

Re: AIIB's 2022 Energy Sector Strategy Update

Open Statement on Collective Concerns

15th July 2022

We, the undersigned civil society groups from across Asia, the Levant, Europe and the Americas are advancing the following key points of concern in relation to the Asian Infrastructure Investment Bank's (AIIB) Energy Sector Strategy Update, specifically in light of the opaque drafting process underway and the absence of meaningful opportunities for public engagement.¹

I. Process for the Energy Sector Strategy Update: Neither Inclusive Nor Meaningful

While we acknowledge that the AIIB management extended the deadline for public submissions of written comments and scheduled a series of online discussions, we firmly reiterate our shared perspective that the compressed nature of the period for public comment – including the *ad hoc*, last minute set of virtual consultations – has not provided the space for meaningful and inclusive dialogues between diverse sectors of civil society across the institution's membership and the responsible Bank representatives.² Our reasons for raising concerns about the process at hand are numerous,³ but include:

- the overarching constraints of such a short timeframe for public comment on the proposed revisions to the Bank's Energy Sector Strategy (leaving limited realistic possibilities for interested local, national or regional groups to effectively gather and provide perspectives from their respective constituencies);
- the lack of commitment to host online discussions with simultaneous translation into regionally relevant languages (necessary to open up clear possibilities for representatives of civil society groups to participate – most especially from across Asia and the Levant where energy financing has been concentrated to date);
- the lack of outreach about the '[virtual consultation](#)' sessions scheduled at the end of June/early July to civil society constituencies by the responsible AIIB personnel,

¹ On 19th of May, during the online session on the Energy Sector Strategy Update hosted by the AIIB, civil society groups read out a [joint open statement](#) of collective denunciation to affirm the perspective that the one-off one hour 'public consultation' session was in no way considered a meaningful or inclusive space for discussion and dialogue with diverse civil society groups from across the AIIB's membership on the subject of the bank's growing energy sector portfolio. The statement can be read [here](#) and the accompanying press release [here](#). In addition, following the notification that the AIIB intended to extend the deadline for public input and open up virtual consultations from June 23rd to July 6th, we issued two separate follow-up letters (June 13th and 21st, respectively) outlining [concerns](#) and [recommendations](#) to the AIIB. Though we had hoped to engage in good faith during the virtual consultation sessions set up by the AIIB at that time – despite the extremely short prior notice and the fact that several of the questions related to participation remained unfulfilled – we made the collective decision after joining the first set of sessions allocated for 'general discussion' to refrain from joining subsequent sessions. Details explaining the rationale for our absence were outlined [in a letter](#) to the AIIB Management and Board, for which we have yet to receive a response as of 4th July, 2022.

² See for example: NGO Forum on ADB, "[Follow Up Correspondence Concerning the 2022 Energy Sector Strategy Update](#)" (28 Jan 2022); "[Collective Call for a New Forward Looking AIIB Energy Sector Strategy](#)" (15 February 2022), and "[Re: AIIB's Call for Public Input on the Energy Sector Strategy Update](#)" (2 May, 2022).

³ See for example: NGO Forum on ADB, "[Follow Up Correspondence Concerning the 2022 Energy Sector Strategy Update](#)" (28 Jan 2022); "[Collective Call for a New Forward Looking AIIB Energy Sector Strategy](#)" (15 Feb 2022), "[Re: AIIB's Call for Public Input on the Energy Sector Strategy Update](#)" (2 May 2022), "[AIIB's Extended Deadline for Public Input on the Energy Sector Strategy Update](#)" (13 June 2022), "[Re: AIIB's Virtual Consultation Sessions on the Energy Sector Strategy Update](#)" (23 June 2022) and "[Re: Virtual Consultations Hosted by AIIB on the Energy Sector Strategy Update](#)" (28 June 2022).

evidenced by the fact that participation in the initial sessions was highly limited to a small number civil society groups;

- the absence of time set aside to listen directly to people already affected by AIIB's energy sector investments and consider their recommendations for moving forward;⁴
- the absence of time allocated for civil society groups to engage with responsible staff on questions related to regional nuances in the AIIB's energy sector portfolio or to associated portfolios (including support for energy projects via on-lending facilities or in the urban sector), and
- the apparent absence of willingness to address specific questions on (i) the gendered implications of energy sector financing and future/planned projects in the pipeline, and (ii) the critical lack of attention to gender considerations in the overall energy sector portfolio of the AIIB to date (underscored by the fact that no time was allocated for dialogues with civil society on these issues as requested – nor was any gender specialist staff present during the 'virtual consultations').

