delivering economic returns in line with expectations — in the coming years.

"To put that in perspective, \$21 billion is a third of the government's annual budget. This will have a huge impact on the economy," said Sara Ahmed, an energy finance analyst with IEEFA.

Enabling these banks and coal companies is a flood of investment from outside the Philippines. Billions of dollars have flowed into the coal industry from international asset managers, development institutions and commercial banks based in North America, Europe and Japan. Many of these investors have publicly declared that coal is a dead end, and that new projects should no longer be financed. It's just too risky, both from a climate and financial perspective, they say. But while coal may be dying globally, these investors are helping it thrive in the Philippines.

In most cases, these investors are not directly financing the construction of new coal plants. Rather, they are funding the politically connected conglomerates that operate at all levels of the coal sector: they build the plants, buy and distribute the electricity, and own the banks that finance

the projects. Without international investment in these conglomerates, few of these coal projects would be feasible.

Yet despite their importance to the coal boom, these international investors are largely unknown in the Philippines, where [opposition](#) to coal-fired power is strong. The opaqueness of the global financial system keeps them concealed, making it difficult to hold them accountable, in particular those that have made no-coal pledges.

The World Bank Group is one such investor — and an important one, given its influence and prestige. Like many international investors backing coal in the Philippines, the World Bank Group [pledged](#) to get out of the sector for good, except in rare circumstances, in 2013. "If Asia implements the coal-based plans right now, I think we are finished," World Bank President Jim Yong Kim has said.

Despite these strong words, the World Bank's private-sector arm, the International Finance Corporation (IFC), has continued to back coal in the Philippines through financial intermediaries. The IFC has provided \$563 million to two commercial banks, Rizal Commercial Banking Corporation (RCBC) and BDO Unibank, which went on to become major financiers of the coal boom. After 2013, when the World Bank made its no-coal com-



mitment, these IFC clients participated in approximately \$13.4 billion of project finance, corporate loans and bond underwriting for the coal sector.

The IFC continues to funnel money to coal globally through financial intermediaries. In recent years, the institution has outsourced tens of billions of dollars of development funding to banks and private equity funds in developing countries. With their coffers swollen by the IFC's largesse, and their reputations burnished by their relationships with the World Bank Group, these banks and funds have gone on to finance some of the world's riskiest coal plants.

Tracking and understanding the IFC's multilayered financial-sector transactions can be difficult. In order to pierce this veil and show where the IFC's money ends up, Inclusive Development International has followed the trail down to the project level. This research has connected the dots between the IFC — an institution ostensibly committed to sustainable development — and [76 coal projects](#) around the world that have accelerated climate change, trampled on human rights and polluted the environment.

After IFC's hidden support for the new coal projects in the Philippines was exposed by Inclusive Development International, a coalition of more than 100 civil society organizations and affect-

ed communities filed a historic complaint to the institution's independent grievance office, the Compliance Advisor Ombudsman. The filing was the first mass climate-related complaint ever filed against the IFC. It showed how the IFC was funneling money to planned and recently built coal plants across the country through its relationship with RCBC bank. (The IFC divested its financial stake in BDO Unibank in late 2016, before the complaint was filed.)

The case broke new ground in another respect: this is the first time that the complaints office has accepted a case based in part on the bond market, an increasingly important avenue for corporations in developing countries to raise capital.

The complaint describes how the coal projects have made the Philippines more vulnerable to climate change and caused a range of impacts at the local level, including the forced displacement of people living near plant sites and dangerous air and water pollution that caused serious livelihood and health impacts on communities. The complaint also details how environmental defenders opposing the projects have been threatened, intimidated and, in the most serious cases, murdered. The Compliance Advisor Ombudsman will conduct an investigation into whether the IFC violated its social and environmental guidelines as well as its commitment to stop funding coal.



*A woman who lost farmland to a coal plant in Bataan Province confronts police officers. Coal plants have caused a range of local impacts, including the forced displacement of people living near new projects. Photo by Derek Cabe.*

"Our complaint is an indictment of the IFC's complicity in putting our country and communities at risk at a time when addressing climate change is the order of the day," said Aaron Pedrosa of the Philippine Movement for Climate Justice, a complainant. Pedrosa's home was destroyed by Typhoon Haiyan in 2013.

