

ADB

Philippines-Japan Environment Week

Yoko Watanabe
Director, Environment
Asian Development Bank

14 January 2025



Climate Change



ADB is Asia and the Pacific's climate bank

- Responding to the climate crisis, in 2021, ADB raised its ambition to deliver climate financing to its DMCs to **\$100 billion** from 2019–2030.
- **34 billion** is for climate adaptation and resilience
- Private sector is expected to contribute **\$12 billion**.

OUR IMPACT

Results delivered in 2023 from ADB projects.



27.2 Million
tCO₂e/year

Total annual GHG reduction

3.7 million

People with strengthened climate and disaster resilience

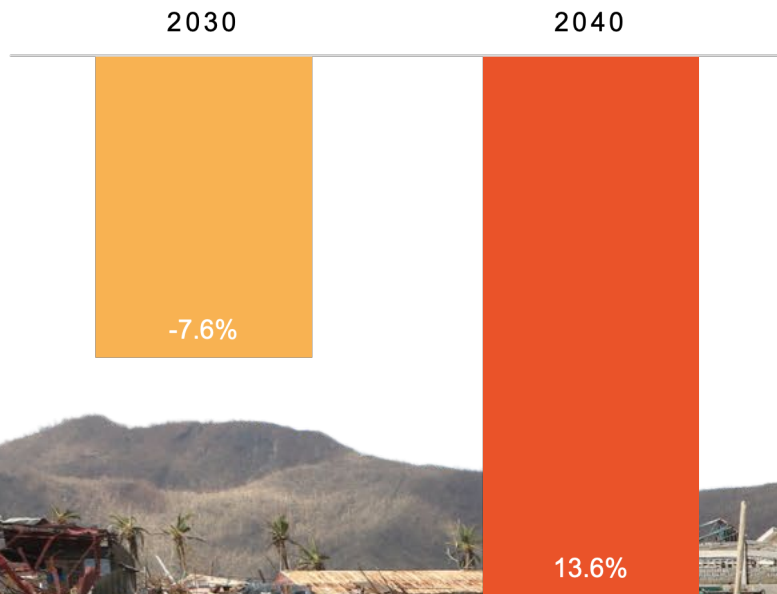
88,000 hectares

Area with reduced flood risk

In September 2024, ADB updated its target to deliver **more than \$100 billion** in cumulative climate finance (2019–2030), and for its climate finance to reach **50% of the total committed financing volume by 2030**.

Climate change poses a principal threat to economic growth and inclusion

Estimated Economic Damage of Climate Change as % of GDP



- **The Philippines ranks first in the 2023 & 2024 World Risk Index**, underscoring its vulnerability, susceptibility and shortcomings in climate adaptation efforts.
- **Estimated economic damage could reach 7.6% of GDP by 2030 and 13.6% by 2040** with significant threats to agriculture and ecosystems, damage infrastructure, deep social disruptions.
- **Climate impacts are highest for poor and vulnerable communities**, coastal settlements, and women and children.
- **Early investment in adaptation is critical** to avert damage costs.
- **New government climate and development plans** provide clear direction on priorities for urgent action.

