



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET

Naoko Ishii
CEO and Chairperson

December 1, 2016

Dear Council Member:

Subject: Major Amendment Request for Council's Review

The World Bank (Bank), as the Implementing Agency for the project entitled: **Developing Market-based Energy Efficiency Program in China (GEF PMIS ID: 4947)** (*PIF title: Establish Measurement and Verification System for Energy Efficiency in China*), has submitted the attached proposed project document for CEO endorsement of a project major amendment in accordance with the Bank and GEF procedures.

Background: In May 2012, the GEF Council approved the PIF for the GEF/World Bank/China project: "Establishing Measurement and Verification System for Energy Efficiency in China." Due to Chinese government structural change and reform in the late 2012 and 2013, energy consumption caps for cities and provinces and a schedule for pilot Energy Saving Certificates Trading were considered by the highest level of decision makers in China as priority in energy and climate policy making. Consequently, the government requested to shift the project focus to capping coal consumption, and developing market based energy efficiency program in support of its 13th Five Year Plan (2015-2020). As such, the World Bank (Bank) proposed to amend the project title, objective, design and outputs at the CEO ER stage. Per the GEF operation policy, that revised project with a major amendment was reviewed by the GEF Council and endorsed by the CEO in March 2015. After the major amendment, the project title was changed to "Developing Market-based Energy Efficiency Program in China".

After the CEO endorsement, the project incurred another major amendment. The Ministry of Finance of China (MOF) was supposed to be a leading executing agency for the project with a total of \$74 million grant co-financing. However, due to national government energy policy change in 2015, the government of China decided to discontinue the energy efficiency fiscal reward fund, which was part of the 12th Five-Year Plan (2011-2015). With the closure of the fiscal reward fund at the end of 2015, the MOF has no longer a role to play in the project as the executing agency. In the meantime, the National Development and Reform Commission (NDRC) has requested Bank's support for the development and implementation of priority energy efficiency (EE) programs for the 13th Five-Year Plan (2016-2020). In addition, the government requested the Bank for two large Program-for-Results (PforR) operations (Innovative Financing for Air Pollution Control in Jing-Jin-Ji and Hebei Air Pollution Control Programs) to support the government's Air Pollution Prevention and Control Action Plan. These PforR programs require capacity building, technical assistance, and result measurement and verification to better support the energy efficiency and air pollution control programs. After the MOF left the project, the Huaxia Bank and the government of Hebei Province joined the project as co-financers. As a result, the co-financing of the project has significantly increased from \$104 million at the CEO endorsement stage to \$1.65 billion at the current stage,

including a \$1 billion hard loan from the WB, a \$0.5 billion hard loan from the Huaxia Bank Co. Limited (HXB), and a \$150 million grant from the government of Hebei province.

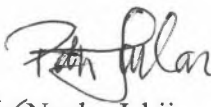
With this major amendment of the project, the Bank has submitted the attached project documents and again asked for CEO endorsement of the project in accordance with the Bank and GEF procedures.

Having reviewed the WB submitted project documents, the Secretariat considers these changes to be major amendments, although the overall GEF project budget has not been changed. In keeping with GEF procedures, the Secretariat has ascertained their appropriateness in light of the project's objectives.

We have today posted the proposed project major amendment documents on the GEF website at www.TheGEF.org for your information. We would welcome any comments you may wish to provide by December 31, 2016, before I endorse the project. You may send your comments to gcoordination@TheGEF.org

If you do not have access to the Web, you may request the local field office of the Bank to download the document for you. Alternatively, you may request a copy of the document from the Secretariat. If you make such a request, please confirm for us your current mailing address.

Sincerely,



for Naoko Ishii

Chief Executive Officer and Chairperson

Attachment: GEFSEC Project Review Document, World Bank Project Document
Copy to: Country Operational Focal Point, GEF Agencies, STAP, Trustee



WORLD BANK APPRAISAL STAGE: GEF DATA SHEET

PROJECT TYPE: FSP Endorsement
TYPE OF TRUST FUND: GEF Trust Fund

For more information about GEF, visit TheGEF.org

PROJECT INFORMATION

Project Title: Developing Market-based Energy Efficiency Program in China			
Country(ies):	China	GEF Project ID: ¹	4947
GEF Agency(ies):	WB (select) (select)	GEF Agency Project ID:	132748
Other Executing Partner(s):	Ministry of Finance	Submission Date:	2016-11-09
GEF Focal Area (s):	Climate Change	Project Duration(Months)	60
Name of Parent Program (if applicable): ➤ For SFM/REDD+ <input type="checkbox"/>		Agency Fee (\$):	1,780,000

A. FOCAL AREA STRATEGY FRAMEWORK²

Focal Area Objectives	Expected FA Outcomes	Expected FA Outputs	Trust Fund	Grant Amount (\$)	Cofinancing (\$)
CCM-2 (select)	Appropriate policy, legal and regulatory frameworks adopted and enforced; GHG emissions avoided	(a) Market-based priority EE and coal cap control policies and programs supporting 13th FYP designed (b) Energy savings M&V methodologies and guidelines developed (c) Capacity of stakeholders built for MRV system (d) Capacity for environmental results monitoring improved (e) Environmental action plan for Hebei developed Energy savings achieved	GEF TF	17,800,000	1,650,000,000
(select)			(select)		
(select)			(select)		
(select)			(select)		
(select)			(select)		
(select)			(select)		
(select)			(select)		
(select)			(select)		
(select)			(select)		

¹ Project ID number will be assigned by GEFSEC.