The IFC's investments are more than just morally dubious; they are also financially reckless. International investors that have poured money into the sector are exposed to what experts [predict](#) will be the imminent collapse of the Philippines coal industry. These investors have exposed their clients and shareholders to billions of dollars in potential losses through investments in nearly every entity involved in coal, from banks to energy companies to electricity utilities. (For a full list of key international investors, see the table at the end of this report.)

The international investor with the greatest exposure is the UK bank Standard Chartered, which participated in approximately \$4.81 billion worth of financing connected to the 19 plants in the CAO complaint. Among these deals was a syndicated project loan for the [Lamay](#) coal plant, which will use outdated subcritical technology, according to its developer, San Miguel. Standard Chartered financed the Limay project in 2015 despite [pledging](#) years earlier to provide loans to only those coal plants that use the "best available technology."

Another important investor, the U.S. asset manager BlackRock, helped bankroll the sector through \$2.6 billion in equity and debt investments in the companies developing the coal plants. It has made these investments despite company executives publicly [declaring](#) their concerns about fossil fuels. BlackRock's CEO, Larry Fink, has been particularly vocal on the issue in recent years, using his annual letters to CEOs to urge companies to act on climate change and [contribute to the greater societal good](#).

Several other investors are bankrolling coal in the Philippines despite having widely lauded policies designed to substantially cut their support to the sector. Norway's government-controlled sovereign wealth fund, managed by Norges Bank Investment Management, [holds](#) \$278 million in equity in five companies developing the coal plants. The fund retains these investments despite a 2016 Ministry of Finance [directive](#) against investing in companies that derive 30 percent or more of their income from power production, and where 30 percent or more of their power production is

***International investors who have poured money into the sector are exposed to what experts predict will be the imminent collapse of the Philippines coal industry.***

based on coal. This rule has an enormous blind spot: Many of the companies developing coal in the Philippines are vast conglomerates with diverse business interests, allowing them to skirt below the 30 percent threshold.

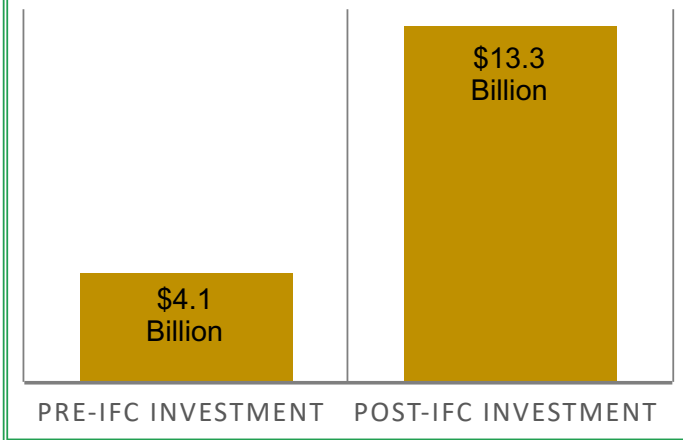
Similarly, the Dutch bank ING has a [policy](#) from 2015 prohibiting it from directly financing coal plants or mines. While ING doesn't appear to have violated that policy in the Philippines, the bank is a major underwriter of corporate bonds for companies developing coal. Another investor, the California state pension fund CalPERS, is prohibited by state [law](#) from holding shares in companies that make more than 50% of their revenue from coal mining. However, the law makes no mention of coal power companies, allowing CalPERS to hold \$109 million in equity stakes in companies developing coal plants in the Philippines. Thirteen other pension funds from around the world are also exposed, despite making some of the strongest commitments to responsible investment in the business, including on climate change.

(Inclusive Development International provided every international investor named in this report with an opportunity to respond to its findings and substance. Four investors – the Dutch pension fund APG, Norwegian Bank Investment Management, CalPERS and ING – responded by pointing out their internal policies limiting investment in coal.)

The disconnect between what investors say and what they are actually doing has perplexed and outraged many in the Philippines.

"Why do the World Bank and these other investors want to fund a dying technology like coal?" said Tetchi Cruz-Capellan, the head of the Philippine Solar Power Alliance, a renewable energy association. "The World Bank should be helping us shift to renewable energy, not locking us into a coal future."