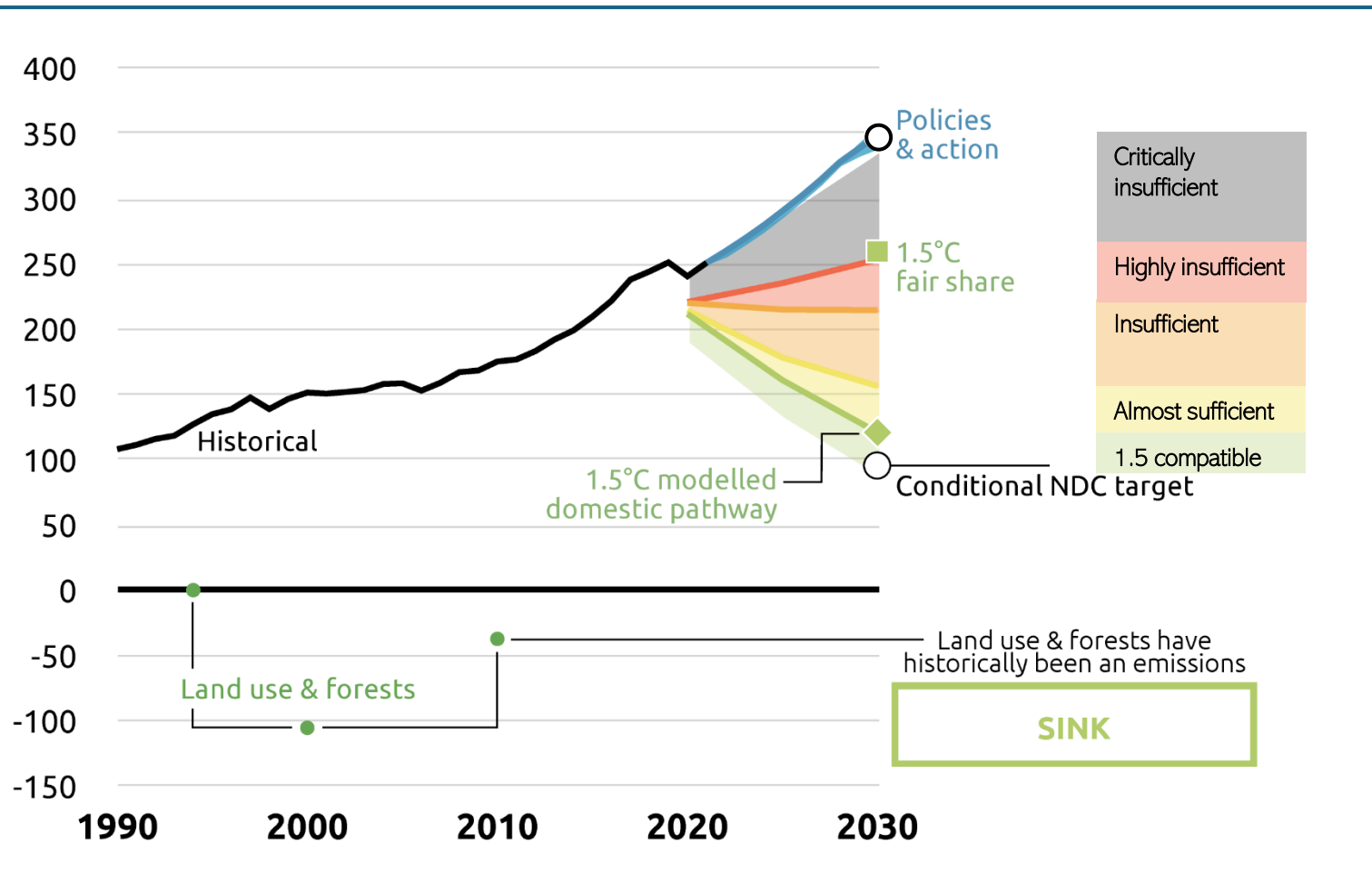
¹ Global Climate Risk Index

² WBG, 2022, Country Climate and Development Report.

Philippines is a low emitter, but efforts need to be intensified to align with 1.5°C future

Projected emissions pathways vs. carbon budget reqd. to meet 1.5°C future

(Emissions excl. LULUF, mtCO₂e/year)



- Philippines emissions are low, but increasing – 59% from energy and transport
- Current policies and actions could increase emissions to an est. 340-357 MtCO₂e by 2030 compared to conditional NDC target (96 MtCO₂e).¹
- If all countries were to follow the Philippines' current pathway, warming would reach over 2°C and up to 3°C.

¹ Climate Action Tracker: Philippines (June 2023 update)

We are increasing our climate finance for the Philippines

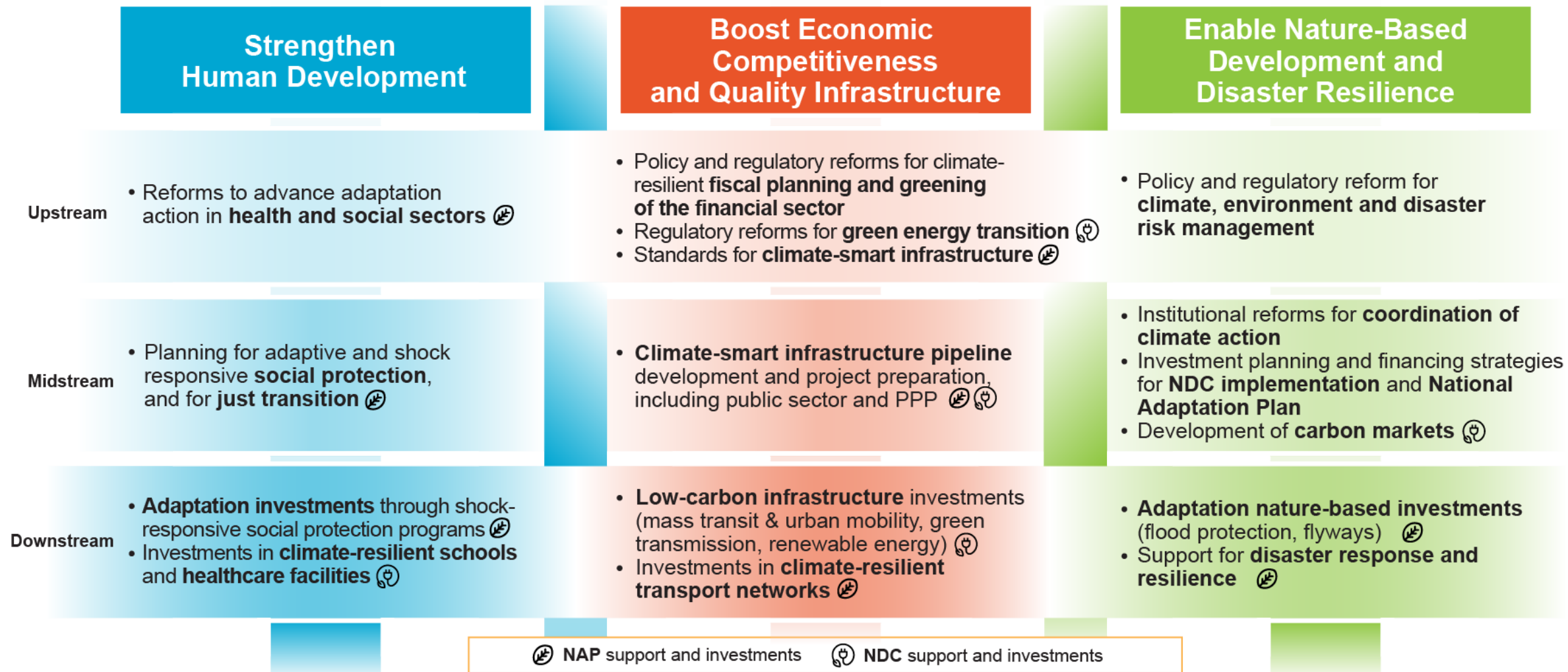
- From 2018-2023 (under our previous country program strategy), ADB provided \$6 billion in climate finance¹
 - 1 During the previous CPS period, ADB's climate finance has **increased**
 - 2 ADB's climate finance has focused largely on **mitigation in the transport sector** (~80%)
- As announced at COP28, we aim to program \$10 billion in climate finance for the Philippines between 2024 and 2029, to support commitments made under the Paris Agreement

