

**Submission from people's movements and other CSOs from India
on the AIIB's Second Round of Consultation on
Energy Sector Strategy Issue Note**

March 2017

About this document: A similar group of Indian civil society organisations and people’s movements, including communities affected by power and energy projects in India, made a submission to the first round of the AIIB’s Energy Consultation in November 2016, and this document builds on, amplifies and retains continuity with that submission. Aspects and sections from the previous submission document — which are still relevant, or where the concerns previously articulated have not been addressed or rectified in the AIIB’s newer ‘Sustainable Energy for Asia’ document — have been retained. But in many cases the sections have also been updated with more information or newer concerns based on the new draft of the Energy Strategy being consulted on, and the changes made between Round 1 and Round 2. Additional sections have also been added in this second submission.

Introduction:

Issues related to energy are many and complex across Asia, and notably in India, from where this submission comes. There is a huge issue with energy access for the many impoverished peoples across India (and beyond), with many experiencing energy poverty. There are also significant problems with the national approach to energy, and the development model being implemented in the country in terms of its environmental and social impact, and its prioritisation of the corporate interests over the energy needs of poor people and the impact on the local environment.

The AIIB is likely to become an important player and influencer on energy issues and policy within India, and even across Asia. The first two officially mentioned projects which the AIIB may fund in India are related to energy. The AIIB in fact may have a significant and unique opportunity in the coming years to live up to its stated objective to be a 'green', environmentally conscious and responsible bank, and to positively influence or even transform energy policy across the region in the coming years through its lending.

There are a number of positive aspects to the draft strategy which we appreciated in the first round of comments – an explicit focus on development and acknowledgement of poverty which the bank has not commonly shown until now, of energy as a public good, and of the energy needs of poor people and communities. It is also positive that the revised strategy document acknowledges: the importance and seriousness of the risk of climate change; the importance of processes like CoP and SE4All; the need to keep temperature rise to below 1.5 degrees; that it explicitly endorses and foregrounds national and international commitments under SE4All, the

SDGs and the Paris Agreement; and aims to support member countries to deliver on their climate responsibilities. Addressing energy access needs sustainably and avoiding runaway climate chaos are clearly imperative to any viable energy future for Asia.

We also appreciate the extent to which the new draft seems in some cases to have responded to concerns raised during the first round of consultation by, for example, strengthening the exclusion of nuclear power somewhat, adding a Results Monitoring Framework and putting it for comments, adding more detail and specifics in various cases, attempting to assess and build in lessons learned by previous Multilateral Development Banks (MDBs), and an increased focus on decentralised energy solutions and approaches.

However, unfortunately our concerns remain. It has not diminished that the progressive perspective of the overarching goals and policy framework doesn't seem to fully align with and is reflected in the various details, proposals and perspectives in the strategy document at a practical and policy level, which lacks specific and measurable technical and other details on how AIIB will deliver on its progressive ambitions. Moreover, in a range of places, the second draft seems to have weakened its focus on the poor, or the commitment to really be a green bank, in, for example, the weaker language on coal and fossil fuel funding, in spite of a call from many organisations to renounce this possibility entirely, in the name of a cleaner sustainable future for Asia.

This consultation:

In this submission, we wish to once again add our voice to echo the concerns of other submissions made by like-minded civil society organisations, alliances and groupings – for

example the NGO Forum on the ADB, International Rivers Network, and various other civil society alliances from around the world. Though, many of us have somewhat different thematic, technical or area expertise, which is reflected in our submissions, we share common positions and concerns on a range of issues.

As regards the process of consultation, we do appreciate the improvement on the process when compared to the ESF consultation and the extent to which this process addresses some of our concerns. To have two rounds of consultation is a significant improvement, as there is more time to reflect and respond.

However, our concerns remain that this consultation nevertheless perpetuates similar problems to those which were manifested and critiqued by many civil society actors during the ESF consultation in 2015. We are disappointed that these have not been addressed even in the second round of consultation. Moreover, no national or in-country meetings or consultations were organised to accompany this process with any translation of the consultation document to local languages and enough time given to enable meaningful grassroots community consultation and input. This surely undermines the legitimacy of a strategy in which consultations have taken place only in a non-native language of the vast majority of the people and countries which will be impacted.