## RIZAL COMMERCIAL BANKING CORPORATION COAL FINANCING



*After receiving its first loan from the IFC in March 2011, RCBC has more than tripled its financial exposure to coal projects and companies, according to publicly available information.*

That sentiment is shared by those who are perhaps most affected by the coal boom: people unfortunate enough to live near the projects. Grace,\* a resident of Bataan Province, has joined with others in her community to oppose the construction of the Limay Power Plant, one of the projects that the IFC has indirectly financed. The project has polluted water sources and caused health problems, especially for children. "Our local government has sold us out. The company doesn't care about us," she said.

Like others interviewed for this report, Grace urged the IFC and other investors to take responsibility for their actions. "We want the IFC to go deep and understand what is happening here. We know it's too late to close the plant. But international investors can push for the plant to be regulated. They can help us bring back our water, our ocean. The plant is killing everything," she said.

For plants that have not yet started construction, the Philippine Movement for Climate Justice is calling on the IFC to use its leverage to prevent them from getting off the ground. "The IFC has a responsibility to do whatever it can to stop these projects from happening," said Pedrosa of the organization.

The IFC announced its first investment in RCBC bank, a \$48 million purchase of common stock, in March 2011. In a [press release](#), the IFC said the investment would increase the bank's "lending to small and medium enterprises and underserved communities." Over the next five years, the IFC provided \$175 million in additional funding to the bank and took a seat on its board of directors,

giving it a say in governance decisions. Like most banks, RCBC keeps the bulk of its lending activities confidential. For this reason, it is difficult to know whether the IFC's funding did in fact benefit the small businesses and underserved communities highlighted in the press release.

However, it is possible to track the bank's involvement in large corporate deals, many of which are publicly disclosed. A review of RCBC's participation in syndicated loans and corporate bond issues shows that the bank dramatically increased its involvement in the coal sector following the IFC's first investment. Before the IFC's first investment in March 2011, RCBC participated in \$4.1 billion worth of publicly disclosed financing for companies involved in the coal sector. Just two of those transactions involved project financing for a coal plant. After the IFC's investment, RCBC began pouring money into coal, participating in approximately \$13.3 billion worth of transactions for the sector, including \$6.4 billion in direct project financing.

The IFC has tended to wave off concerns about this sort of indirect financing of coal. "As financial institutions' portfolios reflect the economic activities of the countries they operate in, many financial institutions continue to finance assets such as coal plants. Such financing relationships are often long standing and precede IFC's investment, due to the importance of coal in many countries' energy mix," the IFC said in a statement to Inclusive Development International.

This line of thinking suggests that an investment in a bank like RCBC inevitably leads to coal exposure. This suggests that when the IFC invests in a bank, it lingers in the background, hardly altering a bank's behavior. Yet RCBC's track record plainly

***"We want the IFC to go deep and understand what is happening here. We know it's too late to close the plant. But international investors can push for the plant to be regulated. They can help us bring back our water, our ocean. The plant is killing everything."***



shows otherwise. In fact, under the IFC's watch, RCBC tripled its investment in coal, helping to kick-start the coal expansion in the Philippines.

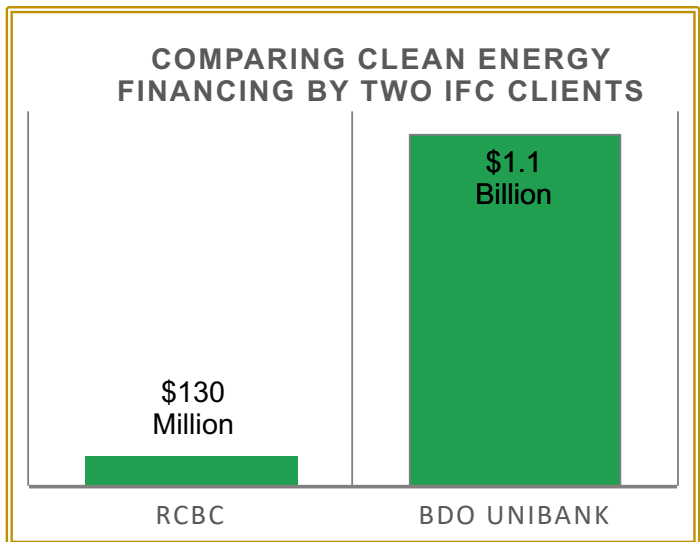
Pressure from civil society groups, including through this publication series, appears to have opened the IFC's eyes to the problems of hands-off lending to the financial sector. The IFC has [be-gun](#) tracking its exposure to coal by incorporating a reporting requirement on coal exposure in legal documents for new financial-sector clients.

