50 years of the Asian Development Bank

STOP COAL FINANCING IN THE ASIA PACIFIC



Friends of the Earth Asia-Pacific

"Action to curb greenhouse gas emissions by replacing dirty energy with renewable alternatives has never been more important for the safety of people in the Asia Pacific region."

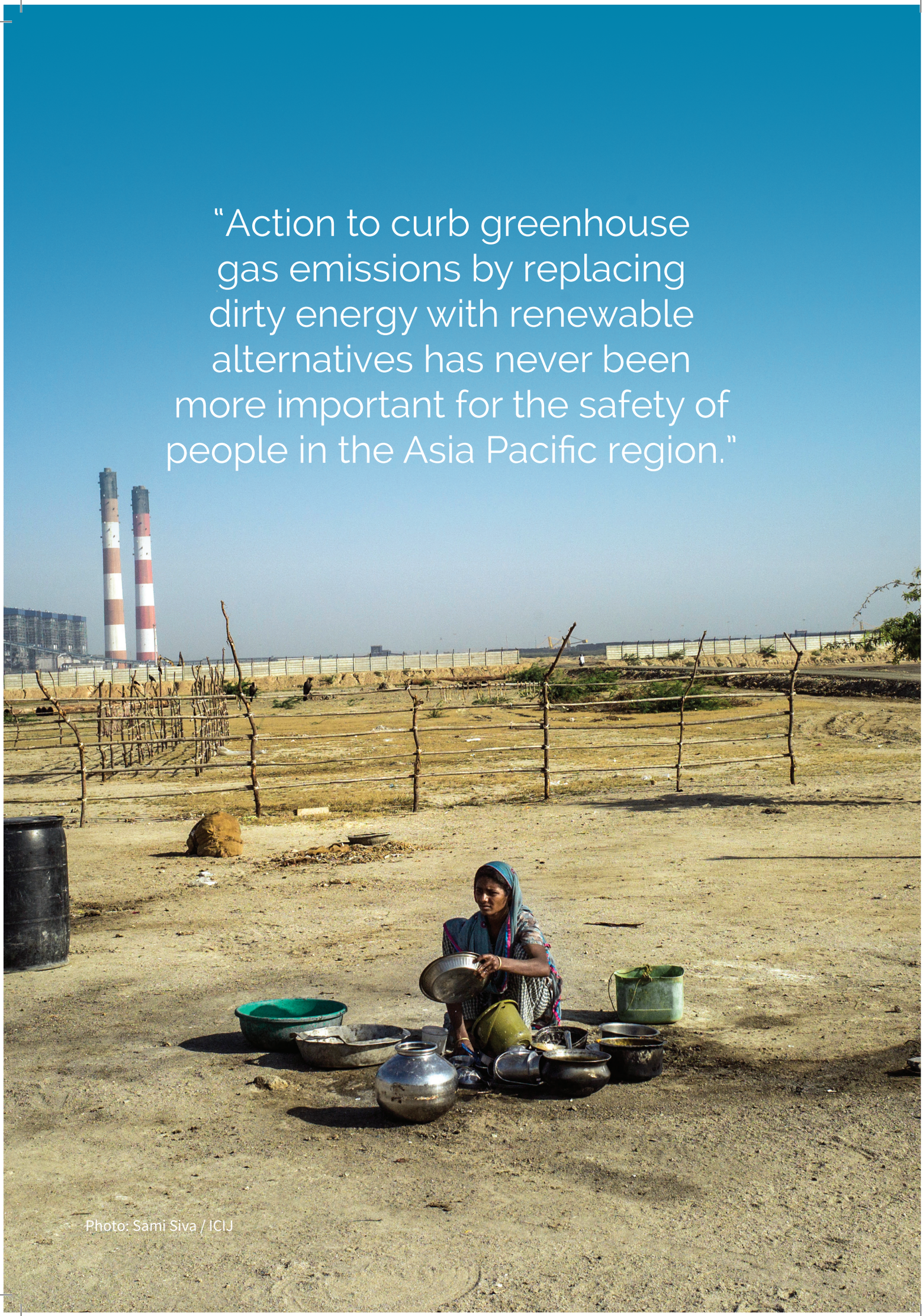


Photo: Sami Siva / ICIJ

Introduction

Climate change poses extreme risks to the Asia Pacific region that will endanger the lives and livelihoods of low income people and people living in poverty. In 2015 in Paris, 194 countries made a commitment that they would drastically cut greenhouse gas emissions to limit global warming to 1.5 degrees celsius. But while most nations in the Asia Pacific region have signed and ratified the Paris Agreement, greenhouse gas emissions continue to rise.

