

China Energy Transition Towards Carbon Neutrality Project

Basic Information

GEF ID

10770

Countries

China

Project Title

China Energy Transition Towards Carbon Neutrality Project

GEF Agency(ies)

World Bank

Agency ID

World Bank: P175708

GEF Focal Area(s)

Climate Change

Program Manager

Ming Yang

PIF

Part I – Project Informatic

Focal area elements

1. Is the project/program aligned with the relevant GEF focal area elements in Table A, as defined by the GEF 7 Programming Directions?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes, this project is well aligned with the GEF7 CCM programming directions.

Agency Response

Indicative project/program description summary

2. Are the components in Table B and as described in the PIF sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. All components in Table B of the PIF are sound, appropriate, and sufficiently clear to achieve the project/program objectives and the core indicators. But there are still two minor issues to be cleared. Firstly, for most GEF projects, the project management cost (PMC) is financed by both the GEF and other project stakeholders (co-financing). For the proposed project, co-financing for the PMC is zero. Please justify it. Second, if the coal-fired power plants to be phased out in demonstrations in Shanxi Province have been selected, please indicate

justify it. Second, if the coal fired power plants to be phased out in demonstrations in Shanxi Province have been selected, please indicate the names and the power generation capacities of the power plants. If they have not been selected yet, please present the information in the CEO ER package after the PPG stage.

Outcomes:			
Subtotal	GEFTF	17,431,193	352,000,000
Project Management Cost (PMC)	GEFTF	1,568,807	
Total Project Cost		19,000,000	352,000,000

4/8/2021 MY:

1. Per GEF's operations' policy on the costs associated with the project management (PMC), in general, the PMC must be covered proportionally by the GEF portion and the co-financing portion. If the GEF contribution is kept at 5.2% and maintained at this level as it is shown in the PIF, the Agency needs to provide \$17,500,000 instead of \$1,000,000 (which is 0.2%). For special cases, there is flexibility on the GEF's operation's policy, but the Agency must provide a very strong justification and the GEF Program Manager needs to verify and approve it.

To the GEF PM, the PMC for this project does not need \$17,500,000 from co-financing, since \$350 million of the co-financing is a loan, but the PM still needs justification with strong evident from the Agency. Now at this PIF stage, please amend either by increasing the co-financing portion and/or by reducing the GEF portion to make the PMC comply with the GEF's operations policy. At the CEO ER stage when the details of pilot projects are clear, with strong supporting arguments, please propose a new budget for PMC with different portions of resources from the GEF and the Co-financing. Then, the GEF PM can verify and approve it.

4/22/2021 MY:

Not completed at this time.

The PMC amounts for both the GEF and the co-financing were revised. However, according to the GEF Guidelines on PMC (Council decision GEF/C.39.9), there should be "proportionality" between the PMC covered by co-financing amounts and the PMC covered by the GEF funding. For this project, the proportionality is 4.5% (GEF) vs. 1% (co-financing), without solid basis for justification. Please adjust the figures to achieve a more even proportion that can be fine-tuned during the PPG stage of the project.

4/23/2021 MY:

Yes, comments were addressed and the PIF was revised. Now, the PMC is financed by both the GEF funding and the Co-financing at 3%. These numbers will be finalized at the PPG stage.

Agency Response

Agency response

3/24/21:

1. The requested project management cost (PMC) included in the portal PIF submission is \$871,559 (5% of the total project cost rounded down to the nearest dollar). The PMC co-financing is \$1,000,000.
2. The specific power plant(s) to be supported will be identified during project preparation and/or implementation. Reference to this has been included in the project concept note (PCN) - para 27. a and PID - para 26. a.