Moreover, the IFC will be "more selective" in its financial intermediary investments, [wrote](#) Philippe Le Hou  rou, the IFC's CEO, in an opinion piece that ran on the development news site Devex in October 2017. This includes "reducing the number of general lines of credit," like those given to RCBC, and increasing the number of "targeted" investments in areas like green energy and small businesses, a practice known as "ring fencing." These commitments appear to be bearing fruit: the IFC made just five investments that it considers to be high-risk in 2017, a decrease from the 18 it made the year before, according to Le Hou  rou.

When the IFC has "ring fenced" its investments around green energy in the past, it has had some success. Indeed, a comparison between the IFC's two major banking clients in the Philippines, RCBC and BDO Unibank, is instructive. RCBC has never received an IFC investment targeted for green energy. Perhaps unsurprisingly, the bank has been involved in just one publicly disclosed syndicated loan, worth \$130 million, to a renewable company since it became an IFC client.

BDO Unibank, on the other hand, has received substantial renewable energy-targeted finance from the IFC, in addition to general loans and equity investments. After receiving the first of three green investments from the IFC in late 2010, BDO Unibank participated in more than \$1.1 billion worth of publicly disclosed syndicated loans to renewable energy companies and projects. (It is important to note that the IFC's green finance is not a panacea: BDO Unibank was also a significant financier of coal during that time.)

One renewable energy project financed by BDO Unibank is the 63-megawatt Calatagan solar farm in Batangas province. When it became operational in March 2016, it was the largest solar farm in the Philippines. Developed by a 22-year-old entrepreneur, the project is expected to offset more than 1 million tons of carbon emissions over the next three decades, equivalent to planting 5 mil-



*Rizal Commercial Banking Corporation, which has never received a climate-targeted IFC investment, has provided minimal financing for clean energy since becoming an IFC client. On the other hand, BDO Unibank, which has received three climate-targeted IFC investments, has provided substantial support to the green energy sector since receiving those targeted investments.*

lion trees, [according](#) to media reports. The plant will reportedly generate enough electricity to power all of western Batangas.

Another recipient of green-targeted funding from the IFC, the Bank of the Philippine Islands, has developed a positive reputation within the renewable energy sector. (Although it, too, is a major funder of coal, again demonstrating the limits of the IFC's ring-fencing approach.) "Bank of the Philippine Islands is known for being a green bank. I can approach them for financing," said Cruz-Capellan, the renewable energy association leader who is also the CEO of SunAsia Energy, a green energy firm. RCBC, on the other hand, is unequipped to deal with renewables firms. "Their systems are set up to finance coal. I can't get a loan from them," she said.

There are regulatory and structural reasons for the continued bankability of coal in the Philippines. Regulations conceived during the Marcos era, when the economy was undeveloped and the country faced power shortages, are an important factor.

National regulations allow for a provision called a pass-through to be written into electricity contracts. These pass-throughs allow electricity distributors to pass on increases in the cost of power generation to consumers. In effect, these provisions act as a subsidy for coal companies, shielding them from price fluctuations in the global commodities market, with the costs shouldered by consumers. This provision also negates a significant competitive advantage enjoyed by

## A Growing Accountability Gap: The CAO and the Bond Market

In October 2017, the Philippine Movement for Climate Justice and affected communities from across the country filed a complaint to the IFC's internal watchdog, the Compliance Advisor Ombudsman (CAO), over RCBC's funding of 19 coal plants. The CAO found the complaint eligible, a major victory for the Philippines groups. It was the first mass complaint about the IFC's contribution to climate change found eligible by the CAO.

This is a welcome development: holding the IFC accountable for its indirect lending to a new generation of harmful coal projects is critical. But the CAO only found the complaint eligible in relation to 11 coal plants: 10 that received project finance from RCBC and one in which the bank underwrote and held bonds that were explicitly designed to raise funds for a specific project. It declined to admit complainants affected by eight of the 19 coal projects, which RCBC financed through general corporate bond underwriting.

