

# KEY ENERGY POLICY PRACTICES IN SUPPORT OF URBAN RESILIENCE



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## AIIB'S FUTURE CORPORATE STRATEGY\*—THEMATIC PRIORITIES

Our future investments will prioritize one or more of the following thematic priorities:

- i. Green Infrastructure—Projects that deliver local environmental and developmental improvements, dedicated to climate action.
- ii. Connectivity infrastructure—Projects that connect markets within and between countries, across Asia, between Asia and rest of the world.
- iii. Technology-enabled infrastructure —Projects where application of technology delivers better value, quality, productivity, resilience, inclusion, transparency and governance.
- iv. Private investment mobilization—Projects mobilizing private finance into sectors within AIIB's mandate.

# AIIB'S KEY OPERATIONS / PROGRAMS

## Range of instruments offered

Sovereign loans	Nonsovereign backed financing	Equity Investments	Guarantees
<ul style="list-style-type: none"> <li>• Sovereign-backed loans will have an average maturity of up to <b>20 years</b> and a final maturity limit of up to <b>35 years</b>.</li> <li>• Co-financed sovereign lending will be encouraged.</li> <li>• Appraisal of sovereign loans will take into account a full assessment of the project's benefits, risks and borrower implementation capacity.</li> </ul>	<ul style="list-style-type: none"> <li>• AIIB is taking a progressive approach to building its book of non-sovereign backed financing. This approach is based on sound banking practice.</li> <li>• Borrowers could range from <b>sub sovereign entities</b> to <b>private enterprises</b>.</li> <li>• The terms and conditions will be set on a commercial basis and reflect the expected risk to AIIB and market conditions.</li> <li>• Loan amounts can be up to 35% of the project.</li> </ul>	<ul style="list-style-type: none"> <li>• AIIB will only consider making equity investments under terms it considers fair, where clear potential exit strategies are present, and where an acceptable internal rate of return is projected.</li> <li>• Limit on Equity investments up to 10% of available capital.</li> <li>• The Bank expects to play the role of a minority investor and shall not seek a controlling interest in the target entity or enterprise.</li> </ul>	<ul style="list-style-type: none"> <li>• AIIB aims to offer guarantees.</li> <li>• Projects involving guarantees will be appraised, processed, and monitored the same way as loans.</li> <li>• For capital headroom and exposure management purposes, guarantees will be treated as if they were on the balance sheet (i.e., treated the same way as loans).</li> </ul>

# AIIB SUSTAINABLE CITIES STRATEGY

The principles and priority areas guiding AIIB's cities sector engagements.

Support members in **3 priority areas**:

- Enhancing urban **mobility** and **energy** transition.
- Improving **basic** infrastructure and city **resilience**.
- **Integrated** urban development.

Aligned with urban development targets set under:

- Sustainable Development Goals (SDGs)
- New Urban Agenda
- Paris Agreement on Climate Change
- Sendai Framework for Disaster Risk Reduction (DRR).

## Five Guiding Principles

1. Green
2. Resilient
3. Efficient
4. Accessible
5. Thriving

# AIIB ENERGY STRATEGY

The framework, principles, and operational modalities that guide AIIB's energy sector engagement

## Support member countries to:

- Develop and improve their energy infrastructure.
- Increase energy access.
- Transition to low carbon energy mix.
- Help meet their international commitments.

## Recognizes the energy challenges of the region and builds on the principles of the:

- Sustainable Energy for All
- 2030 Agenda for Sustainable Development
- Paris Agreement

## AIIB's Guiding Principles

1. Promote Energy Access and Security.
2. Realize Energy Efficiency Potential.
3. Reduce the Carbon Intensity of Energy Supply.
4. Manage Local and Regional Pollution.
5. Catalyze Private Capital.
6. Promote Regional Cooperation and Connectivity.

# A DISASTROUS URBAN ENERGY TRANSITION

Don't underestimate disruption of energy supply to cities from disasters. Even OECD countries have suffered severe damages.

Nearly 59% of blackouts in US were result of natural causes.

