

DOMINICAN REPUBLIC

Aide Mémoire

SCOPING MISSION

Accelerating Coal Transition (ACT) Investment Program of the Climate Investment Fund (CIF) for the Dominican Republic

I. OBJECTIVES AND PARTICIPANTS

- 1.1 A scoping mission of the Accelerating Coal Transition (ACT) Investment Program of the Climate Investment Fund (CIF) for the Dominican Republic was carried out from June 13th to June 15th, 2023, under the coordination of the National Council for Climate Change and Clean Development Mechanism (CNCC), Ministry of Energy and Mines (MEM), Inter-American Development Bank (IDB), IDB Invest, World Bank (WB) and International Finance Corporation (IFC). The main objective was to support the Dominican Government in the planning and preparation of the Investment Plan (IP) process for the CIF-ACT.
- 1.2 On behalf of the Dominican Government, the mission was composed on behalf of CNCC by Max Puig (Executive Vice President) and Rodrigo Fincheira (Interinstitutional Relations Advisor); and on behalf of the MEM by Rafael Gómez (Deputy Minister of Energy) Bayardo Aníbal Mejía de Peña (Director of Conventional Energy), Hugo Morales Sosa (Director of Renewable Energy) and Chadia Abreu (Advisor).
- 1.3 The mission was composed, on behalf of the IDB, by Benoit Lefevre, Hector Baldivieso, Gisela Ferrari, Gloria Visconti, Juan Paredes, Ricardo Goncalves, Rosangel Comas; on behalf of IDB Invest by Joan Miquel Carrillo Cortada, Omar Zacarias, Julián González; on behalf of the WB by Peter Johansen, Chandrasekar Govindarajalu, Huong M. Nguyen, Joo Eun Seo; and finally, on behalf of the IFC by Andrey Shlyakhtenko, Sofia Bufaliza, Andrés García, and Mauricio Child Vanegas.
- 1.4 The specific objectives of the Scoping Mission were to:
 - Define the general scope of the CIF-ACT program.
 - Provide guidance and assistance from the Multilateral Development Banks (MDBs) to the Dominican Government on using the Investment Plan Preparation Grant (IPPG), defining the necessary studies for the IP.
 - Identify existing information about technical, economic, socio-environmental, and institutional capacities and work with bilateral and multilateral organizations in the country to promote synergies throughout the IP development process.
 - Socialize the CIF-ACT program with the private sector.
 - Develop a work plan and schedule for the IP.

II. BACKGROUND INFORMATION

- 2.1 On August 30th, 2021, the Dominican Government submitted the Expression of Interest (Eoi) to the CIF to be included in the ACT program.
- 2.2 On February 21st, 2023, the CIF selected DR as a beneficiary of the ACT program, and US\$ 500,000 was allocated for the preparation of the IP and US\$ 85,000,000 for its implementation. In this process, the Dominican Government is represented by the CNCC and

MEM, having selected the IDB group (IDB and IDB Invest) as a leader in coordinating multilateral banks with WB and IFC.

III. ACTIVITIES

- 3.1 **Meetings.** The mission held a series of meetings from June 13th to 15th (see agenda in the annex) where the current and future initiatives for the country's decarbonization were known, hand in hand with the leading institutions. The main objective of these meetings was to define the current situation and identify potential solutions and necessary studies to prepare the PI, a plan, and work schedule.
- 3.2 The MDBs thank the Government of the Dominican Republic for all the support offered to achieve the objectives of the Mission.
- 3.3 This Report Aid summarizes the activities carried out, the agreements reached and the next steps defined during the Mission, and will be shared with the Administrative Unit of the Climate Investment Funds (CIF-AU).

