



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

| | | | |
|--|---|------------------------------|-----------------------|
| GEF ID: | 4947 | | |
| Country/Region: | China | | |
| Project Title: | Establish Measurement and Verification System for Energy Efficiency in China | | |
| GEF Agency: | World Bank | GEF Agency Project ID: | |
| Type of Trust Fund: | GEF Trust Fund | GEF Focal Area (s): | Climate Change |
| GEF-5 Focal Area/ LDCF/SCCF Objective (s): | CCM-2; Project Mana; | | |
| Anticipated Financing PPG: | \$0 | Project Grant: | \$17,800,000 |
| Co-financing: | \$104,000,000 | Total Project Cost: | \$121,800,000 |
| PIF Approval: | | Council Approval/Expected: | June 01, 2012 |
| CEO Endorsement/Approval | | Expected Project Start Date: | |
| Program Manager: | Ming Yang | Agency Contact Person: | Xiaodong Wang |

| 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. | |
| | 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. | |
| 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. | |

*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

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| | 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. | |
| | 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. | |
| 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. | |
| | • 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. | |
| | • the LDCF under the principle of equitable access | HX/MY: April 10, 2012 n/a | |
| | • the SCCF (Adaptation or Technology Transfer)? | HX/MY: April 10, 2012 n/a | |
| | • Nagoya Protocol Investment Fund | HX/MY: April 10, 2012: n/a | |
| | • focal area set-aside? | HX/MY: April 10, 2012 n/a | |
| 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. | |
| | 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. | |

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| | 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. | |
| | 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. | |
| 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. | |
| | 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? | | |
| | 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 developed by the project will also contribute to future projects and programs. (a) Such an M&V system is vital for the government's rewards fund programs; (b) It is critical to scale up ESCO industry, as end users pay for ESCOs' | |

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| | | <p>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>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</p> | |

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| | | <p>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.</p> <p>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> | |
| | 15. Are the applied methodology and assumptions for the description of the incremental/additional benefits sound and appropriate? | <p>HX/MY April 10, 2012. Yes.</p> <p>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.</p> | |

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| | 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? | <p>HX/MY April 10, 2012. Yes.</p> <p>Socio-economic benefits are described. This project is not gender specific.</p> | |
| | 17. Is public participation, including CSOs and indigenous people, taken into consideration, their role identified and addressed properly? | <p>HX/MY April 10, 2012. Yes.</p> <p>Public participation will be expected from enterprises and third-party verifiers who are the main beneficiaries of the project.</p> | |
| | 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) | <p>HX/MY April 10, 2012. Not at this time.</p> <p>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 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</p> | |

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| | | under Phase I will be implemented and will be applicable for both ETS and EE trading. | |
| | 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> | |
| | 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> | |
| | 21. Is the project structure sufficiently close to what was presented at PIF, with clear justifications for changes? | | |

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| | 22. If there is a non-grant instrument in the project, is there a reasonable calendar of reflows included? | | |
| Project Financing | 23. Is funding level for project management cost appropriate? | <p>HX/MY April 10, 2012. Not at this time.</p> <p>It is 5% of the project components costs. Please recalculate PM costs after separating PPG amount.</p> <p>HX/MY April 10, 2012. Comments cleared. PPG is separated. PM costs is under 5%.</p> | |
| | 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. | |
| | 25. At PIF: comment on the indicated cofinancing; At CEO endorsement: indicate if confirmed co-financing is provided. | <p>HX/MY April 10, 2012. Yes.</p> <p>Cofinancing is sufficient. \$24 million or 23% of co-financing has been confirmed. The remainder is expected be confirmed at the CEO endorsement stage.</p> | |
| | 26. Is the co-financing amount that the Agency is bringing to the project in line with its role? | <p>HX/MY April 10, 2012. Yes.</p> <p>The role of the World Bank is mostly about project management.</p> | |
| Project Monitoring and Evaluation | 27. Have the appropriate Tracking Tools been included with information for all relevant indicators, as applicable? | | |
| | 28. Does the proposal include a budgeted M&E Plan that monitors and measures results with indicators and targets? | | |
| Agency Responses | 29. Has the Agency responded | | |

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|-----------------------------|---|--|--|
| | adequately to comments from: | | |
| | • STAP? | | |
| | • Convention Secretariat? | | |
| | • Council comments? | | |
| | • Other GEF Agencies? | | |
| 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> | |

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| Recommendation at CEO Endorsement/ Approval | 32. At endorsement/approval, did Agency include the progress of PPG with clear information of commitment status of the PPG? | | |
| | 33. Is CEO endorsement/approval being recommended? | | |
| Review Date (s) | First review* | April 10, 2012 | |
| | Additional review (as necessary) | April 12, 2012 | |
| | Additional review (as necessary) | | |
| | Additional review (as necessary) | | |
| | 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? | |
| | 2. Is itemized budget justified? | |
| Secretariat Recommendation | 3. Is PPG approval being recommended? | |
| | 4. Other comments | |
| Review Date (s) | First review* | |
| | Additional review (as necessary) | |

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