ARTICLES

USING MULTILATERAL DEVELOPMENT BANKS TO ACHIEVE PARIS CLIMATE GOALS

by Theresa Trillo

Theresa Trillo is a recent graduate of Lewis & Clark Law School, with certificates in Animal Law and Environmental and Natural Resources Law. She currently lives and works in the San Francisco Bay Area.

SUMMARY

Despite the fact that multilateral development banks (MDBs) have been criticized for their unsustainable practices and projects, they can play a key role in tackling climate change. In order to be successful in shaping climate-friendly policies and practices, MDBs must align with the goals of the Paris Agreement. The United States can influence MDBs to align with the Agreement, and the Biden Administration has already taken strides to do so. This Article explores ways in which the Administration can further influence and assist the MDBs in reaching climate goals.

With the effects of climate change and catastrophic weather conditions on the rise, the U.S. government must do everything in its power to address the crisis. As a major contributor of greenhouse gas (GHG) emissions, and thereby a large contributor to global climate change, the United States has not taken significant steps to address the issue.[1] The country suffers from billions of dollars in direct losses from climate-related events, but only allocates 0.07% of the federal yearly budget to other governments and international organizations to support international climate change efforts.[2] This relatively small contribution suggests that the United States could and needs to do more to address the global climate crisis.

The Joseph Biden Administration strives to make climate change a top priority—a tremendous improvement when compared to the inaction and disregard of the Donald Trump Administration. On January 27, 2021, President Biden issued his Executive Order on Tackling the Climate Crisis at Home and Abroad.[3] The Executive Order opens by declaring:

> The United States and the world face a profound climate crisis. We have a narrow moment to pursue action at home and abroad in order to avoid the most catastrophic impacts of that crisis and to seize the opportunity that tackling climate change presents. Domestic action must go hand in hand with the United States' international leadership, aimed at significantly enhancing global action. Together, we must listen to science and meet the moment.[4]

In addition to recognizing the climate crisis and the importance of the United States' role in addressing it, the Biden Administration emphasizes using multilateral principles to approach policy decisions.[5] Scholars have urged the Administration to focus on the role of multilateral development banks (MDBs)[6] to put multilateral principles into practice and address global issues such as climate change.[7] Similarly, during the Carbis Bay Summit, the Group of Seven (G7)—including the United States—called upon

1. *See generally* Joe Thwaites, *4 Climate Finance Priorities for the Biden Administration*, World Resources Inst., Jan. 28, 2021, https://www.wri.org/blog/2020/01/us-climate-finance-biden-administration (stating that the Donald Trump Administration cut climate funding while the rest of the world has moved ahead).
2. *Id.*
3. Exec. Order No. 14008, 86 Fed. Reg. 7619 (Feb. 1, 2021), *available at* https://www.govinfo.gov/content/pkg/FR-2021-02-01/pdf/2021-02177.pdf.
4. *Id.*
5. *Id.*
6. Rebecca M. Nelson, Congressional Research Service, Multilateral Development Banks: Overview and Issues for Congress 1 (2020), https://fas.org/sgp/crs/row/R41170.pdf.
7. Chris Humphrey, *The Multilateral Tools Waiting to Be Used by the Biden Administration*, ODI, Dec. 11, 2020, https://www.odi.org/blogs/17729-multilateral-tools-waiting-be-used-biden-administration.

MDBs to increase their climate finance and publish a plan to fully align with the objectives of the Paris Agreement.[8]

Like the United States, the United Nations (U.N.) plays an international role in leading climate change efforts. The U.N. estimates that two to three trillion dollars will need to be invested per year within the energy, infrastructure, agriculture, health, and education sectors in developing countries to achieve the Sustainable Development Goals (SDGs)—often referred to as the "infrastructure financing gap."[9] Experts believe this gap needs to be addressed within emerging economies to combat the effects of climate change.[10] MDBs can play a significant role in addressing climate change[11] by partially funding the infrastructure financing gap.[12] The G7 recognizes that current funding and financing approaches are inadequate in addressing the gap, and that MDBs should work to increase the mobilization of their capital for sustainable infrastructure.[13]

MDB decisions and policies have the potential to mitigate climate impacts and lower global GHG emissions. MDBs finance projects in many emerging economies with fast-growing emissions, and the majority of coal power development occurs in emerging economies.[14] In 2010, GHG emissions from developing countries accounted for more than one-half of all global emissions, and they continue to increase yearly.[15] This increase coincides with positive developments in developing countries, such as a decrease in poverty rates and an increase in access to safe drinking water.[16] MDBs can play a significant role in reaching the economic and social development required for developing nations to reach net-zero carbon emissions.[17]

Although MDBs have the potential to help achieve Paris Agreement climate targets, there are many criticisms surrounding their actions, leaving significant room for improvements. Without a clear definition of the concept of sustainability or empirical indicators of sustainability,[18] MDBs are presented with challenges of measuring the sustainability of their development projects, meeting their development goals, and cutting their GHG emissions.[19] MDB infrastructure projects often include sectors that account for large amounts of global GHG emissions—further illustrating the conflict between development and climate change contribution.[20] For instance, energy consumption—including transportation, electricity and heat, buildings, and manufacturing and construction—accounts for 73% of global GHG emissions.[21] Other sectors that also produce a large amount of GHGs include agriculture, land use, and forestry.[22]

Essentially, developing countries and MDBs face unique challenges with respect to climate change because they must develop in a sustainable way. As an example, developing countries should not rely on fossil fuels for energy development, and must go straight to reliance on renewable energy sources. Practically speaking, the institutions funding development projects in these countries need to consider these challenges to ensure a more sustainable future for development. The Paris Agreement and SDGs exist to address these challenges, and the MDBs can work to align themselves with both.