² Refer to the [Focal Area/LDCF/SCCF Results Framework](#) when completing Table A.

Total project costs		17,800,000	1,650,000,000
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B. PROJECT FRAMEWORK

Project Objective: To support China on improving results measurement and verification systems and developing market-based mechanisms for energy efficiency and environment programs

Project Component	Grant Type	Expected Outcomes	Expected Outputs	Trust Fund	Grant Amount (\$)	Confirmed Cofinancing (\$)
Component 1. Supporting market-based priority energy efficiency and coal cap control programs	TA	Supporting the development and implementation of priority EE and coal cap control programs for the 13th FYP; Improving energy savings MRV system; Building the capacity for energy savings MRV and implementation of the priority EE programs.	Designing the market-based mechanisms for energy savings;	GEF TF	8,400,000	
Component 2. Supporting result-based green energy financing	TA	provide advisory service and technical assistance, build capacity, and verify results to help HXB implement the World Bank-financed PforR Program--Innovative Financing for Air Pollution Control in Jing-Jin-Ji	marketing and business development; Verifying results for the JJJ PforR Program; developing innovative financial products and models	GEF TF	4,300,000	1,000,000,000
Component 3. Supporting result-based environmental program in Hebei	TA	enhance the capacity of the Hebei government to implement the World Bank-financed PforR operation	Verifying results for the Hebei PforR Program; Building capacity for Hebei government and disseminating lessons learned of the Hebei PforR program	GEF TF	4,300,000	650,000,000
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
	(select)			(select)		
Subtotal					17,000,000	1,650,000,000
Project management Cost (PMC) ³				GEF TF	800,000	
Total project costs					17800000	1650000000

³ PMC should be charged proportionately to focal areas based on focal area project grant amount in Table D below.

C. SOURCES OF CONFIRMED COFINANCING FOR THE PROJECT BY SOURCE AND BY NAME (\$)

Please include letters confirming cofinancing for the project with this form

Sources of Co-financing	Name of Co-financier (source)	Type of Cofinancing	Cofinancing Amount (\$)
GEF Agency	World Bank	Hard Loan	1,000,000,000
Private Sector	Huaxia Bank Co. Limited (HXB)	Hard-loan	500,000,000
Local Government	Hebei Government	Grant	150,000,000
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
(select)		(select)	
Total Co-financing			1,650,000,000

D. TRUST FUND RESOURCES REQUESTED BY AGENCY, FOCAL AREA AND COUNTRY¹

Type of Trust Fund	Focal Area	Country Name/ Global	(in \$)		
			Grant Amount (a)	Agency Fee (b) ²	Total c=a+b
GEF TF	Climate Change	China	17,800,000	1,780,000	19,580,000
(select)	(select)				0
(select)	(select)				0
(select)	(select)				0
(select)	(select)				0
(select)	(select)				0
(select)	(select)				0
(select)	(select)				0
(select)	(select)				0
(select)	(select)				0
Total Grant Resources			17,800,000	1,780,000	19,580,000

¹ In case of a single focal area, single country, single GEF Agency project, and single trust fund project, no need to provide information for this table. PMC amount from Table B should be included proportionately to the focal area amount in this table.

² Indicate fees related to this project.

E. DOES THE PROJECT INCLUDE A “NON-GRANT” INSTRUMENT? No

(If non-grant instruments are used, provide in Annex D an indicative calendar of expected reflows to your Agency and to the GEF/LDCF/SCCF/NPIF Trust Fund).

ANNEX A: PROJECT PREPARATION GRANT (PPG) REPORTING⁴

A. PROVIDE DETAILED FUNDING AMOUNT OF THE PPG ACTIVITIES FINANCING STATUS IN THE TABLE BELOW:

PPG Grant Approved at PIF:			
<i>Project Preparation Activities Implemented</i>	<i>GEF/LDCF/SCCF/NPIF Amount (\$)</i>		
	<i>Budgeted Amount</i>	<i>Amount Spent To date</i>	<i>Amount Committed</i>
Total	0	0	0

ANNEX B: CALENDAR OF EXPECTED REFLOWS (if non-grant instrument is used)

Provide a calendar of expected reflows to the GEF/LDCF/SCCF/NPIF Trust Fund or to your Agency (and/or revolving fund that will be set up)

⁴ If at CEO Endorsement, the PPG activities have not been completed and there is a balance of unspent fund, Agencies can continue undertake the activities up to one year of project start. No later than one year from start of project implementation, Agencies should report this table to the GEF Secretariat on the completion of PPG activities and the amount spent for the activities; and report to Trustee on the closing of PPG in the quarterly report to Trustee.