Critically, at this time there remains a lack of clarity on how – or even if – external comments from civil society will receive a response from the AIIB management or be taken into account in the final iteration of the text.⁵ We therefore reiterate our call for the AIIB management to publish a summary of comments received – during online interactions and in writing – alongside responses from the AIIB management.⁶ In addition, we urge the AIIB to release a revised draft of the updated Energy Sector Strategy in the months ahead that would be open for a period of public comment prior to Board approval. Despite being overdue, we also urge the AIIB to publish clear information on the expected timeline of the process for revising and approving the updated Energy Sector Strategy.

The lack of public disclosure and meaningful consultation on the part of the AIIB – as a multilateral financial institution with a development mandate – extends to the processes surrounding the Bank's project-related operations. Despite the significant long-term repercussions on peoples' lives and livelihood prospects⁷ as well as on ecological health and economic resilience, information publicly available on the AIIB's website about the projects financed are often vague, and in some cases heavily redacted (examples include the [BDMG Renewables and Asia Connectivity Facility](#) and the [Solar IPP Equity Investment](#)), thereby limiting options for timely public review and any meaningful opportunities for affected communities to informed, let alone raise questions prior to project approval.

Going forward, we urge the Bank to:

⁴ In the event of follow-up public consultation opportunities on the current or revised draft of the Energy Sector Strategy Update, we would urge the AIIB management to consider arranging in-person discussions at the soonest possible date in order to enable a more robust, meaningful engagement with interested civil society groups across the regions.

⁵ Notably, it does not appear the AIIB has sought to follow similar online public consultation processes on policy revisions that have been recently initiated by peer MDBs (such as those of the ADB, which typically span over several months and enable both written as well as discussion-based inputs).

⁶ See for example, the matrix published by the Asian Development Bank over the course of their Energy Policy review last year: "[Summary of Comments from Stakeholders](#)" (15 July 2021).

⁷ Although this document refers to 'people' and 'communities' as being affected by AIIB's projects and investments, these categories should not be understood as monolithic; in particular as the depth of social, economic, energy, environmental and climate injustice experienced differs between and within communities and households, dependent on such intersectional factors as gender, economic class, ethnicity/racialization, age and able-bodiedness.

- (i) increase transparency in policy revision processes⁸ and project-related matters (including for financial intermediary facilities and capital market investments), and
- (ii) be accountable and responsive to the concerns of project-affected communities and broader civil society actors across the Bank's membership, and

II. Draft Text of AIIB's Energy Sector Strategy 2022 Update: Overarching Concerns

As the deadline towards aligning the Bank's financing with the Paris Climate Accord draws closer, we urge the AIIB to consider the 2022 updating process as an opportune moment for the AIIB to ground its Energy Sector Strategy in the urgent and most up to date recommendations of climate science as articulated by internationally accepted assessments such as those provided by the [Intergovernmental Panel on Climate Change](#), the [World Meteorological Organization](#) (State of the Global Climate Report) and the UNEP annual [Production Gap Report](#).⁹

Now is the time that the AIIB can take the cue from member states that are already leading the way towards fossil fuel-free futures,¹⁰ including those that have joined the "[Beyond Oil and Gas Alliance](#)". We would therefore expect **an update to the Energy Sector Strategy to outline clear time-bound plans for a rapid pivot away from supporting or facilitating fossil fuel dependent developments, ruling out further support for coal, oil and gas related infrastructure while phasing out current investments in fossil fuels (inclusive of associated facilities as well as utilities), and any support to companies that are not do not have a scientifically sound, time-bound plan to power-down carbon-intensive activities in line with the recommendations of the Intergovernmental Panel on Climate Change (IPCC) to limit global warming to 1.5C (P1 Scenario)**.¹¹ In the meantime, all options for financing distributed, decentralized and appropriately scaled renewable energy systems should be exhaustively examined.

III. Towards Climate and Human Rights Due Diligence

From our perspective, an Energy Sector Strategy fit for purpose would unequivocally provide clear assurances that **all proposed investments will be screened prior to approval to verify compliance with international human rights based standards¹² as well as the spirit and ambition of the Paris Agreement**.¹³ Such a proactive approach would rule out several proposed investments in the AIIB pipeline. For example, projects such as the proposed

⁸ This should include future updates to the Energy Sector Strategy, the Environmental and Social Framework and the Project Affected Peoples' Mechanism Policy.

⁹ For example, among the most relevant conclusions of the [Production Gap Report](#) (released in October 2021) for the AIIB to consider is the unequivocal affirmation that "to avoid locking in levels of fossil fuel supply that are inconsistent with climate goals...there should be moratoria, bans, or limits on all or certain types of fossil fuel exploration and extraction (such as offshore or unconventional drilling) or infrastructure (such as oil pipelines or liquefied natural gas (LNG) terminals)." (See pg 69)

¹⁰ Notably, according to a recent peer reviewed study in [Nature](#), most of the coal, oil and gas reserves already tapped must remain in the ground if we are to have a 50% chance of limiting global warming to 1.5°C. According to the study's authors: "This implies that most regions must reach peak production now or during the next decade, rendering many operational and planned fossil fuel projects unviable". See: Welsby, D *et al.*, "Unextractable fossil fuels in a 1.5 °C world," [Nature](#), 597 (7875), 2021.

