



REQUEST FOR PROJECT PREPARATION GRANT (PPG)
PROJECT TYPE: Full-Sized Project
THE GEF TRUST FUND

Submission date: February 2010
Re-submission date:

GEFSEC PROJECT ID: AfDB
GEF AGENCY PROJECT ID: AfDB/MOR/
COUNTRY: Morocco
PROJECT TITLE: Energy Efficiency in the Industrial Sector in Morocco
AGENCY: AfDB
OTHER EXECUTING PARTNERS: Office Nationale de l'Electricite (AGENCY FOR THE DEVELOPMENT OF RENEWABLE ENERGY AND ENERGY EFFICIENCY) [ADEREE]
GEF FOCAL AREA: Climate Change,
GEF-4 STRATEGIC PROGRAM: CC-SP2-Industrial Energy Efficiency
NAME OF PARENT/PROGRAM/UMBRELLA PROJECT:

A. PROJECT PREPARATION TIMEFRAME

Start date	April 2010
Completion date	September 2010

B. PAST PROJECT PREPARATION ACTIVITIES (\$)

List of Past Project Preparation Activities	Output of the Activities	Project Preparation Amount (a)	Co-financing (b)	Total c = a + b
Total Project Preparation Financing				

C. PROJECT PREPARATION ACTIVITIES (\$)

Describe the PPG activities and justification: Preparing and detailing a strategy and work plan which will enable promotion of improved energy efficiency (EE) and GHG reduction in SMEs in Morocco, through the removal of regulatory, financing and information barriers which currently prevent activities and investments in EE and energy conservation

1. Review of the existing relevant policy and regulatory framework (Policy Reform)

A detailed review of the existing policy and regulatory framework for the energy and related sectors will be carried out. This will involve analysis of the provisions of the National Energy Policy, Renewable Energy Policy, the Act establishing ADEREE, the New Law on Energy Efficiency, Industrial Policy and National Development Plans. Updated assessment of industry sub-sector policies, resource allocation, and support programs/projects, capacity needs and demands for improvements of concerned stakeholders; past and current capacity building efforts, materials for management standards implementation and energy management. A proposal will be made to strengthen the current policy framework to ensure that it strongly supports industrial and national energy efficiency programs. In addition the proposal will include monitoring/policing mechanisms that ensure sustainability inclusive of standards, incentives, punitives and how they will be implemented and monitored as well as quality at entry of both the action plans and those responsible for carrying out the audits. A barrier analysis, classification and prioritisation will be carried out to allow development of targeted policies and measures to address the barriers.

2. Energy Audits.

Some basic baseline data was gathered during the preparation of the PIF, but additional data is needed for a careful analysis of the energy saving potential in the industry including the development of criteria for identification of the target 150 SMEs. A data base of SMEs will be prepared from which the most energy intensive 150 will be prioritised

using the developed criteria. A comprehensive baseline scenario will be developed to capture the number and capacity of energy intensive industries (both large scale and SMEs), energy consumption and GHG emission trends in the past and in future. A standard energy auditing and reporting methodology, acceptable to ADEREE, AfDB, industry and the identified participant companies which will carry out the audits, will be developed. ADEREE's capacity to manage this process will also be assessed and the capacity gaps identified. This work will also include the determination of Business-as-Usual Scenario over a 10-year period, involving analysis of impact of relevant existing national and international policies and programmes/projects and estimation of Industrial Energy Efficiency policy budgets and institutional capacity in absence of proposed GEF intervention.

2.1 Pilot audits

An important synergy is going to be built between this project and the 30-50 audits that are going to be carried out anytime now specifically focusing on SMEs. This work will create an important precedence for the GEF funded work. The audits will provide much needed data and information on the readiness of industry to participate in the Energy Efficiency program and their commitment to the set targets. These will also provide required information for the determination of potential savings.

3. Capacity Building (ADEREE's and other support institution's capacity to support Industrial Energy Efficiency.)

Detailed information will be collected about the capacity (human skills and facilities) of ADEREE, Ministry of Energy and Power and the Power Utility, Ministry of Industries /SMEs, relevant institutions, other stakeholders to support the EE program and their need for additional resources to promote energy efficiency markets will be identified. A capacity building Strategy and Action Plan especially for ADEREE and participating industries will be produced and Awareness raising strategy and action plan will be prepared to raise the awareness of both national and industrial policy makers. Information packages will be prepared based on the outputs of the audit work which is about to be done and inputs from institutions such as the Morocco Cleaner Production Centre and relevant previous work in the sector.

