

# CLIMATE INVESTMENT FUNDS

September 26, 2016

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

**RESPONSE SUBMITTED BY THE ASIAN DEVELOPMENT BANK**

**CTF India: Solar Power Transmission Sector Project**  
**ADB responses to comments by France and the UK**

<b>France questions/comments</b>	<b>ADB responses</b>
<p>In order to take an informed decision, we request further clarification to understand why the decrease in costs is only passed on fundings provided by ADB and the government of India. There is overall a 29.7% decrease in costs. The government's funding is reduced by 29.7%, ADB's one by 35.2% and CTF funding remains at USD 50 million. Why not reducing both ADB funding and CTF funding by 29.7% (which would make funding amounts of around USD 190 million for ADB and USD 35 million for CTF)?</p>	<p>CO<sub>2</sub> saving impacts are based on the solar generation capacity rather than the financing size. The proposed change increases the solar generation capacity while reducing the financing size (one subproject was canceled, but more solar parks and subprojects were added in the change). The total investment in transmission and generation increases, with generation financed by the private sector (therefore not counted in total investment of the ADB project).</p> <p>In the ADB financial analysis, the \$50 million CTF funding can potentially reduce the tariff per kWh of the subprojects by around 7%. This is because the CTF funding for its long tenure and its low cost could potentially reduce the transmission tariff on account of this project resulting in benefits being passed on to the end consumers and simultaneously ensuring financial viability of the project.</p> <p>However, if CTF funding will be proportionately reduced, this could affect the viability of the project and could drastically dilute its benefits and incentives. Only if the project's installed capacity were to be reduced in parallel to the overall cost decrease, then the CTF financing could be proportionally reduced.</p>
<p>To better understand the changes proposed, we would need more details on the differences between the activities funded by ADB and CTF fundings.</p>	<p>It is expected that ADB and CTF will jointly support the solar transmission subprojects to promote the adoption of clean energy technology and help fill up the viability gap. For this purpose, ADB and CTF funds are blended and there are no differences in the activities.</p>
<b>UK questions/comments</b>	<b>ADB responses</b>
<p>I support the comment from Ingrid, it would be good to see an explanation on this. I am also a bit concerned about the risk of double counting between this transmission project and solar generation project. Overall, I am content to approve this project subject to the ADB agreeing a process to report the expected and achieved GHG emissions with the CIF AU, so that there is no double counting of results across different India solar projects.</p>	<p>Care will be taken to ensure that there will be no double counting in monitoring and reporting of GHG emission reduction for solar generation and transmission projects.</p> <p>The project will develop and implement an M&amp;E framework that will help establish a proper monitoring and reporting system. The loan covenant requires the borrower to report the annual power supply transmitted, which will</p>

enable us to monitor the exact CO<sub>2</sub> saving size from the generation and from transmission.

For CIF annual monitoring and reporting, the proposed project will be clearly classified as a transmission line project with additional notes on the connected solar parks.

We confirm that there is no double counting between the transmission projects including ones financed in Rajasthan state.