REQUEST FOR PROJECT PREPARATION GRANT (PPG)

PROJECT TYPE: FULL-SIZED PROJECT
THE GEF TRUST FUND

Submission date: March 6, 2009

GEF PROJECT ID[1]:
GEF AGENCY PROJECT ID: 4241
COUNTRY(IES): Russian Federation
PROJECT TITLE: Mainstreaming biodiversity conservation into Russia's energy sector policies and operations
GEF AGENCY(IES): UNDP
OTHER EXECUTING PARTNER(S): Ministry of Natural Resources and Environment
GEF FOCAL AREA(s): Biodiversity
GEF-4 STRATEGIC PROGRAM(s): BD-SP4
NAME OF PARENT/PROGRAM/UMBRELLA PROJECT (if applicable)**: NA**

A. PROJECT PREPARATION TIMEFRAME

Start date of PPG	April 2009
Completion date of PPG	March 2010

B. PAST PROJECT PREPARATION ACTIVITIES ($) NA

C. PROPOSED PROJECT PREPARATION ACTIVITIES ($)

The PPG is requested to finance three components critical for the preparation of the FSP:

Component 1. Detailed assessment of the institutional and legal environment at the national/regional levels and across the three major energy sectors (oil-and-gas, coal, and hydropower), taking into account the international guidance and practices:

Preparatory activities under this component will be directly contributing to the full design of the Component I of the expected FSP ("Enabling Policy, legislative and institutional environment") and will result in the following outputs: (i) information gathered, analyzed and collated on institutional and legal aspects important for biodiversity mainstreaming in energy, at the federal and regional levels, as well as at the level of sector-specific regulations and laws (oil and gas, hydropower and coal sectors), taking into account international best practices; (ii) analysis of the strengths and opportunities for mainstreaming biodiversity in energy, in parallel to analysis of the potential conflicts between energy land uses and conservation objectives; mechanisms/recommendations developed to address the conflicts; (iii) risk assessment and recommendations for mitigation measures;

At the national policy level the preparatory activities under this component will include an assessment of:

(i) The national environment protection policies and legislation on Environmental Impact Assessment, state ecological expertise, national regulations and standards on the design of investment projects and their environmental safety with the view of improving the coverage of BD mainstreaming aspects in these regulations;
(ii) National policy and legislative context and existing or missing regulatory prerequisites for the introduction of the "avoid-reduce-remedy" principles in the energy sectors. Extract lessons from the UNDP/GEF South Africa Grasslands project on mapping of areas where (a) energy development is to be avoided altogether; (b) energy projects are allowed, but should have mitigation measures to reduce biodiversity impacts; and (c) restoration is needed. Develop a strategy for the project to implement a similar approach in the Russian context.
(iii) The legal requirements and barriers for full economic assessment (valuation) of biodiversity degradation and loss;
(iv) The legal basis for, existing policies and plans and any regulatory gaps regarding compensation for

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biodiversity loss from energy development projects/investments; regulations on post-project rehabilitation methods with a view to require maximum proximity of the restored ecosystem to its pre-project ecology;
(v) Policy, legal and regulatory provisions and barriers for introduction of environmental insurance and biodiversity off-sets programmes;
(vi) National land tenure context for spatial planning;

At the regional (provincial) level the PPG assessment will focus on regions with heavy energy industry development and help identify/confirm regions with potential to host demonstration sites, and will review:
(i) Regional policies and regulatory frameworks affecting the proposed project plans; special consideration will be given to policies on the territorial (spatial) planning at the regional level;
(ii) Region-specific energy development plans and investment proposals;
(iii) Past experience in the regions with heavy industry development on introduction and enforcement of environmental protection and specifically biodiversity mainstreaming legislation and regulations; take stock of the willingness of regional governments to cooperate on biodiversity mainstreaming solutions. Confirm availability/willingness of certain regions/sites to be demonstration areas for the project.

At the sectoral level the PPG will support the assessment of:
(i) Energy development programmes and plans by sector (oil and gas, coal, hydropower) including spatial planning and priority investment plans;
(ii) Sector-specific regulations, standards, norms, guidelines currently preventing mainstreaming of conservation goals into energy development projects.

