

INTEGRATED SAFEGUARDS DATA SHEET

CONCEPT STAGE

Report No.: ISDSC3984

Date ISDS Prepared/Updated: 17-Jun-2013

Date ISDS Approved/Disclosed: 19-Jun-2013

I. BASIC INFORMATION

A. Basic Project Data

Country:	China	Project ID:	P132748
Project Name:	Establish M&V system for Energy Efficiency in China (P132748)		
Task Team Leader:	Xiaodong Wang		
Estimated Appraisal Date:	04-Nov-2013	Estimated Board Date:	03-Mar-2014
Managing Unit:	EASCS	Lending Instrument:	Specific Investment Loan
GEF Focal Area:	Climate change		
Sector(s):	Energy efficiency in Heat and Power (100%)		
Theme(s):	Climate change (100%)		
Financing (In USD Million)			
Total Project Cost:	118.00	Total Bank Financing:	0.00
Total Cofinancing:		Financing Gap:	0.00
Financing Source			Amount
BORROWER/RECIPIENT			100.00
Global Environment Facility (GEF)			18.00
Total			118.00
Environmental Category:	C - Not Required		
Is this a Repeater project?	No		

B. Project Objectives

The objective of the proposed project is to establish a measurement & verification system for energy savings to prepare for market-based mechanisms, thereby, contributing to the GoC's ambitious energy conservation programs.

C. Project Description

The proposed project is a stand-alone GEF project. The project cost is US\$17.8 million from GEF

grant. The counterpart funds of US\$104 million from the governments, enterprises, and financial institutions will be complementary to the project. The GEF project design was approved by the Bank management, Chinese government, and the GEF Council in June 2012.

The proposed project would be comprised of the following three components: (a) establishing a measurement & verification system for energy savings; (b) designing and piloting market-based Energy Saving Certificates trading scheme; and (c) supporting project management and coordination. Component 1 will provide a solid foundation for Component 2.

Component 1 is an immediate and urgent task. Such an energy saving M&V system is needed to bring credibility and accountability to the government's EE reward funds and achieving the energy intensity reduction target for the 12th FYP. It is required regardless whether the proposed Energy Saving Certificates Trading moves forward or not.

Component 2 is contingent on government's decision over the Energy Saving Certificates Trading. The National Development and Reform Commission (NDRC) Environmental Protection and Resource Conservation Department plans to pilot Energy Saving Certificates Trading as a market-based mechanism to achieve the 12th FYP energy intensity reduction target cost effectively. In the meantime, the NDRC Climate Change Department is piloting carbon cap and trade scheme in five cities and two provinces (Beijing, Tianjin, Shanghai, Chongqing, Shenzhen, Guangdong, and Hubei) to cost effectively achieve the 12th FYP carbon intensity reduction target. The priority and coordination of the proposed Energy Saving Certificates trading and carbon cap and trade are under discussion at the highest level of the government.

Component 1. Establishing measurement & verification system for energy savings (indicative cost estimate: US\$10 million GEF grant): This component will support the design and establishment of an energy saving M&V system in China through the following four sub-components: (a) developing more detailed methodologies, operational guidelines, templates, and case studies for energy saving M&V, both at the project-level and enterprise-level; (b) establishing a transparent and credible accreditation system for third-party verifiers; (c) building capacity of third-party verifiers, ESCOs, enterprises, provincial energy monitoring centers, and other key stakeholders; and (d) supporting implementation of energy saving M&V in selected priority enterprises, including installation of the online monitoring systems and M&V equipment.

Component 2. Designing and piloting market-based Energy Saving Certificates trading schemes (indicative cost estimate: US\$7 million GEF grant): Subject to the GoC's confirmation that Energy Saving Certificates trading is a priority focus for Component 2, this component will capitalize on international experience to support the design of Energy Saving Certificates trading, including obliged parties, penalty for non-compliance, trading platform, pricing mechanisms, trading rules, regulatory and registry entities, and coordination with the existing financial reward program and the ongoing pilot carbon cap and trade. A robust design is essential to the successful pilot of the Energy Saving Certificates trading scheme. Specifically, this component will focus on the following sub-components: (a) designing the pilot Energy Saving Certificates Trading scheme, possibly among the priority enterprises; (b) building capacity of key stakeholders; and (c) supporting implementation of the trading system.

