



Na and Sonphet Chantahun in Vientiane province, Laos, where climate change has disrupted harvests and lifestyles. Oxfam supports farming-dependent communities to grow adapted rice, and use a speaker system for early warnings when there is a flood. Photo: Bunney/Oxfam

THE AIIB'S ENERGY OPPORTUNITY

How the Asian Infrastructure Investment Bank's energy lending can chart a new path of sustainable development

The new Asian Infrastructure Investment Bank (AIIB) will be a major new funder of infrastructure in developing Asia, where demand for power is growing faster than any other region in the world. Done right, its energy lending could promote an inclusive and sustainable Asian energy transition. This report sets out a vision for an AIIB partnership with the region's most climate vulnerable countries. This could forge a new path of economic development and confirm a new era of Southern climate leadership.

FOREWORD

The 2015 Paris Agreement marked an historic juncture in which the pendulum of leadership to fight climate change swung towards the global South. From China and India to the Marshall Islands, the most ambitious contributions under the Paris Agreement have all come from developing countries. The subsequent pledge to achieve 100% renewable energy by 2050 from the 48 countries of the Climate Vulnerable Forum only amplifies this trend.

As Southern governments take the climate destinies of their citizens into their own hands, we see real hope for new South-South partnerships that mark a clear break with a failed development paradigm of the rich Northern powers. We will never stop holding the developed countries to account for their responsibilities to act on climate change, but we stand ready to do all we can to support the transition to sustainable, more 'human' economies in the global South.

We believe that the establishment of the Asian Infrastructure Investment Bank (AIIB) provides a major opportunity to chart a new path of sustainable development in the Asia region and beyond. In this paper, we highlight the climate costs of pursuing a 'business-as-usual' approach to energy lending, and call instead for a strategic dialogue between the Bank and the countries of the Climate Vulnerable Forum to guide the implementation of the AIIB's Energy Sector Strategy.

We hope this is a call that all AIIB stakeholders can rally around – in the spirit of South-South climate co-operation in the post-Paris era.

Winnie Byanyima, Executive Director, Oxfam International
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1 INTRODUCTION

The \$100bn Asian Infrastructure Investment Bank (AIIB) began operations in 2016.¹ It is one of two new multilateral development banks (MDBs) majority-led by countries in the global South,² and will play a major role filling the enormous infrastructure investment gap in the Asia-Pacific region.³

Demand for power is growing faster in Asia than any other region,⁴ so the impact of the AIIB's lending in the energy sector in particular will be profound. It has promised to uphold the Paris Agreement climate goals and the Sustainable Development Goals (SDGs). If it directs its South-South lending might towards achieving these goals as well as realizing the renewable energy ambitions of many of its client governments, it would chart a new path of economic development and help confirm a new era of Southern climate leadership.

The wrong lending choices, on the other hand, could have disastrous consequences for the region, which is particularly vulnerable to climate change. As the projections commissioned for this report demonstrate, the costs from climate change impacts in Asia associated with AIIB lending to fossil fuel energy projects would dwarf the value of those investments.⁵ Such investments would do little to lift the poorest 500 million people in developing Asia who are waiting for access to energy—and the opportunities that come along with it.

Box 1. Climate vulnerability in Vietnam

Farmer Nguyen Van Kien and his wife Ly Kim Giang have been farming rice in Vietnam's Mekong Delta for 18 years. Mr Nguyen says:

'We're about 60km from the sea, but I've noticed that the salinity in the water is getting worse each year. I think my rice is poorer quality now, but we can still grow enough to eat and sell. In the past you could predict the weather, but about seven years ago, the seasonal patterns changed and now it's almost impossible to forecast. The heat is more intense and the rain is heavier, which can damage production on the farm. I'm concerned that there may be more big storms and typhoons that could hurt the house and farm.'



Giau Kim Ly cooking with biogas generated from pig manure in Nguyen Phich commune, Ca Mau Province, Vietnam. Oxfam supports some of the province's poorest and most vulnerable families by introducing renewable energy systems to save them time and money. Photo: Bunney/Oxfam.

