

**Comments on ADB's  
Energy Strategy (version May 2007)**

To: Woochong Um and Jong-Inn Kim

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Mr. Kim and Mr. Um,

Thank you for taking the time to listen to everyone's views two weeks ago in Manila. I believe you have an excellent opportunity to really help change the way Asia uses energy in the future, and this paper is just a beginning. I have included some comments from the paper and the discussion, and would be happy to answer questions if you have them. I hope you will take this opportunity to take the lead, and not be a follower in this area, as it is critical not only for environmental reasons, but also for innovation and modernization reasons as well.

Thank you for your time, and I look forward to learning about the results.

Sincerely,  
Doug Woodring

## Asian Development Bank

### Energy Strategy Development Stakeholder Consultation Workshop Comments for Improvements

Manila, Philippines  
July 13, 2007

As a result of reading the Energy Strategy Development paper, and attending the workshop on July 13<sup>th</sup>, I believe there are a number of areas where the ADB could improve not only their strategy, but also their image in the region as a result of focusing on some issues in greater detail. This Energy Strategy gives the ADB an excellent chance to take a leadership role in the region, not just as a lending/funding organization, but as a non-governmental organization that has enough clout to influence decisions on a country level which may have many long term benefits for those countries.

Overall, the main issues that could be further addressed relate to climate change. It does not appear that the bank gives enough focus or care on renewable energies, which offer not only a clean option for power, but an opportunity for innovation and new employment within each economy. Lending in the public sector from 2001-2005 was \$3.2bn, with less than 5% in renewables. This number should be increased to 15% at least. If this is the goal, then various players (governments and industries) within this sector will know that “renewables” are for real, and that they can count on support for their projects, even at a non-monetary level. In many cases, funds will not need to be provided, but a credible rule of law, transparent policies, and guaranteed minimum buy-back rates for renewable power will need to be established (this should be pushed in all of the ADB countries). These policies need not cost the bank anything, but the bank’s influence can help make these uncertainties become “certain” and predictable in the eyes of the new renewable projects which can come on stream. Most nations in the ADB’s territory already have goals of using up to 20% renewable energy by 2020, so the ADB should also be supportive of these objectives by taking a leading role to increase its lending to the renewable sector to 15 or 20%.

The ADB should be seen to be “innovative” in the area of renewable energy. The fact that the report mentions that only 2% of the global energy mix by 2030 will be in renewables, with most in the OECD countries, should not be a reason for the ADB to sit back and assume this to be the result. The ADB’s member countries will be some of the hardest hit with climate change implications, but they can also be some of the leaders in using renewable energy – if given the chance to do so via new laws, regulations, incentives and technology transfers. The ADB should be at the forefront of this cause in Asia.

The report mentions that barriers to renewables are not technical, but are “regulatory, institutional and market related.” This means that the ADB can have a significant impact to improve the playing field of renewables by simply promoting better laws and policies on the national levels. Funding need not be the main source of impetus needed to have renewables play a larger role within each country’s energy mix. The ADB needs to help promote national tax incentives and tariffs that cause innovations and efficiencies for cleaner energy, since it is hard for the ADB to actually monitor and enforce each actual implementation.

If clean coal technologies cannot be mandated as part of the lending/funding process (though they should be as much as possible), then other environmental policies should be pushed for within a country when coal powered expansion is being discussed. This can include mandated energy efficiency labeling laws for appliances, as well as demand side incentives for building efficiency.

The report talks about knowledge hubs for “clean energy and environmental programs,” with those hubs being in China, Thailand and India. This is fine, but if much of the new technology is coming from developed countries, then it might be best to open the knowledge base to all countries, and try to do as much as possible to bring the best and newest technologies to the markets, while allowing for as much dissemination of knowledge as possible.

