

WHO PAYS FOR THE ENERGY TRANSITION?

UNEARTHING ADB'S CRITICAL MINERALS AGENDA AND ITS SEVEN CARDINAL SINS



Critical Minerals and the Cost of the Energy Transition

There is no universally accepted definition of "criticality", as it evolves based on societal needs, supply conditions, and geopolitical interests. Countries define critical minerals along two key dimensions: economic importance and value to global supply chains.

For example, U.S. frames criticality around national security and supply chain resilience, while China has leveraged rare earth elements, lithium, and cobalt as instruments of global economic influence. Achieving the IEA's 1.5°C scenario requires roughly 33,000 GW of renewable energy capacity and electrification of 90% of road transport by 2050, all dependent on copper, lithium, nickel, cobalt, and rare earths. What is rarely part of this narrative, however, is where these minerals come from and at what cost.

Asia sits at the center of the global critical minerals supply chain. China dominates refining with an average 70% market share, Indonesia leads nickel supply, and countries like the Philippines, Myanmar, and Vietnam fill specialized roles.

Yet this centrality comes with a stark asymmetry, wherein environmental burdens and social risks are concentrated in resource-rich regions of the Global South, while the benefits are captured elsewhere.

To clearly illustrate this unfortunate scenario, in the Philippines, the extractive industry contributes a mere 0.7% of GDP under a policy permitting 100% foreign ownership. In Indonesia, nickel operations in Central Halmahera run on captive coal power, flood communities, contaminate water, and displace farmers, all while supplying materials marketed as essential for clean energy.

This is not new. Mining has long been tied to the infringement of the rights of local communities and Indigenous Peoples. The Grasberg Mine in West Papua has seen deadly mudslides, militarization, and toxic river contamination for decades.

The Oyu Tolgoi project in Mongolia threatens pastoral livelihoods through groundwater contamination and irreversible land subsidence.

In Marinduque, the Marcopper disaster left rivers biologically dead, fishing grounds destroyed, and children poisoned with legal accountability still unresolved. What is alarming is that this pattern continues under the banner of clean energy, with the same communities that have long borne the cost of extraction being put at risk once more. The shift to "clean" energy remains built on deeply harmful practices.

ADB's Encroachment and Its Track Record of Harm

Financing the energy transition has become a key arena for Multilateral Development Banks. ADB follows the World Bank's Climate-Smart Mining framework across four areas: climate mitigation, climate adaptation, reducing material impacts, and creating market opportunities. Civil society groups widely criticize this as "green extractivism", as destructive mining practices repackaged under climate goals, driven more by unsustainable patterns of production and consumption than genuine energy needs.

In 2025, ADB formalized this through its CM2CET initiative, amending its Energy Policy to allow direct investment in critical minerals mining for the first time since 1983. Its three-phase approach from 2025 to 2029 is telling: Phase 1 builds partnerships and private sector loans; Phase 2 scales up debt financing and expands into junior mining; Phase 3 positions ADB as the primary driver of the sector across Asia and the Pacific.

This is not a cautious, learning institution but one with an expansionist agenda in a sector with deep, well-documented harms.

ADB's track record makes this expansion deeply troubling. The Bank co-financed Marcopper Mining Corporation in Marinduque through a \$40 million loan, resulting in the 1996 Boac River spill.

1.6 million cubic meters of toxic tailings were released into waterways, leaving rivers biologically dead and communities poisoned, with accountability still unresolved. In 2023, ADB approved a \$500,000 Climate-Smart Mining technical assistance in Mongolia, framed as a capacity-building initiative, but one that paves the way for expanded extraction in a country where mining already accounts for over 90% of exports and where communities warn of threats to water, grazing lands, and nomadic livelihoods.

Then, before its CM2CET framework was even finalized, ADB approved a \$300 million loan for the Reko Diq mining project in Balochistan, Pakistan, a heavily militarized region with shrinking civic space, reports of enforced disappearances, and communities with no meaningful avenue to invoke their right to Free, Prior, and Informed Consent.



Three cases reveal a consistent pattern: **ADB moves forward ahead of adequate safeguards, and communities bear the consequences long after the Bank has moved on.**

These failures are compounded by broader governance concerns. Classifying mining support as climate finance blurs the line between genuine climate action and activities with documented histories of harm.

The involvement of financial intermediaries and junior mining firms widens accountability gaps. Confidentiality clauses, opaque traceability systems, and outdated legal frameworks leave little clarity on whether extracted minerals are used for clean energy or diverted to military and defense industries.

Meanwhile, China's dominance in refining and the U.S. and EU's scramble for alternative supply chains have turned critical minerals into instruments of national security.

By positioning itself within this race, ADB risks aligning development finance with the strategic interests of major powers rather than the needs of affected communities.

Seven Cardinal Sins of ADB in the Critical Minerals Agenda

The NGO Forum on ADB's Seven Cardinal Sins framework captures these failures as systemic, not incidental.

SIN #1 | CONCEALMENT



Concealment through non-disclosure and opaque traceability, prevents communities from understanding the full scope of mining activities.

SIN #2 | EXCLUSION



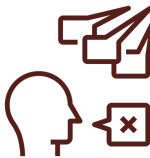
Exclusion sidelines Indigenous Peoples from decisions affecting their lands, as seen in inadequate CM2CET consultations.

SIN #3 | INTIMIDATION



Intimidation is enabled when ADB engages in militarized regions without robust safeguards, exposing defenders to harassment and violence.

SIN #4 | NEGLECT



Neglect persists where grievance mechanisms fail, and Marcopper is the starkest proof.

SIN #5 | IMPUNITY



Impunity widens as junior firms and intermediaries distance the Bank from project-level harm.

SIN #6 | BETRAYAL



Betrayal is embedded in framing destructive extraction as "climate-smart," contradicting ADB's own Do No Harm principle.

SIN #7 | OVERSIGHT FAILURE



Oversight Failure ties it all together, wherein advancing CM2CET without a complete framework or adequate safeguards signals that the Bank has not genuinely learned from its past.

Demands for the 59th ADB Annual Meeting

The Forum Network calls on ADB to adopt a more just, transparent, and accountable approach:

>Remove Climate-Smart Mining from climate finance. Mining with documented risks of harm should not be classified as climate action.

>Recognize that "criticality" is neither universal nor fixed. Extraction decisions must be led by affected communities, not external market demand.

>Establish stronger transparency and accountability mechanisms. Full disclosure of contracts, ownership, and mineral traceability, with binding commitments to EITI standards.

>Ensure genuine community participation and FPIC. This requires more than consultation at the formal level; it demands meaningful engagement with affected communities, full respect for Indigenous Peoples' rights and FPIC, and recognition of the decisive role of local governments and communities in shaping development pathways.

>Adopt no-go zones in Indigenous territories, ecologically sensitive, and conflict-affected areas. Adopt clearer substantive safeguards, including the recognition of no-go zones in ecologically sensitive, culturally significant, and conflict-affected areas.

>Adopt a clear no support for war principle. Without clear safeguards, there is a risk that projects framed as climate-related may indirectly support militarization or geopolitical competition. ADB must therefore ensure that its financing does not contribute to armed conflict, military supply chains, or geopolitical resource struggles under the cover of development or decarbonization.

>Align CM2CET with the UN Secretary-General's Guiding Principles on Critical Energy Transition Minerals, ensuring the transition does not reproduce extractivist patterns where vulnerable communities bear the costs while benefits flow elsewhere.