As the AIIB holds its second Annual Meeting in South Korea, it will launch its first sector strategy, which will cover energy. The strategy signals the right intentions on limiting lending for fossil fuels, especially coal, in favour of sustainable renewables. However, major loopholes remain, and without clear rules or parameters that the future AIIB technical committee⁶ can use to approve or reject projects, everything will hang on its subsequent implementation. The AIIB management has invited stakeholders to judge its energy portfolio as it develops. This report outlines our expectations and sets out the implications of different scenarios.

In Chapter 1, we set out four areas in which the AIIB should differentiate itself from the other Multilateral Development Banks (MDBs), which have been slow to transition to lending for sustainable renewable energy; have failed to invest in decentralised energy systems; and have often failed to adequately address social and environmental risks associated with both large-scale hydropower projects, and with lending through financial intermediaries. Chapter 2 makes the case for a strategic dialogue between the AIIB and the 48 countries of the Climate Vulnerable Forum (CVF) to guide the Energy Sector Strategy's implementation. Chapter 3 sets out three possible scenarios for the AIIB's energy lending portfolio over the next decade, estimating the costs associated with climate change impacts under each scenario in the Asia region and globally. The final section presents seven recommendations for the AIIB to become a champion of a new model of sustainable development in support of the Paris Agreement and Sustainable Development Goals.

2 A NEW NICHE FOR THE AIIB

The AIIB is in a strong position to carve out a new niche. Commenced after the adoption of the Sustainable Development Goals and the signing of the Paris Climate Agreement, it can be the first MDB to fully embrace a new sustainable development paradigm powered by sustainable renewable energy.

The AIIB has promised to be ‘clean, lean and green’.⁷ Its draft energy sector strategy, *Sustainable Energy for Asia*,⁸ embraces the Sustainable Energy for All (SE4ALL) initiative, the 2030 Agenda for Sustainable Development and the Paris Agreement. It promises that the Bank will ‘support its client countries to i) develop and improve their energy infrastructure and facilitate their transition to a less carbon-intensive energy mix; and ii) meet their goals and commitments under these global initiatives.’

These intentions are good and welcome. Delivering on them will require the Bank to chart a new path in energy lending compared to MDB business-as-usual, in at least four areas.

1. MDBs have been slow to transition from fossil fuels to sustainable renewables

World Bank President Jim Kim has made clear that major new financing for fossil fuel extraction and burning—especially for coal-fired power plants in Asia—would push the Paris and SDG goals beyond reach. Climate scientists confirm that, to have a reasonable chance of avoiding 2°C of warming and the possibility of avoiding 1.5°C, fossil fuels must be phased out globally before 2050.¹⁰

However, the World Bank and other MDBs have been slow to transform their energy lending on the scale required, in part due to legacy issues.¹¹ It takes time to reform staff incentives and financing tools: a study of three major MDBs shows that too many fossil fuels projects are still in the pipeline.¹² If the AIIB is to be the first truly Paris- and SDG-compatible MDB, it must buck this trend by placing a clear focus on sustainable renewable energy.

Every dollar spent on sustainable renewables or energy efficiency will leverage more from the private and public sectors by reducing the risks associated with investment. In addition, such investment would provide a ‘seal of approval’—the moral and political backing of a major new MDB for renewable energy and energy efficiency would influence wider perceptions about the future of the energy system.

The AIIB will need to be alert to the vested interests of the coal industry, which is already making its voice heard. It has been reported that the Australian government has been lobbying for the AIIB to finance coal; the

‘If all the new coal plants on the books earlier this year were constructed—especially in Asia—it would be impossible to stay below 2°C.’

World Bank President Jim Kim, 2016⁹

powerful Australian mining industry is desperate to cling on to Asia as their biggest export market.¹³ The Australian Business Council's submission to the AIIB's Energy Sector Strategy consultation claims that '*Australian thermal coal and natural gas can play an increased role in the carbon budgets of other countries and this should be encouraged*'.¹⁴ The Minerals Council of Australia has reportedly made similar submissions, couching their commercial interest in terms of poverty reduction:

*'The goal of economic development—and the legitimate aspirations of nearly 500 million people in Asia to energy access—must not be subordinated to climate change policy objectives... The (Energy Sector) Strategy should embrace all low emissions energy sources, not be narrowed by subjective judgments of social acceptability.'*¹⁵

