Industrious Labs

Formal Submission to the International Finance Corporation

Strengthening Climate Mitigation in the Revision of IFC Performance Standard 3 (Resource Efficiency and Pollution Prevention)

Prepared by
Industrious Labs

Submitted to:
International Finance Corporation
Sustainability Framework Review Team

About Industrious Labs

Industrious Labs is an independent non-governmental organization working to accelerate the decarbonization of heavy industry. Our work focuses on sectors that are foundational to economic development—including cement, steel, and other industrial materials—by aligning corporate strategies, financial incentives, and policy frameworks with pathways to deep emissions reductions.

Industrious Labs exists to deliver unstoppable policies, people power, and analysis to drastically reduce dangerous emissions, ensure industry prioritizes communities and workers, and develop a circular economy. Our goal is a future where industry drives solutions to global problems, where we make the things the world needs in ways that cut pollution, create good union jobs, and keep communities healthy.

Industrious Labs
530 Walnut St Suite 200, Cincinnati, OH 45202

Industrious Labs

Table of Contents

Annexes

Industrious Labs

Executive Summary

The revision of the IFC Sustainability Framework presents a critical opportunity to strengthen the operationalization of greenhouse gas (GHG) mitigation under Performance Standard 3 (PS3). Since the last major update of the framework in 2009–2011, the global climate policy landscape has evolved significantly. Governments, financial institutions, and corporations have adopted commitments aligned with the Paris Agreement and increasingly recognize the importance of aligning long-lived infrastructure investments with a 1.5°C pathway.

Because IFC's Performance Standards serve as a global benchmark for environmental governance—informing the practices of Equator Principles financial institutions, export credit agencies, and development finance institutions—updates to PS3 can influence climate governance across international project finance markets.

Our analysis of the documentation for twelve IFC projects identifies several structural dynamics relevant to the PS3 revision.

First, projects with the strongest climate outcomes typically establish emissions baselines, reduction targets, and monitoring systems prior to financial close. When climate governance is embedded at the outset of project financing, emissions performance becomes a measurable and enforceable project parameter. Conversely, projects that defer the development of emissions monitoring or reduction plans until after approval may reduce the effectiveness of mitigation efforts in sectors with long asset lifetimes.

Second, infrastructure and operational design decisions made during project development can embed long-term emissions pathways. Facilities built around fossil fuel supply chains or carbon-intensive production systems may operate for decades, creating long-lived emissions trajectories even when they comply with existing environmental performance guidelines.

Third, measurement and transparency are central to effective mitigation. Projects that establish explicit emissions baselines, quantify reductions, and commit to verified reporting through Annual Monitoring Reports (AMR) demonstrate stronger climate governance than projects relying on qualitative commitments.

Finally, IFC already possesses robust environmental compliance tools—including Environmental and Social Action Plans (ESAPs) and monitoring frameworks—that enforce performance thresholds for pollutants such as particulate matter and NOx. These mechanisms demonstrate that IFC's governance architecture can manage performance-based environmental standards.

The Compliance Advisor Ombudsman's advisory publication, *Strengthening Greenhouse Gas Mitigation in IFC-Financed Projects*, further reinforces the need to strengthen project-level climate governance. The advisory notes that IFC's current framework contains "weaknesses and is not fully up to date," particularly regarding integration of a 1.5°C objective, mitigation requirements, alternatives analysis, and emissions disclosure.

This submission proposes several refinements to PS3 that could strengthen climate mitigation while building on IFC's existing environmental governance architecture:

- Integrating emissions inventories, baselines, and reduction trajectories at financial close
- Applying performance-based compliance logic to carbon intensity
- Strengthening alternatives analysis for high-emitting projects
- Improving emissions accounting and disclosure
- Strengthening oversight of financial intermediary investments

Project-level climate performance is also closely linked to the quality of stakeholder engagement and community support. Performance Standard 1 (PS1) emphasizes early and continuous engagement with affected communities through informed consultation, participation, and grievance mechanisms. Projects that demonstrate transparent engagement and documented broad community support are better positioned to identify risks early, strengthen mitigation measures, and maintain durable social license over the life of the investment.

