

CSO Critique on ADB's Draft Energy Policy

While ADB is taking steps in leaving its dirty energy legacy behind, its Draft Energy Policy seems to lack the steadfast commitment to forward a low-carbon and climate resilient future for the region. As the region's most vulnerable sectors face the brunt of the climate crisis, there is a need to ensure that ADB's Energy Policy will not further contribute to the worsening climate emergency. In this regard, the Reality of Aid - Asia Pacific (RoA-AP) initiates a sign-on campaign that forwards a CSO critique on ADB's Draft Energy Policy.

To join the sign-on campaign, please fill in this [form](#) on or before August 27, 2021, Friday. RoA-AP will forward the CSO critique to relevant ADB units on August 30, 2021, Monday.

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I. Context

The Asian Development Bank (ADB) is currently reviewing its 2009 Energy Policy in order to align the policy to its Strategy 2030, a framework also criticized by civil society, and to address the changing needs of developing member countries to respond to the climate crisis. In its latest draft [Energy Policy](#), the ADB has pulled the plug on coal financing, after years of active campaigning by civil society organizations to hold it to account for its record of financing dirty energy in the region. But while the Policy's commitment to promoting clean energy is a positive development, it falls below the level of ambition needed to ensure its development financing supports a low-carbon and climate resilient future.

II. Statement of Principles

We, as members of the civil society, believe that these principles must be reflected in the ADB Energy Policy:

1. **Alignment with Paris Agreement.** In 2016, the ADB, together with eight other multilateral development banks (MDBs), pledged to align their financial flows with the goals of the Paris Climate Agreement. As the Paris Agreement is an international treaty requiring economic and social transformation to combat the climate emergency, the ADB Energy Policy should ensure it is:
 - aligned with the 1.5 degrees Celsius goal, or even more ambitious climate goals;
 - compatible with reaching a global CO₂ emissions decline of at least 45% from 2010 levels by 2030, and **real** zero CO₂ emissions before mid-century; and,
 - not reliant on false or unproven solutions such as carbon pricing, carbon capture storage and energy efficient fossil fuel technologies.

Such a scenario is possible and achievable if the bank ends all direct or indirect support to **all** kinds of fossil fuels. The ADB Energy Policy should spell out the bank's withdrawal from coal mining and power projects and other coal infrastructures. It should also divest from so-called natural gas and oil, which have increasingly contributed to global carbon dioxide emissions over the last decade.

- a. *Decarbonization.*** The ADB must remain steadfast in their commitment to transition to clean energy. Decarbonization, or the process of reducing carbon emissions, has long been advocated and called for by civil society from the bank. In this regard, the ADB has declared to stop direct financing of coal projects. However, the bank must also further commit to discontinue disbursing funds to financial intermediaries who continue to pursue coal projects, such as commercial and specialized banks, as well as leasing and insurance companies. In addition, power transmission and distribution (T&D) infrastructures have been ultimately linked to fossil fuel power plants. The ADB must also stop natural gas financing, as these emit methane, proven to be 80 times more destructive than carbon dioxide.
- 2. Priority to DMCs meeting their Paris Agreement commitments.** Alignment with the Paris Agreement means providing developing member countries (DMCs) the financial and technical assistance to develop and advance renewable energy, including community-owned and led initiatives. These community-owned and led micro-grids should be more accessible as the cost of renewables decreases significantly and becomes competitive with fossil fuel technologies.

 - a. *Policy Reforms.*** In engaging with national and local governments, policy reforms must be aligned with the country's policies, systems, and processes on climate, which undergo open and democratic deliberation. Reforms should serve to strengthen governance systems, to allow for efficiency and transparency of operations. In this regard, the ADB must stop imposing conditionalities and policy-based lending for its member countries, which have only paved the way for state deregulation and increasing roles for the private sector at the expense of people-centered development, including in public-private partnerships.
- 3. Universal energy access.** Increasing access to energy is one of the most decisive factors in improving well-being and standards of living. The right to sufficient energy is a human right and must be upheld by governments, as well as by the global community, including the ADB. The policy should emphasize the right to sufficient energy, and should be ramped up in ambition to mean ensuring energy access for all, at a scale that allows for both basic and aspirational needs.