IV. SUMMARY OF MEETINGS AND AGREEMENTS REACHED

- 4.1 **Objectives of the Investment Plan.** The agreed general objective was: in a framework of just transition and under principles of maintaining the country's energy security and avoiding adverse effects on the final cost of electricity supply, the Investment Plan aims to accelerate the gradual replacement and/or conversion of existing coal plants, in agreement with the relevant actors of the public and private sectors.
- 4.2 **Technical Assistance Resources.** The Dominican Government agreed to request the IPPG to prepare the IP through the IDB group as the designated coordinating agency for this program. The IDB Group will administer and implement the IPPG in close coordination with the Dominican Government, WB, and IFC.
- 4.3 **Studies underway that support the design of the operation:** During the mission, various development agencies and the Dominican Government held conversations about initiatives that support the decarbonization of the Dominican electricity sector. They mentioned the following ongoing studies:
 - a. Alternatives for the conversion of coal units in the Dominican Republic – GIZ.
 - b. Regulation of storage systems. – USTDA.
 - c. Study to model the technical and commercial impact of battery energy storage systems ("BESS") to complement variable renewable energy. -IFC¹.
- 4.4 **Studies required for the design of the operation:** During the mission, the following studies required for the design and approval of the Investment Plan by the CIF were identified.

¹ The complete study aims to analyze the technical, economic, financial and regulatory aspects of the integration of BESS in the DR energy market. The study carries out an analysis of the load flow of the grid and determines the size and location of solar/wind energy storage technologies and analyzing: i) Optimal dispatch based on different renewable energy penetration scenarios, ii) Determination of the optimal role of BESS (auxiliary services versus energy, etc.), (iii) Optimal configuration and sizing, (iv) Battery cost, (v) Economic viability and applications, (vi) Need for financial subsidy for BESS deployment, (vii) Necessary changes in the legal framework and national regulation, (viii) Long-term marginal cost modelling

Pillar	Agreed studies
Governance	<p>Study 1.1: Technical, economic, financial, environmental and social feasibility analysis for the creation of a Coal Transition Fund. The analysis will be divided into two strategic areas:</p> <ul style="list-style-type: none"> - Design of the institutional governance mechanism and associated infrastructure for the participation of the country in the carbon markets regulated by Article 6 of the Paris Agreement. - Design of the Carbon Transition Fund, including methodologies for: emission reductions calculation from the early retirement of coal plants, calculation of the fixed price and distribution of income linked to Internationally Transferred Mitigation Outcomes (ITMOs).
People and communities	<p>Study 2.1: Labor market analysis, identification of communities and stakeholders, definition of human capital sectoral strategy, identification of empowerment measures, upskilling and reskilling.</p> <p>Study 2.2: Gender and diversity analysis and inclusive consultations. Diagnosis of priorities / needs of local communities (WOLCOT).</p>
Infrastructure	<p>Study 3.1: Analysis of the impacts of replacing coal-fired plants and initial evaluation of alternatives for electricity generation and provision of ancillary services in the National Interconnected Electric System (SENI, by its acronym in spanish). The scope will consider:</p> <ul style="list-style-type: none"> - Conversion of coal plants to renewable fuels and/or thermal storage. - Reuse of sites for NCRE with storage. - Storage in transmission to support output from coal-fired plants (<i>as a complement to the current IFC study</i>). - Options for technological improvement in the transmission network (GET). - Mechanisms to stimulate the participation of storage associated with NCRE. <p>Study 3.2: Technical, economic, financial, environmental and social feasibility analysis for the prioritized alternatives for the replacement of Barahona Carbón.</p> <p>Study 3.3: Technical, economic, financial, environmental and social feasibility analysis for the prioritized alternatives for the replacement of ITABO I and II.</p>

- 4.5 Tentative Schedule of Milestones for the Approval of the Investment Plan:** To meet the desired approval date (July 2024) expressed by the CNCC and MEM in the mission, all parties confirmed the following calendar of future activities (for a detailed schedule; see annex):
- a. Preparation of Terms of Reference (ToR) and hiring consultants for relevant studies: June-August 2023.
 - b. Preparation of the IPPG and submission to CIF: June to July 2023.
 - c. Update meeting with the MDBs and the Dominican Government: first week of September 2023.
 - d. Definition of the strategic areas of IP's intervention: first week of December 2023.
 - e. Preparation of concept notes: December 2023.
 - f. Draft IP shared with MDBs: February 2024.
 - g. Joint mission: last week of February 2024.
 - h. Public consultation of the IP in a Dominican Government's web portal: March 2024.
 - i. Approval by the Dominican Government of the consolidated IP document with the suggestions from the public consultation: first week of April 2024.
 - j. Submission to CIF: last week of April 2024.
 - k. CIF TFC consideration for approval: first week of July 2024.