GEF SECRETARIAT REVIEW FOR FULL/MEDIUM-SIZED PROJECTS* THE GEF/LDCF/SCCF TRUST FUNDS

GEF ID:	4947		
Country/Region:	China		
Project Title:	Developing Market-based Energy Efficiency Program in China		
GEF Agency:	World Bank	GEF Agency Project ID:	132748 (World Bank)
Type of Trust Fund:	GEF Trust Fund	GEF Focal Area (s):	Climate Change
GEF-5 Focal Area/ LDCF/SCCF Objective (s):	CCM-2; CCM-2;		
Anticipated Financing PPG:	\$200,000	Project Grant:	\$17,800,000
Co-financing:	\$1,650,000,000	Total Project Cost:	\$1,668,000,000
PIF Approval:	April 13, 2012	Council Approval/Expected:	June 07, 2012
CEO Endorsement/Approval		Expected Project Start Date:	
Program Manager:	Ming Yang	Agency Contact Person:	Jiang Ru

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Eligibility	1. Is the participating country eligible?	HX/MY: April 10, 2012. Yes.	MY 11/6/2014 Yes. MY 1/27/2015 The project title, objective, outputs, and implementation plan have all been changed. The new title of the project is: "Developing Market-based Energy Efficiency Program in China".
	2. Has the operational focal point endorsed the project?	HX/MY: April 10, 2012. Yes. The OFP Jiandi Ye endorsed the project on April 9, 2012. \$19,800,000 will be allocated to this project including \$200,00 for PPG.	

*Some questions here are to be answered only at PIF or CEO endorsement. No need to provide response in gray cells.

¹ Work Program Inclusion (WPI) applies to FSPs only. Submission of FSP PIFs will simultaneously be considered for WPI.

FSP/MSP review template: updated 11-22-2010

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Agency's Comparative Advantage	3. Is the Agency's comparative advantage for this project clearly described and supported?	HX/MY: April 10, 2012. Yes. The World Bank has a large energy efficiency portfolio in China. The Bank is also the agency who leads the TNA project and China's participation in the partnership for market readiness program.	MY 11/6/2014 Yes.
	4. If there is a non-grant instrument in the project, is the GEF Agency capable of managing it?	HX/MY: April 10, 2012. No non-grant instrument.	MY 11/6/2014 There is only a grant instrument.
	5. Does the project fit into the Agency's program and staff capacity in the country?	HX/MY: April 10, 2012. Yes. See box 3. Also, The Bank has a country office in Beijing which is staffed with energy team leader and specialists.	MY 11/6/2014 Yes.
Resource Availability	6. Is the proposed Grant (including the Agency fee) within the resources available from (mark all that apply):		
	• the STAR allocation?	HX/MY: April 10, 2012. Yes. China has sufficient amount available in its STAR allocation.	MY 11/6/2014 Yes.
	• the focal area allocation?	HX/MY: April 10, 2012. Yes. China has \$82,657,501 remaining funding available in its STAR allocation for Climate Change projects.	MY 11/6/2014 Yes. GEF funds for the project were reserved.
	• the LDCF under the principle of equitable access	HX/MY: April 10, 2012 n/a	MY 11/6/2014 N/A
	• the SCCF (Adaptation or Technology Transfer)?	HX/MY: April 10, 2012 n/a	MY 11/6/2014 N/A
	• Nagoya Protocol Investment Fund	HX/MY: April 10, 2012: n/a	MY 11/6/2014 N/A
	• focal area set-aside?	HX/MY: April 10, 2012 n/a	MY 11/6/2014 N/A

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Project Consistency	7. Is the project aligned with the focal /multifocal areas/ LDCF/SCCF/NPIF results framework?	HX/MY: April 10, 2012. Yes. CCM-2 Promote market transformation for energy efficiency in industry and the building sector.	MY 11/6/2014 Yes, with CCM-2.
	8. Are the relevant GEF 5 focal/ multifocal areas/LDCF/SCCF/NPIF objectives identified?	HX/MY: April 10, 2012 Yes. CCM-2 Promote market transformation for energy efficiency in industry and the building sector.	MY 11/6/2014 Yes.
	9. Is the project consistent with the recipient country's national strategies and plans or reports and assessments under relevant conventions, including NPFE, NAPA, NCSA, or NAP?	HX/MY: April 10, 2012. Yes. It is consistent with China's 12th 5-year plan.	MY 11/6/2014 Yes.
	10. Does the proposal clearly articulate how the capacities developed, if any, will contribute to the sustainability of project outcomes?	HX/MY: April 10, 2012. Yes. M&V capacity is crucial to the sustainability of project outcomes.	MY 11/6/2014 Yes.
Project Design	11. Is (are) the baseline project(s), including problem (s) that the baseline project(s) seek/s to address, sufficiently described and based on sound data and assumptions?	HX/MY: April 10, 2012. Yes. The financial reward fund for the energy-saving technologies and the 10,000 enterprises program as the baseline projects are sufficiently described.	MY 11/6/2014 Yes, but the baseline can be presented better with scenarios.
	12. Has the cost-effectiveness been sufficiently demonstrated, including the cost-effectiveness of the project design approach as compared to alternative approaches to achieve similar benefits?		MY 11/6/2014 Yes, but cost-effectiveness can be presented better with scenarios.
	13. Are the activities that will be financed using GEF/LDCF/SCCF funding based on incremental/ additional reasoning?	HX/MY: April 10, 2012. Yes. The project will establish measurement & verification system and pilot market-based mechanism such as energy saving certificates trading. The MRV capacity	MY 10/28/2014 Yes.