The PPG assessment will also look at: (i) International best practice and experience in policy development, legal and regulatory frameworks and enforcement systems for effective mainstreaming of biodiversity conservation objectives into energy sector; this will include taking stock of relevant experience from the UNDP/GEF projects in South Africa and Mauritania; (ii) The legal context for the federal and regional administrative reform processes affecting the proposed project plans; and (iii) The current shortcomings and gaps/risks in the planning, policy and legal framework and related risks that may affect the efficacy of project activities, and recommendations on how to mitigate these constraints/risks.

Component 2. Baseline biodiversity and industry assessments and development of detailed work-plans for the project's sectoral components (Components II – IV):

The preparatory activities under this component are key for defining the detailed barrier-removal strategy and specifics of sector work in Components II-IV of the proposed FSP. The outputs will be: (i) baseline analysis of the state of technology, know-how and information barriers for BD mainstreaming, energy sectors affecting globally valuable biodiversity per each sector (oil and gas, coal, hydropower); (ii) biodiversity pressures per industry qualified and quantified; (iii) selection of demonstration sites, and biodiversity and technologies solutions data developed at each site; (iv) BD SP-2 Tracking Tool completed; (v) global biodiversity benefits of the proposed project documented. Specifically, the activities covered under this component will:
(i) Analyze and document, country-wide, threats to biodiversity from energy development plans and energy operations (oil and gas, coal and hydropower sectors) and their root causes;
(ii) Analyze the macroeconomic and political context at the national level (key business sectors, socio-economic development, political environment), and its current and future impacts on the biodiversity mainstreaming plans;
(iii) Identify/confirm the technical and knowledge barriers to effective mainstreaming of conservation objectives into energy development plans and operations, per each of the three sectors; [this material will be critical to define the project's barrier-removal strategy];
(iv) Preparatory work on sector-specific compendiums of biodiversity mainstreaming: assessments of options for biodiversity solutions in each industry (i.e. first outputs expected under each Component II-IV). Extract lessons from leading international guidance and adapt it to Russia's context. Develop a detailed action plan to finalize the compendiums at the FSP stage;
(v) Establishing working contacts with the team working on the Integrated Risk Assessment Scheme for Mining at Shelf Areas, and agree on the work plan to add a biodiversity module not only on shelf, but also on the continent.
(vi) Finalize the selection of the project areas from the following preliminary list: Arctic (Nenetsk AO), Caucasus (Krasnodar Krai, Dagestan Republic), Eastern Siberian Taiga (South of Yakutia (Sakha Republic),

Sayany (Khakassia, Kemerovo oblast). For each project site, the PPG will:

- Define the spatial extent of the proposed project areas,
- Determine the current spatial distribution of land uses and levels of transformation in the proposed project areas, existing and potential conflicts among land uses affecting conservation objectives,
- Conduct biodiversity study with particular focus on unique flora and IUCN Red List species, and document threats to biodiversity;
- Elaborate biodiversity solutions to be tested;
- Analyze the conservation and economic/energy development plans, projects, programs and initiatives affecting or impacting on the proposed project activities (this will be cross-referenced to the general outcomes of Activity 1) in the project areas and correct the proposed solutions as need be;
- Reach agreement with local governments and companies/investors on implementation of demonstration projects;
- Select biodiversity impact indicators (with baseline values) to measure the project progress;
- Develop monitoring plan for each site, taking into account that the key monitoring instrument for the whole project is going to be the SP-2 Biodiversity tracking tool.