The document aims to review lessons learned by previous MDBs. It has neither proactively engaged, nor prioritised a discussion or the input of project affected communities, who have learned many hard lessons due to MDB funding until date, including some of the signatories of this submission. The bank has an opportunity to behave differently, and live up to its 'rhetoric'

of being a Southern led bank with a different approach to the Bretton Woods institutions. If it continues to focus only on online English language consultations, it will not deliver and potentially will also undermine its credibility with the very communities whose lives it wishes to improve.

Our concerns:

Our concerns stem from our longstanding engagement with communities, grassroots organisations working with the people affected by large-scale energy projects, which are financed so far by multilateral agencies, like World Bank and Asian Development Bank, bilateral agencies, and national financial institutions. Many lessons have been learned by the communities impacted by IFI lending in the area of energy and power.

Even though some areas have been diluted, we do continue to see a number of positives in the strategies such as: the focus on energy as a public good and the need to ensure access for all, the need to focus not just on business interests but the energy requirements of impoverished communities, the inclusion of pollution as an area of concern and action, the acknowledgement of the necessity to keep temperature rises below 1.5 degrees, the focus on and commitment to sustainable renewable energy, energy efficiency and the exclusion of nuclear energy.

However, we are still concerned by a number of core areas such as those already highlighted in our first submission. We are also disturbed to note that the language and commitments, like energy equality, limiting pollution, and excluding fossil fuel funding unless in the most exceptional circumstances, made in Draft 2 of the Energy Strategy reflects, in a range of places, a weakened and undermined commitment on key issues as compared to the earlier draft.

Weakening of language and commitment in Draft 2 on some key areas:

We are disappointed to see a weakening in the progressive commitments contained in the original draft issues note. In particular, we record our concern and dismay at the removal of the word 'equality', and of the laudable explicit naming of a focus on addressing 'energy poverty' and 'inequality' from the Draft 2. We are also unhappy with the weakening of language on fossil fuel funding. The new language seems designed to undermine the MDB's practice of not funding dirty power, and the commitment in draft one to only do so in exceptional circumstances.

Lessons Learned from MDBs and the Role of Civil Society:

It is certainly welcome that the AIIB sees the relevance in assessing its achievements and failings, and the lessons learned through previous MDB's lending on Energy in Asia. AIIB has attempted to document this while developing its new strategy. However, as groups, which have long observed MDB's loans and their impacts on India, we do not find the assessment and lessons to be comprehensive, meaningful, or community oriented. There is ample of expertise in civil society across Asia, and amongst communities impacted by IFI lending. Yet, neither the AIIB has engaged with these actors at all in its attempt to 'learn lessons', nor are their 'lessons learned' over decades of problematic IFI lending reflected in the document. Indeed, there is a distinctly top down approach to this assessment, and the lack of even basic attempts at community consultations is alarming. Although AIIB apparently expects to build partnerships with MDBs, private financial institutions, think tanks and academia, civil society and communities are distinctly lacking in this list, despite having clear expertise and project level

knowledge. In fact, neither the world ‘community’/‘communities’ nor the phrase ‘civil society’ (except in a box explaining the SDGs) find mention even once in the strategy, as compared to the phrase ‘private sector’, which recurs 11 times. This is arguably a telling indication of the AIIB’s institutional approach to its work, and to engaging with those most likely to be affected by its funding, i.e. communities across Asia.

Model of development:

We remain concerned that in spite of its rhetoric of being new, different, and learning from the lessons of MDBs, the model of development being promoted by the AIIB appears to be the same industrialised, environmentally-polluting version of capitalist development, and not an alternative-sustainable-decarbonised-economy and state. Instead of helping to mitigate pollution across Asia, the bank could help bring about a different approach to development.

Model of energy:

Given the impact it may have in Asia, we continue to be concerned about the model of energy which the AIIB will promote. While the draft Energy Strategy does engage in a significant and detailed broader contextualisation of the global landscape, Asian challenges, and international commitments on sustainability including SE4All, the SDGs and the Paris Agreement, yet it also continues to primarily focus on and envisage promoting a large scale mega power generation approach, instead of a sustainable, alternative, truly green approach to energy generation by supporting smaller scale, decentralised energy systems and local solutions (these have received some more attention in the renewable investment section of the second draft, a positive development).

