

CSO Submission to IFC on Performance Standard 3: Resource Efficiency and Pollution Prevention & Climate Change

Purpose

We, global CSOs following the IFC Sustainability Framework revision closely, would like to share our analysis and recommendations on IFC's Performance Standard 3 (PS3) on Resource Efficiency and Pollution Prevention & Climate Change with the review team.

To remain aligned with current climate goals, best available practices in resource management and pollution prevention, and evolving legal obligations, PS3 requires a significant and ambitious update. Strengthening PS3 is essential not only to protect people and the environment, but also to reduce IFC and client exposure to stranded-asset risk, ensure the deployment of technologies that reduce carbon intensity without harming local communities, especially Indigenous Peoples and women who are most impacted by climate change, and without prolonging the life of existing fossil fuel infrastructure.

We acknowledge that IFC PS have long served as a global benchmark, with IFC having played a key role in the creation of the Equator Principles, for instance. However, as international standards, scientific understanding, and market expectations have evolved, the IFC PS, and especially Performance Standard 3, have remained behind forward looking innovations and commitments such as those contained in EP4, the [Equator Principles adopted in 2020](#).

A revised PS3 should reaffirm IFC's leadership role by ensuring alignment with international environmental and social standards and by setting clear, enforceable expectations for clients. Doing so would enhance the development impact of IFC's investments and of the many private and public financial institutions that rely on the Performance Standards as a global reference point, while promoting resilient, equitable, and low-carbon development pathways.

This submission focuses on three core areas where updates to PS3 are necessary:

- Climate integrity and emissions accountability
- Resource efficiency and circularity
- Pollution prevention and hazardous waste management

Any revision of Performance Standard 3 (and of the Performance Standards more broadly) must apply consistently and be fully enforceable across all IFC-supported activities, including those implemented through financial intermediaries and capital markets transactions. Ensuring uniform application throughout the financing chain is essential to achieving credible, portfolio-wide environmental and social outcomes.

Furthermore, we urge IFC to embed the proposed requirements directly within the Performance Standards themselves, rather than relying primarily on guidance materials. Incorporating these expectations into the Standards maximizes their normative influence, strengthens accountability, and preserves their role as widely adopted global benchmarks. Explicit references to best available practices and recognized international standards are therefore necessary within the PS text to ensure its continued relevance and effectiveness.

I. Climate integrity and emissions accountability

Ensuring climate integrity and emissions accountability within the revised PS3 is vital for IFC to align its portfolio with a 1.5°C pathway, meet evolving international legal expectations, and maintain its credibility as a global standard-setter for private-sector development finance. The [October 2025 joint civil society organization letter](#) detailing PS3 climate priorities and calling for climate-specific consultations underscores that climate considerations cannot remain implicit or fragmented across the Performance Standards. Instead, climate must be addressed through explicit, enforceable, science-aligned provisions that shape project design, investment decisions, and long-term development outcomes.

Recent Advisory Opinions from the [International Court of Justice](#) and the [Inter-American Court of Human Rights](#) highlight the legal obligation of public institutions (including IFC) to use best available science to quantify emissions, avoid greenhouse gas (GHG) emissions where feasible, and adopt mitigation measures consistent with the global temperature limit of 1.5°C. Against this backdrop, strengthening PS3's climate framework is both a sustainability imperative and a risk-management necessity: robust and comprehensive inclusion of climate-related issues is necessary to ensure that the Performance Standards return to being a gold standard and for IFC to align with international law.

Additionally, this update allows the IFC to follow through on the [commitments made in 2023 by development banks, including the World Bank Group](#), to jointly report on climate finance commitments; support states in developing long-term low-emission development strategies and other long-term climate plans in line with the Paris Agreement; intensify efforts to mobilize private capital; and scale up finance for climate adaptation.