- a. *Energy security for all.*** Energy security, or the stable and affordable access to energy sources for consumption, should be ensured. For an inclusive access to energy, initiatives to provide electricity to remote and far-flung areas described as last-mile electrification programs, should cater to the most vulnerable and marginalized populations such as workers, farmers, fisherfolk, and Indigenous Peoples. Special attention must be given to rural communities, as the most affected from being designated as ADB project sites. Rural areas should be sites of electrification, and not as sites of exploitation of natural resources. Likewise, in promoting regional cooperation and partnerships, least developed countries must not be left further behind and abused for their resources. Promoting energy security for a country or city must not threaten the energy security of others.
- 4. People-oriented approach to the promotion of clean energy.** Development and establishment of renewable energy systems must be consistent with the goals of promoting, protecting, and realizing human rights, and ensuring a climate-safe and equitable future for all. Energy access is inextricably linked to control over energy choices for people, especially the most vulnerable and marginalized. The energy sector should be based on public ownership, exercising democratic ownership of energy resources and systems. Sustainable energy is assured when it is linked with peoples' capacity to design, manage, operate, and maintain such energy facilities.

 - a. *Addressing the needs of affected sectors.*** Civil society seeks a detailed action plan from the ADB on how they plan to mitigate health and environmental impacts they have caused through ADB-funded coal plants and projects. As the world transitions to more sustainable energy systems, the bank must also follow through in its commitments to address the needs of the affected sectors and communities from the decommissioning of power plants and in mitigating health and environmental impacts of coal plants. It is important to build capacities and increase opportunities to mitigate socioeconomic impacts.
 - b. *Democratizing ownership over resources.*** In securing energy access for all, the energy sector must be publicly owned, with the people exercising control over energy sources and systems. Democratizing ownership over these will guarantee access of the people, especially the vulnerable and marginalized, to energy. Patents on renewable energy technologies that only profit the private sector must be abandoned, while technology transfer to developing member countries must be advanced. Promoting affordable and accessible technologies such as community micro-grids in developing member countries can enhance communities' access to energy. If properly managed and implemented, these technologies can encourage democratic ownership of the communities over their energy source and infrastructures.

5. **Priority to local players in the energy sector, especially to micro, small, and medium-sized enterprises.** Since its inception, the draft ADB Energy Policy focused on enhancing private sector operations and promoting a sound investment climate, especially for multinational and transnational corporations. This bias requires a fundamental rethinking given the link between the current climate crisis and an unregulated private sector. Corporations continue to heavily contribute to the emissions of developing member countries, while also exploiting their natural resources and local labor. Instead of promoting private sector-led development, a focus on the most vulnerable countries and communities is critical and urgent for developing member countries' climate adaptation.

In this regard, the bank should prioritize support for developing member countries' micro, small, and medium-sized enterprises (MSMEs) in the energy sector, which are vital for developing member countries in reaching their adaptation goals. The ADB must assist the local MSMEs to embark on clean energy projects, with the transfer of technology and knowledge. The promotion of the use of local goods and services can foster self-sustaining economies, which helps communities become more resilient to climate change.

