

**INTEGRATED SAFEGUARDS DATA SHEET
APPRAISAL STAGE**

Report No.: ISDSA19613

Date ISDS Prepared/Updated: 19-Sep-2016

Date ISDS Approved/Disclosed: 19-Mar-2015

I. BASIC INFORMATION

1. Basic Project Data

Country:	China	Project ID:	P132748
Project Name:	Developing Market-based Energy Efficiency Program in China (P132748)		
Task Team Leader(s):	Xiaodong Wang		
Estimated Appraisal Date:	02-Sep-2015	Estimated Board Date:	21-Oct-2016
Managing Unit:	GEE09	Lending Instrument:	Investment Project Financing
GEF Focal Area:	Climate change		
Is this project processed under OP 8.50 (Emergency Recovery) or OP 8.00 (Rapid Response to Crises and Emergencies)?			No
Financing (In USD Million)			
Total Project Cost:	0.00	Total Bank Financing:	0.00
Financing Gap:	-17.80		
Financing Source			Amount
Borrower			0.00
Global Environment Facility (GEF)			17.80
Total			17.80
Environmental Category:	B - Partial Assessment		
Is this a Repeater project?	No		

2. Global Environmental Objective(s)

The objective of the project is to support development and implementation of China's priority energy efficiency and environment programs, with a focus on improving results measurement and verification system and developing market-based mechanisms.

3. Project Description

Component 1. Supporting Market-based Priority Energy Efficiency and Coal Cap Control Programs

(indicative cost estimate: US\$8.8 million GEF grant): This component will support the NDRC for the development and implementation of market-based priority EE policies and programs during the 13th FYP. This component consists of four sub-components:

(a) Supporting the development and implementation of priority EE and coal cap control programs for the 13th FYP. This sub-component will provide analytical and technical support to NDRC to help them achieve their energy intensity reduction target as well as the total energy and coal consumption caps for the 13th FYP. The tasks include, but are not limited to: (i) developing measures, policies, and verification protocols to reduce coal consumption in heavily polluted regions such as the JJJ region; (ii) developing new fiscal incentive policies to encourage EE during the 13th FYP; (iii) tightening EE standards for industrial equipment and appliances, and promoting industrial energy efficiency certification programs; (iv) developing energy management systems for priority enterprises; (v) promoting energy efficient products and technologies; and (vi) scaling up ESCO industries.

(b) Improving the energy savings MRV system. This sub-component will: (i) undertake analytical studies to review and learn from international experiences on energy MRV; (ii) recommend suitable principles for the development and refinement of MRV policy requirements, including coordination between energy trading and ETS MRV; (iii) develop detailed and operational MRV methodology and guidelines at provincial/city-, enterprise-, and project-levels; (iv) establish the institutional system for MRV, including designing the management system of third-party verifiers, recommending accreditation and regulation systems for third-party verifiers, and establishing methodology working groups and expert pools; and (v) supporting the roll-out of energy online monitoring system nationwide.

(c) Designing market-based mechanisms for energy savings. This sub-component will provide analytical and technical support to design and pilot the energy consumption trading scheme, including determining its coverage, cap allocation, and compliance mechanisms, developing implementation guidelines and trading regulations, establishing the registry and trading platform, coordinating with the ETS, and conducting post-evaluation of the pilot energy trading systems.

(d) Building the capacity for energy savings MRV and implementation of priority EE programs. This sub-component will build capacity for: (i) energy savings MRV, including developing standard training curriculum, training the trainers, and providing training to third-party verifiers, ESCOs, priority enterprises and provincial EE centers; (ii) the pilot energy trading scheme, including developing the relevant training curriculum, training the trainers, and providing training to key stakeholders; and (iii) national and provincial EE officials on EE policy making, fiscal incentives, and enforcement.

Component 2. Supporting Results-based Green Energy Financing (indicative cost estimate: US\$ 4.5 million GEF grant): This component will complement at least \$1.0 billion of investments in EE, renewable energy (RE), and emission reduction in the JJJ region, of which \$500 million will come from IBRD loans and \$500 million from HXB loans. This component will provide advisory services and technical assistance, build capacity, and verify results to help HXB implement the World Bank-financed PforR Program-Innovative Financing for Air Pollution Control in Jing-Jin-Ji. It includes the following sub-components:

(a) Undertaking marketing and business development for green energy finance: This sub-component will support HXB in: (i) organizing marketing workshops among financial institutions,

enterprises, and government agencies; (ii) developing promotional materials; (iii) undertaking analysis of targeted markets and policies to improve the effectiveness of marketing campaigns; and (iv) contracting third parties such as industrial associations and ESCO associations to identify deals.