1. Clarify the treatment of climate across the Performance Standards

A core implementation challenge arises from the current ambiguity surrounding how climate is addressed across IFC's safeguard system. PS3 should clearly state whether climate is to be treated as a standalone standard or fully mainstreamed across the entire Performance Standards framework. The recent joint CSO letter stresses that the absence of dedicated climate consultations leaves stakeholders uncertain about how IFC intends to operationalize climate alignment under the current review. As part of resolving this ambiguity, climate risk and the challenges inherent to guarantee a just energy transition should be systematically integrated into IFC's environmental and social due diligence. They should also be [aligned with the risk assessments required under Performance Standard 1](#), ensuring that climate considerations are treated with the same rigor as other material environmental and social risks.

Embedding climate risk in IFC's risk-management frameworks strengthens this coherence, reducing exposure to stranded assets, improving the institution's credit-risk analysis, and aligning IFC with market expectations. Clarity on these points is not a procedural detail but is foundational for consistent application across regions, sectors, and financial instruments.

2. Comprehensive Scope 1–3 GHG accounting and public disclosure

A strengthened PS3 must require full accounting and disclosure of Scope 1, Scope 2, and Scope 3 GHG emissions prior to financing approval.¹ A revised PS3 should foresee complete lifecycle accounting using recognized methodologies that are Paris Agreement-aligned (hereafter 'Paris-aligned'; e.g. [GHG Protocol Corporate Standards](#) or [GRI 305](#)), including incorporation of the social cost of carbon. Emissions quantification should be publicly disclosed 60–120 days before Board decisions, ensuring transparency and aligning IFC with emerging norms. This requirement forms the backbone of credible climate due diligence and allows IFC to evaluate how a project will work toward Paris Agreement alignment.

3. Science-based targets and Paris-aligned methodologies

To ensure meaningful decarbonization, clients should be required to adopt science-based, time-bound emissions reduction targets (e.g., [SBTi](#)). For hard-to-abate sectors such as cement, steel, chemicals, extractives, and animal agriculture, PS3 should establish clear emissions thresholds and decarbonization pathways aligned with a 1.5°C limit. In line with the [joint CSO priority list](#), thresholds should be adopted consistently with Paris-aligned methodologies and global best practice, including models developed by institutions such as the European Bank for Reconstruction and Development (EBRD). Generally, PS3 should also ensure that all climate-related costing, modeling, and feasibility assessments use Paris-aligned methodologies, including the application of full lifecycle analysis and the incorporation of the social cost of carbon, including gender-differentiated impacts.

Binding sector pathways paired with Paris-aligned analysis provide predictability for clients, strengthen investment decision-making, and reduce IFC's exposure to transition risk as defined in IFC's [Climate Related Financial disclosures](#).

4. Robust alternatives analysis using best available techniques (BATs)

Before the IFC approves any type of financing, projects must demonstrate through robust, evidence-based alternatives analyses that low- or zero-carbon options have been evaluated and pursued to the furthest extent technically and economically feasible. [CSOs](#) and advisory opinions ([ICJ](#) & [IACHR](#)) call for IFC to mandate alternatives analyses that use BATs to identify and avoid or minimize greenhouse gas emissions. These analyses must be evidence-based,

¹ Scope 1, Scope 2, and Scope 3 emissions: Emissions responsibility as defined by the GHG Protocol, a private sector initiative. 'Scope 1' indicates direct greenhouse gas (GHG) emissions that are from sources owned or controlled by the reporting entity. 'Scope 2' indicates indirect GHG emissions associated with the production of electricity, heat, or steam purchased by the reporting entity. 'Scope 3' indicates all other indirect emissions, i. e., emissions associated with the extraction and production of purchased materials, fuels, and services, including transport in vehicles not owned or controlled by the reporting entity, outsourced activities, waste disposal, etc. ([Annexes to IPCC, 2014](#))

consider the project's full lifecycle or value chain, supported by independent studies, and publicly disclosed, demonstrating that lower-emission options have been considered and that GHG emissions are avoided to the furthest technically and economically feasible extent.