These improvements would strengthen IFC's leadership as a global standard setter while ensuring that industrial investments remain aligned with evolving climate policy and financial risk environments. The recommendations below are designed to enhance transparency, strengthen performance-based mitigation, and ensure that long-lived infrastructure investments remain aligned with evolving climate and financial risk frameworks.

Key Recommendations

1. Establish Climate Governance at Financial Close

For projects with material greenhouse gas emissions, emissions inventories, baseline assessments, and reduction trajectories should be established prior to the first disbursement rather than developed after project approval.

Embedding emissions management frameworks at financial close ensures that climate mitigation is integrated into project design and operational planning from the outset.

2. Integrate Carbon Performance into Existing Compliance Systems

Greenhouse gas performance indicators should be incorporated into the same monitoring and corrective action frameworks already used for other environmental parameters under PS3.

Where emissions performance deviates from agreed-upon benchmarks or reduction trajectories, corrective actions can be implemented through ESAPs that are consistent with existing environmental compliance practices.

3. Strengthen Alternatives Analysis for High-Emitting Projects

For projects with significant greenhouse gas emissions, the alternatives analysis process should systematically evaluate lower-emissions design pathways and operational configurations.

Ensuring that alternatives analysis considers feasible mitigation options can help prevent the long-term lock-in of high-emissions production systems.

4. Improve Emissions Accounting and Disclosure

PS3 could strengthen requirements for emissions measurement and reporting to improve transparency and comparability across projects.

Reporting frameworks should include:

- Baseline emissions levels
- Emissions intensity metrics
- Progress toward emissions reduction targets
- Relevant operational indicators, such as fuel mix, where applicable

Integrating these metrics into Annual Monitoring Reports would allow mitigation outcomes to be tracked consistently over time.

5. Strengthen Oversight of Financial Intermediary Investments

Where IFC financing is provided through financial intermediaries, greenhouse gas reporting and mitigation expectations should be applied to relevant subprojects.

Clarifying climate governance expectations for financial intermediary investments would help ensure that mitigation standards are applied consistently across IFC's portfolio.

6. Align Climate Governance with IFC's Existing Environmental Architecture

The recommendations outlined in this submission build on governance systems already embedded within the Sustainability Framework, including:

- Environmental and Social Action Plans (ESAPs)
- Annual Monitoring Reports (AMRs)
- Established environmental compliance mechanisms

Leveraging these existing tools can strengthen climate governance without introducing unnecessary administrative complexity.

7. Strengthen Documentation of Community Engagement and Broad Community Support

For projects with material, environmental and social impacts, IFC should ensure that stakeholder engagement processes are consistent with PS1—including informed consultation and participation, and documented broad community support—are clearly demonstrated and transparently reported.

Robust community engagement can improve environmental outcomes by:

- Identifying project risks earlier in the design process
- Strengthening accountability for environmental and social mitigation measures
- Providing channels for grievance resolution and adaptive management

Ensuring that environmental governance is informed by community engagement can therefore strengthen the long-term sustainability and legitimacy of project outcomes.

Industrious Labs

Dear IFC Colleagues,

Industrious Labs appreciates the opportunity to contribute to the review and revision of the IFC Sustainability Framework and its Performance Standards. This revision represents a critical moment for ensuring that IFC's environmental governance framework reflects evolving good international industry practice, current climate science, and the increasingly central role of climate risk management in development finance.

The Role of PS3 in Global Project Finance

The IFC Performance Standards have long served as a benchmark for responsible investment across global project finance. Their influence extends well beyond IFC itself: nearly 130 financial institutions have adopted the Equator Principles, which align closely with the IFC Performance Standards, and many export credit agencies and development finance institutions reference them in their own environmental and social risk management systems. As a result, updates to the Sustainability Framework can influence not only IFC's own portfolio, but also the broader standards governing private capital flows into infrastructure and industrial development worldwide.

