

**Consultation on ADB's Draft Energy Strategy  
South Asia  
Sheraton Hotel, New Delhi, India, June 18 2007  
Summary of Participant Comments**

**I. Background**

ADB organized a consultation workshop with representatives of government, civil society organizations, academe, industry, donors, and others from five countries in South Asia (Bangladesh, Bhutan, India, Nepal, and Sri Lanka).

In the first part of the workshop, participants heard a presentation on an overview of the draft energy strategy. This was followed by a period for clarification questions (not comments) related to the draft.

Participants then critiqued the draft energy strategy in break-out groups organized by stakeholder type. Groups were instructed that it was not necessary to reach consensus or agreement, and that divergent views should be noted. Each group's chosen representative reported the highlights of the group discussion to the workshop plenary; presentations were followed by a plenary discussion.

Following is a synthesis of the participants' recommendations and a summary of the plenary discussion. Appendix 1 contains additional written comments submitted at the close of the workshop. A list of workshop attendees is attached in Appendix 2. Appendix 3 contains written comments submitted by two organizations participating in the workshop.

**II. Breakout Group Discussions**

**A. Feedback from Government Representatives' Break-out Group**

***Pillars of the Draft Energy Strategy***

- The group generally agreed with two pillars, but needed more time to assess. It found the third pillar problematic.
- Proposed fourth pillar: adequate investment. The other three pillars can be achieved only with adequate investment. (Not that ADB should make the investment, but it's an important pillar.)
- The third pillar – energy sector reform and governance – is a matter of great concern to the governments. Good governance is what is required. Transparency and public accountability stems from good governance. It is not necessarily required to have sector reforms. Countries have had experiences in a certain path and it becomes important to reassess that path. Group believes sector reforms by themselves are not the solution. This will be country-specific.

***Strengths of the Draft Energy Strategy***

- ADB's holding a consultation among all stakeholders and taking their views into account is a strength.
- It is good that climate change is considered a general theme for this strategy.

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

### Hydro Power

- The energy strategy has not addressed large hydropower enough. This area of the world has potential for large hydro projects as well as large thermal projects. The draft strategy document mentions that these projects will be considered only “on a selective basis.” ADB should consider this in a more positive way. The region is “energy-rich” and countries in this region should benefit from its resources.
- All hydro projects, irrespective of size or type, should be considered renewable energy projects.
- Construction of large hydro projects, including dams, should be encouraged – provided the environmental and social (including resettlement) issues are adequately addressed.

### Gas

- Gas is mentioned in the strategy as an option – agreed, but subject to availability and price of gas.

### Coal

- Coal based power generation, provided clean technologies are used, should also be considered in the strategy.

### Energy Access for All

- The strategy says (para 88) that countries with less than 70% energy access would be targeted first. As some countries already have more than 70% access, and there are large and small countries, this specific benchmark should be dropped.

### Nuclear Power

- One or two group members felt nuclear technologies should be considered an option, in view of climate change. There is a long lead time associated with nuclear power development. Even if it considered now, it may not be a reality in 5-6 years. Technology development could benefit smaller countries.

### Energy Data

- The data presented in the document should be more representative of the countries in Asia.

## ***Recommended Interventions by ADB***

- Technical assistance is required, specifically for:
  - exploration of large hydro and coal resources
  - interconnection within countries in the region
  - addressing cross border issues.

## **B. Feedback from Civil Society Organizations’ Break-out Group**

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

- Group noted that it was comprised of two types of CSOs – those that ADB works with and/or doing development projects, and those working on policy advocacy and or grassroots/national advocacy on energy related issues. Comments varied significantly based on these perspectives and there was no common consensus among the group.

- The definitions of all the pillars are vague and their purpose is unclear.
- Climate change reduction, environment and social impacts should be key concerns of the strategy and should be reflected in the pillars.
- Public participation and the concept of environmental democracy should have been made part of the pillars.
- Pillars could be people, poverty, pollution, power. All should be accessible, available, acceptable, and affordable.
- Minimal detrimental impact to environment (baseline assumption for all projects) should always be a consideration in every project.
- Strategy should include more of the social issues in the pillars and increase the focus on renewable energy use.
- Mention the MDGs more centrally in the pillars, as well as the concepts of democracy and participation of civil society.
- The strategy addresses climate change but does not do so directly. Climate change impact and meeting its challenges should be one of ADB's main goals.

