

Balakot Hydropower: The social and environmental cost of Hydropower

By Indus Consortium

Project Name: Balakot Hydropower Development Project
Country: Pakistan
Amount: USD250 million

Hydropower is routinely presented as a clean and renewable solution to Pakistan's energy challenges. The Balakot Hydropower Project, however, raises a more fundamental question as to when the social and environmental costs of an energy project make it unsustainable? Large infrastructure projects reshape landscapes, waterways, communities and the entire ecosystem. Their sustainability must therefore be judged across their entire footprint not merely by the emissions produced at the point of electricity generation.

The Balakot Hydropower Project is a planned 300 MW facility on the Kunhar River in Khyber Pakhtunkhwa province of Pakistan. It is expected to generate around 1,100 GWh annually and is being jointly financed by the Asian Development Bank (ADB), with US\$300 million, and the Asian Infrastructure Investment Bank (AIIB), with US\$280 million. Construction began in 2021 and is expected to be completed by September 2027.

For Indus Consortium, Balakot represents a troubling approach to energy development. It is being pushed as a renewable investment despite significant ecological and social impacts at a time when Pakistan is already struggling with excess generation capacity, declining grid demand and a spiralling circular debt crisis. Additionally, hydropower has historically been a source of interprovincial tensions over the issue of water rights. With uncertainty around the 'Indus Water Treaty', the wider implications of hydropower development need to be assessed.

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Empowering Communities, One Story at a Time

THE AIIB'S WASTE-TO-ENERGY GAMBLE IN DHAKA

By CLEAN (Coastal Livelihood and Environmental Action Network)

Debt-funded North Dhaka 42.5 MW Waste-to-Energy Project violates multilateral safeguards, flouts environmental regulations, and escalates public health risks

Project Name: North Dhaka Waste to Energy Project
Country: Bangladesh
Amount: USD100 million

Breathing in Dhaka is already a death sentence, and any further spike in air pollution will only seal its residents' fate. Ranked by The Economist as the world's third most unlivable city, surpassed in misery only by war-torn Damascus and Tripoli, Dhaka also holds the grim title of the world's second most polluted capital, per IQAir. While the Department of Environment blames brick kilns (58%) and construction (18%) as the primary culprits, research from Stamford University points to construction (30%), brick kilns/factories (29%), and vehicle exhaust (15%). Regardless of who holds the majority stake, the outcome remains the same; the city's air is toxic, and its people are running out of time. Yet the North Dhaka 42.5 MW Waste-to-Energy Project risks doing precisely that. Sold as green, it could lock Bangladesh

into carbon-intensive incineration, encourage more waste, and impose costly capacity payments, while potentially emitting more carbon than coal.

Project Adoption

In May 2020, China Machinery Engineering Corporation (CMEC) proposed a waste-to-energy plant for Dhaka North, using air pollution as a pretext. The Cabinet Committee on Economic Affairs approved it without competitive bidding under the Quick Enhancement of Electricity and Energy Supply (Special Provisions) Act, resulting in a tripartite agreement among CMEC, the Power Division, and DNCC in December 2021.

Civil society, alongside studies from Waste Concern and BUET, explicitly warned about the project's severe risks. Despite contractual deadlines requiring financial closure by September 2022 and power generation by September 2024, construction has not even started over four years later. With repeated budget alterations and missed deadlines, the project has lost its legal and operational validity.

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Are the AIIB's infrastructure asset-backed securities moving towards green energy?

By Recourse

The Asian Infrastructure Investment Bank (AIIB) celebrates its 10th anniversary this year. Looking under the hood of the bank's 'achievements' on sustainability and climate reveals a less rosy story. Underpinning the ["transformative financial architecture"](#) that the AIIB claims to have created within a decade of operations are 'innovative financing' mechanisms such as infrastructure asset-backed securities (IABS) that are untransparent, unaccountable and far too fossil-friendly. The upcoming review of the AIIB's Energy Sector Strategy is an opportunity for the bank to redirect its energy financing to support a just transition to renewables in the decade ahead.

AIIB-supported infrastructure asset-backed securities (IABS) are funding problematic projects. [According to the AIIB](#), these instruments support the bank's efforts to "scale up its sustainable and inclusive investments to meet clients' needs for low-carbon and climate-resilient infrastructure." The bank does not fully disclose the projects these instruments help finance. However, [research](#) by Recourse, CLEAN and the Centre for Financial Accountability reveals they are [funding large-scale oil and gas projects](#), as well as some renewable energy projects which involve environmental and social harms.

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The AIIB’s Waste-to-Energy...

Land Acquisition
For the WtE project, 10 acres of land were acquired from local landowners, along with 20 acres at the Aminbazar landfill site in Savar. Most of the landowners refused to give up their land. Local influential political figures then grabbed the land and sold it to the government. Several landowners took legal action in court against these irregularities. While court cases were still ongoing, the land was acquired. Consequently, the landowners who objected to the acquisition received no compensation. On top of that, their land was seized.

Waste Pickers
Nearly two thousand waste pickers are directly involved in collecting, sorting, and processing waste at the Aminbazar landfill. Waste pickers gather recyclable items from the landfill and sell the sorted materials to wholesale shops, which then use them in local factories to manufacture new industrial products. Around 1,000 waste collectors operating within a 3–5-kilometer radius of the project have been doing this work for the past 20 years. However, to provide subsidies under the North Dhaka WtE Project, only 40 waste collectors have been included.

Electricity Price
If the power plant operates at an 85% plant load factor (PLF), it will generate 316.5 million units of electricity annually. Based on this, the government will purchase electricity at 21.78 US cents per unit (26.79 BDT), which is two and a half times the rate for solar power and double that for coal power. If the PLF drops to 40%, the price per unit of electricity will rise to 47 BDT. If the PLF drops to 20% for any reason, the cost per unit will be at least 75 BDT. As a result, a new capacity charge burden of \$58.87 million USD (724.20 crore BDT) per year will fall upon the government.

Financing
According to the proposed budget, building the power plant will cost USD 467 million (5,745 crore BDT). That translates to a cost of 135.17 crore BDT per megawatt, which is roughly two and a half times the construction cost of the Rooppur Nuclear Power Plant (47 crore BDT per megawatt). With this amount of money, a 425 MW solar power plant could have been installed, generating 688 million units of electricity annually without any fuel.

To construct the power plant, the Asian Infrastructure Investment Bank (AIIB) is providing a USD 100 million loan (1,230 crore BDT), the New Development

Bank (NDB) is providing a USD 100 million loan (1,230 crore BDT), and CMEC is investing USD 157 million (1,931 crore BDT). It has never been disclosed which institution provided the remaining USD 110 million (1,353 crore BDT) loan. Such a lack of transparency exists at every step of the project.

