

Enabling CDM in Asia and the Pacific:

Promotion of Renewable Energy,
Energy Efficiency and
Climate Change Abatement

Official side event at COP11 & COP/MOP1

SPONSORED BY THE GOVERNMENT OF NETHERLANDS

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ADB

ADB Headquarters: Manila, Philippines



ADB Basics

The Asian Development Bank (ADB):

- is a multilateral development finance institution established in 1966
- Provides lending and technical assistance
- has 64 members – 46 of which are from Asia and Pacific region
- Japan and the United States are the largest shareholders
- 2004 lending: US\$ 5.3 billion (~14% energy sector)

ADB's mission aims to help its developing member countries (DMCs) reduce poverty

ADB's strategic agenda:

- focuses on pro-poor sustainable economic growth, inclusive social development, and governance for effective policies and institutions.

ADB's Role in Climate Change

Increase SUPPLY of projects

- Capacity Building for project development
 - CDM eligible projects
 - Adaptation projects
- Underlying finance
- CDM Project technical support

RE, EE, and Climate Change

- **Over 50 Loans and TAs** in the last 10 years (1994-2004) in over 15 DMCs, in areas covering Renewable Energy, Energy Efficiency and other GHG Reduction Measures and Technologies.
- **REACH** (Renewable Energy, Energy Efficiency and Climate Change) Program- using four trust funds:
 - Netherlands Cooperation Fund for Promotion of Renewable Energy, Energy Efficiency and Greenhouse Gas Abatement (PREGA) (\$6.0 million)
 - Canadian Cooperation Fund for Climate Change (Can \$5 million)
 - Danish Cooperation Fund for Renewable Energy and Energy Efficiency in Rural Areas (DKK 30 million)
 - Finnish Technical Assistance Grant Fund (€1.9 million) (start 2005)
- **CDM Facility**
 - Provide CDM assistance to ADB-financed projects throughout the development cycle

REACH Program Achievements

- **PREGA**

- Country Studies (focusing on experience with REGA technologies and policies) prepared for several countries
- National Technical Experts trained in conducting pre-feasibility studies
- Over 25 pre-feasibility studies covering various REGA technologies

- **Canadian Cooperation Fund**

- Guidelines and action plans developed for small-scale CDM activities
- Major CDM Capacity Building Study completed in China
- Other multiple projects and TAs

- **Danish Cooperation Fund**

- Multiple studies approved to promote renewable energy in rural areas and small towns

Canadian Cooperation Fund

- China: “Opportunities for the Clean Development Mechanism in the Energy Sector”
 - Conducted 19 training and capacity building workshops at the national, provincial and local level
 - Developed detailed Handbook to guide project developers
 - Drafted Project Design Documents (PDDs) for 7 Small-scale CDM projects
 - Recommended an Institutional Framework for promoting and financing Small-scale CDM projects including a China Carbon Investment Facility
- Indonesia: Carbon Sequestration and Biomass Energy Pilot Projects
- India: Capacity Building for CDM (focus on financial sector capacity building)