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

- It is good that the Bank is not supporting nuclear energy.
- Climate change has been identified as a key concern.
- The focus on energy efficiency and renewable energy is as an important part of the strategy. Renewable energy for decentralized options and poverty reduction is good but should be emphasized.
- The consultation process that is underway in Asia is positive. (Not all group members agreed.)
- The focus on carbon market access for smaller countries is a step in the right direction (Not all members agreed; in fact, many disagreed).
- Considers the impact of large hydroelectric projects.

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

#### Climate Change

- Climate change is highlighted in the first part of the paper, but the strategy actually promotes the use of hydrocarbon based energy sources. There is a contradiction between the identification of the problem and the solutions proposed.
- A clear mitigation and adaptation strategy is needed before the approval of the current energy strategy.
- Deforestation and agriculture related issues should be linked to climate change.

#### Local / Decentralized Focus

- There is an important focus on the global energy market (energy trade) in the strategy. However, local needs are not being addressed. There is a need to focus more on local, decentralized, off-grid solutions, awareness building, documentation of successes, education and training at the local level; more small scale renewable projects; energy efficiency at the household level; local-level capacity building.
- NGO involvement for the development of decentralized projects should be encouraged.
- The strategy should focus more on decentralized energy systems.

- The strategy does not include much information about how a project will happen at the local level.

#### Clean / Renewable Energy

- Strategy should focus more on R&D in cleaner energy technology, renewable energy technology, and, some participants felt, in nuclear technology. Some participants expressed that there is no such thing as “clean coal” and clean coal technology is extremely costly, recommending that ADB revisit this. (See BIC recommendations in Appendix 3.)
- Strategy should promote demonstration projects for RE (to document best practices).
- The cleaner technology concept should be clarified (since it could include nuclear energy). Most group members felt that “cleaner technology” should explicitly not refer to nuclear or any technology that can cause environmental damage. One person supported nuclear as an option for “clean.”
- Micro financing for renewable energy at local level is not specifically mentioned.
- Specific targets should be added to the strategy, including benchmarks for renewable energy and energy efficiency.

#### Demand-side Management

- Reducing energy consumption should be clearly defined as an important approach.
- Energy efficiency at the household level should be emphasized; NGOs and others can support that kind of reduction in demand.

#### Hydro

- ADB should first address and fix existing, hydro power plants and remove their inefficiencies before funding new hydro power projects. This should be made mandatory. Some participants expressed that large dams are not sustainable, are not renewable, and contribute to climate change, and advocated the ADB stop funding large dams.

#### Social issues

- Gender issues are not mentioned.
- There should be greater focus on social dimensions of the strategy recommendations.

#### Implementation of Strategy

- Implementation mechanisms and modalities should be addressed in the strategy.
- Monitoring and evaluation of the strategy should be part of the strategy document.

#### Sector Reform

- Reduction of subsidies should only be considered on a case by case basis.
- Privatization of the energy sector is not for all DMCs, but the draft is still leaning towards privatization and some participants feel that ADB is actively promoting privatization.

#### Human Rights / Transparency / Governance

- On the governance of mining, and oil and gas sectors: there are many corruption and human rights issues connected with these extractive industries. ADB should adopt the Extractive Industries Transparency Initiative (EITI). A set of rules is needed to ensure local communities benefit from these projects. More transparency is also required.
- Good governance is mentioned, but the draft does not address how the public should participate in the decision-making process.

### Consultation Process

- External review of all the consultation process outcomes should be included.

### Project Life Cycles

- Public consultation at project inception should be made mandatory. Public consultation is not discussed in the draft.
- The process of coming up with a project in any area should also involve project affected person in the process of decision making. This is missing from the draft.
- Fixed criteria for projects from development to the bidding stage should be developed.

### Linkages with other sectors

- Strategy needs to look at water and energy nexus, linking ADB's water strategy with energy strategy. Consider the use of irrigation and the energy that it requires, and alternative agricultural practices that are less energy intensive
- Strategy should show the link between forestry sector and the energy sector. How is deforestation linked to climate change?

### Energy Access for All

- There will still be 1.4 billion people with no access by 2030. Their non-commercial energy needs to be addressed. Energy access is the key element to meeting MDGs.

### Transmission Losses

- Loss of energy during transmission is not addressed. ADB should consider the loss of energy in transmission and ways to reduce the loss.

