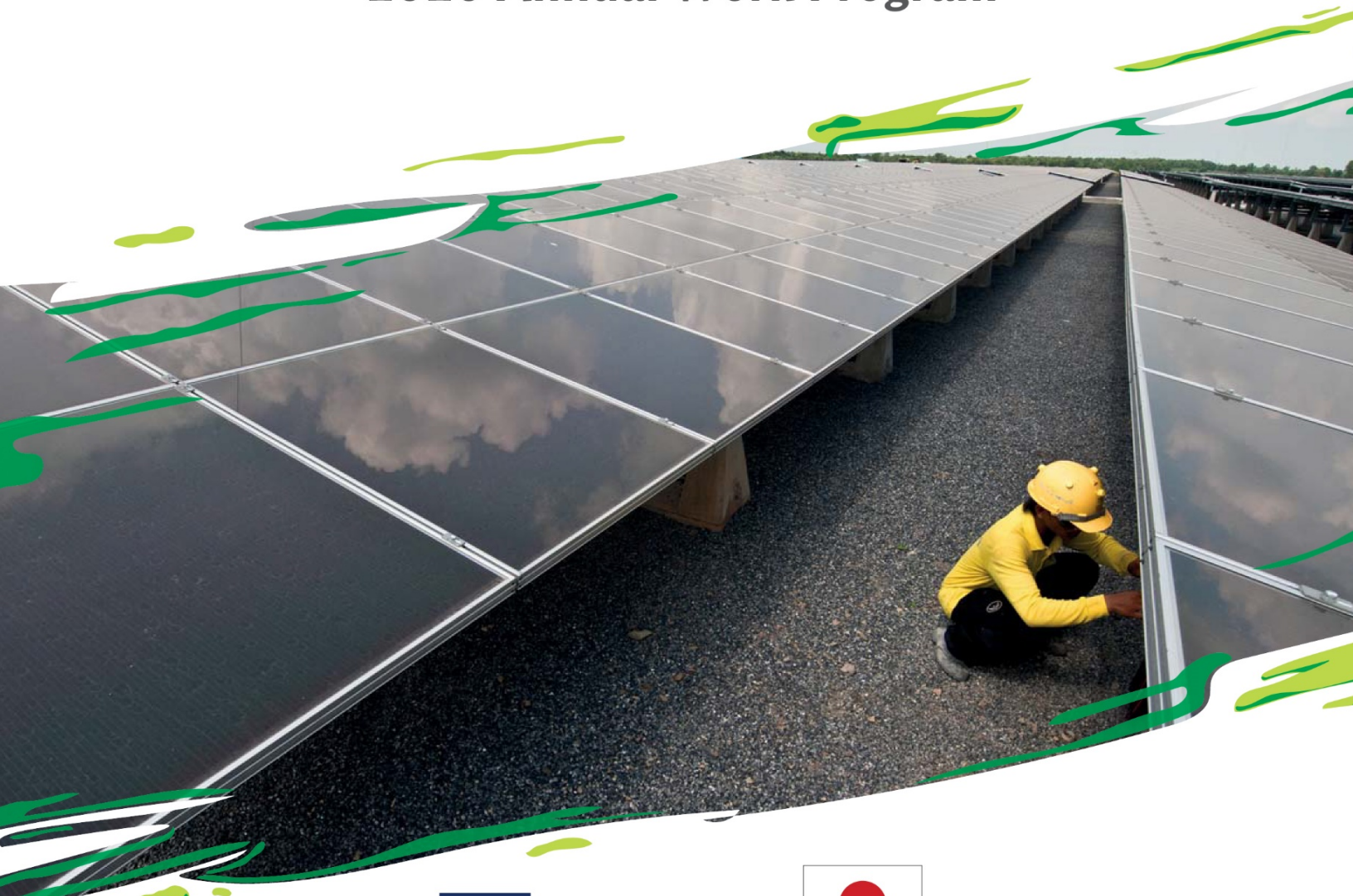
CEFPF

CLEAN ENERGY FINANCING PARTNERSHIP FACILITY

2020 Annual Work Program



ADB

Australian Aid

From the People of Japan

Norwegian Ministry of Foreign Affairs

Gobierno de España · Ministerio de Economía y Hacienda

Sweden Sverige

Department for Business, Energy & Industrial Strategy

Government of Canada / Gouvernement du Canada

ABBREVIATIONS

ADB	–	Asian Development Bank
CCS	–	carbon capture and storage
CEFPF	–	Clean Energy Financing Partnership Facility
CO_2	–	carbon dioxide
DC	–	direct charge
DMC	–	developing member country
DMF	–	design and monitoring framework
GCI	–	grant component of investment
TA	–	technical assistance
TALL	–	technical assistance linked to loan