4/19:

We have revised the PMC amount. The GEF PMC amount is reduced to \$750,000 (4.5% of the GEF grant) while the PMC to be covered by co-financing is increased to \$3.5 million (1% of the PMC). We would like to emphasize that the GEF and co-financed portions of the PMC will cover distinctly different aspects of project management: the GEF PMC will support the operation of the project management office (PMO) in NEA while the PMC provided by co-financing would support the costs associated with the management of the pilots at the provincial level. We will explore opportunities to reduce the GEF PMC during project preparation, including through in-kind support from NEA. However, there are certain fixed costs associated with project management for which we would need support from the GEF grant (e.g., hiring of project coordinator and technical staff, procurement and financial management specialists, environmental and social safeguards consultants). Given the large amount of co-financing, the proportionality target is not feasible for this project as project management costs do not increase in direct proportion to financing amount. If we were to apply strict proportionality, we would either have to increase the co-financing PMC to \$15,000,000 (4.5% of total co-financing), which would be extremely high and not reasonable or justifiable related to project management requirements, or we would decrease the GEF PMC to \$173,000 (1% of total GEF financing), which would be insufficient to cover project management requirements. We therefore request GEF Secretariat approval for the proposed indicative PMC amounts, which will be further refined during project preparation as actual project management costs are clarified.

4/22

The PMC has been adjusted to 3% of the GEF and co-financing amounts and (\$508,000 and \$10,250,000, respectively). These amounts will be further revised during project preparation.

Co-financing

3. Are the indicative expected amounts, sources and types of co-financing adequately documented and consistent with the requirements of the Co-Financing Policy and Guidelines, with a description on how the breakdown of co-financing was identified and meets the definition of investment mobilized?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. The co-financing amounts and types are adequate and consistent with the requirement of GEF co-financing policy and guidance.

Agency Response

GEF Resource Availability

4. Is the proposed GEF financing in Table D (including the Agency fee) in line with GEF policies and guidelines? Are they within the resources available from (mark all that apply):

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. Table D complies with GEF policies and guidelines and the GEF CCM available resources.

Agency Response

The STAR allocation?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes.

Agency Response

The focal area allocation?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes.

Agency Response

The LDCF under the principle of equitable access?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

N/A

Agency Response

The SCCF (Adaptation or Technology Transfer)?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

N/A

Agency Response

Focal area set-aside?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

N/A

Agency Response

Impact Program Incentive?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

N/A

Agency Response

Project Preparation Grant

5. Is PPG requested in Table E within the allowable cap? Has an exception (e.g. for regional projects) been sufficiently substantiated? (not applicable to PFD)

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not applicable. The project has been in preparation for a long time. This project does not need much time and costs to move from the PIF stage to the CEO ER stage, and the WB does not request any GEF PPG.

Agency Response

Core indicators

6. Are the identified core indicators in Table F calculated using the methodology included in the corresponding Guidelines? (GEF/C.54/11/Rev.01)

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes at this time, but more work needs to be done at the CEO ER stage.

The following paragraph is copied from the PIF in this matter:

Indicator 6 Greenhouse Gas Emission Mitigated: the indicator is estimated based on quantified impacts of provincial/city level energy transition pilots and their application in selected provinces (Component 2). GEF recommended methodology framework is used to compare the baseline scenarios and GEF project scenarios so the gap of GHG emission is considered as GEF contribution. Three provinces are included tentatively, i.e. Shanxi, Qinghai and Inner Mongolia. It is assumed that (a) the GEF project would accelerate the energy transition in these provinces by improving RE integration so additional RE generation can be provided in these provinces, so the baseline scenario is

defined as the planned generation mix in these provinces while the project scenario is defined as additional generation from zero carbon energy sources including renewable; (b) the annual growth rate of RE generation in these provinces would be increased by additional 0.5 percentage point; and (c) the additional RE generation would replace coal power generation, and an emission factor of 0.7 ton CO2 per GWh of coal-fired generation is applied to estimate the GHG emission mitigated. It is estimated that total 4 million tons of CO2 can be avoided by 2025, and the lifecycle GHG emission mitigated will be about 80 million tons. The estimate will be reviewed during the project preparation when pilot provinces are selected, and pilot investment projects are identified and confirmed.

