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Securing climate finance for projects & programs on air quality co-benefits

SYNERGIES AND CO-BENEFITS OF AIR QUALITY AND CLIMATE CHANGE ACTION

30 APRIL 2024

30 April 2024



Operational Priority 3:

Tackling climate change, building climate and disaster resilience, and enhancing environmental sustainability

ADB Climate Commitments

Cumulative climate finance

- \$35 billion (2019–2024) and **\$80 billion (2019–2030), with \$100 billion ambition for adaptation and mitigation**

Cumulative adaptation and resilience finance

- \$9 billion (2019–2024) and **\$34 billion (2019–2030)**

Private sector climate finance

- **\$12 billion** and crowding in of \$18-30 billion additional resources (2019–2030)

Projects supporting climate action

- 65% by 2024 and 75% by 2030

Paris Alignment Agreement

- New sovereign operations: 100% alignment by 1 July 2023
- New nonsovereign operations: At least 85% alignment by 1 July 2023 and 100% by 1 July 2025

Significant Progress in 2023

Cumulative climate finance

- **\$30.8 billion** cumulative climate finance from 2019-2023; a record high of \$9.8 billion in 2023

Cumulative adaptation and resilience finance

- **\$10.4 billion** adaptation finance from 2019-2023; \$4.2 billion in 2023

Private sector climate finance

- **\$2.9 billion** private sector finance from 2019-2023; over \$1.0 billion in 2023

Projects supporting climate action

- **79%** for the period 2021–2023

Paris Alignment Agreement

- Successfully introduced Paris Alignment considerations for all investments starting 1 July 2023, specifically full Paris Alignment of all sovereign operations and non-sovereign investments.

ADB has financed more than \$2.5 billion in investments in air pollution reduction in Asia Pacific since 2014

ADB's overall financing approach for all projects, including air quality related projects

UPSTREAM ENGAGEMENT

- **Improve macroeconomic policy**
- **Create enabling institutional environment**

Examples include:

- NDCs, LTSs, NAPs Alignment
- Analytics, Strategies, Roadmaps (Country, Sectors)
- Country Climate and Development Platforms
- CPS
- TA development and implementation
- Identifying cross-sectoral approaches
- Strengthening institutional environments

MIDSTREAM ENGAGEMENT

- **Advisory support to create project pipelines**
- **Prepare bankable projects for private sector investment**

Examples include:

- Sovereign and non-sovereign projects
- PPP transaction advisory,
- support for SOEs to tap private capital sources,
- Advisory activities for Public-private partnerships