WEIGHTS AND MEASURES

MW	–	megawatt
TWh-eq	–	terawatt-hour equivalent
tCO_2	–	tons of carbon dioxide

NOTE

In this report, "$" refers to US dollars

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Introduction

1. This annual work program presents the program of activities for the Clean Energy Financing Partnership Facility (CEFPF), administered by the Asian Development Bank (ADB) on behalf of its contributing financing partners, for the period of January to December 2020.[1] These activities will be financed from CEFPF's four funds: (i) the Clean Energy Fund (CEF); (ii) the Asian Clean Energy Fund (ACEF); (iii) the Carbon Capture and Storage Fund (CCSF); and (iv) the Canadian Climate Fund for the Private Sector in Asia (CFPS).[2] For 2020, CEFPF has approximately $41.7 million in available resources. Of the total, $30.7 million under CEF and $5.9 million under ACEF are for promoting all clean energy technologies, $2.3 million under CCSF is specifically for exploring CCS technology, and $2.8 million under CFPS is dedicated for technical assistance to the private sector.

2. The Asian Development Bank (ADB) is guided by the new Strategy 2030 which sets the course for ADB to respond effectively to the region's changing needs. Under Strategy 2030, ADB will sustain its efforts to eradicate extreme poverty and expand its vision to achieve a prosperous, inclusive, resilient, and sustainable Asia and the Pacific. ADB will combine finance, knowledge, and partnerships to fulfill its expanded vision under Strategy 2030. The priorities of the facility are aligned with the operational priorities set forth in Strategy 2030. CEFPF will continue to complement ADB's sustainable infrastructure programs, supporting projects that contribute to ADB's annual target. ADB pledged to double its annual climate financing to $6 billion by 2020, with $4 billion for climate mitigation and $2 billion for climate adaptation. The energy sector is expected to contribute about $3 billion to climate mitigation. CEFPF aims to (i) provide financing support for multisectoral projects that focus on clean energy technologies; (ii) improve access to energy for the poor; (iii) increase both demand- and supply-side energy efficiency; (iv) promote renewable energy; (v) promote cleaner technologies such as carbon capture and storage; (vi) encourage development and use of low carbon technologies; (vii) leverage greater private sector investments through public-private partnerships; and (viii) support for clean energy investments that promote gender equality.

Projected Demand

3. Demand for CEFPF resources is estimated based on the indicative pipeline of priority projects provided by ADB's operations departments. For 2020, ADB's operations departments submitted a pipeline of priority projects for possible CEFPF financing amounting to $43.2 million. The pipeline is updated twice a year, first at the beginning of the year while the second update is done at mid-year during the preparation of the Semiannual Progress Report. A summary of the expected support needed from CEFPF is provided in Table 1. Details on the 2020 Indicative Pipeline of Priority Clean Energy Projects for CEFPF/CCF are in Appendix 1.

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[1] The CEFPF 2020 Annual Work Program is intended to be read together with the CEFPF 2019 Annual Report.

[2] Financing partners contributing to the multi donor CEF are the governments of Australia, Norway, Spain, Sweden and United Kingdom; while the Government of Japan is the financing partner contributing to the single donor ACEF; the Government of the United Kingdom contribute to CCSF; and the Government of Canada contributes to the Canadian Climate Fund for the Private Sector in Asia- CFPS.

Table 1. Summary of Priority Clean Energy Projects Financing Requirements

Operations Department	Support Requested from the Clean Energy Funds - CEFPF/CCF ($'000)		
	Total	CF, GCI / TALL	TA / DC
Central and West Asia	9,000	7,000	2,000
East Asia	2,500	-	2,500
Pacific	6,000	6,000	-
Private Sector	675	-	675
Sustainable Development and Climate Change	300	-	300
South Asia	22,000	19,000	3,000
Southeast Asia	2,750	-	2,750
TOTAL	**43,225**	**32,000**	**11,225**

CCF = Climate Change Fund, CEFPF = Clean Energy Financing Partnership Facility, CF = concessional financing, DC = direct charge, GCI = grant component of investment, TA = technical assistance, TALL = technical assistance linked to loan.

