

CLIMATE INVESTMENT FUNDS

September 29, 2016

**[APPROVE BY MAIL]: INDIA: SOLAR POWER TRANSMISSION SECTOR PROJECT (CTF)
(ADB)-XCTFIN228A**

COMMENT SUBMITTED FROM FRANCE

Dear all,

We thank the ADB for their answers.

We are aware that the deadline for approval was yesterday and, unless some other Member of the CTF Trust Fund Committee raised an objection, the decision is supposed to be approved. But we would however like to have further clarification from the ADB on the concerns that we raised.

Indeed, we do not understand the explanation provided in ADB's response regarding the reason why CTF funding remains at the same level.

We understand that:

- the changes in the project design (cancellation of Jaisalmer transmission subproject, and addition of three new subprojects) induce a reduction in the overall project costs, which means that we will have more solar power generation capacity (thus more potential CO2 savings), but less funding needed on transmission systems from the consortium ADB-CTF-Government, otherwise we do not understand why the overall costs would decrease. Thus a decrease in the size of transmission systems to fund. Or are we mistaken? Or were the overall costs miscalculated (overestimated) from the beginning?
- Concessionality from CTF funding is needed to allow for reducing the tariff per kWh of the subprojects.

But then, as ADB and CTF fundings are completely blended, if ADB funding decreases and CTF funding remains at the same level, ADB will consequently access to resources with a higher level of concessionality. Why would the project need resources with a higher level of concessionality if the whole package of transmission systems that need to be funded decreases? Is it because a higher package of solar parks to be connected to the grids induces a higher need for CTF funding to reduce the tariff per kWh of solar power put on the grids, and that this higher need for CTF funding on tariffs compensates the decrease in the need of CTF funding for building transmission systems?

Thank you in advance for your clarifications.

Kind regards,

Ingrid