DOWNSTREAM ENGAGEMENT

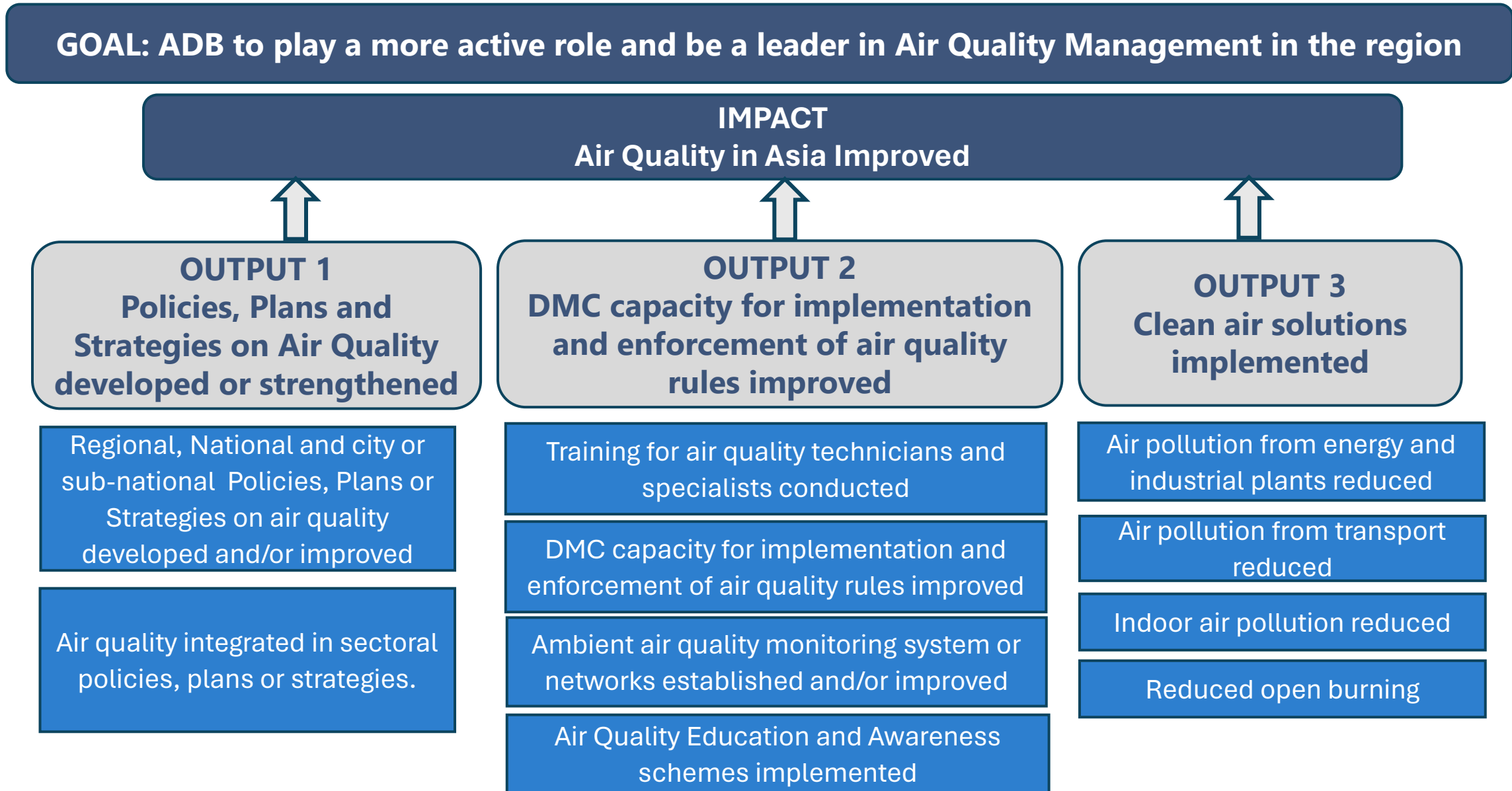
- **Structure downstream financing to crowd in private capital**
- **De-risk projects**

Examples include:

- Sovereign and non-sovereign lending
- Result-based loans, Policy-based loans
- Direct and co-financing options
- Grants

Some examples of ADB Programs Supporting Air Quality Improvement

Asia Clean Blue Skies Program (ACBSP): Framework



- 1) Support **5 investment projects** to conduct studies and design project components with air pollution reduction, GHG emission reduction and low carbon technology. **Expect the proposed Sustainable Textiles Initiative to be one of the 5 projects.**
- 2) Support 3 **Country Partnership Strategies (CPS)** to enhance sections on air quality and GHG emission reduction
- 3) Conduct **7 knowledge sharing events or training workshops**. These maybe related to the 5 investment projects supported.

NDC Advance is a dedicated technical assistance platform established by the ADB to support DMCs to mobilize finance, build capacity, and provide knowledge and other support needed to implement their nationally determined contributions (NDCs)

Four strategically-linked streams:

1. Translating NDCs into climate investment plans and projects.
2. Improving access to climate finance and linking to private sector.
3. Developing methods and tools to measure, monitor and report on commitments made under NDCs.
4. Identifying climate adaptation investment priorities.



