

# SOWING THE SEEDS OF CLIMATE CHAOS: THE ASIAN DEVELOPMENT BANK'S SUPPORT FOR GAS

Despite its **stated commitment** to climate action and a “prosperous, inclusive, resilient, and sustainable Asia and the Pacific,” the Asian Development Bank (ADB) has spent over \$4.7 billion on gas since the adoption of the Paris Agreement. Plans to expand gas infrastructure in Asia pose one of the greatest threats to meeting the goals of the Paris Agreement and averting the most catastrophic impacts of the climate crisis.

The ADB is the second largest multilateral institution financing fossil fuels in Asia. The Bank's gas finance accounts for over 96% of the Bank's fossil fuel financing from 2016-20.

The ADB's continued fossil fuel financing runs counter to recent commitments from a broad swath of governments and other actors to climate action around the world. In recent months, the European Union, United Kingdom and United States governments have issued commitments

to stop financing fossil fuel projects at home and abroad. Within the multilateral development bank community, the European Investment Bank decided in 2019 to end its financing of gas, coal and oil projects and become the world's first 'climate bank'. There is increasing recognition that support for fossil fuels is not improving energy access: last year, the UN Sustainable Energy for All Initiative<sup>1</sup> recommended that “financing of fossil fuel projects as a means of closing the energy access gap should be terminated.”

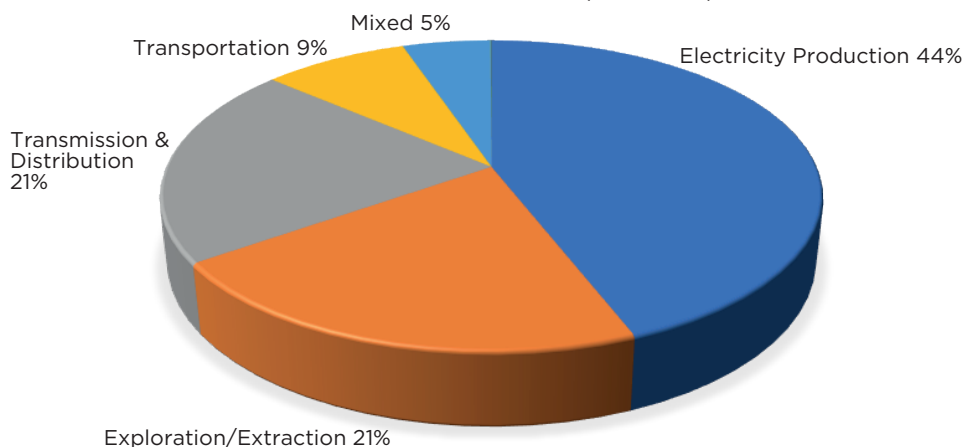
The ADB is currently revising its energy policy for the first time in a decade. The draft policy is currently being reviewed internally and is expected to be released in the lead up to the Asia Clean Energy Forum in June. The policy revision offers a huge opportunity for the ADB to demonstrate meaningful climate leadership and end its support for fossil fuels.

## AT A GLANCE

- The ADB has spent \$4.7 billion on gas financing since the Paris Agreement.
- Nearly 2/3 of the Bank's gas financing has been for power plants and exploration/extraction.
- The ADB is playing a critical role in building out gas infrastructure across Asia with its influential technical assistance grants.
- Gas expansion in Asia poses one of the greatest threats to meeting the goals of the Paris Agreement.
- ADB support for new gas plants in Bangladesh and Thailand, which face significant problems with overcapacity, raises questions about the ADB's role as an honest broker in supporting sustainable economic development.

1 <https://www.seforall.org/publications/energizing-finance-understanding-the-landscape-2020>

ADB GAS FINANCE BY STAGE (2016-2020)



### FINANCING ACROSS GAS LIFE CYCLE

Of the ADB’s \$4.7 billion in financing for gas, the majority was allocated for gas-fired power plants (44%) and exploration/extraction (21%). This includes \$1 billion in loans and guarantees for the expansion of the Shah Deniz Gas Field in Azerbaijan in 2016 and \$200 million in financing for the Reliance Bangladesh Liquefied Natural Gas and Power Project in Bangladesh in 2020. Last year, the ADB approved a \$10 million loan for the Mazar gas-fired power project in Afghanistan.