Waste Generation
Dhaka North City Corporation (DNCC) is required to supply 3000 tons of municipal waste per day to this power plant. If sufficient municipal waste is not supplied for any reason, a penalty of USD 50 (BDT 6,150) per ton must be paid. Currently, an average of 2,750 tons of municipal waste is produced daily in DNCC. If this power plant launches, the city corporation will have to produce more waste; otherwise, it will face financial penalties.

Air Pollution
If the power plant operates at full capacity, 73,576 tons of bottom ash and ultrafine dust particles; 39.56 tons of toxic gases (heavy metals, dioxins, and furans); and 1.17 tons of harmful gases (nitrogen oxides, sulfur oxides, carbon monoxide, and hydrogen chloride) will be emitted into Dhaka’s air. This will escalate the prevalence of cancer, heart disease, chest ailments, and asthma every year. Delhi’s waste-to-energy plant has become a major driver of increased air pollution rather than reducing it.

Carbon Emissions
It is claimed that this project will reduce air pollution in Dhaka city. However, experience suggests the exact opposite. Burning waste to generate each unit of electricity emits an average of 1.3 to 1.8 kg of carbon, which is nearly double that of coal power and triple that of gas power. Operating at full capacity, the North Dhaka Waste-to-Energy plant will emit 411,392 tons of carbon dioxide annually, making Dhaka city residents direct victims and driving up Bangladesh’s total carbon emissions.

Public Consultations
AIIB’s Environmental and Social Framework (ESF) mandates independent local public consultation prior to project adoption. While the project’s Environmental Impact Assessment (EIA) claims opinions were gathered from over 100 residents, nearly 40% reported never being consulted at all. For the remaining minority, feedback was sought only after the Bangladesh government had already approved the project.

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Right to Information
According to AIIB’s ESF, there is an obligation to disseminate and publish information in languages understandable to locals so that the community is informed about the project’s construction period, investors, potential negative impacts, and financiers. Yet within five kilometres of the site, not a single signboard, billboard, newspaper notice, or leaflet was ever distributed, leaving local residents completely in the dark about where to seek information.

Grievance Redress Mechanism
AIIB’s Project-Affected People’s Mechanism (PPM) mandates a local grievance redress committee and an anonymous complaint box on-site. However, no complaint box exists at the main gate or elsewhere, no public directives explain where to lodge grievances, and no local committee has been established.

Destructive Initiative
Under Bangladesh’s Environment Conservation Act, Solid Waste Management Rules 2021, and Air Pollution Control Rules 2022, waste incineration requires a minimum temperature of 1,000°C. Yet, this project’s boiler operates at just 850°C. Shockingly, on April 16, the Ministry of Environment, Forest and Climate Change proposed amending national environmental laws specifically to accommodate CMEC’s lower 850°C standard, an unprecedented bending of national regulations for a single company.

Conclusion
The North Dhaka Waste-to-Energy Project is a textbook “lock-in” to a carbon-heavy, financially toxic asset. It creates a perverse incentive to generate more trash while saddling Bangladesh with exorbitant capacity charges and emitting double the carbon of coal plants. By bankrolling a project that violates local laws and the AIIB’s and NDB’s own Environmental and Social Frameworks (ESFs), the AIIB and NDB face severe reputational risk. Financing must be cancelled immediately. Dhaka’s grid resilience requires pivoting from costly thermal incineration to a zero-waste circular economy, waste picker integration, and utility-scale solar.

Published by

NGO Forum on ADB

Digital Inclusion or Debt Infrastructure? AIIB, PRASAC in Cambodia a digital system of exploitation

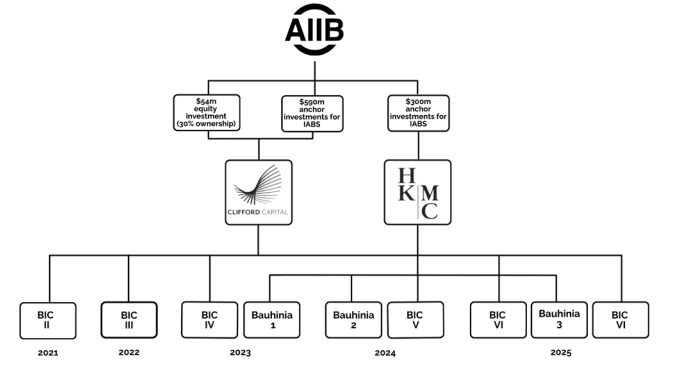
NGO Forum on ADB
At every Annual Meeting, the Asian Infrastructure Investment Bank speaks about infrastructure for tomorrow, private capital mobilisation and inclusive growth. Cambodia’s experience with PRASAC raises a more uncomfortable question: what happens when development finance expands not only roads, fibre networks and platforms, but also the infrastructure of debt itself? In April 2022, AIIB approved a USD 75 million non-sovereign loan to PRASAC Microfinance Institution under its COVID-19 Response Facility. AIIB said the purpose was to expand liquidity for micro, small and medium-sized enterprises affected by the pandemic. Importantly, AIIB classifies the operation as finance and liquidity, not as a digital-sector project. Yet the facility sits within a financial system that has become increasingly digitalised: mobile banking, remote account opening, digital Know Your Customer processes, credit scoring and a national credit bureau now shape who can borrow, on what terms, and with what consequences. That distinction matters. Digital transformation is not only about fibre-optic cables or data centres. It is also about the infrastructures that turn people into financial profiles, make credit easier to distribute, and allow private lenders to extend deeper into rural communities. The case study below in Cambodia shows that this expansion can widen access while shifting power towards lenders, credit bureaus and technology providers. The question is therefore not simply whether more Cambodians can access finance. It is whether that access expands economic freedom—or expands the reach of debt.
PRASAC is a revealing case because international development finance did not arrive in a vacuum. IFC had already supported PRASAC and Cambodia’s wider credit infrastructure years before AIIB’s 2022 facility. The case study traces how PRASAC expanded mobile and digital channels while Cambodia’s

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Are the AIIB’s infrastructure...

IABS are tradable financial instruments backed by cash flows from infrastructure project debt such as loans and bonds. In 2019, the AIIB and Clifford Capital jointly established Clifford Capital Asset Finance (then known as Bayfront Infrastructure Management) to sponsor the issuance of Bayfront Infrastructure Capital (BIC) IABS products. The AIIB continues to support Clifford Capital’s IABS products to this day. In 2023, the bank also started to invest in Hong Kong Mortgage Corporation’s IABS products (known as Bauhinia).