4. Energy Efficiency Investments

Extensive stakeholder consultations focusing on details of the project implementation and the roles and contributions of the various stakeholders, will take place during PPG phase. In addition, the need for greater stakeholder mobilisation to ensure their meaningful engagement in the project process to ensure success will be met through a national stakeholder consultation workshop. Subsequently bilateral follow up consultations will be held with project participants and relevant institutions, to assess their involvement in project execution, to secure their commitment to critical outputs and to agree on the activities they will undertake as a part of their contribution to the project success. Furthermore consultations with players such as industry and potential Energy Services Companies and ADEREE are needed to detail the cooperation with EE technologies manufacturers, distributors, retailers, project developers, financial services providers, standards association and industrial associations as well as to coordinate arrangements for the 150 audits. Based on the outcomes of the audits in (2) and the market assessment carried out by the consultant a pipeline of feasible industrial EE projects will be identified. These investments need to be detailed and coordinated with other project activities with the view to create synergy between public and private sector players during the implementation of the 150 audits. The audits will need to be selected and planned in such a manner that they address the identified critical barriers. In addition the most critical issues in promoting EE especially among SMEs is the potential for cost savings or increased profits. Therefore the policy reform and information generation focus should be to assess profitability of investments on EE measures and communicating this information to decision makers at the policy, large scale and SMEs level.

4.1 Detailed investment Pipeline for the target sectors

A detailed pipeline for the target sectors as well as future expansion to other sectors will be prepared and presented to the authorities, specifying the workplan, the location, costs, the technologies/equipment to be used and the associated savings in MW, USD and GHG emissions abated, the monitoring of impacts and the demonstration and outreach programme to communicate the benefits. Determination of potential energy and greenhouse gas emissions savings attributable to the proposed GEF project, savings to be projected over 5 years of project duration and

subsequent 5 years; to include on-site fuel savings and power savings converted to emissions reductions using grid carbon-intensity and elaboration of indicators and tracking tools. Calculation of IC and GEF cost-effectiveness. This activity will be completed in close cooperation and consultations with ADEREE, the relevant institutions and authorities.

5. Financing Mechanisms for EE Program Implementation

Although the government has earmarked 1 billion/million USD for the energy sector, the need arises to create appropriate disbursement procedures for these funds. An appropriate disbursement plan will be prepared in view of the outputs of the audits and the investment pipeline identified in 4 above. Development of industry investment plan, both from the public and private sectors concerns. Consultation with all concerned stakeholders to obtain confirmation of inputs from the government, other concerned development partners, including financing institutions, and industry will be carried out. In addition viable financing mechanisms to support industrial EE in Morocco, will be identified, developed and prioritised in view of the recommendations from the audits and the market assessment.

Project strategy and implementation detailing

Based on the activities described above, the detailed planning of the full-sized project will be completed. Collaboration with related initiatives will be ensured when designing project strategies and defining scope and activities for the 150 audits and subsequent follow up programs.

The PPG activities, to result in a project document, will include:

Review of policy and regulatory framework and assessment of social, economic, technical and financial sustainability of proposed project activities. Defining technical parameters of the project, developing logframe with verification indicators and means of verification, risk assumption, etc. designing capacity building training programme for targeted institutions, sub-sectors, plant managers, re-defining outputs and detailing project activities with budget requirements, developing criteria for the selection of plants to participate in the 150 audits and further, preparing implementation plan, communication strategies, defining implementation arrangement, etc, costing of expected project outcomes and outputs, co-financing sources and co-financing commitments in compliance with the GEF incremental principle; estimation of potential energy savings, GHG emission avoided and a cost-effectiveness analysis, a monitoring and evaluation plan, including a set of impact indicators to track the project's progress and effectiveness, baseline and target values on indicators