At the CEO ER stage, please describe the baseline scenarios, the GEF project scenario, detailed data, assumptions, and calculation procedures for GHG emission reductions from individual power plants in each of the selected and to-be-selected provinces. The CO2 emission reductions from the calculation are accounted as **direct emission reductions**. Then, articulate the policy and strategy impacts on energy transition in China and show the scaling-up of the pilot demonstration power plants with RE technologies. The emission reductions associated in such transition and scaling-up are accounted as consequential (or indirect) emission reductions. The sum of direct emission reduction and consequential emission reduction is the total of CO2 emission reduction due to the project. Please refer to and use the GEF methodology in GHG accounting for this project.

4/8/2021 MY:

Comments on 3/22/2021 MY were addressed and issues were cleared.

But on core indicators: Please use sub-indicator 6.2. (and not 6.1.) for the GHG emission reductions outside AFOLU sector.

4/20/2021 MY:

Yes, comments were addressed and the project document was revised.

Agency Response

3/24/21:

Work will be carried out during project preparation to develop robust calculations for direct and indirect GHG emissions attributed to the project, which will be presented at CEO endorsement stage.

4/19:

We apologize for this mistake. We have corrected the entry to assign GHG reductions to sub-indicator 6.2.

Project/Program taxonomy

7. Is the project/program properly tagged with the appropriate keywords as requested in Table G?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes.

Agency Response

art II – Project Justification

1. Has the project/program described the global environmental/adaptation problems, including the root causes and barriers that need to be addressed?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not completed. On pages 5-10 of the MS-Word version of the PIF, please explicitly address the root causes and barriers of global environmental problems that are related to this project.

Hint:

Root causes of the largest CO2 emitter worldwide: China is the largest energy consumer and coal accounts the largest share in the mix of primary energy consumption. The power sector is one of the largest sectors in coal consumption.

Barriers: Coal economy in China has long history and it is cheap. Social barriers are also related to unemployment from coal production, etc. etc. The above information is available in the PIF but it should be put together with key words of root causes and barriers.

3/25/2021 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

3/24/21:

The root causes and barriers are presented in the PCN and PID. Para 6 of both documents has been revised to specifically incorporate the language "global environmental and/or adaptation problems, root causes and barriers."

Both tracked changes and clean versions of the revised PCN and PID have been uploaded into the portal to facilitate review.

2. Is the baseline scenario or any associated baseline projects appropriately described?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not completed. The baseline scenario is described in section **A. Country Context**. But it does not show baseline. Please rearrange the information to show "Baseline" in the PIF.

3/25/2021 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

3/24/21:

The baseline scenario is presented in section B of the PCN and PID (Introduction and Context), in particular paras 4-17, which describe the ongoing activities that China has and is carrying out to promote energy transition in the power sector.

3. Does the proposed alternative scenario describe the expected outcomes and components of the project/program?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not completed. Pages 11-12 of the MS-Word PIF document shows the information of alternative scenario but not in the term of "alternative scenario". Please revise or rearrange the information to show the "Alternative Scenario".

3/25/2021 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

3/24/21:

A new para has been added to the PCN (para 19) and PID (para 18), which defines the alternative scenario as the business as usual growth of RE generation in selected provinces, so the RE targets in their previous 14th FYPs will be achieved.

4. Is the project/program aligned with focal area and/or Impact Program strategies?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. It is well aligned with GEF 7 CCM focal area.

Agency Response

5. Is the incremental/additional cost reasoning properly described as per the Guidelines provided in GEF/C.31/12?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not completed. Please use the information in the section of Addressing RE Integration Issue to Increasing RE Penetration. to present "Incremental/additional cost reasoning".

