

ADB's Draft Energy Policy: Supporting Low Carbon Transition in Asia and the Pacific

Sakari Oksanen
Consultant, ADB

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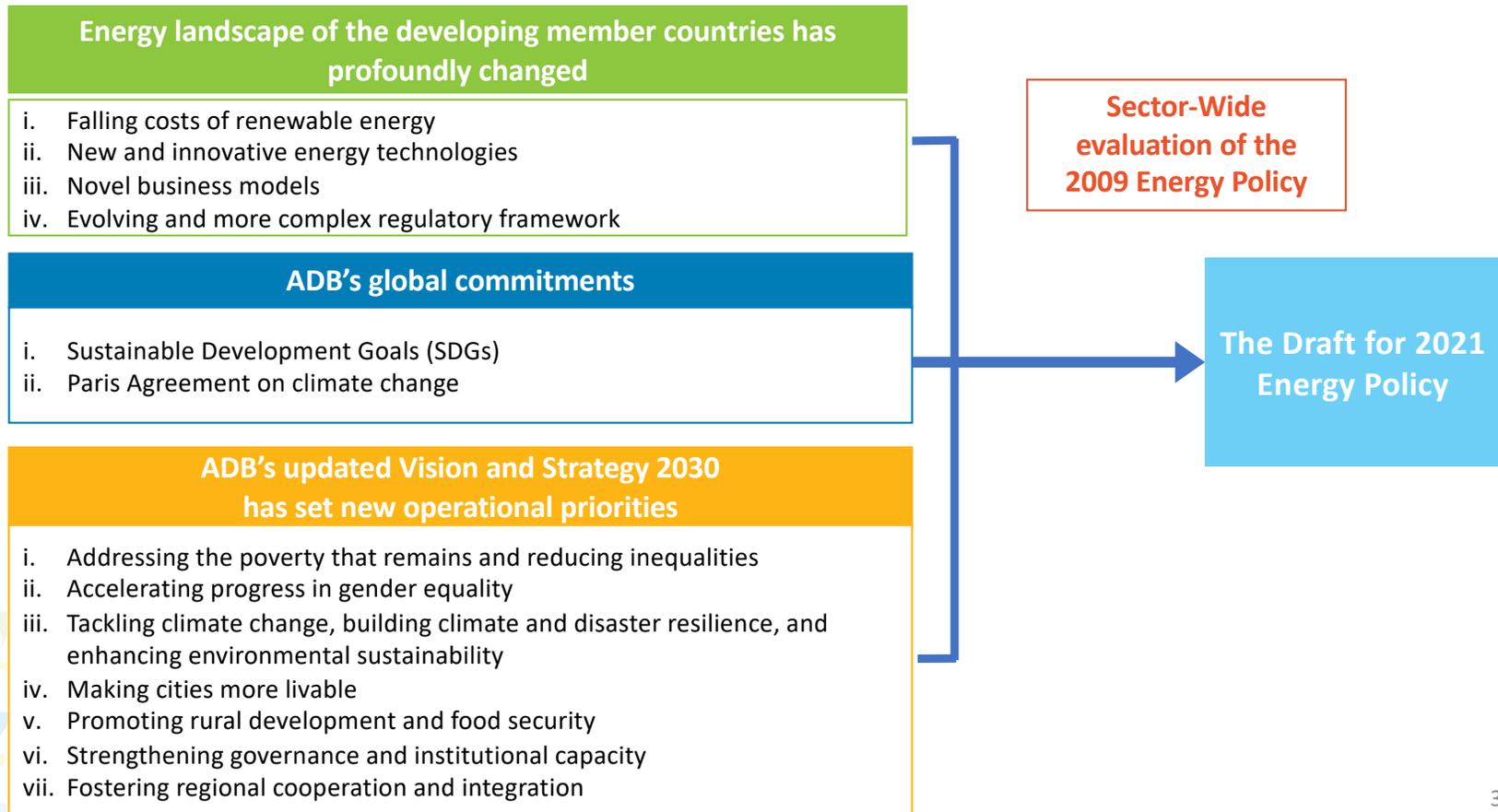


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Background and Rationale of the Policy Update



II. Guiding Principles of the New Energy Policy



Securing Energy for a Prosperous and Inclusive Asia and the Pacific

Guiding Principle 1

- ADB will accelerate efforts to bring affordable, reliable, sustainable and modern energy to all, in order to eradicate poverty and to promote inclusive economic growth
- ADB will enable use of energy in productive activities and creates associated employment and business opportunities in rural areas.