Excluding these projects sends a worrying signal: the IFC's financial sector clients will not be held responsible for their role in facilitating access to the all-important corporate bond market. This message will have implications not just for the IFC, but for the wider financial industry, which takes cues on social and environmental accountability from the World Bank Group.

The bond market is a crucial source of financing for companies around the world. BlackRock has [called](#) it the "world's largest and deepest source of capital for companies," [estimating](#) it to be worth \$28.4 trillion globally in 2016. Companies use this money to pay their employees, keep the lights on and cover other debt.

They also rely on this capital to fund new projects. In the Philippines, coal plant owners are expected to provide roughly 25% of the development costs of a new project through equity financing. Coal companies do that in part by tapping funds raised through general corporate bond issues, including the billions underwritten by RCBC.

In finding complaints regarding companies that RCBC raised capital for on the bond market ineligible, the CAO risks opening an important loophole in the IFC's responsibility to monitor and enforce its environmental and social Performance Standards among its commercial-bank clients.



Coal ash seeps into a home in Bataan Province. The corporate bond market, through which companies raise capital to build coal plants, presents an accountability gap for the IFC and the wider financial system. Photo by Derek Cabe.

The CAO's operational guidelines do not spell out how it should apply its admissibility criteria to complaints about projects funded by the IFC's so-called financial intermediary clients, which now make up around 64% of the IFC's portfolio. The CAO is trying to find its way through complex new financial arrangements for which its guidelines were not designed. Without clear guidelines, and under pressure from IFC management to curtail its reach, the CAO hinged its decision on an interpretation of what it calls the IFC's "material exposure" to a project. In order to find the IFC materially exposed to a project, the CAO ruled that all financial links between the IFC, the financial intermediary and the project in question must be active at the time the complaint is filed. For loans, which are transactions between two sets of parties, a group of lenders and a borrower, establishing material exposure is straightforward.





*The Limay power plant is being developed by San Miguel Corporation in Bataan Province. Companies like San Miguel can draw on the capital they have raised in the corporate bond market to fund new coal projects. Photo by Coleen Scott.*

Applying this lens to the bond market is problematic and doesn't accurately reflect how an increasingly securitized global financial system operates. When banks underwrite bonds, they buy debt from companies, slice it into pieces and sell it to third parties at a profit, a margin known as the underwriting spread. These bonds are often traded on stock exchanges, where they change hands over time, sometimes rapidly.

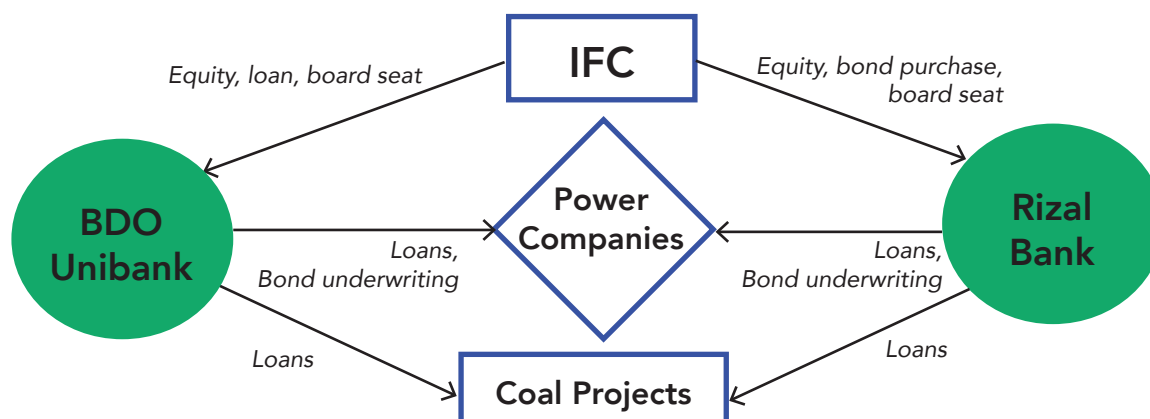
In the case of RCBC, there's no doubt that the IFC was materially exposed during the underwriting process, at least according to the CAO's definition. The issue is for how long and in what way. When a coal company issues bonds, the IFC and RCBC are materially exposed until the bank sells the bonds onward. Moreover, RCBC profits from these transactions in the form of management fees and the underwriting spread. These profits flow upstream to the IFC, one of the bank's major shareholders, in the form of dividends. This upward flow of profits results in continued material exposure.

