October 11, 2013

Comments from Germany on Approval by mail: Revised Investment Plan for Vietnam (ADB/IFC)

Dear CTF Vietnam team,

thanks a lot for the opportunity to review the revised Investment Plan (IP) for Vietnam.

GER has noted that both IFC and ADB have suspended their respective programs in support of private sector investments in RE and EE in Vietnam. Given the current situation in Vietnam, we do accept the reasons given and also the pragmatic approach in finding alternative projects that can be implemented in a reasonable time frame.

a) GER agrees to the reallocation of CTF funds from the Industrial Energy Efficiency Project with ADB to expand the Sustainable Urban Transport Program in Hanoi with a total funding of USD 150 million for the transport sector (USD 50 million in Ho Chi Min City and USD 100 million in Hanoi).

As we have noted already in our comments to the Ho Chi Min City transport project the potential GHG emissions savings is rather limited and hence the Cost-effectiveness _ figure (85 USD/tCO2e) is relatively high (especially if one keeps in mind that CTF loan would contribute just a small part of the overall program financing), but is still in concurrence to the Investment Criteria.

However, we do agree to the importance of a fully integrated transportation system for both cities and the substantial additional co-benefits especially reduction of other pollutants than GHG-Emissions but also increased traffic safety that will be achieved through the two programs (development impact). We would like to underline, though, that we strongly encourage the Vietnam team to address gender issues with the same care - and possibly making use of the experiences already made - as was the case for the HCMC-project.

We also see a useful demonstration potential and replicability for both projects with respect to systems integration, management around the stations such as park and ride areas as well as the introduction of new bus technology such as electric/hybrid, LNG or CNG buses.

b) As noted already above we understand that IFC is currently no being able to implement the Vietnam Sustainable Energy Finance Program (V-SEF) and agree to the proposed amendments. With the reallocation of certain amounts under the V-SEF to Technical Assistance (especially in support of IZs) we hope to further prepare the ground for investments in RE and EE in the future.

c) GER also supports decreasing the Private Sector Financing Program with IFC by USD 61.4 million in CTF funding and reallocating USD 60.4 million in CTF funding to the new "Grid Efficiency Project with ADB.

While the concept paper is obviously at a relatively early stage and needs to be further developed, we fully support the assessment that "a shift to advanced grid technologies will have economic benefits that could offset most of the additional upfront costs over the long-term, but the higher capital costs remain a barrier and concessional financing is needed to accelerate the adoption of these systems." Furthermore the project has a large GHG reduction potential, a good demonstration at scale effect for subsequent investments, an attractive cost-effectiveness with $33 / tCO2 e before replication and scale up and a good implementation potential.

We would like to encourage you to explore opportunities for integrating a gender sensitive approach.

We look forward to seeing a more detailed project proposal in the future. On a side note to this projects we would suggest that ADB remains open to various technical options for Smartgrid Technology and does not solely focus on HTLS as the preferred technology.

In summary GER welcomes the proposed amendments and changes in the IP for Vietnam.

kind regards,

Dr. Annette Windmeisser
Division for Climate Policy and Climate Financing
deputy head of division
Federal Ministry for
Economic Cooperation and Development