For large-impact and high-risk projects, climate-related assessments should be conducted by independent external experts, with independence clearly defined to avoid conflict-of-interest concerns. Independent verification strengthens the integrity of emissions accounting, alternatives analyses and mitigation planning, and helps maintain investor and stakeholder trust.

5. Closing loopholes for captive and passive fossil fuel infrastructure

A strengthened PS3 must explicitly prohibit the financing of captive or passive coal infrastructure embedded within industrial facilities including kilns, smelters, furnaces, and mills. Ideally, this prohibition would eventually extend to all fossil fuels. CSOs identify these loopholes as avenues through which IFC can inadvertently support fossil fuel expansion. Closing these gaps is essential to ensure alignment with IFC's climate commitments and to prevent reputational risk associated with fossil lock-in.

6. Sector-specific climate provisions

A. Animal agriculture and food systems

Given the high climate footprint of animal agriculture systems, PS3 should require accounting for methane and nitrous oxide emissions, reduction of herd intensity, and lifecycle and value chain analysis comparing any proposed support for animal agriculture to plant-forward food systems. IFC's current approach appears to prioritize per-unit efficiency improvements, which can obscure rising absolute emissions and environmental impacts as production scales. Plant-based systems generate substantially lower greenhouse gas emissions and require far less land and water than animal-based production.

PS3 should also prohibit the financing of industrial plantation systems, particularly monoculture-based agriculture and forestry operations, due to their well-documented harmful environmental and social impacts, alongside competing with traditional subsistence agriculture. IFC should set time-bound targets to reduce its exposure to large-scale industrial animal agriculture and publicly report on progress toward those targets.

B. Hydropower and the energy transition

Hydroelectric dams often exhibit significant methane emissions, cause severe ecological and social disruption, and face declining hydrological reliability due to climate change. The example of the [Belo Monte facility](#) operating below half its installed capacity illustrates the growing economic risk of such projects. PS3 should not treat large hydro projects as inherently climate-aligned investments.

In the [Alto Maipo Hydroelectric Plant](#) financed by the [IFC](#) in Chile, the Environmental Impact Study failed to properly assess the cumulative effects of climate change despite eight

consecutive years of drought and increasing desertification in the region which had already led to a 37 percent reduction in river flow. This failure to determine the entire hydrological impact led to further impacts on the Maipo River basin and Santiago's water supply. The project also failed to ensure stakeholder engagement, lacking transparency, with critical construction, energy production, and environmental impact data that was withheld from public access.

C. Mineral extraction and refining

Transition mineral extraction and refining projects should promote the use of Best Available Technologies and Practices to minimize direct GHG emissions. Project promoters should be mandated to consider energy efficiency upgrades, renewable energy integration and battery-electric vehicles and equipment in mining and logistics operations. IFC should also seek to operationalise the recommendations developed by the [UNSG's panel on transition minerals](#) in 2024, to ensure that transition minerals projects respect human rights, do no harm and share benefits locally.

D. Industrial processes

For industrial and manufacturing projects, IFC should require alignment with a 1.5°C pathway through comprehensive Scope 1-3 GHG accounting, application of BATs, and adoption of science-based, time-bound emissions reduction targets. Investments in hard-to-abate sectors should be assessed against Paris-aligned, sector-specific emissions benchmarks and decarbonization pathways. Robust alternatives analyses should be conducted prior to financing to demonstrate that lower-emitting processes, fuels, and materials have been evaluated and adopted to the maximum extent technically and economically feasible.

IFC should avoid financing projects that lock in high-emissions production, including reliance on captive or passive fossil fuel infrastructure, and instead prioritize investments that enable industrial leapfrogging toward low- and near-zero-emissions pathways in emerging markets. Integrating climate and transition risks into due diligence (in line with PS1) supports long-term asset viability, competitiveness, and resilience.