- a. ***Private sector regulation.*** The regulation of the private sector is crucial in providing access to clean energy resources and services for all. Regulatory mechanisms shall adhere to the member country's action plans, as well as to human rights and the development effectiveness principles. While developing member countries' governments should strictly enforce international and national regulatory mechanisms, the private sector, including the ADB, must genuinely comply with these processes. Private sector regulation should also extend to startups and emerging technologies from the ADB's open innovation platform.
6. **"Do no harm" principle.** Following this principle, potential risks and adverse impacts resulting from projects must be prevented, reduced and controlled. Projects financed by the bank that neither contribute towards mitigating environmental and climate challenges nor aid in facilitating the needed shift towards low-carbon and sustainable development paths, must not be pursued.
- a. ***Techno-fixes.*** The Energy Policy promotes the role of techno-fixes for carbon capture, utilization and storage technologies in the process of decarbonization. Techno-fixes are profit-oriented technologies proposed as solutions to climate change. Such techno-fixes have long been criticized for not solving the root cause of the climate crisis, as these do not effectively lessen emissions. Besides the need for more evidence regarding techno-fixes' long-term usage and benefits, their malfunction and destruction can also pose additional risks and danger to the environment. As such, these should not be imposed as a step towards decarbonization.

- b. *Avoiding adverse impacts.*** Energy security must be promoted without threatening the development of other sectors. Implementation of cross-border and sub-regional electricity interconnection infrastructure must not impede on the people's development, peace, and security. Other sources of energy that prove to be costly for the local population should not be pursued. The use of bioenergy as an alternative source, as well as the conversion of unused agricultural land for energy infrastructures, can cause disruptions in food security systems. The ADB must put an end to the construction of large hydro power plants, which have served to impede on Indigenous Peoples' lands and rights, causing conflict, instability, and exploitation. Protection of human rights, in both the physical and digital landscape, are to be assured by the bank.
 - c. *ADB's Safeguard Policy.*** The bank's strict compliance to and observance of its own safeguard policies in the implementation of projects will serve to avoid and mitigate negative impacts on the people and the environment. The bank has continuously implemented diluted and lenient safeguard policies to cater to the private sector, at the expense of people's rights and the environment. Redress to the victims of violated and flawed safeguard policies from past and current projects must be sufficiently distributed. The Safeguard Policy Review should be pursued in order to address current and imminent development and environmental issues faced by the region. In the review process, a principal role should be given to the local, marginalized and vulnerable communities, who bear the brunt of the adverse impacts of the bank's projects.
- 7. Effective development cooperation principles of democratic country ownership, focus on results, inclusive partnerships, transparency and mutual accountability.** Development priorities determined by countries should reflect the needs of the people, and not the private sector nor the country elite. The bank's energy projects should contribute towards eradicating poverty, reducing inequalities, and upholding sustainable development. The ADB's processes must be inclusive and participatory, ensuring that the democratic rights of communities, peoples' organizations and civil society organizations are upheld in the design, implementation, and monitoring of projects. Transparency in its investments and accountability in its project implementation are also demanded from the bank.
- a. *Democratic country ownership.*** Abandoning conditionalities and policy-based lending will allow for the upholding of self-determination and sovereign rights of developing member countries. Under the leadership of developing member countries, energy projects must be undertaken to reflect the development priorities of the people. Catering to the member country's specific needs and priorities are essential in promoting country ownership.

- b. *Focus on results.*** The bank's projects must contribute to genuine inclusive and sustainable development in its member countries. The Energy Policy must not further perpetuate underlying inequalities, impede on people's development and contribute to environmental degradation. Developing member countries should also be given sufficient knowledge and technologies that can serve to enhance their capacities in achieving their development priorities. Upholding a rights-based and people-centered approach, the ADB must tackle the climate crisis with a focus on the marginalized sectors, as they are the most vulnerable to its impacts.
- c. *Inclusive partnerships.*** Sector-wide long-term planning should be inclusive and participatory, especially to the vulnerable and marginalized populations. Communities should have a principal role in the identification, definition, implementation and evaluation of energy projects. Consultation and planning of projects must include the voices of vulnerable communities, such as Indigenous Peoples, farmers, fisherfolk, workers, rural women and children, and urban poor, who continue to be the most impacted by the ADB's energy projects and the climate crisis. Furthermore, environmental and social assessments must guarantee genuine free, prior and informed consent from communities. By strengthening these institutions, a people-centered and rights-based approach to development must be pursued, ensuring equal and affordable access to basic social services.
- d. *Role of civil society.*** In ensuring sustainable and resilient energy systems, ADB must recognize civil society as development actors that will aid the transition of developing member countries and communities to clean energy. Civil society organizations, peoples' organizations and communities have the duty and right to criticize and welcome policies, as development actors in their own right and in their own contexts. Clearly defining the role of civil society secures the obligations of developing member countries to respect the voices and spaces of civil society.
- e. *Transparency and accountability.*** To facilitate the transition to clean energy, a range of development actors such as civil society organizations, peoples' organizations, media and local authorities, must be consulted by the ADB. In contracting assistance for its Energy Policy, the ADB assigns a dominant role to the private sector, by implementing a wide range of financial instruments and policy-based lending.