### ***Recommended Interventions by ADB***

- There are further comments on recommended interventions by ADB in written submission by BIC South Asia Office (Appendix 3). Briefly:
- Focus more on decentralized forms of energy at the local level, and more on local participation.
- Low carbon projects should receive more attention.

### **C. Feedback from Donors/Academe/Institutes/Industry Break-out Group**

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

- The pillars as defined are the right ones, how are they defined? (Particularly the one on sustainability)
- What is the purpose of these pillars? How will they be used? If they are to be used as strategic tools, they need to be sharper in order to make decisions on funding. Will ADB be held accountable to these pillars? Whether these are the "right" pillars depends on how they are used. There should be 1 para clearly defining each of them. And they need to be sharper so that it is clear what is included and what is excluded
- The energy access pillar should be better defined, so it is clear that what is meant by "access" (not just one lamp for one village). The pillar should specify "quality access."
- The sector reform pillar should be more developed. The reference about private partnership is not clear.

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

The group identified the following strengths:

- Short length of the paper.
- The focus on climate change.
- The willingness to support energy efficiency.
- Reference to integrated resource planning.
- Balanced viewpoint in addressing the different needs of the DMCs.
- Existing arrangements between the countries will be supported by the ADB in the context of regional cooperation. (However, the example given re natural gas export from Bangladesh to India is not the right example.)

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

### Strategy Objective

- What's missing from the strategy is a clear objective. What is the objective of the strategy? Add a global clear objective for the strategy (e.g., focus on climate change, energy for all, governance, etc.) and define it. The strategy should state the objective and the strategies proposed to deal with them.

### Climate Change

- The strategy is trying to build on the past documents (policy, strategies) that prevent it to take a strong stance on climate change.
- Strategy Components
- The strategy does have a very strong position on what it wants to achieve ( what needs to be done?). The actual strategy is trying to please all without real and defined objectives.

### Country-level

- The country specific issues need to be spelled out.

### Hydro Power

- There were multiple views on hydro projects. Some participants felt that we need to support hydro projects, while others felt that under current conditions, supporting hydro led to too many negative effects. All agreed, however, that a clear definition of benchmarks of what is "good enough" in terms of environmental, social, and climate change mitigation measures is needed.
- For the ADB to say they will address social and environmental impacts is not enough. The global debate is about *how* to address these impacts and the ADB needs to come out with a clear stand. In particular, the global negotiated benchmark is the World Commission on Dams. The ADB should be clear on whether they are willing to subscribe to the WCD guidelines for any dam projects they support.
- The strategy says that pumped storage can be an option. These needs to be substantiated very clearly.
- Para 55 says that large reservoirs produce significant amounts of GHG. This may not always be true, depending on forest management practices, reservoir clearing.

### Governance

- The energy reform part of the strategy is not very helpful. A country by country review of what has happened so far should be developed, and where the public stands in this regard and whether it will benefit from these reforms. Issues such as unrest and non-performance in this sector should be addressed.

- There is a need to define market or privatization: who should be supported and who should not.
- The document presents some contradiction. While it acknowledges some lessons and challenges in sector reform efforts (paras 29 and 89), it then proposes to continue support for reform. Instead, ADB should sit down with DMCs and analyze what has gone wrong, and put that into a roadmap, not just continue to uncritically support reforms that the report itself states have been problematic.

#### Social Responsibilities

- Develop best practices for corporate social responsibility.

#### Energy Access for All

- There is a need to define affordability issue, i.e., access vs. prices. Even if you have the supply, is it affordable?

#### Components of Strategy

- Benchmarks have to be included.
- There is a lot of latent demand that is bringing inefficiency in the system, and it limits access.

#### Nuclear Power

- The group does not have a unanimous view on nuclear. Some countries could benefit from ADB support, but ADB should pursue this when geopolitical things are clear.

#### Exploration

- Include support to exploration of national resources.

#### ***Recommended Interventions by ADB***

- Some participants supported continued financing of hydro projects, while others felt that support for hydro should be undertaken only with a clear statement of how social and environmental effects would be addressed, with particular reference to the World Commission on Dams guidelines. The group was not agreed on this point.
- Exploration activity should be included. It's not the case everywhere that the private sector is participating in exploration (for example, Bangladesh). In some places, this needs support from ADB. (This was supported by one participant and not a general consensus).
- Diverging views on nuclear power. Some countries could benefit from ADB support in this area; ADB should pursue this when geopolitical situation is clear.
- Lead a discussion and debate on whether sector reforms have in fact achieved public benefit outcomes, and then assist country by country review to evaluate reforms and re-direct reforms in a public benefits (economic, social, environmental) direction.

