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Infrastructure for Yesterday: The AIIB's Capital Market Operations Include Major Fossil Fuel Investments



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Executive Summary

Is financing gas-fired power plants, oil exploration, and LNG facilities what the Asian Infrastructure Investment Bank (AIIB) envisions when it claims to support the “infrastructure for tomorrow”? An in-depth analysis of the AIIB’s capital market operations (CMOs) reveals that 62% of the investments from CMOs are channeled into fossil fuel infrastructure. These operations have become the bank’s latest and most opaque financing tool, to which the AIIB’s Environmental and Social Framework (ESF) does not apply. The lack of oversight risks locking mem-

ber countries into a fossil-fuel-dependent future instead of channeling these much needed investments into the energy transition. At the same time, the AIIB claims that one of its CMOs qualifies as 85% climate finance¹, raising serious concerns about the bank’s commitments to Paris alignment. The AIIB must uphold its commitment to being a “clean and green” bank by adhering to the highest international standards in all its operations – including capital market activities.

Key findings

- **Significant Fossil Fuel Exposure:** 62% of AIIB’s investments into CMOs support fossil fuel companies, amounting to \$321.41 million. When factoring in private capital mobilization and estimating investments across its remaining CMOs, the total fossil fuel investment is estimated at \$1,823.18 million.
- **Lack of Transparency:** There is only limited public information on some CMOs. This analysis suggests that an additional \$870.48 million may be invested in fossil fuel companies through undisclosed portfolios.
- **ESG Framework Limitations:** CMOs are excluded from the AIIB’s Environmental and Social Framework. The AIIB’s reliance on third-party ESG management instead of robust safeguards has resulted in significant gaps in environmental and social protections.
- **Accountability Gap:** CMOs are excluded from the AIIB’s Project-affected People’s Mechanism (PPM), limiting affected communities’ ability to hold the AIIB accountable or seek remedies for potential negative effects of its projects.
- **Controversial Investments:** The portfolio includes projects with significant environmental and social impacts, such as the Bhola gas-fired power plant in Bangladesh and offshore oil exploration in Guyana, both of which have drawn criticism from environmental groups and local communities.

These findings highlight a concerning disparity between the AIIB’s stated commitment to sustainability and its actual investment practices. It appears that the bank has created a grey area that allows to bypass the screening requirements of the Energy Sector Strategy (ESS) and the ESF, allowing for continued support for fossil fuel infrastructure and the investment into environmentally and socially harmful projects.

To address these issues, the AIIB should:

1. Include upstream, midstream and downstream oil and gas activities on the Environmental and Social Exclusion List (ESEL), which should explicitly apply to CMOs.
2. Improve transparency by disclosing detailed portfolio information for all CMOs on the AIIB website.
3. Extend its Environmental and Social Framework to cover CMOs.
4. Widen the PPM’s authority to review CMOs and to ensure accountability in all AIIB projects.

1. Background: The AIIB's Capital Market Operations

Capital market operations (CMOs) encompass a wide range of financial instruments and activities designed to raise capital and hedge against financial risks. At their core, CMOs involve transactions in publicly traded securities, such as stocks and bonds. These activities often involve delegating portfolio management to third-party asset managers who make investment decisions into securities traded on capital markets.

At the beginning of 2019, the AIIB announced that it had started to “develop infrastructure as an asset class”². In this announcement the AIIB stated that institutional investors have the greatest untapped potential for private capital mobilization. With its CMOs, the bank aims to mobilize private investors to invest in infrastructure in Asia. This involves turning infrastructure into standardized, tradable financial instruments with attractive revenue streams for institutional investors.

Since the initial announcement, the AIIB has continuously expanded its funding for CMOs and now holds eight projects with a total funding of \$1.9 billion in its portfolio. While CMOs currently constitute only 6% of the AIIB's

overall portfolio, their significance should not be underestimated. The bank has been steadily increasing its commitments in this area, with a brief pause during the outbreak of the COVID-19 pandemic in 2020 and 2021. This upward trend is particularly concerning given that CMOs have been explicitly excluded from the revised 2021 Environmental and Social Framework (ESF). This exclusion creates a potential loophole through which the AIIB can invest without adhering to its own environmental and social standards.

Instead, the bank relies on the Environmental, Social, and Governance (ESG) Framework a particular investor follows to “facilitate environmentally and socially sustainable investments”³. However, as Inclusive Development has highlighted, this ESG approach is fundamentally flawed and cannot adequately replace comprehensive environmental and social safeguards⁴. ESG ratings often rely on companies' self-reporting rather than a rigorous assessment of social and environmental risks. Moreover, the primary focus of ESG frameworks is on minimizing investment risks, not on preventing environmental and social harm.

2. Analysis of the AIIB's Capital Market Portfolio

2.1. Overview

In 2018, the AIIB approved its first CMO. As of now, the AIIB has eight CMOs in its portfolio, totaling \$1.9 billion in funding. Earlier publications on the AIIB's CMOs pointed out that a comprehensive portfolio analysis is not possible due to poor information disclosure.⁵ This remains true for the bank's first CMOs. There is no public information available on two of the AIIB's projects: AIIB Asia ESG Enhanced Credit Managed Portfolio as well as the Asia Climate Bond Portfolio. However, more information is available on the other six projects. These six projects are managed by two investment companies: Bayfront Infrastructure and Hong Kong Mortgage Corporation Limited.