The suggestion that coal is necessary to reduce poverty is deeply misleading. It is widely recognised that investments in decentralised renewables¹⁶ are better suited to reaching those in energy poverty, who tend to live far from centralised grids.¹⁷ The financial case for coal is also being disproved: India projects it will have no need to begin constructing new coal-fired power plants over the next decade¹⁸, and in the month of May alone, 14GW of planned coal capacity was cancelled due to concerns over their commercial viability.¹⁹

2. Other MDBs do not prioritise decentralised power and clean cooking

In Asia, half a billion people wake up every morning without access to electricity, and 47 percent of people have no other option but to do their daily cooking on charcoal or wood-fired stoves.²⁰ Women usually bear the brunt of energy poverty—when there is no access to energy, women compensate with their time and labour, by collecting firewood, and doing other household or farm chores the hard way.

The AIIB has committed to supporting countries provide universal access to energy by 2030, in line with SDG7. On current trends, universal access to electricity and clean cooking will not be achieved until 2080 and 2150, respectively.²¹ Yet there is no need to keep communities waiting for generations. The solutions are well-understood and relatively inexpensive. The International Energy Agency has estimated that universal energy access can be achieved by 2030 with additional, dedicated finance that prioritises decentralised energy solutions, to the tune of \$23 billion a year, or two-thirds of the funds required.²²

Such prioritisation is not yet reflected in MDBs' energy portfolios. Instead, they overemphasise extending main grids and centralised power at the expense of finance for smaller, decentralised energy projects and safe, clean cooking solutions.²³

The AIIB should not assume that investing in energy infrastructure is equivalent to investing in the SDGs; in order to make a significant contribution to SDG7, the AIIB should start with a question that we are still waiting to see prioritised in other MDBs, "what are the right types of energy projects to finance in order to reach the poorest?" By acknowledging the

extra burden that women face in the energy struggle and committing to address this, the AIIB could develop a thoughtful funding approach that shows they are serious in achieving the SDGs on energy (SDG7), reducing inequalities (SDG10) and gender equality (SDG5).

Box 2. The Myingyan power plant: a missed opportunity to expand energy access?

Myanmar is the AIIB member state with the highest levels of energy poverty.²⁴ However, the AIIB's first project in Myanmar is a gas power plant that is designed to power an industrial zone, and there is no clear plan to ensure that communities benefit through increased access to electricity.

Source: Bank Information Centre case study (forthcoming).

3. Other MDBs have often not adequately addressed the risks of large-scale hydropower projects

Several examples demonstrate the devastating social and environmental impacts associated with MDB-supported large-scale hydro projects over the decades.²⁵ The AIIB recognises in its energy strategy that there are lessons to be learnt from other MDBs on these risks, such as involuntary resettlement and land rights violations.²⁶ The World Commission on Dams has found that the benefits from large dams have largely gone to rich people, while poor people have borne the costs. For example: in the 1970s in Pakistan, the World Bank funded two large hydropower projects, Tarbela and Gazi Brarotha, which led to the displacement and lost livelihoods of tens of thousands of people. Many of these people remain impoverished and without proper redress.²⁷ The AIIB is now joining with the World Bank to upgrade one of these dams (see **Box 3**). As part of the project, efforts will be made to rectify some of the injustices persisting from the original development.

Box 3. The Tarbela 5 hydropower extension project

In September 2016, the AIIB decided to co-finance the Tarbela 5 extension project, which seeks to boost capacity and upgrade the transmission system of the existing hydropower dam in Pakistan. As the project begins, independent monitoring has highlighted a number of issues that AIIB needs to address if it is to implement its commitment to learn from and avoid the mistakes of other MDBs.

