Scientific and Technical Advisory Panel

The Scientific and Technical Advisory Panel, administered by UNEP, advises the Global Environment Facility
(Version 5)

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

Date of screening: April 29, 2012 Screener: Lev Neretin

Panel member validation by: Nijavalli H. Ravindranath
Consultant(s):

I. PIF Information *(Copied from the PIF)*
FULL SIZE PROJECT GEF TRUST FUND
GEF PROJECT ID: 4947
PROJECT DURATION : 5
COUNTRIES : China
PROJECT TITLE: Establish Measurement and Verification System for Energy Efficiency in China
GEF AGENCIES: World Bank
OTHER EXECUTING PARTNERS: Ministry of Finance
GEF FOCAL AREA: Climate Change

II. STAP Advisory Response *(see table below for explanation)*

Based on this PIF screening, STAP's advisory response to the GEF Secretariat and GEF Agency(ies): **Consent**

III. Further guidance from STAP

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.

STAP suggests consideration of the following issues during full project preparation:

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 measures.

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.

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?

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.

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.

STAP advisory response	*Brief explanation of advisory response and action proposed*
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: (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.