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
		<p>developed by the project will also contribute to future projects and programs.</p> <p>(a) Such an M&V system is vital for the government's rewards fund programs;</p> <p>(b) It is critical to scale up ESCO industry, as end users pay for ESCOs' services from the energy savings upon demonstration of successful results;</p> <p>(c) Independent third party verification brings credibility and validates official statistics to confirm whether the 12TH FYP targets are achieved. The data collection and M&V systems will be essential to accurately measure the results of the on-going efforts; and provide guidance for future policy making as such creating the building blocks of any market-based scheme; and</p> <p>(d) It is a pre-requisite for the pilot Energy Saving Certificates Trading and carbon cap and trade schemes.</p>	
	14. Is the project framework sound and sufficiently clear?	<p>HX/MY: Not at this time.</p> <p>April 10, 2012. Please consider balance the allocation of the GEF funding between Phase I and Phase II. For example, the first component is budgeted at \$7 million GEF funds and \$5 million co-financing. A total of \$12 million for this component is unbalanced compared to component 3 for phase II. Please revise or justify.</p>	<p>MY 11/6/2014 Not at this time. Please elaborate in sub-items on how to spend \$106 million including GEF \$10 million in component 1.</p> <p>MY 1/27/2015 Not at this time.</p> <p>The issue has not been addressed. Please put a budget for each of the sub-items of the expected outputs, namely</p>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
		<p>HX/MY April 12, 2012. Comments cleared. A discussion with the WB TTL indicates that in order for Phase I (M&V legal and policy change, system set-up and capacity building) to serve as the solid base for future action, the agency and the country have decided to allocate more funding to Phase I than Phase II.</p> <p>Please separate the PPG amount from project total costs, since the OFP endorsed \$200,000 for project preparation grant.</p> <p>The PPG proposal can be submitted later which is not restricted by the work program schedule. The PPG template can be found on the GEF's website.</p> <p>Part I Table for Project Identification is incomplete. Please fill in project ID and etc.</p> <p>Table C, private sector co-financing type was not selected. Please select. Part III Table A and Table B are incomplete. Please ensure the entry of dates, signature and etc.</p> <p>HX/MY April 12, 2012. Comments cleared. The co-financing from private sector is actually equity. The PIF template currently does not have equity as a co-financing option. This has to be addressed by the operations team.</p>	<p>items (a) to (g), in Table B. The sum of the budgets from the GEF funding should be equal to the amount of GEF sub-total grant and the sum of the budgets from co-financing should be equal to the amount of sub-total of confirmed co-financing.</p> <p>MY 2/2/2015 Comments were addressed.</p>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
	15. Are the applied methodology and assumptions for the description of the incremental/additional benefits sound and appropriate?	HX/MY April 10, 2012. Yes. The pilot projects are expected to reduce GHG emissions by 136,000 tons. The indirect benefits are estimated to be 600 million tons. At endorsement stage, these targets need to be revisited with clearer boundaries and methodologies.	MY 11/6/2014 Yes, but they can be further improved with detailed scenario analysis methodologies.
	16. Is there a clear description of: a) the socio-economic benefits, including gender dimensions, to be delivered by the project, and b) how will the delivery of such benefits support the achievement of incremental/additional benefits?	HX/MY April 10, 2012. Yes. Socio-economic benefits are described. This project is not gender specific.	MY 11/6/2014 Yes.
	17. Is public participation, including CSOs and indigenous people, taken into consideration, their role identified and addressed properly?	HX/MY April 10, 2012. Yes. Public participation will be expected from enterprises and third-party verifiers who are the main beneficiaries of the project.	MY 11/6/2014 Not at this time. Please elaborate how this project will involve and benefit civil society organizations, women, and indigenous people. MY 1/27/2015 Yes. Comments are addressed on page 23 of the PAD.
	18. Does the project take into account potential major risks, including the consequences of climate change and provides sufficient risk mitigation measures? (i.e., climate resilience)	HX/MY April 10, 2012. Not at this time. Please describe what the remedy will be if the government opt to abandon the plan for piloting energy-saving certification market and go for carbon cap-and-trade. Would the project return the budget for Phase II? Would the GEF money contribute to carbon cap-and-trade instead? Since 7 million is scheduled for phase II, these	MY 11/6/2014 Not at this time. While designing the tasks in component 2, please consider the risk that the government does not cap energy consumption. MY 1/27/2015 Yes. Comments are addressed on page 43 of the PAD.

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
		<p>possibilities need to be discussed in the risk section.</p> <p>HX/MY April 12, 2012. Comments cleared.</p> <p>If the government decides only the ETS trading is moving forward and the proposed EE trading will not go ahead, the proposed project will drop the proposed Phase II activities and reduce the project budget. M&V activities under Phase I will be implemented and will be applicable for both ETS and EE trading.</p>	
	19. Is the project consistent and properly coordinated with other related initiatives in the country or in the region?	<p>HX/MY April 10, 2012. Not enough at this time.</p> <p>The project will be coordinated with World Bank's EE portfolio in China, the China TNA project, China's participation in the PMR program and EU's support on market based mechanisms in China.</p> <p>Please add one or two sentences on linkages of this project with the 2nd and 3rd national communications projects in China.</p> <p>HX/MY April 12, 2012. Comments cleared.</p> <p>This proposed project will provide essential inputs to the national GHG inventory under the National Communications Program.</p>	<p>MY 11/6/2014 To be commented when the project revision is completed.</p> <p>MY 1/27/2015 Not at this time.</p> <p>The Asian Development Bank (ADB) is implementing a GEF/China energy efficiency project (GEFID 4621): "Hebei Energy Efficiency Improvement and Emission Reduction Project". The ADB project focuses on improving energy efficiency in Tangshan city of Hebei province. The project outputs include:</p> <ol style="list-style-type: none"> 1) Identification of leading edge energy efficiency improvement technologies applicable to energy-intensive industries in Hebei Province 2) Recommendations on policy incentives to facilitate transfer of technologies identified 3) Recommendations on market-