Source: K. Geary and N. Iqbal. (2017). *The Asian Infrastructure Investment Bank and the Tarbela 5 hydropower extension project, Pakistan*.²⁸

4. Other MDBs have often not adequately addressed the social and environmental risks associated with lending through intermediaries

The AIIB will finance projects directly, but will also channel funds through financial intermediaries—such as the India Infrastructure Fund, about which there is limited public information available.²⁹

Experience from other MDBs shows a worrying trend: rather than investing directly in projects or corporations, MDBs are increasingly investing through financial intermediaries such as commercial banks and equity funds. The World Bank's International Finance Corporation (IFC), for example, directed more than half of its lending in 2015 through financial intermediaries.³⁰ Meanwhile, an increasing body of evidence shows that many of these financial intermediaries are supporting fossil fuels and other destructive large infrastructure projects with little accountability for social and environmental impacts.³¹ For example, IFC-supported financial intermediaries have been linked to forty new coal plants around the world—despite the World Bank president's call to move away from coal.³² The IFC has recently indicated that it will require all intermediaries to declare their exposure to coal power plants.³³ Such projects often rely on self-reporting by the financial intermediaries, so are subject to less oversight from the MDBs. In addition, the protections and standards of the MDBs are rarely applied effectively, resulting in unmanaged and unaccountable harm to communities and the environment.

It is vital that the AIIB adopts a different approach. It must guarantee that projects funded by intermediaries comply with its energy sector strategy and its environmental and social framework. The AIIB can start out on the right foot, and lead the way, by ensuring stringent controls and oversight of intermediary lending in the energy sector.

3 AN OPPORTUNITY FOR SOUTH-SOUTH CLIMATE COOPERATION

Asia's economies are already some of the hardest hit by the impacts of climate change.³⁴ Typhoon Haiyan is emblematic of the changing scale of climate-induced natural disasters: it led to \$13bn of damage to crops and property, affected over 13 million people and killed more than 6,000 people.³⁵ However, countries in the region are also at the forefront of global efforts to fight climate change.

For example, China has suspended more than 100 planned or partly constructed coal-fired power plants,³⁶ and plans to invest more than \$493bn in renewables by 2020. India's latest National Energy Plan projects that it will reach 275GW of renewable energy capacity by 2027, nine times the installed capacity of the UK today.³⁷ Such commitments have helped to swing the pendulum of climate leadership towards the global South.

Perhaps the clearest demonstration of this leadership is the commitment made by the Climate Vulnerable Forum (CVF), a 48-strong group of countries most vulnerable to climate change. A strategic dialogue between the AIIB and the CVF would be a powerful expression of South-South climate cooperation in the post-Paris era (see **Box 4**).

The opportunity for strategic dialogue between the AIIB and the CVF

In November 2016, the CVF announced an aspirational commitment to power their economies with 100% renewable energy by 2050. The CVF includes 14 countries that are members of the AIIB, meaning that they are eligible for financing:

Bangladesh, Cambodia, Ethiopia, Maldives, Mongolia, Nepal, Philippines, Sri Lanka, Vietnam, Afghanistan*, Fiji*, Timor-Leste*, Samoa*, Sudan*

**Approved new members of the Bank, expected to join shortly.*

The AIIB should partner with these countries and provide the finance they need to realise their ambitious vision. The Bank could offer support with preparing a pipeline of bankable projects and building capacity, as well as finance for infrastructure projects. Two examples of national initiatives that the Bank could support are:

1. the Infrastructure Development Company Limited in Bangladesh. This is the initiative behind Bangladesh's world-leading solar home systems scheme. The government plans to expand this initiative to also cover off-grid solar irrigation and mini-grids for small businesses, and has set

out costed plans to do so in its Nationally Determined Contribution for the Paris Agreement.

2. the Alternative Energy Promotion Centre in Nepal, which aims to provide renewable energy access to small businesses.

These are innovative financing platforms that the Bangladeshi and Nepalese governments have established to pool donor funds, build national capacity and address the challenge of financing off-grid energy access projects. They are models for how the AIIB and other MDBs can finance a large number of very small energy access projects without sacrificing their lean and cost-effective management structures.

4 AIIB ENERGY PORTFOLIO SCENARIOS

In response to an invitation from AIIB VP Joachim von Amsberg to ‘judge us on our portfolio’, this section sets out the potential implications of different energy lending scenarios. It assesses how well they would support the Bank’s aim to support client countries meet their goals and commitments under the Paris Agreement and the SDGs.

New research commissioned for this report from the Stockholm Environment Institute constructs three possible energy portfolio scenarios and considers their potential climate-change impacts in Asia.