As a response to:

Operational priorities of ADB Strategy 2030

- OP1: poverty reduction
- OP2: gender equality
- OP4: liveable cities
- OP5: rural development

Key sustainable development targets

- SDG 7.1 energy access

Changed energy landscape

- Last-mile electrification
- Off-grid and distributed systems
- Reliability of electricity networks
- Clean energy for cooking becoming priority
- Urban poor



Towards a Sustainable and Resilient Energy Future

Guiding Principle 2

ADB will tackle climate change, enhance environmental sustainability, and build climate and disaster resilience through

- ✓ improving energy efficiency as a basis for energy transformation.
- ✓ increasing the use of renewable energy with storage;
- ✓ pursuing planned phase-out of coal in the region;
- ✓ promoting innovative energy technologies;
- ✓ supporting resilience planning, assessment and investments.

As a response to:

Operational priorities of ADB Strategy 2030

- OP3: climate change
- OP4: liveable cities
- OP5: rural development

Key sustainable development targets

- SDG 7.2 renewable energy
- SDG 7.3 energy efficiency

Changed energy landscape

- Need to align with the Paris Agreement
- Falling costs of renewable electricity
- New and innovative technologies and business models



Engaging with Institutions and Framing Policies

Guiding Principle 3

- ✓ ADB will support operational efficiency, financial sustainability, and good governance of energy sector institutions and companies.
- ✓ ADB will also assist in creating the policy and regulatory frameworks needed to manage the energy transition and climate actions.
- ✓ Support DMC's to develop capacity to join supply chain in renewable energy industries

As a response to:

Operational priorities of ADB Strategy 2030

- OP6: Governance and institutional development

Changed energy landscape

- Policies and regulations aligned with Paris Agreement and NDCs
- New types of regulatory needs
- Need own manufacturing capacity and expertise to develop renewable energy
- Heightening role of the private sector through market driven forces

Promoting Regional Cooperation to Enhance Energy Security

Guiding Principle 4

- ADB will promote regional energy cooperation and the integration of energy systems, in order to strengthen energy security and increase cross-border access to cleaner energy sources.
- ADB also pursues regional knowledge sharing and financial collaboration.

As a response to:

Operational priorities of ADB Strategy 2030

- OP7: regional cooperation and integration

Changed energy landscape

- Prospects for gigawatts-scale cross-border renewable energy development
- Advancements of high voltage transmission technologies enabling higher transmission capacities and lengths
- New initiatives in energy cooperation to increase renewable energy (e.g. One Sun, One World, One Grid and Global energy Interconnection)



Cross-sectoral Operations to Maximize Development Impact

Guiding Principle 5

- ADB will continue to combine finance, knowledge, partnerships, and its country-focused approach to deliver integrated and cross-sectoral solutions that provide comprehensive and magnified development impacts from its energy sector activities.
- Country-focused and differentiated approach, promoting innovative technology and providing integrated solutions

As a response to:

ADB Strategy 2030

ADB will be stronger, better, and faster in its delivery to maximize the development impacts of its operational agenda.