This Article explores how the United States can use its power and vote to align MDBs with the goals of the Paris Agreement. More specifically, it outlines some of the key elements that the Biden Administration's strategy toward MDBs should contain, including focusing on transparency, tracking GHG emissions for each project funded by an MDB, and setting science-based targets for their GHG emissions. Part I provides an overview of how the MDBs are organized and operate, along with some criticisms of

8. Statement, The White House, Carbis Bay G7 Summit Communiqué §40 (June 13, 2021) [hereinafter Carbis Bay Summit], https://www.whitehouse.gov/briefing-room/statements-releases/2021/06/13/carbis-bay-g7-summit-communique/.
9. *See generally* U.N. Conference on Trade and Development (UNCTAD), Trade and Development Report 2019: Financing a Global Green New Deal 83 (2019), https://unctad.org/system/files/official-document/tdr2019_en.pdf (discussing developing-country debt sustainability and the SDGs); *see also* Kathy Zhang & Aniket Shah, *Development Banking for Sustainability*, Sustainable Dev. Solutions Network, Nov. 17, 2015, https://www.unsdsn.org/news/2015/11/17/development-banking-for-sustainability (stating that there is a trillion-dollar infrastructure financing gap).
10. UNCTAD, *supra* note 9; Zhang & Shah, *supra* note 9; *see also* U.N., *UN Secretary-General's Strategy for Financing the 2030 Agenda*, https://www.un.org/sustainabledevelopment/sg-finance-strategy/ (last visited July 17, 2021) ("The financing gap to achieve the SDGs in developing countries is estimated to be US$2.5-3 trillion per year.").
11. *See generally* UNCTAD, *supra* note 9; *see also* Alvaro Mendez & David P. Houghton, *Sustainable Banking: The Role of Multilateral Development Banks as Norm Entrepreneurs*, 12(3) Sustainability 972 (2020), *available at* https://www.mdpi.com/2071-1050/12/3/972/htm (looking at a study done by the International Monetary Fund (IMF) that implied that MDBs could play an important role in achieving the SDGs).
12. *See* Mendez & Houghton, *supra* note 11, at 2 (discussing MDBs' roles in pioneering sustainable banking and their ability to engage private banks).
13. Carbis Bay Summit, *supra* note 8, §67.
14. *See generally* Helena Wright, *How Walmart Beats the World Bank on Carbon Footprinting*, Climate Home News, Oct. 10, 2017, https://www.climatechangenews.com/2017/10/10/walmart-beats-world-bank-carbon-footprinting/.
15. Marc Fleurbaey et al., *Sustainable Development and Equity*, *in* Climate Change 2014: Mitigation of Climate Change. Contribution of Working Group III to the Fifth Assessment Report of the Intergovernmental Panel on Climate Change 283, 291 (O. Edenhofer et al. eds., Cambridge Univ. Press 2014), https://www.ipcc.ch/site/assets/uploads/2018/02/ipcc_wg3_ar5_chapter4.pdf.
16. *Id*. at 291.
17. *See* Cynthia Cummis, *How Can Financial Institutions Deliver on the Paris Agreement?*, Sci. Based Targets, July 2, 2008, https://sciencebasedtargets.org/2020/03/09/how-can-financial-institutions-deliver-on-the-paris-agreement/ ("The latest reports by the Intergovernmental Panel on Climate Change (IPCC) have shown that the transition to a net-zero carbon world requires a *systemic economic transformation, backed by consistent capital flows*."); *see also* UNCTAD, *supra* note 9 (arguing that public or state development banking will be vital to achieving the SDGs).
18. Large volumes of literature have assessed sustainable development indicators to come to this conclusion. *See* Fleurbaey et al., *supra* note 15, at 292, 293 (discussing various definitions of "sustainability" and the lack of empirical indicators).
19. *See id*. at 293 (discussing three links between climate change and sustainability, including the constraint of development paths, trade offs between climate responses and SDGs, and co-benefits between effective climate responses and sustainable development objectives).
20. *Id*. at 287.
21. Mengpin Ge & Johannes Friedrich, *4 Charts Explain Greenhouse Gas Emissions by Countries and Sectors*, World Resources Inst., Feb. 6, 2020, https://www.wri.org/blog/2020/02/greenhouse-gas-emissions-by-country-sector.
22. *Id*. ("The other top sectors that produce emissions are . . . livestock and crop cultivation (12%); land use, land-use change and forestry, such as deforestation (6.5%); industrial processes of chemicals, cement and more (5.6%); and waste, including landfills and waste water (3.2%).").

MDBs and their operations. Part II discusses the U.S. role in MDBs and policies toward MDB involvement. Part III explores how the United States can assist in aligning MDBs with the Paris Agreement given §§102(f) and 102(g)(ii) of the Executive Order, and provides key elements for the strategy. Part IV concludes.

I. Overview of MDBs

Development banks provide capital and advisory services for infrastructure projects, businesses, agriculture, and other sectors where financial needs are not being met by the public sector, commercial banks, or capital markets.[23] These banks often receive public funding or initial capital from public resources.[24] Development banks can be international (e.g., the World Bank) or regional (e.g., the Asian Development Bank).[25]

This Article focuses on MDBs, international financial institutions that have been established by more than one country in order to support development in developing countries.[26] MDBs usually provide assistance through a loan or grant, with the aim of promoting economic and social development.[27] The loans and grants distributed by MDBs often supply funding for large infrastructure projects (e.g., roads, dams, and power plants) and policy reform (e.g., reform in agriculture or electricity-sector policies).[28] MDBs tend to finance projects through equity investments, long-term loans, and guarantees.[29] MDBs can be further categorized as global, regional, or subregional.[30] Global MDBs provide assistance across several regions, achieving a wide geographical scope, whereas regional development banks only operate across one region.[31]

A. *Mandates, Operations, and Organizational Structure*

MDBs operate within mandates set by their establishing countries. Most of these mandates were established in the 1960s but have expanded over time.[32] Today, many MDBs' mandates call for sustainable economic development.[33] Infrastructure is the largest sector supported by MDB projects; transportation and energy serve as two examples of MDB-supported infrastructure projects.[34] MDBs help secure global public goods, including climate health, public health, and security.[35]

One must understand the organizational structure of MDBs and how they actually operate. The World Bank, for example, exercises autonomous control over decision-making procedures, sources of funding, administration, and budgetary needs, despite the fact that it is a specialized agency within the U.N.[36] Regional development banks, on the other hand, act as independent international agencies unaffiliated with the U.N.[37] Despite this, regional development banks must comply with directives, such as economic sanctions, voted on by the U.N. Security Council.[38] Despite the directive power the U.N. Security Council has over MDBs, they are not subject to decisions by the U.N. General Assembly, nor are they subject to decisions by other U.N. agencies.[39]

MDBs have similar internal organizational structures; each has its own management staffed with international employees and each has its own supervising board of governors and board of executive directors.[40] Each MDB's board of governors makes major policy decisions ranging from day-to-day delegation of duties to lending and amending founding documents.[41] Significantly, some major donors have their own executive director on the board of executive directors to represent their interests.[42] The United States has its own executive director, while smaller Member countries are represented in groups by one executive director per group.[43] MDB executive boards typically meet weekly to consider loan and policy proposals and oversee bank activities.[44]

Like many institutions, the decisionmaking process within MDBs occurs by vote. Member countries' voting shares are weighted based on cumulative financial contributions, among other commitments to the organization.[45] Figures created by the Congressional Research Service indicate that the United States carries between 5% and 30% voting power in a number of MDBs, even clearing the voting power threshold for major policy decisions for the Inter-American Development Bank (IDB) and World Bank.[46] The United States carries enough power to veto major policy decisions at both of these banks, but cannot

23. Zhang & Shah, *supra* note 9.
24. *Id*.
25. *Id*.
26. *See* Organisation for Economic Co-operation and Development (OECD), *Development Finance Institutions and Private Sector Development*, https://www.oecd.org/development/development-finance-institutions-private-sector-development.htm (last visited July 17, 2021) (defining national and international development finance institutions).
27. Nelson, *supra* note 6, at 1.
28. *Id*.
29. Since MDBs generally have a greater financing capacity than bilateral development banks, they are the focus of this Article. OECD, *supra* note 26.
30. Much of the literature differentiates between global, regional, and subregional MDBs. Annalisa Prizzon, *A Guide to Multilateral Development Banks*, ODI, June 28, 2018, https://odi.org/en/publications/a-guide-to-multilateral-development-banks/; Lars Engen & Annalisa Prizzon, ODI, A Guide to Multilateral Development Banks (2018), https://cdn.odi.org/media/documents/12274.pdf.
31. Prizzon, *supra* note 30; Engen & Prizzon, *supra* note 30.
32. *Id.*
33. *Id*.
34. *See generally id*.
35. *See generally* Cary Springfield, *The Effectiveness of Multilateral Development Banks*, Int'l Banker, Oct. 10, 2019, https://internationalbanker.com/banking/the-effectiveness-of-multilateral-development-banks/.
36. Nelson, *supra* note 6, at 11.
37. *Id*.
38. *Id*.
39. *Id*.
40. *Id*.
41. *Id*.
42. *Id*.
43. *Id*. at 12.
44. *Id*.
45. *Id*.
46. *Id*.

veto small decisions like the granting of individual loans.[47] Each MDB has its own set of policies and practices, as well.

1. MDB Policies and Practices

MDBs have safeguard systems[48] that define each bank's policies, principles, and operational requirements with respect to the environmental and social impacts of their development projects.[49] The most common safeguards among MDBs are those involving the environment and sustainable development.[50] Most MDBs also have policies in place to establish public communication or disclosure.[51]

MDB safeguard systems typically include several key components.[52] One key component is an overarching policy statement set out by the MDB that outlines its "key objectives, policies, principles, scope, hierarchy and organizing framework of the institution's approach to potential environmental and social impacts and risks of its activities."[53] Not all MDBs' policy statements are necessarily mandatory.[54]

Another key component to safeguard systems is mandatory operational requirements for borrowers, and they are usually set out for specific lending circumstances.[55] The third key component, environmental and social review procedures, tends to be mandatory for the MDB itself.[56] The final key component, broadening access to information policies, goes hand-in-hand with transparency objectives.[57]

MDBs' safeguards share some common features, including borrower requirements to undergo environmental and social assessments of projects or operations to be financed by the MDB, supplementary safeguards used to address specific environmental or social risks that set out institutional requirements to manage and assess the risks, and greater consistency in the risk areas that are covered.[58] The key areas of operational safeguards among MDBs in relation to environmental sustainability are environmental and social assessment, involuntary resettlement, pollution prevention, biodiversity, community impacts, and environmental flows.[59]

2. MDB Lending and Safeguards

The financial support from Member countries allows MDBs to provide financial assistance to developing countries.[60] MDBs raise capital through the issuance of bonds to countries who want to borrow capital.[61] MDBs rarely face difficulties in being repaid by these borrowing countries.[62] Most MDBs apply different safeguard instruments for development, programmatic, and investment lending.[63]

For policy-based lending and programmatic-based lending,[64] MDBs generally require an evaluation of environmental and social impacts, and some will require some sort of action plan.[65] As an example, the World Bank's policy-based lending approach requires that the bank determine whether a specific country's policies will have significant effects on that country's natural resources and environment or will lead to significant poverty and social consequences for poor and vulnerable populations.[66] The World Bank's programmatic lending approach, on the other hand, requires the bank to undertake what is known as an environmental and social systems assessment, which looks at any potential impact or risk associated with a specific program.[67]

When it comes to investment lending, MDBs follow a more diverse approach depending on the project structure and circumstances.[68] Different MDBs apply different safeguards when engaging in investment lending. For example, some may preemptively conduct environmental screening, while others require that projects must comply with the more stringent of either a host country's law or an MDB's own requirement.[69] MDBs require compliance with national law and international agreements by borrowers to ensure that a project is "designed and carried out in compliance with . . . national obligations . . . under ratified Multilateral Environmental Agreements."[70]

Overall, there is a general consistency between MDBs and their thematic coverage of safeguard issues within their systems; environmental assessment, protection of natural habitats, pollution prevention and abatement, climate change, and biodiversity are just a few examples of the environmental considerations that MDBs implement

47. *Id.*
48. MDBs also have operational safeguards, such as lending operation requirements, that will not be covered for the purposes of this Article. Harvey Himberg, Comparative Review of Multilateral Development Bank Safeguard Systems (2015), https://consultations.worldbank.org/sites/default/files/consultation-template/review-and-update-world-bank-safeguard-policies/en/related/mdb_safeguard_comparison_main_report_and_annexes_may_2015.pdf.
49. *Id.* at 1.
50. Engen & Prizzon, *supra* note 30.
51. *Id.*
52. Four of these components are relevant to this Article and are discussed. Himberg, *supra* note 48, at 3.
53. *Id.*
54. From this, it can be inferred that not all policy directives are mandatory. *Id.*
55. Stated differently, different lending circumstances have different operational requirements. *Id.* at 4.
56. *Id.*
57. *Id.*
58. African Development Bank Group, Integrated Safeguards System—Policy Statement and Operational Safeguards 7 (2013), https://www.afdb.org/fileadmin/uploads/afdb/Documents/Policy-Documents/December_2013_-_AfDB'S_Integrated_Safeguards_System__-_Policy_Statement_and_Operational_Safeguards.pdf.
59. *Id.*
60. *Id.*
61. Humphrey, *supra* note 7.
62. *Id.*
63. Himberg, *supra* note 48, at 8-9.
64. Policy-based lending refers to the concept of lending funds to accomplish specific policy goals, while programmatic-based lending refers to the concept of lending funds to accomplish goals set forth by a specific program. World Bank, OP 8.60—Development Policy Lending (2004), http://www1.worldbank.org/publicsector/pe/befa05/OP860.htm.
65. Himberg, *supra* note 48, at 8-9.
66. *Id.* at 9.
67. *Id.*
68. *Id.* at 10.
69. *Id.* at 11.
70. *Id.* at 12.

in their various safeguard systems.[71] Some MDBs even list exclusions or prohibited projects within their environmental and social safeguard policies or frameworks that they will not support.[72]

B. Criticisms of MDBs

Although there are many potential positive impacts that can be made by development banks, there are also many criticisms. Critics argue that MDBs are too focused on "getting money out the door" rather than achieving their desired results. MDBs also face criticism for not being transparent enough when reporting GHG emissions from their development projects.[73] Experts have also recognized that empirical research on development banks is limited,[74] and there is very little research on actual environmental outcomes of the impact of environmental and social standards.[75]

Scholars have identified a number of different challenges in sustainable banking, including the uncertain bankability of projects,[76] non-transparency in tracking sustainable capital flows, and the fact that no universal mechanism capable of making matches between green investment supply and demand exists.[77] Another issue is the lack of access to capital.[78] The commercial banking industry has access to the necessary capital, but without assistance from MDBs, the industry cannot match the developing economies' range of opportunities for capital investment.[79]

Although sustainable development is within the mandate of many MDBs, they have been criticized for being less transparent regarding the climate-related impacts of their investments when compared to some of the biggest corporations with large carbon footprints.[80] For instance, in 2017, a news article comparing the World Bank and Walmart found that the World Bank was seriously lagging behind Walmart and other major corporations like Gap, Nike, and Levi Strauss with respect to transparency on the climate impact of their investments.[81]

In addition to the issue of some MDBs not tracking total GHG emissions from their funded development projects or setting targets to reduce them, critics of MDBs also argue that they focus on short-term outputs, fail to engage in long-term activities, and put large demands on the governments of developing countries.[82] MDBs have also been subject to criticisms that they use unsustainable growth-based models, lack an approach to align their entire lending portfolio with the Paris Agreement, focus on megaprojects that generate carbon-intensive infrastructure, and fail to protect forests.[83]

C. Climate Pledge Between MDBs

Although they are not immune from criticism, MDBs have been taking action to align with the Paris Agreement and address environmental concerns. In response to the Paris Agreement, nine MDBs announced a climate pledge a few years ago to recognize and increase investments targeting climate change by $175 billion by 2025.[84] Previously, climate financing by MDBs was already hitting record levels, with a combined $111 billion USD financial target reached via MDB climate finance and co-finance.[85]

The pledged funding increase will come in three streams, beginning with a commitment to increase climate finance allocation levels globally by $65 billion by 2025, a 50% increase from current levels—with $50 billion specifically allocated to lower- and middle-income economies.[86] Second, the annual combined climate adaptation finance will double to $18 billion by 2025.[87] Finally, co-financing for climate action investment is expected to rise to $110 billion, with $40 billion expected to be mobilized by investors from the private sector.[88]

Along with the three streams, the nine MDBs released a joint statement outlining five actions to adapt to climate change and mitigate climate risks.[89] The policy begins with each MDB individually committing to increase climate finance levels over time through the first two funding streams outlined above.[90] The second action policy is based

71. *Id.* at 12-13.
72. *Id.* at 13.
73. Springfield, *supra* note 35.
74. *See generally* Aldo Musacchio et al., The Role and Impact of Development Banks—A Review of Their Founding, Focus, and Influence 6 (2017), http://people.brandeis.edu/~aldom/papers/The%20Role%20and%20Impact%20of%20Development%20Banks%20-%203-9-2017.pdf ("despite this controversy, empirical research on development banks is scant"); *see also* José de Luna-Martinez & Carlos Leonardo Vicente, Global Survey of Development Banks 2 (World Bank, Policy Research Working Paper No. 5969, 2012), https://openknowledge.worldbank.org/bitstream/handle/10986/3255/WPS5969.pdf ("Despite their size and importance, little is known about development banks. Past research on development banks has focused on examining their performance and comparing them to private institutions. Other studies have examined the reasons for the failure of select development banks.").
75. Kevin P. Gallagher & Fei Yuan, *Standardizing Sustainable Development: A Comparison of Development Banks in the Americas*, 26(3) J. Env't & Dev. 243, 250 (2017), https://journals.sagepub.com/doi/abs/10.1177/1070496517720711.
76. "Bankability" refers to the idea that, without collateral resources, a project will not be financed no matter how feasible that project is from a legal or technical standpoint. Mendez & Houghton, *supra* note 11, at 7, §3.2.1.
77. Mendez & Houghton, *supra* note 11.
78. *Id.*
79. *Id.*
80. *See generally* Wright, *supra* note 14.
81. *Id.*
82. Nelson, *supra* note 6, at 15.
83. *See generally* Bretton Woods Project, What Are the Main Criticisms of the World Bank and IMF? 8-9 (2019), https://www.brettonwoodsproject.org/wp-content/uploads/2019/06/Common-Criticisms-FINAL.pdf.
84. Vanora Bennett, *MDBs Pledge to Join Forces to Raise Annual Climate Finance to $175 bn by 2025*, Eur. Bank for Reconstruction & Dev., Sept. 22, 2019, https://www.ebrd.com/news/2019/-mdbs-pledge-to-join-forces-to-raise-annual-climate-finance-to-175-bn-by-2025.html.
85. *Id.*
86. *Id.*
87. *Id.*
88. *Id.*
89. Asian Development Bank et al., High Level MDB Statement (2019), https://www.adb.org/sites/default/files/page/41117/climate-change-finance-joint-mdb-statement-2019-09-23.pdf.
90. *Id.*

on the co-financing endeavor highlighted by the third funding stream mentioned above.[91]

The third policy commits to helping MDB clients deliver on the goals set forth in the Paris Agreement. The MDBs will present a common framework and define principles to be incorporated by each institution. That is expected to take place starting from 2021 onward.[92] The fourth action commits to developing a transparency framework.[93] Finally, each institution pledges to assist clients in the transition away from fossil fuels by implementing long-term GHG emissions and climate-resiliency strategies, and to develop financing and policy strategies to transition to a more climate-conscious future.[94]

II. The United States' Role in MDBs

The United States plays a significant role in MDBs and can have a significant influence on their decisions. It serves as a leader in MDBs, including the World Bank (including three sub-institutions—the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), and the International Finance Corporation[95]), IDB, Asian Development Bank, African Development Bank, and European Bank for Reconstruction and Development.[96]

The United States can significantly influence MDBs by shaping their agendas and leveraging U.S. funding to MDBs to ensure that the MDBs are effective and impactful.[97] Both the U.S. Congress and the executive branch play major roles in implementing policy regarding MDBs.[98] Congress has complete responsibility for the level of U.S. financial commitments to the MDBs, the general framework for U.S. policy, and the rules that govern U.S. participation in the MDBs, whereas the Secretary of the U.S. Treasury negotiates with other countries on the topic of MDB policy and prospective funding agreements.[99] The Treasury also oversees the management of day-to-day conduct with respect to U.S. participation in the banks.[100]

A. Congress Grants Authority to the Secretary of the Treasury

The Bretton Woods Agreements Act of 1945 authorizes the United States' participation in the International Monetary Fund and the World Bank.[101] Following this Act, additional legislation was modeled on it to authorize further participation in the other regional development banks.[102] This congressional action allows the United States to participate in the schemes of MDBs.