Bayfront Infrastructure was established in 2019 as a strategic partnership between Clifford Capital Holdings and the AIIB, with Clifford Capital Holdings owning 70% and the AIIB holding the remaining 30%. This collaboration aims to “develop a new institutional asset class for mo-

bilizing private capital”.⁶ Bayfront acquires loans from banks and holds them on its balance sheet, focusing on assets that are difficult to sell or trade publicly. Pooling and securitizing these assets make them more attractive to private investors.⁷

The AIIB currently has five capital market projects managed by Bayfront Infrastructure, with a total approved funding of \$644 million. Including additional private capital investments, the total size of these funds exceeds \$1.5 billion. Detailed portfolio information is available for three of these funds through investor reports, enabling a comprehensive portfolio analysis. The first CMO managed by Bayfront Infrastructure – the “Infrastructure Private Capital Mobilization Platform” – constitutes the investment into the platform itself rather than an investment into a particular fund. The latest CMO, “Project Merlion”, was approved in June 2024, just two months before the

publication of this report. To date, there is no comprehensive portfolio information available for this project.

In addition to the information about the Bayfront Infrastructure Funds, portfolio information was also found for the CMO with the misleading name “Project Ocean”. For this operation, the AIIB partnered with the Hong Kong

Mortgage Corporation (HKMC), a government-owned entity in Hong Kong. Similar to the Bayfront projects, the goal of Project Ocean is to develop an infrastructure asset-backed securities market in Asia. Currently, there is only one project managed by HKMC within the AIIB’s portfolio. Portfolio details for this fund are available in the investor report on the HKMC website.

Table 1: AIIB’s CMOs

Project Name	Financing (million \$)	Approval Year	Corresponding Fund Name	Manager
AIIB Asia ESG Enhanced Credit Managed Portfolio	500	2018	-	abrdn
Infrastructure Private Capital Mobilization Platform	54	2019	-	Bayfront Infrastructure
Asia Climate Bond Portfolio	500	2019	-	Amundi
Asia Infrastructure Securitization Program	80	2022	BIC II	Bayfront Infrastructure
Asia Infrastructure Securitization Program II	80	2022	BIC III	Bayfront Infrastructure
Project Ocean	300	2023	Bauhinia ILBS 1	Hong Kong Mortgage Corporation Limited
BIC IV	80	2023	BIC IV	Bayfront Infrastructure
Project Merlion	350	2024	BIC V	Bayfront Infrastructure

2.2. Methodology

To assess the involvement of fossil fuel companies in the AIIB’s CMOs, a structured portfolio analysis was conducted. As detailed above, comprehensive portfolios were available for four of the eight CMOs (BIC II-IV & Bauhinia ILBS 1). The specific investments related to these operations were obtained from investor reports on the respective websites. A detailed breakdown of the companies and the corresponding investment amounts is provided in Appendix I-IV.

The companies within the portfolios were categorized based on their involvement in fossil fuel activities. This categorization was based on a systematic desk-based research process, where each company’s primary business operations and engagement with fossil fuels were thoroughly examined. For the purpose of this analysis, fossil fuel operations were defined to include upstream, midstream, and downstream activities within the oil and gas sector. Further methodological notes and the categorization of the companies can be found in Appendix I-V.

These findings were used to calculate AIIB’s support of fossil fuel companies through CMOs. Table 2 provides an

overview of each fund’s total investments, the amount allocated to fossil fuel companies, and the corresponding percentage of the fund directed toward these companies. AIIB’s support of fossil fuel companies through CMOs was calculated by multiplying the AIIB’s total investment in each CMO by the percentage that the fund invested in fossil fuel-related projects and companies.

In line with AIIB’s reasoning, the impact of the investment extends beyond the amount directly invested by the bank. According to their project documents, the primary goal of these investments is to create a platform that attracts additional private capital into infrastructure projects. The AIIB argues that such investments would have been challenging without the establishment of these CMOs, which facilitate the “development of infrastructure as an asset class”.⁸ Since CMOs facilitate private investment in infrastructure assets the amount of private capital mobilized as a result of AIIB’s involvement was also calculated in order to account for the bank’s role in catalyzing private investment.

The concept of private capital mobilization is not unique to the AIIB; it is a standard practice among Multilateral Devel-

opment Banks (MDBs). The Joint MDB Private Capital Mobilization Methodology defines how much private capital can be attributed to the impact of the MDBs⁹. According to this methodology, private investments raised through a collective investment vehicle, in which the MDB invests, are classified as Private Indirect Mobilization for the MDB. Fol-

lowing this approach, the share of the fund's investments in fossil fuel companies not already attributed to the AIIB's direct investment was categorized as Private Indirect Mobilization. This was calculated by subtracting the AIIB's support of fossil fuel companies through CMOs from the fund's total investments in fossil fuels.

3. Findings: The Fossil Fuel Dominance in the AIIB's Capital Market Investments

3.1. AIIB Support of Fossil Fuel Companies Through Capital Market Operations

The portfolio analysis indicates that within the CMOs in which the AIIB invested, between 56% and 67% of the funds supported fossil fuel companies. On average, this

means that 62% of the AIIB's investments are directed towards fossil fuel companies, totaling \$321.41 million.

Table 2: Breakdown of support for fossil fuel companies by fund

Name of CMO	Fossil Fuel Investments (Percentage of Total Portfolio)	AIIB Support of Fossil Fuel Companies Through CMOs (million \$)
BIC II	65%	51.56
BIC III	67%	53.31
BIC IV	61%	48.55
Bauhinia ILBS 1	56%	167.99
Total	62%	321.41

These figures demonstrate a consistent pattern of prioritizing fossil fuel investments across different funds and

years, suggesting a systemic issue rather than isolated incidents.