## The California blackout of summer 2020: Lessons learned

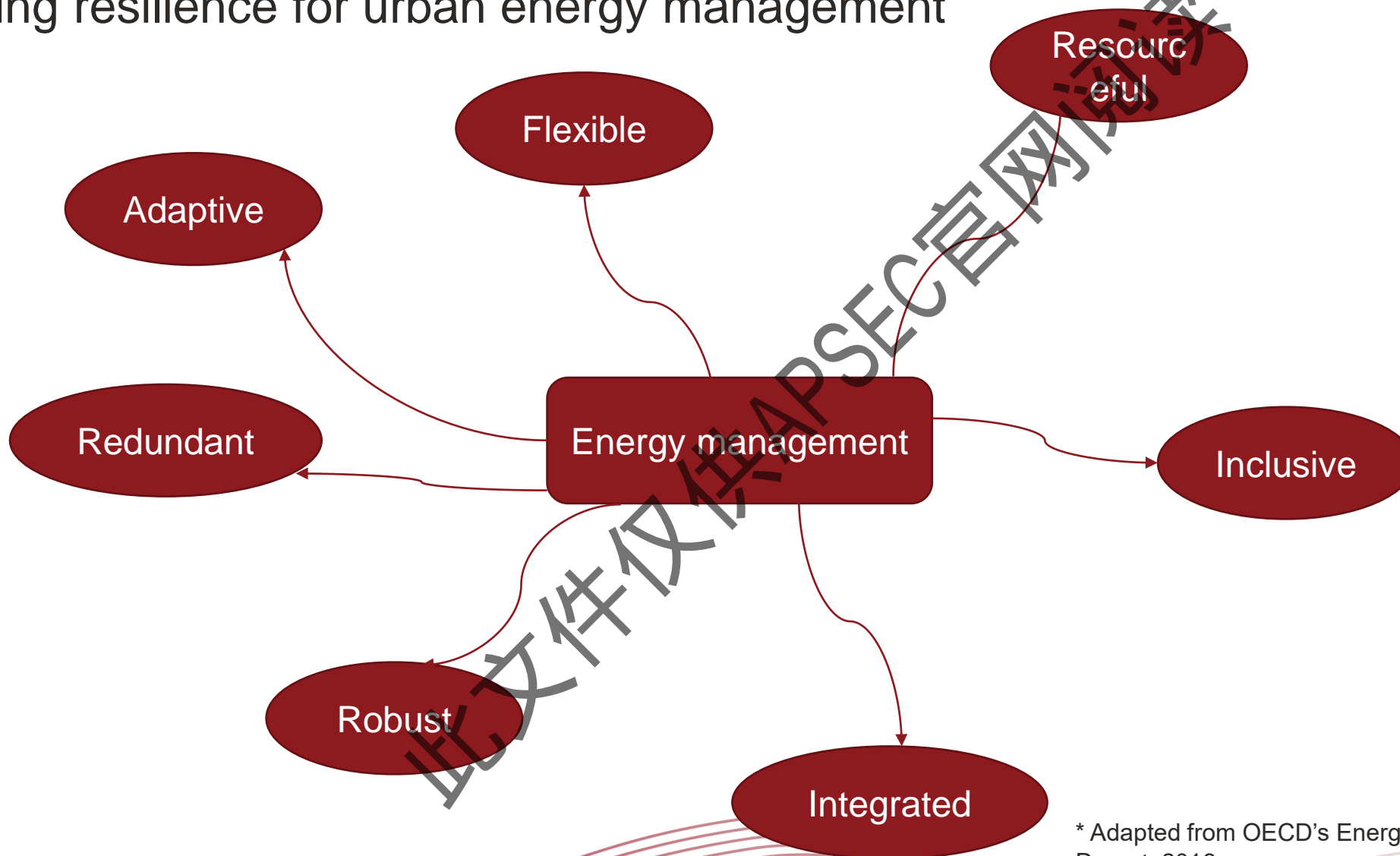
- a. Proactive planning—take into account climate change.
- b. Design of markets—deliver smart flexible grid, optimize renewables.

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# SOME POLICY STRATEGIES FOR CONSIDERATION

## Building resilience for urban energy management





## TRANSLATING STRATEGIES INTO APPROACHES

- a. Energy supply and demand in cities—long term vision, with midterm implementation plans.
- b. Mainstream energy management in urban policy.
- c. Measure energy data at city level—plan resources, set targets and review impact of policy.
- d. Promote energy self-sufficient housing, buildings and urban blocks.
- e. Diversity in energy management.
- f. Special finance schemes for smart energy management.
- g. Increase RE production in cities.
- h. Collaboration between industries, academia and governments.
- i. Raise awareness of energy efficiency among citizens.
- j. Knowledge sharing among cities.
- k. Pilot projects.

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## CONCLUSION

- i. No “one-size-fits-all” template for urban energy transition.
- ii. Different cities, different institutional settings, energy supply and demand, levels of government, incentives, infrastructure and available energy resources.
- iii. Crafting energy policy must take into account the specific variables/existing resources of the city.
- iv. Key policy strategies are needed to mobilize the various assets, including physical environment, institution and finance in cities.
- v. Urban energy transition will be a central theme in AIIB’s Future Corporate Strategy.

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# THANK YOU

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