

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: February 24, 2014

Screener: Lev Neretin

Panel member validation by: Ralph E. Sims

Consultant(s):

I. PIF Information *(Copied from the PIF)*

FULL SIZE PROJECT GEF TRUST FUND

GEF PROJECT ID: 5373

PROJECT DURATION : 4

COUNTRIES : China

PROJECT TITLE: Greening the Logistics Industry in Zhejiang Province

GEF AGENCIES: UNDP

OTHER EXECUTING PARTNERS: In China: Development and Reform Commission of the People's Republic of China, Zhejiang Province, Fuyang Municipal People's Government

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

This is a welcome project focusing on reducing GHG emissions from freight transport in China that accounted for 70% of all GHG emissions from the transport sector in 2005 (<http://www.internationaltransportforum.org/Pub/pdf/10GHGTrends.pdf>). To date, the GEF portfolio includes only a few projects focused on freight (in Colombia/4603 and in Morocco/5358). Furthermore, the project activities are closely related to the ASTUD program by the ADB (4638) and specifically its knowledge management focused project (5527).

The aim is to improve the efficient use of energy inputs into the distribution of goods and materials by water and road (as well as by air) in this region of China. Demonstrations will be undertaken with the main share of the funding going towards these and a centralized hub facility in Fuyang City. The majority of the funding will come from the private sector. One planned road and port project has already begun and another is a container handling and quarantine facility at a port that will link with three waterways to enable some road freight to be displaced to more energy efficient waterborne systems. Much of the additional improvements from the GEF project will relate to developing and using information technology for the logistics industry, to encourage back loading for example and avoid empty trucks. GEF funding will be utilized to help remove barriers. Lessons learned from monitoring of the demonstrations will be disseminated and capacity building will result.

STAP has the following recommendations that could be addressed during project preparation:

1. Since GEF funding is less than 10% of total project costs, the total abatement cost is likely to be closer to \$2/t CO₂ avoided over the life of the project (compared with the \$0.16/t CO₂ quoted) but that is still relatively low.
2. Calculating direct GHG emission reductions is challenging as it is not possible to anticipate the level of some anticipated changes such as the degree of freight shifting from road to more efficient waterways. But STAP would recommend project proponents to communicate with the other freight-related projects listed above to share experience and knowledge. It would be particularly useful in having a common approach to GHG accounting for this sector. STAP encourages project proponents to explore the usability of the GEF GHG transportation methodology but acknowledges that the freight sector would require a different specific approach to GHG accounting going beyond what current methodology considers

(<http://www.stapgef.org/calculating-greenhouse-gas-benefits-of-global-environment-facility-transportation-projects/>).

3. For a project of this nature, systematic barrier analysis is highly recommended. Currently presented list of barriers is incomplete (page 6). For example, how the barrier of decentralized logistics providers will be addressed, particularly "informal" provider sector? Project proponents could find useful recommendations for establishing low-carbon transport systems developed by STAP at: <http://www.stapgef.org/sustainable-low-carbon-transport/>.

4. Project strengths are in supporting "soft" measures such as policy and regulatory support, designs and plans for green logistics systems, and capacity building activities. However, as the PIF acknowledges "the logistics industry in China faces lot of problems, including non-standard supply chain, low truck availability, and long loading time. The fleet is largely outdated and energy inefficient. What are the existing and/or envisaged financial incentives and funding support that central and provincial governments and financial institutions could provide in upgrading freight-related "hardware" or improving this pillar of the ASI framework? The project financial sustainability has to be assured and described in the project document.

5. Overall this is an innovative project with good GHG emission reduction potential that can be replicated elsewhere.

<i>STAP advisory response</i>	<i>Brief explanation of advisory response and action proposed</i>
1. Consent	<p>STAP acknowledges that on scientific or technical grounds the concept has merit. However, STAP may state its views on the concept emphasizing any issues where the project could be improved.</p> <p>Follow up: The GEF Agency is invited to approach STAP for advice during the development of the project prior to submission of the final document for CEO endorsement.</p>
2. Minor revision required.	<p>STAP has identified specific scientific or technical challenges, omissions or opportunities that should be addressed by the project proponents during project development.</p> <p>Follow up: One or more options are open to STAP and the GEF Agency: (i) GEF Agency should discuss the issues with STAP to clarify them and possible solutions. (ii) In its request for CEO endorsement, the GEF Agency will report on actions taken in response to STAP's recommended actions.</p>
3. Major revision required	<p>STAP has identified significant scientific or technical challenges or omissions in the PIF and recommends significant improvements to project design.</p> <p>Follow-up: (i) The Agency should request that the project undergo a STAP review prior to CEO endorsement, at a point in time when the particular scientific or technical issue is sufficiently developed to be reviewed, or as agreed between the Agency and STAP. (ii) In its request for CEO endorsement, the Agency will report on actions taken in response to STAP concerns.</p>