3.2. Private Capital Mobilization

The AIIB's investment have a broader impact beyond their direct investment into the funds by leveraging private capital. Following the Joint MDB Private Capital Mobilization Methodology, we calculated the private indirect mobiliza-

tion for fossil fuel companies by subtracting AIIB support of fossil fuel companies from the fund's overall investments into fossil fuel companies:

Name of CMO	Fund's Investments into Fossil Fuel Companies (million \$)	AIIB Support of Fossil Fuel Companies Through CMOs (million \$)	Private Indirect Mobilization for Fossil Fuel Companies (million \$)
BIC II	250.50	51.56	198.94
BIC III	260.90	53.31	207.59
BIC IV	222.80	48.55	174.25
Bauhinia ILBS 1	218.50	167.99	50.51
Total	952.70	321.41	631.29

This analysis shows that in total the AIIB has facilitated an additional \$631.29 million in private investments

towards fossil fuel companies through these four funds alone.

3.3. Estimated Investments into Fossil Fuel Companies Through Undisclosed Portfolios

Detailed portfolio information is available for only four of the eight CMOs. However, because the AIIB has no effective exclusion mechanism for fossil fuel companies, it is plausible that the AIIB's other CMOs have similar exposure to the oil and gas industry. The lack of publicly available information on these other portfolios creates a significant accountability gap in the bank's operations.

To estimate the AIIB's investments in fossil fuel companies within its remaining CMOs, we applied the proportion of fossil fuel exposure identified in the portfolio analysis (62%) to the total investment figures of the remaining operations:

Project Name	Approved Funding (million \$)	Estimated Investments in Fossil Fuel Companies (million \$)
Infrastructure Private Capital Mobilization Platform	54.00	33.48
AIIB Asia ESG Enhanced Credit Managed Portfolio	500.00	310.00
Asia Climate Bond Portfolio	500.00	310.00
Project Merlion	350.00	217.00
Total	1,404.00	870.48

This projection suggests an additional \$870.48 million might be invested in fossil fuel companies through these undisclosed portfolios.

This assumption is supported when examining the investment firms that the AIIB has partnered with to manage its operations. For the Asia ESG Enhanced Credit Managed Portfolio, AIIB collaborated with the global investment company abrdn. According to Investing in Climate Chaos, abrdn has invested \$7.273 billion in 293 fossil fuel companies, including some involved in coal operations and oil and gas exploration.¹⁰ This positions abrdn as the UK's

seventh-largest investor in fossil fuels. In their second CMO, AIIB worked with Amundi, the asset management arm of Crédit Agricole, which is France's largest and Europe's fourth-largest investor in fossil fuel companies.¹¹ Lastly, Project Merlion is the latest project to be managed by Bayfront Capital, whose exposure to fossil fuel companies is apparent as per the portfolio analysis of their other four funds. There is no reason to assume that the investments by any of these investors in partnership with the AIIB are any less focused on fossil fuels than their other operations.

3.4. Total Estimated Fossil Fuel Investments Through CMOs

Aggregating the various contributions, we can estimate AIIB's total funding for fossil fuel companies through CMOs.

AIIB's support of fossil fuel companies through CMOs	\$321.41 million
Private capital mobilization in analyzed portfolios	\$631.29 million
Estimated investments in undisclosed portfolios	\$870.48 million
Total	\$1,823.18 million

In total, this amounts to an estimated \$1,823.18 million channeled into fossil fuel companies through a combination of direct investments into CMOs, private capital mobilization and the estimation of investments in undisclosed portfolios. This large contribution highlights the scale of the AIIB's support for fossil fuels. Such continued investment in carbon-intensive industries not only undermines global efforts to combat climate change but also exposes investors to increasing financial risks as the world transitions towards cleaner energy sources.

4. Beyond the Numbers: Case Studies of Fossil Fuel Investments

While the quantitative analysis provides a clear picture of the scale of AIIB fossil fuel investments, it is crucial to examine the real-world impacts of these projects. Two

case studies illustrate the environmental and social consequences of these investments.

4.1. Bhola IPP, Bangladesh

BIC IV includes a \$14.3 million investment in Nutan Bidyut Ltd, the company that owns and operates the Bhola Integrated Power Plant (IPP), 220 MW gas-fired power plant in Bangladesh. In 2018 the bank had already approved a \$60 million loan. Bhola IPP became the first project to receive a formal complaint through the AIIB's Project-affected People's Mechanism (PPM).¹² The project has faced significant criticism for its lack of transparency, inadequate consultation with affected communities, coercive and fraudulent land acquisition practices targeting vulnerable groups, and severe environmental damage that has devastated local agriculture and livelihoods.¹³ Complaints highlighted the role of middlemen in land acquisition, who were accused of coercion, fraud, and intimidation, with Hindu communities fearing retaliation for raising concerns. These land acquisition practices violated Bangladesh's laws, and the local grievance redress mechanism (GRM) proved ineffective. The project also caused environmental degradation, including riverbed

siltation from sand waste disposal, severely affecting local farming and traditional livelihoods, with effluent discharge making areas uninhabitable.