In the end, though, a narrow interpretation of material exposure misses the point. What's truly material is the vital role played by underwriters in helping companies raise capital on the \$28.4 trillion corporate bond market. According to the IFC's own environmental and social procedures, when one of its financial intermediaries arranges a bond issue for a corporate client, it has the same responsibility to ensure that the client complies with the IFC's standards as it does when it provides a loan. This makes sense: underwriters are the only entities in a position to incorporate environmental and social standards into a bond issue's key documents. So why then should these transactions be beyond the purview of the IFC's watchdog?

By most measures, the CAO has proven itself to be one of the more [effective](#) development finance institution accountability mechanisms. Its audit of the IFC's financial markets portfolio in 2013 helped expose shortcomings and prompt significant reforms at the IFC. But as the IFC continues to outsource more and more of its development work to financial intermediaries — its outstanding commitments to the financial sector [grew](#) to \$20.4 billion by the end of 2016 — the CAO must adapt to these new realities. If the CAO doesn't do that, it risks seeing a vast accountability gap grow ever wider.



## IFC Links to Coal Projects in the Philippines



renewable-energy companies: they don't have to buy the sun, wind and water they use to generate power.

Pass-through provisions thus eliminate the risk of rising coal prices for the power companies and banks that finance them. Given this, it's no wonder that domestic banks continue to shovel money into coal.

Regulations such as these do more than just hurt millions of impoverished and marginalized families — which they most certainly do. They also harm the national economy. Propping up the coal industry has kept electricity rates in the Philippines among the [most expensive](#) in ASEAN. This hurts the country's economic competitiveness, a key policy priority of President Duterte's administration.

"Think of this in terms of a business that wants to set up in the Philippines. Your electricity bill has just gone up 5% in one month, because the price of coal has gone up. This is unacceptable," Ahmed of IEEFA said. Fearing such risk, many companies choose to set up elsewhere in South-east Asia.

International investors in coal should not expect these systemic advantages to last forever. Civil society organizations, led by the Philippine Movement for Climate Justice, are working hard to dismantle them. In December, the government [increased](#) the national tax levied on the purchase of coal by 400%, a major victory for environmental campaigners. While the tax remains low by global standards, it serves as a warning that the days of easy finance and guaranteed profits in the coal industry are numbered. The increase has forced domestic banks to start paying attention after years of ignoring the risks of financing coal, according to observers.

It remains to be seen whether international investors, which are on the hook for tens of billions of dollars, are paying attention. While they have certainly profited handsomely from their coal investments, they risk losing more than just money. For investors such as Standard Chartered, BlackRock and the pension funds, their large stakes in coal call into question the integrity of their promises to be part of the climate solution.

In the case of the IFC, funding coal in the Philippines doesn't just break the World Bank Group's promise to get out of coal for good. These investments run counter to the institution's very mandate: alleviating poverty through sustainable development. This has led some in the Philippines to call for a complete rethink of how the IFC does business in the power sector, so that it more actively facilitates its transition from fossil fuels to clean energy.

"The issue with the IFC is that they're more interested in spending money than understanding where it goes," Ahmed said. Rather than flooding commercial banks with large, general corporate investments, the World Bank Group member could play a more constructive role by lending directly to capital-starved renewable projects. "The IFC could get in early and make these projects bankable, and then the private sector would follow," she said.

According to Cruz-Capellan, the renewable energy executive, the IFC simply doesn't understand domestic energy markets well enough to play a constructive role. The IFC could better use its resources to make storage technology more affordable, which scientists [say](#) is a major hindrance to making clean energy viable at scale. "The World Bank should stick to investing in technology, like batteries. That's how they can be a catalyst for renewable energy," she said.

*"The issue with the IFC is that they're more interested in spending money than understanding where it goes."*

When international investors back coal in the Philippines, they're not just pushing the planet toward climate disaster. They're also funding an industry complicit in the worst kinds of human rights abuses. At project sites throughout the country, coal here has the feel of a brutal criminal enterprise. Corrupt local officials work in tandem with security forces and hired thugs to push through unpopular projects, with the money flowing upward to the national business and political elite.

