

# Scientific and Technical Advisory Panel

The Scientific and Technical Advisory Panel, administered by UNEP, advises the Global Environment Facility



## STAP Scientific and Technical screening of the Project Identification Form (PIF)

Date of screening: 7th November 2008

Screener: Lev Neretin

Panel member validation by: N.H. Ravindranath

### I. PIF Information

Full size project GEF Trust Fund

GEFSEC PROJECT ID: 3743

GEF AGENCY PROJECT ID: P113787

COUNTRY(IES): PEOPLE'S REPUBLIC OF CHINA

PROJECT TITLE: PROVINCIAL ENERGY EFFICIENCY SCALE-UP PROGRAM

GEF AGENCY(IES): World Bank, (select), (select)

OTHER EXECUTING PARTNER(S): SHANXI PROVINCIAL GOVERNMENT, JIANGXI PROVINCIAL GOVERNMENT, SHANDONG PROVINCIAL GOVERNMENT

GEF FOCAL AREA (S): Climate Change,(select), (select)

GEF-4 STRATEGIC PROGRAM(S): CC-SP2-INDUSTRIAL EE

NAME OF PARENT PROGRAM/UMBRELLA PROJECT:

### II. STAP Advisory Response (see table below for explanation)

1. Based on this PIF screening, STAP's advisory response to the GEF Secretariat and GEF Agency(ies):  
**Consent**

### III. Further guidance from STAP

2. STAP welcomes this Industrial Energy Efficiency project, aimed at establishing suitable provincial level policies, institutional and financial mechanisms to promote Energy Efficient practices, technologies and programmes. STAP notes that some experiences gained from the implementation of EE projects in China during the 1<sup>st</sup> and 2<sup>nd</sup> China Energy Conservation Projects are incorporated in the project design. Further, STAP makes the following suggestions, which could be incorporated within project development, and which STAP will refer to when the final project document is presented for CEO approval;
  - i. **Scientific Rationale for Technological Interventions and Innovations:** The project aims to develop an institutional system and capacity as well as pricing and fiscal regimes for promoting Energy Efficiency in industries. It is not clear, which industrial sectors of the regions would be targeted for promoting Energy Efficiency. According to IPCC (2007), the broad sectors include; Iron and steel, Non-ferrous metals, Chemicals, Petroleum refining, Cement, Glass, Pulp and paper and Food. Further, there are small, medium and large Industries. There is a need for scientific criteria for identifying and prioritising the sectors for intervention in the project. Criteria could consist of mitigation potential (t CO<sub>2</sub>), Cost-effectiveness (\$ /tCO<sub>2</sub>), financial viability, co-benefits, etc. It is also necessary to use scientific criteria for selecting technological, financial, institutional and policy interventions in the project. Will the project focus on *System or Component level interventions* or both?
  - ii. **Identification and Ranking of the Barriers:** The project has identified the lack of institutional capacity, fiscal incentives and funding as some of the key barriers for promoting energy saving policies and measures. There could be other barriers to promoting Energy Efficiency. Thus it is necessary to conduct a scientific analysis of the barriers to identify, rank and prioritise the barriers to promoting Energy Efficiency from the perspective of the different stakeholders.
  - iii. **Incremental, Investment and Cost-Benefit Analysis:** The incremental investment/operational costs of interventions, from the perspective of end-users are not adequately addressed. The investment cost could be a barrier even if the *life cycle net benefits* are possible for the selected interventions.

- iv. **Implications of related Initiatives on the Spread of Energy Efficient Technologies under the Baseline:** The project proposal states that a number of programmes have been implemented aimed at *Energy Conservation* in China. It is necessary to assess the implications of the past and ongoing programmes on the rate of spread on the *Energy Efficient technologies* under the *Baseline Scenario*, in the absence of the project.
- v. **Risk and Measures:** The proposal lists the key risks and also the mitigation measures. However, the risks of higher investment costs and lack of financial viability of the intervention have not been addressed. Further, poor performance of the technological interventions has not been considered.

<i>STAP advisory response</i>	<i>Brief explanation of advisory response and action proposed</i>
1. <b>Consent</b>	STAP acknowledges that on scientific/technical grounds the concept has merit. However, STAP may state its views on the concept emphasising any issues that could be improved and the proponent is invited to approach STAP for advice at any time during the development of the project brief prior to submission for CEO endorsement.
2. <b>Minor revision required.</b>	STAP has identified specific scientific/technical suggestions or opportunities that should be discussed with the proponent as early as possible during development of the project brief. One or more options that remain open to STAP include: <ul style="list-style-type: none"> <li>(i) Opening a dialogue between STAP and the proponent to clarify issues</li> <li>(ii) Setting a review point during early stage project development and agreeing terms of reference for an independent expert to be appointed to conduct this review</li> </ul> The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.
3. <b>Major revision required</b>	STAP proposes significant improvements or has concerns on the grounds of specified major scientific/technical omissions in the concept. If STAP provides this advisory response, a full explanation would also be provided. Normally, a STAP approved review will be mandatory prior to submission of the project brief for CEO endorsement. The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement.