

April 4, 2008

Mr. Eli Whitney Debevoise II  
Executive Director for the United States  
MC 13-1307  
World Bank Group  
1818 H Street, NW  
Washington, D.C. 20433

Dear Mr. Debevoise,

We are writing to strongly urge you to request a delay in consideration of an upcoming International Finance Corporation (IFC) vote on the Tata Ultra Mega supercritical coal-fired power plant, due to a failure to pass a basic due diligence review. We recognize that India needs a massive increase in electrical power supply, and are confident that the IFC should be capable of supporting this need using modern renewable energy technology. However, the IFC has not demonstrated that this project is an appropriate and cost effective solution that merits the investment of scarce international funds. In addition to a flawed analysis of the costs of the project, and the 700 million tonnes of carbon dioxide estimated to be emitted over its project life, the Tata Ultra Mega 4,000 MW coal power plant is neither pioneering technology nor the best alternative for supplying power to the region. Despite critical flaws in its own justification, the IFC is imminently slated to submit this project to the Board of Directors for approval. This project should not be considered until the IFC staff can provide a robust due diligence review. Until then, a vote should be delayed to allow for more accurate analysis of essential questions.

IFC's current justification fails in its assertion that this project offers pioneering technology and also in the rationale that coal is the only scalable alternative for India's power sector. First, the IFC claims that the use of scarce international resources for this project is justified because its efficient, supercritical coal-combustion technology will provide a model for India. According to the IFC: "The project is the first private-sector power project in India to be based on the energy efficient supercritical technology." It is incorrect to characterize this supercritical plant as pioneering technology. No such model is needed, because several other private- and public-sector supercritical plants are already under construction or planned in India, including Sipat and Akaltara (Chattisgarh State), Sasan (Madhya Pradesh), and Shahapur (Maharashtra). According to the Center for Global Development, over 70% of planned private-sector expansion in India, *independent of this project*, will use supercritical technology. Moreover, the IFC has not demonstrated how this plant will be made compatible with carbon capture and storage technology, which the Bank has recently stated is essential to reduce the carbon impact of fossil fuels, especially in countries that still depend heavily on coal

Second, the IFC has justified this project on the basis that India has no scalable, economically-feasible alternative for baseload power. *This analysis of alternatives must be reconsidered.* It is clear that India does have a great need for additional power, especially for millions of people living in under-served communities. But there are scalable, economically-feasible alternatives to coal. For example, the region surrounding the proposed project has tremendous potential for solar thermal power, which has already moved to large-scale installation in Europe and the US.

Assuming the current CDM payment rate of \$15 per ton of CO2 averted, the solar thermal capacity equivalent to Mundra's (4,000 MW) could qualify for \$445 million/year in CDM payments--enough to recover most of the cost difference between solar thermal and supercritical coal. The remaining difference can and should be covered by international clean technology funds.

Moreover, coal's previous cost advantage has largely vanished. Fuel and construction costs for supercritical coal-fired power plants have at least doubled since the project was analyzed, greatly reducing coal's cost advantage over solar thermal power. Additionally, this project will actually use coal imported from Indonesia and beyond, at a rapidly-rising cost which has not been sufficiently accounted for in the project analysis.

UN Secretary General Ban Ki Moon has called on all nations to "come together in a global, collective, inclusive and low-carbon approach to growth and development." Accordingly, we must harness our international energy investments to finance renewable energy as a development priority. In supporting this project, the World Bank is needlessly committing scarce international resources for this project in a manner that locks in a development pathway inconsistent with international climate needs. Given the lack of due diligence in this case, we implore you to ask for a delay on this vote until a sufficient analysis of more realistic costs and alternatives has been produced. The WBG cannot effectively fight climate change while simultaneously financing high carbon emitting technologies like the Tata Mundra Project. But at the very least, until this project can pass the due diligence test, IFC's Board should vote "no" on Tata Mundra Ultra Mega, leave coal-fired power behind, and commit to supporting the renewable power that all countries need.

Sincerely,

Bank Information Center  
Environmental Defense Fund  
International Accountability Project  
Oil Change International

Bretton Woods Project  
Friends of the Earth US  
National Wildlife Federation  
World Economy, Ecology & Development

Cc :

Robert Zoellick  
Kathy Sierra  
Meg Taylor  
Rep. Barney Frank  
Sen. Robert Menendez  
Rep. Nita Lowey

Lars Thunell  
Warren Evans  
Rachel Kyte  
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Sen. Patrick Leahy  
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