### **III. Plenary Discussion**

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

**Priorities:** The strategy covers a variety of issues and activities, but there is no prioritization.

**Carbon Trading:** In light of recent information coming out about Carbon Market Initiative (resulting in profits in the private sector but no actual reductions in greenhouse gases), there are serious concerns about ADB resources going to carbon trading. Some NGOs are very much interested in the Clean Development Mechanism and carbon, but it is very complex for grassroots organizations to handle. Some NGOs expressed reservations as to whether the ADB was best placed to take on engagement in carbon trading.

**Energy for All:** Energy access is part of addressing poverty alleviation. As far as carbon trading and renewable energy, these are marginal interventions by ADB. There is a very large requirement to provide access to rural areas. The least cost options available are coal and hydro. These should be the priorities. Access to energy should not only be through renewables. ADB's portfolio should also have \$4-\$5 billion target for conventional energy, not only \$1 billion for clean energy.

Access is also a demand-side and affordability issue. ADB needs to clearly define when subsidies will be given. There is latent demand from those without any access, but there is also a big question of affordability.

**ADB's Role:** "It's not only about money." ADB can use its goodwill to influence policies in the countries.

**Renewables:** Draft should clarify how renewables are defined, and include benchmarks in order to see whether ADB's initiatives actually result in lower carbon.

Renewables in urban areas are different from renewables in rural areas. Reliability of access is a key issue in these areas. This must be properly studied before you go into stand-alone investments on RE, as you may not provide quality service and you may need to reinvest later to improve the quality.

RE should be considered priority. Existing resources are not enough to meet the target. We need to explore more energy resources. ADB should provide additional support to promote RE at the poorest levels.

## **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.

### Energy Security / Meeting Demand

- Look at energy reserves in the region and the promote the optimum use of sources to meet the demand of future generation.
- Due emphasis should be given to the need for generation of huge power within the shortest possible time, be it hydro, nuclear, or something else. Can renewable energy meet the demand? We have to provide access to electricity services to a maximum proportion of the population for their social and economic upliftment.

### Renewable Energy

- When supporting renewables, there has to be an integrated policy on grid and off-grid to minimize waste.
- Although you all have discussed a lot about the renewable energy, enough effort has not been taken to encourage it. Specially for developing countries, coal power projects, those energy is more than effective. We know that in experience. Why can't you promote by funding them?

### Facilitation of Research & Development

- Sum the source of abundant energy (renewable). We as humankind have failed to translate this energy into commercial energy in a cost effective manner. This requires huge R&D efforts in this direction. Though the prime responsibility of R&D is of various governments, ADB may play a facilitator role in solar R&D.

### Role of NGOs

- In South Asia, the pressing need is to make access available to the large percentage of have not's, for which there are huge funding needs. There has to be a subsidy element to the exercise, which through good governance could be best implemented by the governments and public sector. NGO involvement , while desirable, should be limited to acting as a check at the most. At best, NGOs should ensure/check proper implementation by the governments, instead of actively getting involved in the implementation. Sometimes NGOs could impede progress.

### Implementation Plan

- The implementation and investment plan should be addressed in general, if not specifically.
- Risk of the strategy to implement it in the future.

### Nepal

- The strategy is advocating more investment in power sector. It also advocating reducing subsidies. I think both strategies are not fit for Nepal and Nepali people. If you can, please re-think.

#### Irrigation and Farming

- In the energy efficiency section, we can reduce consumption in different ways in irrigation, such as SRI (System of Rice Intensification) in farming process. Organic farming can also reduce energy consumption.

#### Safeguards

- The draft should include the process where before the project really starts, ADB can get feedback from concerned persons, like the EIA study done by project proponents in India is just to get environmental clearance from the government. Where the affected persons, human rights, and environment issues are not added in the project, the ADB should have proper criteria and guidelines.