Note: Amounts have been rounded-off.

Source: Asian Development Bank

Achieving Targets and Available Resources

4. During the Annual Consultation Meeting (ACM) with the financing partners in November 2019, it was reported that the CEFPF has already achieved one of the key outcomes in the Facility's design and monitoring framework (DMF). The emission reduction target of 20.0 million tCO_2 per year has been achieved by the current CEFPF portfolio of supported projects with expected emission reduction of 24.8 million tCO_2 per year. At the beginning of 2020, the overall facility fund balance including recent replenishment to CEFPF amount to $41.7 million. However, it is estimated that for CEFPF to meet all of the targets in the DMF, there is a need to mobilize about $20.0 million[3] in additional resources to attain all the outcome and output targets set forth in the DMF.

5. Included in the CEFPF priorities this year is the engagement of more multisectoral projects that incorporate clean energy innovations and gender inclusive components into the project design. It is anticipated that there will be project applications seeking funding support from other sectors and thematic groups that may not have been included in the initial pipeline at the beginning of the year.

6. The way forward for CEFPF beyond 2020 will be discussed in the upcoming ACM. Coordination is being led by the Office of the Facility Manager under Sector Advisory and Service Cluster Division (SDSC). The SDSC, Partners Fund Division (SDPF) and Strategic Partnerships (SPSP) are currently in discussion with financing partners regarding the details of the ACM.

[3] Based on the available fund and estimated calculations presented during the 2019 Annual Consultation Meeting.

Project Selection and Prioritization

8. CEFPF management will continue to be guided by the target indicators in the DMF for the selection of projects to be supported in 2020. Given the alignment with the operational priorities and enhanced application review process, an improved facility performance can be expected in terms of the remaining target indicators that are yet to be achieved. The Facility will continue its robust review of project applications and align facility operations with ADB's Strategy 2030.

9. Although the CEFPF has a significant amount of resources available for allocation, CEFPF management intends to reinforce the project prioritization with more discerning criteria for project selection. Project prioritization will continue to follow the implementation guidelines of the trust funds under CEFPF, specifically based on: (i) project alignment with the identified priorities (Para. 10); (ii) project readiness for implementation; and (iii) the 70:30 target ratio for investments and technical assistance projects.[4] Allocation of CEFPF resources may not necessarily be on a first-come-first-served basis, instead a project's transformational impact on the DMC's energy consumption and use, as well as its scalability and replicability, will be highly considered in the project selection. The selection process of project applications seeking support from CEFPF will be based on the eligibility criteria of each of the trust funds under CEFPF. Further, clean energy projects that will be financed are expected to (i) have strong government support; (ii) be innovative with strong potential for replication and scale – up; and (iii) pave the way for clean energy investments. ADB will also aim at balancing allocation of funds to current worthwhile projects and maintaining resources to allocate to future projects. This will be possible through close coordination between CEFPF management and the operations departments in order to have a sense of emerging projects from the ADB pipeline.

10. The CEFPF, led by the Facility Manager and the CEWG, will continue to support projects that are aligned with ADB Strategy 2030 and the overall ADB goal of eradicating poverty in Asia and the Pacific. The CEFPF through various modalities will support technical assistance projects and clean energy investments that contribute to the priorities enumerated below.

(i) **Energy Efficiency Technologies and Initiatives.** Energy efficiency, with potential for low carbon development, is an area where Asia has substantial potential to make gains. The ADB estimates that in Southeast Asian countries a 1-4% investment in energy efficiency – as a share of overall energy sector investment – can meet as much as 25% of the projected increase in primary energy consumption in developing Asian countries by 2030. The development of a more systematized program support and investment can leverage existing resources to generate broader and deeper impacts. Further interventions in energy efficiency can include market development through regional and country-specific thematic energy efficiency programs, investments in performance-based energy efficiency resource programs, and investments in raising energy efficiency standards.[5]

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[4] The 70:30 ratio is a target for overall facility operations during its existence. CEFPF also tries to achieve the same allocation ratio on an annual basis. The annual fund allocation is based on prevailing needs and priorities. CEFPF management balances allocation to investments in technology and infrastructure that directly contribute to greenhouse gas emissions reductions versus allocation resources to developing institutional and technical capacity and regulatory framework.