Scenario 1: In line with global goals; 1.5°C and SDGs compatible

In this scenario, the AIIB’s energy lending would quickly transition to being fully invested in energy efficiency and sustainable renewable energy. This would include substantial money for off-grid, distributed renewable solutions. It is in line with the gargantuan effort needed to transition energy systems fast enough to meet the Paris Agreement goal of a global temperature increase below 1.5°C, and also achieve universal access to energy by 2030. The AIIB would also be supporting the 100 percent renewable energy ambitions of the CVC countries, in a spirit of South-South climate solidarity. Under this scenario, there would also be numerous benefits for countries, including new jobs and cleaner air. There would be no space for precious public funds to go to coal. Recent research shows that, to respect the Paris Agreement, the last coal plant in Asia would need to close between 2040 and 2050.³⁸ This would mean that any new investments would be ultimately stranded.

Scenario 2: Gas stays steady; coal is financed through financial intermediaries

If the AIIB’s energy portfolio grows in its current shape, by 2030 these investments could amass up to \$425bn in climate change costs and damages in Asia alone – and up to \$1 trillion globally.³⁹ This scenario assumes that the share of the AIIB’s lending to fossil fuel projects stays steady—i.e. 43 percent invested in gas,⁴⁰ with an unknown proportion of indirect lending going to coal. For the purposes of this modelling, we assume that over a quarter of funds that are likely to be channelled through financial intermediaries ends up financing coal plants—based on the equity portfolio make-up of the IDFC’s India Infrastructure Fund, which is indicative of the type of fund the AIIB could invest in.⁴¹

Scenario 3: Majority fossil fuels; coal is financed directly and indirectly

An energy portfolio made up of two-thirds fossil fuels (a third coal and a third gas) could lock in as much as \$650 billion in climate change damage

in Asia by 2030 - and up to \$1.7 trillion globally. We assume the same kind of indirect lending through financial intermediaries as in the second scenario.

Table 1. Climate damage associated with energy portfolio scenarios

	Associated climate damage in Asia (2017–30)	Associated global climate damage (2017–2030)
Scenario 1: 100% renewable energy and energy efficiency	negligible	negligible
Scenario 2: Gas stays steady; coal is financed through financial intermediaries	Up to \$389bn	Up to \$1tn
Scenario 3: Majority fossil fuels; coal is financed directly and indirectly	Up to \$600bn	Up to \$1.5tn

Source: Stockholm Environment Institute and Oxfam. (Forthcoming 2017). *The AIIB's Energy Opportunity: Background research report*.

Ultimately, the AIIB's energy portfolio will be shaped by decisions about individual projects. The Stockholm Environment Institute has considered a selection of proposed or potential fossil fuel projects that could be funded either directly or via financial intermediaries, and estimates their carbon footprints and the cost of related climate change impacts in Asia (see **Table 2**).

Table 2. Project-level damage: what are the climate change impacts in Asia?

	Climate damage in Asia per \$ of AIIB investment	Global climate damage per \$ of AIIB investment	Overall climate damage in Asia over project lifetime (share attributed to AIIB lending)
<i>Ultra-supercritical coal power plant (China)</i>	Up to \$11	Up to \$29	\$1350m–14,350m
<i>Myingyan gas power plant (Myanmar)</i>	Up to \$5	Up to \$14	\$30m–310m
<i>TANAP gas pipeline (Azerbaijan)</i>	Up to \$5	Up to \$13	\$750m–8040m
<i>Bangladesh gas infrastructure development project</i>	Up to \$6	Up to \$15	\$80m–900m

Source: Stockholm Environment Institute and Oxfam. (Forthcoming 2017). *The AIIB's Energy Opportunity: Background research report*.