## **Appendix 2: Workshop Participants**

### **GOVERNMENT**

#### **BANGLADESH**

1. Mr. M.D. Emdadul Hoque, Joint Secretary, Energy and Mineral Resources Division
2. Mr. S.M. Mesbahul Islam, Joint Secretary, Power Division

#### **BHUTAN**

3. Mr. Chhewang Rinzin, Managing Director, Bhutan Power Corporation
4. Mr. Hari Prasad Sharma, Programme Officer, Planning and Coordination Division, Department of Energy, Ministry of Trade and Industry

#### **INDIA**

5. Mr. Sanjay Garg, Ministry of Power

#### **NEPAL**

6. Mr. Anup Upadhyay, Joint Secretary, Ministry of Water and Resources

#### **SRI LANKA**

7. Mr. Tissa Mahanama Herat, Additional Secretary (Technical), Ministry of Power and Energy
8. Mr. Herath Mudyanselage Donald Samarakoon, Chief Engineer, Generation Planning and Design, Ceylon Electricity Board

### **CIVIL SOCIETY ORGANIZATIONS**

9. Ms. Indrani Hettiarachchy, Deputy Director, Sarvodaya Economic Enterprises Development Services (GTE), Ltd. (SRI LANKA)
10. Ms. Nilmal Wikramasinghe, Center for Environmental Justice (SRI LANKA)
11. Mr. Qazi K. Ahmad, Chairman, Bangladesh Unnayan Parishad (BANGLADESH)
12. Ms. Shruti Shukla, Coordinator, Coordinator, Energy and Climate Policy, Climate Change and Energy Programme, World Wide Fund for Nature (INDIA)
13. Mr. Rahul Choudhary, Lawyer/Member, Lawyer's Initiative for Forest and Environment (INDIA)
14. Mr. Bipin C. Chaturvedi, Associate Coordinator, South Asia Network on Dams, Rivers & People (INDIA)
15. Ms. Shefalli Sharma, Regional Coordinator, South Asia Office, Bank Information Center (INDIA)
16. Mr. Tula N. Shah, Researcher, Water and Energy Users' Federation. (NEPAL)
17. Ms. Lalita Balakrishnan, Head of Rural Energy Department, All India Women's Conference (INDIA)

### **DONORS**

18. Mr. David Radcliffe, Senior Rural Livelihoods and Environment Adviser, DFID (INDIA)
19. Mr. Rushi Bakshi, Senior Policy Officer, Embassy of the Kingdom of Netherlands (INDIA)

20. Dr. Archana Walia, Program Manager, Energy Efficiency, USAID (INDIA)

### **INDUSTRY**

- 21. Mr. Suprotim Ganguly, Executive Officer, Confederation of Indian Industry (INDIA)
- 22. Mr. Saurabh Gupta, Executive Officer, Confederation of Indian Industry (INDIA)
- 23. Mr. Rakesh Kumar, Senior Vice President, PTC India Ltd. (INDIA)
- 24. Mr. Mohit Bhargava, NTPC (INDIA)
- 25. Ms. Charu Khemani, Senior Manager, Corporate Planning, NTPC (INDIA)

### **ACADEME/INSTITUTES**

- 26. Mr. Sarder Shafiqul Alam, Research Fellow, Bangladesh Centre for Advanced Studies (BANGLADESH)
- 27. Mr. Ganesh Ram Shrestha, Executive Director, Centre for Rural Technology (NEPAL)
- 28. Mr. Jyoti K. Mehta, General Manager, World Energy Council (INDIA)
- 29. Mr. Navroz K. Dubash, Associate Professor, Centre for Study of Law and Governance, Jawaharlal Nehru University, (INDIA)
- 30. Mr. Raymond Myles, Integrated Sustainable Energy and Ecological Development Association (INDIA)
- 31. Mr. K. Ramanathan, Distinguished Fellow, TERI (INDIA)
- 32. Mr. Garima Jain, TERI (INDIA)

**Appendix 3: Written Comments Submitted at Workshop by Bank Information Center, South Asia Office**

**Submission from the Bank Information Center, South Asia Office**

**Re: ADB Energy Strategy Consultation, Delhi, June 18, 2007**

***Please Note: These are initial draft comments for the South Asia consultations; BIC will submit detailed final comments to the ADB prior to the July 27 deadline.***

**I) Recommendations on Process of Consultations and Follow up:**

In previous policy consultations, the ADB has put a matrix on its website with all comments and submissions sent by CSOs. The matrix cites whether comments have been integrated or omitted and offers explanation as to why certain recommendations have not been taken on board. At a minimum, we would like the ADB to continue this practice with the ADB energy strategy consultation process.

However, it should be noted that some civil society organizations consider that a more legitimate form of consultation would be carried out by an independent panel of experts and/or external reviewers who would integrate comments from various stakeholders and put forward recommendations for the final draft. Such a panel should ideally be put in place with civil society input and in a transparent and democratic manner. This panel, rather than ADB staff, should propose changes to the ADB draft, to be vetted by the public, before the final draft is created by ADB staff and approved by the Board.