E. Transport decarbonization

Transportation represents one of the largest and fastest-growing sources of greenhouse gas emissions. As such, PS3 should provide greater clarity on how IFC measures, manages, and abates emissions from transport-related activities. This should include addressing how IFC will decarbonize transport supply chains, time-bound pathways for phasing out transport-related bridge technologies, and increased investment in the technologies and infrastructure necessary to enable a transition to zero-emission vehicles. To ensure alignment with climate goals, PS3 should not consider internal combustion engine vehicles, associated technologies, or supporting infrastructure as climate-aligned and compatible with a low-emissions development pathway.

F. Forestry and industrial tree plantations

The International Plant Protection Convention (IPPC) identifies the conservation and restoration of natural forests as among the most effective and low-cost options for climate mitigation and adaptation, while also delivering critical biodiversity and water-regulation benefits. Conversely, IFC's approach to forestry is problematic, as industrial tree plantations are often treated as equivalent to forests, despite lacking comparable ecosystem functions. Claims of carbon sequestration from industrial plantations overlook soil impacts and are short-lived, as carbon is quickly released through short-lived products or energy use. In practice, IFC has supported plantation-based paper and "green steel" projects that directly or indirectly promote deforestation and social harm, including the Arauco Sucuriú project, which entails the clearing of natural forest for mill construction and relies on approximately 400,000 hectares of industrial monoculture plantations, and [Aperam](#), a biomass project. These models are associated with increased deforestation pressure, impacts on traditional communities (land grabbing, loss of livelihoods, violence), depletion of water tables, intensive pesticide use and even [higher GHG emissions](#) per energy unit. IFC project documents usually characterize plantation-based paper and "green steel" production as carbon-neutral or carbon-positive, based on weak accounting assumptions that ignore the substantially higher and more durable carbon stocks of natural forests.

PS3 should clearly distinguish natural forests from industrial plantations, reject plantation-based carbon neutrality claims linked to direct or indirect deforestation, and prioritize forest conservation and restoration in alignment with PS6 and climate science.

II. Resource efficiency and circularity

Expectations around resource efficiency and circularity have evolved significantly since the last revision of IFC PS3 in 2012. Although PS3 identifies resource efficiency as a core element of client sustainability management, its operative language, particularly the requirement to adopt "technically and financially feasible and cost-effective measures," is too general and leaves substantial room for interpretation. In practice, this flexibility allows resource efficiency to be treated as a discretionary enhancement rather than a baseline requirement. Current PS3 references resource efficiency and circularity concepts at a high level, relying heavily on clients to self-define mitigation efforts. For sectors with high resource intensity or significant pollution footprints (see section III below as well), this has resulted in inconsistent application and missed opportunities for measurable reductions (e.g. see [CAO's Compliance Investigation Report](#) on Lonmin Plc platinum or the [CAO's assessment report](#) on the Sangaredi mine operated by Guinean Bauxite Company). A revision of PS3 would allow IFC to align with international best practices, establishing specific, mandatory expectations that reflect current demands in a variety of sectors.

1. Resource-efficiency hierarchy: Reduce → Redesign → Reuse → Recycle

PS3 currently encourages clients to improve efficiency and recover or reuse materials where feasible, but there is no formal hierarchy or prioritization of actions. "Reuse or recovery" is optional. To address this gap, PS3 should embed a mandatory resource-efficiency hierarchy applicable across all resource use. Clients would be required first to reduce consumption, then

redesign processes to minimize material intensity, followed by reuse or recovery of materials, and finally recycling or responsible disposal. This would clarify expectations and ensure consistent application across sectors.

2. Demonstrable, verifiable reductions for material, land, feedstock and water-use intensity

While IFC PS3 mandates the client to take measures to improve efficiency in consumption for raw material inputs, water consumption, land use and energy, it does not explicitly consider resource efficiency with regard to land use or feedstock intensity. Importantly, there are no obligations to use quantitative metrics to work towards increased efficiency. This means that high-impact sectors, including industrial agriculture and resource processing, can meet PS3 obligations with minimal, non-quantified improvements.

The revision should require clients to demonstrate reductions in intensity across material, water, land, feedstock use, as well as pollution outputs with sector-relevant metrics. These measures should be measurable, aligned with scientific, widely adopted, international frameworks, and be time-bound. Reporting should be verified externally to ensure accountability.