DMCs SUPPORTED:

Armenia
Azerbaijan
Bangladesh
Bhutan
Cambodia
Georgia
Indonesia
Kazakhstan
Kyrgyz Republic
Lao PDR
Marshall Islands
Mongolia
Nepal
Pakistan
Papua New Guinea
Philippines
Sri Lanka
Tajikistan
Thailand
Turkmenistan
Uzbekistan
Viet Nam

Support development of institutional and policy frameworks for the implementation of just transition in DMCs

- » Philippines: scoping to support a multistakeholder process to define national Just Transition process, first step through a multistakeholder forum (under development).
- » Indonesia: ongoing discussions with Indonesia on how to develop JT institutional arrangements.

JT Project

- » Support "JUST" element on Cirebon-1 transaction under the ETM - Development of Preliminary JT Assessment
- » Support embedding of "JUST" on ETM's JT Framework



Analytical work

- » Position paper on JT in shipping for COP
- » Proposed work on supporting JT and transition risk workstream of Coalition of Finance Ministers for Climate Action

Just Transition Finance Facility

- » A funding vehicle to provide financing for JT activities (form and structure currently under design through a participatory multistakeholder approach)

2025: Just Transition funding vehicle

Exploring, identifying, and promoting just transition financing approaches

Continuous provision of technical assistance

Support mainstreaming of just transition in ADB's operational approaches and projects

What is ETM?

- Legacy coal-fired power plants constitute the single largest source of greenhouse gas emissions from human activity. Without addressing them, **we will miss the Paris Agreement targets**. Renewable energy costs are rapidly declining. The cost of operating existing coal plants is expected to be higher than the levelized cost of new renewable energy plants in the next 10–15 years. However, in many developing economies, coal power plants have **secured long-term power offtake agreements**, to avoid being stranded. Hence **an intervention is needed**.
- **In 2021, ADB launched the ETM**, originally proposed under the World Economic Forum umbrella in 2018. ETM is a collaborative initiative being developed in partnership with ADB Developing Member Countries to assist in the transition from fossil fuels to clean energy.
- ETM aims **to catalyze public, private, and concessional capital** (1) to accelerate the retirement or repurposing of fossil fuel power plants and (2) to invest in clean energy alternatives while at the same time ensuring a just and affordable transition by addressing impacts to people and communities from ETM projects.

Objectives of ETM

- **Accelerate climate action.** Enable countries achieve more ambitious emission reduction targets.
- **Reduce energy costs.** Support the increase in the demand for clean energy by 2-3 times, lowering overall energy costs in the long run.
- **Drive investment.** Unlock or “crowd in” investment in early-retirement / repurposing of fossil fuel power plants, cost-effective renewable generation, and support and enable clean technologies.
- **Provide a scalable model.** ETM has the potential to be scaled up to other parts of Asia and the Pacific, as well as Latin America and Africa, which could drive significant reductions in global emissions.