The revision of Performance Standard 3 (PS3), in particular, presents an important opportunity to strengthen the operationalization of greenhouse gas mitigation in high-emitting projects. While the existing PS3 framework already provides a strong foundation for environmental performance management, the global policy context surrounding climate mitigation has evolved significantly since the last comprehensive update of the Sustainability Framework in 2009–2011. In the intervening years, governments, financial institutions, and corporations have adopted a wide range of climate commitments, including net-zero targets and explicit alignment with the objectives of the Paris Agreement.

In this context, the revision of PS3 offers an opportunity to clarify how greenhouse gas mitigation requirements should be applied to projects with material emissions and long operational lifetimes. Industrious Labs' submission focuses on identifying practical ways to strengthen climate governance while remaining consistent with IFC's existing environmental management architecture.

The analysis presented here draws on documentation from twelve IFC-financed industrial projects as illustrative case studies. These examples highlight broader structural patterns that can arise under the current framework and demonstrate how relatively modest adjustments to the Performance Standards could strengthen climate mitigation outcomes across sectors.

Observations from IFC Project Case Studies

Industrious Labs' review of documentation for twelve IFC projects reveals several recurring themes relevant to the revision of PS3. Although the examples referenced in this submission draw from industrial case studies, the governance patterns they illustrate are not sector-specific. Instead, they highlight broader dynamics in how greenhouse gas mitigation is currently integrated into project design, approval, and monitoring.

Timing of Climate Governance

One of the clearest distinctions between projects with strong climate alignment and those with weaker mitigation outcomes lies in the timing of climate governance measures.

Projects that demonstrate the strongest climate performance typically establish emissions baselines, reduction targets, and monitoring systems prior to financial close. These elements are incorporated into project documentation and monitored through IFC's Annual Monitoring Report (AMR) processes. When climate governance is embedded at the outset of project financing, emissions performance becomes a measurable and enforceable project parameter.

In contrast, other projects defer the development of emissions monitoring systems or reduction strategies until after project approval. In these cases, project documentation may commit to developing a greenhouse gas management plan or monitoring system in the future, rather than establishing these mechanisms when financing is approved. While such commitments reflect an intention to address emissions over time, they may reduce the effectiveness of mitigation efforts in sectors where asset lifetimes extend several decades.

This distinction highlights the importance of embedding climate governance at the earliest stages of project development. When emissions management frameworks are established prior to financial close, they can shape project design and operational decisions to support long-term decarbonization objectives.

Structural Design Choices and Long-Term Emissions Trajectories

Another recurring pattern concerns project design choices that influence long-term emissions trajectories.

Industrial facilities often operate for 40 years or more. Decisions made during project development—such as fuel systems, feedstock selection, or production process configuration—can therefore lock in emissions profiles for decades. In several case studies, projects incorporate infrastructure designed to support long-term fossil fuel supply chains or other high-emissions operational pathways.

These infrastructure choices can represent structural climate decisions with implications extending far beyond the initial investment horizon. While such projects may comply with existing emissions benchmarks or environmental performance guidelines, they may nonetheless embed production systems that are difficult to transition later.

Conversely, projects that incorporate lower-carbon production pathways or material substitution strategies demonstrate how design choices made at the outset can significantly reduce emissions intensity. These examples illustrate how project design decisions can determine whether industrial investments align with long-term decarbonization trajectories.

Measurement and Transparency

The case studies also highlight the central role of measurement in distinguishing strong mitigation frameworks from weaker ones.

Projects that demonstrate the clearest climate alignment tend to share several characteristics:

- Explicit emissions baselines
- Quantified reduction targets
- Clear reporting requirements
- Integration of monitoring systems into IFC's AMR framework

These elements allow emissions performance to be tracked over time and provide transparency regarding the effectiveness of mitigation measures.

In contrast, projects with less clearly defined mitigation strategies often rely on qualitative commitments to reduce emissions or improve efficiency. While such commitments reflect positive intent, the absence of quantified targets and monitoring systems can make it difficult to assess whether emissions reductions are being achieved.