3/25/2021 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

3/24/21:

A new para has been added to the PCN (para 19) and PID (para 18), which defines the additional benefits that the GEF funding will support as "accelerated energy transition so additional RE generation (and less coal power generation) can be achieved in the selected provinces or more aggressive RE targets can be included in their updated 14th FYPs. The GEF project scenario is expected to be achieved through removal of policy and technical barriers to address the RE integration issue and accelerating phasing out coal power in these selected provinces. The main contribution of GEF support is to accelerate the energy transition in selected provinces, so replication can be made in other provinces."

As explained in para 59 of the PCN, during project preparation, incremental costs and benefits attributed to the proposed GEF project will be estimated, mainly as (a) accelerated development of emerging technologies and their contributions to additional RE installation and generation, and (b) increased RE penetration in pilot provinces and/or cities.

6. Are the project's/program's indicative targeted contributions to global environmental benefits (measured through core indicators) reasonable and achievable? Or for adaptation benefits?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. The initial targeted CO2 emission reduction is 80 million tonnes. But it needs to be justified with more detailed calculations at the PPG stage.

Agency Response

3/24/21:

Work will be carried out during project preparation to develop robust calculations for direct and indirect GHG emissions attributed to the project, which will be presented at CEO endorsement stage.

7. Is there potential for innovation, sustainability and scaling up in this project?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not completed at this time. Please write three paragraphs to address each of the following three issues:

1. innovation,

Please focus on carbon neutrality policy and strategy for China's energy and power sector which is innovative.

2. sustainability

Please justify or describe that the to-be-installed RE power facility (which will replace coal-fired power plants) will continue operation after the GEF/WB project implementation is over.

3. scaling up

Please elaborate how China will apply the carbon neutrality policy and strategy, the technology demonstration, knowledge and experience from this WB/GEF project in other provinces all over China.

3/25/2021 MY:

Yes, comments were addressed and issues were cleared.

Agency Response

3/24/21

Three paragraphs have been added to the project documents on innovation, sustainability, and scaling up (paras 41-43 in the PCN/39-41 in the PID).

Project/Program Map and Coordinates

Is there a preliminary geo-reference to the project's/program's intended location?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. Power plants in Shanxi province is identified. But more projects sites are to be identified.

Agency Response

3/24/21:

Additional project sites will be identified during project preparation and implementation.

Stakeholders

Does the PIF/PFD include indicative information on Stakeholders engagement to date? If not, is the justification provided appropriate? Does the PIF/PFD include information about the proposed means of future engagement?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not completed. Please write more details on identified stakeholders. For example, it is known that the TTL of the WB project has visited a number of power plants in Shanxi province. Please list the names of these power plants and their stakeholders if is convenient.

Please use a chart to illustrate the relationship of all stakeholders for the project.

4/8/2021 MY:

Please provide a description of any consultations conducted with civil society organizations during project development (as indicated), as well as information on how they will be engaged in the project, and means of engagement throughout the cycle. A comprehensive stakeholder analysis is recommended (where the stakeholder and institutional landscape is mapped and the connections and relationships between the different stakeholders, their interest and needs are identified).

4/22/2021 MY:

Not completed at this time.

There's no description of civil society engagement in consultations during the project identification. Hence either remove (untick) the reference to civil society being consulted or describe the consultations conducted with civil society organizations.

4/23/2021 MY:

Yes, comment was addressed and the PIF was revised.

Agency Response

The stakeholder section of the PIF portal submission as well as para 36 of the PCN have been revised to include specific companies consulted during identification stage. A table has been added to the PCN (para 44) and PID (para 42) to show the different stakeholders involved in each component of the project.