Congress provides funding and oversight of the United States' participation in the MDBs, which plays an important role in shaping the country's policies at the MDBs.[103] Congress has passed mandates regarding U.S. participation in the MDBs.[104] Due to these mandates, the United States can oppose MDB loans and projects that it does not agree with. For example, when a project fails to follow environmental assessment procedures or has negative environmental impacts, the United States can oppose the project.[105]

B. Role of the Executive Branch

The president appoints representatives from the United States to sit on the executive boards for MDBs. The president also delegates the responsibility of voting and taking positions on behalf of the United States to the Treasury Secretary.[106] The authority to delegate this power from the president to the Treasury stems from §581 of Division D of the Consolidated Appropriations Act, which provides Treasury with the responsibility "to coordinate activities relating to the United States' participation in the international financial institutions and relating to organization of multilateral efforts aimed at currency stabilization, currency convertibility, debt reduction, and comprehensive reform programs."[107] Additionally, the Act requires the Treasury to "report to the appropriate congressional committees describing the actions taken by each multilateral development institution to implement the policy goals specified in Section 581 and further actions needed to meet these goals."[108]

In addition to delegating powers to the Treasury, the president's role also extends to the establishment of the National Advisory Committee (NAC) on International Monetary and Financial Policies. The NAC was originally established by the Bretton Woods Agreements Act and has changed over time. It now serves to "coordinate policies, advise on problems, and recommend legislation regarding international monetary and financial affairs."[109] The NAC

91. *Id.*
92. *Id.*
93. *Id.*
94. *Id.*
95. Nelson, *supra* note 6, at 2.
96. *Id.* at 1.
97. U.S. Department of the Treasury, *Multilateral Development Banks*, https://home.treasury.gov/policy-issues/international/multilateral-development-banks (last visited July 17, 2021).
98. Rebecca M. Nelson & Martin A. Weiss, Congressional Research Service, Multilateral Development Banks: How the United States Makes and Implements Policy 1 (2014), https://fas.org/sgp/crs/misc/R41537.pdf.
99. *Id.*
100. *Id.*
101. *Id.*
102. *Id.*
103. *Id.*
104. U.S. Department of the Treasury, *Loan Review Votes*, https://home.treasury.gov/policy-issues/international/multilateral-development-banks/loan-review-votes (last visited July 17, 2021).
105. *Id.*; *see generally* U.S. Department of the Treasury, February 2020 Monthly MDB Voting Record 5, https://home.treasury.gov/system/files/206/February-2020-Voting-Record.pdf (for example, the United States in February 2020 did not support a power utility project in Tajikistan due to the lack of capacity to remove polychlorinated biphenyl (PCB)-contaminated oils).
106. Nelson & Weiss, *supra* note 98, at 1.
107. *Id.*; 22 U.S.C. §6593.
108. U.S. Department of the Treasury, *Reports to Congress*, https://home.treasury.gov/policy-issues/international/multilateral-development-banks/reports-to-congress (last visited July 17, 2021).
109. Nelson & Weiss, *supra* note 98, at 2.

has the authority to review proposed loans or other financial transactions and determine whether those transactions align with the United States' policies and objectives with respect to international financial affairs.[110] The NAC chairman is also required to report to Congress on the United States' participation within international financial institutions, like MDBs, including assessing the effectiveness of major policies and operations, how the United States is affected by those issues, and progress taken to achieve U.S. policy goals.[111]

C. MDB Funding

As noted above, the United States is the largest donor for a number of MDBs.[112] This position as the largest donor to a number of MDBs affords it great voting power and influence. Although the United States does not have the power to veto day-to-day decisions, it has voting power great enough to veto major policy decisions at the World Bank and the IDB.[113] The United States also enjoys a position of great influence in a number of other MDBs as well.[114]

As a major contributor to the funding of many MDBs, the United States thus has the ability to play a key role in moving MDBs toward climate pledge goals and aligning with the Paris Agreement. While the issue of funding MDBs is not immune from political debate, the current Administration has tasked the Treasury Secretary to develop a climate finance plan through use of MDBs and other institutions in an effort to reduce the environmental impacts of global development.[115]

III. How the United States Can Assist MDBs in Aligning With the Paris Agreement

Despite the existing criticisms of MDBs, researchers opine that such banks are the "best set of international institutions available to help the U.S. face the complex global challenges of the 21st century, and they fit perfectly within the multilateral approach of the new Biden Administration."[116] This section lays out the parts of President Biden's Executive Order that relate to aligning the MDBs with the Paris Agreement, and suggests elements that should go into the Biden Administration's strategy to align international development with fighting climate change.

A. Executive Order on Tackling the Climate Crisis at Home and Abroad

Section 102(f) of the Executive Order illustrates the current Administration's commitment to prioritizing the use of multilateral tools while addressing climate change. The section reads:

> The United States will also immediately begin to develop a climate finance plan, making strategic use of multilateral and bilateral channels and institutions, to assist developing countries in implementing ambitious emissions reduction measures, protecting critical ecosystems, building resilience against impacts of climate change, and promoting the flow of capital toward climate-aligned investments and away from high-carbon investments.[117]

Section 102(g)(ii) of the Executive Order tasks the Secretary of the Treasury with developing a strategy to align MDBs with the Paris Agreement, declaring:

> [T]he Secretary of the Treasury shall develop a strategy for how the voice and vote of the United States can be used in international financial institutions, including the World Bank Group and the International Monetary Fund, to promote financing programs, economic stimulus packages, and debt relief initiatives that are aligned with and support the goals of the Paris Agreement.[118]

B. The Voice and Vote of the United States Within MDBs

The United States is the lead shareholder in the five major MDBs discussed above, and can therefore use its voice to influence the other shareholders.[119] Care should be taken in expressing that influence to ensure the steps taken are actually effective.[120] There are many examples of how the United States has used its voice to influence the MDBs. The IDA—a sub-institution of the World Bank—was created through the suggestion of the United States so that the poorest countries could receive low-interest loans with long-term repayment periods.[121] The IDA notably provides grants to these countries[122] largely due to U.S. pressure.[123]

