

May 24, 2013

Comments from United Kingdom on the proposal for development policy loan to promote inclusive green growth and sustainable development in Himachal Pradesh project in India

Dear Patricia / CIF Admin Unit

With respect to the proposed development policy loan, the UK very much welcomes this innovative approach under the CTF. We also recognise the practical challenges in quantifying the impact of these interventions. To this end, we have provided some comments and suggestions to inform the further development of the project proposal in our second attachment. We are happy to discuss these with the project team if this helps.

Sam Balch

International Climate Fund (ICF)
International Climate Change
Department of Energy and Climate Change

[UK Comment / Suggestions on the Development Policy Loan for Himachal Pradesh, India](#)

Carbon savings methodology

- We would like to see further analysis of the expected carbon savings from the DPL as the proposal is developed further. The UK would be happy to provide suggestions on how to calculate and attribute the carbon savings to ensure that they do not over or understate the impact of the project.
- As far as the DPL primarily helps to improve regulatory framework and processes to speed up the implementation of already allotted hydropower projects and does not actually invest in power plants that would otherwise not happen, the CTF should only attribute the savings that are additional or it should give an estimate of the savings that occur earlier as a consequence of the CTF intervention.
- **Currently used methodology of calculating carbon savings:** With respect to the currently used methodology of calculating carbon savings— using the same assumptions as the proposal does, the total GHG impact still seems to be significantly lower than suggested by the proposal, calculated to be 490mt CO₂e instead of 660mt CO₂e, suggesting that the proposal is overestimating the results (based on 69 501GWh per year over 20 year lifetime, 0.45 load factor, and 0.78tCO₂e/MWh emissions intensity).
- **Alternative ways of calculating carbon savings in the context of a DPL**, in order to account for attribution and additionality:
 - One way of approaching the estimate of carbon savings would be as if the CTF investment represents one part of the overall hydropower investment, though crucial to the implementation. E.g. if CTF funding represented 1% of the overall investment, we'd attribute only 1% of the total carbon savings to the CTF.

- Another approach would be to use a net present value (NPV), reflecting the altered distribution of the benefits from carbon savings over time (e.g. using the social cost of carbon) as a result of CTF intervention and the increase in the NPV compared to the counterfactual.

Other comments

- We would also like to see a more detailed breakdown of public and private co-finance sources.
- To determine the additionality and to make the case that the CTF is the correct source of financing, the proposal needs to outline more clearly what the reforms will address and how specifically they are tailored to facilitate investments into renewable energies rather than being a general governance reform.