### TOP 5 COUNTRIES RECEIVING ADB FINANCING FOR GAS PROJECTS FROM 2016-2020

Country	Financing (USD)
Indonesia	1,470,100,000
Azerbaijan	999,300,000
Bangladesh	868,425,000
Uzbekistan	454,000,000
Thailand	397,700,000

Indonesia was the largest recipient of ADB gas financing followed by Azerbaijan and Bangladesh. According to *Bloomberg*, Bangladesh is Asia’s 2nd biggest hotspot for gas expansion following China.

The ADB’s gas financing averaged over \$1.3 billion from 2016-2018, but dropped to roughly \$490 million in 2019 and \$210 million in 2020. In 2019, \$392 million was allocated for the construction of gas transmission and distribution pipelines in China, and \$95 million for the construction of a 2,500-MW gas power plant in Thailand’s Rayong province which would be one of the country’s largest power plants. \$210 million of the ADB’s financing in 2020 was allocated to build the Reliance gas plant in Bangladesh and Mazar gas plant in Afghanistan.

### INFLUENTIAL ADB TECHNICAL ASSISTANCE GRANTS

Despite the drop in financing, the ADB is playing a critical role in laying the groundwork for gas infrastructure development and expansion in Asia through its technical assistance program. The ADB approved \$11.1 million in technical assistance grants from 2016-2020 to help governments prepare to build out gas pipelines, power plants and LNG terminals across Asia. These grants have had an outsized impact per dollar relative to loans and guarantees. Below are a few examples.

- **Feasibility study and survey to adopt LNG power generation, Sri Lanka**

The ADB approved a \$225,000 technical assistance grant in 2019 for a feasibility study to “identify the optimal LNG facility for Sri Lanka and the most suitable location for the development of new LNG-fired power plants and its associated facilities.”

- **Preparing the TAPI gas pipeline project (Phase 1), regional**

In 2020, the ADB approved a \$1.5 million technical assistance grant to prepare a 1,600-kilometer pipeline that would “transport up to 33 billion cubic meters of gas per year from Turkmenistan to Afghanistan, Pakistan, and India over a commercial operations period of 30 years.” The ADB noted the project “will allow Turkmenistan to diversify and expand its gas export markets.”

- **Preparing Sustainable Energy Investment Projects, Uzbekistan**

This TA, approved in 2019, provides support for several projects including the gas sector development program for Uzbekistan.

On top of the ADB’s direct financing for fossil fuels, the ADB has continued support for fossil fuels through indirect financing instruments that are more difficult to track, including budget support and financial intermediaries. For example, the ADB agreed to invest up to \$95 million in the Singapore-based finance company Clifford Capital Holdings last September for “sustainable infrastructure financing in developing Asia” in September 2020. Clifford Capital is heavily involved in the financing of oil and gas infrastructure globally, including the Summit LNG terminal in Bangladesh and the Myingyan gas plant in Myanmar.

In addition to financing, the ADB plays an important convening role for governments in the region on energy cooperation. For example, the ADB serves as the secretariat for the Central Asia Regional Economic Cooperation (CAREC) program which has a 2030 energy strategy which prioritizes development of the TAPI pipeline.

## **GAS EXPANSION POSES ONE OF THE GREATEST THREATS TO ADDRESSING THE CLIMATE CRISIS**

As countries turn away from coal, gas expansion poses one of the greatest threats to our planet and communities. According to *Carbon Brief*, gas played a larger role in increasing global emissions than coal in every year between 2013 and 2019. The ADB's role in promoting the expansion of long-lived gas infrastructure undermines global action on climate and the Bank's own stated mission. The ADB has been backing gas plants in some of the biggest hotspots for gas expansion in Asia including Bangladesh, Thailand, and the Philippines.

Supporting a switch from coal to gas is often justified by the bank on climate terms. Outdated assumptions about the emissions profile of gas, its economic competitiveness, and its ability to support the build out of a renewable energy system are often cited to polish the reputation of the bank's lending to gas projects.

But *previous analysis* by Oil Change International shows that gas is neither clean, cheap, or necessary for the clean energy transition we so urgently need to make. Here is why.