Despite CLEAN and the NGO Forum on ADB repeatedly raising these issues with AIIB management, the bank dismissed the complaint in April 2022, citing a lack of "good faith efforts" to resolve the concerns with AIIB management.¹⁴ The bank then abruptly exited the project without implementing a responsible exit strategy, leaving the serious issues unaddressed.¹⁵ Throughout communications, AIIB argued that it bore no further responsibility for the project once the funds were fully disbursed and the original client changed. This rationale overlooked the ongoing harm to the local community and denied them any path to resolution or remedy. Moreover, Urgewald's portfolio analysis revealed that AIIB continued to invest in the Bhola IPP project through financial intermediaries, despite its public withdrawal.

4.2. Guyana Deep Water UK Limited

The Bauhinia ILBS 1 portfolio includes a \$2.6 million investment in Guyana Deep Water UK Limited, a company involved in oil processing and production off the coast of Guyana.¹⁶ This project has been flagged by the Global Oil and Gas Exit List (GOGEL) as having particularly high environmental and social risks.¹⁷

However, the oil operations in Guyana have been flagged by the Global Oil and Gas Exit List (GOGEL) as projects with particularly high environmental and social risks.¹⁸ These drillings have been linked to significant environmental destruction, ongoing litigation, and substantial social harm. The seismic exploration methods employed to locate oil deposits involve powerful blasts that disrupt aquatic ecosystems, posing a grave threat to marine life, including rare species like sperm whales. The continuous explosions interfere with their migration, feeding, and breeding patterns, leading to long-term biodiversity loss.

Moreover, ExxonMobil's activities have consistently failed to meet Guyana's environmental standards. The Environmental Impact Assessments (EIAs) conducted for these projects have been inadequate, neglecting to fully assess the fragile ecosystems in the region. As oil extraction intensifies, the risks to marine mammals, fish populations, and coastal habitats like mangroves grow exponentially. Beyond the environmental impact, local communities are suffering due to poorly negotiated contracts that overwhelmingly favor the oil companies. These agreements exempt the companies from significant tax obligations, leaving the people of Guyana with minimal benefits despite the oil boom. Additionally, the risk of an oil spill looms large, with inadequate insurance coverage potentially leaving Guyana to bear the financial and environmental costs of such a disaster. These issues have fueled growing resistance within the country, as legal actions against the environmental and social consequences of these projects continue to escalate.

5. Systemic Issues of Capital Market Operations

5.1. Outsourcing Responsibility: The Risk of Third-Party ESG Management

The examples above illustrate the potential negative impacts of capital market-funded projects on local communities and the environment. One single initiative can have far-reaching consequences. This makes the exclusion of CMOs in the AIIB's 2021 revision of its ESF even more problematic. A closer examination of the fund managers' ESG regulations reveals that they cannot serve as an adequate substitute for robust safeguards.

The ESG frameworks of Bayfront Capital and HKMC are structured in three distinct components. Both companies employ a general exclusion list¹⁹ that prohibits funding for specific activities, including weapons, tobacco, and coal mining. The remaining activities are governed by two separate frameworks. First, the Environmental and Social (E&S) Frameworks²⁰ apply to all operations. Second, the Sustainability Finance Frameworks²¹ are specifically designed for the sustainability tranches of their portfolios.

The exclusion lists of HKMC and Bayfront Capital differ significantly in their scope and coverage. For instance, the HKMC list explicitly excludes activities related to nuclear projects, diamond mining, and large dams, which are not mentioned in Bayfront Capital's list. These variations highlight a crucial issue: the lack of standardization in exclusion lists across companies. The absence of a universal standard set by the AIIB results in inconsistencies in scope and wording, allowing companies to tailor their exclusion criteria to their preferences or operational needs.

The E&S Frameworks establish the general guidelines for project screening and risk assessment. These frameworks outline how operations are classified into different risk categories and will be monitored on an ongoing basis.

Consequently, the frameworks provide a broad overview of the assessment process but lack specific criteria for determining risk categories and their operational implications. This ambiguity leaves room for interpretation in how projects are evaluated and managed across different risk levels.

Lastly, the Sustainable Finance Framework outlines the criteria for projects that qualify as Sustainable Assets within a portfolio. These frameworks define when an asset can be categorized as either "Green" or "Social". However, a key issue is that the operations and criteria for determining whether an asset is Green or Social are evaluated separately. For instance, under the Bayfront framework, desalination plants are classified as Social Assets without considering the source of energy powering them. As a result, projects like the Umm Al Houl Power desalination plant are deemed sustainable, even though they are powered by gas. Additionally, only a small percentage of assets are categorized as sustainable, meaning that the stricter criteria apply only to a limited number of companies.

This all demonstrates that relying on an ESG framework rather than robust safeguards results in significant gaps in environmental and social protections. The delegation of the ESG management to asset managers without a standardized framework means that the AIIB effectively outsources its responsibility for sustainable investment decisions. The varying scope of exclusion lists and policies across different ESG frameworks reveals that their effectiveness is not guaranteed and largely depends on the asset managers' discretion.

5.2. Accountability Gap: Exclusion from the Project-affected People's Mechanism

Moreover, the exclusion of the CMOs from the ESF not only affects the asset selection process but also means that CMOs are not subject to the Project-affected People's Mechanism (PPM).

The exclusion of CMOs from the AIIB's PPM is problematic as it undermines the accountability and oversight of the bank's investments. The PPM is designed to address

grievances and ensure that projects adhere to social and environmental standards, providing a critical safeguard for communities impacted by AIIB-funded projects. Not including CMOs in the PPM removes a layer of transparency and accountability for those affected by AIIB investments. This gap means that projects funded through CMOs, which may have significant social and environmental impacts, are not subject to the same scrutiny and corrective meas-

ures as other projects. Consequently, affected communities are left without a formal avenue to voice concerns or seek remedies, diminishing the overall effectiveness and integrity of the bank's accountability framework.