**II) Comments on the Draft Strategy**

**a) Climate Change and the ADB Support for Hydrocarbons (Fossil Fuels)**

The draft Strategy states that “Asia’s current approach of increasing the supply of low-cost fossil fuel-based energy is unsustainable” (p. 13). Yet, the ADB not only plans to continue to support coal (albeit “clean” coal), natural gas, and oil, but the draft Strategy suggests **an acceleration** of hydrocarbon development. The following excerpts from the draft Strategy do not instill confidence that the ADB will be helping Asia to transition to a low carbon economy:

“...the share of the oil and gas sectors in ADB’s operations remains low. Lately, however, interest in these sectors has increased ...Hence, it is expected that ADB’s interventions **will increase** (emphasis added) especially in the gas sector.” (p. 9)

“The ADB will encourage private sector investments in pipeline infrastructure (oil and natural gas), and to the extent it remains unattractive to the private sector investments in this regard would be considered acceptable provided they operate as a common carrier and encourage upstream investments in exploration and development.” (p. 72)

[*Strategy Related to Hydrocarbon Sector Reform*] “With a view to supporting DMCs, the reforms should aim to stimulate the economic development by (i) **accelerating indigenous hydrocarbon resource development**; (ii) **elimination of transportation and delivery bottlenecks** (*emphasis added*); (iii) enhancing efficiency and effectiveness of energy production and utilization...; and (iv) adoption and enforcement of stronger environmental regulations.” (p. 71).

[*Strategy for supporting coal projects*] “[The ADB] will selectively support coal-based power projects only if cleaner technologies are adopted and adequate mitigation equipment and measures are incorporated in the project design.” (p. 26) ...“**ADB will actively promote environmentally and socially sound mining practices, extraction and use of coal for power generation, coal bed methane extraction and use, coal gasification, adoption of clean coal technologies, waste coal utilization, and transportation.**” (*emphasis added*) (p. 27)

BIC does not believe that the ADB can continue to support and accelerate funding of fossil fuels and at the same time uphold the strategy’s first pillar of “meeting the energy demand in a sustainable way” towards a lower carbon future.

Apart from the obvious climate change concerns related to increased support to fossil fuels:

- **Public Funding for Fossil Fuels is Not Needed**—As the ADB has pointed out, sufficient private sector interest already exists in the development of fossil fuels. Because renewable energies have more difficulty in attracting private capital, they should be the focus of public financing. The ADB should thus be a catalyst in leading this shift towards alternative energy sources.
- **High Cost of Clean Coal (both technically and economically)**—Clean Coal technologies are not readily available in ADB’s borrowing countries and are economically very expensive. This money is better spent on alternative, climate change reducing forms of energy such as wind, solar and other forms of decentralized renewable energy.

**b) Need for Concrete Benchmarks in Reducing Carbon and for Energy Efficiency**

- Concrete proposals with quantitative and qualitative benchmarks are needed for ADB’s plans for reducing carbon through its energy portfolio. This means that the ADB must integrate finding from the IPCC report in its strategy and devise benchmarks that identify how the ADB will concretely move towards a low carbon future through its energy portfolio up to 2030.
- As part of this benchmarking exercise, the ADB must concretely define its plan for Energy Efficiency and scaling-up of renewable energy

### c) Consideration of Low Carbon Alternatives

The ADB's Operations Evaluation Department (OED) determined that "analysis of alternatives in project identification and selection has been a shortcoming in ADB's [energy] operations" (pg. 11). However, the draft Strategy does not address any commitment/requirement of the ADB to conduct/consider analysis of alternatives before going forward on any energy operation. Given the ADB's stated intention to assist Asia to a low carbon economy, it will be critical that the ADB Energy Strategy requires all proposed energy (e.g., oil-, gas-, and coal-related) projects to conduct and adequately consider the options provided by analysis of alternatives to the business-as-usual fossil fuel operations, especially analysis of opportunities for RE development.

### d) ADB's Involvement in Governance of the Energy Sector

Regarding governance issues, the ADB highlights its role in promoting good governance and suggests this as a rationale for its involvement in the energy sector. (p.73) Unfortunately, the draft Strategies' governance considerations are severely lacking in details relevant to energy operations. The Strategy merely describes basic concepts of accountability, participation, and transparency with no specific requirements/targets for energy sub-sectors such as **oil, gas, and mining**.