¹ ADB estimates

The screenshot shows the ADB website's news release page. At the top, there is a navigation bar with the ADB logo and 'ASIAN DEVELOPMENT BANK' on the left, and links for 'WHO WE ARE', 'WHAT WE DO', 'WHERE WE WORK', and 'WORK WITH US' on the right. A search bar is also present. Below the navigation, the breadcrumb trail reads 'News and Events > News > News Releases > ADB to Program \$10 Billion in Climate Fi...'. The main headline is 'ADB to Program \$10 Billion in Climate Finance for Philippines'. Below the headline is a photograph of six people standing in front of a backdrop that says 'INVESTING IN A BETTER TOMORROW'. To the right of the photo, there is a share icon and a text box that says 'News from Country Offices | 04 December 2023 Read time: 3 mins'. Below the photo is a caption: 'From left: Ghanaian Environmental Protection Agency Henry Kwabena Kokofu, Coalition of Finance Ministers for Climate Action Netherlands Deputy Sherpa Michalli Harmsen, ADB President Masatsugu Asakawa, Philippine Environment Secretary Maria Antonia Yulo-Loyzaga, Philippine Finance Secretary and ADB Governor Benjamin Diokno, and Philippine Ambassador to the United Arab Emirates Ferdinand Ver during the high-level dialogue organized by ADB at COP28.' Below the caption is the main text of the news release, which starts with 'DUBAI, UNITED ARAB EMIRATES (4 December 2023) — The Asian Development Bank (ADB) will program \$10 billion in climate finance for the Philippines between 2024 and 2029. The support, announced by ADB President Masatsugu Asakawa at a high-level dialogue on financing coalitions at COP28 in Dubai, will help the Philippines implement its commitments to climate action under the Paris Agreement.' Below the main text is a quote: '“The battle against climate change will be won or lost in Asia and the Pacific and nowhere is this more evident than in the Philippines,” said Mr. Asakawa at the event Investing in a Better Tomorrow: Harnessing'. On the right side of the page, there is a 'SHARE THIS PAGE' section with icons for X, Facebook, LinkedIn, and Print. Below that is a 'Media Contact' section with the name 'Davis, Robert', title 'Principal Communications Specialist', phone number '+ 63 999 999 2592', and a link to an 'E-mail contact form'.

ADB's new Country Partnership Strategy (2024–2029) for Philippines

CPS 2024-2029 will intensify climate action, and mobilize \$10 billion in climate finance



Philippines Climate Change Action Program (PhilCCAP)

WHAT

PhilCCAP is ADB's first climate-focused policy-based loan program. It anchors ADB's policy engagement and climate investments in the Philippines.

- 1 Aims to help **deliver NDC and NAP commitments**
- 2 Provides **sustained support across the NDC cycle** to maintain momentum on implementation
- 3 Focused on **accelerating climate action across sectors** and addressing cross-cutting challenges

HOW

Three reform areas: (1) Strengthening planning, financing and institutional linkages for climate action (2) Enhancing resilience to climate impacts and (3) Strengthening low-carbon pathways

Subprogram 1
2020-2022

Setting the foundations

1st NDC submitted: 75% emissions reduction

Subprogram 2
2022-2024

Deepen & implement actions

NDC implementation + long-term adaptation commitment

Subprogram 3
2024-2026

Scale up and expand

2nd NDC submission with climate ambition maintained

WHY

Overview of the 2021 NDC

75% CO₂ reductions (2020-2030)

2.7% (based on domestic resources)

Four sectors:

- Agriculture
- Environment and Natural Resources
- Energy
- Transport

Cross-cutting:

Finance, Climate Change Commission

SO WHAT

Initial progress is being seen on roll-out of action actions and scale up of investment