These results show that each dollar invested by AIIB in fossil fuels results in a climate damage bill for Asia that is many times higher. In short, such investments would end up harming the region they are designed to help. For instance, even in the case of the cleanest ultra-supercritical coal power plant, every dollar invested could be associated with over \$10 damage in Asia. In reality, these costs include things like damaged harvests, lost livelihoods and farmland destroyed by salt-water intrusion. All these costs would hit vulnerable communities particularly hard as they are least able to shoulder them.⁴²

5 RECOMMENDATIONS

In order for the AIIB to become a champion of the Paris Agreement and the SDGs, Oxfam recommends:

- **No funds for new coal plants or lifetime extensions of existing plants – either through direct or indirect lending**, in the context of an overall fossil-fuel phase-out. Oxfam strongly recommends the AIIB places strict limits on lending to harmful fossil fuel projects - particularly coal given it would fatally undermine the temperature goal of the Paris Agreement.⁴³
- **Guard against hydropower risks.** The AIIB should, as a minimum, adopt the criteria established under the World Commission on Dams, which includes respect for the free prior and informed consent of indigenous peoples – and only approve hydropower projects that meet this criteria. This would help ensure that the Bank meets its commitments to fully apply its environmental and social framework, and avoid the mistakes of other MDBs.
- **Accept ownership of projects funded via financial intermediaries** as part of the overall AIIB energy portfolio. The Bank should also pressure intermediaries to rule out coal. The AIIB must do its proper due diligence and ensure that its ESF is applied to high and substantial risk projects, including large scale hydropower.
- **Aim beyond merely helping countries achieve their Nationally Determined Contributions for the Paris Agreement.** These commitments are not yet sufficient for meeting the Paris temperature goals, and will increase in ambition over time. When making infrastructure investments that will last decades, all MDBs need to consider the long term. AIIB's funding must support countries' pending 2050 strategies under the Paris Agreement .
- **Prioritise off-grid, renewable energy projects.** This is the only way to close the energy access gap in time to meet SDG7 by 2030. The AIIB should ring-fence dedicated funds for energy access, informed by the International Energy Agency's two-thirds off-grid benchmark and the national contexts of its client countries.
- **Measure progress.** Establish a results measurement framework that assesses how the AIIB is performing against SDG7 and aligning its finance to the Paris goals.
- **Establish a strategic dialogue with the CVF.** Explore with the 14 ministers of finance from CVF countries that are also members of the AIIB how the latter can help support their 100% renewable energy goals. Work with the most advanced, champion countries first, and include civil society organisations and other stakeholders in the dialogue.

NOTES

All links were last accessed June 2017, except where otherwise specified.