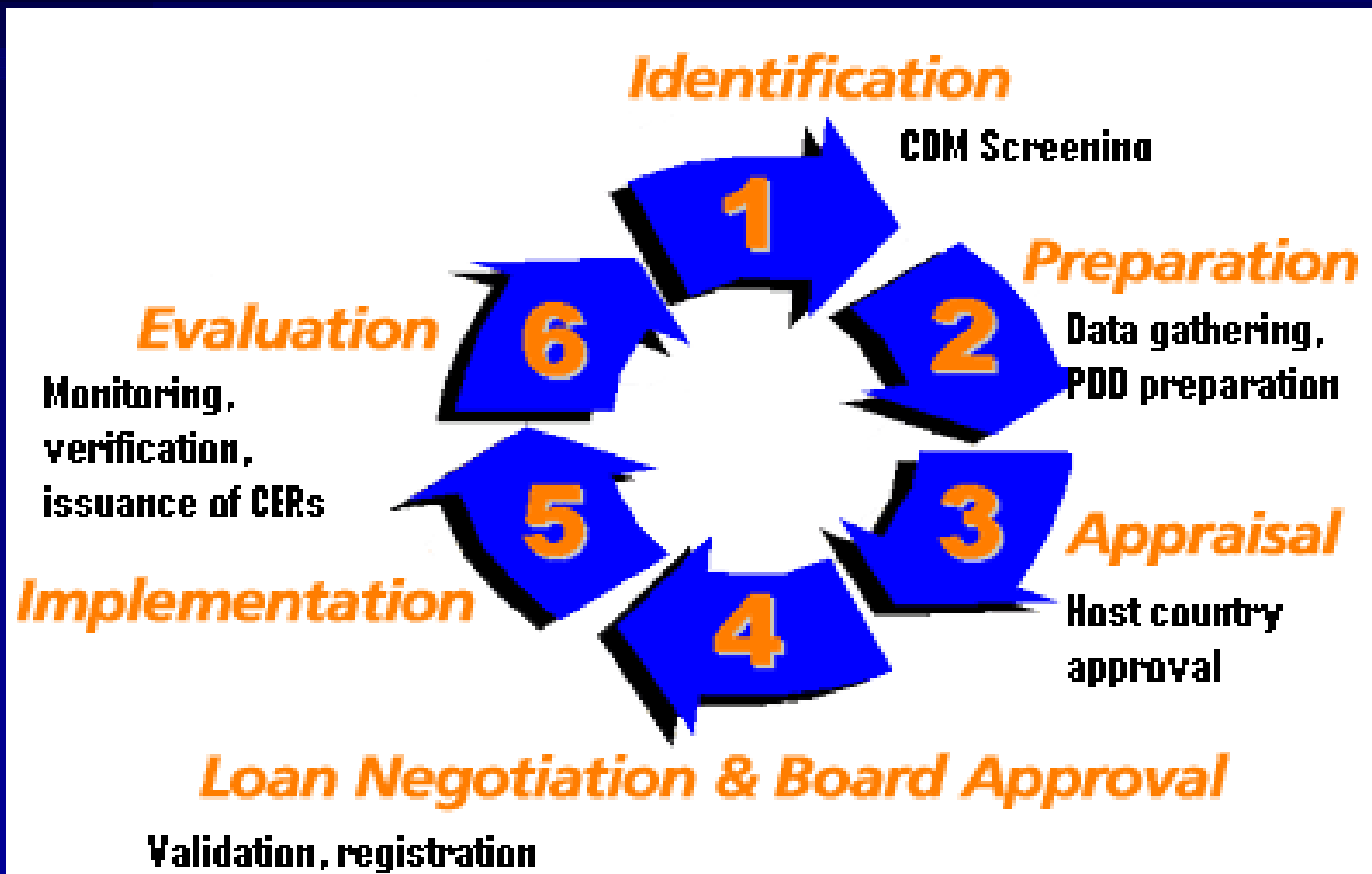
Danish Cooperation Fund

- Mongolia: Renewable Energy Development in Small Towns and Rural Areas
- Indonesia: Power Welfare Scheme
- Afghanistan: Renewable Energy Development for Poverty Reduction
- Pacific Islands: Promotion of Renewable Energy and Energy Efficiency in the Pacific (REEP)
- Uzbekistan: Off-Grid Renewable Energy Development
- Philippines: Rehabilitation of Renewable Energy projects for Rural Electrification and Livelihood Development (Pilot Project in Southern Tagalog Region)

CDM Facility: Objectives

- Integrate CDM valuation in financing
- Lower CDM transaction costs
- Capacity building to developers
- Facilitate credit transaction throughout project cycle

Integrating the ADB & CDM Project Cycles



Lowering Transaction Costs

**General
Project
Analyses**

**Additional
Analysis for
Potential
CDM
Projects**

Facilitate Credit Transactions



Prospective CDM Loan/TA Portfolio (2005-2006)*

Location	Project Type
China	CMM Utilization
China	Agricultural Waste Utilization
Indonesia	Geothermal and Small Hydro
Samoa	Micro Hydro
Pakistan	Rural Electrification and Renewable Energy
China	Waste Management (Landfill gas utilization)
India	Run-of-River Hydropower
Bangladesh	Waste Management (Composting)

*These proposed ADB projects, expected to deliver CERs in KP's first commitment period (2008-12) may be processed through the CDM Facility, in close coordination with respective ODs and with concurrence of DMC project developer.

CDM Concept

\$50-400/ton-CO₂e
abatement cost

\$0.5-20/ ton-CO₂e
abatement cost

Industrialized Country
(Annex B)

Developing Country
(non-Annex B)

Carbon Credits

(=GHG Emission rights)

Entity A

✓GHG Emissions

Entity B

✓Project Activity

✓Emission Reduction

Finance

Technology

(Capacity Building)

ADB

Need to Change Sequencing: Material change in investment patterns

- Critical shortage of supply of projects/credits
- Pay-on-delivery too crowded and pricey
- Time to consider equity, up-front payment, or loan backed by CER revenues
 - But only if you have credible partners with project development expertise in CDM countries
- Upfront carbon funds should be used to leverage base-financing

Looking Forward

- Continued but targeted capacity building through REACH
- Energy Strategy Review in 2006
- Energy Efficiency Initiative
- Carbon Market Special Initiative

Thank you

For more information, visit:

REACH: www.adb.org/reach

CDM Facility: www.adb.org/CDMF

or contact:

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The logo of the Asian Development Bank (ADB), consisting of the letters "ADB" in a white serif font on a dark blue square background.