Changed energy landscape

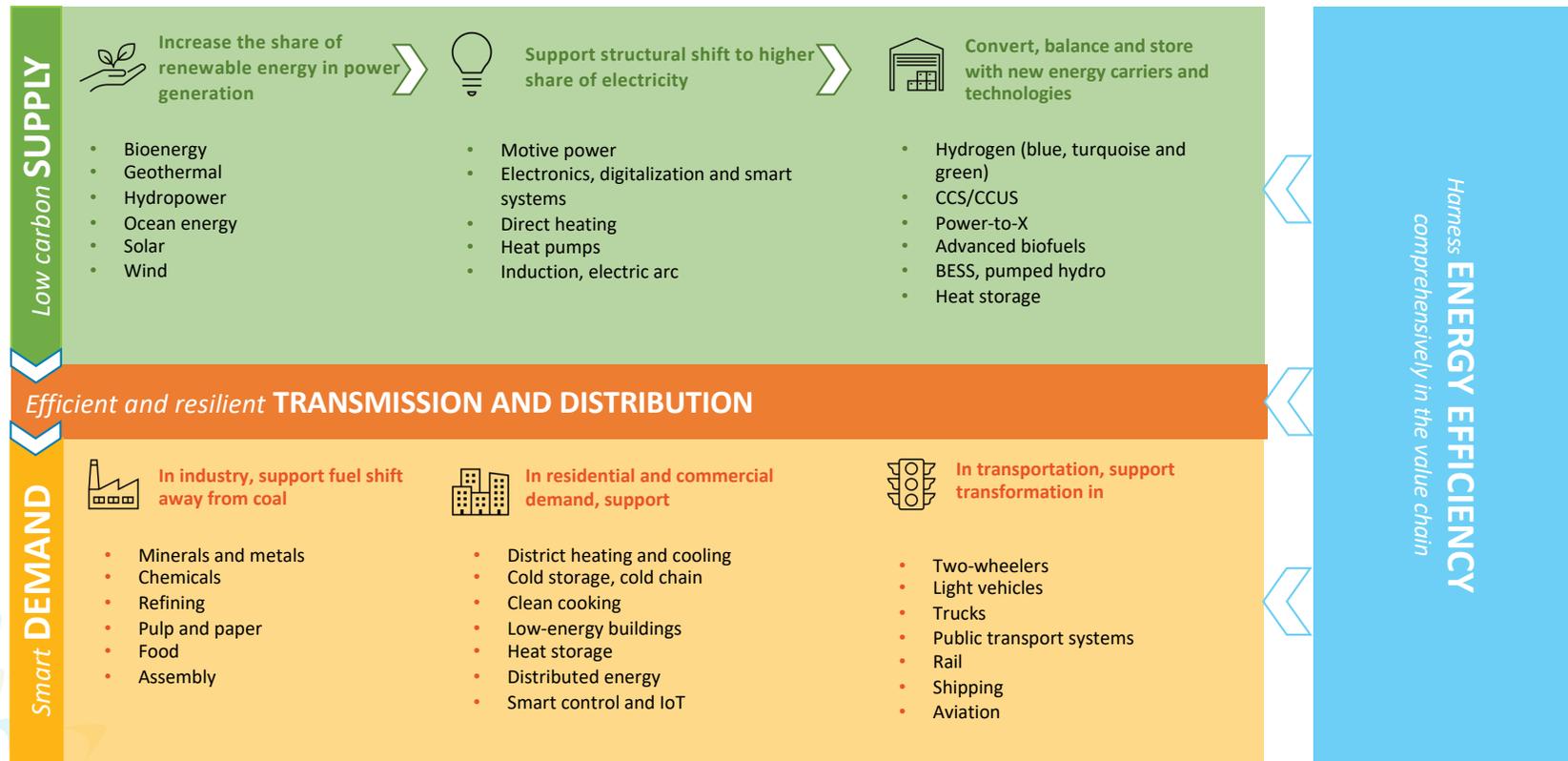
- Need to manage programs consisting of small and widely dispersed projects
- Demand for cross-sectoral and cross-thematic interventions (food, water, transport, health nexus)
- Need to accrue and disseminate new knowledge and best practices efficiently



III. Highlights of Policy Updates and Changes for further Consultation



Encouraging and Supporting Low-Carbon Transition



Long-Term Planning for Low-Carbon Transition

- ✓ ADB will support DMCs to develop long-term roadmap and planning for low-carbon transition in the energy sector including 3 milestones
 - Decreasing the carbon intensity
 - Peaking of carbon emissions
 - Achieving carbon neutrality
- ✓ Energy sector roadmaps will dovetail into the development of national long-term strategies which establish sustainable, equitable, low-GHG and climate-resilient development pathways
- ✓ The roadmap will deploy appropriate technologies:
 - Low-carbon technologies (energy efficiency, renewable energy)
 - zero carbon technologies (carbon capture, utilization and storage combined with fossil fuels)
 - negative emission technologies (sustainable bioenergy with carbon capture and storage)
- ✓ ADB will pursue the development of competition and private sector participation through market-based mechanisms