- Nationally determined contribution (NDC) actions defined and being rolled out, increasing budget allocations for climate
- New National Adaptation Plan (NAP) to 2050
- Strengthened climate teams in sector agencies
- More local government units adopt local climate action plans
- More ambitious energy plan, advancing clean energy targets
- Wide roll-out of climate-related diagnostics
- Uptake of climate-related agricultural insurance

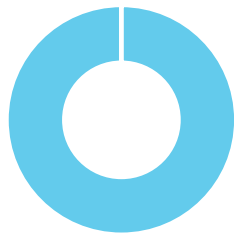
Internal impact on ADB operations: scaled up sovereign and non-sovereign climate investments and pipeline, new climate-centered country partnership strategy, increasing climate finance (15-16% of ADB annual)



Energy Transition Mechanism in the Philippines

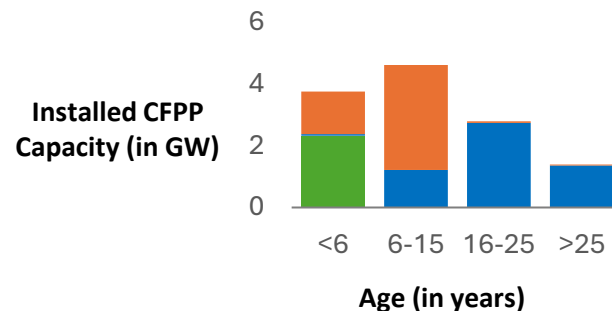
Background: Market Summary

- Power generation in the Philippines is primarily privatized.
- More liberalized market with three main power grids: Luzon, Visayas, and Mindanao.
- CFPP capacity accounts for about 44% of total installed capacity.
- Most CFPPs are concentrated in Luzon and owned by a few conglomerates.
- CFPPs can operate under merchant conditions, but many have bilateral power purchase agreements with distribution utilities.



Govt/SOE vs IPP Capacity (GW)

■ Utility ■ IPP



■ Supercritical ■ Ultra Supercritical
■ Subcritical ■ Circulating Fluidized Bed

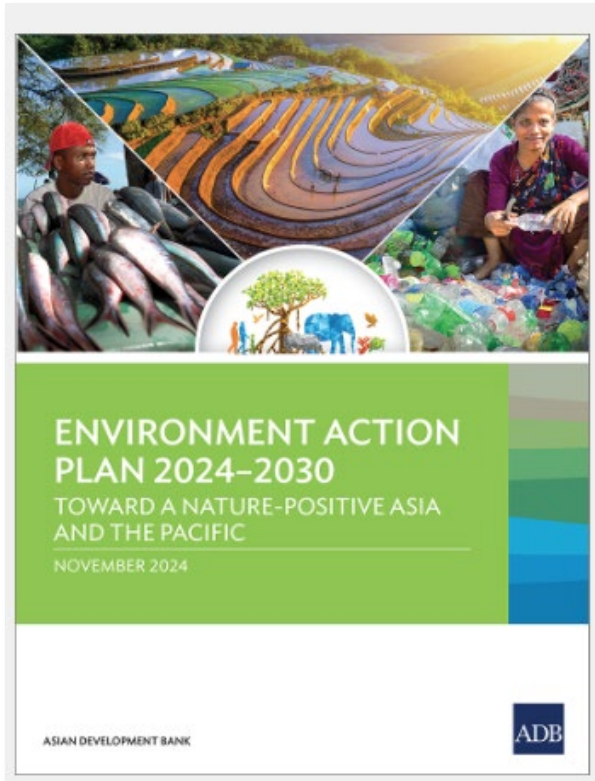
Progress highlights:

- Launched the ETM program with the Governments of the Philippines and Indonesia in UN Climate Change COP26 in 2021.
- ETM pre-feasibility study completed in 2021.
- ETM concept used by one private sector entity to announce accelerated CFPP retirement.
- Country-level ETM feasibility study completed in 2024.
- Climate Investment Funds Accelerating Coal Transition (CIF-ACT) program investment plan approved in May 2024 (\$500M concessional funding to leverage \$2.3B of cofinancing).
- Ongoing transaction advisory for pilot ETM transaction for CFPP (Mindanao CFPP) under government concession, including on carbon crediting.

Environmental Sustainability



ADB's Environment Action Plan 2024-2030



Outline

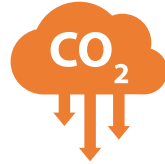
1. Rationale: Context, Opportunities, Challenges, and Experience
2. Directions: Outcomes and Objectives, ADB's Approach
3. Operationalization: Upstream, Midstream, and Downstream
4. Monitoring and Reporting Arrangements

Environment: Solution for climate change and sustainable development

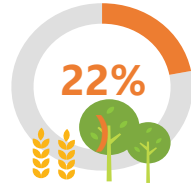
Economy depends on nature

- » Healthy ecosystems contribute to **\$18 trillion** or **53%** of GDP in Asia and the Pacific [1] whereas
- » Nature-positive development could generate over **\$4 trillion** in business and create about **232 million jobs** per year in Asia by 2030. [2]
- » The global biodiversity funding gap stands at about **\$711 billion annually**. [3]

Climate depends on nature



Interconnected triple crisis of **biodiversity loss and ecosystem degradation, pollutions, and climate change**.