It is widely agreed that countries of the South would be in better position if they avoid the trajectory of Western industrialised countries and end up with over-carbonised economy. Asian countries should try to develop low carbon economies, and the AIIB, through its lending, could support this alternative economic and energy model. Moreover, the cost of renewable energy such as solar is declining hugely, with record low prices achieved recently in India, opening up more potential for energy transformation in this area.

Weakened Focus on Energy Equality and Poverty:

It is disappointing and concerning to see that the First Draft's acknowledgement of the depth of energy poverty across India and Asia, of energy as a public good, and prioritisation of energy equality has been diluted in the second draft. The word 'equality' has been removed from the title of Principle One, as has the commitment of the bank to "place emphasis on reducing energy inequality". Moreover in Section 29 on the Bank's process for selecting projects, the commitment in the earlier draft to include "greater access of the poor to modern energy' as a criteria has been removed, alarmingly.

As our previous comments noted, in India many of the investments in energy generation in recent decades have promoted a model that feeds power-hungry industry, rather than prioritising the needs of poor citizens. A model which promotes and prioritises energy access and poverty as opposed to the power needs of big business and the private sector is urgently needed from an environmental and social point of view. It is disappointing and perplexing that the positive poverty and equality focus of the first strategy draft has been so clearly undermined. This area of commitment should be reinstated in the final strategy.

Limiting Pollution versus Pollution ‘Management’:

One positive aspect of the first draft which we did not fully cover in our first submission, was the focus on supporting Asian countries to address increased pollution, especially in urban areas. This is particularly relevant in India, which is suffering from a pollution epidemic, housing half of the 20 most polluted cities in the world, and not being taken seriously by the government. This is causing a health crisis, leading to many premature deaths. It is thus positive that the AIIB envisages supporting countries to address this pressing issue. However, we note the change from the earlier titled principle commitment of ‘limiting pollution’ to ‘pollution management’, a much less ambitious principle. Moreover, we would stress that rather than honing their skills at pollution management and mitigation, countries involved should in fact be transitioning and changing their economic approach to a sustainable non-polluting one. Ultimately, reducing pollution involves changing the way our economy works, which includes reducing carbon emissions, and industry’s transformation.

Role of the Private sector:

While the strategy has been modified somewhat to acknowledge concerns and evidence around risk sharing and other issues where the private sector has been involved in infrastructure financing, the Draft Strategy continues to endorse a key role for the private sector in the area of energy in Asia. The continued focus on the PPP model, ignoring the many submissions documenting negative impacts of PPP approaches globally, is concerning. Moreover, the draft policy in this area also contains a range of vague terms and phrases. What

exactly would be the “new cooperation modalities” or “innovative models” of involving the private sector? How will costs and risks be appropriately shared and distributed, and what will be deemed “appropriate measures” to mitigate and manage risks?

As mentioned in our previous submission, communities in India have seen the many negative impacts of these models. PPP has time and again led to cost overruns, excessive financial and other risks on the public side, and a failure to deliver public goods despite public money being used. Moreover, in India, when the World Bank has used an innovative Financial Intermediary approach to various lendings through IFC, this has led to opaque, unaccountable, and environmentally devastating projects taking place with communities struggling to secure justice via accountability mechanisms which are not bind upon third parties. We remain very concerned about the central role envisaged for an unaccountable, profit-oriented private sector in this strategy.

Energy efficiency:

It is indeed a positive step that the energy strategy acknowledges the role and importance of energy efficiency in avoiding runaway climate change, and the second draft gives more detail and focus on the importance of energy efficiency, and the fact that it is a cross-cutting, not standalone, thematic issue.

However, we remain strongly concerned about AIIB’s approach in this area, which may in fact lock in further power generation through dirty sources like focusing on the upgrades of fossil fuel plants for energy efficiency. This goes against many positive and progressive achievements in the area of energy efficiency, and the best practices in this emerging focus area for MDBs.

There must be a comprehensive and multi-pronged assessment of any investments from an energy efficiency point of view. The focus on energy efficiency should not be used to justify continued fossil fuel power funding.