Sustainable transport is something which is hardly mentioned in the report, if at all, yet transport is the second biggest contributor to climate change after building efficiencies. Moreover, developing Asia is where much of the transport problems lie when development, pollution and vehicle standards are considered. The ADB should be actively pushing for these economies to “leap frog” to better technologies than the developed world is now using (and which it made mistakes from). Energy security should be a big issue for the ADB to be prepared for, yet it does not seem that this report addresses this issue. If cleaner, newer fuels can be used, this can also likely reduce the dependence on imported oil, which then also decreases the impact when large oil shocks occur. Hydrogen is a fuel which should be further studied and promoted for vehicle use (and the production of “clean” hydrogen from renewable energy must be at the top of this discussion).

Biofuels were not mentioned at all in the report, and this may be a good thing. It should be imperative that the ADB does not fund or promote anything relating to biofuels which either impacts the food chain, or the forests. Forests are one of the biggest “swing” factors in the advent of climate change problems. Asia is blessed with some of the largest forest regions in the world, yet these are also under the most pressure. It should be the ADB’s objective to take a pro-active role to save these forests, and this should be tightly linked with energy policy. Any effort to grow palm plantations is a direct threat to all of the forests in the region, and for this reason, biofuels related to palm oil (or anything else that may threaten forests) should be highly regulated. Remember, it is not only the loss of forest as a CO<sub>2</sub> sink that is important, but the large loss in CO<sub>2</sub> when forests are destroyed, as well as the biodiversity which is lost – for good.

There is little mention of wave energy as a renewable resource, yet the ADB’s territories have significant wave resources. Wave energy has 1,000 times more power potential per square meter of water, than does wind energy for the same square meter. This is due to the density of water vs. air. Chevron has just announced an investment into wave energy in California, which shows that the mainstream energy companies are now considering this to be a very viable option. The ADB should be at the forefront of this technology and innovation curve. Wave energy can be used to efficiently make not only electricity, but also desalinized water (without electricity and a carbon footprint), and hydrogen. The Pacific one of the best places to harness these opportunities, yet no mention of it was made in the report.

The “business as usual” policy of the paper negates the supposed “low carbon” goals of the bank. This is a big missed opportunity because the “visionary” aspects of a plan are not seen, yet these could bring new great exposure to the bank. The bank should push for better cost accounting on fossil fuels in order to better compare the use of renewable energy. Growth in demand (capacity) should be carefully weighed with the growth in the carbon footprint (kw/h)

that is a result, and whether this growth in actual use can be met with a much bigger percentage of renewables. There is little discussion about economic instruments to encourage energy efficiency. Also, the bank uses the word “modern” fuels too loosely. What is “modern?” It seems to be “typical” fossil fuel based electricity which the western world has had access to. Instead, it should be forward thinking, and change “modern” to “modernized,” meaning “new” fuels which are more efficient, clean and address climate change issues.

The ADB’s proposed strategy is to “meet energy security and transition to low carbon economy” (slide pg 7). This sounds like a “slow” moving policy. The ADB should take initiative to show the region that it cares, and should use wording like “expedite or aggressively encourage” the move into cleaner energy. The ADB should not be “reactive” to renewable energy, but should be “proactive,” and this paper should emphasize this.

The report lacks an Energy Technology Roadmap. How is funding ranked for a coal project, vs. a renewable energy or efficiency project? What are the bank’s goals in supporting each of these, and what type of “premium” is put onto “clean” projects vs. those with large carbon and pollution footprints?

Someone suggested changing the three pillars, and I agree. The three pillars should be:

1) Energy Investment, 2) Energy Technology, 3) Energy Institutions. These address all of the issues within the energy world that need to be focused on in order to bring more energy to the people within ADB’s territory. Many of the points above support these pillars, with the last being institutional frameworks that renewable/clean energy projects can count on to help take the uncertainties out of their projections. In fact, in many cases, it will be renewable energy that is the only option for many remote locations, as grid systems and long length cabling is not an option.

The ADB has an excellent opportunity with this new Energy Strategy to take the lead in the region to push for changes that will have long term impacts on our environment. These need not slow the process of electrification for all, but can improve the process, and make this a sustainable achievement that benefits not only the region, but the entire planet’s climate while spurring innovation and economic development along the way.

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