

# 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: 28<sup>th</sup> January 2010

Screener: Lev Neretin

Panel member validation by: N.H. Ravindranath

### I. PIF Information

GEFSEC PROJECT: **4176**

COUNTRY(IES): **CHILE**

PROJECT TITLE: **ENCOURAGING THE SETTING UP AND CONSOLIDATION OF AN ENERGY SERVICE MARKET IN CHILE**

GEF AGENCY(IES): **IADB**

OTHER EXECUTING PARTNER(S): **PROGRAMA PAÍS EFICIENCIA ENERGÉTICA (PPEE)**

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

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

### 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. The main objective of the project in Chile is to establish favourable conditions for the development of energy efficient markets through the support to market intermediaries such as engineering firms and ESCOs.
2. **Baseline and barrier analysis:** GEF has acquired substantial experience in supporting ESCOs, particularly in the Eastern European countries. This experience shows that the success of ESCOs industries depended strongly on a number of pre-existing enabling conditions including regulatory and economic, existing information infrastructures, innovation climate (patents, IRRs) and, particularly, maturity of the national financial system. STAP is of an opinion that the project's support to this enabling environment is limited. If other complimentary initiatives address these issues, explicit links with the project need to be demonstrated. Analysis of enabling conditions/barriers for ESCOs promotion is recommended at the project preparation stage.
3. **ESCOs market:** GEF was hardly successful in establishing ESCOs markets "from scratch", which is the intention of this project (*Climate Change Program Study, 2004*). Therefore, STAP recommends more conservative assessment of existing options for the establishment of ESCO market in Chile paying particular attention to the following aspects/"success factors": 1) a variety of financing instruments for ESCO models should be introduced and tested with stakeholders (e.g., investment grants or special purpose funds can be more suited than the proposed partial loan guarantees); 2) support for utility-based ESCOs can be prioritized when private sector is unwilling to take on EE investments; 3) complimentary measures to promote enabling policy and business environment are required and have to be explored. It is expected that this information will be provided at the CEO endorsement stage.

STAP advisory response	Brief explanation of advisory response and action proposed
1. <b>Consent</b>	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. <b>Minor revision required.</b>	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: <ol style="list-style-type: none"> <li>(i) Opening a dialogue between STAP and the proponent to clarify issues</li> <li>(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</li> </ol> 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.

<b>3. Major revision required</b>	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.
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