

TECHNICAL ASSISTANCE COMPLETION REPORT

Division: Sustainable Infrastructure Division

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| TA No., Country and Name | | Amount Approved: \$1,000,000 | |
| TA 6322-REG : Energy Sector Strategy and Development | | Revised Amount: not applicable | |
| Executing Agency: Asian Development Bank | Source of Funding: TASF-Others | Amount Undisbursed: \$20,090 | Amount Utilized: \$979,910 |
| TA Approval Date: 16 June 2006 | TA Signing Date: 16 June 2006 | Fielding of First Consultants: | TA Completion Date Original: 31 December 2007 Actual: 31 December 2010 Account Closing Date Original: 31 Dec 2010 Actual: 11 December 2014 |
| Description The then pattern of energy sector growth across the developing member countries (DMCs) of the Asian Development Bank (ADB) was becoming unsustainable from both security and environmental perspectives. DMCs face energy security threats because of their heavy and increasing dependence on oil and natural gas imports – consequently raising greenhouse gas emissions coming from Asia and the Pacific. Efforts in power sector restructuring have been slow due to overambitious expectations and the hesitance to political and economic changes. Given this background, this regional technical assistance (RETA) aimed to align ADB's energy sector operations to provide meaningful support to the DMCs. | | | |
| Expected Impact, Outcome and Outputs The expected impact of this RETA is to substantially increase the use of clean energy and provide energy security in the Asia and the Pacific. The intended outcome is to develop and recommend strategies that ADB needs to adopt in its lending operations to further enhance the effectiveness of its energy sector assistance to DMCs along the priority areas highlighted in the review made in 2000 (2000 review) of the 1995 Energy Policy of ADB. | | | |
| The RETA's expected outputs are: <ul style="list-style-type: none"> (i) approval of a new ADB energy sector strategy; (ii) energy sector forecasts and outlook for Asia and the Pacific region disseminated; (iii) Energy Efficiency Initiative phase II implemented, and; (iv) ADB, DMCs, energy experts, and NGOs exchange views and interest on energy sector development. | | | |
| Subsequent to the visit made in March 2007 by then ADB President Haruhiko Kuroda to the London-based Royal Institute of International Affairs (also known as Chatham House) ¹ , a major change in scope was approved on 28 August 2008 by the Vice President, Knowledge Management and Sustainable Development to (i) directly engage the services of Chatham house to conduct the study on how natural resource earnings can be used to sustain economic development, and (ii) extend RETA completion date to 31 December 2008. Harnessing natural resource wealth to support national development is a critical issue for several DMCs as their economies are highly dependent on the export of oil and gas. | | | |
| Delivery of Inputs and Conduct of Activities The following activities were undertaken under the RETA: <ul style="list-style-type: none"> (i) Review of ADB's energy operations and 1995 Energy Policy and preparation of a draft energy strategy paper²; (ii) Engagement of the Asia Pacific Energy Research Centre (APERC), a regional research center overseen by the Asia-Pacific Economic Cooperation (APEC) Expert Group on Energy Data and Analysis, using single source selection method to prepare the following reports: (a) Energy Statistics in Asia and the Pacific (1990–2006), and (b) Energy Outlook for Asia and the Pacific; (iii) Funding of the following as part of ADB's Energy Efficiency Initiative (EEI):³ (a) the preparation of energy efficiency actions plans for selected DMCs; (b) the conduct of the 2006 Clean Energy Week⁴ on 20–22 June 2006, and; (c) | | | |

¹ Chatham House is one of the world's leading institutions for the analysis of international issues.

² Energy experts in ADB operations departments and external stakeholders were consulted in the review and the preparation of the draft energy strategy paper. External consultations were implemented in accordance with ADB's *Guidelines for External Consultations and Policy on Disclosure*. Stakeholder consultations on the review of the 1995 Energy Policy commenced in the 2006 Clean Energy Week, while consultations on the draft energy strategy were held from May to July 2007.

- preparations for the establishment of the Clean Energy Financing Partnership Facility (CEFPF);
- (iv) Engagement of Chatham House to do the study *Ending Dependence: Hard Choices for Oil-Exporting States*.

