

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

Date of screening: 09th February 2010

Screener: Lev Neretin

Panel member validation by: N.H. Ravindranath

I. PIF Information

GEF PROJECT ID: **4109**

COUNTRY (IES): **CHINA**

PROJECT TITLE: **CHINA ENERGY EFFICIENCY PROMOTION IN INDUSTRY**

GEF AGENCY (IES): **WORLD BANK**

OTHER EXECUTING PARTNER(S): **MINISTRY OF INDUSTRY AND INFORMATION TECHNOLOGY (MIIT) OF P. R. CHINA**

GEF FOCAL AREA (S): **CLIMATE CHANGE**

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

NAME OF PARENT PROGRAM/UMBRELLA PROJECT (IF APPLICABLE): **N/A**

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

1. The project aims to promote energy efficiency in the industrial sector in China through policy support, capacity building, demonstration and information dissemination, and by removing barriers to large scale dissemination. The project includes support for both SMEs and LMEs. STAP suggests addressing the following issues during project preparation before the CEO endorses the project.
2. **Baseline Scenario:** There is a need for developing baseline scenario for the sector from the data obtained from earlier projects as well as the National Communications project. The past and the future trends in GHG emissions from different industries are necessary to assess the impacts of the project activities on GHG emissions.
3. **Identification of barriers:** Many projects, including GEF supported projects, aimed at improving EE in the industrial sector have been implemented in China in the recent past. Based on the vast experience gained from several EE promotion projects in China, this project should have clearly identified the key barriers for different industries (small and large) and in different regions of China. A few barriers have been mentioned, but there is no scientific assessment of barriers from the perspective of different stakeholders. It is suggested to conduct such an assessment to prioritize and rank the barriers for appropriate intervention.
4. **Scaling up from demonstration projects:** There is a need for a clear strategy for scaling up the spread of EE systems in China, especially since similar projects have already been implemented. A detailed evaluation of the previous projects on promoting EE in the industrial sector would assist in identifying an approach for scaling up. Mere information dissemination on the benefits of energy management or energy conservation will not be adequate. A whole package of measures is required for scaling up and such an approach should be developed.
5. **Selection of industries:** There are millions of SMEs and hundreds of large industries (steel, cement, aluminium etc.). There is a need for developing criteria for stratifying the industries based on certain features such as the scale, the type of energy used, current efficiencies, EE opportunities and cost considerations. There is a need to rank the small and large industries with respect to their mitigation potential and design project interventions accordingly.

6. **Energy Management Training Program:** Capacity building and training seems to be specifically targeted only on energy managers. However, the decision maker in an industry deciding on the feasibility of investment in EE equipment will be the finance manager or the maintenance manager. Thus, there is a need to design a more inclusive approach to capacity building that engages different management personnel in the industry. How many managers would be trained during this project and how to assure scaling up of proposed capacity building measures?
7. **Demonstration:** Two-phased demonstration approach proposed in the project is a good idea. It will be good if the industry can meet all the investment costs of the EE installation. However, there may be a need to consider incentives making investments in EE systems more profitable.
8. **Project Risks:** The major risk associated with the replication and scaling up has been rightly identified in the project. But the mitigation measures included are not adequate to meet the big challenge of scaling up. The strategy for scaling up should come from the experience gained from the implementation of similar projects in China in the past. Such analysis is required during project preparation and STAP would like to see the evidence that lessons have been learned and incorporated in the project design.

<i>STAP advisory response</i>	<i>Brief explanation of advisory response and action proposed</i>
1. Consent	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. Minor revision required.	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: <ol style="list-style-type: none"> (i) Opening a dialogue between STAP and the proponent to clarify issues (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 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. Major revision required	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.