¹¹ This can be verifiably put into practice by applying the most up to date internationally recognized independent screening criteria, the "[Global Coal Exit List](#)" or the [Global Oil and Gas Exit List](#).

¹² This should at a minimum include: all UN Conventions, the UNDRIP, the UN Guiding Principles on Business and Human Rights, the Core Conventions of the ILO as well as ILO Convention 169.

¹³ Based on a meeting during COP26 in Glasgow, AIIB management confirmed to members of civil society groups that a strict screening process is in place before projects are admitted into the pipeline. Going forward, such screening processes should incorporate factors related to assuring the provisions of the Paris Agreement are not undermined (including its preamble) and that all projects are socially, economically and environmentally sound.

Meghnaghat Unique Gas Power Project in Bangladesh and the 280 MW Nenskra Hydropower Dam¹⁴ in Georgia are both considered by civil society groups to jeopardize the livelihood rights of local communities. Furthermore, we reiterate our call for the **AIIB to integrate a Zero Tolerance provision on reprisals directly within the text of the AIIB Energy Sector Strategy Update**.

In addition, from our experience, **cross-border pipelines and transmission lines to transfer fuel and electricity have the potential to escalate major energy, physical and water and land insecurities** for communities living in border zones, for instance in cases of territorial disputes or in case of accidents such as pipeline bursts or leakages. Reliance on large-scale centralized energy developments required for importing/exporting power can also end up exacerbating national debt burdens, especially in cases of infrastructure cost overruns and long unanticipated construction delays. It has also become increasingly clear that **dependency on imported sources of power and fossil fuel resources in fact increases the vulnerability of nation states to global economic shocks**, in some cases leaving local populations on the brink of widespread socio-economic despair, as witnessed currently in Sri Lanka.

We note the absence of any references in the draft update of the Energy Sector Strategy to the precautionary principle that would explicitly elaborate aims to avoid complicity with – or exacerbating – conflicts, gross human rights violations, and severe economic disparities within and between member countries as well as the grabbing of land, resources and territories from Indigenous Peoples and local communities. Furthermore **we reiterate the call issued to the AIIB to incorporate a “No Go Policy”** into its Environmental and Social Exclusion List—and accordingly reference it explicitly in its updated Energy Sector Strategy -- to bar direct or indirect support for energy sector infrastructure that would encroach on any Indigenous Peoples’ and Community Conserved Territories and Areas where the free, prior, informed consent of Indigenous Peoples and Local Communities has not been obtained, or that would threaten protected or at-risk ecosystems, free-flowing rivers, habitats with endemic or endangered species, or intact primary forests and vulnerable, secondary forest ecosystems (for a more comprehensive list of “No Go Areas,” see [“The Banks and Biodiversity No Go Policy”](#)).

Furthermore, with the expansion of renewable energy and flows of transition finance, there is an increasing shift of resources towards investing in infrastructure related to expanding transition mining extraction, refining and export. However, given the related risks to human rights (including health, access to water and land, as well as reprisals for speaking out) and the potentially ecocidal consequences, **we urge the AIIB to firmly identify that no direct or indirect financing (including via capital investment or financial intermediary facilities) will be diverted under any circumstances to transition mining ventures, companies or associated facilities, nor to its export (overland or by sea), or to support for exploratory drilling.**

IV. Re-Assessing Priorities of the Draft Update to the Energy Sector Strategy

We urge the AIIB management and shareholders to re-visit the overarching priorities enumerated in the current draft text of the Energy Sector Strategy and clarify its applicability

¹⁴ See the profile for example by CEE Bankwatch: “Nenskra Hydropower Plant in Georgia.” Accessed online: <https://bankwatch.org/project/nenskra-hydropower-plant-georgia>.

to non-regional member countries. The text should be clear from the outset that support channeled to the energy sectors of all borrowing member countries (regional and non-regional) will be part of an overarching response to the dire energy, climate, health and economic crises faced at this time, in line with international human rights jurisprudence and global climate commitments. **Specifically, the AIIB must support an unequivocal shift away from not only reliance on fossil gas but also on the resource-intensive infrastructure build-out required for mega-dams. In addition, under no circumstances should financing for the operations, upgrading or associated facilities of nuclear generators be considered.**

Access to energy should not come at the price of sacrificing peoples' basis of social, economic and cultural survival through land dispossession, loss of access to critical sources of water, or food. Accordingly, the AIIB should fully take into consideration the perspectives and recommendations of affected communities, with particular attention to systematically marginalized groups, including – but not limited to – Indigenous Peoples, ethnic minorities, women and self-identified LGBTQI2S+ people, in relation to planning project design, implementation, monitoring and evaluation stages.