The case studies, therefore, suggest that strengthening requirements for emissions measurement and reporting could significantly improve the transparency and effectiveness of project-level mitigation efforts.

Community Engagement and Environmental Governance

The case studies also highlight the importance of stakeholder engagement in shaping environmental outcomes. Performance Standard 1 (PS1) requires clients to manage environmental and social risks through systems that include stakeholder engagement, information disclosure, and grievance mechanisms throughout the life cycle of the project.

Effective consultation with affected communities can help identify environmental risks early, strengthen mitigation measures, and improve project design. Conversely, where engagement processes are incomplete or poorly documented, it becomes difficult to determine whether community concerns have been meaningfully incorporated into project planning.

Strengthening climate mitigation provisions under PS3 should therefore be understood as complementary to the stakeholder engagement and human rights due diligence requirements embedded in PS1.

Existing Environmental Compliance Architecture

Importantly, IFC already has robust institutional mechanisms to enforce environmental performance.

Environmental and Social Action Plans (ESAPs) and monitoring requirements are routinely used to ensure compliance with performance thresholds for pollutants such as particulate matter, sulfur oxides, and nitrogen oxides. When exceedances occur, IFC requires corrective action plans and ongoing monitoring to ensure compliance.

This compliance architecture demonstrates that performance-based environmental governance is well-established within the Sustainability Framework. The existing structure provides a clear precedent for integrating greenhouse gas mitigation more fully into the same compliance systems.

Rather than requiring entirely new enforcement tools, strengthening PS3 could involve applying existing monitoring and corrective action mechanisms to greenhouse gas performance indicators in a manner consistent with other environmental parameters.

Alignment with Compliance Advisor Ombudsman Recommendations

The Compliance Advisor Ombudsman's advisory publication, *Strengthening Greenhouse Gas Mitigation in IFC-Financed Projects*, provides additional context for strengthening climate governance within the Sustainability Framework.

The advisory identifies several areas where IFC's current approach to greenhouse gas mitigation could be strengthened, including:

- Integration of a clear 1.5°C climate objective within the Sustainability Framework
- Stronger project-level mitigation requirements
- More robust alternatives analysis
- Improved emissions accounting and disclosure
- Stronger oversight of financial intermediary investments

The CAO notes that the current framework contains "weaknesses and is not fully up to date," particularly given evolving climate commitments and international best practices.

The project case studies referenced in this submission illustrate how these governance challenges can manifest in practice. Projects that establish clear emissions baselines and monitoring systems demonstrate how IFC's environmental management framework can effectively support mitigation outcomes. Conversely, projects where mitigation measures are deferred or treated as optional highlight the importance of clearer standards.

Addressing these issues within the PS3 revision would help ensure that the Sustainability Framework reflects current expectations for climate governance in development finance.

Opportunities to Strengthen Climate Mitigation Under PS3

Based on the observations above, several refinements to PS3 could strengthen greenhouse gas mitigation requirements while remaining consistent with IFC's existing environmental governance systems.

Integrating Climate Governance at Financial Close

For projects with material greenhouse gas emissions, PS3 could clarify that emissions inventories, baseline assessments, and reduction trajectories should be established prior to project disbursement. Establishing these elements at financial close would ensure that climate mitigation is integrated into project design and operational planning.

Embedding emissions management frameworks from the outset would also improve transparency and enable IFC to track mitigation outcomes more effectively over the project's lifetime.

Applying Performance-Based Compliance to Carbon

PS3 already applies performance-based compliance mechanisms to environmental pollutants through monitoring requirements and corrective action plans. Extending similar compliance logic to greenhouse gas performance would reinforce the principle that emissions management is a core environmental parameter.

Under such an approach, projects could establish emissions-intensity benchmarks or reduction trajectories, monitored through existing reporting systems. Where deviations occur, corrective actions could be implemented through ESAP processes, consistent with current environmental compliance practices.

Strengthening Alternatives Analysis

Alternatives analysis is an important tool for ensuring that project design reflects evolving best practices. For projects with significant emissions profiles, the alternatives analysis process could more systematically evaluate lower-carbon design pathways, including alternative production configurations or operational approaches.