4/19:

We have updated the stakeholder section in the portal and PCN to provide additional information on the roles and interests of different stakeholder groups. A more comprehensive stakeholder analysis and elaboration on stakeholder engagement will be included in the

stakeholder engagement plan (SEP) that is required of all World Bank projects and will be submitted at the time of the request for CEO endorsement. With respect to civil society, the relevant stakeholders that have been and will be consulted include thinktanks, research institutes, universities and industrial associations. Their involvement to date and expected involvement is described in the text in the portal and PCN and will be further described in the SEP. With respect to indigenous peoples/ethnic minorities, as per the requirements noted in the ESRS, environmental and social impact assessments (ESIA) will be carried out for each of the provincial pilot projects. During the preparation of the ESIAs, impacts on ethnic minorities will be further revisited by baseline scoping assessment to understand the project's nature and geographical implications, and relevant consultations will be carried out with any identified groups that would potentially be impacted by the pilot projects.

4/23:

We have unticked the box on civil society being consulted.

Gender Equality and Women's Empowerment

Is the articulation of gender context and indicative information on the importance and need to promote gender equality and the empowerment of women, adequate?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not completed. In the section on "Gender Equality and Women's Empowerment" on page 14, please include considerations of gender and information on preliminary findings on gender-specific context of the project that is associated with this project. Please describes plans to address gender issues during the project development phase, including description on planned gender responsive measures/activities to address gender gaps or promote gender equality and women's empowerment. Please reconfirm that the appropriate gender tags have been ticked.

4/8/2021 MY:

The project indicates that it will include measures to address gender and contribute to generating socio-economic benefits or services for women project but it includes very limited information on any gender dimensions, such as specific barriers to women to benefit from project activities or any possible adverse impact on women. Please elaborate further on these issues and efforts by the project to ensure women's full participation in project development and implementation.

4/20/2021 MY:

4/20/2021 MY:

Yes, comments were addressed and the PCN has been revised. The PM welcomes the World Bank to undertake a more detailed analysis of barriers to women's participation and adverse when the locations for the pilot demonstrations are identified and selected.

Agency Response

Information on gender gaps and planned measures to address these gaps is included in the section on gender in the portal and the related paragraph in the PCN (para 32) and PID (para 31). Relevant gender tags in the portal were identified.

4/19:

We have updated the text on gender in the portal and PCN to (i) justify the project's focus on women's employment/participation in the renewable energy sector given the project objectives and interventions, and (ii) identify specific measures to be taken by the project. Please note that at this time the locations for the pilot investments have not yet been identified so the identification of gender gaps/barriers remains general to the national RE sector. Once the pilot sites are confirmed during project preparation, a more detailed analysis of barriers to women's participation and adverse impacts specific to the pilot locations will be conducted and measures to address these identified and incorporated into the pilot project design.

Private Sector Engagement

Is the case made for private sector engagement consistent with the proposed approach?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. As shown on page 14, this project will widely engage private investments from those RE developers, manufacturers, service providers, and some coal mining companies.

Agency Response

Risks to Achieving Project Objectives

Does the project/program consider potential major risks, including the consequences of climate change, that might prevent the project objectives from being achieved or may be resulting from project/program implementation, and propose measures that address these risks to be further developed during the project design?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. The major risks including the climate change risks, COVID-19 risks and opportunities are described on page 15.

4/8/2021 MY:

Please do more analysis on Climate Risk Screening. Specifically, please double check to ensure that climate risks are identified, listed and described per the guidance of STAP. See

<https://stapgef.org/sites/default/files/publications/Climate%20Risk%20Screening%20web%20posting.pdf>

This includes but not limited to:

1. Outlining the key aspects of the climate change projections/scenarios at the project locations, which are relevant for the type of intervention being financed (e.g. changes in temperatures, rainfalls, increased flooding, sea level rise, saltwater acquirer contamination, increased soil erosion, etc.).
2. Showing risks with a time horizon if feasible/data available (e.g. up to 2050).
3. Listing key potential hazards for the project that are related to the aspects of the climate scenarios listed above. This means elaborating a narrative that describes how the climate scenarios indicated above are likely to affect the project, during 2020-2050.
4. Describing plans for climate change risk assessment and climate risk mitigation measures during PPG. The STAP guidance shows more details on it.