In line with the purpose of developing infrastructure suitable not just for today but also tomorrow, **the AIIB has a clear role to play in mobilizing resources for the infrastructure required to develop distributed, decentralized renewable energy systems that can be owned and directly operated by local communities. Critically, project affected communities' rights to access effective remedy as and when needed through local grievance redress mechanisms alongside the Project-affected People's Mechanism (PPM) need to be upheld without exception.**

V. On the Energy Sector Strategy's Draft Guiding Principles

- In relation to the transition to low carbon energy supply, we urge the AIIB to elaborate specific conditionalities for the category of renewables from the outset (excluding large-scale hydropower dams, waste-to-energy incineration and nuclear power sites) and specify support to enabling infrastructure as that which focuses on (i) scaling-up of decentralized, distributed renewable energy systems, and (ii) transitioning grid technologies to ensure uptake of variable renewable energy.

It is critical that the AIIB take into account the latest climate consensus that developing new fossil gas infrastructure is neither compatible with a 1.5C trajectory ([IPCC P1 Scenario](#)), nor with the imperatives of the Paris Agreement, and consequently drop fossil gas as well as related fuels (such as blending green and blue or gray hydrogen) from any consideration as low-carbon fuel sources or as a 'bridge fuel'.

We also urge the AIIB to ensure any financing channeled towards climate adaptation/mitigation or the energy transition is centered upon considering guidance and leadership from civil society, including labor unions and groups representing – and advocating with – project affected communities, including – but not limited to – those led by Indigenous Peoples and ethnic minority groups, as well as by women and self-identified LGBTQI2S+ people.

- In the current context of drying and dewatered riverbeds, flash floods, rising sea levels, and unpredictable extreme weather events, access to energy security will not come from a build-out of resource-intensive infrastructure relying on maladaptive centralized systems, fossil fuel dependency or extractivist based solutions that undermine local community bases of survival. In this regard, we urge the AIIB to update references to energy access and security, focusing on investments in decentralized, appropriately-scaled renewable energy systems that meet the expressed needs of local populations.
- In relation to energy efficiency, we urge the AIIB to consider financing rehabilitation and upgrading options solely in cases of current operating wind, solar or water powered projects (i.e. non-nuclear, non-hybrid and non-fossil fuel dependent systems) with the full involvement and consent of surrounding communities. The AIIB must categorically avoid providing support to utilities for upgrading or extending the life of fossil fuel reliant infrastructure. In addition, any 'efficiency' related financing should provide assurances that measures taken will not lead to cuts in basic services or undermine worker and community rights to health and safety.
- If deploying financing intended to limit and mitigate local and regional pollution of existing sources of energy, we urge the AIIB to provide clear assurances that waste-to-energy incineration or any other burning technologies will not be supported for the purposes of waste management or energy generation¹⁵ (given for example, the range of toxic pollutants, including dioxins, typically released from incinerators into surrounding areas, affecting people and contaminating the environment), and to also exclude support for: installing emission control technologies or carbon capture pilots in existing coal, oil and gas projects, the clean-up of tailings from transition mining or other environmental contaminants related to mining production chains (including smelting), or installing the infrastructure required for large-scale carbon capture schemes. Standards on pollution should be set according to international benchmarks, including but not limited to the Basel, Rotterdam, Stockholm and Minamata Conventions, with access to information protections – at a minimum – in line with the UNECE Aarhus Convention. In addition, the AIIB must provide clarity to ensure no derogation from the “polluters’ pay” principle, and that affected communities’ rights to remedy and reparation will be upheld.
- Based on years of monitoring the support lent by multilateral development banks (MDBs) to the private sector, we contest the assumption that privatization of energy services and power generation leads to positive outcomes for the public. Far too often, private sector oriented measures burden populations with services that are high cost, cut corners on compliance with environmental and labour protections, fail to uphold standards of transparency and are typically unresponsive to public grievances. In cases where the AIIB plans to mobilize private sector investment for energy, including via capital markets and financial intermediaries, we urge the AIIB to undertake full due

¹⁵ Notably, in both [the U.S.](#) and [the E.U.](#), waste-to-energy incineration is considered amongst the dirtiest sources of energy on the grid. Without exception, building new incinerators can therefore not be considered an environmentally, socially or logically sound investment.

diligence to unequivocally screen out any prospective corporate partners that have track records of involvement in:

- gross human rights violations,
- flouting environmental laws and regulations,
- complicity in current military operations and occupations¹⁶ (within states and extraterritorial),
- violating MDB safeguards, or
- open/unresolved cases filed against them under other MDB Independent Accountability Mechanisms or a National Contact Point of the OECD.

