

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: May 08, 2012

Screeners: Lev Neretin

Panel member validation by: Nijavalli H. Ravindranath
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I. PIF Information *(Copied from the PIF)*

FULL SIZE PROJECT **GEF TRUST FUND**

GEF PROJECT ID: 4957

PROJECT DURATION : 5

COUNTRIES : Turkey

PROJECT TITLE: Small and Medium Enterprise Energy Efficiency Project

GEF AGENCIES: World Bank

OTHER EXECUTING PARTNERS: MENR, VakifBank, HalkBank, ZiraatBank

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 energy efficiency (EE) project for SMEs meets GEF Strategic Objective CCM-2 and fits with government priorities to support EE, and STAP welcomes this initiative. Providing financial mechanisms and support investment in energy efficient technologies and energy service companies (ESCOs) are the key objectives. The proposal tends to include EE in buildings but this is not reflected in the title, assuming buildings are a major component of the proposal. STAP suggests, however, that the following issues should be addressed before CEO endorsement:

Rationale: Turkey already has policies for EE linked with climate change action plans. The problem is for SMEs to obtain supporting finance, partly because of lack of understanding by financiers and partly because transaction costs are relatively high for small loans. The role of ESCOs is critical to increase EE uptake by packaging a portfolio of EE initiatives when seeking finance. The World Bank has a \$200M loan in place to support three major banks with EE investments. The GEF project is to provide "technical assistance and policy support" particularly for the participating financial institutions. Part of GEF funding is to be used to defray risks of EE investment lending.

Barriers: For finance institutions that do not comprehend EE, then educating their staff is a solution to increasing investment. Determining target SME sectors and technologies will enable EE investment to become better focused. Past progress in developing an ESCO market has been slow – so the different approach taken by this proposal could be the solution.

Baseline: It is not clear how the ESMAP EE calculator will be utilized by this GEF project to identify target technologies. Who is undertaking the "further market and energy consumption analyses" to determine the "exact technical systems"?

Climate change abatement: No indication of potential resulting GHG emission reductions has been made. STAP recognizes the challenges here, but suggests that effort be invested to assess expected reductions.

EE monitoring: With many EE initiatives in place including funded through the World Bank loan, it will be difficult to determine the additional EE investments and eventual savings that the GEF funding has produced. The proposal states "Activities to be undertaken are expected to include... vi) developing enhanced systems for monitoring energy efficiency savings after the projects have been financed and implemented." This seems somewhat tenuous and should be elaborated in greater detail.

<i>response</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.