Further, leaders of the MDBs are likely to ask the Biden Administration for more funding, which will give the United States more influence within the MDBs' decisions.[124] A similar scenario occurred in 2020 when the United States increased capital to the World Bank and, as a result, was able to secure transparency and accountability reforms within the World Bank.[125] This is the kind of influence and pressure that can be used to align the MDBs

110. *Id.*
111. *Id.* There are many criticisms surrounding the structure of this participation, but it is outside of the scope of this Article.
112. *Id.* at 12.
113. *Id.*
114. *Id.*
115. Exec. Order No. 14008, *supra* note 3.
116. Humphrey, *supra* note 7.
117. Exec. Order No. 14008, *supra* note 3.
118. *Id.*
119. Humphrey, *supra* note 7; Nelson & Weiss, *supra* note 98, at 1 ("As the largest financial contributor to the international financial institutions, the United States has a leading role in shaping the policies of the international financial institutions (IFIs), which include the International Monetary Fund (IMF), the World Bank, and the regional development banks.").
120. Humphrey, *supra* note 7.
121. Nelson & Weiss, *supra* note 98, at 2.
122. *Id.*
123. U.S. Department of the Treasury, *supra* note 97.
124. Thwaites, *supra* note 1.
125. *Id.*

with the Paris Agreement, and the Secretary of the Treasury should include the following elements when drafting its strategy.

C. Key Elements for Climate Alignment Strategy

MDBs have committed to align with the Paris Agreement by ensuring that their strategies and activities are consistent with the goals of the Paris Agreement,[126] but they have made slow progress in doing so.[127] In drafting a strategy to assist them in aligning more quickly, U.S. policymakers can look toward different initiatives that have been put in motion to work toward sustainable development and financing. One example is the U.N. Environment Programme (UNEP) Finance Initiative (FI), which provides financial principles for responsible banking and works to align the banking industry with the Paris Agreement and the SDGs.[128] There are 206 signatories to this initiative—the majority of them being private banks.[129]

Even though this initiative is geared toward private banks, it can serve as a source for guidance for the United States and MDBs. Signatories to the initiative are continuously required to (1) analyze the impact on people and the planet; (2) use that analysis to set targets where that impact is significant; and (3) report that progress publicly.[130] After 18 months, signatories are required to report on their impact, what targets they have set, their progress, and how they have been implementing the three financial principles.[131] Similar to this initiative, the United States' strategy should focus on influencing MDBs to measure total GHG emissions from development projects (as a part of analyzing its impact on people and the planet), set science-based targets for measuring and reducing GHG emissions, and transparently report on this information and their progress.

The United States' position of influence at a number of MDBs affords it the ability to push MDB policy further toward their climate goals. While MDBs commit to align with the Paris Agreement, U.S. policymakers can lead efforts at MDBs to accelerate these goals through specific policy objectives. The United States can increase its own funding to MDBs, appoint climate-focused representatives to serve as the voice for the U.S. agenda, push for increased transparency standards, end funding for fossil fuel-based projects, adopt a uniform framework for measuring risk, measure the GHG emissions of each development project, and set science-based targets for measuring and reducing GHG emissions.

1. Increase Donations and Capital

First, in order to be successful in aligning with the Paris Agreement, MDBs need additional capital.[132] Increasing the capital contributed to MDBs would be a minimal cost to U.S. taxpayers and would help the MDBs fund projects that are in line with the Paris Agreement.[133] It has not always been clear in what direction MDB funding by the United States will go, but it appears that the U.S. government is trending toward increasing appropriations to MDBs year-over-year.

As early as 2017, the Trump Administration proposed cutting funding to MDBs by $650 million over a three-year time period.[134] Despite this, the Trump Administration one year later pledged to commit funding to support an expansion of the World Bank's IBRD.[135] Further, congressional appropriations dedicated to MDB funding exceeded the amounts requested by the previous administration for both fiscal years 2019 and 2020.[136]

For the current fiscal year, the Biden Administration is requesting $1.56 billion in congressional appropriations for MDBs.[137] In December 2020, Congress passed the 2021 spending package, which included funding guidelines for international climate funding.[138] MDBs provided $46 billion to climate financing, including funding for climate mitigation and adaptation projects, in 2019, and Congress has directed the United States to provide $1.48 billion to the MDBs in 2021.[139]

Another avenue in which MDBs can increase capital is through private finance. The G7 members recognize that current funding and financing approaches are inadequate to address infrastructure needs.[140] Therefore, the G7 supports an increase in market-based private capital and requests that MDBs prioritize capital mobilization strategies.[141] The World Bank Group also recognizes the opportunities presented by private finance and leverages the private sector through an approach called maximizing financing for development.[142] Under this approach, the World Bank Group considers private and public solutions whenever a new project is presented.[143]

The United States should use its power to influence other MDBs to adopt similar initiatives as an additional way to increase capital. This increase in capital is a crucial first step toward aligning MDBs with the Paris Agreement, but further action is needed.

---

126. Alex Clark et al., Climate Policy Initiative, Implementing Alignment With the Paris Agreement: Recommendations for the Members of the International Development Finance Club 9 (2019), https://unfccc.int/sites/default/files/resource/Aligning%20with%20the%20Paris%20Agreement%20-%20Part%202%20-%20CPI-I4CE.pdf.
127. Thwaites, *supra* note 1.
128. UNEP FI, *About Us*, https://www.unepfi.org/about/ (last visited July 17, 2021).
129. UNEP FI, *Signatories*, https://www.unepfi.org/banking/bankingprinciples/signatories/ (last visited July 17, 2021).
130. UNEP FI, *Principles for Responsible Banking*, https://www.unepfi.org/banking/bankingprinciples/ (last visited July 17, 2021).
131. *Id.*
132. Humphrey, *supra* note 7.
133. *Id.*
134. Nelson, *supra* note 6, at 12.
135. *Id.* at 14-15.
136. *Id.* at 12.
137. *Id.* at 15.
138. Thwaites, *supra* note 1.
139. *Id.*
140. Carbis Bay Summit, *supra* note 8, §67.
141. *Id.* §41.
142. World Bank, *Maximizing Finance for Development (MFD)*, https://www.worldbank.org/en/about/partners/maximizing-finance-for-development (last visited July 17, 2021).
143. *Id.*

2. New Appointees

As a major contributor to the funding of many MDBs, the United States has the ability to play a key role in moving MDBs toward climate pledge goals and aligning with the Paris Agreement. As noted earlier, the United States has voting power great enough to veto major policy decisions at the World Bank and the IDB.[144] The United States also enjoys a position of great influence in a number of other MDBs as well.[145] With that great a degree of voting power and influence, it is important that U.S. appointees to MDBs' executive boards share the goal of aligning MDBs with the Paris Agreement.

