



**UNDP/IDB Market Transformation for Energy Efficiency in Brazil
Inception Workshop
March 05th, 2010.**

REPORT

The topics discussed included the presentation of participants and revision of the agenda (attached).

The first presentation focused on the project's design, components and targets. The main issues derived from this presentation were:

- The UNDP and IDB relationship as GEF implementing agencies vis-à-vis the role of the national executing agency was discussed and it was clarified that some text in the PRODOC refer to this overall arrangement before the GEF.
- The MMA showed some concern on the *modus operandi* for implementation given the scope of the project. We need to find ways to decentralize on the ground implementation, so that the project can be optimized.
- MME expressed some concern over the need for a fulltime team to implement the project. It was clarified that the project budget counts with hiring of professionals to assist the MMA team in the technical and overall supervision of the project.
- As it relates to Outcome 3, the targets need to be revised given lapsed time between project design and approval/implementation. The CFC based chillers market has changed considerably and the target needs adjustments.

During the presentation on the EEGM component, the basic structure, eligibility criteria, information on risk coverage, administrator and other specificities were discussed and the main observations were the following:

- The dialogue with BNDES/PROESCO was established in order coordination is guaranteed during project implementation. To that effect, PROESCO is part of the NPSC so that we can properly exchange information. The EEGM administrator and the technical coordinator shall liaise with PROESCO on a continuous basis.
- A clarification on the use of resources was done, first the GEF allocation will be used and then IDB's. The difference is that while the GEF's donation does not presume a return, the IDB's do through a prime to be charged to the ESCO.

- The EEGM guarantee is complementary to the PROESCO contract and will be offered as part of the original PROESCO contract with the ESCO. The EEGM administrator will not decide on the credit specifically, but rather facilitate the process to be done at IDB/Washington.

A third presentation on details of the Technical Assistance component was made and comments consisted of:

- The idea of implementation decentralization through establishment of partnerships to reach the targets, such as ABESCO, ABRAS, FEBRABAN, is fundamental to project's success.
- Throughout project implementation, the best strategy to undertake the activities will be discussed and adapted to the reality.
- Discussion on possibilities to undertake EE in public buildings and enable performance contracts is taking place at the government and the project can support it.
- High risk in relation to change of Law 8,666 was discussed and the need to broaden the scope of component 2 in the project, such as motivation of EE in public buildings regardless of performance contract implementation.
- The logical framework commitment to the GEF is at the level of outcome and we can have some flexibility at the output level.

As for Implementation arrangements, the agreements reached were as follows:

- The NPSC necessarily include MMA, MME, BNDES, UNDP and IDB. The inclusion of Ministry of Planning is accepted and the exclusion of the Ministry of Finance suggested. The ABESCO's participation was also suggested.
- Ministry of Finance and PROCEL could be invited as guest as necessary according to discussions to be held;

Other issues discussed included:

- Clarification on the formula for emissions calculation: it was based on estimated savings of US\$100,000 yearly. Thus, the 3.717 million MWh was obtained based on 250 projects x 20 years x dollar per kWh (US\$100,000 investment of an energy efficiency project yearly, divided by US\$ 0.125 converted to MWh - divided 1,000). That is 4 MW/h.
- The assumption of a relationship between costs and energy saving seemed strange to some participants. Additionally, the government factor used is much lower than the one expressed in the project, it seems to be 0.0337 emissions per KW/h for CDM project (instead of 0.502tCO₂/MWh).

Next Steps:

- NPSC: MMA shall issue a formal nomination (*Portaria*) after requesting information on official composition to each participating institution. The NPSC composition (name) and regulation of roles and responsibilities shall be formally established. It will include yearly revision of the project's work-plan, assessment of performance of the project, adjustment of strategies and insertion of the project into public policies.
- Logical framework: need to collect baseline information and review the feasibility of the targets, adapted to the PIR format and reporting to the outcomes.
- The MMA will send UNDP the official factor to be used so that the calculation of final project targets is revised, if necessary.
- Some minor corrections to the project document shall be detailed and approved by the NSPC.
- TOR for Project Manager shall be prepared soon and the EEGM administrator hired to initiate activities by June.
- Meeting on Chillers Component to be held with MMA, UNDP and Montreal Protocol team by end of March (date to be confirmed).
- After hiring of the Project Manager, the POA for 2010 will be revised for approval of the NPSC.

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Agenda items for Inception Workshop

March 4, 2010 – IDB and UNDP

- **IDB-UNDP Project Team introduction**
- **EEGM launch and supervision**
 - relationship of EEGM implementation with overall UNDP project implementation (coordination with ministries etc)
 - IDB internal procedures prior to launch
 - UNDP and other stakeholder roles in activities prior to launch
 - supervision of the EEGM by IDB
 - UNDP and other stakeholder roles in supervision/reporting
- **EEGM Administrator selection**
 - Shortlist of candidates
 - Selection process and criteria
 - Terms of reference
 - UNDP and other stakeholder role in selection – RFP review, interviews etc.
 - timeline for hiring the administrator
- **Technical Assistance (TA) component**
 - review of UNDP Technical Assistance projects
 - implementation of UNDP TA projects – timeline and process
 - discussion of potential activities to be included under the UNDP TA projects that could enhance implementation of EEGM i.e.
 - Training of ESCOs generally;
 - Training of banks and ESCOs in EEGM products
 - Model contract development: explanation of GTZ's work and current process;
 - discussion of potential IDB TA projects to complement the UNDP TA component
 - coordination with other stakeholders re TA projects (ABESCO, GTZ, Banks)

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Agenda items for Inception Workshop Day 2

March 5, 2010
IDB, UNDP, MME and MMA

Morning:

- Presentation of Participants
- Brief presentation of the project, objective, components
- Discussion/presentation on coordination between UNDP and IDB, including Chiller's replacement component
- Presentation on the EEGM
- Presentation of Technical Assistance component

Afternoon:

- Revision of Logframe, M&E requirements
- Implementation arrangements
- Basic joint workplan (Steering Committee meetings, etc).
- Explanation of administrative requirements such as POA and next steps.
- Closing remarks