Component 3. Assessment of the capacity of different agencies to support implementation of project activities This component is designed to ensure that implementation arrangements, partnership strategies and capacities are in place and adequate for the successful project implementation and its sustainability. Funding support from the PPG will be used to conduct an assessment of the capacity of the national and regional governmental agencies and corporate sector in respect of: (i) roles, functions and/or responsibilities in the energy sector development with the focus of biodiversity conservation mainstreaming; (ii) capacity constraints in supporting or implementing mainstreaming biodiversity activities. The focus of this assessment will be on identifying potential incentives and the capacity development needs of the different stakeholder groups to ensure the sustainability of project investments beyond the term of the project. The following will be appraised under this overarching activity:

(i) The roles, functions and responsibilities of different institutions and organizations in the regulation, planning, operations, compliance and performance monitoring of energy projects in oil and gas, coal and hydropower sectors; The governance, cooperation and partnership arrangements between these institutions and organizations;

(ii) Existing and potential incentives (and disincentives) for energy companies and energy investment projects to mainstream conservation considerations; the level of interest in, and influence on the proposed project activities; existing level of corporate environmental responsibility and quality of non-financial reporting; level of penetration/influence of companies' environmental performance information in the market indices;

(iii) The capacity of these institutions to implement and sustain the proposed project activities, including recommendations for the ongoing development of capacity in the project design to address any gaps; and

(iv) The feasibility of different options for the implementation of project activities and project governance. This will include the selection and detailed description of the preferred implementation and governance arrangements for the project.

Component 4. Feasibility analysis and budget

PPG funding will be used to assess the feasibility and to develop the detailed budget for the proposed project strategy. Preparatory activities under this component will cover:

(i) assessment of the social, economic and financial sustainability of proposed project activities;

(ii) assessment of the alternatives to the project strategy and establishing the cost effectiveness of the preferred strategy and suite of activities;

(iii) development of a replication strategy for project activities;

(iv) development of a monitoring and evaluation plan and budget;

(v) costing the expected project outcomes and outputs, identify co-financing sources and secure co-financing commitments

PPG activities	**Outputs of the PPG Activities**	**PPG amount** (a)	**Co-financing** (b)	**Total,** c = a + b
Block 1. Detailed assessment of the institutional and legal	(i) information gathered, analyzed and collated on institutional and legal aspects important for biodiversity mainstreaming in energy, at the federal	31,200	30,000	61,200

environment at the national/regional levels and across the three major energy sectors (oil-and-gas, coal, and hydropower), taking into account the international guidance and practices:	and regional levels, as well as at the level of sector-specific regulations and laws (oil and gas, hydropower and coal sectors), taking into account international best practices; (ii) stock taken of strengths and opportunities for mainstreaming biodiversity in energy, in parallel to analysis of the potential conflicts between energy land uses and conservation objectives; mechanisms / recommendations developed to have these conflicts addressed within the scope of FSP Component I; (iii) enable elaboration of an adequate project risk matrix and mitigation measures			
Block 2. Biodiversity and industry assessments and development of detailed work-plans for the project's sectoral components (Components II – IV):	(i) stock taken of the baseline state of technology, know-how and information barriers for BD mainstreaming, energy sectors affecting globally valuable biodiversity per each sector (oil and gas, coal, hydropower); (ii) biodiversity pressures per industry qualified and quantified; (iii) choice of demonstration sites finalized, and biodiversity and technologies solutions data developed for at each site; (iv) BD SP-2 Tracking Tool completed, (v) global biodiversity benefits of the proposed project documented.	76,600	110,000	186,600
Block 3. Assessment of the capacity of different agencies to support implementation of project activities	(i) recommendations for capacity building and institutional mainstreaming actions; and (ii) a description of the project governance and implementation arrangements	23,200	20,000	43,200
Block 4. Feasibility study and budget	(i) cost-effectiveness strategy; (ii) assessment of the social, economic and financial sustainability of proposed project activities; (iii) development of a replication strategy for project activities; (iv) development of a monitoring and evaluation plan and budget; (v) costing the expected project outcomes and outputs, identify co-financing sources and secure co-financing commitments	42,636	20,000	62,636
Total Project Preparation Financing		**173,636**	**180,000**	**353,636**

D. FINANCING PLAN SUMMARY FOR PROJECT PREPARATION GRANT: ($)

	Project Preparation	**Agency Fee**
GEF financing	173,636	17,364
Co-financing	180,000	
Total	353,636	17,364

E. PPG REQUESTED BY AGENCY(IES), FOCAL AREA(S) AND COUNTRY(IES)[1] N/A

F. PPG BUDGET REQUEST

Cost Items	**Total Estimated Person Weeks for GEF Grant (PW)**	**GEF ($)**	**Co-financing ($)**	**Total ($)**
Local consultants *	157	100,000	160,000	260,000
International consultants*	17	51,000		51,000
Travel		12,636	5,000	17,363
Miscellaneous**		10,000	15,000	25,000
Total PPG Budget		173,636	180,000	353,636

* Please see Annex A for Consultant cost details and TOR.