[5] Accelerating Energy Efficiency in Asia, Development Asia. https://development.asia/summary/accelerating-energy-efficiency-asia

(ii) **Access to Energy.** Asia and the Pacific is home to 351 million people which still lack electricity.[6] Energy poverty and energy access remains to be a challenge for developing countries. The infrastructure priorities of developing countries remain centered on increased generation capacity and electrification rate, thus relegating connections especially in remote and off-grid areas as a secondary concern. In response, CEFPF resources shall continue to support, access to energy projects that enhance the quality of life in poor and/or remote regions. This includes household access to heating, cooling and cooking from clean energy sources and technologies such as micro-hydro, solar, biomass, and small wind power, as well as access to clean cooking fuel, such as LPG or biogas from livestock manure.

(iii) **Renewable Energy and Smart Grid.** Support the development of renewable energy and smart grid to reduce barriers and facilitate the rapid transfer and diffusion of renewable energy and mini grids. Smart grids which integrate renewable into the electricity system also help optimize the use of intermittent resources like solar and wind. ADB is facilitating investments in this area.

(iv) **Carbon Capture and Storage Technology.** With sustained support for CCS/CCUS technology and availability of additional financing, ADB will continue to promote efficient use of hydrocarbon fuel through cleaner technologies, including CCS.

(v) **Private Sector.** ADB's "Finance++" model (i.e., finance, plus leverage plus knowledge) supports renewable energy and energy efficiency projects, and shall seek to leverage finance from external sources. ADB's private sector operations department has increased the number of clean energy projects under its portfolio. The remaining balance for grant financing in the CFPS under CEFPF could enable ADB to address the dynamic market needs of the private sector, particularly by channelling the necessary financing for investment projects to be more acceptable from a risk-reward perspective.

(vi) **Sustainable Transport**. The Sustainable Transport Initiative-Operational Plan's approach for mitigating climate change from transport is guided by the "avoid-shift-improve" scheme — integrating land use developments with mobility needs to avoid the need for travel; providing a shift to energy-efficient modes of transport; and seeking to improve vehicle and fuel technologies. The CEFPF shall support transport projects on low-carbon, safe, accessible and affordable transport systems including energy-efficient policies.

(vii) **Promoting gender equality in clean energy investments.** In line with Strategy 2030's scaling up support for gender equality, CEFPF will finance clean energy projects that will promote gender inclusive project design in energy investments. This includes projects that provide electrification and access to energy in remote regions enabling more opportunities for livelihood for women and children to improve their quality of life. Moreover, it covers clean energy investments that encourage the participation of women through employment or by means of capacity building to improve their skills which will enable them to participate in various roles during project implementation.

[6] International Energy Agency. World Energy Outlook 2018. Paris.

(viii) **Multisector approach for clean energy investments**. CEFPF in cooperation with the regional departments shall promote multisectoral approach in project development for clean energy investments with the aim of deploying clean energy technologies in other sectors. CEFPF shall provide financing support to projects with cross cutting themes for clean energy investments that would include sectors and thematic groups such as agriculture, education, environment, urban, and water.

Activities

11. For 2020, CEFPF will continue to carry out the activities based on its DMF, as well as the standard activities for its operations, as follows:

(i) **Annual Consultation Meeting.** Discussions are ongoing for the possible schedule of the Annual Consultation Meeting with financing partners. The planned meeting will include discussions on achievements and results as of yearend 2019, work plans for 2020, and the CEFPF's future beyond 2020;

(ii) **Annual Report and Annual Work Program.** The 2019 Annual Report and 2020 Annual Work Program will be submitted to the financing partners on 10 February 2020 while the 2020 Semiannual Progress Report will be provided on 10 August 2020.

(iii) **Financial report and status of grant.** Preparation of CEFPF's status of grant for the 2019 Annual Report and 2020 Semiannual Progress Report, and audit of the 2019 fund statements will be in coordination with SDPF and Controller's Department;

(iv) **Review of applications and allocation of resources.** For 2020, the CEFPF fund management team will schedule application review on a quarterly basis.