SIGNATURES

Max Puig

Executive Vice President
National Council for Climate Change and
Clean Development Mechanism

Rodrigo Fincheira

Interinstitutional Relations Advisor
National Council for Climate Change and
Clean Development Mechanism

Rafael Orlando Gómez Del Giudice

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Resident Representative
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Energy Coordinator
World Bank

Andrey Shlyakhtenko
Senior Operations Officer
International Finance Corporation

15/06/2023

Annex 1 Scoping Mission Agenda

Annex 2 Proposed detailed schedule

Annex 3 Operational guidelines for joint preparation between MDBs Investment Plan CIF-ACT in Dominican Republic

Objective of the mission

Support the Dominican Government in the planning and preparation process for the Accelerating Coal Transition (ACT) Investment Program (IP) of the Climate Investment Fund (CIF). During this Mission, the Dominican Government, the World Bank (WB), the International Finance Corporation (IFC), the Inter-American Development Bank (IDB) and IDB Invest will work on: (i) the definition of the general objective and scope of the IP; (ii) definition of the necessary studies to develop the IP; (iii) elaboration of a work schedule for the IP, with the goal date for submitting the IP to the CIF.

Mission Team:

- Ministry of Energy and Mines (MEM)
- National Council on Climate Change and Clean Development Mechanism (CNCC)
- World Bank (WB)
- International Finance Corporation (IFC)
- Inter-American Development Bank (IDB)
- IDB Invest

Other government institutions:

- Ministry of Finance (MH, as its acronym in Spanish)
- Ministry of Economy, Planning and Development (MEPyD, as its acronym in Spanish)
- Superintendence of Electricity (SIE)
- National Energy Commission (CNE, as its acronym in Spanish)
- Coordinating Organism of the National Electric System (OC-SENI, as its acronym in Spanish)

Tuesday, June 13

Hour	Activity	Participants
08:30 – 09:00	- Welcome and breakfast	Mission Team Other government institutions
09:00 – 09:30	MEM/CNCC: - Presentation of the Expression of Interest (EoI) from the Government of the Dominican Republic to CIF-ACT	
09:30 – 10:00	- Presentation of participants	
10:00 – 10:30	CIF Team: - Presentation of CIF-ACT	
10:30 – 12:30	IDB and WB Group Teams: - Mission objectives and agenda - Explanation of the IP process - Context of the electricity sector in the Dominican Republic - Experience in other countries with the IP for CIF-ACT - Discussion space	

12:30 – 13:30	LUNCH	
13:30 – 14:30	IDB Team: - Introduction EGE Haina: - Private sector strategy	Mission Team Other government institutions EGE Haina
14:30 – 15:00	IDB Team: - Presentation Gender Initiatives	Mission Team Other government institutions
15:00 – 16:00	IDB Team: -Introduction EGE-ITABO: Private sector strategy	Mission Team Other government institutions EGE-ITABO
16:00 – 16:15	SNACK	
16:15-17:30	- Socialization with International Agencies	Mission Team Other government institutions USAID GIZ AFD JICA EIB UNDP UNEP

Wednesday, June 14

Hour	Activity	Participants	
09:00 – 11:00	<ul style="list-style-type: none"> - 3rd pillar of the CIF-ACT <i>Infrastructure</i> IDB Presentation: Potential IP thematic WB Presentation: Vertical structure of the IP IDB Invest Presentation: Proposed use of International Transfer Mitigation Results (ITMO) IFC Presentation 	<p>Mission Team</p> <p>Other government institutions</p>	
11:00 – 11:15	COFFEE BREAK		
11:15 – 12:30	<ul style="list-style-type: none"> - Discussion space 	<p>Mission Team</p> <p>Other government institutions</p>	
12:30 – 13:30	LUNCH		
13:30 – 15:00	<ul style="list-style-type: none"> - 1st pillar of the CIF-ACT <i>Governance</i> IDB Team: Introduction of the thematic 	<p>Mission Team</p> <p>Other government institutions</p>	
15:00 – 16:00	<ul style="list-style-type: none"> - 2nd pillar of the CIF-ACT <i>People and communities</i> IDB Team: Introduction of the thematic 		
16:00 – 16:15	COFFEE BREAK		
16:15 – 17:00	<ul style="list-style-type: none"> - Discussion space 		