4/20/2021 MY:

Yes, comments were addressed and issues were cleared. Please include a detailed report on climate risk screening to 2050 for the pilot projects at the CEO ER stage.

Agency Response

4/19:

We have made some adjustments to the text on climate risk in the PCN. However, we would like to note that since the provincial pilot sites have not yet been confirmed, it is not yet possible to conduct a climate risk screening to 2050 for the pilot projects. Such screening will be undertaken once the pilot project locations are confirmed, and climate risk assessment and mitigation measures will be incorporated into pilot project design.

Coordination

**Is the institutional arrangement for project/program coordination including management, monitoring and evaluation outlined?
Is there a description of possible coordination with relevant GEF-financed projects/programs and other bilateral/multilateral initiatives in the project/program area?**

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. The institutional arrangement for project/program coordination is shown on page 17 and 18. The WB will not play any role of executing the project.

Agency Response

Consistency with National Priorities

Has the project/program cited alignment with any of the recipient country's national strategies and plans or reports and assessments under relevant conventions?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. The proposed project is very well aligned with the national government strategies and plans of 2060 carbon neutrality.

Agency Response

Knowledge Management

Is the proposed “knowledge management (KM) approach” in line with GEF requirements to foster learning and sharing from relevant projects/programs, initiatives and evaluations; and contribute to the project’s/program’s overall impact and sustainability?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not completed at this time.

Please rearrange the information on page 18-19 (*8. Knowledge Management*) in the following format:

1. an overview of existing lessons and best practice that inform the project concept
2. plans to learn from relevant projects, programs, initiatives & evaluations
3. processes to capture, assess and document info, lessons, best practice & expertise generated during implementation
4. tools and methods for knowledge exchange, learning & collaboration, including knowledge platforms and websites
5. knowledge outputs to be produced and shared with stakeholders
6. a discussion on how knowledge and learning will contribute to overall project/program impact and sustainability
7. plans for strategic communications

3/25/2021 MY:

3/23/2021 MY:

Yes, comments were addressed and issues were cleared.

Agency Response The knowledge management section in the PCN (paras 33-36) and PID (paras 32-35) has been revised to present the information in the requested format.

Environmental and Social Safeguard (ESS)

Are environmental and social risks, impacts and management measures adequately documented at this stage and consistent with requirements set out in SD/PL/03?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. The "Concept Environmental and Social Review Summary Concept Stage (ESRS Concept Stage)" is uploaded onto the GEF Portal at the folder of Document.

Agency Response

art III – Country Endorsements

Has the project/program been endorsed by the country's GEF Operational Focal Point and has the name and position been checked against the GEF data base?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Yes. The MOF's LoE dated March 10, 2021 is uploaded onto the GEF Portal.

Agency Response

Termsheet, reflow table and agency capacity in NGI Projects

Does the project provide sufficient detail in Annex A (indicative termsheet) to take a decision on the following selection criteria: co-financing ratios, financial terms and conditions, and financial additionality? If not, please provide comments. Does the project provide a detailed reflow table in Annex B to assess the project capacity of generating reflows? If not, please provide comments. After reading the questionnaire in Annex C, is the Partner Agency eligible to administer concessional finance? If not, please provide comments.

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

N/A

Agency Response

EFSEC DECISION

RECOMMENDATION

Is the PIF/PFD recommended for technical clearance? Is the PPG (if requested) being recommended for clearance?

Secretariat Comment at PIF/Work Program Inclusion

3/22/2021 MY:

Not completed. A few comments on minor issues need to be cleared. Please see the comments in the boxes above.

4/22/2021 MY:

Not completed at this time.

Please address the remain issues on PMC and Stakeholder engagement.

4/23/2021 MY:

Yes, all comments were addressed and issues were cleared.

The PM recommends technical clearance for this project.

