

## **Japan's Proposal on MDBs' Support in the Energy Sector**

While Japan and several other economies individually set a target of net-zero or carbon-neutral by 2050, in order for the international community to achieve the global goal of remaining within the 1.5°C limit, it is also essential to make collective efforts on reducing greenhouse gas emissions in developing countries, especially in major emitting countries, to the maximum extent possible in line with that global goal. While we would definitely need to address each country's economic and social circumstances, this should not mean to undermine the effort by developing countries to reduce emitting greenhouse gases. Instead, we should address the challenges of developing countries by providing necessary financial and technical support to help them reduce greenhouse gas emissions.

In this global endeavor, MDBs have critical roles to play, given their broad membership and their abilities to provide consistent financial and technical support across economies.

In this respect, Japan also supports MDBs' decision that they do not support new coal projects. In addition, Japan proposes the following approaches on MDBs' support in the energy sector. We hope to have constructive discussions with the management/staff of MDBs and relevant countries on concrete ways to implement this policy.

### **1. Support for the development and monitoring of ambitious energy plans in developing countries**

#### **1) Development of energy plans**

In order for the international community to achieve the 1.5°C goal, we request MDBs, in collaboration with other institutions, to provide necessary support for developing countries to develop each country's Nationally Determined Contribution (NDC), Long-Term Strategy (LTS), and/or energy plan, which aim to maximize the use of renewable energy in line with the Paris Agreement.

For Above GDI countries, such NDCs, LTSs or energy plans should be consistent with the global mitigation goal.

#### **2) Ensuring Transition as a whole country**

In order to ensure a steady transition in each developing country, not only for projects supported by MDBs, but also for all projects in the country (including projects supported bilaterally or financed by private resources), we request MDBs to restrain developing countries from implementing projects that are inconsistent with the NDCs, LTSs and energy plans through conditionalities of policy-based operations or policy dialogue.

#### **3) Continuous monitoring and updating**

We request MDBs to continuously monitor the energy situation in each developing country,

including through the review of the Country Climate and Development Report (CCDR) prepared by the World Bank Group, and to support updating NDCs, LTSs and energy plans accordingly as needed.

If the continued operation of any facilities or equipment were to become unworkable for any of the criteria in Section 2, due to technological progress or other reasons, we should prevent such facilities and equipment from becoming stranded assets and resulting in carbon lock-in. To this end, we would request MDBs to explore measures or mechanisms, including early decommissioning to address these challenges.

## **2. Criteria for MDBs' support in the energy sector in developing countries**

In order for the international community to achieve the 1.5°C goal, it should be a measure considered to be the best option to reduce cumulative greenhouse gas emissions in each country's circumstances that is to be implemented. Should an MDB be required to refrain from supporting such a project/program because of its energy source or income level (e.g. middle income), that would inadvertently result in more greenhouse gas emissions. It does not seem sensible.

In this regard, we request MDBs, of which Japan has a share, to confirm that all of the three criteria below are met when they support projects/programs in the energy sector.

1) The project/program is concluded to represent the best option (or part of the option) and there is no alternative option that can achieve lower cumulative greenhouse gas emissions over the life of the project, based on a rigorous alternative analysis that takes into account the latest technology available at the time, among all the options\* that are technically feasible, economically viable and affordable to provide the same level of quantity and quality of services in the target area.

(\*) Counterfactual analysis on a case without any project/program is also considered for comparison. In the analysis of alternative options, the environmental (e.g. forest and wildlife protection) and social (e.g. resettlement, compensation for losses) safeguard criteria and regulations of the country and MDBs are also considered.

2) The project/program is at least consistent with each country's NDC, LTS or energy plan that are developed in accordance with criteria 1), taking into account its project/program duration.

3) The project/program cannot be financed solely by the developing country itself and/or private funds.

(End)