Renewable energy and hydro power:

Clearly, the AIIB can play an important role in much needed investments in renewable clean energy across India and beyond. However, the strategy document is still not fully clear on the banks' definition of renewable energy. This is against the best practices. There must be explicit criteria for all energy sources which may be considered renewable and green. We continue to be extremely concerned that in spite of significant condemnation of this aspect of the strategy from civil society with policy expertise in this area, the strategy still envisages the AIIB's main area of investment in renewable energy as being for large hydro projects. It is noteworthy that after learning lessons — from the environmental destruction, displacement, and the disruption in communities — caused by large hydro projects, MDBs and IFIs have been moving away from promoting it in recent years.

In India, we have seen the negative impact of large hydro, funded by MDBs, over and over again, from the Narmada dam, to the many dams causing environmental strain in Himachal Pradesh and so on. We do not see large hydro or run-of-the-river projects as providing the renewable energy solution to Asia's energy needs. We suggest the bank to rethink this prioritisation.

Although we still feel that the bank must go further, it is positive that the new draft is more ambitious and focused on real renewable energy investments in the area of solar and wind .

Since last November, there have been significant developments in the area of solar power pricing in India, with the lowest recorded rate recently being agreed. This shows the enormous scope of transition towards a renewable energy mix in Asia.

Nuclear power:

It is a positive and appreciated aspect of the Second Draft that the strategy strengthens the previous commitment not to fund nuclear power. We reject nuclear power as a means of securing India and Asia's energy future as the risks and potential social and environmental costs are too high as Chernobyl and Fukushima have shown us. While we appreciate the strengthened language, we still feel the qualifying sentence, which opens the door for possibly considering funding nuclear power in the future, should be deleted.

Fossil fuels and dirty energy:

We remain deeply concerned that the supposedly 'green' bank still may end up funding dirty fuels across Asia, including coal and gas thermal plants, as it does not exclude these. Other MDBs have renounced coal funding, and the AIIB should not undermine this broader position. The bank should support governments in making the urgently needed transition to renewable energy. In reality, the second draft seems to have taken a step backwards in this regard by deleting the previous commitment that the coal and oil power plants would only "exceptionally be considered." It was reportedly deleted due to the strong lobbying by the Australian government and coal industry. This is alarming as it undermines the AIIB's stated commitment to be a clean and green bank, committed to avoiding climate catastrophe. As previously mentioned, the impact of fossil fuels, be it coal or gas, on climate change is clear. Moreover, the

environmental, social and human rights impacts of these modes of energy generation are also extremely negative. A green bank should not be funding dirty energy in Asia.

Environmental, social and other impacts:

As previously observed, many broader concerns about the environmental, social and other impacts of AIIB lending, which were raised over a year ago during the ESF consultation, have not been fully or adequately addressed by the bank, nor acknowledged in the either drafts. Strict, high, transparent and accountable standards are required if the bank is to deliver on its promises. The numerous areas of concern which were raised during 2015 — from questions of full prior and informed consent to oversight and grievance, community consultation to environmental impact — have not been addressed by the bank in this its flagship strategy document. Not on this, so far the mechanisms are yet to be put in place to deal with these. We remain deeply concerned that without adequate safeguards and regulation, AIIB's lendings on energy, where loans have already been announced and are in the approval pipeline, may have negative impacts all round in these areas.

Oversight and grievance: Lack of process and consultation:

Once again, related to the point above, even four months later, the AIIB has still not consulted upon, developed or publicised an independent oversight and grievance redressal mechanism for communities and others impacted by projects receiving AIIB funds. Communities had to fight for long to secure such mechanisms in other MDBs and IFIs. We do not appreciate AIIB's avoiding of this responsibility, or offloading it onto clients or national systems. The impacts of other IFI funded projects in India — from Narmada to GMR in Odisha to Tata Mundra in Gujarat

— have, in many cases, been devastating for communities, who have struggled to secure redressal through the mechanisms. The AIIB urgently needs to develop a credible independent accountability mechanism before doling out loans for energy or any other area. Indeed, it should be proactively engaging with project affected communities now, to enable it to genuinely learn lessons from older MDB's lendings. It is very alarming that already nine loans have been announced without any grievance process in place.