** Miscellaneous costs involve mainly translation and interpretation costs and minor costs for PPG inception workshop

G. GEF AGENCY(IES) CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.

Agency Coordinator, Agency name	Signature	Date *(Month, day, year)*	Project Contact Person	Telephone	Email Address
Yannick Glemarec, UNDP/GEF Executive Coordinator	Y. Glemarec	3/6/09	Adriana Dinu	+421 905 428 238	Adriana.dinu@undp.org

Annex A

Consultants Financed by the Project Preparation Grant (PPG)

Position / Titles	$/Person Week[1]	Estimated PWs[2]	Tasks to be performed
Local			
Leading national BD expert	650	30	The leading BD mainstreaming and baseline assessment expert will be responsible for collecting information on globally valuable biodiversity affected or threatened with the energy development plans; analysis of threats to biodiversity from energy sector and their root causes; socio-economic context; analysis of barriers to mainstreaming biodiversity conservation into energy policies, planning and operations. The lead expert will define tasks in the biodiversity groups for the other expert, will have overall coordination role in collection and compiling baseline information by other national PPG experts and communicate with international consultants. The following information will have to be collated and developed at the national level by the two biodiversity experts jointly with the BD-friendly technology experts in each sector at the national level: (i) Analyze and documents, country-wide, threats to biodiversity from energy development plans and energy operations (oil and gas, coal and hydropower sectors) and their root causes; (ii) The macroeconomic and political context at the national level (key business sectors, socio-economic development, political environment), and its current and future impacts on the conservation mainstreaming plans; (iii) Coordinate and contribute to the threat-barrier analysis, [most of which will be implemented by the bd-friendly technology experts], (iv) Coordinate and contribute to the preparation of sector compendiums (v) Coordinate the 4 national site planning experts to obtain detailed data on project demonstration areas. Contribute to project site studies.
Law and policy experts	650	24	A group of 2 national legal and policy experts will collect baseline information on policy, legal and regulatory context, outline legislative and regulatory barriers and gaps for mainstreaming biodiversity objectives at the **national** and **regional** levels. Specific functions: At the national policy level, analysis of: (i) The national environment protection policies and legislation on Environmental Impact Assessment, state ecological expertise, national regulations and standards on the design of investment projects and their environmental safety with the view of improving coverage of BD mainstreaming aspects in these regulations; (ii) National policy and legislative context and existing or missing regulatory prerequisites for the introduction of the "avoid-reduce-remedy" principles in the energy sectors. (iii) The legal requirements and barriers for full economic assessment (valuation) of biodiversity degradation and loss; (iv) The legal basis for, existing policies and plans and any regulatory gaps in support of adequate compensation for biodiversity loss from energy development projects/investments; regulations on post-project rehabilitation methods with a view to require maximum proximity of the restored ecosystem to its pre-project ecology; (v) Policy, legal and regulatory provisions and barriers for introduction of environmental insurance and biodiversity off-sets programmes; (vi) National land tenure context for spatial planning; (vii) The legal context for the federal and regional administrative reform processes affecting the proposed project plans; (viii) The current shortcomings and gaps/risks in the planning, policy and legal framework and related risks that may affect the efficacy of project activities, and recommendations on how to mitigate these constraints/risks At the regional (provincial) level, review: (i) Regional policies and regulatory frameworks affecting the proposed project plans; special consideration will be given to policies on the territorial (spatial) planning at the regional level; (ii) Region-specific energy development plans and investment proposals; (iii) Take stock of past experience in the regions with heavy industry development on introduction and enforcement of environmental protection and specifically biodiversity mainstreaming legislation and regulations; take stock of the