List of Proposed Project Preparation Activities	Output of the PPG Activities	Project Preparation Amount (a)	Co-financing (b)	Total c = a + b
1. Policy Framework review and economic baseline data and analysis	- Existing policy and regulatory framework reviewed, gaps identified and strategy to address these gaps proposed, baseline defined, barrier identification, classification, prioritisation, barrier addressing measures	30,000	15,000	45,000
2. Energy Audits.	Energy intensive large scale and SMEs data base, criteria for selection of most energy intensive industries, baseline scanarion past and future defined, Standard methodology for audits, agreed standards and detailed implementation plans, BAU scenario defined	20,000	30,000	50,000
3. Capacity building & Stakeholder consultation and mobilization	- Capacity needs of EDEREE, other institutions and participating industries assessed - Capacity building strategy & Action Plan - Stakeholder buy-in and commitment in the proposed project implementation strategy. Awareness raising workshop	10,000	30,000	40,000
4. EE Investments	- Pipeline of feasible EE investments, Potential	10,000	15,000	25,000

	savings (MW, GHGs and USD), detailed implementation plan			
5. Financing mechanisms	- Proposals for viable financing mechanisms to support industrial EE in Morocco. - disbursement procedures for the government funding - Project financing mechanisms	10,000	10,000	20,000
Total Project Preparation Financing		80,000	100,000	180,000

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

	Project Preparation	Agency Fee
GEF financing	80,000	8,000
Co-financing	100,000	
Total	180,000	8,000

F. PPG BUDGET REQUESTING FINANCE BY GEF

Cost Items	Total Estimated Person Weeks (PW)	GEF (\$)	Co-financing (\$)	Total (\$)
Local consultants *	36 (GEF 24)	24,000	60,000	84,000
International consultants*	16(GEF 10)	35,000	5,000	40,000
Travel		16,000	30,000	46,000
Miscellaneous		5,000	5,000	10,000
Total PPG Budget		80,000	100,000	180,000

* Additional information regarding consultants is provided in Annex A.

D. GEF AGENCY CERTIFICATION

This request has been prepared in accordance with GEF policies and procedures and meets the GEF criteria for project identification and preparation.	
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Consultants Financed by the Project Preparation Grant (PPG)

Position Titles	\$/ person week*	Estimated PWs**	Tasks to be performed
Local			
National Project Coordinator/Energy efficiency expert	1,000	15	Coordinate the work of all national experts and ADREE liaise with all local stakeholders, facilitate provision of logistic arrangements, assist the Ministry of Energy & Power & ADREE on industrial energy efficiency policy, Awareness raising
Industrial financing expert	1,000	2	Assist the international consultant on industrial EE financing,
Industrial Energy Systems specialist/ Energy Audits/ Energy efficiency training	1,000	7	Assist the international consultant on the collection of data for the baselines. Creation of database for the industries, development of the criteria for identifying energy intensive industries, reviewing and drafting training materials and programmes, Assist in reviewing capacity and past activities in developing and implementation management standards.
Sub-Total, Local	24 PWs & \$ 24,000		
International			
Industrial energy efficiency policy/Lead expert	3,500	6	Lead the work performed by all international consultants and local consultants, reviewing past and existing National & Industrial Energy (IEE) policies, strengthening IEE policy framework to be implemented by the project incorporating to Energy Management systems, designing detailed project framework, consulting all project stakeholders. Develop Criteria for identifying the 150 most energy intensive industries and development of EE standards, Awareness raising
Business Development Services and Financing of IEE projects/investments	3,500	1	Assessment of the market economics for industrial EE services in Morocco; pre-selection of institutions providing EE consultancy services; sharing experience and lessons from other countries in EE consultancy certification and registration. Development of financing mechanisms and a pipeline of investments, Reviewing past and existing financing policies and practices for IEE investments, sharing suitable policies and practices from other countries, suggesting improvements, including using certified/registered EE consultants.
Industrial energy Audits	3,500	2	Development of training program for energy audits systems optimization for industrial energy users, identification and training of local equipment vendors and government (standards) authorities. Development of Standard Audit methodology, Assist in estimation of expected energy and greenhouse gas emissions savings. Assist in determination of baseline data on energy efficiency in industry (both large scale & SMEs) Assist in the development of indicators for evaluation.
Evaluation and Monitoring expert	3,500	1	Determining BaU scenario, estimating energy savings, GHG emission reductions resulting from the project, calculating IC, developing indicators for evaluating the project implementation, designing project implementation monitoring programme .
Sub-Total, International	10 PWs & \$ 35,000		