

September 10, 2010

**Comments received from the UK on SREP Financing Modalities and
SREP Programming Modalities and Operational Guidelines**

Dear SREP Sub-Committee Members,

The UK is happy with the proposed changes to the financing modalities and the programming modalities papers, and we thank the Co-Chairs and the CIF Admin Unit for the work they have done to respond to all our comments.

However, further to the comments submitted by the Solomon Islands and Norway (attached), the UK has some suggested compromise proposals that would allow us to move forward and approve these papers. As we have said previously, we believe that it is in the interests of all parties that SREP reaches the implementation stage as soon as possible, and we would very much like to avoid having to wait until the November meeting for these papers to be approved. Fostering a spirit of collaboration and compromise is central to the governance arrangements of all the Climate Investment Funds, and we therefore hope that a solution that works for all parties can be reached.

With regard to the comments submitted by the Solomon Islands, we note that the Bali Action Plan is now referred to in Para.3 of the Financing Modalities Paper. We assume that this addition addresses this specific concern. With regard to the issue of project preparation grants, and the amounts suggested, we propose two things: i) That we adopt the proposed amounts as the standard allowance, but include a provision for recipient countries to request a larger allocation if their needs require it. This would need to be approved by the SREP Sub-Committee. ii) That we include a provision to review the proposed amounts, perhaps after 18 months. We hope these suggestions will be amenable to the representative from the Solomon Islands so that the initial round of countries can begin to draw up their investment plans, and SREP can move to the implementation stage. This is in all our interests we think.

With regard to the comments submitted by Norway, we do not believe that intermittency requires a special mention in the list of barriers under Para.4 of the programming modalities paper. However, a possible compromise might be to add to Para.4 (a) as follows: "...renewable energy investments tend to have higher initial capital costs, including **costs related to additional storage or reserve capacity**." In relation to their proposal on Para.53, we propose the following modification to the sentence in question: "...that have the potential of being replicated in the future without, **or with a reduced level of, public support**". Finally, on the issue of hybrid systems, our understanding is that inclusion of fossil fuels would present major problems for several donor countries. It is unclear what demand there will be for hybrid systems that include a fossil fuel component, but in any case it is likely that SREP funding will not be the sole financing available for an individual project. This should mean that projects with a fossil fuel component can secure financing from other sources - as already stated in the text. Nevertheless, it may be prudent for the SREP Sub-Committee to reconsider this issue once we have a clearer idea on the structure and content of country investment plans. We therefore suggest that a note is added to Para.21 of the programming modalities paper that calls for a review of the proposed criteria once at least three investment plans have been submitted? (Or this could be after a set time period, say 18 months).

We hope that these suggestions are well received.

Kind regards,

Oliver Knight