Importantly, while PS3 generally applies to industrial projects it should also explicitly cover resource-intensive food systems, such as industrial animal agriculture.

3. Water stewardship and discharge management

PS3 currently addresses water consumption and effluent discharges but does not explicitly mandate advanced water management approaches nor does it explicitly require external or participatory monitoring. In order to be effective, participatory monitoring must be gender-disaggregated due to women's predominant role managing household water.

To strengthen water stewardship, especially for large infrastructure or high-impact projects such as mining, PS3 should encourage the adoption of best water management practices such as Zero Liquid Discharge (ZLD) or closed-loop systems where feasible, alongside independent verification and participatory monitoring. Existing examples applying these techniques include mineral projects in [France](#) and [Argentina](#) using water recirculation, reverse osmosis, and tailings dewatering to reduce freshwater reliance, as well as lithium extraction projects in the [United States](#) employing ZLD approaches to recover nearly all processed water. These examples demonstrate practical, effective methods for minimizing freshwater use and effluent release in industrial operations.

4. Industrial decarbonization and materials substitution

Paragraph 7 of PS3 addresses greenhouse gas emissions and encourages the use of renewable or lower-carbon energy where feasible, but there is no explicit requirement for low-/zero-carbon fuels, materials substitution, or cleaner production technologies. The standard should require clients to evaluate and adopt low-/zero-carbon energy sources and alternative

materials, alongside technical innovations that reduce energy and material intensity. Embedding these expectations would accelerate decarbonization in industrial processes and leverage the use of most innovative technologies.

5. Animal agriculture and crops

The use of human-edible feed crops, such as grains and soy, for animal production results in a net loss of calories and protein available for human consumption, due to the inherent [inefficiency](#) with which feed is converted into animal products. PS3 should therefore apply the resource-efficiency and mitigation hierarchy to financing that supports feed production, prioritizing the avoidance of human-edible feed use, followed by minimization where avoidance is not feasible.

Any IFC financing involving feed production should require evidence that the proposed project contributes to efficient land use for food production for people, assessed through quantitative comparisons of calorie and protein outputs relative to credible counterfactual scenarios.

Similarly, the widespread use of chemicals and synthetic fertilizers in crop production is both highly resource intensive and polluting. PS3 should promote circular nutrient management systems in which nutrients are primarily supplied through animal manure, legumes, green manure, and other regenerative sources, and should require nutrient management plans that prevent nutrient losses, runoff and associated pollution. Resource-efficiency assessments should prioritize absolute land, water, and nutrient use over intensity-based metrics, which can mask growing resource demands as production volumes increase.

III. Pollution prevention and hazardous waste management

Since the last revision of PS3 in 2012, international expectations for pollution prevention, hazardous waste management, and alignment with global conventions have advanced substantially. While PS3 addresses general pollution control and hazardous waste, its language often allows project clients to rely on offsetting or minimal compliance, rather than implementing measurable pollution reductions at source. High-impact sectors, including industrial mining and animal agriculture, require clearer, mandatory requirements for emissions management, hazardous waste treatment, and alignment with global standards to prevent environmental harm and protect communities especially women who are disproportionately impacted by climate change and ecological disasters.

1. Alignment with global frameworks and conventions

PS3 currently encourages compliance with local regulations and international good practices but does not explicitly reference key global agreements such as [Hazardous Chemicals and Waste Conventions Basel](#) (Basel, Rotterdam, Stockholm Convention) or international frameworks on [mining tailings management](#) and persistent pollutants, nor treaties on [plastic](#). Explicit references would clarify expectations for clients and ensure that IFC operations are aligned with

internationally recognized norms for chemical management, hazardous waste, and pollution control.

PS3 should also prohibit pollution offsetting, requiring clients to achieve real pollution reductions at the source, rather than relying on compensatory measures that may not eliminate environmental harm.