(b) Verifying results for the JJJ PforR Program: Under the JJJ PforR program, Huaxia Bank is required to hire independent and credible third parties to verify the six agreed-upon DLIs: (i) DLI-1: the sub-loans for eligible EE, RE, and pollution abatement subprojects disbursed to sub-borrowers; (ii) DLI-2: the coal reduction from eligible EE and RE subprojects; (iii) DLI-3a and DLI-3b: the reduction in SO₂ and NO_x emissions from desulfurization and denitrification subprojects respectively; (iv) DLI-4: HXB will establish a Green Finance Center that provides guidance on HXB's green financing business and adopt internal procedures for the identification, risk assessment, appraisal, and approval of green lending; (v) DLI-5: the number of different eligible innovative financial products for green financing piloted; and (vi) DLI-6: the number of ESCOs receiving sub-loans for eligible EE, RE, and pollution abatement subprojects. This sub-component will support HXB to hire: (i) independent verification agencies (IVA) selected from the 26 accredited verification agencies, to be approved by the World Bank, to verify the results achieved against DLI-2 and DLI-3 over the program lifetime, following agreed-upon methodologies; and (ii) an independent audit firm (IAF), to be approved by the World Bank, to verify the results achieved against DLI-1, DLI-5, and DLI-6 over the program lifetime.

(c) Providing technical assistance and developing innovative financial products and models: This sub-component will support HXB to: (i) hire technical experts to undertake technical assessments, fiduciary assessment of procurement and financial management, and compliance with the relevant environment and social guidelines for sub-projects, following the guidelines outlined in the Operational Manual; and (ii) develop and pilot innovative financial products and models for EE, RE, and pollution abatement investments, such as project-based lending, securitization of project assets, aggregation (bundling) of small-scale distributed generation sub-projects, green bonds, and other related products as required under the DLI-5 of the JJJ PforR Program.

(d) Building capacity for HXB and disseminating lessons learned from the JJJ PforR program: This sub-component will: (i) provide training to HXB management and staff at HQ, particularly the Green Finance Center, and branches/sub-branches in the JJJ region, on lending for EE, clean energy, and pollution control sub-projects, and provide guidance to a bank-wide green lending business; (ii) enhance mechanisms and infrastructure at HXB for green financing, purchase and maintain a database for the implementation of sub-loans for EE, clean energy, and pollution control sub-projects, and exchange knowledge with relevant stakeholders; and (iii) develop a case study of the JJJ PforR Program, and disseminate knowledge and lessons learned from the program.

Component 3. Supporting the Results-based Environmental Program in Hebei (indicative cost estimate: US\$4.5 million GEF grant): This component will complement at least \$650 million of investments in air pollution control in Hebei, of which \$500 million will come from IBRD loans and \$150 million from the Hebei government. This component will help enhance the capacity of the government to implement the Hebei PforR operation. It includes the following three sub-components:

(a) Providing analytical studies and technical assistance to support the Hebei PforR Program: This sub-component will undertake analytical studies and provide technical assistance to the Hebei government on: (i) comprehensive control of industrial enterprises and the reduction of emissions from key industrial sectors; (ii) area source air pollution controls (such as from agricultural and open

burning); (iii) prevention and control of emissions from transport sources; and (iv) establishment of monitoring and warning systems, and planning tools for pollution control.

(b) Verifying results for the Hebei PforR Program: Under the Hebei PforR program, the Hebei government is required to hire independent and credible third parties to verify the seven DLIs: (i) DLI-1: the number of EPBs at the provincial and prefecture level implementing standard protocols on continuous environmental monitoring (CEM) systems for air emissions; (ii) DLI-2: the percentage of enterprises in State-controlled lists and municipal-controlled lists integrated in the improved CEM and enforcement systems for air pollutants; (iii) DLI-3: the number of clean stoves installed that meet technical emissions standards, acceptable to the Bank; (iv) DLI-4: the number of hectares with increased nitrogen utilization efficiency (NUE) of at least 37 percent due to the application of formula fertilizer based on soil testing; (v) DLI-5: the number of Clean Energy Buses replacing diesel buses, which are disposed of in accordance with National Regulations; (vi) DLI-6: implementation of a comprehensive official emissions inventory system, acceptable to the Bank, populated with emissions data of the year prior to the Effective Date; and (vii) DLI-7: approval of a cost-effective comprehensive plan on air quality control for the next five years, acceptable to the Bank. This sub-component will support the Hebei government to hire independent verification agencies (IVA), to be approved by the World Bank, to verify the results achieved against the seven DLIs over the program lifetime.

(c) Building capacity for Hebei government and disseminating lessons learned from the Hebei PforR program: This sub-component will: (i) provide training to Hebei government officials, particularly those at the DRC, EPB, Transport Bureau, and Agriculture Bureau, on emission reduction and control policies and enforcement, and results monitoring; (ii) purchase environmental monitoring software and equipment as needed; and (iii) develop a case study of the Hebei PforR Program, and disseminate knowledge and lessons learned from the program.