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
			<p>based incentives for energy efficiency improvement</p> <p>4) Recommendations on fiscal incentives to promote commercial bank lending to energy efficiency including risk sharing with commercial banks for EE lending</p> <p>5) Capacity building on policy makers in the government on innovative policy incentives for EE improvement</p> <p>6) Establishing an information dissemination platform to provide information on state of the art technologies applicable in Hebei Province and actively promote these technologies among the industries</p> <p>7) Establishing EE monitoring, supervision database to provide updated data on energy consumption and energy savings achieved by key industries</p> <p>8) Training and capacity building modules for ESCOs</p> <p>9) Guidelines for managing an ESCO business, including energy auditing, project development, financing and implementation</p> <p>10) Comprehensive training and capacity building workshops for ESCOs</p> <p>11) Collaborative workshops for ESCOs, banks and industrial energy users to increase bank financing of ESCO projects in industry</p> <p>12) Designing a guarantee facility using the interest difference in ADB</p>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
			<p>loan as the "first loss reserve" to guarantee technical performance of ESCO projects in Hebei Province</p> <p>13) Guidelines for establishing accreditation mechanism for third party MRV entities that may also undertake certification for ISO 50001</p> <p>14) Establishment of an organization to train and certify MRV professionals and developing an operation manual</p> <p>15) Acquisition of equipment for conducting MRV</p> <p>The components and outputs of the ADB project cover well that of the World Bank revised project now. Please justify how this revised World Bank project will be consistent with the ADB project and how the two banks will be coordinated for delivering similar outputs for China.</p> <p>MY 2/2/2015 Comments were addressed.</p>
	20. Is the project implementation/ execution arrangement adequate?	<p>HX/MY April 10, 2012. Yes.</p> <p>The project will be executed by the Ministry of Finance in cooperation with the NDRC.</p>	<p>MY 11/6/2014 Yes.</p>
	21. Is the project structure sufficiently close to what was presented at PIF, with clear justifications for changes?		<p>MY 11/6/2014 No. The project objective has been changed from "To establish measurement & verification system and pilot market-based mechanism" to</p>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
			<p>"To support the ambitious energy conservation program in China". The former objective has a measureable target, while the latter does not have such a target. All project components have been changed as well.</p> <p>According to the operations modality of the GEF (see pages 18-20 of GEF PROJECTAND PROGRAMMATIC APPROACH CYCLES (GEF/C.39/Inf. 3 October 28, 2010), the project has incurred a major amendment from the PIF to the CEO Endorsement Request. Thus, the revised project document, accompanied by a cover note to the Council highlighting the amendment and seeking Council approval, should be recirculated for a four-week comment period to the Council for review. As such, the GEF SEC formally requests the World Bank to prepare the cover note. The cover note needs to explain in detail and justify the changes of the project components.</p> <p>Detailed comments were available in a document that was sent to the World Bank for the Decisions Review Meeting on November 11, 2014.</p> <p>MY 1/27/2015</p> <p>Issues are cleared. The World Bank revised the PAD and GEF data sheet per the suggestions of the GEF SEC. Per the GEF operation</p>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
			procedure, after the revised PAD and data sheet are technically cleared, they will be circulated to the Council for review and approval.
	22. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included?		MY 11/6/2014 N/A
Project Financing	23. Is funding level for project management cost appropriate?	HX/MY April 10, 2012. Not at this time. It is 5% of the project components costs. Please recalculate PM costs after separating PPG amount. HX/MY April 10, 2012. Comments cleared. PPG is separated. PM costs is under 5%.	MY 11/6/2014 Yes.
	24. Is the funding and co-financing per objective appropriate and adequate to achieve the expected outcomes and outputs?	HX/MY April 10, 2012. Yes.	MY 11/6/2014 Not at this time. The funding amount is appropriate and adequate. But there is an error in the total co-financing amount in the GEF datasheet. The total amount of co-financing in Tables A and B is different from that in Table C. Please revise it. MY 1/27/2015 Yes. The error was corrected.
	25. At PIF: comment on the indicated cofinancing; At CEO endorsement: indicate if confirmed co-financing is provided.	HX/MY April 10, 2012. Yes. Cofinancing is sufficient. \$24 million or 23% of co-financing has been confirmed. The remainder is expected be confirmed at the CEO endorsement stage.	MY 11/6/2014 Not yet. But the Agency will get negotiation minutes soon. MY 1/27/2015 Not yet. Not any co-financing letters or negotiation minutes were submitted.
	26. Is the co-financing amount that the	HX/MY April 10, 2012. Yes.	MY 11/6/2014