Fossil Fuels

- ✓ ADB will not finance any coal mining, oil and gas field exploration and drilling activities
- ✓ ADB will **not finance any new coal-fired capacity for power and heat generation**
- ✓ ADB will support DMCs to develop strategic approaches and policies for a **Just Transition** that addresses the socioeconomic impacts of transitioning away from fossil fuels
- ✓ ADB **may finance natural gas pipeline, gas-to-power, industrial and household use of gas projects** subject to the following conditions:
 - Meeting basic energy access requirement
 - Consistent with country's long-term low-carbon transition plan, AND
 - Contribute to lower CO₂ emissions compared to grid emission factor, AND
 - Use high-efficiency and best available technologies AND
 - Does not (indirectly) support activities that are not Paris aligned.
- ✓ Detailed guidance note will be issued to staff in processing natural gas projects



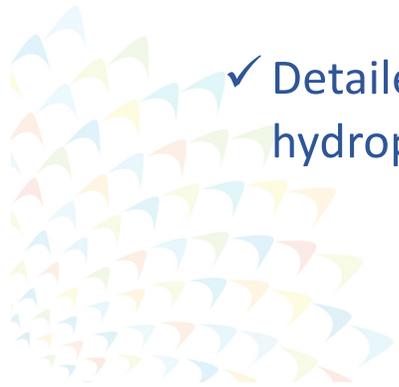
Natural Gas Can Support Low-carbon Transitions

- ✓ Natural gas can be used where it is consistent with a country's Paris-aligned **long-term low-GHG emissions transition plan** in particular, and the MDB Paris Alignment framework
- ✓ **CO2 reduction** and **air quality** improvement because of lower carbon contents compared to other fossil fuels such as coal (-50% CO2 emissions) and minimal SOX and particulate matter;
- ✓ Providing comparatively **clean energy access** for house heating/cooking using gas instead of coal;
- ✓ Co-generation/tri-generation (power generation, heating and cooling) with **high efficiency** up to 90%;
- ✓ **Flexible power supply**, balancing intermittent renewable energy power supply;
- ✓ **Need to consider long term impacts to avoid stranded assets and prepare decarbonization with new technologies such as carbon capture and storage and hydrogen**

Large Hydropower

- ✓ ADB will **selectively support large hydroelectric power plants** (including pump storage) with seasonal storage reservoirs with multipurpose benefits subject to:
 - Positive contribution to low-carbon transition with life cycle greenhouse gas emission analysis
 - Incorporation of climate resilient designs
 - Robust environmental mitigation strategies; and
 - Proper resettlement and economic rehabilitation of the affected people

- ✓ Detailed guidance note will be issued to staff in processing large hydropower projects



Waste-to-Energy

- ✓ ADB will **support waste-to-energy investments** as they provide an opportunity for integrated cross-sectoral projects enhancing the livability and health in cities and rural areas, and prevents environmental hazards caused by landfills

- ✓ In such waste-to-energy projects, the choice for combustion prudently follows the waste management order to prioritize:
 - Reducing waste generation and waste to landfills, whilst supporting ICT technologies to extract valuable materials as early as practical in the waste logistics chain;
 - Increased integration with waste re-use and recycling, notably the integration of biological and mechanical treatment and recycling;
 - Using waste to generate energy within the confines of planned eco-industrial parks which integrates the above

- ✓ Detailed guidance note will be issued to staff in processing waste-to-energy projects

Other Technologies

- ✓ ADB may participate in financing projects with hybrid electricity solutions involving fossil fuels together with renewable energy for isolated grids in islands and remote areas
- ✓ ADB will support DMCs to be informed and participate in new technologies such as battery storage, carbon capture, utilization and storage, green hydrogen, and ocean energy
- ✓ ADB will support cross-sectoral technologies (electric vehicles, solar pumps for irrigation, renewable energy for clinics/cold chain for vaccines)
- ✓ ADB will continue its policy of not to be involved in financing investments in nuclear energy.

Thank you