### **Gas is not clean.**

- Methane, a climate super-pollutant over 80 times more potent than CO<sub>2</sub>, leaks along the entire gas supply chain, and has *reached record levels* in our atmosphere. This reduces any emissions benefit from coal-to-gas switching. In addition to the energy intensive process of liquifying gas for LNG, this can make *imported LNG as polluting as coal* for power generation.
- *Carbon budgets clearly show* that we need to reduce the consumption of all fossil fuels, gas included, if we are to maintain the Paris Agreement goal of 1.5C. IPCC pathways for reaching 1.5C show that gas consumption needs to decline at least 30% this decade.

### **Gas is not cheap.**

- Wind and solar are now the *cheapest sources of new power generation* capacity in countries that make up two-thirds of the world population, 76%

of global GDP and 90% of electricity demand, including China and India.

- It is already cheaper to build new solar or wind power plants than run existing coal or gas plants in countries with almost half the world's population, including China and India.

### **Gas is not necessary.**

- A reliable grid will require more than wind and solar. But batteries and investment in grid management can do most of the work without emissions. *Battery storage costs have plummeted* over 80% in the past decade, and can outcompete gas peaker plants in countries that import gas.
- Grid development and management capacity are key areas that require more investment in developing countries, and can enable greater renewable energy penetration while building capacity for the future.

## **QUESTIONABLE ADB SUPPORT FOR GAS IN BANGLADESH**

The ADB has invested heavily in gas infrastructure in Bangladesh. Last year, the ADB approved financing for construction of the 718 MW *Meghnaghat gas plant* despite the fact that Bangladesh has been facing a massive overcapacity problem.

A *January 2021 briefing* from the Institute for Energy Economics and Financial Analysis (IEEFA) showed that overall power capacity utilization in Bangladesh in 2019-20 dropped from 43% to 40% – “a clear sign of worsening overcapacity.” As power plants are increasingly idle, the state-owned utility is forced to pay power generators capacity payments regardless of whether they are generating electricity. According to IEEFA's energy finance analyst Simon Nicholas, this will raise the cost of generation and force the Bangladesh government to either bail out the Bangladesh Power Development Board or increase rates for consumers.

Similarly, the ADB and Japan International Cooperation Agency are reportedly considering financing the 1400-MW Hin Kong gas plant in Thailand despite a significant power surplus which has increased electricity prices. Last year, a Thai energy leader said that the country should *delay* the development of new power plants to reduce power reserves.

As LNG spot prices skyrocketed 18-fold early this year, IEEFA issued a *briefing* warning that Vietnam, Pakistan and Bangladesh have over \$50 billion of proposed gas-fired power projects that are at risk of cancellation due to unaffordable LNG prices.

## **STRONG JAPANESE PROMOTION OF GAS**

One of the leading influences at the Bank is the Japanese government, which is actively promoting gas expansion in the region to *secure their own domestic supply and create business opportunities* for Japanese companies. From 2017-2020, Japan's public agencies, commercial banks and trading houses provided at least *\$23.4 billion* for LNG terminals, tankers and related pipelines globally.

Japan's promotion of gas has extended to the ADB where the Japanese government is the Bank's largest shareholder along with the US, and the ADB Presidency is traditionally held by a Japanese government official. Japan contributes to 13 active ADB administered trust funds, including *Leading Asia's Private Sector Infrastructure Fund*, which is a joint partnership between the ADB and Japan International Cooperation Agency established in 2016 to finance private sector projects.

## **CONCLUSION**

The ADB's promotion and financing of gas infrastructure in Asia undermines the Bank's mission and its climate commitments. The expansion of gas infrastructure in Asia poses one of the greatest threats to averting the very worst impacts of the climate crisis. Gas is not clean, cheap, or necessary. Continued investment in gas and other fossil fuels is impeding the rapid development of clean renewables to expand energy access and increase climate resiliency.

If the ADB is truly committed to demonstrating climate leadership and achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, the ADB must end all fossil fuel financing immediately.

For more information, visit [www.FossilFreeADB.org](http://www.FossilFreeADB.org).





Fossil Free ADB is an international coalition of NGOs and movements working to pressure the Asian Development Bank to stop financing fossil fuels.

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