

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: October 07, 2013

Screeners: Nijavalli H. Ravindranath

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: 5520

PROJECT DURATION : 5

COUNTRIES : Indonesia

PROJECT TITLE: Large Enterprises Energy Efficiency Project

GEF AGENCIES: World Bank

OTHER EXECUTING PARTNERS:

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

The project aims at removal of barriers to stimulate energy efficiency investments in large industries of Indonesia. This is a large World Bank project, where the share of GEF is only about 2%. The GEF support is largely aimed at providing technical assistance and policy support to expand market development and assist in removal of barriers to strengthen the enabling environment. The project involves developing financing mechanisms which is beyond the scope of STAP. There is limited scope for STAP to provide any technical or scientific inputs into this project. However, a few comments and suggestions are given below:

1. There is a similar project from UNDP, Indonesia submitted to GEF which is aimed at market transformation through design and implementation of climate change mitigation actions in energy sector. GEF project ID: 5339. Therefore, STAP suggests complementarity or synergy between the two projects which have many identical goals and activities.
2. Which specific industries will be the focus of technical assistance by GEF? There may be many large industries requiring energy efficiency interventions. STAP recommends a techno-economic and mitigation potential assessment of different industries to identify industries for intervention under this project. This would assist in generating information for dissemination and capacity building in the industries with the maximum mitigation potential.
3. What incentives for large industries to invest in EE projects are proposed, and what are the criteria for providing incentives?
4. It is an opportune time for introducing energy efficiency technologies if old plant is being modernized and fossil fuel subsidies reduced, since if only inefficient technologies are selected and installed now, purely on a cheaper capital cost basis, then lock-in effects will be a barrier for GHG emission reduction opportunities for several years "or even decades."
5. It is not clear how many technologies (such as electric motors or light bulbs) are made locally or imported. For those made locally, the opportunity exists to introduce performance emissions standards.
6. Many energy efficiency projects are very cost-effective, so if typical payback periods here are around 2 years as stated, then any bank loans to industry could be made on a performance-based basis so the bank and/or ESCO (or technology consulting/installation company) gains a share of the cost saving benefits after the 2 years and loan money can be recycled for investment in other project. This would help to encourage the development and instigation of more ESCOs.

7. It would be useful to hold workshops on energy efficiency activities so that similar companies working in an industry can all learn from each others' experiences (though there may be some element of commercial competitiveness that restricts this learning process). This capacity building role could come under the GEF funding component of the project perhaps.

<i>STAP advisory response</i>	<i>Brief explanation of advisory response and action proposed</i>
<p>1. Consent</p>	<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>
<p>2. Minor revision required.</p>	<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>
<p>3. Major revision required</p>	<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>