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**The Second International Forum for Sustainable Asia and the Pacific
2010**

**“Sustainable and Low Carbon Development –
Innovative Pathways for Asia-Pacific”**

“Long-term Perspectives to Build a Low Carbon Asia-Pacific”

Keynote Speech

by Bindu N. Lohani, Vice President, Asian Development Bank
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Introduction

Honorable Shigefumi Matsuzawa, Governor of Kanagawa Prefecture;
Mr. Kazuhiko Takemoto, Vice-Minister for Global Environmental Affairs,
Ministry of the Environment.

Prof. Hironori Hamanaka, Chair of the Board of Directors of the Institute for
Global Environmental Strategies (IGES).

Dr. Said Irandoust, President, AIT and Dr. Hoesung Lee, Vice-Chair, IPCC.

Mr. Hideyuki Mori, President, IGES.

Distinguished guests, ladies and gentlemen:

It is a great pleasure for me to be here today at the Second International
Forum for Sustainable Asia and the Pacific (or ISAP) 2010. Looking at the
speakers, moderators and Forum participants, I see that everyone is well
aware on the science, economics and impacts of climate change, the
global and regional discussions such as the Copenhagen Accord and what

is being discussed in the context of the next Conference of Parties, as well as the work already being undertaken as well as planned by the countries. Therefore I will not dwell on these matters.

At the Asian Development Bank (ADB), our Strategy 2020 includes environmentally sustainable growth as a development agenda. Environment and climate change is one of five core operations of the ADB. I will share with you today my views on the long-term perspectives to build a low carbon Asia-Pacific and I will do this based on what we are thinking and doing at the ADB.

The global economic crisis and the climate change agenda are the two most important challenges to the world today. During the time of global economic crisis, Asian countries were affected due to drastic reductions in exports to industrialized countries, among others. However, according to a research report, the crisis also resulted in an unparalleled fall in global greenhouse gas emissions (by some estimates as much as 25%), which was the furthest in any year in the last four decades. During the crisis, governments have rightly responded with stimulus packages. It was very encouraging that many of these stimulus packages included significant components on clean energy. The US's \$787 billion economic recovery plan has \$94 billion in green components. Forty percent of China's \$584 billion stimulus package is allocated to green investments. South Korea introduced its Green New Deal, with more than 80% allocated to environment, and has committed 2% of its GDP to annual investments in

green themes. And here in Japan, the 10-year economic growth strategy will center on core areas such as “green innovation”, which is expected to create 1.5 million jobs.¹ Japan is home to the Kyoto Protocol and Japan has historically been and continues to commit to be an energy-efficient and low-carbon economy. Therefore, it is quite fitting that we are having this Forum here today in Japan.

Asia is recovering faster than any region from the global economic crisis. For developing Asia, ADB is projecting a growth of 7.5% in 2010 from the 5.2% growth rate in 2009. And, we are looking at a 7.3% growth in 2011. One of the areas of discussion among top economists is that the global payment imbalances need to be adjusted and Asia can do its part by promoting the shift towards more domestic and regional demand as sources of dynamic growth. Asia will consume more and it will produce more. Learning from the experience of developed countries, it is essential for Asia to adopt the principles of sustainable consumption and production. Asia will have to make changes on consumption patterns and lifestyle choices. Looking forward, in a post-crisis environment, developing Asia will be investing heavily in infrastructure – estimated at around \$8 trillion over the next decade. Hence it is an opportunity for Asia to make the future long-term investments with focus on a low-carbon economy.

I am optimistic that developing Asian countries will move to a growth model that will follow a low-carbon economy. We are already observing this in

¹ “Japan Growth Plan Bets on Green-tech, Health, Tourism.” Associated Press. 18 June 2010.

several countries and we will see more. However, to promote such green growth or a low-carbon pathway, developing Asian countries will need to make major transformations. Let me mention five such transformations.

Transforming the Energy Sector

First, we will have to transform the energy sector by expanding the use of clean energy. Energy and transport account for about one-half of global greenhouse gas emissions, which are increasing rapidly in Asian economies. Asia is projected to account for 45% of all global energy-related emissions by 2030. A massive shift to clean and efficient energy production and consumption are needed if Asia and the Pacific is to move economic growth to less carbon-intensive pathways.

ADB will expand its support for clean energy, including energy efficiency improvements and the development of renewable energy supplies. We are increasing our current \$1 billion annual assistance target for clean energy to \$2 billion by 2013. Attention will be given to removing barriers to supporting low-carbon technology transfer and its development. On the renewable side, let me mention two specific areas where we are scaling up operations. ADB launched the Asian Solar Energy Initiative (ASEI) in May 2010. The ASEI is to provide a comprehensive solution to break the barriers of institutional capacity, policy, technology, and financing that currently hamper solar energy usage. The Initiative plans to catalyze 3000 megawatts of solar power by 2013. We are also scaling up our wind

operations. Through our Quantum Leap in Wind Initiative, we seek to catalyze investments and to deploy an additional 1 gigawatt of wind power in five priority countries.