(v) **Dissemination activities.** Dissemination activities for CEFPF will continue through active promotion of CEFPF internally in ADB and a more proactive external promotion. Internally, information dissemination activities will be maintained to respond to on-demand requests on the facility's objectives, resources and requirements from a range of audiences including individuals and ADB operations departments. Externally, CEFPF's overall performance and achievements will be presented whenever opportunity arises.

(vi) **Disbursement monitoring.** ADB will continue to monitor CEFPF's disbursement rate through the following activities:

a. **Regular disbursement review.** CEFPF supported projects that have been approved by ADB will be reviewed twice a year to determine progress based on the rate of disbursements and contracts awarded.

b. **Coordination with project team leaders**. Project team leaders of CEFPF supported projects with no or slow disbursement will be requested to provide updates and to identify issues that may have caused delay, and to discuss possible resolution, particularly whether the delay is justifiable and may proceed or may be requested that the project be withdrawn/cancelled.

c. **Maximizing disbursement activities.** Project team leaders are encouraged to maximize disbursement activities:
   - For effective projects, expedite awarding of contracts while ensuring timely billing and payment;
   - For co-financed projects, accelerating disbursements by front-loading or utilizing CEFPF resources first;
   - For projects already completed or near completion, promptly process final payments, facilitate the official closure of project, and return any savings to the facility;
   - For not yet effective projects, assist the DMC/s towards meeting the effectiveness criteria as soon as possible; and
   - For projects that are not likely to progress, cancel these projects and return amount allocated to the facility.

(vii) **Regular spring-cleaning.** Projects supported by CEFPF that are unlikely to be approved by ADB within six months from allocation will be reviewed every two months to determine whether the allocated funds should be reverted to the facility's pool and be available for reallocation to other projects in the pipeline.[7]

12. **Way forward and Future Direction of the Facility**. CEFPF is guided by the facility's design and monitoring framework (DMF). This year will be a significant year for the Facility as it is the scheduled culmination review year for the DMF. The indicators, outcomes and outputs were set to be assessed by 2020 with a review and inventory of achievements gained. There is a need to prepare and set the course for possible next phase while continuing to collaborate with financing partners on the strategic direction of the Facility. The future direction of the Facility will be determined based on the discussions and agreement on possible way forward with the financing partners at the Annual Consultation Meeting.

[7] Clean Energy Financing Partnership Facility: Implementation Guidelines for Multidonor Clean Energy Fund.

APPENDIX 1

2020 INDICATIVE PIPELINE OF CLEAN ENERGY PROJECTS FOR THE CEFPF/CCF-CE

Table A1.1: Central and West Asia Department

Project Name	Country	Support Requested from CEFPF ($'000)		When Requested Support is Required	
		CF, GCI / TALL	TA / DC	Year	Quarter
Yenevan Thermal Power Plant	ARM	1,500		2020	3
"Electricity in a box" pilot and scale for remote areas in UZB	UZB	2,000		2020	3
Regional Energy Efficiency and Renewable Energy Projects Preparation Facility	REG		2,000	2020	3
Developing income opportunities for Afghan Women with off grid solar	AFG	2,000		2020	3
Off-grid micro hydropower and DC micro grid pilot in mountain areas	KGZ	1,500		2020	3
TOTAL	**9,000**	**7,000**	**2,000**		

ARM = Armenia, AFG = Afghanistan, CEFPF = Clean Energy Financing Partnership Facility, CF = concessional financing, DC = direct charge, GCI = grant component of investment, KGZ = Kyrgyztan, REG = Regional, TA = technical assistance, TALL = technical assistance linked to loan, TRTA =transactional technical assistance, UZB = Uzbekistan.

Source: Asian Development Bank estimates

Table A1.2: East Asia Department

Project Name	Country	Support Requested ($'000)		When Requested Support is Required	
		CF,GCI / TALL	TA / DC	Year	Quarter
Project Development and Preparation Facility for Non-sovereign Projects in EARD	PRC / MON		1,000	2020	3
Second Northeast Asia Power Interconnection	PRC/MON		1,500	2020	3
TOTAL	**2,500**	**0**	**2,500**		

PRC = China, People's Republic of, CF = concessional financing, DC = direct charge, GCI = grant component of investment, MON = Mongolia, TA = technical assistance, TALL = technical assistance linked to loan.
Source: Asian Development Bank estimates.