The case of Bhola IPP highlights the potential loophole that the bank has created: the bank has developed a financial instrument that could channel funds into controversial projects that might otherwise struggle to secure funding or face formal complaints. Therefore, it is essential to evaluate each project individually and carefully screen for potential negative impacts. All communities af-

ected by AIIB projects, regardless of the financing mechanism, should have the opportunity to voice their grievances. This approach aligns with international standards set by other MDBs, which the AIIB claims to meet or exceed. Moreover, such an accountability process benefits not only local communities but also the bank itself. Complaints represent valuable opportunities for the AIIB to identify and address operational shortcomings, fostering continuous improvement in future projects. By excluding CMOs from the PPM, the bank deprives itself of these crucial learning opportunities and risks undermining its commitment to responsible and sustainable development.

5.3. Misalignment with Climate Commitments

The portfolio analysis reveals that a significant portion of these investments targets gas-fired power plants and midstream oil and gas infrastructure. While oil and gas are often dubbed as "transition fuels", this approach contradicts the International Energy Agency's (IEA) Net Zero Emissions Scenario which outlines a pathway to achieving net-zero carbon emissions by 2050. The IEA scenario explicitly states that "none of the LNG export projects currently under construction are necessary" to meet global energy needs while transitioning to a net-zero future.

Despite gas being the largest contributor to the increase in greenhouse gas emissions from 2018 to 2019²², the AIIB still categorizes its investments in fossil fuel infrastructure as climate finance. Recourse has noted that the AIIB has not yet released the complete dataset used to calculate its climate finance.²³ The only available information, found in a table in the Annex of the Sustainable Development Bonds Impact Report 2022, claims that the Asia Infrastructure Securitization Program II qualifies as 85% climate finance.²⁴ However, the methodology behind this figure is unclear and appears questionable, especially given that our analysis indicates that 62% of the investment from this project supports gas infrastructure.

5.4. Outsourcing Investment Risks to Tax Payers

The AIIB's strategy of developing infrastructure as an asset class through CMOs effectively outsources investment risks to the public sector, as highlighted in a report by Eurodad.²⁵ By transforming infrastructure projects into tradable financial instruments, the bank shifts the burden of risk management away from private investors and onto governments and, ultimately, tax payers.

Moreover, this risk outsourcing can lead to a misalignment of incentives between private investors and the public in-

terest. While investors seek to maximize returns and minimize risks, the primary goal of infrastructure development should be to serve public needs and promote sustainable development. The AIIB's approach may inadvertently prioritize projects that offer the most attractive financial returns rather than those that provide the greatest social and environmental benefits. This shift could result in the neglect of essential but less profitable infrastructure projects, particularly in underserved or economically disadvantaged regions.

6. Conclusion: Infrastructure for Yesterday

The AIIB justifies its investments, including those in fossil fuels, with the need to close the “infrastructure funding gap” in Asia. While providing access to essential services is undoubtedly important, the infrastructure gap cannot be used as a blanket justification for funding any kind of infrastructure project. As a World Bank report emphasizes, a key part of addressing this infrastructure gap is the need to prioritize investments and make strategic decisions about where resources will have the most impact.²⁶ This analysis clearly demonstrates that 62% of capital market investments are directed toward oil and gas projects, many of which have harmful impacts on the environment and local communities.

The AIIB has crafted a financing tool that effectively circumvents its own policy framework. By channeling significant investments into gas-fired power plants and midstream oil and gas infrastructure through CMOs, the Bank is not adhering to its stated commitment to support only projects that align with its climate goals. This approach allows for the continued financing of outdated and carbon-intensive projects, rather than fostering innovative and low-carbon infrastructure solutions. In the face of an urgent global need for renewable energy transition, this kind of investment appears to be an investment into the “Infrastructure of Yesterday” rather than the “Infrastructure for Tomorrow”.

To address these issues, the AIIB should:

1. Include upstream, midstream and downstream oil and gas activities on the Environmental and Social Exclusion List (ESEL), which should explicitly apply to CMOs.
2. Improve transparency by disclosing detailed portfolio information for all CMOs on the AIIB website.
3. Extend its Environmental and Social Framework to cover CMOs.
4. Widen the PPM’s authority to review CMOs and to ensure accountability in all AIIB projects.

