

DEVELOPMENT EFFECTIVENESS COMMITTEE

Chair's Summary of the Committee's Discussion on 27 June 2007

Special Evaluation Study (SES) on Energy Policy 2000 Review: Energy Efficiency for a Better Future

1. The SES was designed to feed into the ongoing review of the Energy Policy and strategy update. Its preliminary findings were presented at one of the NGO seminars in ADB's Annual Meeting in Kyoto.
2. The energy sector is one of ADB's most successful sectors. Over 80% of the projects have been rated as successful, surpassing ADB's benchmark for successful outcomes at the project level. The evaluation also rated the Energy Policy as successful; its relevance, effectiveness, efficiency and sustainability were all rated as satisfactory or better.
3. ADB has successfully promoted sector restructuring, although this has typically been more difficult and taken longer than expected. This has opened up opportunities for private sector investment. Much of the new capacity that ADB has financed since 2000 was through PSOD.
4. Improving energy efficiency should be the highest priority in the ADB's new energy strategy. All feasible efforts should be made to decrease demand through viable energy efficiency initiatives and increases in system efficiencies before investing in new capacity. However, the increasing demand for power in the Asia Pacific region will require significant investment in new generation capacity. Thus, pursuing energy efficiency initiatives should not be at the expense of "turning off the lights".
5. Energy efficiency programs, the development of renewable energy, and the adoption of clean energy technologies are all in their infancy in the Asia Pacific region. They have substantial need and potential to grow. The higher oil prices that prevailed for most of the evaluation period and the new Clean Energy and Environment Initiative have placed ADB in a competitive position to do more in this area.
6. There is no universally accepted methodology for quantifying the environmental costs and benefits of energy projects. However, progress is being made (e. g., Stern Review) and ADB has made past attempts to undertake analysis of projects (in PRC), taking into consideration positive environmental externalities in the sensitivity analysis.
7. In its response, Management disagreed with the idea of undertaking strategic environmental analysis at the sector level. OED explained that this suggestion was made because of the strong interest in the energy/environment issue, but that this should be limited only to those countries in which the CSP envisions a major ADB involvement in the energy sector.
8. Since 2003, when Country Environmental Assessments became mandatory, ten CEAs have been prepared¹. None have been completed since the end of 2005 (although one is under preparation in the PRC).

¹ For Azerbaijan, Cambodia, Kazakhstan, Kyrgyz Republic, Mongolia, Nepal, Philippines, Tajikistan, Uzbekistan, and Viet Nam.

9. OED examined the CEAs to determine the context in which the energy sector was assessed. In general, CEAs do not provide any strategic environmental assessment for the different sectors. Energy projects (loans/TAs) are sometimes presented but environmental concerns arising from these projects are not examined in detail nor are the broader level environmental impacts of the energy sector. OED is skeptical that these CEAs seriously influence the design of ADB's energy program in CPSs.

10. Acting DG, RSDD indicated that the positive message of the report showed that the draft energy strategy is well aligned to ADB's work in this area. He emphasized the need for ADB to continue to be involved in investments while at the same time pursuing an energy efficiency agenda.

11. DEC appreciated Management's Response, which generally agreed with the conclusions and recommendations of the SES. DEC also noted the clarifications made by Management on some areas that it disagrees with.

12. DEC agreed that energy was one of the key areas of strength of ADB which ADB must exploit. Energy supply should be given also due importance in the future while energy efficiency is being emphasized. Some DEC members supported the idea of ADB becoming a centre of excellence but questioned whether this was a realistic vision given the current resource limitations.

13. A DEC member noted that the performance of ADB in energy projects was good (80%), but that the rating for sector reform was lower (70%). He noted that PPP has worked well in this sector, but was interested in knowing what could be done better beyond the project level, for instance in terms of reforms or investments. Another DEC member noted that the report does not address capacity building and the institutional and technical level.

14. Emphasis was given on the usefulness of strategic environmental assessments as a tool, but noted the need to avoid them when their value added was not justified.

15. A DEC member noted that the report reflects the fact that there is not a single blue print for energy efficiency. He indicated that ADB must continue its policy dialogue work and assistance with sector governance, but that the necessary skills for the sector would continue to be required.