- 1 For comparison, the World Bank has capital of over \$200bn; the EIB over \$300bn; and the Asian Development Bank slightly over \$100bn.
- 2 The other being the BRICS Bank / New Development Bank.
- 3 The Asian Development Bank has said that \$1.7tn of infrastructure investment is needed annually in Asia-Pacific until 2030. Of this, about \$1tn a year is for power. Asian Development Bank. (2017). *Meeting Asia's Infrastructure Needs*. <https://www.adb.org/publications/asia-infrastructure-needs>
- 4 International Energy Agency. (2016). *World Energy Outlook*. Figure 6.1. Electricity demand by region and scenario, p244. http://www.iea.org/Textbase/nppdf/stud/16/WEO_2016.pdf
- 5 Stockholm Environment Institute and Oxfam. (Forthcoming 2017). *The AIIB's Energy Opportunity: Background research report*.
- 6 The Executive Board is expected to approve the first round of investments in client countries, after which subsequent investment decisions will be left to a technical committee.
- 7 Q. Chen. (2016, January 19). *At opening, China-initiated AIIB pledges to be 'lean, clean and green'*. *Global Times*. <http://www.globaltimes.cn/content/964452.shtml>
- 8 AIIB. (Forthcoming 2017). *Energy Sector Strategy*. <https://www.aiib.org/en/policies-strategies/strategies/content/index/Energy-Strategy-Discussion-Draft.pdf> NB Asia is defined in the AIIB's ESS as aligning with the UN definition of Asia and Oceania: stretching from Israel to the Pacific Islands and Australia.
- 9 World Bank. (2016, 8 October). *Remarks by World Bank Group President Jim Yong Kim at the WBG-IMF Annual Meetings 2016 Climate Ministerial*. <http://www.worldbank.org/en/news/speech/2016/10/08/remarks-by-world-bank-group-president-jim-yong-kim-at-the-wbg-imf-annual-meetings-2016-climate-ministerial>
- 10 IPCC (2014) Figure SPM.7 in the WGIII SPM illustrates that cost effective pathways to stay below 2°C (i.e. a 450 ppm COeq scenario) require the power sector to be emission free before 2050 – and move to negative emissions thereafter.
- 11 CAN Climate Action Network International. (2017). *Implications of 1.5C and zero-carbon by 2050 goals for public finance institutions*. Position Paper; <http://www.climatenetwork.org/publication/can-position-implications-15c-zero-carbon-goal-2050-public-finance-institutions-june>
- 12 WRI study of recent and forthcoming World Bank, International Finance Corporation, and Asia Development Bank projects. IFC and ADB projects: G. Christianson, A. Lee, G. Larsen and A. Green. (2017). *Financing the Energy Transition: Are World Bank, IFC, and ADB Energy Supply Investments Supporting a Low-Carbon Future?* World Resources Institute. <http://www.wri.org/publication/financing-the-energy-transition>
- 13 D. Shanahan. (2016, December 6). *Power row engulfs Asian Infrastructure Investment Bank. The Australian*. <http://www.theaustralian.com.au/national-affairs/foreign-affairs/power-row-engulfs-asian-infrastructure-investment-bank/news-story/09e7dbc670bcd606e47e615c300c6bd0> [paywall]
J. Smyth and L. Hornby. (2016, December 15). *Australia lobbies China-led AIIB to add coal to lending priorities*. *Financial Times*.; <https://www.ft.com/content/68ed504a-c110-11e6-9bca-2b93a6856354>; [paywall]
G. Hutchens. (2016, December 6). *Australia lobbies infrastructure bank to invest in coal and nuclear power*. *The Guardian*. <https://www.theguardian.com/business/2016/dec/06/australia-lobbies-infrastructure-bank-to-invest-in-coal-and-nuclear-power>
- 14 Business Council of Australia. (2016). *Asian Infrastructure Investment Bank's Energy Strategy*. Submission to AIIB. <http://www.bca.com.au/publications/asian-infrastructure-investment-banks-energy-strategy>
- 15 Quoted in D. Shanahan. (2016, 6 December). *Power row engulfs Asian Infrastructure Investment Bank*. <http://www.theaustralian.com.au/national-affairs/foreign-affairs/power-row-engulfs-asian-infrastructure-investment-bank/news-story/09e7dbc670bcd606e47e615c300c6bd0>
- 16 Decentralised renewable energy systems include off-grid energy systems (e.g. stand-alone solar home systems) or mini-grid renewable energy systems, which provide power to communities that are not connected to the main electricity grid.
- 17 I. Granoff, J.R. Hogarth, S. Wykes and A. Doig. (2016). *Beyond coal: Scaling up clean energy to fight global poverty*. ODI position paper. <https://www.odi.org/sites/odi.org.uk/files/resource-documents/10964.pdf>
- 18 The government's draft energy plan projects that over the next decade there will be no need to begin construction of new coal plants, beyond those already under construction. Government of