It is also imperative that the AIIB undertake screening throughout the project cycle, including initial stages of strategic programming, to ensure projects financed and supported as well as associated facilities are designed to be fully compliant with the [IPCC's P1 Scenario](#) to limit global warming to 1.5C.¹⁷ Similarly, no new partnerships with clients that have an established carbon-intensive portfolio (e.g. those involved in still developing coal, oil and gas assets and/or no immediate, credible, timebound plans to align with a 1.5C trajectory) should be approved – until and unless the client engages in clear, corrective and time-bound action to transition it's portfolio away from fossil fuel dependence and lock-in.

- Support for regional, cross-regional and long-distance domestic connectivity infrastructure as elaborated under the current draft fails to address health, ecological, economic and geo-political risks at stake, in particular in light of inter-state conflicts, border disputes and the market volatility of fuel. As outlined above, cross-border energy trade relies on centralized, resource-intensive infrastructure, which is neither adaptive to the realities of the climate crisis, scaled to meet the needs of people for affordable, appropriate, reliable and sustainable energy sources, nor economically sound. We therefore urge the AIIB to – at a minimum – adopt clear guidelines to which clients must adhere in handling accidents such as spills, leakages and pipeline bursts, and develop specific procedures to deal with the loss and damage to peoples' lives and environments, fully recognizing and respecting the right to effective remedy and reparations.

VI. On the Energy Sector Strategy Proposed Implementation Process (Sectoral Approach and Cross-Cutting Issues)

We note the lack of any clear timeline identified in the Implementation Section of the draft text for an expected future revision of the Energy Sector Strategy in the text and urge the AIIB to provide greater written clarity on when the Strategy will be expected to be opened up for a full review (as opposed to an update), inclusive of a meaningful period for public comment and input. The specific suggestion in this section of the draft text that revisions would take into account ways to “facilitate better use of fossil fuels,” such as through carbon capture and

¹⁶ In this regard, we note that despite placing direct project financing to Russia and Belarus on hold, the AIIB has yet to apply the same stance towards engaging in business with companies that identify Russian businesses, oligarchs or politically exposed persons as major shareholder, or offering support to companies controlled by Russian entities in third countries, such as those for the energy sectors in Central Asia and the South Caucasus.

¹⁷ For more details, see IPCC's Special Report on [Global Warming of 1.5C](#) (2018).

storage (CCUS), is particularly alarming. As verified by the recent IPCC Assessment 6 reports, the best chance we have of limiting global heating to 1.5C would rely on limited or no use of engineered carbon capture technologies. It is therefore not a viable or credible adaptive response to the climate crisis now – or in the future.¹⁸ We are also concerned by the apparent willingness of the AIIB management to simply support member countries in meeting NDCs and long-term low greenhouse gas emission development strategies – effectively following a business-as-usual pathway. We therefore urge the Bank to step up its ambition and avoid offering direct or indirect support for projects that will hinder – rather than facilitate – local, national and regional just and sustainable energy transitions.

Decentralized Systems Reliant on VRE, Not Resource-Intensive Cross Border T&D

- As outlined above, we urge the AIIB to **focus on supporting resilient power systems that are decentralized, rely on variable renewable energy (VRE)**, and can be community owned and operated, building confidence in local energy security and respecting local communities' / Indigenous Peoples' rights to lands, territories and resources.

Support to Utilities and Generators Conditional of Meeting Timebound Phase out of Fossil Fuel Dependency

- We urge the AIIB to explicitly **require all energy subprojects supported via on-lending facilities and equity funds be publicly disclosed prior to site development (including clearly informing affected communities of the AIIB's involvement, ESF standards, and rights to access the Project-Affected Peoples' Mechanism alongside any local grievance redress mechanisms)**, as well as to explain how these subprojects will contribute to meeting the [IPCC P1 Scenario](#) (no or limited overshoot of 1.5°C).¹⁹

In addition, the AIIB should require all support to utility companies to be conditional upon clear timebound phase out plans of all fossil fuel energy sources, to be evaluated over the course of the project lifecycle to ensure compliance. Support to generators and utilities that have yet to phase out coal should be ring-fenced, so as to ensure AIIB's support is not complicit in maintaining coal operations.

Energy Transition Should Not Undermine the Basis of Community Survival

- Notably, the AIIB has already explicitly excluded the financing of large hydropower projects from financial intermediaries in some on-lending agreements. We urge the AIIB to move beyond this limited commitment by **undertaking a full reconsideration of its overarching support for hydropower infrastructure, including its unconditional identification as renewable energy**. Specifically, investments in building out infrastructure required for new impoundment, pumped-storage and run-of-river hydropower dams and associated facilities should no longer be considered part of the AIIB's 'low-carbon' portfolio. Furthermore, we urge the AIIB to review and withdraw from proposals for those dams currently identified in the Bank's pipeline at this time given the social, economic, environmental, climate-related and reputational risks

¹⁸ See for example: CIEL, "[Confronting the Myth of Carbon-Free Fossil Fuels](#)" (July 2021) and CNBC News, "[Shell's Massive Carbon Capture Facility in Candada Emits Far More than it Captures](#)" (24 Jan 2022).

