

Proposed AsDB Loan for the Jamshoro Power Generation Project, Pakistan, U.S. Position

December 9, 2013

The United States recognizes that Pakistan's severe power shortages cripple economic growth and undermine the country's ability to generate employment and reduce poverty. The causes of Pakistan's protracted energy shortage are many, both on the demand and the supply side, and addressing these issues rightly remains a priority of the Government of Pakistan and of the Asian Development Bank. The United States has noted Prime Minister Sharif's commitment to expand power generation capacity, promote the efficient use of energy resources, and better utilize Pakistan's domestic natural gas, hydroelectric, and renewable resources. The United States notes that his government is moving forward with the construction of hydro-power facilities. These efforts will ultimately lead to a more sustainable, and less polluting, generation capacity. In addition, the United States welcomes politically difficult steps the Government of Pakistan has taken to reduce subsidies for large consumers, which should have a significant fiscal impact and help alleviate the bottlenecks that prevent the sector from functioning more efficiently. Rationalizing prices on domestic natural gas resources will also reduce natural gas supply constraints, making it a more viable lower-emission fuel for base load generation.

The United States remains committed to assisting Pakistan in strengthening its energy sector. Since 2009, the United States has sought to help alleviate Pakistan's energy crisis. By the end of 2014, U.S. assistance will have added 1,200 megawatts to the electricity grid through a combination of infrastructure upgrades and efforts to improve sector management and efficiency. Through the Overseas Private Investment Corporation (OPIC), the U.S. government has also committed to finance up to 250 MW of wind power in Sindh. In fact, the first 50 MW project, which is sponsored by GE, was approved by the OPIC Board in March 2013. In our bilateral Energy Working Group we have discussed other ways in which the United States can continue working with Pakistan to improve its power sector.

At the same time, the United States has serious reservations about supporting public financing for coal plants due to the significant, grave, and lasting negative impacts that coal emissions have on the environment and on health.

On June 26, 2013, President Obama released the Climate Action Plan (CAP) to cut carbon pollution and lead international efforts to combat climate change. Under the CAP, the President called "for an end to U.S. government support for public financing of new coal plants overseas, except for (a) the most efficient coal technology available in the world's poorest countries in cases where no other economically feasible alternative exists, or (b) facilities deploying carbon capture and sequestration technologies."

Accordingly, in October, the U.S. Treasury Department issued revised Guidance on Multilateral Development Bank (MDB) Coal-Fired Power Projects, tightening the conditions under which Treasury may support coal projects at the MDBs in accordance with the CAP. For non IDA-only countries, such as Pakistan, we will not support coal projects unless:

- the project uses the best internationally available technology;

- the project deploys CCS carbon capture and sequestration (CCS); and
- equivalent offsetting activities for additional emissions are made.

The Jamshoro project does not meet these criteria. In particular, the United States notes that the project does not include credible offsetting activities for the more than 8 million tons of carbon emissions per year. In addition, the project does not deploy CCS or deploy best available technology. Therefore, we wish to be on record as voting “no.” Our vote is the result of our global policy on climate change, not a Pakistan-specific objection.

Going forward, we encourage the Asian Development Bank to expand its work with the Government of Pakistan on clean energy generation capacity, and to consider investments in new transmission and distribution infrastructure.