Position / Titles	$/Person Week[1]	Estimated PWs[2]	Tasks to be performed
			willingness of regional governments to cooperate on biodiversity mainstreaming solutions. Confirm availability/willingness of certain regions/sites to be demonstration areas for the project. The experts will outline the current shortcomings and gaps in the planning, policy and legal framework and related risks that may affect the efficacy of project activities, and provide recommendations for FSP planning.
Energy sector policies and planning expert/s (hydropower, oil and gas, coal)	650	24	Describe national and regional energy development plans in oil and gas, coal and hydropower sectors, specifically: (i) Energy development programmes and plans by sector (oil and gas, coal, hydropower) including spatial planning and priority investment plans; (ii) Major corporate players in the selected sectors and pilot regions and their development/investment plans; (iii) Sector-specific regulations, standards, norms, guidelines affecting or preventing mainstreaming of conservation goals into energy development projects. (iv) Existing and new technical regulations and project development software for oil, gas, coal and hydropower projects with the recommendations to incorporate biodiversity information/requirements. (v) Outline gaps and barriers at the policy and planning level and provide recommendations for the full project planning.
BD-friendly technology expert/s (hydropower, oil and gas, coal)	650	24	The experts will: (i) Contribute to the analysis and documentation of the threats to biodiversity emanating from energy development plans and energy operations. This analysis is led by the BD lead national expert, and is assisted by the expert on energy policies and plans. Specifically, the bd-friendly technology experts will describe energy sectors affecting globally valuable biodiversity (oil and gas, coal, hydropower) with the focus of the state of technology, operational practices, know-how and information barriers for BD mainstreaming. (oil and gas, coal and hydropower sectors) and their root causes; (ii) Identify/confirm the technical and knowledge barriers to effective mainstreaming of conservation objectives into energy development plans and operations, per each of the three sectors; [this material will be critical to define the project's barrier-removal strategy]; (iii) Preparatory work on sector-specific compendiums of biodiversity mainstreaming: assessments of options for biodiversity solutions in each industry (i.e. first outputs expected under each Component II-IV). (iv) Review of sectoral risk assessment and risk mitigation schemes with the view of incorporating biodiversity elements.
Pilot sites planning experts (x 4)	600	20	Under the leadership of the lead national BD expert, describe characteristics of the four proposed project areas. [The preliminary list includes Arctic (Nenetsk AO), Caucasus (Krasnodar Krai, Dagestan Republic), Eastern Siberian Taiga (South of Yakutia (Sakha Republic), Sayany (Khakassia, Kemerovo oblast)] and identify demonstration sites and activities for the proposed project. (i) Define the spatial extent of the proposed project areas, (ii) Determine the current spatial distribution of land uses and levels of transformation in the proposed project areas, existing and potential conflicts among land uses affecting conservation objectives, (iii) Conduct detailed biodiversity study (i.e. species, habitats and ecosystem processes, protected areas) with particular focus on unique flora and IUCN Red List species (iv) An analysis and documentation of the threats to biodiversity from energy development plans and energy operations (oil and gas, coal and hydropower sectors) and their root causes at project sites (v) Elaborate biodiversity solutions to be tested, (vi) Analyze the conservation and economic/energy development plans, projects, programs and initiatives affecting or impacting on the proposed project activities (this will be cross-referenced to the general outcomes of Activity 1) in the project areas and correct the proposed solutions as need be, (vii) Reach agreement with local governments and companies/investors on implementation of demonstration projects,