¹⁹ While we recognize that the updates to the "Joint MDB Framework for Paris Alignment" as of 4th Q 2021 address FI lending, we are urging the AIIB to take these steps beyond what is already stipulated as minimum adherence to Building Blocks 1 and 2.

already noted by civil society groups in the respective member countries.²⁰ Hydroelectric dams of varying scales, whether built on mainstream or tributary rivers, have consistently been shown to impose incalculable losses and damage for the people and ecosystems around, upstream and downstream of the project sites, and as such should not be considered part of an economically, socially or environmentally sound option for transitioning away from fossil fuel dependency. Indeed, long periods of drought or heat waves can lead to power outages due to dam reservoirs running dry, while torrential rainfalls or flash floods can lead to technical failures with devastating consequences for people living downstream. This means that dams cannot provide reliable, sustainable sources of power in the current context of climate change.²¹

- We note the reference to supporting “innovative and transformative projects” in the name of the low carbon energy transition, and would understand this category may include floating solar power infrastructure, large-scale wind farms and piloting green hydrogen production. However, it has become increasingly clear that these projects can lead to unsustainable extraction of ground and surface water as well as loss of access to land, territories and resources relied upon for survival by local communities.²² We therefore reiterate the critical importance that any piloting of new technologies should focus on decentralized, appropriately scaled, and economically, socially as well as environmentally sound projects that are dependent upon renewable energy sources (with no reliance on fossil fuel-related infrastructure).
- We urge the AIIB to **recognize that large-scale geothermal plants are highly site-specific and as a result, are often associated in the regions of the Bank’s borrowing members with loss of local peoples’ access to land/territories and clean water, along with serious health and environmental consequences.** Exploratory drilling and development of geothermal power plants, for example, can trigger land subsidence due to the heavy extraction of groundwater. In addition, noxious gas leaks from open wells can have deadly consequences for residents living nearby.²³ Once operating, geothermal plant emissions and effluent can contaminate the air, water and land with hydrogen sulfide gas, as well as boron, arsenic, and mercury, causing chronic health problems for people living in the surrounding area and devastating local crop cultivation.²⁴ According to statistics compiled by the Business and Human Rights

²⁰ This recommendation is reflective of the consensus advanced by several UN Special Rapporteurs in a recently issued “*Joint Statement on the Human Rights of People Affected By Dams And Other Water Infrastructure*,” which called on “the World Bank and other financial institutions to take into consideration the serious social and environmental impacts of large dams, with the corresponding risks of unsustainability and socio-environmental inequity that they entail,” and recommended instead supporting: “the development of the many available alternative strategies and technologies that are truly sustainable and consistent with human rights-based approaches, particularly in the area of sustainable energy sources”.

²¹ For more information, see for example: “Rivers for Climate Declaration: A Global CSO Statement,” November 2021 ([accessed online](#)) and “Rivers for Recovery: Protecting Rivers and Rights as Essential for a Green and Just Recovery,” 2020 (International Rivers and Rivers without Boundaries, [accessed online](#)).

²² For example, typically green hydrogen is ‘blended’ with blue or gray (fossil fuel based) hydrogen when scaled up, is reliant upon intensive uptake of water resources as well as vast expanses of land, and cannot be transported through repurposed pipelines due to its volatile composition. See: Corporate Europe Observatory, “[The Reality of EU Green Hydrogen Import Plans](#)” May 2022.

²³ See for example: JATAM, Trend Asia, and #BersihkanIndonesia, “[Inviting Disasters: A Preliminary Portrait of Extractive-Dirty Energy Investments and The People’s Safety in Disaster-Prone Areas of Indonesia](#),” April 2021.

²⁴ See for example: IWGIA, “[The Impact of Renewable Energy Projects on Indigenous Communities in Kenya: The cases of the Lake Turkana Wind Power project and the Olkaria Geothermal Power plants](#),” Feb 2020, and Setyawati, D., “[Injustice and environmental harm in extractive industries and solar energy policies in Indonesia](#),” *International Journal for Crime, Justice and Social Democracy*,” 2021.