Particular to oil, gas and mining, the ADB Energy Strategy should include, inter alia (Note: these recommendations are taken from the World Bank Group's global multi-stakeholder consultations – Extractive Industries Review):

- Explicit core and sectoral governance requirements that must be met before a project qualifies for ADB funding (i.e. **sequencing**);
- Under no circumstances should ADB support extractive industry (e.g., oil and gas) projects in areas involved in, or at high risk of, **armed conflict**;
- only support projects that **benefit all affected local groups**, including vulnerable ethnic minorities, women and the poorest;
- **free prior and informed consent** is ensured for indigenous peoples and local communities affected by oil, gas, and mining operations and before any resettlement takes place;
- Require **baseline data on poverty and social indicators**, which should be monitored throughout the lifetime of the project;
- Require **poverty impact assessments**;
- Require upstream social and environmental analyses for all **policy advice/loans, technical assistance and analytic/advisory activities** for countries where oil, gas, or mining development is likely or intended to occur as a result of ADB supported reforms;
- Adopt clear **no go zones** and not finance any energy operation that might affect existing World Heritage properties, current official protected areas, or critical natural habitat, or areas planned in the future to be designated;
- Require **emergency response plans** as a precondition of ADB funding;
- not support projects that undermine or are inconsistent with **international human rights law**;
- create a central **Human Rights Unit** to monitor, verify and conduct annual audits; and
- adopt all of the **core labor standards** as contractual obligations for project financing.

**e) Revenue and Contract Transparency** – If the ADB continues to invest in fossil fuels, it must adopt international best practices in transparency and these must be reflected as requirements in the Energy Strategy. With regard to revenue and contract transparency in the oil, gas, and coal sectors, the ADB is substantially behind other IFIs. For example, the EBRD, IFC, and IMF have all adopted transparency requirements for oil, gas, and mining in their respective operational policies.

The ADB Energy Strategy should clearly state the following ADB requirements:

- Public disclosure of all revenue payments (including royalties, taxes, commodity based payments, signing bonuses etc) made to governments and their agents by all oil, gas, and mining projects that receive the financial support of the ADB, including those made via financial intermediaries;
- Public disclosure by governments of all revenue payments received from the oil, gas, and mining industries for countries receiving loans or technical assistance from the ADB;
- Public disclosure of key contractual agreements for all oil, gas, and mining projects funded by the ADB; and
- Disclosure of the transparency-related requirements contained in ADB loan and assistance agreements.

The ADB should also encourage endorsement by member countries of the Extractive Industries Transparency Initiative (EITI) and assist them in implementing EITI principles.

## Preliminary Comments On DRAFT ADB Energy Strategy 2007

June 18, 2007 (These were submitted to ADB at the Delhi consultation on June 18,  
and some of these issues were also raised at the consultation.)

These are preliminary comments on the DRAFT ADB Energy Strategy, we would be submitting detailed comments at a latter stage.

1. **Consultations** The way current consultations are held, it does not carry much credibility, since the ADB management that formulated the draft policy also decides what to do with the comments, suggestions. If the process is to have some credibility, it should be conducted by credible independent panel that reviews the issues raised and ADB response and also says to what extent ADB response was adequate. Of course the selection of such a panel has to be credible so that the experience of the water policy review panel is not repeated, where the panel said what ADB anyway wanted!!!

2. **General Comments on the Strategy** The Energy Strategy (ES) makes many politically correct statements, including on energy efficiency, renewable energy, low carbon projects, etc, but has little by way of specific targets. Such general statements, which were there in 1995 policy and 2000 review, do not mean much as long as there are no targets and actions.

3. **ES will increase global warming** The strategy gives a picture that it is concerned about global warming, but the energy strategy would only increase it!

4. **ADB funding for Large Hydro** The claims in para 54 (and also para 37) that large hydro is renewable, clean, reliable and flexible are all highly questionable. The claim of it being efficient is vague at best. It is certainly not renewable since the reservoir silt up, among other reasons. It is certainly not clean as reservoirs at least in tropical countries emit substantial amounts of methane, in many cases higher than those from combined cycle gas based power projects. It is not reliable in the age of global warming when glaciers are melting and when monsoon is getting more unpredictable. It has not flexibility if you are talking about run of the river projects.