ADDITIONAL COMMENTS

Additional recommendations to be considered by Agency at the time of CEO endorsement/approval.

Secretariat Comment at PIF/Work Program Inclusion

4/20/2021 MY:

Please adjust the PMC amounts at the PPG stage with more reasonable project data and stronger justifications.

More detailed GHG accounting should be done once the pilot power plants are selected.

Please more actively engage stakeholders during the PPG stage to make the project better comply with the requirements of the World Bank and the GEF on this topic. At the CEO ER stage, please include a more comprehensive report on stakeholder engagement.

Please undertake a more detailed analysis of barriers to women's participation and adverse impacts at the PPG stage when the specific locations for pilot demonstrations are selected. Please include a report on this topic a the CEO ER stage.

More co-financing including the second tranche of loan and other loans from local banks needs to be further identified and confirmed.

Please submit a detailed report on climate risk screening to 2050 for the pilot projects at the CEO ER stage.

View Dates

	PIF Review	Agency Response
First Review	3/22/2021	3/24/2021
Additional Review (as necessary)	3/25/2021	4/20/2021
Additional Review (as necessary)	4/8/2021	4/22/2021
Additional Review (as necessary)	4/22/2021	
Additional Review (as necessary)	4/23/2021	

PIF Recommendation to CEO

Brief reasoning for recommendations to CEO for PIF Approval

The project development objective is to accelerate energy transition towards carbon neutrality in the power sector through supporting development of policies at national level and piloting implementations in selected provinces. The project has three major components: (1) national level policy and technical support; (2) provincial/city level energy transition pilots; (3) capacity building, institutional development, and knowledge management. The project target is ambitious and innovative. China's pledge on carbon neutrality is new so there exist ongoing global and national debates on whether China's pledge is achievable. This project aims to build the vision and pathways of achieving carbon emission peaking before 2030 and neutrality in the power sector by 2060, which is the key sector for China to achieve carbon neutrality in the whole economy. The project will focus on removing policy barriers and promoting the application of innovative zero carbon energy technologies and use pilots to demonstrate them for further replication. The government 2060 carbon neutrality strategy and policy and new renewable energy technologies will ensure the sustainable operations of the pilot renewable energy power plants that will be financed in this project. The pilot energy transition in selected provinces will build the vision and demonstrate the appropriate pathways of achieving the 2060 carbon neutrality objective. Thus, further replication and scale-up of the application of the project models are very

promising. With \$19 million GEF funding, the project will mobilize \$352 million co-financing with \$350 million loan investment. Another \$300

million as the second tranche of the loan will be delivered to the project. In addition, \$300-\$500 million loan and equity co-financing from local banks and power plant stakeholders are expected during the PPG and project implementation stages. This project targeted to mitigate a total of 80 million tonnes of CO₂ in its lifetime operation.

The impact of climate change risk on this project is moderate. The anticipated climate change risks include (a) impact to electricity consumption in selected provinces so the demand would increase, which may be adverse to the ongoing energy transition; and (b) the sites of selected pilot investment projects would be affected by climate change so the performance of the pilots may be influenced. Measures to mitigate these risks as follows: (a) good power system planning has been taken in China to address the power shortage issue for decades, and the proposed project will help China in accelerating the energy transition by building unified pathways; and (b) the technical design of the pilot projects will be reviewed and the national requirements on site selection will be followed to mitigate the potential impacts of climate change.

The major impact of Covid-19 includes not only causing economy recession, but also preventing people from working and communicating effectively. It may cause delays in both the project preparation and implementation. To cope with it, the WB has developed and used information technologies that will facilitate communications effectively. In the meantime, Covid-19 has brought about an opportunity to increase people's awareness in protecting our planet, saving natural resources, and promoting energy transition from fossil fuel-based systems towards clean and zero carbon energy systems. As such, more parties including the private investors are interesting the GEF project which will likely end up with more co-financing for the project.