Currently, the U.S.-appointed executives for both the World Bank and the IDB are Trump appointees.[146] It is no secret that the outgoing administration was not climate-focused; in fact, the Trump Administration likely accelerated the impacts of climate change through its policy decisions, and the four years of lost time that could have been put toward climate-focused policy decisions set back the United States—and the rest of the world—significantly.[147] With the Biden Administration's push toward aligning with the Paris Agreement, new appointees to the executive boards of MDBs are a critical element to this strategy. New appointees need to do more than just align MDBs with the Paris Agreement, they must follow all the goals mentioned here.

3. Increase Transparency

Although the United States already prioritizes promoting transparency across and among the MDBs,[148] it should push for stronger efforts. MDBs have policies in place to promote transparency and are pursuing initiatives to increase transparency. The International Aid Transparency Initiative (IATI) improves transparency of development and humanitarian resources to address poverty.[149] The IATI works with governments, MDBs, private-sector institutions, and civil society organizations to increase transparency on the resources available to developing countries.[150] It encourages all organizations with resources going to developing countries to make information available regarding their development and humanitarian activities through the IATI's data standard.[151]

According to the IATI, using transparent, high-quality data can help work toward sustainable development.[152] Several MDBs have also registered with the IATI to show their commitment to transparency.[153] However, one potential downside of IATI data is that the quality of the data is not standardized. Organizations that decide to publish IATI data are responsible for deciding what and how much detail they provide and the IATI does not take responsibility for audits or verifications of the data.[154]

An alternative initiative that advocates for transparency is the Global Reporting Initiative.[155] This initiative also provides a set of transparency standards, but is specifically geared toward sustainability reporting.[156] The standards are used by organizations to prepare sustainability reports and are used by every organization that prepares a report.[157]

Further, a December 2018 report by the World Resources Institute (WRI) emphasizes the importance of transparency with regard to aligning MDBs with the Paris Agreement.[158] Countries aligned with the Paris Agreement made a commitment to being transparent about implementation progress, and WRI notes that MDBs and other institutions must follow suit to ensure the efficacy of the Paris Agreement.[159] While MDBs are good at disclosing how much they invest in climate-related activities, they fall short on making sure their investments are consistent with their climate goals.[160]

WRI gives the example that MDBs report jointly on spending on renewable energy, but they do not report on how much they invest in oil and gas.[161] MDBs need to do a better job on reporting transparently on all aspects of their investments for any strategy to be effective. The WRI report emphasizes the important progress MDBs have made by adopting the climate pledge, but argues that the MDBs need to do more than that to reduce climate change harm to below dangerous levels.[162] This report emphasizes the need for transparency, but also briefly touches on another problem with the way MDBs currently operate—not only that they are not transparent about how much they spend in the oil and gas sector, but that they are continuing to spend money in this sector.

144. Nelson, *supra* note 6, at 12.
145. *Id*.
146. Thwaites, *supra* note 1.
147. Alejandra Borunda, *The Most Consequential Impact of Trump's Climate Policies? Wasted Time.*, Nat'l Geographic, Dec. 11, 2020, https://www.nationalgeographic.com/environment/article/most-consequential-impact-of-trumps-climate-policies-wasted-time.
148. *See generally* U.S. Department of the Treasury, *supra* note 97 ("Treasury website is intended to promote transparency and implement sections 1504 and 1505 of the International Financial Institutions Act added by Public Law 108-199 (2004) and Public Law 109-102 (2005), respectively.").
149. IATI, *Home Page*, https://iatistandard.org/en/ (last visited July 17, 2021).
150. *Id*.
151. *Id*.
152. IATI, *Using IATI Data*, https://iatistandard.org/en/using-data/ (last visited July 17, 2021).
153. Engen & Prizzon, *supra* note 30.
154. IATI, *supra* note 152.
155. Global Reporting Initiative, *Home Page*, https://www.globalreporting.org (last visited July 17, 2021).
156. *Id*.
157. Global Reporting Initiative, *GRI Standards*, https://www.globalreporting.org/how-to-use-the-gri-standards/gri-standards-english-language/ (last visited July 17, 2021).
158. Gaia Larsen et al., *4 Ways Development Banks Can Better Support the Paris Agreement*, World Resources Inst., Dec. 4, 2018, https://www.wri.org/blog/2018/12/4-ways-development-banks-can-better-support-paris-agreement.
159. *Id*.
160. *Id*.
161. *Id*.
162. *Id*.

4. End Funding for Fossil Fuels

Although MDBs contribute positively to climate financing, they have long funded fossil fuel-based development projects.[163] This goal is the most straightforward for the MDBs to adopt. The G7 members recognize coal power as the largest contributor of GHG emissions, and have committed to the international transition away from unabated coal.[164] As a G7 member, the United States should push for the elimination of fossil fuel subsidies, and to put an end to overseas financing for fossil fuels.[165]

Other countries need to follow suit and call on MDBs to phase out fossil fuel financing.[166] A 2017 report published by Oil Change International found that six major MDBs provided more than $83 billion in public funding for fossil fuels between 2008 and 2015.[167] In that same time period, 30% of all MDB energy financing went to fossil fuels and only 25% went toward clean energy sources.[168] MDBs must shift financing and resources away from fossil fuels and into clean energy to align with the Paris Agreement.

5. Adopt a Uniform Framework for Measuring Environmental and Social Risks

Many financial institutions use a risk management framework known as the Equator Principles to determine how much environmental and social risk a project takes on. The Equator Principles set out a framework for risk management to determine, assess, and manage the social and environmental risks of a financial institution's development projects.[169] The Equator Principles have been adopted in 37 countries, and set out a number of standards for international project financing.[170] While there are some national development bank members, the majority of the financial institutions that have adopted the principles are private.[171] However, MDBs are beginning to implement the same standards that are found within the Equator Principles.[172]

By implementing the Equator Principles, MDBs can converge on a common set of environmental and social standards and practices.[173] Where they are implemented already, the Equator Principles promote responsible environmental and social management practices in the financial and banking industry of countries and institutions that have adopted them, and they even support members to develop their own environmental and social-risk management systems.[174] This kind of support can help MDBs develop a framework to manage environmental harm and push them closer to accomplishing their climate pledge goals. A framework such as the Equator Principles could be used in a number of ways to bring the MDBs into uniformity on climate policy, an example being the use of a uniform framework to measure GHG emissions.