Agriculture, Forest and Other Land Use represents around **22%** of **greenhouse gas emissions** caused by human activities. [4]



Oceans absorb around **25% of CO₂** emissions, and **forests** can net sequester a further **25% of emissions**. [5]



Healthy ecosystems offer enormous and cost-effective **climate adaptation benefits**.



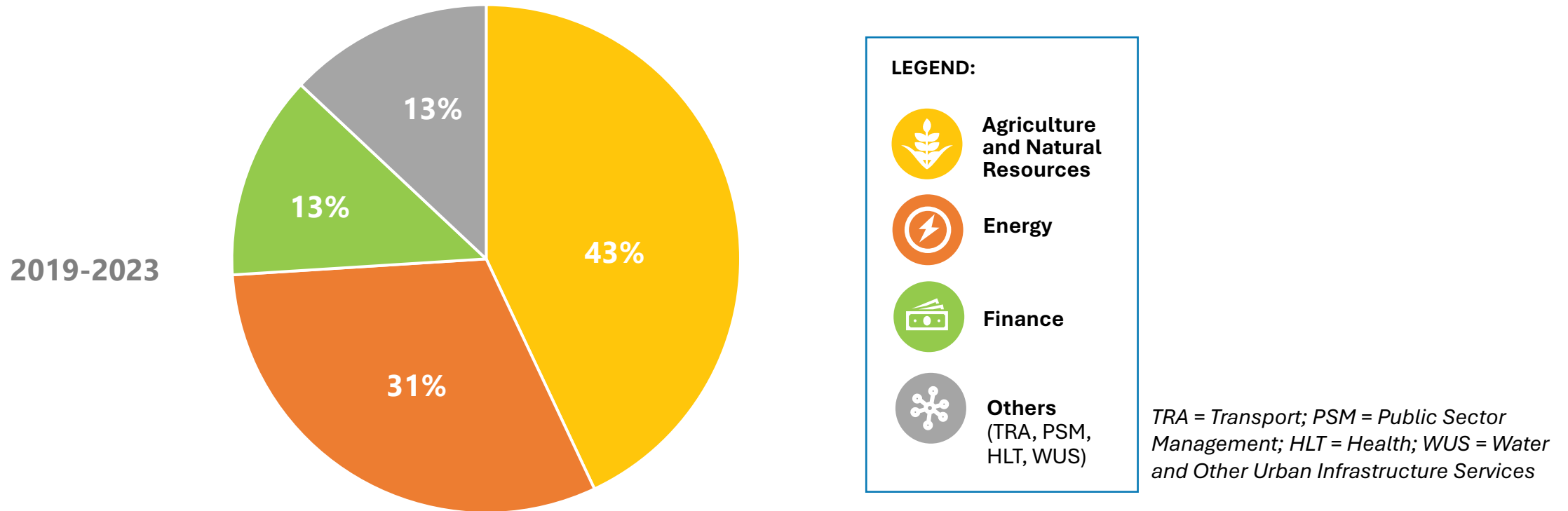
[1] AIGCC, PwC 2024
[2] Temasek 2021
[3] Paulson Institute 2021
[4] IPCC 2019
[5] NOAA

ADB's Environment-related Portfolio

OP3 – Pillar 3: Enhancing Environmental Sustainability Commitments under Strategy 2030

Total finance: **\$14.8 billion (14%)**

Proportion of projects: **19%**



Note: Data is limited to only 3 Sectors and 15 Subsectors, due to the limited tracking system under the OP3. This data is based on commitments. The amount captured reflects total value of the related projects and the actual project components specific to the environment likely form only a portion of the stated proportions.

ADB's Journey towards Environment Sustainability

2002 - 2012



Do no harm

- Application of environmental safeguards
- Raising awareness and understanding with counterparts
- Environment Policy 2002, Safeguards Policy Statement 2009*

2013 - 2023



Actions for positive Impacts

- Mainstreaming environmental considerations and co-benefits
- Projects with environmental improvement as the primary objective
- Environment Operational Directions 2013-2020, Climate Change Operational Framework 2017-2030*

2023 onwards



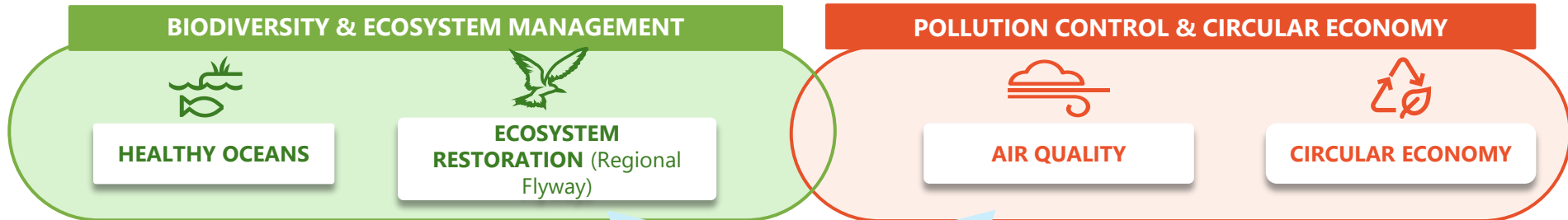
Taking to Scale

- Active learning from project experience
- Moving from projects to programs
- Mobilizing finance (Nature Solutions Finance Hub, thematic bonds, etc.)
- Linking with national policy reforms
- Climate Change Action Plan (CCAP) 2023, Disaster Risk Management Action Plan (DRMAP) 2024 (proposed)*

