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சுற்றுமூல் அமைச்சு

MINISTRY OF ENVIRONMENT

"සම්පත්පාය" අංක: 82, රජමල්වත්ත පාර, බත්තරමුල්ල, ශ්‍රී ලංකාව.

"சம்பத்பாய", இல: 82, ரஜமல்வத்த வீதி, பத்தரமுல்லை, இலங்கை

"Sampathpaya" No:82, Rajamalwatta Road, Battaramulla, Sri Lanka.

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Your No.

දිනය } 27.03.2006
திகதி }
Date

Mr. Ahmed Djoghlaf
Director
UNEP Division of GEF Coordination
Nairobi,
Kenya

Att: Dr. Sumith Pilapitiya

Dear Sir,

**ENDORSEMENT OF GEF-FUNDED PROPOSAL ON PORTFOLIO APPROACH TO
DISTRIBUTED GENERATION OPPORTUNITY (PADGO) (PHASE 1)**

I refer to the attached Project Executive Summary prepared by the IFC/World Bank, on Portfolio Approach to Distributed Generation Opportunity (PADGO) (Phase 1) seeking funding support from the Global Environment Facility (GEF). I am pleased to inform that the Ministry of Power & Energy of the Government of Sri Lanka being the key implementing partner of the Project has endorsed the project concept.

Considering the Project's potential to reduce CO₂ emissions through displacing central fossil fuel based generations and also possible CDM eligibility, as the GEF Focal Point for Sri Lanka, I am pleased to endorse this project concept for considering GEF financial support.

Yours sincerely,

J R W Dissanayake
Secretary
Ministry of Environment
Government of Sri Lanka

CC: 1. Secretary, Ministry of Power & Energy, Sri Lanka

2. Mr. Sandeep Kohli, IFC, USA -- please refer to the attached letter dated 23.03.2006 sent by the Secretary, Ministry of Power & Energy regarding some amendments to the project design. Appreciate if you could arrange to accommodate these comments and send us an updated project concept.



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493/1, ටී. ඩී. ජයා මාවත, කොළඹ - 10.
493/1, ඒ. ජී. ජයා මාවත, කොළඹ - 10
493/1, T. B. Jayah Mawatha, Colombo - 10.

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திகதி } 23rd March, 2006

Secretary
Ministry of Environment
"Sampathpaya", Rajamalwatta Road
Battaramulla.

PORTFOLIO APPROACH TO DISTRIBUTED GENERATION OPPORTUNITY

Reference Executive Summary at the above project developed by IFC/World Bank seeking Global Environmental Facility (GEF) funds. we hereby endorse the project concept. It is proposed to include the following additions, and note our observations. It is listed under relevant sub headings at the Executive Summary.

1. Project Objectives -
 - i). Resolving Grid Capacity shortage issues by investigating actual permissible levels of distributed energy in the national grid in terms of peak demand, base load and transmission capacity constraints from a dynamic analysis of the grid stability.
 - ii). Analysis of other perceived barriers to enhance distributed energy penetration levels.
2. Portfolio Approach to Clean Distributed Energy Generation

Although it is accepted that the chosen technologies would have to be commercial. However, ancillary costs such as transmission development and capacity improvement will have to be funded separately. It is proposed to seek GEF grants for this purpose which can be disbursed to relevant agencies through the proposed Sri Lanka Energy Fund (SLEF).

3. Project Concept -
It is worthwhile to note that there are 1.3MW of Bio mass power plants already in operation and an action plan to develop further 100 MW of capacity by 2010 is being implemented.
4. Current Status of Renewable in Sri Lanka -
A new grant scheme for off grid projects targeting a subsidy of approximately 100 US \$ per connection is mooted by the Government, to cushion the high cost of off grid renewable systems.

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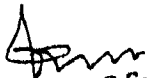
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5. Outputs and Activates -

Development of overall strategy and frame work will have to be done in consultation with Ministry of Power & Energy and Designated National Agency (DNA) of the Ministry of Environment.

As per above observations and additions, please take necessary action to communicate the government desire to implement the proposed project.



M M C Ferdinando

Secretary

Ministry of Power & Energy