

# **ENERGY STRATEGY 2007**

11 October 2007  
RSDD and Energy CoP

  
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## **Outline**

- Background and Objective
- The Proposed Energy Strategy
- External Consultations
- Issues
- Proposed Changes

  
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## Existing Policy

- First Energy Policy (1981) : development of energy infrastructure and indigenous sources
- Second Energy Policy (1995): energy infrastructure investment and efficient sector operations
- Energy Policy 2000 Review: poverty reduction, private sector involvement, environment impacts (Kyoto Protocol), and regional cooperation

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## Preparation Methodology

- Reflect emerging issues – increasing energy demand, climate change, energy security
- Inputs from internal and external experts
- OED Evaluation of Energy Policy 2000 Review
- External stakeholders' consultation
- IBS, MRM

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## Changing context (I)

- Energy Demand Outlook (IEA, 2006)

	2004	2030	(% p.a.)
- World	11.2 Btoe	17.1	(1.6)
- Asia Pacific	2.9	5.8	(2.6)
- Fossil fuel demand to remain dominant until 2030 (83%)
- 70% increase from developing countries
- Incremental demand: power generation 47%,  
transport 20%
- Investment requirements: \$20 trillion (56% for power sector), \$6 trillion for developing Asia

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## Changing context (II)

- Energy Security
  - Increasing demand for energy
  - Volatility in energy prices
- Climate Change
  - significance of global warming and climate change
  - Need to promote low carbon emission options and technologies
- Energy Access
  - MDG targets cannot be met without modern energy services for all
  - 2.5 B people rely on traditional biomass
  - Mobilizing financing is challenging

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## OED Evaluation

- Principles and objectives of the Energy Policy Review generally remain valid and relevant, but shift in focus needed to better reflect current needs
- Manage the energy/environment nexus
  - Single highest priority on improving EE, Nega-watt
  - Improve enabling framework for EE, RE
- Improve sector Governance
  - Promoting private sector participation
  - Supporting effective independent regulation
- Become a more client focused organization
- Develop an implementation plan, including a results framework

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## THE PROPOSED STRATEGY

Realign ADB's energy operation - greater focus on addressing energy security while promoting low carbon economy in line with MTS II

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## **THREE PILLARS**

**- Consultation Draft -**

- **Meeting the energy demand in a sustainable way**
- **Providing modern energy access to all**
- **Addressing sector reform and governance**

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## **Meeting Energy Demand in a Sustainable Way (I)**

- **Energy Efficiency**
  - Address demand side efficiency
  - Develop supply side efficiency
- **Renewable Energy**
  - Pursue new and renewable energy projects in DMCs
  - Promote enabling policy framework for renewable energy source development by public and private sector
  - Disseminate demonstrated and bankable RE technologies

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## Meeting Energy Demand in a Sustainable Way (II)

- **Power Subsector**
  - o Address supply and demand side efficiency and capacity addition
  - o Develop clean and more efficient power plants: renovation, modernization
  - o Support large hydro selectively and cleaner coal power plants
  - o Support gas-based power plants as a preferred option in the long term
  - o Encourage RE sources for power generation
  - o Support installation of modern and efficient transmission and distribution systems
  - o Harness CDM to promote more clean energy projects

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## Meeting Energy Demand in a Sustainable Way (III)

- **Hydrocarbon Subsector**
  - No financing for exploration projects: coal, oil, and gas
  - Support gas field and marginal oil fields development, and captive use of coal by power plants in coal mine
  - Support private sector participation, greater competition and independent and transparent regulation
  - Promote environmental sound mining practices in coal industry
- **Regional Cooperation**
  - Continuously engage in identifying and implementing regional projects and programs
  - Build enabling policy framework in power and gas subsectors (regional power markets, regional gas pipeline networks)
  - Develop bankable regional EE and RE activities

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## **Energy for All**

- 1 billion people of the Region do not have access to modern forms of energy
- Develop new approaches and methodologies for promoting reliable and affordable modern energy services access to the poor
- Support sustainable rural electrification efforts of the DMCs

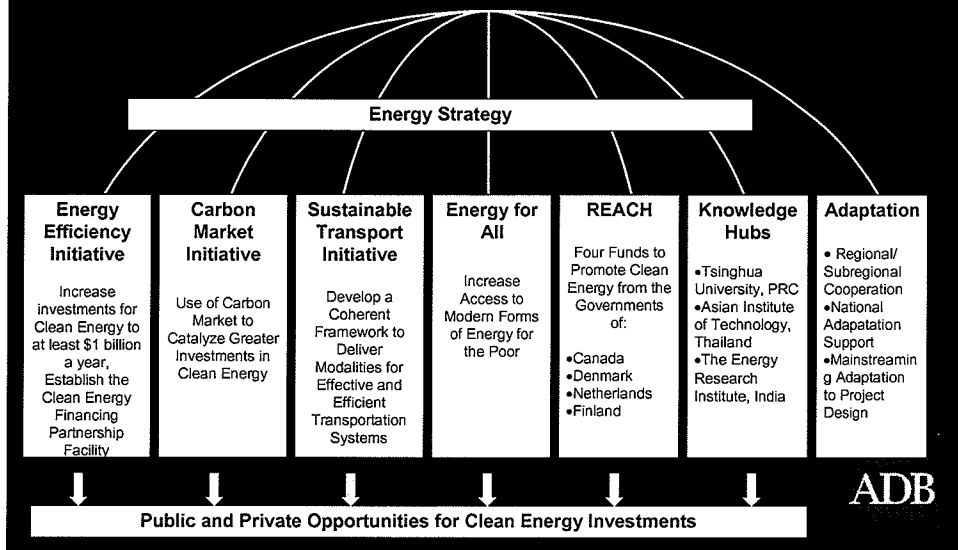
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## **Energy Sector Reforms and Governance**