By encouraging more robust evaluation of design alternatives during project preparation, IFC can help ensure that infrastructure investments incorporate technologies and practices consistent with long-term decarbonization objectives.

Improving Emissions Accounting and Disclosure

Enhanced emissions accounting and disclosure requirements could further strengthen transparency and comparability across projects. Reporting frameworks could include baseline emissions, emissions intensity, and reductions achieved over time.

Integrating these reporting elements into IFC’s existing monitoring structures would improve stakeholders' ability to assess mitigation outcomes and track progress toward emissions-reduction objectives.

Strengthening Oversight of Financial Intermediaries

Many high-emitting projects receive financing through financial intermediary structures. Strengthening climate-mitigation expectations for financial-intermediary investments would help ensure that greenhouse-gas governance principles are applied consistently across IFC's portfolio.

Clarifying emissions reporting and mitigation expectations for financial intermediaries could help close oversight gaps and improve overall portfolio transparency.

Strategic Value of Strengthened Climate Governance

Strengthening PS3's climate mitigation provisions would offer several strategic benefits.

First, it would align IFC's environmental standards with evolving global climate commitments and shareholder expectations.

Second, clearer mitigation requirements would help distinguish projects that are compatible with long-term decarbonization pathways from those that risk embedding high-emissions production systems.

Third, strengthening PS3 would reinforce IFC's role as a global standard setter in sustainable project finance. Because the Performance Standards are widely adopted across international financial institutions, improvements made within the IFC framework can influence broader market practices.

Fourth, integrating greenhouse gas mitigation into IFC's existing environmental governance systems would build upon established institutional processes rather than requiring new enforcement structures.

Finally, stronger climate governance would support IFC's broader development mission by helping ensure that infrastructure investments remain economically viable in a global economy increasingly shaped by climate policy, carbon markets, and evolving technology pathways.

Conclusion

The IFC Sustainability Framework has played a pivotal role in shaping environmental governance in project finance for more than a decade. As the framework is revised, there is an important opportunity to ensure that its climate mitigation provisions reflect the evolving realities of industrial development, financial risk management, and global climate commitments.

Taken together, the observations and project examples referenced in this submission highlight both the strengths of IFC's existing environmental governance architecture and the areas where clearer guidance could further strengthen mitigation outcomes. IFC already possesses robust environmental management tools—including monitoring systems, corrective action plans, and reporting requirements—that ensure compliance with environmental performance standards. Strengthening climate mitigation provisions within PS3 would build on this foundation by clarifying how greenhouse gas governance should be integrated into project design, monitoring, and reporting.

By leveraging existing monitoring, reporting, and compliance mechanisms, the PS3 revision can strengthen climate governance while maintaining the flexibility and practicality that have long characterized the IFC Performance Standards. Doing so would reinforce IFC's leadership as a global standard setter in responsible project finance and help ensure that development investments remain resilient within a rapidly evolving economic and technological landscape.

Industrious Labs appreciates the opportunity to contribute to this important process and looks forward to continued engagement as the Sustainability Framework review progresses.

Respectfully,

Ash Lauth
Senior Campaign Strategist, Cement
Industrious Labs
ash@industriouslabs.org

Annex A: Case Study Evidence from IFC Industrial Projects

This annex summarizes key observations from a set of IFC-financed industrial project case studies reviewed as part of this submission. While the examples referenced draw primarily from cement projects, the governance patterns they illustrate are broadly relevant across high-emitting industrial sectors.

In several cases, project emissions intensities significantly exceed the 450 kg CO_2e per ton threshold that the International Energy Agency associates with a below-2°C-aligned cement production pathway, highlighting the importance of strengthening project-level climate governance and emissions management frameworks.

The cases below therefore focus not on individual project performance, but on broader structural factors—such as the timing of climate governance, project design decisions, measurement and reporting practices, and existing compliance mechanisms—that influence whether long-lived infrastructure investments align with emerging decarbonization pathways.

