

**Consultation on ADB's Draft Energy Strategy  
East Asia  
Chang-An Club, Beijing, People's Republic of China  
06 July 2007  
Summary of Participant Comments**

**I. Background**

ADB organized a consultation workshop with representatives of government, civil society organizations, academe, donors, industry, and others from the People's Republic of China (PRC) and Mongolia.

Participants critiqued the draft energy strategy in break-out groups organized by stakeholder type. Following is a synthesis of the participants' recommendations. A list of workshop attendees is attached.

**II. Break-out Group Discussions**

**A. Feedback from Civil Society/Academe Break-out Group**

**1. *Strengths of the Draft Energy Strategy***

- Situation analysis, challenges, and solutions are important and are clearly reported in the draft.
- The report covered many important energy related topics, e.g., energy efficiency, renewable energy, fossil fuels, power generation, district heating, regional cooperation, power sector reform and restructuring. Coverage of Pacific DMCs is also good.
- Covers climate change and energy for all.

**2. *Recommendations for Improvement of the Draft Energy Strategy***

Strategy Components

- The strategy lacks a roadmap, a practical plan for achieving its objectives. For example:
  - How to increase awareness on energy savings and more efficient energy use
  - How to influence decision makers in each country to adopt policies on sustainable energy
- Strategy should include a map of each country's natural energy resources. This is needed for trade and regional cooperation.

Climate Change

- Strategy should include more on climate change.

**3. *Recommended Interventions by ADB***

- For Mongolia: increase investments for network improvement, such as power transmission and distribution lines crossing borders to Northern PRC and Kazakhstan. More construction of natural gas pipelines across the region is also required.
- For PRC: provide loans to local governments to enable them to invest and to reach the central government's target of 20% efficiency improvement. China also needs more

funds in carbon reduction technology development and policy implementation. These loans should be given to PRC government with strict conditions.

#### **4. Pillars of the Draft Energy Strategy**

- Need to add evaluation of natural energy resources in the region. Before identifying the three pillars, we need to understand each country's natural resources.
- The pillars need to take into account the climate change risks.
- Energy reform does not have to be limited to unbundling and privatization of the electricity industry. Around the world, unbundling and privatization have resulted to more failures than successes. Privatization should be decided by each national government. Enabling framework is important.

### **B. Feedback from Bilateral Donors and Industry Break-out Group**

#### **1. Strengths of the Draft Energy Strategy**

- Flexibility – the text can be interpreted in various ways; this is a strength, but also a weakness.
- The mention of climate change as an issue at least as important as more usual energy issues.
- The statement that energy demand is not sustainable. The paper should even state it more explicitly: on the one hand there will eventually be a peak and a decrease in oil production (and thus in oil consumption), and on the other hand, the use of fossil fuels in general (coal, oil, gas) is in itself unsustainable due to climate change risks..

#### **2. Recommendations for Improvement of the Draft Energy Strategy**

##### Strategy Components

- Lack of specific goals – there are pillars, but they are not goals. Does ADB have specific goals, e.g., the quantity of people to be given access to energy?
- Need more concrete examples of successful projects.
- Need graphics, figures on energy consumption and emissions.
- Too flexible.
- There is nothing new in the paper.

##### Rule of Law

- Emphasize the rule of law – private sector involvement relies heavily on the rule of law. Mention this as part of governance.

##### Energy Data

- Paper includes only world-level data; need more data on Asia.

#### **3. Recommended Interventions by ADB**

- ADB should make the investment climate safer for the private sector by partnering more with the private sector.
- ADB should raise awareness of governments on energy issues and climate change issues.

#### **4. Pillars of the Draft Energy Strategy**

- Clarify first pillar: meeting energy demand in a sustainable way. Is demand unsustainable?

- Rule of law (in governance) should be somewhere in the pillars – where to put it is up to ADB to decide.