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

5. Environmental and Social Safeguards Specialists

Peishen Wang (GENDR)

Youxuan Zhu (GSU02)

6. Safeguard Policies	Triggered?	Explanation (Optional)
Environmental Assessment OP/BP 4.01	Yes	The proposed project consists of supporting market-based priority EE and coal cap control programs in China, supporting results-based green energy financing, and supporting a results-based environmental program in Hebei. The project does not include any physical works, nor will it result in direct physical investments. The project is classified as Category B, and no further EA action is required as per the provisions of OP4.01.
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 does not include any physical activities, and there will be no land acquisition and resettlement, 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.

II. Key Safeguard Policy Issues and Their Management

A. Summary of Key Safeguard Issues

<p>1. Describe any safeguard issues and impacts associated with the proposed project. Identify and describe any potential large scale, significant and/or irreversible impacts:</p> <p>The proposed project consists of supporting market-based priority EE and coal cap control programs in China, supporting results-based green energy financing, and supporting a results-based environmental program in Hebei. The project does not include any physical works, nor will it result in direct physical investments. The project is classified as Category B as per OP4.01.</p>
<p>2. Describe any potential indirect and/or long term impacts due to anticipated future activities in the project area:</p> <p>The project will support development and implementation of China's priority energy efficiency and environment programs, with a focus on improving measurement and verification systems and developing market-based mechanisms, which will have long-term positive impacts in terms of energy efficiency, reduction of energy consumption, as well as global contribution of GHG emission reduction.</p>
<p>3. Describe any project alternatives (if relevant) considered to help avoid or minimize adverse impacts.</p> <p>N/A</p>
<p>4. Describe measures taken by the borrower to address safeguard policy issues. Provide an assessment of borrower capacity to plan and implement the measures described.</p> <p>The project is classified as Category B, and no further EA action is required for project preparation as per the provisions of OP4.01.</p>

During project implementation, the Recipient shall ensure that the terms of reference for any consultancies related to studies, assessments and technical assistance activities under the Project shall be satisfactory to the World Bank and, to that end, such terms of reference shall, inter alia, duly incorporate the requirements of the World Bank's safeguard policies then in force, as applied to the advice conveyed through such studies, assessments and technical assistance activities.
5. Identify the key stakeholders and describe the mechanisms for consultation and disclosure on safeguard policies, with an emphasis on potentially affected people.
The project is classified as Category B, and no further EA action is required for project preparation as per provisions of OP4.01.

B. Disclosure Requirements

Environmental Assessment/Audit/Management Plan/Other	
Date of receipt by the Bank	12-Sep-2016
Date of submission to InfoShop	23-Sep-2016
For category A projects, date of distributing the Executive Summary of the EA to the Executive Directors	
"In country" Disclosure	
China	29-Jul-2016
<i>Comments:</i> No need for in-country disclosure, because the project activities are all technical assistance activities. It does not finance any physical investments nor will it lead to subsequent physical investments. There is no direct adverse environmental and social impact envisaged, and therefore, no other environmental and social safeguards policies triggered.	
If the project triggers the Pest Management and/or Physical Cultural Resources policies, the respective issues are to be addressed and disclosed as part of the Environmental Assessment/Audit/or EMP.	
If in-country disclosure of any of the above documents is not expected, please explain why:	

C. Compliance Monitoring Indicators at the Corporate Level

OP/BP/GP 4.01 - Environment Assessment	
Does the project require a stand-alone EA (including EMP) report?	Yes [] No [] NA [×]
The World Bank Policy on Disclosure of Information	
Have relevant safeguard policies documents been sent to the World Bank's Infoshop?	Yes [] No [] NA [×]
Have relevant documents been disclosed in-country in a public place in a form and language that are understandable and accessible to project-affected groups and local NGOs?	Yes [] No [] NA [×]
All Safeguard Policies	
Have satisfactory calendar, budget and clear institutional responsibilities been prepared for the implementation of measures related to safeguard policies?	Yes [] No [] NA [×]

Have costs related to safeguard policy measures been included in the project cost?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Does the Monitoring and Evaluation system of the project include the monitoring of safeguard impacts and measures related to safeguard policies?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]
Have satisfactory implementation arrangements been agreed with the borrower and the same been adequately reflected in the project legal documents?	Yes [<input type="checkbox"/>] No [<input type="checkbox"/>] NA [<input checked="" type="checkbox"/>]

III. APPROVALS

Task Team Leader(s):	Name: Xiaodong Wang	
<i>Approved By</i>		
Practice Manager/ Manager:	Name: Jie Tang (PMGR)	Date: 20-Sep-2016