Projects Reviewed

- BUA Cement P1 - Nigeria
- CBI Ghana LC3 - Ghana
- CIMAF West Africa - Senegal, Mali, Ghana
- CIMAF Green Loan - Burkina Faso
- Cimko Cement II - Türkiye
- National Cement Company Ltd - Kenya
- Nyumba Ya Akiba - Democratic Republic of Congo
- PPC Barnet DRC - Democratic Republic of Congo
- Sanko Climate - Türkiye
- Sococim Low Carbon Cement - Senegal
- UltraTech Cement Limited - India
- Votorantim Cimentos Decarb - Brazil

Consistent Indicators Across Case Studies

Projects that appreciably reduce the use of high-carbon materials show the clearest alignment with a stronger PS3 outcome because they tackle the largest source of emissions.

- Climate-aligned evidence (high-carbon material substitution quantified):
    - **CBI Ghana LC3**: explicitly contrasts the emissions intensity of calcined clay vs clinker and ties the substitution to a 19% reduction in carbon intensity.
        - CBI Ghana LC3 further emphasizes >30% clinker substitution and a reduction in "carbon footprint by ~40% compared to Portland cement."
- Climate-misaligned evidence (clinker-heavy designs normalized):

    - **PPC Barnet DRC** (greenfield integrated plant) plans average clinker content ~84%, with emissions ~690 kg/ton cement, and states coal is used because "no other fuel source is available."

IFC should treat high-carbon material reduction as good international industry practice for climate, not optional innovation, because it's the lever that separates credible transition projects from incrementalism.

In multiple countries, projects explicitly build the systems to import and burn coal for decades, an avoidable lock-in signal if IFC wants 1.5°C alignment.

- Climate-misaligned evidence (coal logistics embedded in project design):
    - **Nyumba Ya Akiba** plans to use rail to transport imported coal from Matadi Port.
        - Nyumba Ya Akiba further specifies coal volumes (~118,800 tons/yr) imported via Matadi for calcining.
    - **National Cement Company Ltd** explicitly states low-sulfur coal imported from South Africa via Mombasa will be used "as no other fuel source is reliably available."
    - **PPC Barnet DRC** similarly relies on coal and states that coal is used because "no other fuel source is available."
- Mixed/conditional evidence (alternative fuels exist, but quality controls + enforcement become the real issue):
    - **Votorantim Cimentos Decarb** ESAP language shows IFC pushing quality standards for alternative waste fuels (calorific value, pollutant limits), implying the decarb lever is gated by real operational controls.
    - The **Sanko Climate / Cimko Cement II** cases include a plan to increase the use of alternative fuels to 60% through testing and compliance steps.

IFC should not finance new projects that require new coal import infrastructure or long-term coal supply contracting unless the project is demonstrably on a declining fossil-fuel pathway with enforceable substitution milestones.

Climate-aligned projects tend to have specific, finance-linked metrics (kg CO2/ton; substitution rates; verified reporting). Climate-misaligned projects often promise to "develop" plans later.

- Climate-aligned evidence (explicit measurement systems):
    - **Sanko Climate**: commits to sharing verified reports and annual carbon footprint with IFC via AMR.
    - **Nyumba Ya Akiba**: commits to quantify and report GHG annually in the AMR and references a GHG Management Plan.
    - **Votorantim Cimentos Decarb**: states that it annually quantifies direct GHG emissions using the GCCA methodology and the GHG Protocol.
- Climate-misaligned evidence (deferred climate governance):
    - **BUA Cement P1**: "Going forward, BUA will develop and implement a GHG emissions monitoring and reporting system… including a reduction plan."

IFC's PS revision should harden the rule that "plan later" is not acceptable for high-emitting projects. Climate performance must be structured as a condition of finance with time-bound milestones and AMR verification.

The ESRS/ESAP architecture already normalizes a "I must meet X performance level and demonstrate compliance" approach for NOx, PM, etc. Climate can be treated the same way.

- **Sococim Low Carbon Cement** describes current operations that exceed WBG EHS Guidelines, then frames the project as designed to reduce dust and commits to monitoring and compliance actions.
- **Votorantim Cimentos Decarb** similarly flags exceedances of WBG EHS performance levels and embeds corrective actions via ESAP.