## **C. Feedback from Government Representatives' Group**

### **1. *Strengths of the Draft Energy Strategy***

- Public consultation is important.
- The draft is supported by a lot of data.
- The strategy will provide guidance to future investments by ADB.
- Mention of energy security and access for all is good.

### **2. *Recommendations for Improvement of the Draft Energy Strategy***

#### Energy Data

- Most of the data used are world data. There should be more Asia Pacific data.

#### Strategy Components

- The strategy must be feasible and implementable. While the strategy is very good, it does not have an action plan, or concrete measures, or even some maps – e.g., of resources in member countries such as wind, hydro, solar, biomass. Tables and charts are important. An action plan should supplement the strategy.
- ADB's energy portfolio seems to be shrinking. There are no targets in the strategy, other than the \$1 billion for clean energy.
- Strategy should be more focused – look at the World Bank. Choose areas where ADB can really make an impact.
- The strategy should be more specific. To guide investments in energy sector, the strategy can cite demonstration projects in energy efficiency and renewable energy.
- Future implementation is very important, hence the need for targets, e.g., targeted energy utilization, energy security.

#### Renewable Energy

- ADB's future investment seems to be in renewable energy, but these technologies have a high cost. Who should bear this cost? How does one distribute the cost equally? More research is needed on this.

#### Low Carbon Economy

- The strategy mentions that low carbon economy should be encouraged, but a low carbon economy can only serve the rich, and not the poor. A low carbon economy is not practical in Asia without the necessary support. This needs facilitation by ADB.

#### Coal

- The strategy cites the data for 2030 on coal resources. We are rich in coal resources, but ADB's policy does not support coal production. Para 48 is very controversial. If ADB does not want to provide loans on coal production, it should at least provide technical assistance on safety of coal production and application of new technology.

#### Regional Cooperation

- The draft should say more about facilitation of regional cooperation. The draft mentions the Mekong region and Central Asia, but there are areas of cooperation in energy for Mongolia and PRC. In 2005, when Mongolian president visited the PRC, a bilateral agreement on the importation of electricity was signed. There are possibilities of regional cooperation in hydro, wind, and solar.

### **3. *Recommended Interventions by ADB***

- ADB should consider providing assistance in the processing of coal.

- ADB should do more to facilitate technology development and in transfer of technology to developing countries.
- Mongolia needs more help in hydro, wind, and power.
- ADB should facilitate regional economic development / cooperation.
- Can ADB organize or coordinate subsidies to help countries lower their emissions?

#### 4. *Pillars of the Draft Energy Strategy*

- The three pillars are well chosen, but they are not well illustrated. They are all quite similar – they all talk about sustainable energy supply.
- Is another hidden pillar cleaner energy sources? ADB should identify more focused areas on renewable energy. However, the cost of investment on renewables is very high, say twice the price of coal-based power generation. If we want renewable energy and clean energy, can ADB provide concessional loans?

### III. **Plenary Discussion**

Following the break-out group presentations, workshop participants discussed a variety of issues related to the energy strategy.

**Privatization:** Para 67 of the draft is correct in stating that there are only a few countries that have succeeded in unbundling and privatization. Yet in paras 65 and 66, it seems like ADB is neutral or supportive of unbundling and privatization. Paras 65 and 66 are tricky; the last sentence in para 67 is correct and should be stressed. Once the industry is destroyed because of unbundling/privatization, there is no going back. California is an example.

**Ambitious Objectives:** The strategy does not mention any quantifiable targets (except for the \$1 billion investment target). We want to see some more specific targets in the other areas. Nevertheless, even in the absence of such projections, can ADB realize these ambitious objectives? If ADB can only offer OCR loans, how can the ambitious targets be realized?

**Renewable Energy:** The cost of renewable energy is very high. Given that, sustainability is an issue. How do we encourage and enable farmers to use renewable energy in a sustainable way?

**Externalities:** It is an illusion that coal is cheap. Pollution and health risks must be quantified. Cheap energy is an illusion when one simply looks at the price and not the costs to society.