5. **Violations in Uttaranchal** ADB's ongoing Uttaranchal Power project (including four small hydropower projects, which are also submitted for CDM credits) in India and the planned funding of the three Kotli BheI large hydropower projects in Uttaranchal have already seen violations in terms of non consultation of affected people, not conducting comprehensive EIA for the individual projects, flawed information in the EIA and project design documents, incomplete survey work for the EIAs, flawed public hearings, attempts not to take responsibility for the full projects, by attempting to fund only the transmission component, no comprehensive options assessment, no basin wide cumulative impact assessment, among others.

**Under the circumstances, ADB's intentions of funding large hydro (Para 77) is unacceptable.**

**6. Sustainable Energy** If ADB really believes in this than it needs specific targets about GHG emissions of its energy portfolio. The first step would be to measure the total emission of its energy portfolio and country wise energy portfolio in 2007 as soon as possible. Here is a suggested target: the emission potential of ADB energy portfolio should reduce by 20% from current level in five years and by 20 % in each 5 years cycle.

**7. Energy Efficiency** The ES accepts (Para 35), “Energy Efficiency is the most cost effective source of reducing energy gap, carbon emissions, and reliance on expensive hydrocarbon imports. Studies have shown that adoption of proper and effective energy conservation measures can reduce energy demand by 20%”. This is a huge potential which has largely remained untapped even though the ADB 1995 policy also talked about it, there is little significant progress. In countries like India the potential from EE is larger, with 20% potential only in the Demand Side management. In addition there is a very huge scope in improving supply side generation, in reducing T&D losses, in peak demand management, in better maintenance of existing infrastructure and so on. The least one can expect from ADB is to have a clearly defined targets, say 33% of ADB’s power sector funding will be for EE projects.

**8. Renewable Energy** Renewables (Solar, Wind, biomass and hydro less than 10 MW provided they follow WCD guidelines) have huge potential (para 73 says it can be 5-10 times current share and increase to 10-20% of total electricity supply, but that is a conservative estimates. Even a die hard main streamer like President Bush says that US can generate 20% of its power supply from wind energy alone. Putting devils aside, the fact is the potential is much larger than what ADB has projected.), but ADB has done little for it in its energy portfolio. ADB needs clearly defined targets, including say 33% of ADB’s power sector funding will be for RE projects.

**9. Reducing Consumption** There is no word in the Energy Scenario that one of the option is to find ways to reduce our current energy consumption. Here are a couple of quick suggestions how this is possible.

- **System of Rice Intensification** If this new method of rice cultivation is used extensively, it can reduce the water demand for rice cultivation by upto 50%, seed requirement by upto 90%, eliminate the chemicals required and yet increase the yields by upto 50% or even more. If similar methods are tried for other crops, the total energy consumption in agriculture can come down significantly.

- **Organic Farming** Similarly, organic farming can reduce the energy demand in agriculture and related areas significantly.

**10. Energy for All** Amazingly, this is one of the shortest sections of the ES and the content is even shorter in substance. This clearly shows ADB’s lack of seriousness on this issue and ADB only wants to use the lack of access to what it calls modern forms of energy to push for more generation capacities, without meaning to ensure that the unreached are reached. The fact is that you do not necessarily need to add to generation capacities if you want to reach the unreached. There are so many examples where communities staying near the huge generation capacities do not have access to the electricity generated. Moreover, ADB’s blind advocacy for privatisation of power sector actually is in contradiction with the Energy for all goal as private sector has no interest in rural electrification or ensuring that everyone gets power. This is also evident from the experience of power sector reforms in Orissa in Eastern India. If there is any seriousness in reaching the unreached, than the least ADB can do it to have time bound

targets in the strategy and specific allocations for this. Say at least 20% of the power sector portfolio should be for ensuring that those who do not have access to electricity get it, in say next ten years.

**11. Governance reforms = Privatisation?** It is clear that ADB equates governance reform in power sector with privatisation (see Para 65 and 89), but this is clearly a fundamentally flawed proposition. There are many ways in which power sector needs reforms to achieve greater transparency, accountability, participation, equity, sustainability and efficiency. Privatisation is not necessary to achieve any of these and in a basically monopoly sector like the power sector, there is little benefit in privatisation. Experience shows that privatisation helps little in achieving these objectives. But ADB's ES is very short on honest exercise of learning from the past experiences, and this needs to be built into the ES. In any case, there is no need for privatisation of power sector and equation of reforms with privatisation is unacceptable.

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