Taking into account historical emissions, the remaining global emissions budget to limit warming to below 1.5 ˚C is 630 Gt CO_2[1]. According to the International Energy Agency, however, just factoring in thermal coal power stations currently under construction, India and China alone will reach 169 Gt CO_2 by 2050. If all planned thermal coal power stations go ahead, this figure reaches a staggering 196Gt CO_2 by 2050.

Action to curb greenhouse gas emissions by replacing dirty energy with renewable alternatives has never been more important for the safety of people in the Asia Pacific region.

The Asian Development Bank purports to recognize this. Their own policy documents explicitly outline the devastating impact climate change will have on Asian peoples. They present that economic growth is not sustainable unless it is environmentally sustainable, and that environmental degradation and climate change present fundamental challenges to their vision of eliminating poverty in the Asia Pacific by 2020.

Their 2009 Energy Policy states that "within Southeast Asia, and in the Pacific islands, many natural ecosystems are vulnerable to climate change and some will probably be irreversibly damaged. The poorest people within the large populations of both sub-Saharan Africa and South Asia are most vulnerable to the effects of climate change."

They note that climate change will result in "more intense tropical storms, more severe and more frequent droughts and floods, accelerated melting of glaciers and rises in the sea level, higher frequency of forest fires, shortages of freshwater, threatened crop production and aquaculture, higher incidence of heat-related and infectious diseases, and greater risk of loss of life and property" all of which will affect those in poverty first, and the hardest. In the last six years since 2008 some 140 million people have been forced to move because of climate related disasters, disproportionately in Asia[2].

They also recognise the role of coal and the burning of fossil fuels as a key driver of dangerous climate change. However, despite this, the ADB continues to fund coal projects across the Asia Pacific region that will exacerbate dangerous changes in the climate. In fact, between the years 2007-2014 the Natural Resource Defense Council found the ADB to have been the third largest international public financier of coal fired power plants, investing over $3 billion in coal projects. While the ADB have produced policies that restrict the funding of coal projects, they refuse to rule out funding coal mines, power stations and other infrastructure. This serious disconnect between climate commitments and coal financing policy is unacceptable.

Friends of the Earth Asia Pacific also hold significant concerns about the impacts of coal projects on local communities. Infrastructure development and ongoing pollution from coal mines and power stations have been found to cause significant health impacts on local people, caused displacement, and environmental damage that endanger the livelihoods of local people.

Friends of the Earth Asia Pacific therefore calls for the Asian Development Bank to cease all support for new coal projects, and to hasten the transition to sustainable renewable energy across Asia. We also believe the ADB must use its influence to lobby other multilateral lending institutions urgently to do the same.

While this report focuses on the funding of coal projects, Friends of the Earth Asia Pacific also notes that ADB continues to actively support oil, gas and unconventional gas projects that pose a significant threat to local environments and the climate. We call on the ADB to urgently review the impacts of such projects on local communities and their related greenhouse gas emissions, and to rule out projects that exacerbate environmental degradation and climate change.

1. http://climate-justice.info/wp-content/uploads/2013/11/EquityVision_v4.pdf
2. Climate refugees: human insecurity in a warming world, Steve Trent, Environmental Justice Foundation, 2015.

Past coal projects financed

The Asian Development Bank has a history of financing large coal projects despite pledging commitment to environmentally sustainable development and climate action.

In fact, between the years 1994-2012 the Natural Resource Defense Council found the ADB to have been the third largest international public financier of coal fired power plants, investing $3.9 billion in 21 projects[3]. Subsequent analysis shows they continued significant funding of coal projects from 2007-2014, despite increasing pressure from stakeholders, shareholders, local communities and civil society to refuse finance to large scale coal.

In 2009 regardless of opposition from community and environment groups the ADB put forward $120 million for the development of the Naga coal fired power plant complex in the Philippines, which involves multiple power stations. According to Kalikasan People's Network for the Environment the ADB funded the coal fired power plant despite the presence of considerable alternative energy opportunities in the region;

> "The total geothermal potential in the Visayas is estimated at 1,619 MW constituting 42% of the country's total geothermal reserves. With the excess electricity and rich geothermal potential that can be tapped, there is more than enough energy to supply the demand and need of Visayas. Yet, ADB pursued the coal-fired power plant project and was permitted by the government.[4]"

In 2013, in spite of opposition from key shareholders, the ADB approved the $900 million Jamshoro coal fired power plant, a 600MW station in Sindh, Pakistan (see case study below).