**Flexibility:** ADB needs to maintain flexibility at this stage because of the changing landscape, so it makes sense that the energy strategy is flexible.

## **Appendix 1: Additional Comments**

At the closing of the workshop, participants were each given a form on which they could write: (1) feedback on what they liked about the workshop, (2) what could be improved about the workshop, and (3) any additional concerns, issues, or suggestions they would like to share, which they did not have the opportunity to discuss during the consultation workshop. The answers to question 3 are summarized below.

### Health and Education Factors.

[The strategy] could use more emphasis on those areas in the context of poverty alleviation without encroaching on the turf of WHO [World Health Organization] and other entities.

### Sector Reform

Privatization and unbundling are not answers for this industry development.

### Investment

Project investment [is needed] on air pollution and CO<sub>2</sub> reduction.

### More Loan Projects

Please try to offer more help in energy field by way of initiating more loan projects that are acceptable to member countries and ADB as well. Please do not close the door to some areas that ADB could support but no dare or not want to support due to various reasons, including political.

## **Appendix 2: Workshop Participants**

### **GOVERNMENT**

#### ***MONGOLIA***

1. S. Nyamsuren, Officer, Division of Internal Cooperation, Ministry of Fuel and Energy
2. Dashjamts Gantulga, Officer, International Cooperation Department, Ministry of Finance

#### ***PEOPLE'S REPUBLIC OF CHINA***

3. Bo Shen, National Development and Reform Commission
4. Feng Baoshan, Deputy Director, Foreign Capital Utilization Department, National Development and Reform Commission
5. Ding Zhimin, Director, Strategic Planning Department, Office of National Energy Leading Group
6. Zhang Xiaoping, International Division, Gansu Provincial Finance Department
7. Zhang Yuewu, Director, Foreign Affairs Division, Inner Mongolia Finance Bureau
8. Li Shuyuan, Director, International Finance Administration and Debt Management Division, Department of Finance of Guangdong Province
9. Weizhong Wang, Overseas Investment Utilization Department, Shanxi Provincial Development and Reform Commission
10. Dongsheng Wu, Deputy Director, Overseas Investment Utilization Department, Shanxi Provincial Development and Reform Commission
11. Li Hai Xiang, International Financial Division of Shanxi Finance Bureau

#### **CIVIL SOCIETY ORGANIZATIONS (CSOs)**

12. Timothy Hui, Chief Representative, China Program Natural Resources Defense Council, Beijing
13. Dong Mei Chen, Director of Climate Change and Energy Program, WWF China
14. Chogdon Oyunchimeg, Project Manager, Mongolian Energy Association
15. Ruiying Zhang, Senior Program Officer, China Buildings and Industry Program, The Energy Foundation – Beijing Office

#### **ACADEME/INSTITUTES**

16. Choinyam Zunduisuren, Mongolian University Science and Technology, Power Engineering School

#### **INDUSTRY**

17. Buang Huat Ng, Regional EP Sales Manager, Caterpillar Asia Pacific Power System
18. Vanchai Letsaroj, CEO, Peak Pacific (China) Investment Co. Ltd.
19. Joel Laykin, Secretary General, Independent Power Producers' Forum

20. Yong-Hyuk Choi, Korean National Electrical Workers Union and Public Services International

**FINANCIAL INSTITUTIONS**

21. Xian Cheng Lei, Division Chief of Economic Research Department, The Export Import Bank of China

22. Yu Wen, China Development Bank

**BILATERAL/MULTILATERAL DONORS**

23. Sun-Young Kim, Deputy Director, KFW Beijing Office

24. Frank Haugwitz, Renewable Energies in Rural Areas, German Technical Cooperation

25. Francisco Javier Torres, Trade Officer, Economic and Commercial Office, Spanish Embassy, Beijing

26. Stacy Xiao, Trade Commissioner (Energy), Embassy of Canada

27. Damien Navizet, Deputy Representative, French Development Agency