Figure 1. The AIIB supported nine IABS products issued by Clifford Capital and HKMC from 2021 to 2025



From 2021 to 2024, the AIIB supported a total of six IABS products with these big private players (see Figure 1). Analysis of investor reports reveals that more than half (55%) of the collective value of these six products in that timeframe [came from oil and gas infrastructure debt](#) worth a whopping \$2.5 billion. Less than a quarter (21%) was from renewable energy projects (see Figure 2).

Figure 2. Oil and gas projects received the most support from AIIB-backed IABS products from 2021 to 2024



The AIIB emphasised in several email exchanges and discussions with Recourse and partner organisations that these securitisation projects are key to supporting renewable energy infrastructure. During these conversations, the bank noted [Clifford Capital’s and HKMC’s commitments to net zero by 2050](#) as well as their public commitments to reduce the carbon emissions intensity across their financed portfolios by 30% by 2030 and by 36% by 2035, respectively, suggesting that their portfolios will eventually reduce support for fossil fuels.

The numbers reveal that Clifford Capital’s and HKMC’s IABS products are not really getting greener over time.

In 2025, the AIIB supported three more IABS products with both companies, bringing the total to nine (see Figure 1) and with a collective value of \$4.2 billion from infrastructure debt (see Figure 3). Seven out of these nine IABS products dedicated more than 50% of their portfolios to oil and gas projects (Figures 2 and 3).

Valued at \$705.4 million, BIC VII is Clifford Capital’s largest IABS product as of 2025. It also has the largest value of oil and gas projects compared to the previous securitisation products. BIC V and VI have the lowest value of oil and gas projects, and seem to support more renewables. However, when the data for “Other Public Infrastructure” is disaggregated (see Figure 5) oil and gas finance is still the largest compared to other categories, even twice as large as renewable energy.

The value of renewable energy projects, on the other hand, does not necessarily increase over time, and continues to occupy less than a third of the portfolios.

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Figure 3. The collective value of AIIB-backed IABS products from 2021 to 2025 reached \$4.2 billion, with more than 50% going to oil and gas infrastructure. Values in million USD

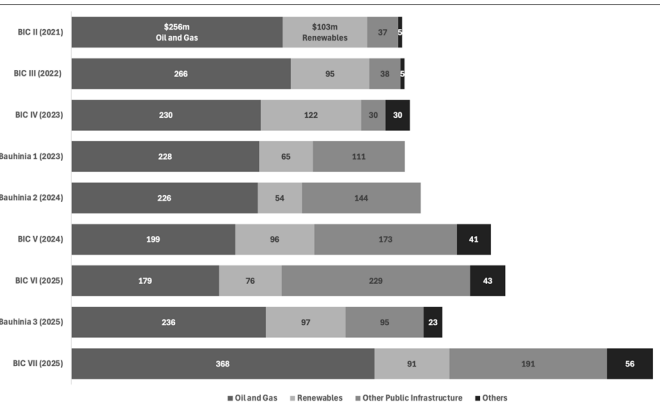


Figure 4. From 2021 to 2025, oil and gas projects consistently received the largest share of the portfolio values of AIIB-backed IABS products

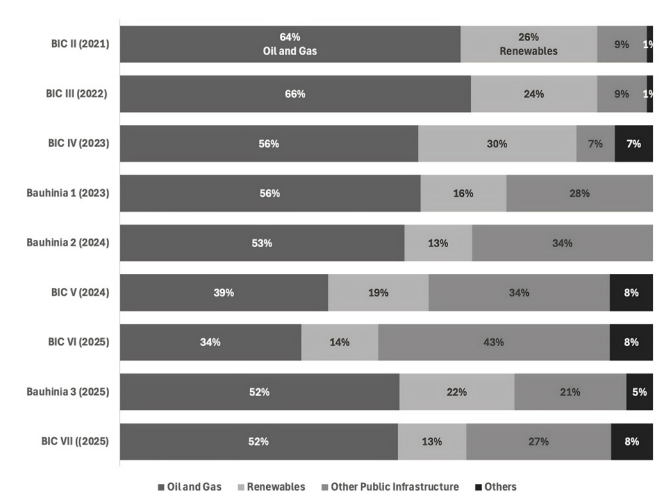
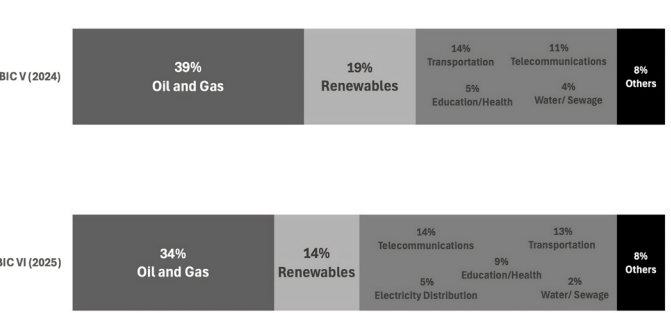


Figure 5. Disaggregated values for “Other Public Infrastructure” show that oil and gas projects are still the largest asset class in BIC V and VI



In eight out of the nine IABS products, oil and gas finance is more than twice the value of renewable energy projects.

The AIIB is open about its role as anchor investor to Clifford Capital and HKMC’s IABS products. The bank claims its support is currently limited to the sustainability tranches (see this [page](#), for example), which are composed of “sustainable assets” such as infrastructure for renewable energy, water desalination, transportation and education. For the companies, having the AIIB as anchor investor and holding investments in the sustainability tranches acts as a signal that their securitisation products are stable, profitable projects, which attracts other institutional investors.

However, the “sustainable assets” supported in the sustainability tranches also call for scrutiny in terms of what they really support.

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Balakot Hydropower...

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1. Does Pakistan Need More Generation?

The most fundamental question to be asked is whether Pakistan actually need additional generation capacity. Pakistan had approximately 41.1 GW of utility scale installed generation capacity in FY2025, while peak grid demand was around 28 GW in July. At the same time rapid adoption of rooftop solar has further reducing demand from the national grid. As a result, the power sector remains trapped in a vicious cycle of circular debt, which currently standing at approximately PKR 1.8 trillion.

While Balakot hydropower project is still under construction and therefore is not presently contributing to circular debt but due to its proposed ‘take or pay’ power purchase structure and tariff will create additional capacity payment pressures once the project becomes operational.

2. Social Costs for Communities

For communities around Balakot, the costs are not theoretical. They are being experienced through impacts on the homes they live in, the water they depend upon, the land they cultivate and the livelihoods that sustain their families.

