Application for CTF Project Preparation Grant – EBRD- Energy Efficiency in Kazhakhstan

Financial Volume	USD 1M CTF grant
Purpose of the project	EBRD supports the regulator with the legislation aiming at renewable energy promotion in Kazhakstan. Additionally a project pipeline will be established.

Summary

We welcome the application for the CTF proposal for a project preparation grant and we are happy to support it.

A General Comments on the Project – Relation to the sectoral and regional Context

- Kazakhstan's wind power potential is high. Some experts assessed that Kazakhstan's wind power potential exceeds 1.8 trillion kilowatt hours per year. In the middle of 2009 renewables represented less than 1% of Kazakhstan' energy balance. Therefore the potential is untapped.
- At the same time coal dominates Kazakhstan's energy mix and coal - fired plants generate 45% of Kazakhstan's green house gas emissions. The National programme of Kazakhstan for transition to sustainable development calls for increasing the share of renewables in the energy balance to 5% by 2024. Wind energy would have perhaps the highest potential. Under the task 5, project pipeline, other renewables are mentioned as well, such as biomass, hydro and solar. Have there been studies carried out to determine their usefulness, etc.? In the past, there were cases when biomass energy was studied by the UNDP in Kazakhstan, and as a result, it appeared unprofitable for several reasons: the producers of energy didn't have a critical mass of animals to produce the energy by themselves, and it was difficult for them to join their activities in order to use the economies of scale.
- A Finnish company VTT has just completed and presented in Astana (to the UNDP, KEGOC, the grid company, and other players) the assessment of energy system with the purpose of integrating the wind energy in it. Main findings were as follows:
- Energy system of Kazakhstan is centrally balanced. This will help integrate wind energy, which is by nature not stable. Total generating capacity of wind stations in Kazakhstan will rarely by less than 10% or more than 80% from the established capacity.
- The forecast is to produce around 250 Megawatt per year by 2015 and around 2000 Mwt per year in 2030. The level of integration of wind energy into the total energy capacity will be around 1% by 2015 and 4% by 2030 Since UNDP has done a lot of work on renewables in Kazakhstan, especially on the potential of wind energy, there could be synergies, which would arise from cooperation with UNDP on this matter, at least in terms of avoiding duplication of some work and obtaining lessons learnt and findings from some of the studies.
- The law on renewables was passed in 2009, however, in the proposal it is stated that there are "a number of issues which remain unresolved". It should be worthwhile to list these in the addendum or at least name them in the text of the proposal itself.
- Re staffing: will only one legal expert do all the work on legislation, which seems rather substantial. It may be advisable to hire national experts for this task as well.
- In general it will be helpful to be clear about the expectation - who are the future producers of renewable energy? Who will be the implementers of renewable energy projects to be established within a pipeline?

- For the success of the proposal an important factor is building efficient working relations with the grid company KEGOC.

B General Comments on the Financing Terms

It is proposed to provide a grant. This seems appropriate for technical assistance and the preparatory work of establishing an initial project pipeline.

C Investment Criteria

No investments are foreseen with the CTF grant provided. Therefore, the investment criteria are not directly applicable and the proposal does not address the investment criteria.

By and large, however, the terms of reference indicate that the planned activities are aiming at fostering investment in line with the CTF investment criteria.