Thursday, June 15

Hour	Activity	Participants
08:30 – 09:30	IDB Team: - Introduction Punta Catalina: - Public Sector Enterprise Strategy	Mission Team Other government institutions Catalina Point
09:30 – 11:30	- Definition of the objective of the IP - Definition of complementary studies to the IP - Definition of the plan and work schedule for the development of the IP	Mission Team Other government institutions
11:30 – 11:45	COFFEE BREAK	
11:45 – 12:30	- Review of Aide Mémoire	
12:30 – 14:00	LUNCH	
14:00 – 15:00	- Mission closure - Team Photo	Mission Team Other government institutions

Annex 3. Operational guidelines for the joint preparation between the MDBs CIF-ACT Investment Plan in the Dominican Republic

I. Scoping Mission Preparation

- The IDB will identify the key areas to be discussed as part of the preparation of the IP prior to the Scoping Mission and solicit comments and input from all MDBs involved, including the areas in which each individual MDB is interested in working.
- During the Scoping Mission, coordinated by the IDB, the structure and approach of the IP will be jointly presented to the Government and discussed to consolidate the Government's contributions and decisions.
- During the Scoping Mission, a work plan and schedule, as well as responsibilities, will be agreed.
- The IDB will be responsible for the overall coordination of the work and final editing of the IP. During the preparation process, the IDB will follow up with all MDBs involved to ensure the timely provision of inputs.
- All MDBs will be able to participate in the technical discussions that the CIF-funded consultants will hold with the multiple counterparts involved in the development of the IP. To make this happen, information (beyond joint mission planning) on the work plan of such consultants and opportunities for engagement will be shared with MDB counterparts, together with the consultant(s). The consultants will define the agenda of meetings and inform the MDBs to participate according to their availability.

II. Scoping Mission Agenda

- The IDB will request inputs from all MDBs to prepare the mission's agenda.
- Any MDB that feels the need to discuss the objectives and agenda with the other MDBs can propose a planning meeting.
- After incorporating all contributions, the agenda will be finalized by the IDB.

III. Preparation of Aide Mémoire (AM)

- As part of the closing of the Outreach Mission, the IDB will coordinate the preparation of the MA with input from the Government and all MDBs.
- The IDB will send the draft of the MA and no later than 3 days after the closure of the Outreach Mission.
- The Government and MDBs will share suggestions for changes or adjustments no later than 10 days after receipt of the draft MA.
- Within a period not exceeding 3 days, the IDB will send the adjusted version for signature.
- The final version of the MA will be signed by the Government and all the MDBs, within a period not exceeding 5 days, after which, if there are no valid observations, it will be considered validated by the parties and the Government will send the MA to the CIF AU.

IV. Terms of Reference for Activities/Studies as inputs for IP preparation

- Half of the drafts will be written by the WB Group (WB and IFC) and the other half will be written by the IDB Group (IDB and IDB Invest).
- All draft Terms of Reference (ToR) will be shared with the Government and MDBs for review within 10 days. The MDB designated for each of the ToR studies is responsible for reflecting the inputs proposed at the completion of these to their satisfaction. If there are no observations, it will be considered validated.
- The consultants will be selected jointly by the Government and the MDBs.
- The intermediate and final outputs of the consultancies will be shared with the Government and MDBs for review and comment. The parties undertake to send such contributions within a period not exceeding 10 days. At the end of this period if there are no observations it will be considered validated.

V. CIF Investment Support

- Investment and implementation responsibilities under the IP are expected to be shared between the IDB Group and the WB Group.