Tunnel blasting and construction shocks have reportedly damaged houses and infrastructure in the nearby communities. Yet residents report that compensation mechanisms largely address people formally displaced by the project, leaving households whose homes have been damaged by construction without adequate remedies. For a low income family, a damaged house represents a loss of a

lifetimes savings, a families most important source of security and an inheritance intended for the next generation.

According to community accounts, the project has been extracting water from Sangar Nalla, a stream historically used by local communities and relied upon for irrigation by more than 70 farming families. Two large pipelines have reportedly been installed to draw water for construction, disrupting seasonal cultivation and placing pressure on food security and livelihoods. Affected residents have also reported damage to three watermills, irrigation channels and disturbances to grazing areas, roads and pathways.

Balakot is known for its natural beauty with tourism forming a backbone of the local economy and supporting the livelihoods of many local families and businesses. Disruption to tourist destinations, access routes and the surrounding landscape therefore carry a significant economic cost for communities that depend on tourism for their income.

Land acquisition and compensation remain a major issue. Payments to 2,247 displaced persons have reportedly faced delays, with women particularly affected with only around 10 percent of female displaced persons having received compensation. Around 65 percent of affected people also considered compensation insufficient for relocation and livelihood restoration. Communities have further raised concerns over inconsistent land valuations and assessments. While a Grievance

Redress Mechanism exists, slow responses and limited trust remain major challenges.

The social cost paid by workers working at Balakot is often overlooked. Local workers have reported the absence of formal written contracts and raised concerns over inadequate wages, termination practices and collective bargaining rights. Labour representatives have reported construction accidents exposing the inadequate emergence arrangements which led to the death of one worker and in another incident in which several workers were seriously injured. A project cannot be described as socially sustainable or acceptable if the communities living around and working on the project are disproportionately affected.

3. Environmental Costs

The Balakot Hydropower Project also raises significant environmental concerns. It is being constructed in an active seismic zone and is highly vulnerable to landslides and flooding. The area has already experienced a devastating earthquake in 2005, which destroyed large parts of Balakot city. Construction of infrastructure including transmission towers and access roads on mountain slopes has contributed to erosion and slope destabilization. Tunnel blasting and the use of heavy machinery increase the risk of landslides in addition to generating noise and dust pollution. This has led to residents complaining of breathing difficulties, eye irritation, anxiety and sleep disruption. Tunnel blasting has also affected underground waterways leading to the drying

up of local springs, adding to concerns over the project’s impact on local water resources.

Another major concern is the disposal of tunnel excavation waste, or muck. Of the ten proposed muck disposal sites, only one had reportedly been assessed as technically and environmentally feasible as of June 2024. Inadequate disposal arrangements have reportedly contributed to waste being deposited near riverbanks and steep slopes, increasing the risk of erosion, sedimentation and contamination of freshwater resources. Hydropower must not be judged solely by its lack of fossil fuel combustion but its ecological footprint must also be considered.

For AIIB, Balakot should therefore provide an important opportunity for reflection. For a project to be sustainable it must make sense financially, socially and environmentally. In the case of Balakot reservations across all three dimensions remain. AIIB and its project partners still have an opportunity to respond by fairly resolving outstanding compensation and livelihood restoration cases, independently assessing construction related damage, protecting community water sources, enforcing labour and safety standards and urgently addressing environmental risks associated with tunnelling waste, land erosion and slope destabilization. Most importantly the affected communities particularly women must be meaningfully consulted and involved in decisions concerning land, water and fair compensation.

Digital Inclusion...

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credit bureau accumulated increasingly detailed borrower histories. This architecture was presented as financial inclusion: more rural borrowers, more women clients, better credit information and more efficient lending. But better information for lenders does not automatically mean greater bargaining power for borrowers. The human consequences are now difficult to dismiss. Long before AIIB approved its facility, Cambodian civil society had documented severe over-indebtedness, coerced land sales, child labour and debt-driven migration in the microfinance sector. A 2019 report by LICADHO and Sahmakum Teang Tnaut warned that millions of Cambodians were exposed to an escalating microloan crisis. During COVID-19, local groups again warned that repayment relief was insufficient and that land-backed debt was becoming even more dangerous. AIIB therefore entered this market in 2022 after serious structural warning signs were already visible.

This is where the political economy of financial-intermediary lending becomes critical. AIIB classified the PRASAC facility as Category FI and delegated decisions over eligible sub-loans to PRASAC, subject to agreed criteria and its environmental and social system. AIIB’s documentation excluded high-risk subprojects involving involuntary resettlement or adverse impacts on Indigenous Peoples. On paper, this looks prudent. But it exposes a major blind spot: land dispossession can occur not because an AIIB-

supported business project physically resettles a family, but because an indebted household sells land to keep servicing a loan. Traditional safeguard categories can therefore miss the most important pathway of harm.

This AIIB PRASAC Cambodia story documents precisely this contradiction. In a later Compliance Advisor Ombudsman case concerning PRASAC lending, a rural borrower described losing livelihood assets, taking on additional debt, facing repayment pressure, and experiencing impacts on her children’s education. Women are frequently presented as the beneficiaries of microfinance inclusion, yet the responsibility for repayment can fall disproportionately on them. When “empowerment” means carrying the burden of household debt while having limited control over assets and economic decisions, inclusion becomes a disciplinary mechanism rather than liberation. Digitalisation can intensify this asymmetry. Credit databases make borrowers more visible to lenders, but lenders remain comparatively opaque to borrowers. A payment history, a missed instalment, or a disputed record can shape a person’s access to future credit. Cambodia’s financial data infrastructure has also relied on private and foreign-linked technology and ownership structures. The result is a system in which low-income citizens are increasingly legible to financial institutions, while their ability to understand, correct, or contest the data used to judge them remains weak. This is financial surveillance wrapped in the language of inclusion.

Digital Inclusion...

AIIB’s own project design makes another concern visible. For eligible low- to medium-risk sub-loans, the Bank did not require stakeholder consultation beyond Cambodian regulatory requirements. That may be administratively efficient, but it also reveals how affected people can disappear inside financial-intermediary lending. The borrower becomes a client, the community becomes a portfolio, and social harm becomes an issue to be managed by the intermediary rather than a direct development accountability question for the MDB. For NGO Forum on ADB, this should be the central lesson for AIIB’s future digital and financial-sector operations. The Bank cannot measure success simply through the amount of capital mobilised, the number of MSMEs financed, women reached, accounts opened or transactions digitised. It must ask who carries the risk when loans fail, who can lose land, whose children leave school, who controls the data, and whether affected people can realistically seek remedy.