This approval came in violation of their own environmental policies, and without adequate investigation of renewable energy alternatives.

Perhaps the most controversial project has been the ADB's $450 million investment in the 4,000-megawatt Tata Mundra Ultra Mega Coal plant in the Indian state of Gujarat. The ADB's own compliance review panel found that a lack of consultation with local communities, as well as a failure of compliance with waste and pollution management strategies resulted in significant harm to the local environment and damage to local communities' health and livelihoods[5].

The ADB also continues to be involved in the financing of retrofitting and clean coal projects that aim to extend the lifespan of existing coal fired infrastructure. Integrated gasification combined cycle technologies have been implemented to existing coal infrastructure in China[6]coal to liquid technologies encouraged in Mongolia[7], and power stations acquired and rehabilitated in the Philippines[8], amongst many other projects, all of which encourage ongoing use of coal with only minimal greenhouse gas reductions. Many of these projects are approved without adequate investigation of renewable energy generation alternatives.



Photo: Sami Siva / ICIJ

3. https://www.nrdc.org/experts/jake-schmidt/way-too-much-public-funding-going-coal-projects-key-countries-preliminary
4. http://www.philstar.com:8080/freeman-opinion/630601/adb-should-withdraw-its-financial-support-kepco-naga-coal-plant
5. http://compliance.adb.org/dir0035p.nsf/attachments/Mundra-CRPFinalReport-7Apr2015.pdf/$FILE/Mundra-CRPFinalReport-7Apr2015.pdf
6. https://www.adb.org/results/prc-s-tianjin-breathing-easier-cleaner-coal-power
7. https://www.adb.org/projects/48029-001/main
8. https://www.adb.org/projects/documents/acquisition-and-rehabilitation-masinloc-coal-fired-thermal-power-plant

Current policy on coal finance

The ADB has made a clear commitment to action on climate change. Within their Strategy2020 document, an outline of their long-term strategic framework, climate change and environmental degradation are cited as fundamental dangers to the ADB's vision of eliminating poverty in the Asia Pacific region by 2020.

The ADB 2009 Energy Policy paper begins by outlining that Asia's current economic growth is not sustainable if the energy it requires has to be met by fossil fuels. It reiterates the contribution fossil fuels make to climate change, and the serious consequences of climate change for the Asia and Pacific. It therefore presents tackling climate change as a fundamental challenge for sustainable development and energy policy.

But the 2009 Energy Policy does not rule out financing of fossil fuel projects that will exacerbate dangerous climate change. While financing nuclear energy power generation is ruled out in the policy citing environmental and safety concerns, financing of coal projects that could exacerbate climate change are only restricted.

Coal Mines

While they assert there is no place for the ADB in the financing of new coalmines on the grounds that they are internationally traded commodities with established commercial interests, the ADB will allow investments in such projects if they are for captive use by thermal power plants. They also allow funding for projects in nascent stages that are having trouble finding commercial finance, and which may play a role in domestic electricity development.

Friends of the Earth Asia Pacific believes there is no role for the ADB to play in the financing of coal mines for captive use for power generation, or nascent coal mine projects, if they to meet their vision for eliminating poverty in the Asia Pacific and meet their obligations on climate mitigation.

Coal fired power-generation

In their 2009 Energy Policy the ADB makes clear that they support both the retrofitting of existing power stations with technology to improve their efficiency and operating life while reducing pollutants including greenhouse gas emissions in line with stricter environmental standards.

Friends of the Earth Asia Pacific believes that such retro fitting, while reducing emissions in the medium term, prolong the lifespan of dirty coal fired power station that will continue to make significant contributions to greenhouse gas emissions and dangerous climate change. Investments in such retrofitting technologies also take funds that could be used to make significant investments in renewable energy alternatives for power generation that have minimal climate impact. Domestic energy needs should be met by renewable energy, and with community-lead projects where possible.

The ABD also assert their support for the development and dissemination of what Friends of the Earth Asia Pacific would describe as 'clean coal' technologies: pressurized fluidized combustion, integrated gasification combined cycle, and carbon capture and storage (or sequestration).

Friends of the Earth Asia Pacific sees these technologies as false solutions to climate change. Money invested in the development and dissemination of such technologies should instead be invested in sustainable renewable energy technology and energy projects.

The ADB does not appear to have a policy on the financing of new coal fired power stations.

How does ADB compare to other Multilateral Development Banks (MDBs)

All MDBs have been under increasing international pressure to restrict their funding for coal projects.