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
	Agency is bringing to the project in line with its role?	The role of the World Bank is mostly about project management.	Yes.
Project Monitoring and Evaluation	27. Have the appropriate Tracking Tools been included with information for all relevant indicators, as applicable?		MY 11/6/2014 Not yet. MY 1/27/2015 Yes.
	28. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets?		MY 11/6/2014 N/A It was a GEF5 project.
Agency Responses	29. Has the Agency responded adequately to comments from:		
	<ul style="list-style-type: none"> • STAP? 	<p>Further guidance from STAP:</p> <p>The project aims to establish a measurement and verification system and pilot market-based mechanisms to support the Chinese government to achieve the 12th five-year plan energy saving targets in a cost-effective way. STAP commends the project for initiating MRV system which is essential for any serious carbon trading or market-based mechanisms. As this project develops a domestic MRV system of international standards it could probably be a model for other developing countries.</p> <p>STAP suggests consideration of the following issues during full project preparation:</p> <p>1. Selection of enterprises for energy conservation investments: The</p>	<p>MY 11/6/2014 Not yet.</p> <p>STAP provided the comments on the PIF (see the Box on the left). These comments were not addressed in the PAD and in the GEF datasheet.</p> <p>MY 1/27/2015</p> <p>Not yet.</p> <p>STAP provided the comments on the PIF (see the Box on the left). Some of these comments are still relevant to the revised project, but the Agency did not address them. The GEF suggests the Agency to address the following comments of STAP:</p> <p>2. Lessons from the ongoing projects: China already has a large number of initiatives ongoing on</p>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
		<p>Chinese government seems to have identified ten key areas/ sub-sectors for energy conservation programmes. Further, it is proposed to scale up energy conservation to 10,000 enterprises. STAP recommends adoption of scientific / economic criteria to select the sub-sectors as well as the enterprises for the pilot projects for energy conservation and MRV measures.</p> <p>2. Lessons from the ongoing projects: China already has a large number of initiatives ongoing on piloting energy efficiency systems as well as developing market-based mechanisms. There is an ADB project to prepare ETS in Tianjin. Similar pilot projects are planned or under implementation in Shanghai, Beijing, etc. Many Chinese cities are already experimenting with some form of ETS. It is very important for this large project to have a mechanism to learn from these ongoing and finished projects.</p> <p>3. Cost-implications of MRV: STAP suggests a critical analysis of cost-implications of MRV system for the enterprises or companies. What percent of the rewards will the cost of MRV account for?</p> <p>4. Methodology: Many countries already have implemented energy efficiency CDM projects which require a rigorous methodology and approach</p>	<p>piloting energy efficiency systems as well as developing market-based mechanisms. There is an ADB project to prepare ETS in Tianjin. Similar pilot projects are planned or under implementation in Shanghai, Beijing, etc. Many Chinese cities are already experimenting with some form of ETS. It is very important for this large project to have a mechanism to learn from these ongoing and finished projects.</p> <p>3. Cost-implications of MRV: STAP suggests a critical analysis of cost-implications of MRV system for the enterprises or companies. What percent of the rewards will the cost of MRV account for?</p> <p>4. Methodology: Many countries already have implemented energy efficiency CDM projects which require a rigorous methodology and approach for MRV. There is a large number of methodologies available implemented under CDM. STAP is assisting GEF to develop a new EE methodology to be completed in the second half of 2012. There is an adequate experience available in planning and implementation of MRV systems globally. STAP suggests a review of existing methods and based on this review assess the need for any new methodology development or to adapt any existing methodology.</p>

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		<p>for MRV. There is a large number of methodologies available implemented under CDM. STAP is assisting GEF to develop a new EE methodology to be completed in the second half of 2012. There is an adequate experience available in planning and implementation of MRV systems globally. STAP suggests a review of existing methods and based on this review assess the need for any new methodology development or to adapt any existing methodology.</p> <p>5. Baseline development: This is a critical aspect of any MRV system. Baseline could be considered at individual enterprise level or sectoral level or at a geographic unit level like a city. Since there are already a large number of initiatives supported by the Chinese government as well as many other international agencies, it is necessary to develop a robust baseline GHG emissions' scenario considering the existing initiatives.</p>	<p>5. Baseline development: This is a critical aspect of any MRV system. Baseline could be considered at individual enterprise level or sectoral level or at a geographic unit level like a city. Since there are already a large number of initiatives supported by the Chinese government as well as many other international agencies, it is necessary to develop a robust baseline GHG emissions' scenario considering the existing initiatives.</p> <p>MY 2/2/2015 Comments were addressed.</p>
	<ul style="list-style-type: none"> • Convention Secretariat? 	N/A	<p>MY 11/6/2014 N/A</p>
	<ul style="list-style-type: none"> • Council comments? 		<p>MY 11/6/2014</p> <p>The project addressed the comments from the Canadian and German Council members.</p> <p>The Canadian Council had the following comments at the PIF stage:</p>

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			<p>Canada welcomes this proposal, and commends China's efforts to reduce energy intensity. Energy certificates trading is an interesting and innovative element in the proposal, and we look forward to seeing how this element of the project is implemented and how this experience may guide other countries in their efforts to increase energy efficiency.</p> <p>The level of co-financing envisaged is impressive, and Canada looks forward to seeing additional details on these sources in the final project document.</p> <p>The Agency responded the Canada comment:</p> <p>The team thanks Canada for this complimentary comment. Project component (2) in particular will support the development and implementation of priority energy efficiency policies and programs in line with the 13th Five Year Plan, notably the envisioned total energy consumption cap and market-based mechanisms for energy savings such as the pilot Energy Saving Certificates trading scheme. This is further described in the PAD (pp 8-9 and Annex 2 pp 22-25).</p> <p>The co-financing leveraged by the project is conservatively estimated at \$104 million. As described in the incremental cost analysis (Annex 4 of the PAD), this contribution is from the</p>

