

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

Date of screening: 09th February 2010

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Panel member validation by: N.H. Ravindranath

I. PIF Information

GEF PROJECT ID: **4112**

COUNTRY(IES): **MOROCCO**

PROJECT TITLE: **ENERGY EFFICIENCY IN THE INDUSTRIAL SECTOR**

GEF AGENCY(IES): **AfDB**

OTHER EXECUTING PARTNER(S): **AGENCY FOR THE DEVELOPMENT OF RENEWABLE ENERGY AND ENERGY EFFICIENCY (ADEREE)**

GEF FOCAL AREA (S): **CLIMATE CHANGE**

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

NAME OF PARENT PROGRAM/UMBRELLA PROJECT (IF APPLICABLE): **N/A**

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

1. STAP expresses its consent to the energy efficiency (EE) project for the industrial sector of Morocco. The project aims at improving energy efficiency of SMEs by removing the barriers to investment in EE. The project has activities aimed at policy reform, EE audits, EE investments in 150 SMEs and creating access to credit and financing. The following issues should be addressed at the CEO endorsement stage.
2. **Baseline scenario:** It is necessary to have a baseline scenario describing the number and capacity of SMEs, energy consumption and GHG emissions trends (past and future).
3. **Barrier Analysis:** The project aims at removing the regulatory, financial and informational barriers to EE in SMEs. This is a generic listing of barriers presented in the PIF. STAP recommends conducting a systematic assessment of the barriers to identify, rank and prioritize the barriers to enable a targeted policies and measures to overcome the barriers. Further, the barriers will vary depending on the stakeholders.
4. **Policy reforms for SMEs:** How critical are policy reforms in the case of SMEs, since these are dispersed and small-scale systems, which are often outside the policy framework which usually applies to large-scale industries?
5. **Energy audit of 150 SMEs:** What are selection criteria for the proposed 150 SMEs? Will the focus be on SMEs requiring process heat, mechanical power or lighting? STAP suggests developing criteria to identify and rank different types of SMEs based on the potential to conserve energy and reduce GHG emissions. The expected outcome aims at 10% reduction in energy consumption, while section B of the PIF states 48% energy saving potential for the industry sector is possible, therefore a higher level of energy conservation could be achieved.
6. **Financial benefits of investment in EE:** The most critical issue in promoting EE among SMEs is the potential for cost savings or increased profits. Thus, the focus of policy reform and information generation should be on assessing the profitability of investments on EE measures and its communication to SMEs.

7. **Financing mechanism for SME:** Who will finance the incremental investment cost of EE systems for the SMEs, even if the investment is profitable?
8. **Risk Assessment:** High incremental costs and lack of access to credit for SMEs could be a serious risk for large-scale promotion of EE systems. Technology performance risk is an additional factor for SMEs. How these risks will be addressed?

<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.