IFC already enforces performance-based environmental limits through ESAPs. Carbon intensity limits can be enforced in exactly the same compliance logic (monitoring, corrective actions, time-bound milestones).

Project Spotlight

While the purpose of this annex is to highlight structural governance patterns rather than evaluate individual projects, one case illustrates how gaps in climate governance and stakeholder engagement can intersect in ways that raise broader questions for the sustainability framework. The **BUA Cement P1** facility in Sokoto State, Nigeria, is described in IFC documentations as" green" investment and is presented as consistent with IFC's climate commitments. However, publicly available project information indicates that the emissions intensity of the facility remains substantially higher than levels associated with Paris Agreement-aligned cement production

Climate Concerns
Project documentation indicates that the facility will burn approximately 510,000 tons of coal and 115,000 tons of gas annually. The total estimated CO_2 emissions of the Sokoto plant after commissioning of lines 4 and 5 are expected to reach 4,100,578 tons CO_2eq/year, including 2,899,977 tons CO_2eq/year attributable to the project itself. Publicly available IFC documentation provides limited information regarding the origin or sourcing of the coal and gas used in the facility's fuel mix. Approximately 93% of these emissions are associated with clinker production, the primary source of emission in cement manufacturing.

The facility, including the new lines, is projected to produce about 690 kg of CO_2e per ton of cement. This level is significantly above the 450 kg CO_2e/ton of cement benchmark identified by the International Energy Agency as consistent with a below-2°C aligned cement production pathway. Legacy emissions from earlier lines are estimated to be closer to 750 kg of CO_2e/ton of cement, suggesting that the project represents an improvement relative to existing operations but does not reflect the level of ambition associated with long-term decarbonization trajectories.

Project documentation also provides limited benchmarking against emerging industry decarbonization pathways, and publically accessible reporting on GHG through ESAP mechanisms is limited. Available materials provide little information on strategies to address process emissions from clinker production. Further, project materials provide limited clarity on whether the reported emissions reductions are largely attributable to shifts in the fuel mix, particularly toward natural gas.

Community Concerns

Project documentation also notes that the facility is "likely to generate potential significant adverse impacts to neighboring communities." IFC materials state that it will be necessary to determine whether the client's engagement approach constitutes Informed Consultation and Participation (ICP) that ultimately leads to Broad Community Support (BCS).

Under PS1, projects with potentially significant impacts are expected to undertake a process of informed consultation and participation with affected communities, and demonstrate that BSC exists for the project. However, the available documentation provides limited information regarding:

- The status of BSC assessment
- The nature of the consultation process conducted with affected communities
- How community concerns were incorporated into project design or mitigation measures

The absence of publicly available information on these elements makes it difficult to assess whether the engagement process has achieved the level of transparency and participation envisioned under PS1.

Lessons for the Sustainability Framework

This case illustrates how climate governance and stakeholder engagement are closely linked in practice. When projects combine high emissions intensity with limited transparency around mitigation, pathways or community consultation processes, it can become difficult for stakeholders to evaluate whether investments are aligned with long-term environmental and developmental objectives.

Strengthening climate mitigation provisions under PS3—alongside robust implementation of stakeholder engagement requirements under PS1—could help ensure that projects demonstrate both credible emission management strategies and transparent engagement with affected communities.

Taken together, these governance elements can improve project design, strengthen risk identification, and support durable development outcomes.

Industrious Labs

Annex B: Proposed Redline Amendments to Performance Standard 3

The following language illustrates how climate mitigation requirements could be clarified within PS3 while remaining consistent with existing environmental governance structures.

Climate Governance at Financial Close

For projects with material greenhouse gas emissions, clients shall establish emissions inventories and baseline emissions intensity metrics prior to first disbursement.

Clients shall define a time-bound emissions reduction plan with interim milestones and integrate emissions monitoring systems into the project's Annual Monitoring Report.