Some Financing Mechanisms Supporting Air Quality Improvement

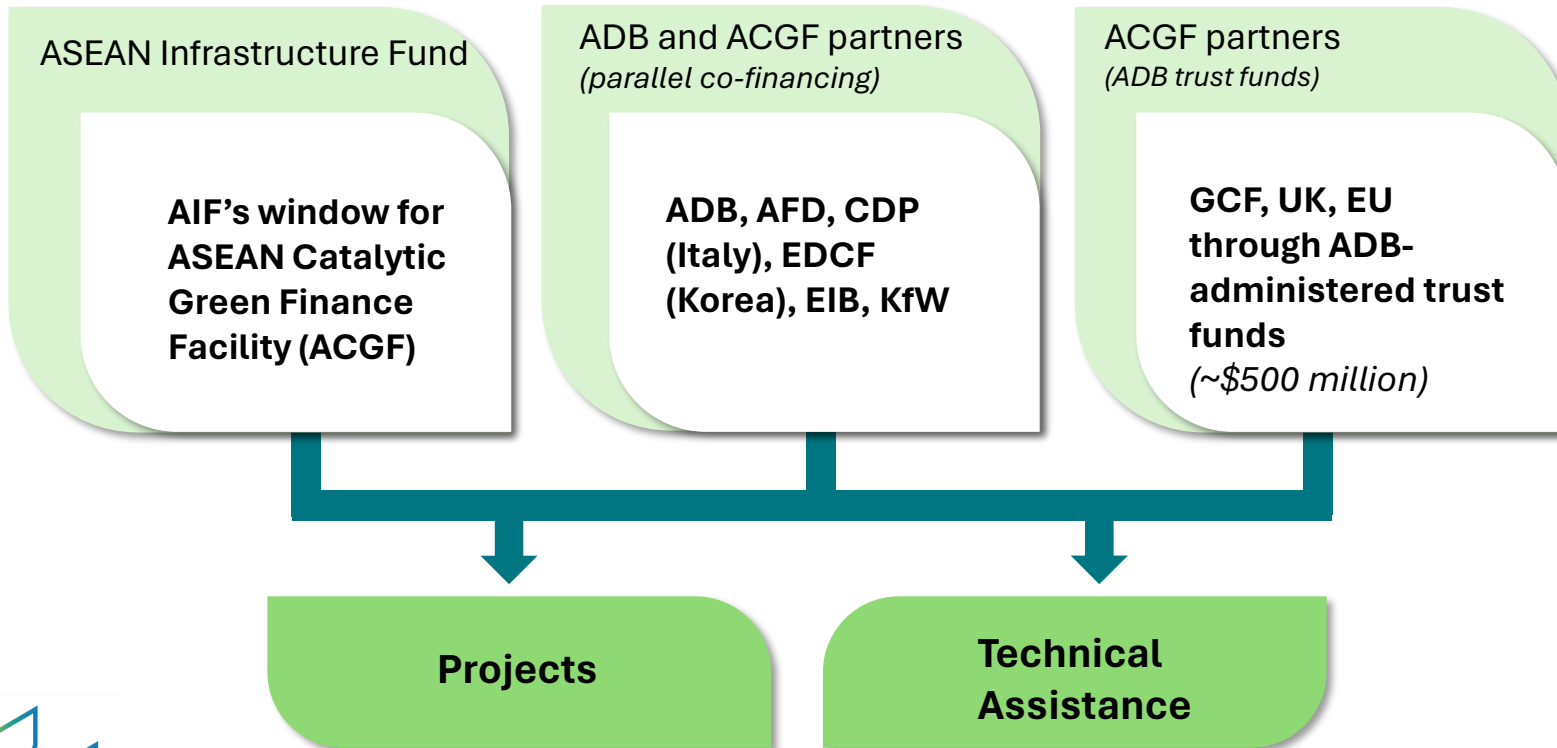
Air Quality Improvement: Country level Support

Project Name	Country	Financing	Project Type or Modality	Status	ADB Financing (US\$)	Geographical Location	Sector	Subsector
Air Quality Improvement in the Greater Beijing, Tianjin- Hebei - Green Financing Scale up Project	China, People's Republic of	Sovereign	Loan	Active	150,000,000	Nation-wide, Anhui, Beijing, Hebei, Henan, Inner Mongolia, Jiangsu, Liaoning, Shaanxi, Shandong, Shanghai, Tianjin, Zhejiang	Energy Finance	Energy efficiency and conservation Renewable energy generation - biomass and waste Finance sector development
Air Quality Improvement in the Greater Beijing-Tianjin-Hebei Region--Henan Cleaner Fuel Switch Investment Program	China, People's Republic of	Sovereign	Loan	Active	300,000,000	Nation-wide, Henan	Energy	Oil and gas transmission and distribution Renewable energy generation - biomass and waste
Integrating Lessons and Experiences from Air Quality Improvement Program in the Greater Beijing-Tianjin-Hebei Region	China, People's Republic of	Sovereign	Technical Assistance	Active	225,000	Beijing, Hebei, Tianjin	Energy	Energy sector development and institutional reform
Ulaanbaatar Air Quality Improvement Program Phase 2	Mongolia	Sovereign	Loan Technical Assistance	Closed	160,750,000	Ulaanbaatar	Energy Health Public sector management Transport Water and other urban infrastructure and services	Energy sector development and institutional reform Disease control of communicable disease Public administration Transport policies and institutional development Urban policy, institutional and capacity development

