



China, People's Republic of: Guangdong Energy Efficiency and Environment Improvement Investment Program - Tranche 3

Project Name	Guangdong Energy Efficiency and Environment Improvement Investment Program - Tranche 3
Project Number	39653-043
Country	China, People's Republic of
Project Status	Closed
Project Type / Modality of Assistance	Loan
Source of Funding / Amount	<p>Loan 2773-PRC: Guangdong Energy Efficiency and Environment Improvement Investment Program - Tranche 3</p> <p>Ordinary capital resources US\$ 42.94 million</p>
Strategic Agendas	Environmentally sustainable growth Inclusive economic growth
Drivers of Change	Governance and capacity development
Sector / Subsector	Energy - Energy sector development and institutional reform
Gender Equity and Mainstreaming	No gender elements
Description	The Project is to promote energy efficiency and environmental protection in Guangdong Province using advanced technologies, and is justified in technical, economic, and financial terms. The energy savings will result from retrofitting existing equipment with more efficient equipment, which in aggregate will reduce the need to construct and operate a conventional coal-fired power plant. The Project will consider only retrofits of proven energy efficiency technologies in the following areas: (i) motors and motor-drive systems; (ii) transformers and reactive power compensators; (iii) lighting; (iv) heating, ventilation, and air conditioning; (v) air compressors and pumping systems; (vi) recovery of waste energy from industry; (vii) coal-fired industrial boilers and industrial cogeneration; and (viii) other related energy efficiency improvement projects. The Project will have multiple benefits: (i) energy security improves as lesser new power supply capacity will be needed to meet future demand, and less coal will be used for power generation; and (ii) the local and subregional environment improves, and the contribution to global climate change is lower because of avoided coal use.
Project Rationale and Linkage to Country/Regional Strategy	<p>Currently, PRC is one of the largest energy consumers in the world. Within its energy mix, approximately 70% of the primary energy demand is met by coal, and about 80% of electricity is generated from coal. The large share of coal-fired power generation results in serious environmental issues and accounts for about 50% of the PRC's SO₂ emissions and 80% of NO_x emissions. Rapid implementation of energy conservation measures, including implementation of EPPs, will lower the burden for later addressing the consequence of carbon emissions and climate change.</p> <p>Guangdong has the largest and fastest-growing economy among all the PRC provinces. Its gross domestic product (GDP) has grown at 14% per annum since 1995. Electricity consumption is dominated by energy-intensive heavy industries, with the industry and manufacturing sectors combined representing about 73% of total electricity use. The province has relatively low natural resource endowments. It imports 100% of coal requirements and 80% of oil needs; approximately 20% of electricity is imported from other provinces. The demand for power has outpaced supply and power shortages have been experienced during the summer peak periods. About 75% of the generation capacity is from coal-fired power plants, which have caused serious air pollution. Therefore, improving energy efficiency is a high priority for GPG to help address both energy security and environmental issues. Guangdong also provides a good setting to pilot the EPP model because of its vibrant economy and the large impact that energy savings will have in comparison with less industrialized provinces.</p>
Impact	Improved overall energy intensity and reduced emissions in Guangdong province

Project Outcome

Description of Outcome	The outcome will be an improvement in energy efficiency in industry and commercial sectors in Guangdong province
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Progress Toward Outcome The Project became effective on 20 February 2012 and Loan Inception was conducted from 23 to 24 May 2012. By 10 Sep. 2013, the accumulated withdrawal under Tranche 3 reached \$42.12 million, approximately 98% of the loan amount. Five of the six subborrowers under Tranche 3 have fully withdrawn their subloans.

Implementation Progress

Description of Project Outputs	Energy efficiency projects of Tranche 3 implemented ESCO sector developed in Guangdong Capacity developed for promotion and assessment of energy efficiency projects
Status of Implementation Progress (Outputs, Activities, and Issues)	To be assessed. Not yet due. Not yet due.
Geographical Location	

Safeguard Categories

Environment	FI
Involuntary Resettlement	C
Indigenous Peoples	C

Summary of Environmental and Social Aspects

Environmental Aspects	Tranche 3 is classified as environmental category 'FI', in accordance with ADB's Safeguard Policy Statement (2009). The proposed subprojects are energy efficiency projects not located in any designed environmental protection zone, and will be constructed and operated in accordance with relevant national environmental laws and regulations according to the EA. The proposed subprojects, therefore, meet the environmental criteria for subproject selection in the schedule 5 of the FFA. Also, all proposed subprojects are screened against the Prohibited Investment Activity List stated in ADB's Safeguard Policy Statement (2009) and no subproject is found to fall into the list. The potential environmental impacts are limited to the disposal of the replaced electrical and mechanical equipment. Disposal will fully comply with related GPG's environmental regulations to minimize any potential impacts according to the EPP-PMO.
Involuntary Resettlement	Tranche 3 is classified as category C' for involuntary resettlement and for indigenous peoples, as subprojects will not have any adverse social impacts on ethnic minorities. As all subprojects are either retrofit projects or located on the existing premises, Tranche 3 subprojects will not involve any land acquisition, demolition or resettlement of people.
Indigenous Peoples	

Stakeholder Communication, Participation, and Consultation

During Project Design	During the project design, various stakeholders were consulted, such as Guangdong provincial finance bureau, Guangdong Development and Reform Commission, Guangdong Economic and Information Commission, Project Management Office, and Guangdong Finance and Trust Company.
During Project Implementation	

Business Opportunities

Procurement	The procurement mode for works, goods, and consulting services is consistent with the procurement threshold agreed in the FFA. Subborrowers will be required to follow the relevant procurement rules in accordance with ADB's Procurement Guidelines (2010, as amended from time to time). Procurement must be from ADB member countries. Subborrowers will be encouraged to procure goods through competitive bidding or shopping when such procedures are applicable in the interest of economy and efficiency. In case of noncompliance, GFTC will exercise the right to recall the subloan.
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Responsible Staff

Responsible ADB Officer	Liu, Xinjian
Responsible ADB Department	East Asia Department
Responsible ADB Division	PRC Resident Mission
Executing Agencies	<i>Guangdong Provincial Government Guangdong Finance Department, No. 26 Cangbian Road Guangzhou, Guangdong Province, PRC</i>

Timetable

Concept Clearance	31 Aug 2006
Fact Finding	-
MRM	05 Mar 2008
Approval	05 Sep 2011
Last Review Mission	-
PDS Creation Date	18 Apr 2008
Last PDS Update	16 Sep 2013

Loan 2773-PRC

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
05 Sep 2011	14 Nov 2011	20 Feb 2012	31 Dec 2013	-	12 Dec 2013

Financing Plan		Loan Utilization			
	Total (Amount in US\$ million)	Date	ADB	Others	Net Percentage
Project Cost	79.05	Cumulative Contract Awards			
ADB	42.94	05 Sep 2011	0.00	0.00	0%
Counterpart	36.11	Cumulative Disbursements			
Cofinancing	0.00	05 Sep 2011	42.94	0.00	100%

Status of Covenants						
Category	Sector	Safeguards	Social	Financial	Economic	Others
Rating	Satisfactory	-	-	-	-	-

Project Page	https://www.adb.org/projects/39653-043/main
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