The Philippines consistently [ranks](#) as one of the most dangerous countries in the world for environmental activists. Speaking out against coal here can be a death sentence. In 2017 alone, 41 environmental and land defenders were murdered in the country. Despite these dangers, opposition to coal remains strong.

Angelica, the fisher woman from Mindanao temporarily displaced by Typhoon Tembin, has joined the anti-coal movement. In light of the dangers to activists, she has done so reluctantly. Climate change was not the only consideration. A new coal plant is being built on top of her village. For Angelica, coal has become an inescapable part of life, the dominant, looming feature from which she can't escape.

"I worry every day about this coal plant," she said. "Living next to it will be difficult. It will also make the typhoons worse. I can't understand why it's being built."

Like others opposed to coal in the Philippines, Angelica confronts fear every day. In late January 2018, she traveled with several of her neighbors to Cagayan de Oro, a large city that is a three-hour drive from her village. They wanted to speak for this report about what it is like to have a coal plant imposed on their community — and what it is like to live with the threat of violence and reprisals.

The journey from their village to Cagayan de Oro City had not been easy. Mindanao is under martial law, instituted by the government after an es-

calation in fighting between Islamist insurgents and national troops. Philippine soldiers are stationed throughout the island, and Angelica and her companions had driven through several military checkpoints. Their route also took them within kilometers of Marawi, a city the military had all but flattened during the fighting.

But it wasn't martial law or the armed groups that Angelica and her companions feared most. The biggest threat to their safety was back near their fishing village, in a city called Kauswagan. The mayor of that city, a man named Rommel C. Arnado, was personally backing the construction of the new coal plant, a 540-megawatt project called Lanao Kauswagan. It is owned by one of the country's largest conglomerates, the Ayala Corporation.

Mayor Arnado is notorious for intimidating locals. In 2013, the Ombudsman of the Philippines [suspended](#) him from office for six months for "grave abuse of authority equivalent to oppression," after he and two security officers forcibly entered and demolished the property of a local citizen, according to news reports. When Angelica and her companions speak about the mayor, their fear is palpable.

"If the mayor found out that I'm here talking to you, he'd put a bullet in my head," said Mariel,\* a local official who lives 10 meters from the construction site.

When residents first heard about the plant, in 2011, it was described as a solar project. "We cooperated, because we thought it would be good for the community," Mariel said. One year later, though, affected people discovered the true nature of the development.

Mayor Arnado favored the coal project even though it would displace some 400 poor families, none of whom were given a say in the matter — and none of whom have received market compensation for their homes and land. Thousands more will be forced to live near a project that will spew coal ash into the air and contaminate the sea and fresh water sources.

Affected people, including the head of Angelica's village, were outraged by a project that few in the area wanted. This is when the strategy of the authorities and company shifted from deception to coercion. Families that refused to move had their water and electricity cut off. Mayor Arnado made unannounced visits to the area with an armed security force in tow. He threatened to kill



*The anti-coal movement enjoys strong public support in the Philippines, despite the risks that activists face. Photo by Philippine Movement for Climate Justice.*

the village head, residents say. The message was clear: get on board with the project, or else.

"We are afraid to complain," Angelica said. "We're living under martial law. There is a nightly curfew. There are soldiers everywhere. We're intimidated."

Angelica has seen her family torn apart by the project. Her children live in a house at a resettlement site provided by the company. When the children moved in, the house was an incomplete skeleton, lacking doors, windows, ceilings, electricity and running water. Angelica and her husband live in a separate shack some 1.5 kilometers away on the shore, so that they can continue fishing and provide for the family. "We didn't want this. It has been forced on us," she said.

Such stories are common throughout the country. When coal developments come to an area, they are sold under false pretenses in order to secure local support. When the true nature of the project — and the scope of its impacts — is revealed, local authorities and company representatives resort to threats and violence.

"We have been branded as anti-government rebels," said Ana,\* who lives near the Mariveles Plant, an IFC-linked project that is being expanded in a rocky, windswept area of Bataan Province, four hours from Manila. Respiratory problems are now common among children in the area, and fishermen speak of pollution bubbling up in the seawater.