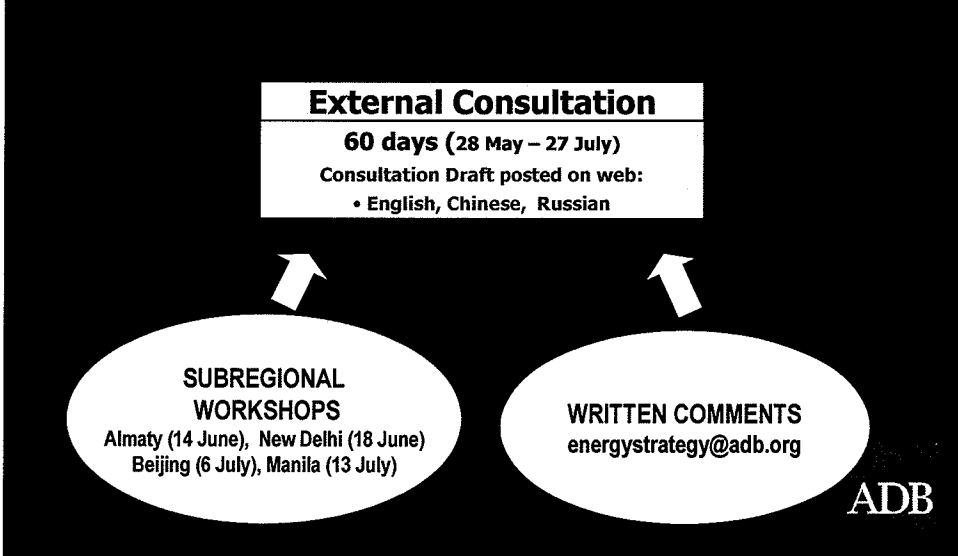
- Pursue restructuring and reform of energy sector through TA and project support
- Encourage private sector participation
- Support operationalization of the efficient regulatory authority
- Support research, legislation, capacity building, technology development, and the regulatory frameworks
- Promote good governance in energy sector, e.g., financial control system, procurement, reducing non-technical loss, etc

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# Clean Energy and Environment Program



# External Stakeholders' Consultation



## Results of External consultation

Stakeholder Type	No. of Participants	No. of Written Comments
Civil Society	45	17
Industry / Financial Institutions	26	5
Academe / Institutes	14	4
Government	48	3
Multilateral / Bilateral Donors	18	1
Others	0	4
<b>TOTAL</b>	<b>151</b>	<b>34</b>

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## Issues of mostly common interest/agreement (I)

Issues	Feedback
Renewable Energy	<ul style="list-style-type: none"> <li>• More emphasis</li> <li>• Create enabling environment &amp; new financing scheme</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>• Huge potential, little progress</li> <li>• More aggressive actions required</li> <li>• Develop economic instruments, regional standards, multi-disciplinary training centers</li> </ul>
Climate Change	<ul style="list-style-type: none"> <li>• More emphasis, both mitigation and adaptation</li> <li>• Draft strategy should promote climate change proactively</li> </ul>
Privatization	<ul style="list-style-type: none"> <li>• Sector reform = Privatization?, Should not be a target</li> <li>• Reflect lessons learned</li> </ul>

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## Issues of mostly common interest/agreement (II)

Issues	Feedback
Regional Cooperation	<ul style="list-style-type: none"><li>• Greater focus (especially Central Asia)</li><li>• Utilize existing mechanisms</li><li>• In concert with bilateral collaborations</li></ul>
Monitoring Framework & Targets	<ul style="list-style-type: none"><li>• Priorities and measurable targets (esp. in EE &amp; RE) for ADB activities and/or impacts</li><li>• Add action plan with benchmarks for reaching goals</li></ul>
Energy Data	<ul style="list-style-type: none"><li>• Need Asia-specific data, Diversify data (mostly IEA)</li><li>• Reflect market, industry, and policy literature on RE</li></ul>

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## Issues with divergent views (I)

Issues	Feedback
Nuclear	<ul style="list-style-type: none"><li>• Given climate change, study &amp; support needed</li><li>• Given problems with waste and political issues, non-involvement is good</li></ul>
Large Hydro	<ul style="list-style-type: none"><li>• Define as renewable, promote (with safeguards)</li><li>• Define as not renewable, stop funding</li><li>• Need standards &amp; definitions</li></ul>
Coal	<ul style="list-style-type: none"><li>• More support needed</li><li>• Stop funding coal &amp; other hydrocarbons</li></ul>

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## Issues with divergent views (II)

### Issues

### Feedback

Carbon  
Trading

- Need capacity development in DMCs
- Profits for private sector, but no net emission reduction
- Set a target for emission reductions

EITI

- Support EITI
- Include requirements for disclosure of revenue payments & key contractual agreements

Consultation  
Process

- Commission an independent panel
- Release second draft and continue dialogue

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## Mission Statement

To help our DMCs provide  
energy for inclusive growth in  
a sustainable way

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## Changes in Pillars

### Consultation draft

1. Meeting the energy demand in a sustainable way
2. Providing modern energy access to all
3. Addressing sector reform and governance

### New proposal

1. Promoting energy efficiency and renewable energy
2. Maximizing access to energy for all
3. Promoting sector reform, capacity building and governance

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**Thank you**

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