Strategy 2020

Strategy 2030

Framework for Enhancing Environmental Sustainability Under Strategy 2030



Three interconnected mutually reinforcing pillars

All three pillars interlink, addressing climate change, disaster risk, and environmental sustainability through strategic alignment of policies and operations.

NATURE-BASED CLIMATE SOLUTIONS

- Nature as a climate solution
- Enhanced resilience, reduced degradation, carbon sequestration, and green opportunities
- Policy dialogue, financial solutions, operational support, and capacity building

- Conservation, restoration, and sustainable management of ecosystems
- Reduce negative drivers, mainstream into sectors, develop nature-positive projects, track impacts
- Landscape and seascape approach to deliver larger impacts

BIODIVERSITY & ECOSYSTEM MANAGEMENT

POLLUTION CONTROL & CIRCULAR ECONOMY

- Reduce and prevent pollution, promote resource efficiency, and support circular economy
- Support energy transition, improve transport systems, reduce residue burning, address legacy pollution
- Enhance policies, align with treaties, leverage cross-sectoral initiatives

Operationalization

Upstream

- Integrate environmental sustainability into Country Partnership Strategies (CPS) and regional plans, enhancing global alignment.
- Strengthen effective environmental governance by improving policies, laws, and regulations.
- Enhance key internal operational and business framework and processes.

Midstream

- Identify and integrate key environmental features into pipelines, public finance management, and procurement.
- Conduct regional diagnostic studies and prioritize nature-positive investment projects.
- Promote cross-sector coordination, regional cooperation, and innovative finance for environmental sustainability.
- Promote the integration of ecosystem services and natural capital into economic valuation of projects.

Downstream

- Increase quality and quantity of projects that address and enhance environmental sustainability.
- Integrate environmental features beyond safeguards in investments.
- Develop and leverage innovative financial instruments to boost environmental sustainability.
- Provide technical inputs and design support for investment projects with nature-based solutions (NbS) components.

Cross-cutting

- Partnerships & stakeholder engagement
- Capacity building & training
- Knowledge generation & sharing
- Digital technologies & artificial intelligence

Monitoring and Reporting Arrangements

Monitoring and Results Framework

- 🌀 To track the progress of EAP
- 🌀 Aligned with ADB's Corporate Results Framework and OP3-Pillar 3
- 🌀 Aligned with the Joint MDB Statement on Nature, Planet and People and Common Principles.
- 🌀 Period of 2024-2030, with baseline from 2019 – 2023