6. Measure GHGs of Each Project

A working report drafted by the NewClimate Institute and Germanwatch recommends a number of actions that MDBs can take to align their investments with the goals of the Paris Agreement. One of those actions is that MDBs must begin GHG accounting as a prerequisite to their projects.[175] The World Bank began reporting its aggregate GHG emissions in 2017.[176] By making this commitment, the World Bank became the first MDB to measure GHG emissions and determine the quantity of GHG emissions it creates or avoids as a result of its funded projects.[177]

The commitment by the World Bank marked an important change in the way that MDBs conduct themselves, because they previously only tracked emissions project-by-project and the data were often difficult to find.[178] The World Bank's implementation involves reporting aggregate GHG emissions from its investment projects.[179] Other MDBs began to follow suit around the same time. For example, the Asian Development Bank committed to measuring its emissions and to reduce them at the same time that the World Bank committed to report its aggregate GHG emissions.[180]

The NewClimate Institute/Germanwatch working report recommends that GHG accounting should cover three scopes—direct emissions, emissions from generation of electricity or heat used, and other indirect emissions.[181] It further recommends that all GHG emissions reporting should be publicly disclosed.[182] Not only do MDBs have to measure GHG emissions, they must also set science-based

163. Thwaites, *supra* note 1; *see also* Press Release, International Institute for Sustainable Development, Fossil Finance From Multilateral Development Banks Reached USD 3 Billion in 2020, but Coal Excluded for the First Time Ever (Mar. 30, 2021), https://www.iisd.org/articles/fossil-finance-multilateral-development-banks-reached-usd-3-billion-2020-coal-excluded (MDBs still funding projects that produce fossil fuels).
164. Carbis Bay Summit, *supra* note 8, §39.
165. Thwaites, *supra* note 1.
166. Alex Doukas & Elizabeth Bast, Oil Change International, Fossil Fuel Finance at the Multilateral Development Banks: The Low-Hanging Fruit of Paris Compliance (2017), http://priceofoil.org/content/uploads/2017/05/MDBs-Finance-Briefing-2017.pdf.
167. *Id.*
168. *Id.*
169. Equator Principles, *The Equator Principles*, https://equator-principles.com/about/ (last visited July 17, 2021).
170. *Id.*
171. Equator Principles, *EP Association Members & Reporting*, https://equator-principles.com/members-reporting/ (last visited July 17, 2021).
172. *See* Equator Principles, *supra* note 169 (stating that the European Bank for Reconstruction and Development and other MDBs are increasingly drawing on the same standards).
173. *Id.*
174. *Id.*
175. *Id.*
176. Sophie Edwards, *World Bank to Report Aggregate Greenhouse Gas Emissions for the First Time*, Devex, Oct. 14, 2017, https://www.devex.com/news/world-bank-to-report-aggregate-greenhouse-gas-emissions-for-first-time-91292.
177. *Id.*
178. *Id.*
179. *Id.*
180. *Id.*
181. Sophie Bartosch et al., Germanwatch & NewClimate Institute, Aligning Investments With the Paris Agreement Temperature Goal—Challenges and Opportunities for Multilateral Development Banks (2018), https://newclimate.org/wp-content/uploads/2018/09/MDB_WorkingPaper_2018-09.pdf.
182. *Id.*

targets to measure and reduce GHG emissions based on the data collected in order to align with the Paris Agreement.

7. Set Science-Based Targets

Science-based targets to measure and reduce GHG emissions are crucial to aligning MDBs with the Paris Agreement. The U.N. Global Compact, WRI, Carbon Disclosure Project, and World Wide Fund for Nature joined in partnership to create the Science Based Targets initiative (SBTi).[183] This initiative was created with the goal of promoting institutions to set science-based targets in transition to a low-carbon economy.[184]

The SBTi identifies five criteria for companies to assess their target goals.[185] First, entities must look to their overall scope 1 and scope 2 emissions[186] and all their GHG emissions as set forth in the GHG Protocol Corporate Standard.[187] Second, entities must commit to setting science-based targets that cover at least five and no more than 15 years from the date the target is submitted.[188] Third, the target goals must be consistent with the Paris Agreement's goal of keeping the global temperature increase well below 2 degrees Celsius.[189] Fourth, entities must screen for all scope 3 emissions[190] that it may create in its activity.[191] Finally, the SBTi recommends that entities disclose all GHG emissions annually.[192]

While the SBTi was launched with private institutions in mind, the goals can be adopted by public financial institutions like MDBs, and the SBTi actually encourages that public financial institutions do adopt its five criteria.[193] MDBs should adopt the SBTi criteria because it will help them set targets that are rooted in science and adhere to a set of uniform principles while also increasing transparency with respect to annual GHG emissions.

IV. Conclusion

The United States should do everything in its power to ensure that the Paris Agreement goals are met. The Biden Administration recognizes the need for climate policy changes in its Executive Order on Tackling the Climate Crisis at Home and Abroad, while also recognizing the important role that the MDBs can play in meeting the Paris Agreement goals.

With the amount of influence the United States can have on MDB policy decisions and the Biden Administration's efforts to take on the climate crisis, one hopes that MDBs can continue to take swift action to align themselves with the Paris Agreement and work toward mitigating the effects of climate change while still supporting global development. As the Biden Administration is still in its early years, only time will tell whether the United States can really lead the effort toward addressing climate change.

183. SBTi, *About Us*, https://sciencebasedtargets.org/about-us (last visited July 17, 2021).
184. Monica Richter et al., SBTs for Financial Institutions, Asia Pacific Presentation (Nov. 25/26, 2019), https://sciencebasedtargets.org/resources/legacy/2020/01/SBTi-FI-Asia-Pacific-presentation-Nov-2019-.pdf.
185. *Id*.
186. *See generally* U.S. Environmental Protection Agency, *Scope 1 and Scope 2 Inventory Guidance*, https://www.epa.gov/climateleadership/scope-1-and-scope-2-inventory-guidance (last updated July 6, 2021) (describing that scope 1 emissions are direct GHG emissions occurring from sources controlled or owned by an organization, while scope 2 emissions are indirect GHG emissions from the purchase of energy from electricity, steam, heat, or cooling).
187. Richter et al., *supra* note 184.
188. *Id*.
189. Though the SBTi actually encourages companies to pursue a 1.5 degree Celsius goal. *Id*.
190. *See generally* U.S. Environmental Protection Agency, *Scope 3 Inventory Guidance*, https://www.epa.gov/climateleadership/scope-3-inventory-guidance (last updated July 6, 2021) (describing that scope 3 emissions result from activities that an organization indirectly impacts; they may be the scope 1 and scope 2 emissions of other organizations).
191. Richter et al., *supra* note 184.
192. *Id*.
193. *Id*.