



Rt Hon Douglas Alexander MP
Secretary of State for International Development
1 Palace Street
London SW1E 5 HE

11 March 2010

Dear Secretary of State

Re: Proposed World Bank loan to Eskom, South Africa

We are writing to urge that the UK vote against the proposed \$3.75 billion loan to Eskom for the Medupi coal-fired power plant in South Africa when it comes before the World Bank executive board. We enclose a letter sent to all Executive Directors by a South African civil society coalition campaigning against the loan.

Eskom's proposal is not in the interests of poor communities in South Africa, and approving the loan will undermine both them and the global fight against climate change. While there is significant energy poverty in South Africa this project is not focussed on meeting the needs of poor communities but instead on supplying energy to major energy-intensive industrial users that already have access to some of the cheapest electricity in the world. Those users would be exempted from price increases to meet the costs of this loan by existing power purchase agreements – leaving a disproportionate burden to fall on domestic households. The Medupi station and the coal mines that would be opened to feed it would also have significant impact on the health, land, air and water of local communities.

The proposed Medupi plant would emit an estimated 25 million tonnes of CO₂ per annum for decades to come. Furthermore, support for Eskom's overall expansion would nearly double the South African power sector's carbon emissions and put South Africa firmly on a higher carbon development path. This would severely limit any likelihood that the Bank might meet the clean energy targets set out in last year's DFID White Paper and would run counter to any suggestions that the World Bank should administer climate finance, as well as setting a bad precedent for the ongoing energy strategy review.

This loan if approved would also represent a major increase in South Africa's dollar denominated debt – exposing the country to significant debt problems in the event of a currency crash, something which has happened five times since 1996.

Finally, there are serious questions about the lack of due diligence carried out by the Bank when evaluating this proposal, including a failure to properly estimate the social and health costs of the project or to fully examine other options. For example the World Bank's 'Expert Panel' report raised a number of serious concerns about the environmental impacts of this project which do not appear to have been dealt with.

We would welcome the chance to meet with you, before the loan is approved so we can discuss our objections before you make your decision. We look forward to hearing from you.

Yours sincerely,

Asad Rehman, Head of International Climate, Friends of the Earth

Charlie Kronick, Chief Climate Advisor, Greenpeace

Deborah Doane, Director, World Development Movement

Ian Leggett, Director, People and Planet

James Picardo, Campaign Director, Jubilee Scotland

Jesse Griffiths, Coordinator, Bretton Woods Project

Nick Dearden, Director, Jubilee Debt Campaign

Paul Brannen, Head of Advocacy and Influence, Christian Aid

Enclosures (1)

cc: Susanna Moorehead, Executive Director, United Kingdom, World Bank