

# AIIB must steer its energy policy towards renewable sources

Jay Vontobel is disappointed that its just-unveiled strategy leaves the door open for fossil fuel investment, and calls on the bank to assume a leadership role for sustainable development

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[Jay Vontobel](#)

The launch of the [Asian Infrastructure Investment Bank](#)'s energy strategy last week in South Korea could not come at a more crucial time.

Southeast Asia's expanding economies are hungry for power. Indonesia alone is looking to build 35GW of new power plants by 2020 and Vietnam's electricity demand is projected to grow more than threefold between now and 2030. Getting this right is critical for the region's development: growing its economies while not sacrificing its future to pollution from coal and climate change.

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But clean air need no longer come at a price because, in the right conditions, renewable energy is beating fossil fuels like coal on cost and efficiency.

India, for example, is on track to construct a remarkable 275GW of renewable energy by 2027. Coal plants in that country are being shelved for the simple reason they can no longer compete on price, with costs for solar dropping by 45 per cent since January 2016.

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Renewable energy is often smaller in scale and more diversified than coal-fired power stations. That's a positive for a variety of factors, such as the ability to come online more rapidly, but it does require new ways of thinking for utilities and investors alike.

On the global level, that potential is already being realised. In 2016, for the fifth consecutive year, investment in new renewable power capacity was roughly double that in fossil fuel generating capacity.

According to the International Energy Agency, Southeast Asia alone will need a cumulative US\$2.4 trillion in investment in energy supply. This presents a major opportunity for private capital investors, but support is needed from governments and international financial institutions.



That's why leadership by the AIIB is so important. By leaving behind the fuels of the past and focusing on renewable energy, the AIIB can turbocharge the economies of Southeast Asia and unleash billions in investment. The AIIB recognises this; unfortunately, it still leaves the door open for fossil fuels – a mistake in our view.

In light of the Paris agreement on climate change, the days of fossil fuels are behind us. We need investment in the generation assets of the future, not relics of the past that are at risk of being stranded.

## [The real reason for China's U-turn on climate change](#)

AIIB president Jin Liqun (金立群) has promised a “lean, clean and green” institution with a “pioneering spirit”. By living up to this promise and deploying its considerable capacity to catalyse the transition to renewable energy, the AIIB can play a vital role in leading the region towards a truly sustainable future. Smart investors are ready to follow.

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*Truly 'lean, clean and green'?*