APPENDIX I: Portfolio Analysis BIC II

Company Name	Main area or operations	Operations in Fossil Fuel	Outstanding Commitment (September 2021), in \$ million
Adani Hybrid Energy Jaisalmer One/Two/Three/Four Limited	Solar and Wind Energy	No	20.0
Australia Pacific LNG Processing Pty Limited	Gas exploration and LNG Infrastructure	Yes	12.3
Cambodian Transmission Limited	Transmission lines	No	15.9
Dominique Steel B.V.	Steel	No	4.6
EDC Burgos Wind Power Corporation	Wind Energy	No	1.9
EDC Burgos Wind Power Corporation	Wind Energy	No	15.6
Green Infra Solar Projects Limited	Solar Energy	No	8.7
Ichthys LNG Pty Ltd	Oil and Gas Project	Yes	20.0
Jubail Water and Power Company	Gas-fired power plant and desalination	Yes	27.9
Ras Girtas Power Company	Gas-fired power plant	Yes	10.9
Ruwais Power Company PJSC	Gas-fired power plant and desalination	Yes	15.3
SB Energy Six Private Limited	Solar Energy	No	15.0
Sepia MV30 B.V.	FPSO	Yes	25.0
Shamal Az-Zour Al-Oula for the Building, Execution, Operation, Management and Maintenance of the First Phase of Az-Zour Power Plant K.S.C.	Gas-fired power plant and desalination	Yes	18.9
Summit Gazipur II Power Ltd	Gas-fired power plant	Yes	27.7
Tartaruga MV29 B.V.	FPSO	Yes	12.8
Umm Al Houli Power	Gas-fired power plant	Yes	29.7
Vena Energy Shivalik Wind Power Private Limited	Wind energy	No	4.9
Whitesands Pipelines Limited	Oil and Gas Pipelines	Yes	15.0
Project A	Transportation	Not clear	19.0
Project B	Integrated LNG	Yes	19.0
Project C	Renewable Energy	No	9.3
Project D	Conventional Power & Water	Yes	11.5
Project E	Renewable Energy	No	13.3
Project F	Midstream	Yes	4.5
Project G	Renewable Energy	No	10.0
Overall investments in fossil fuel companies		250.5	64 %
Overall investments into companies with unclear business area		19.0	5%
Overall investments into non-fossil-fuel companies		119.2	31%

Methodological Notes: Borrower Overview and Outstanding Commitments are based on the BIC II Investor Report from September 2021. Available at: [https://www.bayfront.sg/resources/ck/files/BIC%20II%20Quarterly%20Investor%20Report%20-%20Sep%202021%20\(Final\).pdf](https://www.bayfront.sg/resources/ck/files/BIC%20II%20Quarterly%20Investor%20Report%20-%20Sep%202021%20(Final).pdf) (Last accessed on 2024-09-12)

APPENDIX II: Portfolio Analysis BIC III

Company Name	Main area or operations	Operations in Fossil Fuel	Outstanding Commitment (December 2022), in \$ million
Adani Hybrid Energy Jaisalmer One/Two/Three/Four Limited	Solar and Wind Energy	No	29.6
Al-Mourjan for Electricity Production Company	Gas-fired power plant	Yes	29.4
Australia Pacific LNG Processing Pty Limited	Gas exploration and LNG Infrastructure	Yes	4.6
BCPE Bridge Stack Holdco Limited	Data Center	No	25.0
Cambodian Transmission Limited	Transmission lines	No	11.6
Dhuruma Electricity Company	Gas/Oil fired combined cycle power plant	Yes	9.6
Dominique Steel B.V.	Steel	No	-
Jambaran Tiung- Biru	Gas exploration	Yes	24.3
Jubail Water and Power Company	Gas-fired power plant and desalination	Yes	21.0
Libra MV31 B.V.	Oil and gas processing	Yes	9.6
Nutan Bidyut (Bangladesh) Ltd	Gas-fired power plant	Yes	20.0
PT UPC Sidrap Bayu Energi	Wind Energy	No	9.3
Ras Girtas Power Company	Gas-fired power plant	Yes	12.3
Renew Solar Energy (Jharkhand Three) Private Limited	Renewable Energy	No	19.6
Roadrunner Gas Transmission, LLC	Natural Gas Pipeline	Yes	14.6
Sepia MV30 B.V.	Finance for gas explorations	Yes	9.8
Shamal Az-Zour Al-Oula for the Building, Execution, Operation, Management and Maintenance of the First Phase of Az-Zour Power Plant K.S.C.	Gas-fired power plant and desalination	Yes	7.9
Tartaruga MV29 B.V.	Oil and gas exploration	Yes	9.8
Umm Al Houf Power (Original Facility)	Gas-fired power plant	Yes	14.8
Umm Al Houf Power (Expansion Facility)	Gas-fired power plant	Yes	14.7
Vena Energy Shivalik Wind Power Private Limited	Wind Energy	No	4.9
Whitesands Pipelines Limited (Facility B)	Oil and Gas Pipelines	Yes	7.5
Whitesands Pipelines Limited (Facility C)	Oil and Gas Pipelines	Yes	7.5
Project A	LNG & Gas	Yes	15.0
Project B	Renewable Energy	No	9.9
Project C	LNG & Gas	Yes	15.0
Project D	Conventional Power & Water	Yes	13.5
Project E	Renewable Energy	No	20.7
Overall investments in fossil fuel companies		260.9	67%
Overall investments into companies with unclear business area		-	0%
Overall investments into non-fossil-fuel companies		130.6	33%

Methodological Notes: Borrower Overview and Outstanding Commitments are based on the BIC III Investor Report from December 2022. Available at: [https://www.bayfront.sg/resources/ck/files/Bayfront%20Infrastructure%20Capital%20III%20Pte_%20Ltd_%20-%20Quarterly%20Investor%20Report%20-%2031-12-2022%20\(1\).pdf](https://www.bayfront.sg/resources/ck/files/Bayfront%20Infrastructure%20Capital%20III%20Pte_%20Ltd_%20-%20Quarterly%20Investor%20Report%20-%2031-12-2022%20(1).pdf) (Last accessed on 2024-09-12)