2. Hazardous waste reduction and management

While PS3 covers hazardous waste management in general, it lacks detailed requirements for minimization, safe handling, and treatment of industrial effluents, particularly in high-risk operations such as industrial livestock or chemical-intensive processes. Revisions should mandate hazardous waste minimization, safe disposal, and appropriate management of wastewater from industrial livestock facilities, reducing nutrient and chemical pollution at source. These requirements would strengthen accountability and ensure that hazardous materials are managed according to best practice rather than minimal compliance.

3. Mining waste management

PS3 currently addresses general obligations on waste management, but does not require more dedicated waste management of large infrastructure or high-impact projects like mining. Mining waste amounts to over 10 billion tons, which is on average 2 to 12 times more than the extracted metals. There are ways to store mining waste more safely but these are not required under IFC PS3 at the moment.

For high-risk, large-impact projects, IFC PS3 should require alignment with the [Global Industry Standard on Tailings Management](#) (GISTM) for tailings facilities, including GISTM aligned design flood criteria. IFC PS3 should also prohibit new dam/wet tailings facilities where populations reside in self-rescue zones (zones where no external help can be expected in the event of failure). It should also require a clear closure plan and emergency response system from the outset. Such measures would reflect global best practices and reduce risk to communities and ecosystems, preventing dam failures such as the Brumadinho dam disaster in [Brazil](#) in 2019.

4. Persistent organic pollutants and radioactive waste

PS3 currently allows management of chemical and radioactive waste according to local regulations, but does not explicitly prohibit the production or trade of persistent organic pollutants (POPs) or radioactive waste. Revisions should clearly ban POPs and radioactive waste production and trade in IFC-supported projects, ensuring alignment with [international conventions](#) and minimizing long-term environmental and human health risks.

5. Pollution controls for animal agriculture

Industrial livestock systems pose significant pollution risks, including nutrient runoff and water contamination; air emissions such as ammonia, hydrogen sulfide (H₂S), and particulate matter; the spread of antimicrobial resistance associated with routine antibiotic use; and chemical pollution linked to feed production. PS3 should require reductions in stocking densities to lower overall pollutant loads and should mandate improved manure and effluent management systems to prevent nutrient losses and water pollution. PS3 should also require greater integration of animals into balanced, mixed production systems to reduce overall environmental intensity, while applying high animal welfare standards, including the elimination of confinement-based production systems.²

6. Use of pesticides in industrial plantation of trees

The use of pesticides in industrial tree plantations poses serious risks to human health, water resources, and ecosystems, and requires explicit treatment under PS3. IFC's due diligence in this area has been insufficient. In the case of [Aperam](#), IFC did not adequately assess the company's historical use of illegal and highly toxic pesticides, including substances banned both nationally and internationally, for which the company was investigated in the 1970s, despite their classification as persistent organic pollutants. More recently, neighbouring communities have reported that pesticide use in plantation areas is contaminating surface and groundwater, affecting local water supply and livelihoods. PS3 should therefore require full disclosure of all chemical products used in plantations, including toxicity and risks, and prohibit reliance on generic statements of legal compliance.

Transparency, exclusion of hazardous substances (according to best international practice), and independent monitoring of impacts on water resources should be mandatory requirements. Furthermore, aerial application of agrochemicals (such as via airplane or drone) should be forbidden, as they affect near-by communities' agriculture and remaining natural forests.

Conclusion

In order to align IFC's financing with the global effort to limit warming to 1.5°C and respond to increasing pressure on natural resources, it is essential to strengthen PS3 by anchoring it in climate integrity, resource efficiency and pollution prevention. The measures outlined in this document are based on the best available science, practices and international legal guidance, and would seek to better align IFC's Performance Standards with relevant international agreements and standards. By adopting these recommendations, the IFC can ensure that decisions made at the project level reinforce commitments made at the portfolio level and help shape development pathways that are climate-aligned, responsible and just.

Review of main points and recommendations.

Thank you,

² See the [FARMS Initiative Animal Welfare Responsible Minimum Standards \(RMS\)](#).

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