Table A1.3: Pacific Department

Project Name	Country	Support Requested ($'000)		When Requested Support is Required	
		CF,GCI / TALL	TA / DC	Year	Quarter
Promotion of Floating Solar in the Pacific	REG	3,000		2020	2
Pacific Renewable Energy Facility (Phase 2)	REG	3,000		2020	3
TOTAL	**6,000**	**6,000**	**0**		

CF= concessional finance, DC = direct charge, GCI = grant component of investment, REG = regional, TA = technical assistance, TALL = technical assistance linked to loan.
Source: Asian Development Bank estimates.

Table A1.4: Private Sector Operations Deparment

Project Name	Country	Support Requested ($'000)		When Requested Support is Required	
		CF,GCI / TALL	TA / DC	Year	Quarter
Geothermal Global Utilities	GEO		225	2020	3
Preparing the Purbachal Water Distribution Network Project (Adaptation)	BAN		225	2020	1
Green Lending Project	BAN		225	2020	2
TOTAL	**675**	**0**	**675**		

BAN = Bangladesh, CF= Concessional Financing, DC = direct charge, GCI = grant component of investment, GEO = Georgia, TA = technical assistance, TALL = technical assistance linked to loan

Note: All Private Sector projects proposed funding will be sourced from Canadian Climate Fund for the Private Sector in Asia (CFPS) under CEFPF.

Source: Asian Development Bank estimates.

Table A1.5: Sustainable Development and Climate Change Department

Project Name	Country	Support Requested ($'000)		When Requested Support is Required	
		CF,GCI / TALL	TA / DC	Year	Quarter
Asia Clean Energy Forum	REG		150	2020	1
Asia Pacific Low Carbon Forum	REG		150	2020	3
TOTAL	**300**	**0**	**300**		

CF = concesional financing, DC = direct charge, GCI = grant component of investment, REG = regional, TA = technical assistance, TALL = technical assistance linked to loan.

Source: Asian Development Bank estimates.

Table A1.6: South Asia Department

Project Name	Country	Support Requested ($'000)		When Requested Support is Required	
		CF,GCI / TALL	TA / DC	Year	Quarter
KSTA Advanced Biofuel Development Program	IND		2,000	2020	1
Pilot Project for Carbon Capture and Methanol Production	IND	4,500		2020	4
Support for installation of solar-battery mini grids to provide access to energy and water pumping for agriculture in remote hamlets of Tripura	IND	2,000		2020	2nd & 3rd
Feasibility Study and Pilot Testing of New Technologies for Utilizing Indigenous Renewable Energy Resources (Wave / tidal energy , RE based transport)	MLD	2,500		2020	2
Capacity Building Activities in Carbon Capture, Utilization and Storage	IND		1,000	2020	2
Project Preparation Facility for Carbon Capture and Utilization Projects for Indian Oil Corporation	IND	10,000		2020	3
TOTAL	**22,000**	**19,000**	**3,000**		

CF = concessional finance, CDTA = capacity development technical assistance, DC = direct charge, GCI = grant component of investment, IND = India, KSTA = Knowlegde and Support Technical Assistance, MLD =Maldives, RE = renewable energy TA = technical assistance, TALL = technical assistance linked to loan.

Source: Asian Development Bank estimates.

Table A1.7: Southeast Asia Department

Project Name	Country	Support Requested ($'000)		When Requested Support is Required	
		CF,GCI / TALL	TA / DC	Year	Quarter
Least Cost Electrification Identification and Private Sector Business Model	INO		750	2020	2
Electrification of Airport Bus Routes (Feasibility Studies)	INO		250	2020	2
Energy Efficiency PPPs: Structuring City-wide EE Interventions for Private Sector Intervention	INO		500	2020	2
Establishment of an Independent Electricity Regulator in Indonesia	INO		500	2020	2
Implementation support for Geothermal Power Generation Project and pre-feasibility planning for further expansion	INO		750	2020	3
TOTAL	**2,750**	**0**	**2,750**		

CF= concessional finance, DC = direct charge, EE = energy efficiency, GCI = grant component of investment, INO = Indonesia, PPP = Public Private Partnership, TA = technical assistance, TALL = technical assistance linked to loan.

Source: Asian Development Bank estimates.