In discussions of clean energy, we cannot forget coal. ADB encourages the adoption of available cleaner technologies, such as fluidized bed combustion, supercritical and ultra-supercritical boilers, and flue gas desulfurization. As new technologies—such as integrated gasification combined cycle (IGCC) and carbon capture and storage (or sequestration)—are shown to be technically feasible and economically viable, we will support their deployment to increase their financial viability. We do demonstration projects, such as the IGCC coal power plant in Tianjin China. This is the first IGCC in a developing country and when completed, will have facilities to enable carbon capture and storage at some point in the future. ADB is also in partnership with the Global Carbon Capture and Storage (CCS) Institute of Australia, and we manage a trust fund of about \$17 million for promoting CCS in developing countries.

Transforming the Transport Sector and Addressing Urban Development Challenges

Second, transforming the transport sector and addressing urban development challenges will be critical. Asia's remarkable growth has come with rapid expansion of the transport sector. Transport is currently the fastest growing greenhouse gas emitting sector. Transport-related emissions are expected to increase 57% worldwide by 2030 with Asia

contributing about 70% of this increase. By 2015, 55% of the greenhouse gas emissions will come from cities in Asia. We have the Sustainable Transport Initiative under which ADB will support an annual lending of \$4 billion from 2010-2012. We will support developing member countries shift from traditional urban development and transport projects to make modern mass transit systems more widely available, to introduce more efficient vehicles, biofuels and other fuels, and to promote sound urban planning to facilitate mobility. We encourage the use of technologies that reduce greenhouse gas emissions and expand the capture of methane released from landfills and wastewater treatment facilities.

Transforming Agriculture and Land Use

The **third** way of promoting low-carbon transition is to manage land use and forests for carbon sequestration. We all know from the IPCC reports that 15% to 20% of global emissions are derived from land use change, especially tropical deforestation. Recent ADB analysis indicates that as much as 75% of Southeast Asia's emissions are derived from this source, mostly from deforestation in Indonesia. The Parties to the UNFCCC are defining the Reducing Emissions from Deforestation and Forest Degradation (REDD) approach to create new incentives for forest conservation. ADB will provide targeted support in collaboration with other development partners to mobilize resources for sustainable forest management and conservation initiatives, as well as other land use changes to enhance carbon sequestration.

Mainstreaming Adaptation and Promoting Climate-Resilient Development

The **fourth** transformation is in promoting climate-resilient development. The need to adapt to climate change impacts has become a defining concern across Asia and the Pacific. ADB will support country-driven climate change adaptation programs by promoting the mainstreaming of adaptation and disaster risk reduction into the national development plans and in country partnership strategies. We will help build climate resilience in vulnerable sectors such as agriculture, energy, transport and health, including preparation of climate-resilient sector road maps and the climate proofing of projects.

Transforming Financing Mechanisms and Promoting Technology Transfer

The **fifth** transformation will come from transforming financing mechanisms and promoting technology transfer. Public financing will not be adequate to support the transition to a low-carbon growth path. Increased flows from private capital must be mobilized. As a multilateral development agency, ADB will help with concessional funds and also structure innovative financing mechanisms to help catalyze private funds into clean energy projects. Another area is the global carbon market which is expected to expand under a post-2012 climate change regime. Within ADB, we have

several funds to support carbon market initiatives such as the Asia-Pacific Carbon Fund and the Future Carbon Fund with total resources of over \$350 million. We also have the \$50 million Climate Change Fund and the \$40 million Asia-Pacific Disaster Response Fund. ADB, along with other development partners, are involved in the \$6.1 billion Climate Investment Fund. We are continuously thinking of new ways to provide financing. Recently, we issued our first Water Bond (\$638 million) which generated a lot of interest from the Japanese retail investors market. There is a growing number of investors who are keen to put their resources into socially responsible investments. Encouraged by the very good response, ADB is now working towards a Clean Energy Bond issue, and there will be more of such thematic bonds in future. We are presently looking at creating a venture capital private equity fund for clean energy which will catalyze private resources of up to five times our investment. And, finally to help enable technology transfer, ADB is preparing a low-carbon technologies marketplace or exchange to facilitate deals while respecting and protecting intellectual property (IPR) holders. We will create a platform for meeting of the willing buyers and sellers of technology. We are also looking at a clean energy guarantee facility which will help mitigate concerns about technology transfers and protect IPR. ADB uses financing instruments such as LIBOR-based loans, local currency loans, political and partial risk guarantees to mobilize investments for wind power projects in India, small hydropower projects in China and biomass projects in Thailand. And, there are many more examples.

Conclusion

Let me conclude by saying that developing Asia has a great opportunity for paradigm shift by scaling up actions to promote low-carbon growth and increasing the adaptive capacity of its economies and communities. I personally feel that what has been done in the climate change area, at a time of global difficulty, is respectable. But, I also see even more the need and opportunities and hope that indeed actions in the right direction will be undertaken by both the government, the private sector and development agencies like the ADB and others. I am hopeful that the policymakers, the private sector, and technocrats of Developing Asia – many of whom are with us in the Forum today – will help to make the transition to a low-carbon economy happen in the very near future.

Thank you.