

September 5, 2012

Comments from Germany on the Approval by Mail: Philippines: Market Transformation through Introduction of Energy Efficient Electric Vehicles Project (ADB)

Dear colleagues,

Thank you very much for the submission of this revised version of the project proposal on E-trikes, and also for giving us additional time to review the proposal. We appreciate the effort and hard work that has gone into the project proposal and into taking into account many of the comments we have made.

We would welcome the proposal now in principle except for one formal request on the terms of the CTF loan (see below). Apart from that we have some questions and would be grateful to receive some clarification on those.

Formal request: The proposal foresees CTF co-financing at softer terms (40/10, 0.25% int. p.a.) and a grant of 5 m. USD for technical assistance and the solar charging stations. The ADB loan terms are significantly "harder" than CTF conditions. :According to CTF guidelines , "softer conditions" are only applicable for projects with negative rates of return or rates of return below normal market threshold (CTF financing products, terms, and review procedures for public sector operations, para 20). This is stated to be not the case here and **we would therefore ask for the CTF loan to be foreseen at "harder" terms (20/10, 0.75%) before we can approve the project.**

Questions for clarification:

We wonder why the solar charging stations are to be grant financed: Since they are supposed to sell the generated electricity at (high) standard power prices, it should be possible to include them in the concessional loan financing (taking into account specifically the positive return of the much larger e-trikes component). Of course, the investment cost of the solar PV equipment should then not be passed down to end-users (since they would be paying double: for PV installation + tariff).

In addition, it seems foresee a plausible concept for the establishment of charging stations (solar off grid as well as grid-connected), to ensure that the number and positions cover the needs of the drivers. This should include a clear concept on how to deal with the (lacking) reliability of power supply from solar charging stations (e.g. on foggy days). Before a grant for the solar charging stations is approved, we would like to understand both of these points.

Thank you very much,
kind regards
Ina von Frantzius