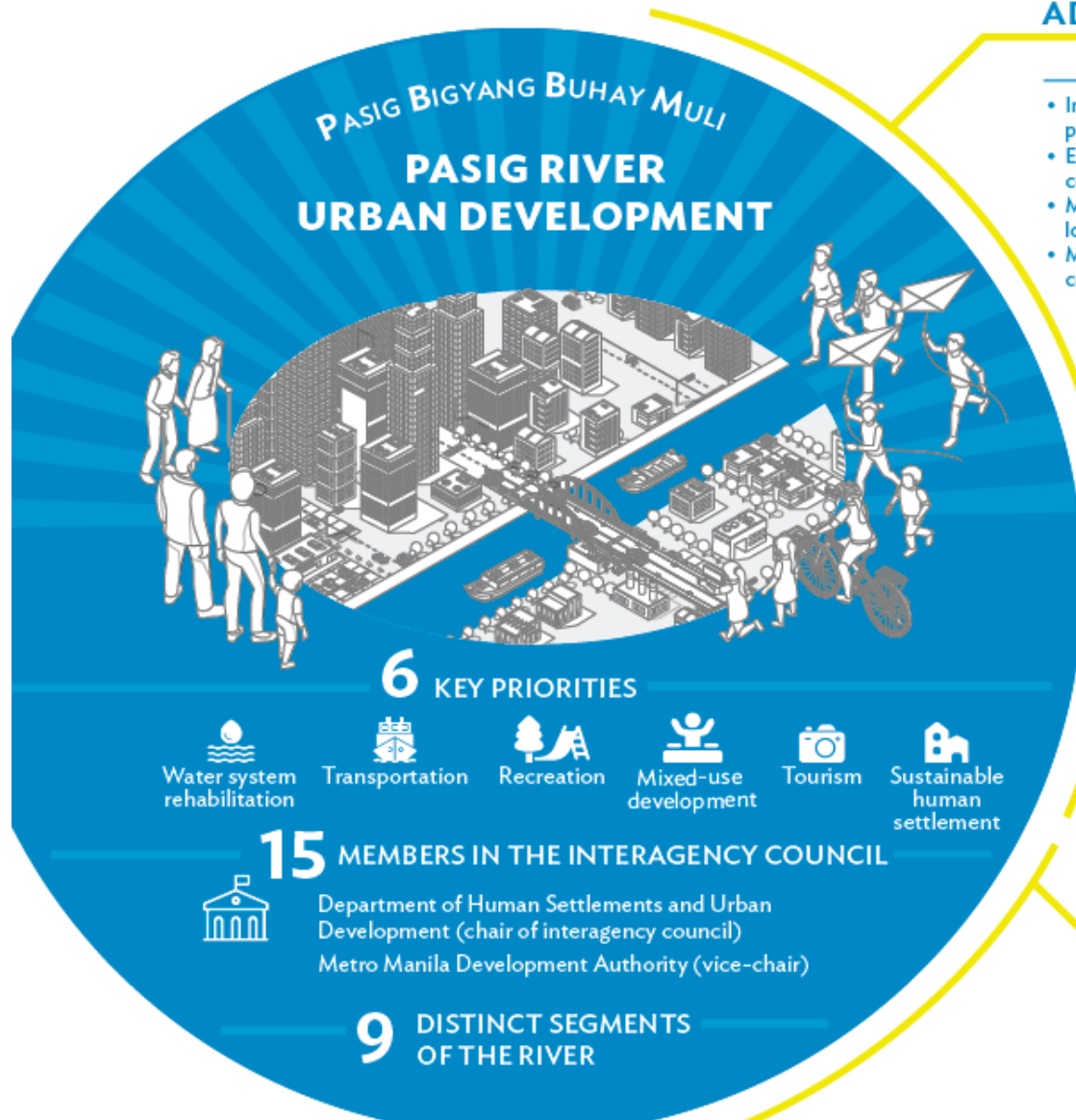
Key Outcome: Biodiversity and ecosystem management improved, resource efficiency increased, pollution reduced, and resilience and ecosystem services strengthened

Key CRF Indicator: Hectares of terrestrial, aquatic, and atmospheric areas conserved, restored, enhanced, and/or under sustainable management

Annual reports and **Mid-Term Review** in 2027

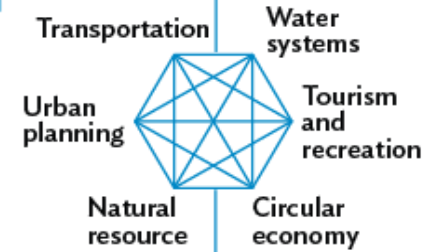
Highlight **progress and status** on each Action under the **Upstream, Midstream, and Downstream Engagements** and **Cross-Cutting themes**

Rejuvenating Pasig River for a Livable Manila



ADB'S HOLISTIC SOLUTION

- Integrated, sustainable planning and governance
- Enhanced multimodal connectivity
- Multi-river, low-carbon mobility
- Modern vessel traffic control system



- Coastal resilience and flood risk management
- Solid waste and wastewater management, and river clean-up
- Pedestrian and bicycle mobility, and green public spaces

CROSCUTTING THEMES



PUBLIC AND PRIVATE SECTOR

Structuring of public and private sector climate financing and public-private partnerships

Regional Flyways



- **Ambition.** To Mobilize **\$3 Billion** of Investment for wetland protection and sustainable management for flyway level impact in East, Central, Southeast Asia and Pacific.
- **RFI timeframe. Phase 1 (2021–2025):** project development with \$1.7M grant, **Phase 2 (2024–2034+):** implementation.
- **Goal.** Improved management of **50 wetlands** (>2 million ha) → build a network of wetland habitats with species numbers maintained or enhanced.
- **First Flagship project approved.** South Dongting Lake in PRC, restoring 12,000ha



Philippines Context and Partnerships

- **Focused Approach.** RFI site selection process identified 12 highest priority wetland sites.
- **Philippines GEF RFI Project Proposal.** Draft project proposal for \$3 million approved in Aug 2024 and full proposal under prep to focus on 3 sites. Project will support eco-business development, eco-tourism, sustainable rice and aquaculture production. Potential to link to pipeline loan projects in 2026/2027.
- **Partnership.** RFI built on partnerships with EAAFP and BirdLife International; but also, National Governments and other development partners including Ministry of Environment Japan who joined RFI workshop in Thailand and continue to support expansion of EAAFP network in Thailand.