Significant shareholders in many MDBs such as the United States and United Kingdom have threatened to block approvals for coal financing citing concerns about climate impacts. As a result many MDBs have implemented more rigorous standards for coal financing.

World Bank: According to its 2013 energy sector strategy, the World Bank will only provide financing for coal projects in rare circumstances. According to a bank representative, those rare circumstances would include situations when there is a lack of feasible alternatives to coal or a lack of financing for coal power.

African Development Bank: AfDB's 2012 energy sector policy provides that the bank will only support coal when such financing is determined to have a strong development impact and, at the same time, environmentally responsible, among other conditions.

European Bank for Reconstruction and Development: EBRD's 2013 energy sector strategy states that the bank will not finance investment in coal except in rare and exceptional circumstances where there are no feasible alternative energy sources.

Inter-American Development Bank: IDB's 2009 guidelines on coal-fired power plants dictate that the bank will only support plants that are designed to use high-efficiency and low-emissions technologies.

European Investment Bank: In 2013, EIB introduced an emissions performance standard, which effectively means that the bank will not be able to lend to most coal-fired power plants.

Citation: Lorenzo Piccio https://www.devex.com/news/coal-or-no-coal-a-balancing-act-for-mdbs-87610

The ADB can be seen as part of this wider trend of MDBs' increasing restrictions on coal financing, due to concerns about climate and environmental impacts.

However, these policies fall short of the action required to stop MDBs' contribution to dangerous climate change and to do what it takes to keep within the 1.5 degree limit agreed to by most member countries within the Paris Agreement.

Friends of the Earth Asia Pacific believes MDBs including the ADB need to take stronger action on coal, ruling out all new coal projects, and prioritizing the transition of energy systems in member countries to sustainable renewable energy alternatives.

Also of significant concern to Friends of the Earth Asia Pacific is the role that new multilateral infrastructure funds such as the Asian Infrastructure Investment Bank (AIIB) will play in financing coal projects in the Asia Pacific region. The AIIB are positioning themselves as a more flexible institution than the ADB, has reportedly signalled that it is open to financing coal projects, and appears unlikely to adopt strict environmental and climate related terms for their loans[9].

9. https://www.devex.com/news/coal-or-no-coal-a-balancing-act-for-mdbs-87610

Case Studies



Photo: Sami Siva / ICIJ



Case study:

Tata Mundra Coal Plant, India

The ADB contributed $450million to the 4000 megawatt coal fired power plant, which was justified by MDB lenders as 'the most energy efficient coal power plant in the country.'

But despite this accolade, Ernst and Young analysis has estimated baseline CO_2 emissions and reductions for the Project would be 30.796 million tons per year (baseline value) making it India's third largest emitter of greenhouse gas.

The plant has also had a devastating impact on traditional communities on the Kutch coastline. Ash emitted from the coal plant has disrupted fishing practices. Coal dusts from conveyor belts feeding the power station threaten human health and contaminate agriculture. The waste outlet of the plant emits hot water, damaging nearby mangroves that serve as a breeding ground for fish. Infrastructure has damaged groundwater systems, polluting communities' drinking water sources.

Case study:

Jamshoro Coal Project, Pakistan

The ADB's most recent controversial coal finance has been a $900 million investment in the Jamshoro coal project in Pakistan. The ADB went ahead with the investment despite the objection of key shareholders: the U.S., Finland, Denmark, Netherlands, Norway, and Sweden – and abstentions from others – Austria, Germany, Luxembourg, Switzerland, Turkey, and the U.K[10]. The ADB approved the investment even though it was in conflict with the Bank's own environmental policy. They also approved the project without conducting a thorough analysis into renewable energy options to meet Pakistan's energy needs[11].

10. https://www.nrdc.org/experts/jake-schmidt/pakistan-coal-power-plant-get-public-funding-will-be-last-coal-plant-funded
11. http://www.huffingtonpost.com/justin-guay/the-adbs-dirty-little-coa_b_5504315.html

Summary of FoE Asia Pacific demands

Friends of the Earth Asia Pacific call on the ADB:

1. To rule out funding any future coal mine or coal fired power station projects;
2. To prioritise the development and establishment of sustainable renewable energy projects and promote community energy and energy efficiency to meet the energy needs of people in the Asia Pacific
3. To use their profile to lobby other finance institutions in the Asia Pacific region to rule out funding of coal projects; and
4. To urgently review the impacts of oil, gas and unconventional gas projects on local communities and the climate, and to rule out projects that exacerbate environmental degradation and climate change.

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