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*From the Secretary of State*

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*Dear Gerd -*

Thank you for your letter of 21 June to Hilary Benn about climate change and the role of the Asian Development Bank (ADB). I read your previous correspondence with my predecessor with interest, and am confident that we share similar concerns and the desire to see change.

Your letter goes to the heart of the debate about climate change, energy for development and the need to reduce carbon emissions. Like my predecessor, I intend to work hard to achieve the Government's objectives on climate change, and I recognise that clean energy is an important element of this work. But I do not agree with you that this demands a phase out of investment in fossil fuels. I recognise that some people hold strong views that this is the only way to make sufficient progress on reducing carbon emissions. But I also recognise that, whether we support it or not, investments in fossil fuels will remain an important feature of the energy sector in Asia, and elsewhere. We have to find a way to help countries meet their needs for energy, while supporting the transition to cleaner technologies and improved energy efficiency.

I agree with you that the ADB has an important role in addressing climate change in Asia. It needs to help countries adapt to climate change and also provide support for low-carbon energy and energy efficiency. That work is an important element of their primary mandate, which is to help developing countries achieve the Millennium Development Goals. In our drive to tackle climate change, we should remember that hundreds of millions of people in Asia continue to live in poverty, and more energy will be needed if their lives are to be improved.

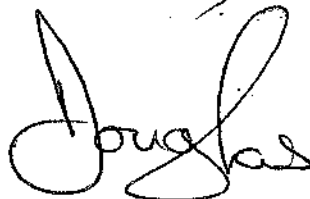
You raised the proposed ADB investment in the Mong Duong I Thermal Power Project in Vietnam. Officials have already been in touch with your colleague, Daniel Mittler, about the project. I understand that it is due to be considered by the ADB's Board in August and we have not seen the papers yet. We will ask the Bank to consider the options for supporting Vietnam's development plans, and offer the government support to consider all the issues involved.

Vietnam's success has stimulated a 12% a year growth in demand for energy. The issue for the government is where to get this power from, and clearly it is not acceptable to say that they should instead give up their plans to increase economic growth and tackle poverty. There are limited options for the Vietnamese government. The most viable is large hydropower – which the country is taking advantage of – but which is also controversial. Vietnam is also investigating nuclear energy as a low carbon alternative. Renewables are being introduced and carbon funding is beginning to help, but only at a small scale and only after a complicated approval process for Clean Development Mechanism finance.

Energy efficiency remains one of the most effective carbon reduction opportunities and Vietnam could do more in this area. The government has recently introduced new energy legislation, with support from the World Bank, and it will be important that it is implemented effectively.

Hilary Benn's letter of 31 May set out what DFID is doing with the Asian Development Bank, and others, to ensure that there is financing for poor countries to respond to climate change. Good progress is being made in taking forward the agreement on clean energy investments that UK achieved during 2005 G8 summit. Last week the ADB had an Energy Week, and there were extensive discussions on how it could make a better contribution on tackling climate change. I am committed to sustaining and building on these efforts.

Yours ever



DOUGLAS ALEXANDER