A no-cost extension was requested to extend the RETA completion date to 31 December 2009 to allow for securing the formal approval of the APEC member economies for the involvement of APERC in the preparation of the two reports mentioned in (ii), and to confirm detailed implementation arrangements with APERC and the Institute of Energy Economics, Japan⁵. A second extension was requested to extend the completion date to 31 December 2010.

All consultants were engaged in accordance with ADB's *Guidelines on the Use of Consultants*. Total consultant input was about 40 person months.

Evaluation of Outputs and Achievement of Outcome

The outputs of the RETA were in accordance with those defined in the Technical Assistance Report and the major change in scope. All outputs contribute to enhancing ADB's effectiveness in assisting the DMCs' energy sector.

- The review of the 1995 Energy Policy and the draft energy strategy paper yielded a wide range of views from stakeholders. The draft energy strategy paper would later become the 2009 Energy Policy which, along with Strategy 2020, currently guides ADB energy sector operations.
- The preparation of the energy efficiency action plans of selected DMCs was initiated under this RETA and continued under RETA 6392: *Supporting the Implementation of the Energy Efficiency Initiatives in DMCs*.
- The Clean Energy Week brought together major players in the Asia and the Pacific energy agenda who exchanged views on how to meet the energy needs of the region.
- Since its establishment, the CEFPF has helped finance more than one hundred projects pushing clean energy investments in the DMCs.
- The RETA's knowledge products provide ADB regional departments and stakeholders with information useful in the planning and design of interventions, policies, and programs for the DMCs' energy sector. With highly-esteemed institutions such as Chatham House and APERC involved in its preparation, the reports were well-received.

Overall Assessment and Rating

Overall, implementation of the RETA is highly successful as the key outcome has been achieved. The RETA is instrumental to defining ADB's support to the energy sector of the DMCs, in accordance with the ADB's overall strategy. Further, the RETA was able to solicit a wide range of views from experts and stakeholders on energy sector issues facing the region and potential solutions.

Major Lessons

The RETA's knowledge products highlight the magnitude and gravity of meeting the energy needs of Asia and the Pacific. The region's energy demand is to grow at 2.4% per year from 2005–2030, faster than the global rate of 1.5% per year.⁶ In the long-term, the DMCs must address issues related to both energy security and climate change as they sustain economic growth. The DMCs must also deal with fossil fuel resource depletion, increasing global competition for fuels, the need to build new energy infrastructure, and finding the financial resources to meet future energy needs.

In this light, the review and updating of the ADB's energy sector strategy is timely and appropriate. The external review of the draft energy sector strategy is valuable in making it based on best international practices and in engaging parties which are interested in and knowledgeable on what actually is happening in the DMCs' energy sector.

The CEFPF provides a good model in engaging financing partners in increasing the use of clean energy technologies.

The respectable attendance in the 2006 Clean Energy Week, and amount of external feedback on the review 1995 Energy Policy and the draft energy strategy paper show the eagerness of various stakeholders to participate in dialogues and be part of the solution to economically and sustainably meet Asia and the Pacific's energy needs.

³ The EEI is an initiative launched by ADB in July 2005 to expand the Bank's operations in clean energy to \$1 billion per year.

⁴ The Clean Energy Week would later become the annual Asia Clean Energy Forum in succeeding years.

⁵ APERC is organizationally affiliated with the Institute of Energy Economics, Japan, but is operationally independent of the Institute.

⁶ ADB. 2009. Energy Outlook for Asia and the Pacific. Manila.

Recommendations and Follow-Up Actions

1. Given its value in informing policy considerations and sector interventions, it is recommended to make energy data compilation and conduct of the energy outlook and similar studies periodic ADB activities.
2. Capacity development on energy data collection and the conduct of the energy outlook studies of relevant DMC agencies is recommended. Involving stakeholders from the DMCs could contribute valuable “on-the-ground” knowledge and sustain interest and commitment to sustainable solutions in meeting future energy needs.
3. The scope of future energy outlook studies should be expanded to include the impact of implementing renewable energy policy and energy efficiency, and issues that could affect energy supply and demand (e.g., fuel subsidies).
4. Making the Clean Energy Week a regular event is recommended.

Prepared by: Aiming Zhou

Designation: Senior Energy Specialist

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