- India, Ministry of Power (December 2016) *Draft National Energy Plan*
http://www.cea.nic.in/reports/committee/nep/nep_dec.pdf
- 19 T. Buckley. (2017). *IEEFA Asia: India's Electricity-Sector Transformation Is Happening Now*. Institute for Energy Economics and Financial Analysis.
<http://ieefa.org/ieefa-asia-indias-electricity-sector-transformation-happening-now/>
 - 20 Asian Development Bank. (2015). *Sustainable energy for all: Tracking progress in Asia and the Pacific: A summary report*. <http://www.se4all.org/sites/default/files/se4all-tracking-progress.pdf>
 - 21 K. Watkins. (2015). *Power, People Planet: Seizing Africa's energy and climate opportunities*. Africa Progress Panel. , 2015. Power, People, Planet.
<http://www.africaprogresspanel.org/publications/policy-papers/2015-africa-progress-report/>
 - 22 The latest IEA Energy for All case estimates that to ensure universal access to energy by 2030, an additional US\$23 billion per year is needed for distributed energy (mini-grid, off-grid and clean cooking), on top of already projected flows under the New Policies Scenario. This can also be expressed as roughly two-thirds of all additional investment needed. International Energy Agency. (2011). *Energy for All: Financing access for the poor*. Special early excerpt of the World Energy Outlook 2011. http://www.worldenergyoutlook.org/media/weowebbsite/2011/weo2011_energy_for_all.pdf
 - 23 Sierra Club and Oil Change International. (2016). *Still Failing to Solve Energy Poverty: International Public Finance for Distributed Clean Energy Access Gets another "F"*.
<http://priceofoil.org/content/uploads/2016/04/OI-Sierra-Club-Energy-Scorecard-Apr-2016.pdf>
 - 24 Myanmar has the greatest share of population without access to electricity and clean cooking, according to the SE4ALL framework. International Energy Agency and World Bank. (2017). *Sustainable Energy for All 2017: Progress toward Sustainable Energy*.
<http://www.worldbank.org/en/topic/energy/publication/global-tracking-framework-2017>
 - 25 International Rivers. World Bank Group.
<https://www.internationalrivers.org/campaigns/world-bank-group>
 - 26 AIIB (2017). Energy Sector Strategy (forthcoming)
<https://www.aiib.org/en/policies-strategies/strategies/.content/index/Energy-Strategy-Discussion-Draft.pdf>
 - 27 K. Geary and N. Iqbal. (2017). *The Asian Infrastructure Investment Bank and the Tarbela 5 hydropower extension project, Pakistan: Learning the hard lessons from the past?* Bank Information Center. http://www.bankinformationcenter.org/wp-content/uploads/2017/04/Tarbela_case_study.pdf
 - 28 Ibid.
 - 29 Asian Infrastructure Investment Bank. (2017). *India: India Infrastructure Fund*. Proposed project information. <https://www.aiib.org/en/projects/proposed/2017/india-infrastructure-fund.html>. NB limited public information has been disclosed about this fund, however the Bank has given private assurances that this is a different fund to the IDFC-managed India Infrastructure Fund which is currently invested in coal companies.
 - 30 Oxfam and Inclusive Development International, "Owning the Outcomes", October 2016
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 - 39 These are costs that would be locked-in (i.e. committed) by 2030, and felt at some later point.

- 40 As of June 2017, 43% percent of the overall value of the AIIB's energy portfolio is for gas (including both approved projects and proposed projects). The remainder is for renewable energy, large-scale hydro and transmission and distribution.
- 41 This assumes that the AIIB will end up channelling the same proportion of their lending through financial intermediaries as the IFC has in the years between 2010 and 2016 (i.e. 31.7% percent). It also assumes that about a quarter of these funds could go to coal. In the absence of information about the investment portfolio of financial intermediaries that the AIIB is intending to support, this estimate was based on an example of a financial intermediary that has been supported by the IFC, namely the India Infrastructure Funds of the IDFC India Development Finance Company in India. According to the latter's website, 4 out of the total 15 companies these funds are currently invested in are coal companies. See: IDFC Limited. (n.d.) *Alternatives: Infrastructure Portfolio Companies*. http://www.idfc.com/alternatives/infra-equity/portfolio_companies.htm.
- 42 The damage figures for the projects in **Table 1** were calculated using carbon footprints derived using the techno-economic information for each project provided by the AIIB, or lacking that, other sources. The global climate damage footprint was estimated using values for the social cost of carbon from the US Environment Protection Agency. The average share of impacts incurred in Asia is estimated to be 39 percent, based on the geographical distribution of climate change damages from the leading climate impact model, AD RICE. It is important to note that these are conservative estimates of the damage that could be incurred. The full methodology can be found in the background research report (forthcoming).
- 43 Oxfam believes that lending to limited fossil fuel projects may be justified over the next decade only when these criteria are met in full: 1) they are subject to robust environmental and social safeguards (i.e. do no harm); 2) they have the free, prior and informed consent of local communities; 3) they are the best way to support pro-poor economic development after rigorous assessment of alternatives including estimating the full external social and environmental costs associated with fossil fuel emissions in the lifetime of the project and beyond; and 4) they are consistent with the host country's 2050 Paris-compatible emissions pathway. Oxfam anticipates that only very rarely and in very particular circumstances would such criteria be met.

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For further information on the issues raised in this paper please e-mail advocacy@oxfaminternational.org

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Oxfam GB, Oxfam House, John Smith Drive, Cowley, Oxford, OX4 2JY, UK.

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