APPENDIX III: Portfolio Analysis BIC IV

Company Name	Main area or operations	Operations in Fossil Fuel	Outstanding Commitment (December 2023), in \$ million
Adani Hybrid Energy Jaisalmer One/Two/Three/Four Limited	Solar and Wind Energy	No	15.7
Adani Solar Energy Jaisalmer One Private Limited	Solar Energy	No	17.7
Adani Solar Energy RJ One Private Limited	Solar Energy	No	5.5
Al-Mourjan for Electricity Production Company	Gas-fired power plant	Yes	19.6
Amman Asia Electric Power PSC	Gas-fired power plant	Yes	5.7
Al Suwadi Power Company S.A.O.G.	Gas-fired power plant and desalination	Yes	6.5
Al Batinah Power Company S.A.O.G.	Gas-fired power plant and desalination	Yes	6.6
BCPE Bridge Stack Holdco Limited	Data Centre	No	-
China Energy Glory LNG Shipping Co., Limited	LNG Shipping	Yes	4.9
China Energy Peace LNG Shipping Co., Limited	LNG Shipping	Yes	4.9
Daehan Wind Power Company Psc	Wind Energy	No	16.4
Element Materials Technology Group US Holdings Inc	Health Care	No	10.9
Gimi MS Corporation	Tanker Shipping	Yes	24.0
GPS Klang Terminal Sdn. Bhd.	LNG Infrastructure	Yes	4.8
Jambaran Tiung-Biru	Gas exploration	Yes	22.9
Libra MV31 B.V.	Oil and gas processing	Yes	9.1
Phong Huy Wind Power Joint Stock Company/ Lien Lap Wind Power Joint Stock Company/ Phong Nguyen Wind Power Joint Stock Company	Wind Energy	No	8.7
Nutan Bidyut (Bangladesh) Ltd	Gas-fired power plant	Yes	14.6
PT Medco Ratch Power Riau	Gas-fired power plant	Yes	24.0
PT Tanggamus Electric Power	Renewable Energy	No	8.9
Renew Surya Roshni Private Limited	Utilities	No	15.0
Sepia MV30 B.V.	Finance for gas explorations	Yes	8.0
Shamal Az-Zour Al-Oula for the Building, Execution, Operation, Management and Maintenance of the First Phase of Az-Zour Power Plant K.S.C.	Gas-fired power plant and desalination	Yes	8.1
Shams Ma'an Power Generation Psc	Solar Energy	No	7.1
Tangguh Train 3	LNG Terminal	Yes	5.0
Tartaruga MV29 B.V.	Oil and gas exploration	Yes	11.0
Umm Al Houli Power (Original Facility)	Gas-fired power plant	Yes	23.9
Umm Al Houli Power (Expansion Facility)	Gas-fired power plant	Yes	4.2
Vena Energy Shivalik Wind Power Private Limited	Wind energy	No	4.6
Whitesands Pipelines Limited (Facility B)	Oil and Gas Pipelines	Yes	7.5
Whitesands Pipelines Limited (Facility C)	Oil and Gas Pipelines	Yes	7.5
Project A	Renewable Energy	No	4.9
Project B	Transportation	Not clear	14.3
Project C	Metal and Mining	Not clear	14.6
Overall investments in fossil fuel companies		222.8	61%
Overall investments into companies with unclear business area		28.9	8%
Overall investments into non-fossil-fuel companies		115.4	31%

Methodological Notes: Borrower Overview and Outstanding Commitments are based on the BIC IV Investor Report from December 2023. Available at: <https://www.bayfront.sg/resources/ck/files/BIC%20IV%20-%20Quarterly%20Investor%20Report%20-%202031-12-2023.pdf> (Last accessed on 2024-09-12)

APPENDIX IV: Portfolio Analysis Bauhinia ILBS 1

Company Name	Main area or operations	Operations in Fossil Fuel	Outstanding Commitment (June 2024), in \$ million
Adani Hybrid Energy Jaisalmer Four Limited	Solar and Wind Energy	No	15.2
Adani Hybrid Energy Jaisalmer One Limited	Solar and Wind Energy	No	2.5
Adani Hybrid Energy Jaisalmer One Limited	Solar and Wind Energy	No	2.5
Adani Hybrid Energy Jaisalmer Three Limited	Solar and Wind Energy	No	4.1
Adani Hybrid Energy Jaisalmer Two Limited	Solar and Wind Energy	No	4.1
Adani Solar Energy Rj One Private Limited	Solar Energy	No	18.5
Al Maqsed Development Company Pjsc	Education	No	31.1
Australia Pacific Lng Processing Pty Limited	Gas exploration and LNG Infrastructure	Yes	2.8
Bim Wind Power Joint Stock Company	Wind Energy	No	11.8
China Energy Aurora Lng Shipping Co. Limited	LNG Shipping	Yes	9.1
China Energy Hope Lng Shipping Co. Limited	LNG Shipping	Yes	9.1
China Energy Pioneer Lng Shipping Co. Limited	LNG Shipping	Yes	9.2
Guyana Deep Water Uk Limited	Oil and Gas Exploration & Production	Yes	2.8
Ichthys Lng Pty Ltd	Oil and Gas Project	Yes	4.7
Jazan Integrated Gasification And Power Company	Oil and Gas Processing	Yes	31.0
Manhal Development Company Pjsc	Education	No	30.8
Pan Asia LNG Transportation Company Limited	LNG Infrastructure	Yes	8.4
Pan Europe Lng Transportation Company Limited	LNG Infrastructure	Yes	4.9
Pt Centratama Telekomunikasi Indonesia Tbk	Telecommunication	No	3.0
Qatar Electricity & Water Company Q.S.C.	Gas-fired power plants	Yes	23.3
Qatar Power Q.S.C.	Gas-fired power plant and desalination	Yes	15.1
Summit Lng Terminal Co. (Pvt.) Ltd.	LNG Infrastructure	Yes	4.8
Tian Lun Gas Holdings Limited	Gas Distribution	Yes	15.0
Voyage Australia Pty Limited	Telecommunication	No	14.7
Voyage Digital (Nz) Limited	Telecommunication	No	28.2
Whitesands Pipelines Company Limited	Oil and Gas Pipelines	Yes	10.0
Borrower 1	Conventional Power & Water	Yes	8.8
Borrower 2	FPSO	Yes	5.8
Borrower 3	FPSO	Yes	4.8
Borrower 4	LNG	Yes	14.0
Borrower 5	Renewables	No	5.2
Borrower 6	FPSO	Yes	34.9
Overall investments in fossil fuel companies		218.5	56%
Overall investments into companies with unclear business area		0	0%
Overall investments into non-fossil-fuel companies		171.7	44%