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			<p>central and local governments, enterprises and third-party verifiers, in particular from the Ministry of Finance Energy Conservation and Emission Reduction Pilot.</p> <p>The German Council had the following comments at the PIF stage:</p> <p>In terms of coordination with other donors in the field of climate change in China, we would like to highlight two GIZ projects implemented or planned on behalf of the German Ministry of the Environment. The project "Greenhouse Gas Monitoring in China" aims to develop technical and institutional capacities for GHG-Monitoring (2011-2013). Another four-year project on capacity building for the establishment of emissions trading schemes at local and national level is planned to start in the second half of 2012 (2012-2016). An exchange with these projects could be helpful in terms of coordinating the energy saving certificates trading with the carbon cap & trade schemes.</p> <p>The Agency responded the Germany comment: The team fully agrees that exchange and coordination with existing initiatives is important and thanks Germany for the specific references. As noted in the PAD, coordination will</p>

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			take place with these and other relevant projects.
	<ul style="list-style-type: none"> • Other GEF Agencies? 		MY 11/6/2014 N/A
Secretariat Recommendation			
Recommendation at PIF Stage	30. Is PIF clearance/approval being recommended?	<p>HX/MY April 10, 2012.</p> <p>Please address the comments in box 14, 18, 19 and 23.</p> <p>HX/MY April 12, 2012.</p> <p>Comments cleared. PIF clearance is recommended.</p>	
	31. Items to consider at CEO endorsement/approval.	<p>HX/MY April 12, 2012.</p> <p>1. At endorsement stage, the GHG reduction targets need to be revisited with clearer boundaries and methodologies. Tracking tools need to be submitted.</p> <p>2. Co-financing needs to be confirmed and co-financing letters will be expected.</p> <p>3. Phase II needs to have more clarity on which trading system will be piloted. If necessary, more funding needs to be allocated to Phase II.</p> <p>4. PPG application needs to be submitted soon.</p> <p>5. Detailed information on the budget of \$7,000,000 GEFTF and \$5,000,000 co-financing for the first project component as shown in Table B on page 1 should be clearly presented.</p>	
Recommendation at CEO Endorsement/	32. At endorsement/approval, did Agency include the progress of PPG		MY 11/6/2014 Yes.

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
Approval	with clear information of commitment status of the PPG?		
	33. Is CEO endorsement/approval being recommended?		<p>MY 11/6/2014 Not at this time.</p> <p>Please address comments in Boxes: 14, 17, 18, 21, 24, 25, 27, and 29.</p> <p>MY 1/27/2015 Not at this time</p> <p>Please address comments in Boxes: 14, 19 and 29. Please also revise the amount of Agency fee in the submission documents. For GEF Project grants above \$10 million, GEF Agencies will receive fees at 9 percent of the grant.</p> <p>Please also submit co-financing letters or negotiation minutes to facilitate the process of this project.</p> <p>MY 2/2/2015 Yes. Please submit co-financing letters or negotiation minutes to facilitate the process of this project.</p> <p>MY 11/23/2016 The following information was written in March 2015 for the CEO cover memo. It was moved on 11/28/2016 while writing the new CEO cover memo for the second major</p>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
			<p>amendment.</p> <p>Issues to be taken care of: At the PIF stage, STAP put comments on five issues as follows:</p> <p>The project aims to establish a measurement and verification system and pilot market-based mechanisms to support the Chinese government to achieve the 12th five-year plan energy saving targets in a cost-effective way. STAP commends the project for initiating MRV system which is essential for any serious carbon trading or market-based mechanisms. As this project develops a domestic MRV system of international standards it could probably be a model for other developing countries.</p> <p>STAP suggests consideration of the following issues during full project preparation:</p> <ol style="list-style-type: none"> 1. Selection of enterprises for energy conservation investments: The Chinese government seems to have identified ten key areas/ sub-sectors for energy conservation programmes. Further, it is proposed to scale up energy conservation to 10,000 enterprises. STAP recommends adoption of scientific / economic criteria to select the sub-sectors as well as the enterprises for the pilot projects for energy conservation and MRV

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			<p>measures.</p> <p>2. Lessons from the ongoing projects: China already has a large number of initiatives ongoing on piloting energy efficiency systems as well as developing market-based mechanisms. There is an ADB project to prepare ETS in Tianjin. Similar pilot projects are planned or under implementation in Shanghai, Beijing, etc. Many Chinese cities are already experimenting with some form of ETS. It is very important for this large project to have a mechanism to learn from these ongoing and finished projects.</p> <p>3. Cost-implications of MRV: STAP suggests a critical analysis of cost-implications of MRV system for the enterprises or companies. What percent of the rewards will the cost of MRV account for?</p> <p>4. Methodology: Many countries already have implemented energy efficiency CDM projects which require a rigorous methodology and approach for MRV. There is a large number of methodologies available implemented under CDM. STAP is assisting GEF to develop a new EE methodology to be completed in the second half of 2012. There is an adequate experience available in planning and implementation of MRV systems</p>

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			<p>globally. STAP suggests a review of existing methods and based on this review assess the need for any new methodology development or to adapt any existing methodology.</p> <p>5. Baseline development: This is a critical aspect of any MRV system. Baseline could be considered at individual enterprise level or sectoral level or at a geographic unit level like a city. Since there are already a large number of initiatives supported by the Chinese government as well as many other international agencies, it is necessary to develop a robust baseline GHG emissions' scenario considering the existing initiatives.</p> <p>For the re-designed project, the first issue is no longer relevant since the energy savings certificate trading will take place in pilot cities rather than among industrial enterprises. However, the remainder four issues are still relevant in the re-designed project. For example, the PAD did not address the project baseline well, and the calculation of GHG emission reduction is not robust (related to comment No. 5). Also, the World Bank did not communicate with the ADB during the PPG stage, even though STAP clearly requested the World Bank to coordinate the ADB which is implementing an energy efficiency project in China that has similar project</p>