Component 3. Supporting project management and coordination (indicative cost estimate: US\$0.8 million GEF grant): This component will support project management and coordination activities of the Project Management Office (PMO). The PMO has been established under the Economic

Construction Department of the Ministry of Finance (MOF). Currently, MOF is responsible for fiscal incentives such as the EE reward fund, and energy saving M&V is required to be eligible to receive the EE rewards. NDRC is responsible for achieving the 12th FYP energy intensity targets and managing the 17,000 priority enterprises program. A close collaboration between MOF and NDRC is essential to ensure that the proposed project will be effective and successful. It was agreed that MOF and NDRC will both be represented in the Project Steering Committee and the PMO, and assign dedicated staff working on this project. The following implementation arrangement was proposed and is waiting for confirmation from the GoC--MOF will lead the implementation of Component 1, NDRC will lead the implementation of Component 2, and the PMO under the MOF will provide overall coordination of project implementation.

D. Project location and salient physical characteristics relevant to the safeguard analysis (if known)

Establishing a measurement and verification system for energy savings and designing/piloting energy saving certificates trading system are policy and capacity building activities at national level. Research studies are applicable throughout China. Location of enterprise energy saving measurement and verification pilot demonstrations will be determined during project implementation.

E. Borrowers Institutional Capacity for Safeguard Policies

The proposed project will be implemented by the Economic and Construction Department of MOF, in collaboration with the NDRC Environmental Protection and Resource Conservation Department. Both MOF and NDRC will be represented in the Project Steering Committee and the Project Management Office (PMO), and assign dedicated staff working on this project. The PMO, established under the MOF, is implementing the Bank/GEF Thermal Power Project, so is familiar with Bank's operational policies.

F. Environmental and Social Safeguards Specialists on the Team

Youxuan Zhu (EASCS)

Peishen Wang (EASCS)

II. SAFEGUARD POLICIES THAT MIGHT APPLY

Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/ BP 4.01	Yes	The proposed project will primarily consist of establishing an energy saving measurement & verification system, and designing and piloting market-based Energy Saving Certificates trading schemes in China. These are policy and capacity building activities that will lead to positive environmental impacts through promoting energy savings throughout China. It is foreseen that such design of energy saving M&V system and certificates trading scheme will not have adverse environmental impacts. The piloting demonstration activity focuses on installation of on-line monitoring equipment at existing enterprises, which is also unlikely to have any adverse environmental impacts. Therefore, the project is suggested to be

		classified as Category C as per OP4.01. The project will define screening criteria for selection of pilot enterprises for energy saving M&V with due consideration of their environmental performance and compliance status to avoid potential reputational risks.
Natural Habitats OP/BP 4.04	No	The proposed project will not have any physical activities in any potential natural habitat areas, thereby the Natural Habitats Policy will not be triggered.
Forests OP/BP 4.36	No	The proposed project will not have any physical activities in any potential forest areas, thereby the Forest Policy will not be triggered.
Pest Management OP 4.09	No	The proposed project will not lead to procurement of pesticide or change of pest management practice, therefore the policy is not triggered.
Physical Cultural Resources OP/BP 4.11	No	The proposed project will not have any adverse impacts on physical cultural resources, therefore, this policy is not triggered.
Indigenous Peoples OP/BP 4.10	No	The proposed project will have no potential impacts envisaged on indigenous people. Therefore, this policy is not triggered.
Involuntary Resettlement OP/BP 4.12	No	The proposed project will consist of policy and capacity building activities, and limited piloting of online monitoring equipment installation is confined in existing enterprises. There will be no land acquisition and resettlement envisaged, therefore, this policy is not triggered.
Safety of Dams OP/BP 4.37	No	The proposed project will not involve any new or existing dams, therefore, this policy is not triggered.
Projects on International Waterways OP/BP 7.50	No	The proposed project will not involve any international waterways, therefore, this policy is not triggered.
Projects in Disputed Areas OP/BP 7.60	No	The proposed project will not involve any disputed areas, therefore, this policy is not triggered.

III. SAFEGUARD PREPARATION PLAN

A. Tentative target date for preparing the PAD Stage ISDS: 01-Aug-2013

B. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing¹ should be specified in the PAD-stage ISDS:

¹ Reminder: The Bank's Disclosure Policy requires that safeguard-related documents be disclosed before appraisal (i) at the InfoShop and (ii) in country, at publicly accessible locations and in a form and language that are accessible to potentially affected persons.

A. Target date for the Quality Enhancement Review (QER), at which time the PAD-stage ISDS would be prepared: August 2013

B. For simple projects that will not require a QER, the target date for preparing the PAD-stage ISDS:

C. Time frame for launching and completing the safeguard-related studies that may be needed. The specific studies and their timing should be specified in the PAD-stage ISDS.

IV. APPROVALS

Task Team Leader:	Name: Xiaodong Wang	
<i>Approved By:</i>		
Regional Safeguards Coordinator:	Name:	Date:
Sector Manager:	Name: Mark R. Lundell (SM)	Date: 19-Jun-2013