Position / Titles	$/Person Week[1]	Estimated PWs[2]	Tasks to be performed
			(viii) Elaboration of biodiversity indicators (with baseline values) to measure the project progress, (ix) Develop monitoring plan for each site, taking into account that the key monitoring instrument for the whole project is going to be the SP-2 Biodiversity tracking tool. The collation of baseline information for the four proposed project areas will primarily involve a desk review of existing data and reports. This will then be supplemented by focused interviews and consultations with key stakeholders. No new field research or surveys will be conducted with PPG funding support. The SP-2 Biodiversity Tracking Tool will be completed as a baseline for future project M&E at the implementation phase.
Institutional capacity expert	650	18	Describe: (i) The roles, functions and/or responsibilities of various agencies in the energy sector development with the focus of biodiversity conservation mainstreaming; (ii) The roles, functions and responsibilities of different institutions and organizations in the regulation, planning, operations, compliance and performance monitoring of energy projects in oil and gas, coal and hydropower sectors; (iii) The governance, cooperation and partnership arrangements between these institutions and organizations; (iv) The capacity of these institutions to implement and sustain the proposed project activities, including recommendations for the ongoing development of capacity in the project design to address any gaps. (v) The feasibility of different options for the implementation of project activities and project governance. Deliver: (i) recommendations for capacity building and institutional mainstreaming actions; (ii) description of the project governance and implementation arrangements;
Private sector involvement and market instruments expert/s	650	10	Conduct a private sector assessment focusing on energy sector companies operating in Russia and in the project sites. Describe: (i) Existing and potential incentives (and disincentives) for energy companies and energy investment projects to mainstream conservation considerations; (ii) The level of interest in, and influence on the proposed project activities; (iii) Existing level of corporate environmental responsibility and quality of non-financial reporting; (iv) Level of penetration/influence of companies' environmental performance information in the market indices. Review existing practices for preparation of corporate and statistical plans and reports of energy companies and provide recommendations for incorporating biodiversity impact and information into the non-financial reporting of the energy companies. Recommend tools for presentation of biodiversity information at the stock markets. Coordinate the work with the PPG Institutional capacity expert.
Other	500	7	PPG might involve other technical expertise as needed in the course of the development of the full project.
International			
BD mainstreaming policy development specialist	3,000	10	(i) Compile and share with the national PPG team and stakeholders the international best experience in policy development, legal and regulatory frameworks and enforcement systems for effective mainstreaming of biodiversity conservation objectives into energy sector; including analysis of the UNDP/GEF projects in South Africa and Mauritania, (ii) Based on the inputs from national experts and in close cooperation with the lead national expert on BD mainstreaming and baseline assessment compile final baseline/situational analysis for the full project. (iii) Based on the international experience assist in reconfirming/specifying the project strategy, finalizing project sections on: (a) An assessment of the social,

Position / Titles	$/Person Week[1]	Estimated PWs[2]	Tasks to be performed
			economic and financial sustainability of proposed project activities; (b) Assessment of alternatives to the project strategy and establishing the cost effectiveness of the preferred strategy and suite of activities; (c) A replication strategy for project activities; (d) Assessment of the risks to the proposed project activities and identifying measure to mitigate these risks; (e) incremental cost analysis; (iv) Assist in setting up a project monitoring and evaluation system for the full project including: (v) A set of biodiversity indicators with baseline values and end-project targets; (vi) Logical framework for the project (SRF) (vii) M&E plan and budget.
Sectoral consultant/s on BD mainstreaming practices and mainstreaming tools in hydropower, oil and gas and coal sectors	3,000	7	(i) Compile and share with the national PPG team and stakeholders the international best practice and experience in sector-specific **practices, tools and technical solutions** for effective mainstreaming of biodiversity conservation objectives into energy sector (oil and gas, coal and hydropower). (ii) Extract lessons from the UNDP/GEF South Africa Grasslands project on mapping of areas where (a) energy development is to be avoided altogether; (b) energy projects are allowed, but should have mitigation measures to reduce biodiversity impacts; and (c) restoration is needed. Develop a strategy for the project to implement a similar approach in the Russian context. (iii) Assistance in the feasibility study on the introduction of off-sets in mining sectors in Russia, based on international best practices. (iv) Help build international contacts and cooperation with international conservation agencies involved in biodiversity mainstreaming projects in the energy sector; with leading energy companies and other players that possess experience in biodiversity mainstreaming.

[1] Provide dollar amount per person week.

[2] Provide person weeks needed to carry out the task and corresponds to the dollar amount per person week in the previous column.