ACGF | Co-financing for green projects

ACGF (ASEAN Catalytic Green Finance Facility) is a regional green finance vehicle under the ASEAN Infrastructure Fund (AIF), owned by all 10 ASEAN member states and ADB, and managed by SE Green Finance Hub (GFH).

ACGF pools funds from ADB, AIF, donors, and development partners



ACGF-linked trust funds provide highly concessional cofinancing

Pricing:

- CAM, LAO: 0%
- INO, PHI, VIE: 0% - 0.5%

Amount:

- 15% - 25% of project cost (provided as ADB-administered cofinancing)

Criteria:

- Sovereign projects
- Contribution to climate change mitigation/adaptation (60%+ climate finance)
- Bankability
- Private sector catalyzation

SE Asia Green Finance Hub | Our support for technical assistance



Planning / policy

Support for climate investment plans and related diagnostics

Capacity building and training on innovative finance

Support for masterplans



Project concept

Market studies for climate technologies

Early-stage project concept development / pre-feasibility

Twinning partnerships



Project preparation

Project preparation & due diligence

Climate assessments & financial structuring

Support for development of PPPs

Support for issuance of Green and Thematic Bonds

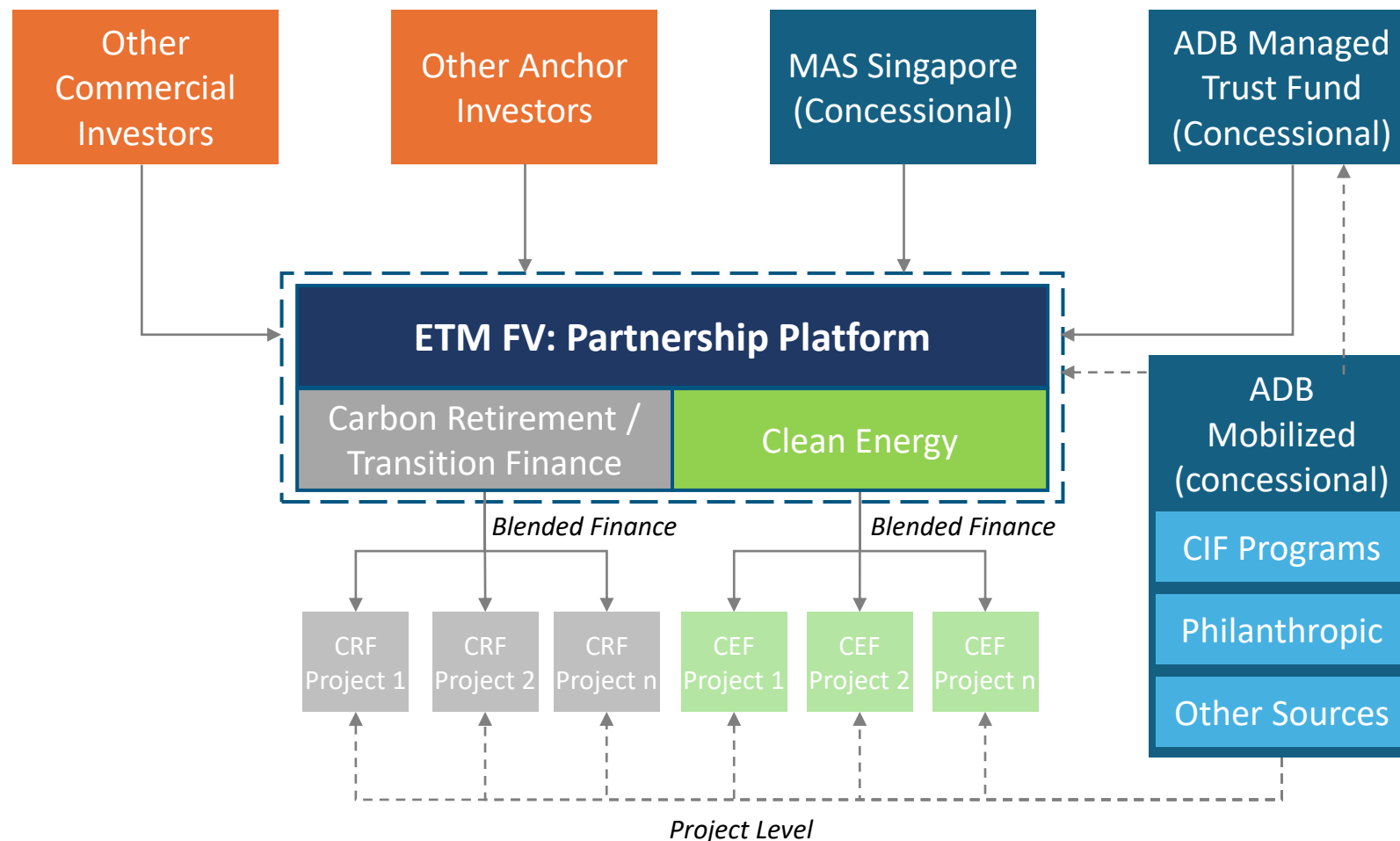


Implementatio n

Capacity support for implementation of climate change adaptation / mitigation, gender, safeguards

ETM Funding Vehicle (ETM FV): Partnership Platform

A replicable and scalable market-based platform to help accelerate the transition from carbon-based to clean power



- Singapore along with ADB and other Anchor Investors, to set up the ETM FV Co. as the Partnership Platform, with long-term capital raised upfront and an identified pipeline
- ADB will also mobilize concessional financing from other sources such as ETM PTF, CIF and other philanthropic capital e.g. GEAPP
- Other investors, with different risk profiles, risk appetite, and other requirements can participate through different forms of capital