AIIB should require borrower-protection standards for financial-intermediary lending that are as serious as its environmental safeguards: mandatory assessment of repayment capacity, prohibitions on coercive land sales, special protection for Indigenous and customary land, transparent restructuring and debt-relief procedures, meaningful gender analysis, strong data-protection requirements, and accessible grievance mechanisms independent of the lender. It should also disclose far more about sub-loan portfolios and how social risks are monitored. Cambodia shows that digital finance can connect people to markets while also connecting them more tightly to systems of extraction. The problem is not technology itself, nor access to credit itself. The problem is a development model that treats expansion as success while communities absorb the downside.If AIIB wants to finance infrastructure for tomorrow, it must recognise that debt, data and digital credit are also infrastructure. And infrastructure that deepens inequality, dispossession or surveillance cannot be called inclusive development.

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For example, gas-powered projects for water desalination in countries such as Kuwait, Oman, Saudi Arabia and Jordan are included in the sustainable assets of Clifford Capital’s BIC II–VII. Some renewable energy assets included in BIC and Bauhinia issuances were also [documented](#) to have negative environmental and social impacts. For example, some of this infrastructure is owned by subsidiaries of Adani Green Energy Limited (AGEL), an Indian company whose land acquisition for wind and solar parks has been the subject of community complaints ([see Box 5 in this report](#)). [Research](#) by the Toxic Bond Network also revealed that AGEL’s bonds, which were supposedly issued to finance energy transition projects, supported Adani’s coal business. The Science Based Targets Initiative (SBTi), an organisation that assesses companies targets against the Paris Agreement, even [decided to drop AGEL from its list of companies taking action against climate change](#), in May 2023.

What’s more, communities affected by projects included in AIIB-backed IABS products are not able to access the bank’s [complaint mechanism](#). The bank decided to exclude its investments under “capital market projects” from the application of the bank’s [Environmental and Social Policy](#), denying them [access to justice](#).

On its 10th anniversary, the AIIB is far from creating a “transformative financial architecture”. The AIIB’s investments in IABS provide an example of how the bank still promotes a global financial architecture that lacks transparency, is unaccountable and supports fossil fuels. As the bank embarks on its next decade of operation, it must reconsider the direction it is taking with regard to sustainability and energy transition. The upcoming review of the AIIB’s Energy Sector Strategy is an opportunity for the bank to course-correct by stopping funding fossil fuels across all financing instruments. Moreover, this is an opportunity

for the AIIB to contribute towards a truly transformative financial architecture by ensuring transparency and accountability, as well as supporting renewable energy projects that deliver on rights-based development and facilitate an economic transformation that puts people and planet at the centre.

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Civil society organisations including Recourse will be raising these issues at the AIIB’s upcoming Annual Meeting, 28–29 September in Qatar. [Follow us on LinkedIn](#) for updates. [Check out our website](#) for more research and information about the bank.

The Bhola II power plant in Bangladesh is one of many AIIB-backed energy projects that has caused harm to local people and ecosystems. [Watch this documentary](#) to hear directly from the people affected by the project, produced by CLEAN Bangladesh.

Twelve Incinerators and a Test for Asia Pacific’s Just Transition

GAIA Asia Pacific

Asia Pacific stands at a critical juncture in determining the development pathway that will shape the region for decades to come. The region is rapidly urbanizing, expanding infrastructure and serving as a major center of global manufacturing and consumption. This growth, however, has been accompanied by an enormous increase in the extraction and use of natural resources. Asia Pacific dominates global use of resources, and accounts for 63 per cent of the world’s material use¹. The environmental consequences are profound, contributing to climate change, biodiversity loss, pollution and growing volumes of waste. The choices being made today about infrastructure, resource use and production will therefore determine not only the region’s environmental future but also how the benefits and burdens of development are distributed among people and communities.

Transitioning countries to what?

The infrastructure Asia builds today is inseparable from the question of what kind of transition the region will experience tomorrow. The transition cannot be understood simply as replacing fossil fuels with renewable energy or improving the efficiency of electricity generation. It must also address the material foundations of development: how resources are extracted, how products are manufactured and consumed, how long materials remain in use, and what happens when products are discarded. Most importantly, a just transition must ask who benefits from these changes, who bears their environmental and social costs, whose knowledge and livelihoods are recognized, and who has meaningful power to participate in decisions that determine the future of their communities.

Against this backdrop, the Asian Infrastructure Investment Bank’s (AIIB) financing of Thailand’s Gulf Industrial Waste-to-Energy (WTE) Project deserves scrutiny far beyond the twelve waste-to-energy facilities involved. In January 2026, AIIB approved US\$63 million for the project as a co-financier with the Asian Development Bank. The project involves twelve industrial WTE incineration power plants with a combined contracted capacity of 96 megawatts, supported by 20-year power purchase agreements with Thailand’s Provincial Electricity Authority. AIIB’s investment is therefore not simply a contribution to a single waste management facility. It helps establish a long-term infrastructure model based on the combustion of waste for electricity generation².

Policy Incoherence

AIIB’s Energy Sector Strategy places its investments within a broader commitment to a clean energy transition and recognizes the importance of a just transition. More specifically, its strategy establishes a hierarchy for WTE investments in which avoidance and reduction of waste come first, followed by reuse, recycling and conversion of waste into usable products or feedstock. Energy recovery through combustion is positioned within this integrated waste management approach rather than as an alternative to the higher levels of the waste hierarchy³.

This hierarchy is important because it recognizes that different approaches to waste have different implications for resources, climate and society. Preventing waste avoids the extraction and production of materials in the first place. Reuse and repair preserve products and their embedded resources. Although recycling today can bear environmental and social issues, it retains material value within the economy.

Sustainable Energy for Tomorrow, or Business-as-Usual? Charting the Path to AIIB’s 2027 Energy Sector Strategy Review

NGO Forum on ADB

AIIB in the Regional Energy Landscape
Since it began operations in January 2016, the Asian Infrastructure Investment Bank has positioned itself as a distinctly modern multilateral development bank, with its running theme, “lean, clean, and green,” and, since 2022, oriented around the promise of “Sustainable Energy for Tomorrow.” That theme, adopted in the Bank’s second Energy Sector Strategy, was meant to signal a forward-looking institution ready to align its considerable balance sheet with the Paris Agreement and the region’s net-zero ambitions. It is indeed a pretty compelling narrative, unless it is deeply scrutinized. AIIB has grown quickly into one of the largest sources of infrastructure finance in Asia, and energy remains its single largest sector by investment volume, accounting for 23.4% of the Bank’s regular cumulative financing.

As AIIB approaches its next scheduled review of the ESS in 2027, civil society organizations, project-affected communities, and the wide alliance of human rights and environmental defenders across the region have a critical question to ask. Has the Bank’s energy strategy actually kept pace with the climate science, the lived experience of project-affected communities, and the Bank’s own stated commitments?

