

November 2, 2010

**Comments from Germany on the confirmation of approval of  
IBRD's Mexico: Efficient Lighting and Appliances**

Dear Patricia,

We have no objections against the proposed change in financial arrangements, i.e to reduce the IBRD loan from 320 million USD to 250 million USD and increase the local contribution of the Government of Mexico from 33 million USD to 103 million USD.

But I would like to bring a difficult issue to your attention concerning the appropriate technology employed in the project component on refrigerators.

Germany is much in favour of projects on energy efficiency issues. But based on CTFs Investment Criteria for Public Sector Operations, in particular para.9:

"The CTFs priority will be on the deployment, diffusion, and transfer of low carbon technologies that are at, or approaching, the market take-off phase [...] Priority will be given to proposals for commercially available, significant mitigation potential technologies. Lower priority will be awarded to projects that are at the technically viable stage, but with low mitigation potential."

I would like to point out that the cooling agents which are proposed to be used in the project's component on refrigerators are not considered those with the most significant mitigation potential, and projects using this technology should therefore have a lower priority.

The CIF Admin Unit might not be aware of the common understanding Germany and the World Bank reached about the GEF contribution to this project in particular concerning the cooling agents in refrigerators. I recall it here for your perusal:

"It is the common understanding of Germany and the World Bank as the Implementing Agency of the above mentioned projects that the project formulation, which would start upon PIF approval, will determine the most appropriate technologies and cooling agents/refrigerants to be employed in the projects on the basis of technical viability, environmental-soundness, cost-effectiveness, energy efficiency, etc., in the view of the country context. HFC-134a has been used in the PIFs to calculate a most conservative estimate of net CO<sub>2</sub> emission reductions from the projects. Germany views HFC-134a due to its high global warming potential of 1,300 not as the optimal refrigerant. Germany suggests to employ hydrocarbons (R-600a) as refrigerant for the new refrigerators. R-600a has a GWP of 1 and refrigerators with hydro-carbons are generally more energy efficient. Refrigerators with hydro-carbons are currently being

introduced in the market in both developed and developing countries. The World Bank has confirmed that the choice of refrigerant technology for the entire sector has not been made for this project and has committed to fully explore the use of natural refrigerants in the project."

We are obviously aware that the basic decision on the project proposal has already been taken in September. Also, Germany did not raise objections against this project in the GEF Council. Therefore, we do not raise any objections at this late stage for the CTF part of the financial package.

We would nevertheless seek your assurance on a common understanding how to proceed during implementation and suggest that the common understanding cited above for the GEF part is also applicable for the CTF part of project contributions.

Thank you very much for your consideration  
Annette