Methodological Notes: Borrower Overview and Outstanding Commitments are based on the Bauhinia ILBS 1 Investor Report from September 2023. Available at: <https://www.hkmc.com.hk/files/page/100/Bauhinia%20ILBS%201%2020230930.pdf> (Last accessed on 2024-09-12)

APPENDIX V: Additional Methodological Notes

In cases where it was unclear whether a company was involved in fossil fuels, a “not clear” classification was applied. This ambiguity was prevalent when the portfolios contained anonymized entities or projects (e.g., “Project A”). These entities were categorized based on their general industry sector as indicated in the investor reports. Entities labeled as “Renewables” were classified as hav-

ing no fossil fuel involvement. Meanwhile, those categorized as “Transportation” and “Metals & Mining” were designated as “not clear” due to the potential but uncertain link to fossil fuels. Conversely, entities classified as “Other Oil & Gas,” “Gas Infrastructure,” “Integrated LNG,” “Midstream,” “Conventional Power & Water,” and “FPSO” were categorized as fossil fuel operations.

Notes

- 1 https://www.aiib.org/en/treasury/_common/_download/AIIB-Sustainable-Development-Bonds-Impact-Report-2022-Annexes-Web.pdf
- 2 <https://www.aiib.org/en/news-events/news/2019/AIIB-to-Develop-Infrastructure-as-an-Asset-Class-and-Catalyze-ESG-Investing-Principles-in-Emerging-Asia.html>
- 3 https://www.aiib.org/en/policies-strategies/_download/environment-framework/AIIB-Environmental-and-Social-Framework_ESF-June-2024.pdf
- 4 <https://www.inclusivedevelopment.net/china-global-program/china-global-newsletter-edition-5/>
- 5 <https://www.inclusivedevelopment.net/china-global-program/china-global-newsletter-edition-5/>
- 6 <https://www.bayfront.sg/about>
- 7 For a comprehensive analysis of the Bayfront's business model and additional case studies on environmentally and socially harmful projects included in their portfolio, refer to the Recourse publication 'Externalizing Risk'
- 8 https://www.aiib.org/en/projects/details/2019/approved/_download/singapore/AIIB-PSI-P000274-Singapore-Infrastructure-Private-Capital-Mobilization-Platform-20230516.pdf
- 9 https://www.aiib.org/en/about-aiib/who-we-are/partnership/_download/PUBLIC-Joint-MDB-Private-Capital-Mobilization-Methodology-June2018-v3.pdf
- 10 <https://investinginclimatechaos.org/data?org=Abrdn>
- 11 <https://investinginclimatechaos.org/data>
- 12 <https://dialogue.earth/en/energy/bangladesh-bhola-project/>
- 13 https://www.researchgate.net/publication/328980276_Bhola_Independent_Power_Plant_Bhola_IPP_and_its_Impact_on_Local_Communities_Voices_from_the_Ground_A_Civil_Society_Study_Report
- 14 <https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/submission/track-all-submission.html>
- 15 <https://www.accountabilitycounsel.org/wp-content/uploads/accountability-briefing-for-european-shareholders.pdf>
- 16 According to its 2022 annual report the company's main activity is chartering the Floating Production Storage and Off-loading (FPSO) system Liza Destiny, which is set to develop approximately 450 million barrels of oil from the Liza Field, located near the coast of Guyana. <https://find-and-update.company-information.service.gov.uk/company/10521423/filing-history>
- 17 <https://gogel.org/guyana-offshore>
- 18 *ibid.*
- 19 <https://www.bayfront.sg/resources/ck/files/E&S-exclusion-list.pdf> and <https://www.hkmc.com.hk/files/product/30/IFS%20ES%20Exclusion%20List%20v2024.pdf>
- 20 The IFS E&S Guidelines in the case of HKMC and the E&S Framework in the case of Bayfront Capital
- 21 The Social, Green and Sustainability Financing Framework in the case of HKMC and the Sustainable Finance Framework in the case of Bayfront Capital
- 22 <https://climateanalytics.org/projects/gas-phase-out>
- 23 <https://re-course.org/wp-content/uploads/2024/03/AIIBs-Climate-Finance-0324-FINAL.pdf>
- 24 https://www.aiib.org/en/treasury/_common/_download/AIIB-Sustainable-Development-Bonds-Impact-Report-2022-Annexes-Web.pdf
- 25 <https://www.eurodad.org/asset-class-report>
- 26 <https://ppp.worldbank.org/public-private-partnership/sites/ppp.worldbank.org/files/2022-03/special-report-infrastructure.pdf>

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