With the engagement of the private sector in the Energy Policy, ADB must be transparent and provide full disclosure on where their investments end up. As earlier argued, the bank must stop disbursing funds to financial intermediaries, which continue to finance coal projects and plants. Furthermore, comprehensive information regarding projects' prospective

development impacts must be made available. This information should highlight the impact on marginalized sectors of society, by providing disaggregated data and statistics.

ADB should be accountable not only for its role in financing dirty energy in the region, but also in perpetuating human rights violations and environmental degradation. In implementing the Energy Policy, accountability is essential in securing energy access for all and in promoting a people-centered and rights-based approach. Accountability mechanisms to hold the bank and developing member country governments liable for energy projects and impacts must be set up. Through these, the bank makes itself accountable to the people, who should be benefiting from these projects.

III. Recommendations

Based on the arguments presented above, various members of the civil society formulated recommendations for the ADB to raise its ambition in tackling the climate crisis. As it updates its Energy Policy, we strongly urge the ADB to take immediate and concrete steps to adopt the following policy recommendations:

1. **End all direct and indirect financing for fossil fuels.** The new ADB Energy Policy must definitively stop support for all fossil fuels projects -- gas, oil, and coal -- across the supply chain. Indirect support through related infrastructure, advisory services, technical assistance, or financial intermediaries should also be halted by the bank.
2. **Decarbonize ADB's operations and project portfolios.** ADB's Country Partnership Strategies (CPS), the bank's primary platform for designing operations towards delivering development results at the country level, should be reviewed and updated to align with the Paris Agreement. Screening of projects in ensuring their alignment with both the CPS and national decarbonization plans that go through open and democratic deliberation, must be executed. The new ADB Energy Policy should account for greenhouse gas emissions on a project-level by screening other carbon-intensive projects. All power projects, including renewable energy projects, must comply with strict emission performance, the "do no harm" principle, development effectiveness principles and human rights standards.
3. **Promote universal energy access.** The ADB Energy Policy must address the issue of energy access as a common good to be provided as a public service. Prioritizing access to free energy for the energy-deprived, as well as modernization and upscaling of traditionally free and indigenous energy sources, is fundamental. Accessibility and affordability are the main considerations in delivering sustainable energy access. Thus, public, not private sector, financing will be critical in eradicating energy poverty and inequality in the region.

4. *Scale up funding to sustainable renewable energy projects, and take a people-centered approach that ensures a climate safe and equitable future.*

To help developing member countries in achieving the Sustainable Development Goal of universal energy access (SDG 7), the ADB should realign investment in energy away from fossil fuels and carbon-intensive projects to micro-grid approaches, and publicly owned renewable and climate resilient energy systems.

5. *Demonstrate commitment to development effectiveness principles.* The ADB must uphold a people-centered and rights-based approach to development, which guarantees open participation, accountability and transparency. The Energy Policy needs to establish accountability and monitoring mechanisms to ensure that the bank invests in micro-grid and off-grid generating capacity, and not in extending traditional power structures and grid areas. The bank should establish a formal, systematic process for CSO input into the creation and implementation of these mechanisms. The Energy Policy must include those who lack energy access, particularly women, in the decision-making about their technical options, implementation, and impact monitoring. Real sustainability of development gains will only ensue if communities themselves recognize, understand, and drive the processes.