What Has AIIB Financed So Far?

From 2016 to 2026, AIIB has committed USD 16.6 billion to energy, with 15.8% still funding fossil fuels and 14.1% funding contested “false solutions” like hydropower, versus 19.3% for solar and wind. Fossil investments concentrate in Bangladesh, Uzbekistan, and Myanmar; large hydropower expands in Nepal, Pakistan, and Tajikistan, revealing a policy-portfolio gap risking carbon lock-in and community harm.

The bar figure shows a clear change in the composition of AIIB’s annual average energy financing after the 2022 ESS. Fossil-fuel financing declined sharply from USD 339 million to USD 61 million per year, while renewable-energy financing increased from USD 143 million to USD 798 million per year. However, financing classified as false solutions also increased from USD 170 million to USD 276 million annually, indicating that despite a strong shift toward renewables and reduced fossil-fuel financing, contested energy pathways continue to expand and remain a significant concern in AIIB’s post-2022 to 2026 portfolio.

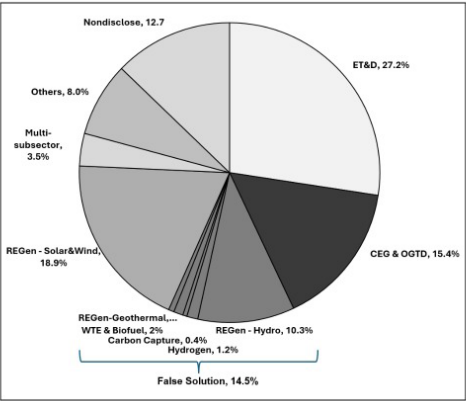


Figure 1. AIIB’s Cumulative Energy Portfolio by Sector (Percentage)

What Has Changed in the Energy Sector Strategy Since AIIB’s Inception?

In terms of policy, AIIB has updated its ESS only once, in November 2022, five years after the original 2017 Strategy. In the 2022 update, it was the first time that AIIB adopted an explicit exclusion of thermal coal financing, introduced a formal six-criterion screening test for natural gas investments, folded a “Just Transition” commitment into its guiding principles, and mandated greenhouse gas accounting and disclosure for its energy projects. They reflect, at minimum, an acknowledgment that the 2017 Strategy, built on IEA data from 2015-1 and a conditional door left open to coal and oil, could no longer hold.

Table 1. Changes between ESS 2017 and ESS 2022		
Area	2017 Strategy	2022 Strategy
Coal	No standalone provision; conditionally allows “carbon efficient” coal plants replacing less-efficient capacity or where “no viable,... alternative exists”	Explicit exclusion of financing for thermal coal mining, coal-fired power/heat plants, or coal-functionally related facilities. But no exclusion on captive coal and indirect financing and capacity building (FIs, TAs, etc.)
Oil	General support “provided that they improve energy security or promote regional integration and trade”	Restricted to “exceptional circumstances”, such as basic access, flaring/leakage control, isolated-grid hybrid systems only
Fossil gas	Same light-touch test as oil	Fossil gas still treated as ‘transition fuel’; New six-criterion Paris Alignment screening test (NDC alignment, no carbon lock-in, decarbonization contribution, best-available methane tech, no displacement of lower-carbon options, shadow carbon cost)
Large hydropower	Actively promoted, incl. multi-purpose and pumped storage, “where possible in combination with intermittent RE”	Same categories retained and expanded (adds floating solar on reservoirs); no exclusion
Waste-to-Energy	Not addressed as a distinct subsector	New subsection frames WTE within a waste management hierarchy (avoidance/reduction prioritized)
CCUS / hydrogen	Not addressed	New subsection where AIIB may finance CCS/CCUS “readiness” and mature projects (excludes coal-bed methane and enhanced oil/gas recovery use)
Nuclear	Will not finance, with a narrow safety-improvement exception	Same exception retained, adds “in partnership with other international institutions”
Transparency / GHG accounting	No mandatory emissions disclosure	Mandates ex-ante GHG accounting for energy projects and public disclosure of gross emissions
Results Monitoring Framework	Preliminary framework with country-level and portfolio-level indicators plus an “Assumptions” column	Streamlined to portfolio-level indicators only; adds a GHG emission avoidance/reduction indicator

Yet the 2022 update also fell short of what was demanded for in the lead-up to that revision. The data presented above goes to show the main issues here. Large-scale hydropower remains eligible for direct financing. WTE retains a place in the sectoral approach framed only by a waste hierarchy rather than an exclusion. Fossil gas, albeit provided with the Bank’s own criteria, remains bankable well into a decade in which the IEAs own Net Zero by 2050 pathway leaves essentially no room for new fossil fuel infrastructure. The 2022 Strategy closed some gaps but also revealed, by what it declined to close, where the Bank’s real red lines sit.

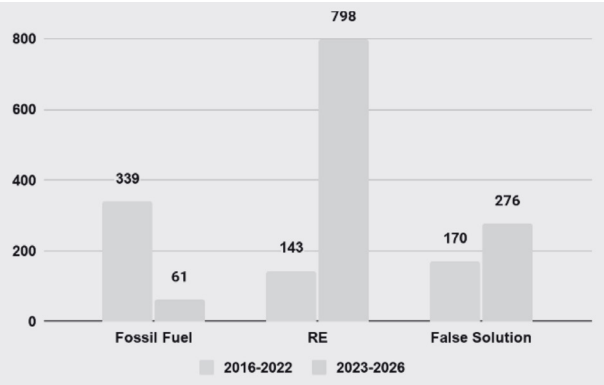


Figure 2. Annual Average AIIB Energy Investments pre- and post-ESS 2022 to 2026 (Million USD)

Sustainable Energy for Tomorrow... From page 6

ESS Review 2027: A Second Chance the Region Cannot Afford to Waste

The 2027 review lands at an entirely different moment than 2022 did. Renewable energy costs have continued to fall, grid-scale battery storage has matured, and peer MDBs, including AIIB’s own regional counterpart, the Asian Development Bank, face growing pressure to tighten their fossil fuel conditions as climate impacts intensify across Asia and the Pacific. At the same time, energy security anxieties sharpened by market volatility since 2022, and now the US-Iran War, have given gas-exporting and gas-importing members alike a fresh set of arguments for keeping transitional fossil investments on the table. This is precisely the tension AIIB’s 2027 review must resolve, and precisely the tension in which vague or permissive language becomes most dangerous. Every provision left undefined or opaque, every “exceptional circumstance” left unbounded, becomes the loophole the Bank and its complicit will eventually use. Apart from this, regional trends in reviving dangerous technologies such as nuclear energy and the reinvention of the troubled extractive agenda should definitely be declined by the Bank.