Resource Center, specific risks associated geothermal project developments that should be duly considered include: violations of local communities' rights to access information and life-sustaining resources (e.g. land and clean water), violent reprisals when community members raise concerns, including intimidation, threats and arbitrary detention, and poor track records with regards to respect of labour rights.²⁵

Unequivocally Rule Out Support for Coal, Oil and Gas Dependency

- While we appreciate the commitment to avoid financing for new coal-fired power and heating plants as well as projects related to coal, including associated facilities, we urge the Bank to close off any loopholes for supporting efficiency measures in utilities and distribution systems which would in any way support the extension of the life of coal power project operations, condone any further expansion of national coal fleets, enable financing of coal co-fired facilities, or be used to justify continued coal mining operations.
- We urge the AIIB to clarify that any pooled financing provided for early retirement of coal projects would not undermine the IPCC's recommendations to limit global heating to 1.5C (including avoiding expanding fossil gas-related infrastructure or facilities), or jeopardize national climate commitments. Support should instead be directed towards the scaling-up of distributed variable renewable energy systems. The process of closure for coal power plants should provide assurances of sustained support for restoring health of local communities, workers and surrounding ecologies, re-distribution/re-allocation of lands to ensure rightful return to community, access to grievance/redress mechanisms, and full respect for negotiated agreements resulting from workers' collective bargaining.
- We also urge the AIIB to re-consider the outdated assumption that 'clean and reliable' energy can be provided to isolated locations by deploying oil-reliant hybrid systems or oil-fired power generation for isolated locations. Dependence on oil is neither clean nor sustainable. Most especially in light of the environmental havoc and devastating human health consequences of oil leakages or spills, the AIIB should **unequivocally avoid any further promotion of oil-powered systems.**
- We remain alarmed by the suggestion that the AIIB will continue to support LNG terminals, storage and transmission pipelines as well as gas-fired power generation and distribution facilities. In no way is it possible for the AIIB to undertake such support for gas infrastructure build-out, without undermining the scientific consensus on the urgent need to power-down current fossil fuel dependent infrastructure. Building new gas powered projects and infrastructure for importing gas will lock countries into dependency on expensive, polluting fossil fuels, jeopardizing not only the health and well being of entire populations for years to come, but also national economic stability, local marine, river and land based ecosystems, and the chances of meeting global climate commitments. **We therefore urge the AIIB to re-assess and withdraw**

²⁵ See for example: Business and Human Rights Resource Center, "[Investor Snapshot: Geothermal Energy & Human Rights](#)" (accessed online: September 2018).

overarching support for any gas-related investments in light of the current climate, geopolitical and economic realities.

Any Nuclear Investments Are Unacceptable

- It is imperative that the AIIB unequivocally **clarify that the Bank will not – under any condition – consider support for nuclear power plants, associated infrastructure or services.**

Climate Change, GHG accounting and Paris Alignment

- Although the update to the Energy Sector Strategy acknowledges impacts of climate change and the AIIB's commitment towards the Paris Agreement, we note the lack of reference to the recommendations of the most recent IPCC Assessment 6 reports as well as other recently released datasets that confirm the urgent need for proactive measures in this regard. In addition, the **current draft update to the Energy Sector Strategy provides no clarity on the steps being taken to ensure financing operations will come into line with the provisions of the Paris Agreement, or how the provisions of the “MDB Just Transition High-Level Principles”²⁶ will be operationalized in the context of energy sector financing.**

We urge the AIIB to explicitly stipulate what types of projects will be considered as contributing to climate change mitigation/adaptation and just transition, clearly incorporating considerations of the climate change consequences exacerbated by financed projects.²⁷ Greenhouse gas measurements should be inclusive of the full lifecycle of a project (including scopes 1-3), incorporating all subprojects of financial intermediary facilities, with methodologies and calculations disclosed, estimated prior to approval, and adjusted to reflect changes throughout construction and operation stages. Meanwhile GHG avoidance should be strictly calculated with due regard for all project options, including the 'no project' option, and considered alongside screening measurements to ensure the water uptake does not put people's daily /household /non-industrial needs at risk.

Lack of Inclusiveness

- As outlined above, we do not in any way consider the process for developing this Strategy as inclusive or publicly accountable, despite the provision at the end of the Strategy on “Commitment to Social Sustainability and Inclusiveness”. Ironically, then, the process at hand in fact undermines the words written in the draft text (paragraph 58). **An update to the Energy Sector Strategy that would tackle questions of social inclusion in meaningful ways should at a minimum aim to emulate such principles in practice from the initial drafting stage through to final approval.**²⁸

²⁶ As posted on the AIIB's website on 29 October 2021: https://www.aiib.org/en/about-aiib/who-we-are/partnership/download/MDB-Just-Transition-High-Level-Principles-statement_19.11.2021.pdf

²⁷ As a post-Paris MDB with a global membership, we would expect the AIIB's Energy Sector Strategy to clearly elaborate on how the energy portfolio will incorporate – and aim to reach beyond – the minimal provisions set forth by the *Joint MDB Framework for Paris Alignment* and [associated updates/technical notes](#), such as those agreed upon at COP26 in Glasgow.

²⁸ For example, leading regional frameworks for civil society engagement - such as the [Escazu Agreement](#) in Latin America and the Caribbean - are already being taken into account by peer MDBs, thereby acting as a practical reference point for the AIIB in planning future policy revision processes.