Down the road from that plant, another project being built in Bataan, San Miguel's 900-megawatt Limay Power Plant, faces intense local opposition. Jose,\* who lives near the plant and suffers from skin rashes and coughs, has spoken out against the development despite concerns from his family that he will be killed. "It's better to die than stay silent," he said. "I don't want my grandchildren to experience what I have."

The threat of murder is real. In July 2016, activist Gloria Capitan, who lived near a coal storage facility on Bataan, was shot and [killed](#) by assassins on motorbikes. A grandmother and member of the Coal-Free Bataan Movement, Capitan had received death threats. Those who knew her say they have little doubt she was killed because of her activism.

National anti-coal campaigners face similar risks, despite widespread public sympathy for their cause. The Philippine Movement for Climate Justice, which supports local communities and lobbies for change at the national level, has been targeted by death threats, surveillance and hacking.

In the face of these threats, the anti-coal movement presses on — and makes progress. The Philippine Movement for Climate Justice helped file the historic complaint to the IFC's watchdog, and it pushed through the recent increase in the coal tax. More good news arrived in December 2017, when, in the face of street protests, the Ombudsman of the Philippines [suspended](#) all four members of the Energy Regulatory Commission for uncompetitive practices in the awarding of power supply agreements, a practice widely seen as propping up coal.

Despite these recent successes, members of the movement remain clear-eyed about the challenge ahead. Power politics, vested interests and violence — buttressed by billions of dollars in international investment — conspire to keep the Philippines on the path toward coal, in spite of the will of the people and the market.

"We're a signatory to the Paris Agreement and one of the most vulnerable countries in the world to climate change," said Ian Rivera, national coordinator of the Philippine Movement for Climate Justice. "Yet at a time when the world has recognized the financial and human cost of coal, the Philippines is going against the trend and expanding. That's why we're fighting back."



## Commercial Banks and Institutional Investors Funding Coal in the Philippines

Name of Investor	Country	Shareholding	Loans	Bonds Underwritten	Bonds Held	Total
Standard Chartered	UK	-	\$2.14 billion	\$2.67 billion	-	\$4.81 billion
Mizuho	Japan	-	\$2.58 million	\$600 million	\$25.71 million	\$3.21 billion
BlackRock	US	\$2.59 billion	-	-	\$11.52 million	\$2.6 billion
Government Pension Investment Fund Japan	Japan	\$2.14 billion	-	-	-	\$2.14 billion
ING	Netherlands	-	-	\$1.99 billion	-	\$1.99 billion
Bank of Tokyo Mitsubishi	Japan	-	\$1.98 billion	-	\$600,000	\$1.98 billion
Cathay United	Taiwan	-	\$1.47 billion	-	-	\$1.47 billion
Vanguard Group	US	\$1.1 billion	-	-	-	\$1.1 billion
Intesa San Paolo	Italy	-	\$400 million	-	-	\$400 million
Canada Pension Plan Investment Board	Canada	\$279.96 million	-	-	-	\$279.96 million
Norges Bank Investment Management (NBIM)	Norway	\$278.34 million	-	-	-	\$278.34 million
State of California(CalPERS)	US	\$109.39 million	-	-	-	\$109.39 million
APG Asset Management	Netherlands	\$166.12 million	-	-	-	\$166.12 million
Government of Sweden	Sweden	\$96.89 million	-	-	-	\$96.89 million
Nuveen LLC (TIAA)	US	\$80.13 million	-	-	-	\$80.13 million
Caisse de Depot et Placements du Quebec	Canada	\$60.79 million	-	-	-	\$60.79 million
British Columbia Investment Management Corp	Canada	\$57.98 million	-	-	-	\$57.98 million
PGGM Vermogensbeheer B.V.	Netherlands	\$34.72 million	-	-	-	\$34.72 million
Texas Permanent School Fund	US	\$11.73 million	-	-	-	\$11.73 million
State of Wisconsin Investment Board	US	\$8.3 million	-	-	-	\$8.3 million
Oregon Public Employees Retirement System	US	\$4.83 million	-	-	-	\$4.83 million
Alaska Permanent Fund Corp.	US	\$4.14 million	-	-	-	\$4.14 million
AMF Pensionsforsakring AB	Sweden	\$3.38 million	-	-	-	\$3.38 million

*\*This information was correct as of March 2018.*