- ETM FV Co makes debt investments on a blended basis in carbon retirement and clean energy transactions
- ETM FV Co will also explore using carbon credits for energy transition

CIF = Climate Investment Funds

Background

- ADB is committed to working with its members to achieve **net-zero emission and climate resilient economies**.
- To help achieve its elevated **\$100 billion** climate ambition, ADB needs **increased resources** and **innovative ways** of mobilizing climate finance to expand lending.

Status

- In April 2023, the Board approved the establishment of IF-CAP, a **new Financing Partnership Facility**, that will mobilize climate finance at scale through **leverage**. **IF-CAP was successfully launched at the May 2023 Annual Meeting in Incheon**.
- Under IF-CAP, participants will be invited to guarantee a portfolio of sovereign ADB loans. These guarantees will be called upon if a borrowing member country defaults. This allows ADB to **free up additional lending headroom** to accelerate climate action. It is expected that **\$1 of guarantee will unlock \$4-5 of new climate loans**. The current target is to mobilize **up to \$2 billion in guarantees**.
- IF-CAP will also offer traditional **grants** for project preparation, capacity building, and knowledge solutions.
- In September 2023 at the UN General Assembly, the **UK** announced a guarantee of up to \$300M to IF-CAP. The **Republic of Korea and Government of Japan** have indicated support through guarantee contributions. In addition, Japan will provide up to \$25 million in grants. ADB is also in advanced discussions with **Denmark, Sweden, and the United States**, with contribution amounts still subject to approval. **Australia** and **Norway** have recently expressed interest.
- The **first IF-CAP supported climate project** is expected to be committed **by Q4 2024**.

Thank You