- We note that the adjustments to the section on gender equality (as the only paragraph in the entire Strategy Update that even refers to “women”) incorporates an overarching assurance that the AIIB will take into account ‘specific’ gender gaps in energy access along with considerations related to women’s participation and priorities. However, crucially there are no associated gender indicator/s to be monitored in any of the updated principles, outputs or outcomes listed in the Sector Results Based Framework. **In effect, then, this provision fails to actually address the urgent institutional need for the AIIB to seriously tackle the systematic lack of attention to the implications of its energy financing on women’s lives and livelihoods.**
- The provision on people with disabilities remains isolated, with for example, no known attempt of the AIIB to ensure its own strategies and policies are accessible in braille print-outs or audio versions, or to commit to simultaneous sign language interpretation during online consultation sessions.
- Additionally, there is an absence of any commitment on the part of the AIIB to take into consideration and act upon the recommendations or points raised by women-led organizations and community groups on questions related to both project-related and sector-wide concerns (as witnessed during the recent ‘virtual consultation’ sessions on the Energy Sector Strategy Update, see above for more details).

VII. Going Forward: Update to the Energy Sector Strategy and Beyond

The above points should in no way be considered an exhaustive list of our concerns related to the provisions of the draft update to the Energy Sector Strategy, but rather as illustrative of key points we could have elaborated upon – had the process for revision to date been more open to public input, especially from the wide range of communities impacted by the AIIB’s current and pipeline energy sector investments. Going forward, we sincerely hope and trust that future consultations on AIIB policies and strategies, including any further revisions of the Energy Sector Strategy, will reflect a more thoughtful, meaningful, inclusive process with full consideration of the diversity of communities across the regions and localities of the AIIB’s membership.

For socially, economically, environmentally just, inclusive and sustainable energy transitions,





- BRICS Feminist Watch (Global)
- Gender Action (Global)
- International Accountability Project (Global)
- International Rivers (Global)
- Programme on Women’s Economic, Social and Cultural Rights (Global)
- Arab Watch Coalition (Regional)
- Asian Peoples' Movement on Debt and Development (Regional)
- Building and Wood Workers International- Asia Pacific (Regional)
- EarthRights International (Regional)
- Global Alliance for Incinerator Alternatives – Asia Pacific (Regional)
- Latinoamerica Sustentable (Regional)
- NGO Forum on ADB (Regional)
- Rivers without Boundaries International Coalition (Regional)
- 3S Rivers Protection Network (Cambodia)
- Alianza Basura Cero Chile (Chile)
- Bangladesh Working Group on External Debt (Bangladesh)
- Both ENDS (Netherlands)
- Center for Energy, Ecology, and Development (Philippines)
- Centre for Environmental Justice (Sri Lanka)
- Centre for Financial Accountability (India)
- Citizen Consumer and Civic Action Group (India)
- Coastal Livelihood and Environmental Action Network (Bangladesh)
- Community Resource Center (Thailand)
- Ecological Alert and Recovery - Thailand (Thailand)

Eco Society India (India)
Ecotourism & Conservation Society of Sikkim (India)
EcoWaste Coalition (Philippines)
Equitable Cambodia (Cambodia)
Environics Trust (India)
Environmental Public Alliance (Armenia)
Friends of the Earth (USA)
Fundación Lengua (Chile)
Foundation for the Development of Sustainable Policies (Argentina)
Freedom from Debt Coalition (Philippines)
Fundación Lengua (Chile)
Global Alliance for Incinerator Alternatives-India (India)
Global Responsibility - Austrian Platform for Development and Humanitarian Aid (Austria)
Growthwatch (India)
Health Environment and Climate Action Foundation (Nepal)
Initiative for Right View (Bangladesh)
Indigenous Women's Legal Awareness Group (Nepal)
Indian Social Action Forum (India)
Jóvenes Ambientalistas (Nicaragua)
Kagad Kach Patra Kashtakari Panchayat (India)
KRuHA - People's Coalition for the Right to Water (Indonesia)
Manushya Foundation (Laos, Thailand)
Mekong Watch (Japan)
Mother Earth Foundation Philippines (Philippines)
Nagrik Chetna Manch (India)
Oil Workers' Rights Protection Organization Public Union (Azerbaijan)
Pakistan Fisherfolks Federation (Pakistan)
Pelican Kenterra P Ltd (India)
Pragya Seeds Nepal (Nepal)
Red de Acción por los Derechos Ambientales (Chile)
Stree Mukti Sanghatana (India)
Sustentarse (Chile)
Swachh Pune Sewa Sahakari Sanstha Maryadit (India)
United Kingdom Without Incineration Network (United Kingdom)
urgewald e.V. (Germany)
Vietnam Zero Waste Alliance (Vietnam)

Youth Group on Protection of Environment (Tajikistan)

Zero Waste Europe (Belgium)

Zero Waste Maldives (Maldives)

Zero Waste Network Aotearoa (New Zealand)