

CLIMATE INVESTMENT FUNDS

June 30, 2017

**[APPROVAL BY MAIL]: BANGLADESH: POWER SYSTEM EFFICIENCY IMPROVEMENT
PROJECT – ADDITIONAL FINANCING- OFF GRID SOLAR PV: SOLAR IRRIGATION
(ADB)(SREP)- XSREBD064A**

ASIAN DEVELOPMENT BANK RESPONSE TO COMMENTS FROM UNITED KINGDOM

(i) The mentioned numbers refer to aspirational targets and not fully funded projects, although various development partners are considering project investments. World Bank is providing funding for 1,250 solar irrigation systems under an on-going RE project, and the government nominated the proposed solar irrigation project in the SREP IP to be funded with ADB loan and SREP cofinancing.

These two efforts comprise an 'advanced market commitment' to transform the sector, with the intent of moving the solar irrigation business toward the first inflection point on the S-curve of transformation. We would note that it is impossible to predict with any accuracy when that inflection point will be met, but the proposed solar irrigation project is one of government's high priorities to reach that point.

Solar irrigation also features prominently as a "key mitigation measure" in Bangladesh's Nationally Determined Contributions (NDC), estimating related investment needs as \$0.6 billion over 2011-2030. With 1.3 million diesel pumps deployed, the potential for scale up for their clean energy replacement is three orders of magnitude, and will require concessional financing to accelerate the transformation.

The aspects of the proposed solar project are fully consistent with the SREP Design Document which notes as the aim of SREP "to pilot and demonstrate, as a response to the challenges of climate change, the economic, social and environmental viability of low carbon development pathways in the energy sector by creating new economic opportunities and increasing energy access through the use of renewable energy."

In the same document, the SREP Design Principles para. 13 (c) include: "give priority to renewable energy investments that create 'value added' in local economies. SREP should target proven renewable energy technologies that allow for the generation and productive use of energy, as well as community services such as health, education and communication" and para. 13 (h) "seek wider economic, social and environmental co-benefits, such as reduced local pollution, increased energy security, enterprise creation, and increased social capital, particularly greater involvement and empowerment of women and other vulnerable groups".

(ii) The previous replies explained different possible ways to estimate potential emissions reductions. The lower estimate is used for purposes of the funding proposal.

If black carbon emissions were to be included, the effective GHG reductions would be larger and cost per ton of CO₂e reduced would be lower.