July 4, 2017

[Approval by mail]: Bangladesh: Power System Efficiency Improvement Project – Additional Financing- Off Grid Solar PV: Solar Irrigation (ADB)(SREP)- XSREBD064A

COMMENTS FROM SWITZERLAND

Thank you for the answers to our second set of questions.

We have carefully analyzed these answers and come to the conclusion that we can at this point not support the approval of this project.

We have the following comments:

1. We have analyzed the efficiency of SREP investment in this project and compared it with other SREP co-financed projects with (SREP) contributions over USD 20 million. This project has the absolute highest costs in terms of SREP contribution (i.e. also the lowest efficiency) against the major SREP results indicators, i.e.:
a. Additional annual electricity output from RE. $4.39 per kWh/y
b. Number of people benefitting from improved access to electricity: $703.45 per person
c. In addition the costs per ton of avoided CO2 emissions (an important SREP co-benefit) are $1096.60 of which $514.28 from SREP. International carbon markets price the ton of avoided/reduce CO2 emissions at $5 per ton. Benchmarks for acceptable costs for carbon reduction in climate funds known to us range between 15-30 Euros/ton (E5P) to 200 USD/ton in CTF. In our eyes even the CTF threshold is too high.

In our eyes, these costs are excessive even for the most concessional form of financing. We do not see why this project was prioritized against e.g. the mini-grids project in the SREP IP for Bangladesh which promises much better results with a smaller investment. We consequently do not see why this extremely inefficient project (in terms of use of SREP funds) should be approved at all, and even less in relation to the still substantial SREP reserve pipeline.

2. The high prices included in the budgets (3 times the average price of similar systems in India) which still need to be verified in a due diligence, including a review of the design and cost estimates are indicative of a still insufficient state of preparedness (i.e. readiness) of this project.

3. The only argument which could justify an investment into this project is the transformative impact that solar PV would eventually become the standard power system for irrigation and displace (1.3 million) existing diesel powered systems. However, at this point we do not see how the installation of another 2000 solar irrigation systems should trigger such transformation, after the installation of the first 600-1000 systems, at great costs to other donors according to ADB information, did not. Moreover we do not see such transformative impact happen as long as the Government of Bangladesh subsidizes diesel and levies taxes and import duties on solar equipment. In order for us to be convinced that such a transformative impact will happen, we would need considerably more insight into the mechanisms by which the scaling-up should happen as well as firm commitments by the Government of Bangladesh to reduce subsidies on diesel and/or introduce incentives for investments into solar systems.