

# Statement of the Asian Development Bank

**Tenth Conference of the Parties to the  
UN Framework Convention on Climate Change  
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**Abstract to be Presented at High-Level Segment by  
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As a major multilateral development finance institution with 63 member countries, the Asian Development Bank (ADB) strives to reduce poverty across the Asia and Pacific region. To identify the best poverty intervention opportunities, ADB bases its strategies on an understanding of the critical relationship between economic growth, social development, and environmental protection.

We note with admiration and pride the great economic strides the Asia and Pacific region has made in recent decades. Only 25 years after opening its borders to foreign trade and investment, the People's Republic of China has become the world's third largest trading nation and the top destination in the world for foreign direct investment. On a broader scale, Asia's total share of world gross domestic product<sup>1</sup> in 1960 was about 13%. By 2000, it had almost doubled to 25%. Recovery from the financial crisis of 1997 was swift and strong, and it is expected that developing Asia will continue this trend, growing by 7% in 2004.<sup>2</sup>

Asia's economic transformation and growth has made a substantial impact on poverty in the region. In 1990, almost one-third of Asia's population survived on less than one dollar a day. Today, this proportion has dropped to just over one-fifth. In absolute terms, the number of Asian people living on less than a dollar a day fell from 900 million in 1990 to about 690 million in 2004.<sup>3</sup>

Economic growth has been, and will continue to be, essential to the region's progress. However, along with rapid growth has come the emergence of serious challenges to the environment. The "grow now, clean up later" approaches of the past have left a legacy of water contamination, soil degradation, and air pollution—a legacy which, if not halted or even reversed, will dampen further economic growth and stifle the international community's efforts to achieve poverty reduction under the *Millennium Development Goals*.

The importance of putting Asia and the Pacific on a sustainable course cannot be overstated. In the coming decades, Asia will experience an unprecedented growth in energy demand. For example in 2001, Asia's per capita electricity demand averaged one-tenth to two-tenths of a kilowatt (kW), compared to approximately 2 kW in developed countries. Overall, energy demand for the Asia and Pacific region is expected to more than double from just under 2,700 million tons of oil equivalent in 1997 to nearly 5,600 million tons in 2020.<sup>4</sup> These demands must be met to ensure continued growth and poverty reduction. However, the potential environmental impact of a growing energy supply cannot be ignored. Local and regional consequences from sustained global warming will severely impact the poor, who have limited means to adapt.

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<sup>1</sup> World Bank. 2004. *World Development Indicators 2004*. Washington, DC; figures include Japan.

<sup>2</sup> ADB. September 2004. *Asian Development Outlook Update*. Manila.

<sup>3</sup> ADB. 2004. *Key Indicators 2004*. Manila.

<sup>4</sup> Based on data aggregated for the Asia and Pacific region from International Energy Association regional energy trends under the reference scenario. International Energy Agency, *World Energy Outlook 2000*. Asia-Pacific region here includes OECD Pacific, China, East Asia, South Asia, and India in the IEA regional classification.

To minimize the impact of development on climate change and the environment, developing countries and aid organizations must ensure that these issues are well integrated in their strategies and programs. ADB, on its part, has been working to generate awareness among its developing member countries (DMCs) of both the Convention and the Protocol, familiarize DMCs with the options available, and help develop their capacity to address the issue of climate change. We have also assisted in the preparation of national greenhouse gas (GHG) inventories and least-cost abatement planning strategies, and in the identification of energy efficiency and renewable energy options.

To assist in project development for sustainable energy and GHG reduction, ADB also operates the Renewable Energy, Energy Efficiency, and Climate Change Program (REACH), which works at three levels: identifying policy barriers, financing and risk mitigation, and capacity development. The program brings together several trust fund initiatives provided by the governments of Canada, Denmark, and the Netherlands. It provides assistance to DMCs for both mitigation and adaptation projects that promote investment in renewable energy and energy-efficiency and help communities adapt to the impacts of climate change.

In the carbon market, ADB is one of the few institutions today that provides base financing to enable projects that would reduce GHG emissions from business-as-usual trends. Further, we established the Clean Development Mechanism (CDM) facility in 2003 to assist DMCs and its project developers overcome CDM-specific transaction costs and make emissions reduction credits available to the market. Through the CDM facility, we provide capacity building and shoulder the up-front cost of CDM due-diligence and regulatory requirements until a Certified Emission Reduction (CER) transaction is successful.

The CDM facility has already generated significant interest from DMCs, as well as many potential public and private sector buyers in Annex I member countries. Asia has become the hotspot for potential CDM projects in the past 2 years, and potential for GHG mitigation projects among our DMCs looks very promising. We need to continue building upon the momentum to help bridge the gap between demand and supply in the carbon market.

With discussions underway on the follow-up to the Kyoto protocol, we see an opportunity for the air quality movement in Asia to benefit from the growing attention to climate change. In many cases, GHGs and local air pollutants have common drivers, such as motorization and increased energy use. By adopting a co-benefits approach towards reducing GHG emissions and local urban air pollution, a greater acceptance can be obtained for air quality management policies and measures. Mainstreaming cleaner energy and environmentally sound choices will enable vital energy projects in developing countries to move forward, while mitigating environmental damage from GHG emissions. ADB's expertise and experience in the region; our critical partnerships with DMCs, civil society, and other multilateral institutions; and our direct access to Global Environmental Facility project funding provide substantial opportunities for progress.

The greatest challenge going forward is the challenge of funding to meet the region's energy needs in an environmentally sensitive and sustainable manner. The International Energy Agency reports that \$16 trillion dollars in infrastructure investment will be required to meet the global energy demand by 2030<sup>5</sup>—Asia will account for a significant portion of that need. Given the lifetime of energy infrastructure that are expected to be built, the pattern of investments made now will determine the long-term trend of GHG emissions from the region.

If Asia achieves the right balance between economic growth and meeting its environmental challenges, the entire world will benefit from its success. ADB will strive to channel more funds and capacity development assistance to its member countries, to enable them to realize opportunities afforded by the United Nations Framework Convention on Climate Change (UNFCCC) and the Kyoto Protocol, and help the international community slow down the pace of climate change, giving essential time for humans and species to adapt. We will observe with keen interest the outcome of this Tenth Conference of the Parties, so that we can continue to cooperate with both Annex I and non-Annex I countries in achieving our mutually agreed goals.

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<sup>5</sup> International Energy Agency. 2004. *Energy and Sustainable Development*, 9 October 2004. Final Draft Report.