

Scientific and Technical Advisory Panel

The Scientific and Technical Advisory Panel, administered by UNEP, advises the Global Environment Facility



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

Date of screening: 17th March 2009

Screeener: Lev Neretin

Panel member validation by: N.H. Ravindranath

I. PIF Information

Full size project **GEF Trust Fund**

GEF PROJECT ID: 3742

GEF AGENCY PROJECT ID: GF/EGY/09/XXX

COUNTRY: THE ARAB REPUBLIC OF EGYPT

PROJECT TITLE: INDUSTRIAL ENERGY EFFICIENCY (IEE)

GEF AGENCY: UNIDO

OTHER EXECUTING PARTNERS: MINISTRY OF TRADE AND INDUSTRY, MTI, EGYPTIAN ENVIRONMENTAL AFFAIRS AGENCY, EEAA, IN COOPERATION WITH THE MINISTRY OF ELECTRICITY & ENERGY, MOEE, AND MINISTRY OF INVESTMENT.

GEF FOCAL AREA: CLIMATE CHANGE

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

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

2. STAP supports the Industrial Energy Efficiency project in Egypt. The Project's objective is to facilitate EE improvements in the industrial sector with a focus on energy intensive industries as well as SMEs through the development of a national energy management standard (EMS) and capacity building for its implementation and enforcement and the development of the financial incentives program. Project's emphasis is on energy system approach. The rationale for combining energy intensive industries and SMEs together into a single project is not clear, since barriers and strategies to address them are likely to vary. STAP makes the following suggestions that could be incorporated in the subsequent stages of the proposal:
3. **Rationale for selecting Industries:** There is a need for scientific criteria for selecting energy intensive industries and SMEs for EE demonstrations. The criteria could consist of multiple factors in addition to mitigation potential, such as investment cost, cost-benefit ratio, ease of overcoming the barriers, transaction costs, cost-effectiveness of mitigation in (\$/tCO₂), replication potential. Specific criteria should be proposed for selecting particular energy systems in particular industries. IPCC (2007) has concluded that the carbon intensity of energy intensive industries is declining and Egypt may not be exception to this trend. If so, the rationale for selecting energy intensive industries could be considered.
4. **Component versus systems approach:** There is a need for cost-benefit analysis of investment with CO₂ emission reduction potential through component versus system approach. System approach is not always cost-effective for the investor.
5. **Barriers:** A large number of barriers have been listed. There is a need for a scientific analysis and ranking of barriers. How the barrier of "lack of interest of industries in investing in EE equipment" will be addressed is critical to the success of the project.
6. **Risk:** How the risk of lack of interest of the industry in EE and the incremental investment cost needed for EE equipment will be addressed?
7. **Baseline Scenario:** STAP expects that project proponents will present a baseline scenario and quantitative incremental reasoning for GHG emission reduction through implementation of EMS at the CEO endorsement phase.

<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: <ul 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.