Post-approval development of monitoring systems or reduction plans shall not substitute for operational emissions governance established at financial close.

Carbon Performance Monitoring

Greenhouse gas emissions intensity shall be monitored and reported as part of the project's environmental performance management framework.

Where emissions performance deviates materially from agreed trajectories or benchmarks, clients shall implement corrective actions through Environmental and Social Action Plans consistent with existing compliance procedures.

Alternatives Analysis

For projects with significant greenhouse gas emissions, the alternatives analysis process shall evaluate feasible lower-carbon design pathways, including production configurations, material inputs, and operational approaches consistent with evolving good international industry practice.

The alternatives analysis should demonstrate that project design reflects consideration of available mitigation options and long-term emissions trajectories.

Emissions Accounting and Disclosure

Clients shall report greenhouse gas emissions in accordance with recognized international accounting standards.

Reporting should include:

- Absolute emissions
- Emissions intensity
- Baseline emissions levels
- Progress toward reduction targets

Where material emissions associated with upstream or downstream activities may also be considered to provide a more comprehensive assessment of project climate impacts.

Financial Intermediary Oversight

Where IFC financing is provided through financial intermediaries, emissions reporting and mitigation expectations should be applied to relevant subprojects.

Financial intermediary clients should establish monitoring systems and reporting procedures that ensure greenhouse gas governance standards are applied consistently across their portfolios.

Industrious Labs

Annex C: Climate Governance and Development Outcomes in Emerging Markets

Strengthening climate mitigation provisions within the IFC Sustainability Framework is not only an environmental objective; it is also closely connected to the long-term success of development investments.

Many of the infrastructure and industrial projects financed by development finance institutions are located in emerging markets experiencing rapid economic growth and urbanization. These investments are essential for expanding access to housing, transportation, energy, and industrial production. At the same time, the technologies and infrastructure deployed today will shape emissions trajectories for decades.

Ensuring that new infrastructure investments incorporate robust climate governance from the outset can help support sustainable development outcomes in several ways.

Protecting Long-Term Economic Competitiveness

Global markets are increasingly shaped by climate policy, carbon pricing mechanisms, and evolving environmental standards. As a result, industries that rely on emissions-intensive production systems may face growing competitive pressures over time.

Infrastructure built today must remain economically viable in future regulatory and market environments. Projects that integrate emissions management strategies early in their design are more likely to remain competitive as climate policies evolve.

By strengthening climate mitigation provisions within PS3, IFC can help ensure that infrastructure investments supported through development finance remain resilient within an increasingly decarbonizing global economy.

Avoiding Technology Lock-In

Development finance institutions frequently support projects with operational lifetimes of several decades. Decisions made during project development—such as production technologies, fuel systems, and supply chain infrastructure—can therefore influence emissions pathways well beyond the initial investment horizon.

When infrastructure is designed around high-emissions technologies or fossil fuel supply chains, transitioning to lower-carbon alternatives later can become technically and financially difficult. Conversely, incorporating lower-carbon production pathways during project design can significantly reduce the risk of future lock-in.

Strengthening PS3 can help ensure that infrastructure development pathways remain flexible and compatible with evolving climate technologies.

Supporting Access to Modern Technologies

The Sustainability Framework also plays an important role in shaping the diffusion of technology. When development finance institutions incorporate emerging best practices into environmental standards, project developers often respond by integrating more advanced technologies into project design.

Clear expectations regarding emissions monitoring, reduction pathways, and alternatives analysis can therefore accelerate the adoption of lower-emissions production systems across emerging markets.

In this way, strengthening climate governance within PS3 can help support the diffusion of modern industrial technologies that improve efficiency, reduce pollution, and enhance long-term sustainability.

Reinforcing IFC's Development Mandate

The IFC's mandate centers on mobilizing private investment to support sustainable development. Strengthening climate mitigation provisions within PS3 can reinforce this mandate by helping ensure that infrastructure investments deliver both economic development and environmental sustainability.

Projects designed to remain competitive in a low-carbon global economy are more likely to generate durable economic benefits for the communities and countries in which they operate.