

23 November 2020

**Mr. Rayyan Hassan**

Executive Director, NGO Forum on ADB  
85-A Masika, Quezon City, Metro Manila, Philippines

Dear Mr. Hassan,

Thank you for your letters to the Asian Development Bank dated 13 November, and undated letter received 4 November and the important issues raised therein. Please allow me to respond to you on behalf of the ADB.

We note the issues you raise cover a number of topics including: (i) the need for explicit binding language banning all forms of coal project amended into ADB's Energy Policy; (ii) amending the existing ADB Climate Change Operational Framework and Climate Change Action Plan to align with the Paris Agreement on Climate Change; (iii) ADB develop a road map to shift direct and indirect investments from fossil fuels to renewable energy, including ruling out all financing for coal and any investment that would result in increased coal use; (iv) ADB ensures all energy projects help lift more people out of energy poverty in a sustainable way, especially by scaling up support for decentralized renewable electricity and clean cooking solutions; (v) ADB stops funding large hydro dams or nuclear power plants; and (vi) for ADB operations to fully align with the Paris Agreement on Climate Change and to sign the recent Joint Declaration of all Public Development Banks in the World, at the recent Finance in Common Summit, Paris.

I would like to assure you that ADB is fully committed to the multilateral development banks (MDBs) alignment approach to the objectives of the Paris Agreement: working together to catalyze low-GHG emissions and climate-resilient development. Further, the Climate Change Operational Framework (2017–2030) and the successor operational plan for the Operational Priority of ADB's Strategy 2030 on Enhancing Climate action, building climate and disaster resilience and enhancing environmental sustainability, we have explicitly stated our commitment to align operations with the Paris Agreement. You may also be aware of the target of ensuring that by 2030, 75% of ADB's operations will include climate action and that between 2019 and 2030 ADB will provide a cumulative of \$80 billion of climate financing.

Also, whilst ADB Strategy 2030 includes many forward looking initiatives (for example: Operational Priority 1 - Addressing remaining poverty and reducing inequalities, Operational Priority 2 - Accelerating progress in gender equality, Operational Priority 3 - Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability, and Operational Priority 6 - Strengthening governance and institutional capacity) which support key elements of the Finance in Common Summit Declaration, we were unable to sign as it contained policy commitments that have not yet been deliberated by the ADB Board. As you are aware ADB is currently reviewing our 2009 Energy Policy ([website](#)) and we thank you for recognizing the ongoing fruitful discussions with the NGO Forum on ADB and your extensive member network in the ongoing review process. Let me address some of your specific issues.

**Energy Policy Review:** ADB's Independent Evaluation Department (IED) conducted a comprehensive evaluation of the current energy policy and its implementation during 2009–2019. The evaluation concluded that although the 2009 energy policy was relevant during the period, it no longer adequately aligns with the global consensus on climate change, the ongoing global transformation of the energy sector, recent changes in developing member countries (DMC) energy strategies, or ADB's institutional priorities under Strategy 2030.

The ADB is committed to helping its DMCs provide reliable, adequate, and affordable energy for inclusive growth through a comprehensive energy policy that ensures social, economic, and environmental sustainability. Given the aforementioned fundamental changes in the energy sector, the ongoing global energy transformation, and rising concerns over climate change, ADB is now updating its energy policy with a new version expected to be considered by the Board of Directors in the fourth quarter of 2021. The review process will consider four dimensions: (i) the policy commitments of our developing members (for example, their nationally determined contribution under Paris agreement); (ii) social and environmental safeguards; (iii) the availability of new technologies; and (iv) the economic and financial viability (see Energy Policy Review Q&A [weblink](#)).

The consultation is ongoing with various stakeholders to seek their views on key energy policy issues. The strong support of the Forum's Secretariat in coordinating your members and hosting virtual webinars has allowed us to date to hold three consultations related to the ongoing Energy Policy Review which have covered: the IED Energy Policy evaluation, coal and debt, gas and the Paris Alignment, power sector reform, decentralized energy, labor and the just transition, and geothermal energy. These consultations cover a number of the important issues you have raised in your recent communiques and I will coordinate closely with Mr. Yongping Zhai, Chief of the Energy Sector Group, to ensure these discussions continue as the Energy Policy Review advances in a comprehensive and effective manner to cover all your concerns.

**Paris Alignment:** ADB is guided by Operational Priority 3 of its Strategy 2030: *"Going beyond the specific 2030 climate (finance) targets, ADB and other MDBs committed to aligning all new operations against the mitigation and climate resilience goals of the Paris Agreement, ramping up climate finance, providing capacity-building support for countries and other clients, plus an emphasis on climate reporting."*

As you are aware in 2018, ADB and the other MDBs had jointly announced their vision to align financial flows with the Paris Agreement ([weblink](#)). Furthermore, in an MDB High-Level Statement at the United Nations Climate Action Summit 2019, ADB and the other MDBs committed to helping our members deliver on the goals of the Paris Agreement ([weblink](#)).

The MDBs have progressed with joint work on this topic, structured along six core areas known as Building Blocks (BBs). We have developed assessment methodologies to assess and characterize the alignment of our operations with the Paris Agreement. Currently, they cover direct investment operations, and methodologies for Financial Intermediaries and Policy Based Lending operations are under development.

ADB has also undertaken a road-testing exercise of the methodologies with the purpose of identifying gaps, improving the methodologies for assessing projects, identifying where we need to provide additional guidance at ADB or MDB level, and to familiarize our operations teams, including DMC governments, with assessing alignment with the Paris Agreement.

Building on the experience of this road-testing, ADB plans to start monitoring and reporting on “Paris-aligned” and “non-aligned” finance flows. This will be based on assessing if projects are consistent with the different countries’ low-emissions development pathways, and if they are compatible with the overall climate change mitigation objectives of the Paris Agreement. With regards to adaptation, ADB will continue to actively manage climate change risks and identify opportunities to make ADB operations more adaptive and resilient against the impacts of climate change. Such assessments will also enable us to identify the scope for engaging our DMCs to establish long-term strategies and accelerate the transition to low-GHG emissions and climate-resilient development pathways.

As you can see ADB is making considerable efforts across multiple fronts to support our DMCs in Paris Alignment. We recognize, however, the Forum and your members, may not be fully aware of our many initiatives under Operational Priority 3 of Strategy 2030, *Tackling Climate Change, Building Climate and Disaster Resilience, and Enhancing Environmental Sustainability*, as much has happened since we last presented our operational plan to civil society organizations and other stakeholders at the ADB Annual General Meeting in 2019. We would be happy to organize a session with the Forum to apprise you of the recent developments in this regard and seek your valuable inputs. I will be happy to organize a session for the Forum members with Ms. Preety Bhandari, Chief of Climate Change and Disaster Risk Management Thematic Group concurrently Director, and Mr. Bruce Dunn, Director, Safeguard Division concurrently Officer-in-Charge, Environment Thematic Group, to further explain our current programs and further directions.

Thank you once again for raising your concerns. We welcome feedback from nongovernment organizations and civil society organizations and will continue to promote transparency and accountability as we support our members to achieve sustainable development and poverty alleviation.

Kind regards,

A handwritten signature in blue ink, appearing to read 'C. Morris'.

Christopher Morris  
Head, NGO and Civil Society Center  
Sustainable Development and Climate Change Department  
Asian Development Bank