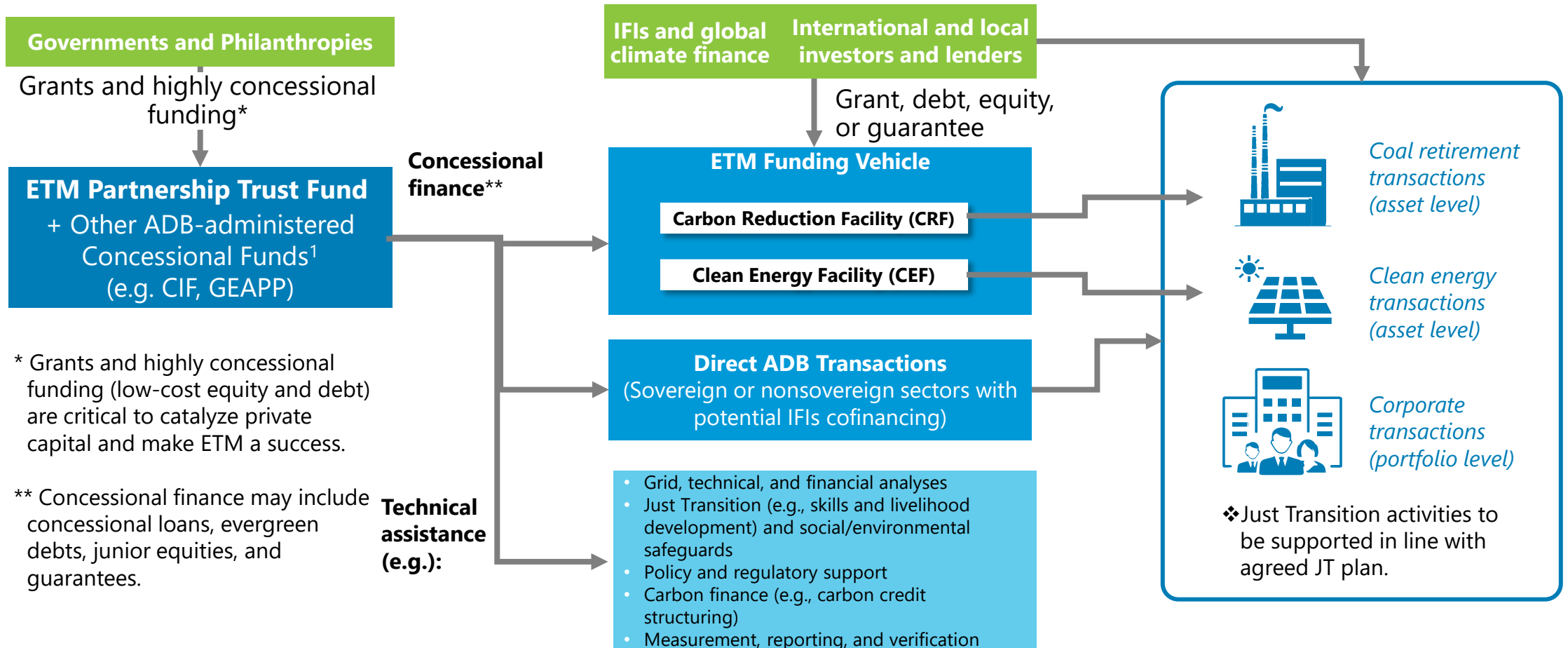


THANK YOU



Energy Transition Mechanism - ETM

ETM is a scalable, collaborative initiative developed in partnership with developing member countries (DMCs) that will leverage a market-based approach to accelerate the transition from fossil fuels to clean energy.



¹ ETMPTF has received contributions from the Governments of Japan (\$25 M), Germany (€30 M) and New Zealand (\$25 M).

CIF = Climate Investment Funds. GEAPP = Global Energy Alliance for People and Planet.

Community Resilience Partnership Program

Regional partnership program with a multi-donor Trust Fund and GCF-supported Investment Fund to **strengthen climate resilience by scaling up climate adaptation measures at the community level, that explicitly address the nexus of climate, poverty and gender.**

OUTCOME

Resilience of poor and vulnerable people in CRPP countries to the impacts of climate change is strengthened

CRPP Trust Fund
\$75 million

Supported by UK FCDO, NDF, and AFD to provide technical assistance and grant resources to eligible projects

Open to all ADB DMCs

OUTPUTS

Institutional and community capacity to develop and deliver climate adaptation investments at community level strengthened

Knowledge and action research on climate risk—**informed pro-poor community level solutions strengthened**

Investments supporting inclusive, pro-poor community level adaptation prepared and/or implemented

Improved information and systems for delivering applied climate risk informed investments at scale

Climate resilient pro-poor livelihoods investments implemented

Climate adaptation pro-poor infrastructure

CRPP Investment Fund
\$675 million

Supported by:
GCF \$120 million
and
ADB \$555 million

Approved in 2023

Eligible countries: Cambodia, Indonesia, Lao PDR, Pakistan, Papua New Guinea, Timor-Leste, and Vanuatu
[only investments are allowed]



ADB's Engagement with Carbon Markets

ADB has a long-standing engagement with carbon markets, supporting its Developing Member Countries (DMCs) through:

- Carbon finance for enhanced climate action in Asia and the Pacific
- Catalyzing investments in low-carbon technologies and solutions through innovative financing mechanisms
- Enhancing DMCs' ability to leverage carbon markets to achieve their climate ambitions and decarbonization pathways cost-effectively

ADB Support on Carbon Markets

Market Development

Country Readiness

Optimizing Carbon Market Opportunities in ADB Operations

Technical and Capacity Building

Carbon Finance

Knowledge Creation and Management