The 2027 review is therefore the moment for AIIB to decide whether “Sustainable Energy for Tomorrow” describes an operational reality or remains a slogan layered over a portfolio still hedging its bets on oil and gas, large hydropower, and unproven abatement technologies. Closing that gap, and pairing it with a genuine, adequately resourced consultation process, unlike the opaque 2022 update, is the main task ahead.

Concrete Demands for the ESS Review 2027

Building on the Forum Network’s collective call in 2022, and informed by five additional years of project experience and climate evidence, we reiterate and sharpen the following demands:

- End financing for gas, oil, and all fossil-linked transmission and distribution infrastructure, closing the “exceptional circumstances” and transitional-fuel loopholes that the 2022 Strategy left open, and independently verifying that T&D financing carries no hidden fossil generation linkage
- Extend the coal exclusion into a full fossil fuel exclusion policy, with a transparent, time-bound phase-out plan, including FI on-lending and capital markets exposure, in tandem with dedicated, rights-based just transition financing for affected workers and communities.
- Rule out false solutions, including large-scale hydropower, waste-to-energy incineration, nuclear power, and unproven CCUS or fossil-linked hydrogen schemes, from eligible energy financing. The Bank should not encroach by following the region’s recent drift toward reviving nuclear energy and reinventing the extractive agenda under a “critical minerals for the transition” banner, as these are resource-intensive, nuclear-fuel-chain risk profiles or a new generation of extractive projects dressed in “green-transition” language.
- End waste-to-energy incineration financing across all AIIB portfolios, including projects classified under urban development, such as the Gulf Industrial Waste to Energy Project and North Dhaka Waste-to-Energy Power Plant. The 2027 ESS must close this cross-sector loophole, excluding investments risking toxic emissions, air pollution, community health impacts, ensuring ESF compliance.
- Adopt explicit “No Go Zone” provisions that protect intact forests, free-flowing rivers, and Indigenous Peoples’ territories from energy infrastructure encroachment, consistent with international biodiversity and human rights standards.
- Guarantee a meaningful, well-resourced consultation process for the 2027 review itself, with published timelines, an approach paper, and adequate translation and consultation windows for both regional and non-regional member countries, so the review does not repeat the transparency failures of 2022.
- Redirect the bulk of new energy financing toward decentralized, appropriately scaled variable renewable energy, with clear, time-bound targets embedded directly in the Strategy’s Results Monitoring Framework.

The Bank has five years of new evidence and a deteriorating climate window in which to act on it. The question for 2027 is whether the region can afford another strategy update that leaves the gaps open.

Twelve Incinerators... From page 5

Incineration, by contrast, ultimately destroys much of that material value in exchange for energy recovery. The swift approval of 12 WTE plants in the GWTE project shows that AIIB’s investment decisions contradict their commitment to prioritizing waste avoidance, reduction, reuse, recycling and material recovery before large-scale combustion infrastructure is financed.

Infrastructure lock-in and just transition

This one dozen WTE plants will have a combined capacity of 96 megawatts and will be supported by long-term power purchase agreements. Once substantial capital has been invested in this infrastructure, the facilities will need to operate and will require a relatively predictable supply of combustible material. This will create economic incentives to maintain waste flows even as governments seek to reduce waste generation and increase recycling. The result is a form of infrastructure lock-in in which waste management systems become organized around feeding existing combustion capacity rather than progressively reducing the amount of waste requiring treatment.

Such lock-in is especially problematic for a region like Asia Pacific, where material consumption is already growing rapidly. The region does not simply need more infrastructure to manage the consequences of resource intensive development. It needs infrastructure that can help transform the systems producing those consequences. Development finance has the power to accelerate that transformation, but it can also reinforce existing patterns of resource extraction, production and disposal.

This is why the debate over WTE is fundamentally a debate about the meaning of a just transition. The just transition is often framed around replacing coal and fossil fuels with renewable energy, improving energy efficiency and ensuring affordable energy access. These priorities are essential, but they do not encompass the full material and economic systems that determine environmental outcomes. Energy infrastructure is embedded in systems of extraction, manufacturing, consumption, transportation and waste. A transition that changes the technology used to generate electricity while leaving these wider systems largely intact risks reducing environmental impacts in one part of the economy while reproducing them elsewhere.

Waste-to-energy makes this contradiction particularly visible because the fuel for the facility is itself a product of the material economy. Waste is not a naturally occurring energy resource like sunlight or wind. It is generated through systems of extraction, production, consumption and disposal. Burning waste therefore does not address the resource use and environmental impacts that occurred before a material became waste.

The GWTE project states it will be burning “non-hazardous” wastes such as plastics, paper, textiles, leather and rubber. When these are burned, the energy contained in them may be recovered, but their material value is largely lost. The electricity generated at the end of the process does not restore the resources and energy invested in producing those materials, nor does it address the systems that generated unnecessary waste in the first place.

This has particular relevance to plastics. Plastics are overwhelmingly produced from fossil resources, connecting plastic production to oil and gas extraction and petrochemical expansion. The environmental and climate impacts of plastics therefore begin long before the material reaches the waste stream. Treating plastic as a fuel at the end of its life does not resolve these upstream impacts. Instead of reducing extraction for plastic production, AIIB chooses to set up infrastructure for burning these fossil-derived wastes for 25 years.

A genuinely circular economy requires a different direction. It seeks to reduce unnecessary material use, extend product lifetimes, promote reuse and repair, recover materials through recycling and manage biological resources in ways that return value to ecosystems and communities. This is consistent with the hierarchy already recognized in AIIB’s own Energy Sector Strategy. The challenge is to ensure that this hierarchy is not merely reflected in policy language but actually determines where development finance is directed.

The implications are also fundamentally about distributional justice. The benefits and burdens associated with infrastructure are rarely distributed equally. In the case of WTE, the benefits may include electricity generation, investment opportunities, revenues for project operators and infrastructure development. The environmental and social risks, however, may be concentrated among communities living near the facilities. Strong Prachin Buri Network says the three WTE plants

of this project will bear potential exposure to air pollutants and toxic residues, while agricultural communities may face concerns about soil, water, livestock and food systems.

Distributional justice therefore requires asking not only whether a project produces an aggregate environmental benefit, but who receives the benefits and who bears the risks. A project cannot automatically be considered just because it generates electricity or diverts waste from landfill. The location of environmental burdens, the distribution of economic benefits and the effects on livelihoods all matter.

