

## **SREP INVESTMENT PLAN FOR MONGOLIA**

### **SWITZERLAND COMMENT**



## SREP Investment Plan for Mongolia

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### Comments:

The proposed SREP investment plan is not responsive to SREP criteria in several points:

- It does not foresee any mobilization of private sector funding (except for an undefined amount approximated to 0 in a still an undefined Phase II)
- The overall leverage factor of funding of renewable energy from the SREP contribution (1.2) is far below the SREP objectives (4.0). The undefined Phase II, which was obviously only mentioned to bring the leverage factor to 4.1 should be disregarded.
- Although the IP claims to address the needs of poor regions, the improved access to electricity/energy seems not to be a key objective (i.e. it is not mentioned in the results framework).

### Other considerations

- The concept of using SREP grants to subsidize investments of a failing state owned utility so that the latter may benefit from government subsidized feed-in-tariffs, which are supposed to motivate private sector investments into renewable energy, is difficult to understand and also seems highly questionable. In our opinion such a practice of double subsidizing of public entities goes against the SREP objectives.
- From the information contained in the IP, the impression arises that Mongolia is rather advanced with its enabling environment for renewable energy and has a genuine potential to motivate private sector investments in the sector, although with still limited results (except for some wind parks and large hydropower plants).

### Recommendations:

- The IP should be revised to address the following issues:
  - A substantial part [e.g. 50%] of the SREP contribution should be used to further support the motivation of private sector investments into renewable energy.
  - This should include capacity development at the institutional level, as proposed under Phase I Track II but also mechanisms directly addressing private sector investments.
  - The latter should focus on technologies where private sector investments have so far not been successfully motivated (e.g. solar) or investments into the poorer regions (e.g. the Western region).
  - Where investments are targeted towards poor regions, the impact on poverty alleviation, notably by improved access to energy (including electricity) should be targeted and measured as reflected in the results framework.
  - An overall leverage factor from SREP funds of at least 4.0 should be reached in a single phase involving SREP contributions.
  - The double subsidizing of failing state owned utilities with SREP grants and government supported FiTs (initially destined to motivate private sector investments) must be avoided.

- Given the strong impact heating has on energy demand and CO<sub>2</sub> emissions, Mongolia could consider to allocate a larger portion of SREP funding to address the heat supply issue.
- Mongolia should consider the inclusion of a non-grant SREP contribution to the extent of the presently valid rules for new pilot countries.
- The revised IP should be presented to the SREP subcommittee within three months and also address questions and comments raised during or after this Subcommittee meeting.

## Questions

- (1) (Q) What are the requested grant vs non-grant funds in the SREP contribution?
- (2) (Q) What is the split of energy consumption and GhG emission between heat and electricity?
- (3) (Q) What are the rates of electricity access in the different regions of Mongolia (i.e. CES, WES, ...)?
- (4) (Q) To what extent is district heating used in Mongolia? Is there a potential for district heating based on renewable energy (e.g. geothermal heat pumps)?
- (5) (Q) What is the status of the renewal of tariffs for renewable energy that were set in January 2007 and are due to expire in January 2016 (i.e. three months from now)?
- (6) (Q) Who pays for the “green surcharge” foreseen in the RE law amendment? On what basis?
- (7) (Q) How and when will the needed increase of tariffs be addressed?

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