Lack of clear definitions and time-bound targets:

We remain concerned about the lack of clear definitions and details in a number of key places in the Energy Strategy. While some of the definitions given diverge from internationally accepted ones, others seem vague and unclear. Moreover, in spite of the clear and pressing need for a global energy transition in the context of the dangers of global warming and climate change and many submissions in this regard last November, the strategy still contains no binding numerical or time-bound targets. If the AIIB truly wants to be a credible leader on sustainable energy, it should have clear, specific, ambitious and measurable goals and targets in this area (for example of year on year increase in renewable energy funding, the per cent of its funding which goes to renewable energy etc.), as should national governments. While the inclusion of a Results Monitoring Framework is a positive step in the right direction, it does not contain clear targets and is currently inadequate as a comprehensive monitoring framework.

Conclusion:

As a cross-section of Indian civil society and communities who have witnessed the multiple destructive impacts of energy projects across Asia over recent decades — environmental,

climactic, social, and human rights, amongst others — we are firm in our belief that another alternative, truly sustainable approach to energy is possible across India and Asia.

While we continue to see some strains of that alternative reflected in the Draft Energy Strategy, we are also alarmed that a lot of the changes we observe from the first to the second draft appear to involve weakening and undermining some of those strengths of the previous draft, including the focus on reducing energy inequality as a key objective, and the contentious issue of funding for fossil fuel power generation.

We remain concerned that as per the current strategy, the AIIB could end up continuing with a business as usual approach to funding energy across Asia. This would involve large scale industrialised energy approaches causing environmental destruction, pollution and climate chaos through dirty power, instead of focusing on community solutions and increasingly viable renewable energies like solar, wind etc.

However, we hope that the AIIB will instead live up to its declaration of being green and sustainable, learning lessons from the past and forging new energy paths for Asia, such as in solar and wind, and in decentralised energy approaches with a community focus.

It is a matter of concern that so far the AIIB has not reached out to project affected communities, or those in areas where it may be funding projects. It must, in this context, begin to finally engage in meaningful conversations with communities who may be affected across the region, and/or communities who have already been negatively impacted by energy projects in recent years, to ensure it does not repeat similar mistakes as those of other IFIs and MDBs

over the past decades. These lessons can only be learnt by engaging with the communities directly impacted, and not by only reading MDB's own reports and evaluations.

A progressive possibility still remains for the AIIB to promote different alternative sustainable energy approaches across Asia by supporting countries to develop fully sustainable energy strategies by focusing on solar and wind rather than on large hydro and fossil fuels, and by addressing energy access needs for impoverished people in Asia as opposed to prioritising increased generation for the private sector's consumption.

In the current Energy Strategy Draft, there are strains and echoes of the traditional, environmentally disastrous development approach, and that of an alternative sustainable one.

It remains for the AIIB to fully decide and commit to doing things differently if it wants to bring its rhetoric to reality and help transform the lives of millions of people across Asia positively.

Submitted by:

1. National Alliance of People's Movements
2. Narmada Bachao Andolan, Madhya Pradesh
3. Bharat Jan Vigyan Jatha
4. All India Women Hawker Federation
5. National Hawkers Federation
6. Peoples Movement against Nuclear Energy
7. Indian Social Action Forum
8. Indian network on Ethics and Climate Change
9. North East People's Alliance

10. International Rivers South Asia
11. Environment Support Group, Bangalore
12. Matu Jan Sangathan, Uttrakhand
13. Nadi Ghati Morcha, Chattisgrah
14. POSCO Pratirodh Sangram Samiti, Odisha.
15. The Research Collective, New Delhi
16. Centre for Financial Accountability, New Delhi
17. Institute for Democracy and Sustainability, New Delhi
18. Machimar Adhikaar Sangharsh Sangathan, Gujarat
19. Srijan Lokhit Samiti, Madhya Pradesh
20. Public Finance Public Accountability Collective (PFPAC), New Delhi
21. Indigenous Perspectives, Manipur
22. Khan Kaneej Aur Adhirkar, Jharkhand
23. Chennai Solidarity Group, Chennai
24. Healthy Energy Initiative-India, Chennai
25. Teeradesa Mahila Vedi, Kerala
26. Manipur Cycle Club, Manipur
27. Intercultural Resources, New Delhi
28. Society for Rural Urban & Tribal Initiative (SRUTI), New Delhi
29. Delhi Forum, New Delhi
30. Bargi Bandh Visthapit Sangh, Madhya Pradesh
31. Chutka Parmanu Virodhi Sangharsh Samiti, Madhya Pradesh