This is particularly relevant in Prachinburi Province, where three of the 12 proposed facilities are located in close proximity. Strong Prachinburi Network and civil society organizations including EARTH Thailand, International Accountability Counsel, NGO Forum on ADB, Coalition for Human Rights and Development and GAIA Asia Pacific have raised concerns regarding cumulative environmental impacts and potential effects on agriculture, water, livestock, food systems and the longer-term accumulation of pollutants. Such concerns demonstrate why environmental justice cannot be reduced to the performance of individual facilities. Communities experience environmental conditions cumulatively, across project boundaries and over time.

Participation, Reprisals and Procedural Justice

The issue of participation is consequently central to the case. Affected community members have reported profiling by security personnel, exclusion from consultation meetings and intimidation of community leaders. The civil society briefing states that one community representative was reportedly identified and prevented from entering a consultation meeting, and that concerns raised during consultations were omitted from project documentation. These allegations are particularly significant in the context of a just transition because participation cannot be meaningful if people are unable to challenge proposed infrastructure safely and openly. Communities living with the consequences of development decisions need more than an opportunity to attend a meeting. They need access to information, sufficient time to understand the proposal, the ability to propose alternatives and assurance that speaking out will not result in intimidation or retaliation.

Information Disclosure as a Precondition for Participation

Information disclosure is part of this same problem. Communities made repeated requests for project documents and states that Code of Practice documents were released with only payment of approximately 10,000 baht. CSOs argue that the information was therefore not disclosed in a manner that enabled informed participation. These barriers are not merely procedural. The ability to understand an environmental assessment or evaluate a proposed technology is a prerequisite to participating effectively in decisions that may affect livelihoods for decades. When information is difficult to obtain, expensive, highly technical or released too late, formal consultation can exist without meaningful participation.

The combination of these concerns is what makes the use of an expedited decision process particularly important in both banks. A project involving twelve facilities, multiple affected communities and potentially cumulative environmental impacts requires scrutiny not only of each individual facility but also of the broader program being created through the investment. It is important to go beyond assessing each project against a checklist, but also probe into whether the institutional decisionmaking process is capable of considering the cumulative and strategic implications of financing an entire infrastructure model given the barriers of meaningful participation of those most affected by the project.

Implications for Just Transition Campaigns in Asia and the Pacific

AIIB's role as a development financier is critical in determining which of these pathways becomes viable. IFIs do not simply respond to infrastructure demand. Their financing can reduce investment risks, mobilize private capital, establish models for replication and signal to governments and investors that particular technologies are compatible with sustainable development.

AIIB's US\$63 million commitment therefore has significance beyond the amount of money invested. It helps provide institutional and financial support to a twelve-plant WTE model. If similar projects are replicated elsewhere in Asia, development finance could contribute to a regional infrastructure pathway in which rising material consumption is accompanied by increasing investment in combustion capacity rather than a fundamental shift toward waste prevention and material recovery⁴.

This is why co-financing arrangements should not dilute institutional responsibility. AIIB is working with ADB as lead co-financier, and AIIB has determined that ADB's Safeguard Policy Statement will apply to the project in place of AIIB's own Environmental and Social Policy. While such arrangements can harmonize safeguards between

institutions, they should not make AIIB's own strategic commitments less relevant. AIIB remains a financier of the project and therefore has a responsibility to consider whether the investments it supports are consistent with its commitments to resource efficiency, circularity and a just transition.

Accountability as central to just transition financing

AIIB's public data show that, as of June 2026, its Project-affected People's Mechanism had no registered submissions, while its co-financiers' accountability mechanisms had handled 62 submissions across 11 co-financed projects. This does not by itself establish that communities have been denied access to remedy, but it does underline the importance of ensuring that people affected by co-financed projects can identify clear, accessible and independent avenues for raising concerns. In a project involving two international financial institutions (IFIs), accountability should not become fragmented simply because institutional responsibilities are shared.

Ultimately, however, the most important question is not whether communities can complain after a project has been financed. It is whether they have meaningful opportunities to influence the development pathway before it becomes locked in.

This requires IFIs to invest differently. Rather than treating waste primarily as a fuel, they can finance the infrastructure required to prevent waste and retain material value including upstream prevention and reduction infrastructure, resource recovery parks, tool libraries and share sheds, textile and electronics refurbishment facilities, organics and biological recovery infrastructure, and markets for secondary materials and safe management of genuinely residual waste. They can also invest in the workers and communities that make these systems function.

These investments should not be regarded as alternatives to development. They are investments in development which local governments, communities and waste workers have already built—one that seeks to meet human needs while using fewer resources, generating less waste and distributing economic opportunities more fairly.

For Asia Pacific, the enormous material footprint means that its development choices will have global consequences. If countries continue along a pathway in which economic growth depends on increasing extraction, production, consumption and disposal, climate and ecological pressures will intensify. If the region instead succeeds in reducing material throughout, extending product lifetimes, strengthening reuse and repair, recovering materials and building resource-efficient economies, it could make a major contribution to the global transition.

AIIB as a just transition financier

The Gulf Industrial WTE Project is therefore about more than twelve incinerators in Thailand. It is a test of whether development finance institutions will apply their own commitments to the infrastructure choices they make. It is a test of whether a just transition will be understood narrowly as a change in energy technology or more broadly as a transformation of the material and economic systems that produce environmental harm. And it is a test of whether the transition will be judged not only by aggregate environmental outcomes but by questions of distribution, participation and recognition.

A genuinely just transition would mean more than producing electricity with fewer emissions. It would mean reducing the need for resources and waste in the first place, keeping products and materials in circulation, strengthening the livelihoods of workers who make recovery possible, protecting communities from disproportionate environmental burdens and ensuring that people have meaningful power over decisions that shape their futures.

The choice before AIIB is therefore not simply whether to finance another waste management technology. It is whether to finance the infrastructure of a different development model.

Asia's just transition will be built through the infrastructure choices made today based on the more important questions on who benefits, who bears the costs, who gets to decide, and whether the infrastructure makes a genuinely resource efficient, circular and circular and socially just future possible.

Endnotes

- <https://www.unep.org/regions/asia-and-pacific/regional-initiatives/supporting-resource-efficiency>
- https://www.aiib.org/en/projects/details/2026/approved/thailand-gulf-industrial-waste-to-energy-project.html?utm_source=chatgpt.com
- https://www.aiib.org/en/policies-strategies/strategies/sustainable-energy-asia/.content/index/_download/AIIB-Energy-Sector-Strategy-Update_Final_Nov-2022.pdf
- <https://www.aiib.org/en/projects/details/2026/approved/thailand-gulf-industrial-waste-to-energy-project.html>