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			<p>components as those of the World Bank project (related to comment No. 2). The GEF SEC requested the World Bank to clearly address the STAP issues, but the Bank did not do it well. As a result, if the project documents are circulated to the Council, the World Bank may be requested to address these issues.</p> <p>The World Bank (Bank), as the Implementing Agency for the project entitled: Developing Market-based Energy Efficiency Program in China (GEF PMIS ID: 4947) (PIF title: Establish Measurement and Verification System for Energy Efficiency in China), has submitted the attached proposed project document for CEO endorsement of a project major amendment in accordance with the Bank and GEF procedures.</p> <p>The PM has reviewed the project major amendment which involves changes of project objective, design, and outputs. The rationale for the proposed changes are the following. Since the CEO endorsement in March 2015, the government of China decided to discontinue the energy efficiency fiscal reward fund, which was part of the 12th Five-Year Plan (2011-2015). With the closure of the fiscal reward fund at the end of 2015, the Economic Construction Department of the</p>

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			<p>Ministry of Finance (MOF) of China which was one of the original project executing agencies, has no longer participated in the project. In the meantime, the National Development and Reform Commission (NDRC) has requested Bank's support for the development and implementation of priority energy efficiency (EE) programs for the 13th Five-Year Plan (2016-2020). In the meantime, the government requested the Bank for two large Program-for-Results (PforR) operations (Innovative Financing for Air Pollution Control in Jing-Jin-Ji and Hebei Air Pollution Control Programs) to support the government's Air Pollution Prevention and Control Action Plan. These PforR programs require capacity building, technical assistance, and result measurement and verification to better support the energy efficiency and air pollution control programs. Finally, the co-financing of the project has significantly increased from \$104 million at the CEO endorsement stage to \$1.65 billion at the current stage, including a \$1 billion hard loan from the WB, a \$0.5 billion hard loan from the Huaxia Bank Co. Limited (HXB), and a \$150 million grant from the government of Hebei province.</p> <p>MY 11/28/2016 Having reviewed the project major</p>

Review Criteria	Questions	Secretariat Comment at PIF (PFD)/Work Program Inclusion ¹	Secretariat Comment At CEO Endorsement(FSP)/Approval (MSP)
			amendment which involves changes of project objective, design, and outputs, the PM recommends that the project be further reviewed and commented by the GEF Council for a period of four weeks before CEO endorsement.
Review Date (s)	First review*	April 10, 2012	November 06, 2014
	Additional review (as necessary)	April 12, 2012	February 02, 2015
	Additional review (as necessary)		November 23, 2016
	Additional review (as necessary)		November 28, 2016
	Additional review (as necessary)		

* **This is the first time the Program Manager provides full comments for the project. Subsequent follow-up reviews should be recorded. For specific comments for each section, please insert a date after comments. Greyed areas in each section do not need comments.**

REQUEST FOR PPG APPROVAL

Review Criteria	Decision Points	Program Manager Comments
PPG Budget	1. Are the proposed activities for project preparation appropriate?	<p>MY, September 19, 2012:</p> <p>Not at this time.</p> <p>The PPG indicated that "Prepare detailed GEF activities, outputs, outcomes, indicators, budget break-down and PMO structure (on page 1)" will cost \$60,000 GEF grant.</p> <p>This preparation work is a kind of literature review and desk analysis. Please clearly indicate time (in days) to be used and type of professionals to be hired for each of the activities and deliverables in the preparation of the work, and justify the use of the \$60,000.</p> <p>MY, September 30, 2012:</p> <p>The PPG is revised.</p>
	2. Is itemized budget justified?	MY, September 19, 2012:

		<p>Not at this time. Please see comments in Box 1.</p> <p>MY, September 30, 2012: Cleared</p>
Secretariat Recommendation	3. Is PPG approval being recommended?	<p>MY, September 19, 2012: Not at this time.</p> <p>MY, September 30, 2012: Recommended.</p>
	4. Other comments	<p>MY, September 19, 2012:</p> <p>The WB plans to pay international consultants at a rate of \$1,000 per day for 10 weeks in the PPG project. This rate is much higher than the rates at which UN agencies and other multilateral banks pay international consultants in GEF projects in China.</p> <p>The PM has actively taken actions to clear the PPG. A bout one month ago, the PM reviewed the early draft version of the PPG document, and sent comments back to the developers (Dr. Wang and Ms. Zhang). The comments suggested revision of the high rate of international consultants, and adjustment of the \$6000 for the preparation work shown on page 1 of the PPG. But, in the submitted the PPG, the WB PPG developers did not take into account the comments.</p> <p>On Monday, September 17, 2012, Ming communicated with Ms. Zhang, one of the project developers of the WB, and reached an agreement with her: "the WB and the GEF will have a face to face meeting to discuss the issues in the PPG on September 24 or 25, 2012".</p> <p>MY, September 30, 2012: Issues were cleared. The rate was reduced.</p>
Review Date (s)	First review*	September 19, 2012
	Additional review (as necessary)	September 30, 2012

* This is the first time the Program Manager provides full comments for the project. Subsequent follow-up reviews should be recorded. For specific comments for each section, please insert a date after comments.