

October 17, 2014

Approval by mail: Ukraine: Second Power Transmission Project (CTF) (IBRD)

Dear CTF Trust Fund Committee members,

Please find attached a request for a proposal entitled, *Ukraine: Second Power Transmission Project*, submitted by the Government of Ukraine and the International Bank for Reconstruction and Development (IBRD) for your review and approval of a total CTF allocation of USD 48.425 million. Negotiations for the PTP2 project are planned to start in early November and Board approval is expected for late December, 2014.

IBRD would like to inform you that the *Second Power Transmission Project* will contribute to Ukraine's ambitious target of achieving 8 GW of installed renewable energy capacity by 2030. The objective of the project is to help improve the reliability of the power transmission system and support implementation of the Wholesale Electricity Market in Ukraine, as well as strengthen system capacity for integrating renewable energy power into the grid. The proposed project will support rehabilitation of transmission substations, installation of reactive power compensation devices, and deployment of new smart grid technologies. The concessional funding from the CTF will be used to support the introduction of smart grid technologies and applications for enhanced grid management and control systems, which will enable large-scale integration of wind and solar energy and improve management and operation of the transmission network. The transformational impact of the Project will provide necessary basis for the implementation of the Smart Grid roadmap for the Ukrainian power system, which would allow for significant avoided GHG emissions from increased renewable energy penetration, reduced technical losses, and improved system management. Lessons learned from implementing and operating the CTF-funded smart grid technologies will facilitate the shift toward adopting a stronger approach for smart grid operation of the entire Ukrainian power system.

IBRD would also like to draw the Trust Fund Committee's attention to Annex 7 which summarizes how the Project meets the CTF investment criteria.

The CTF Trust Fund Committee is requested to approve the following decision:

The CTF Trust Fund Committee approves an allocation of USD 48.425 million for the project entitled, *Ukraine: Second Power Transmission Project*, submitted by the Government of Ukraine and the International Bank for Reconstruction and Development (IBRD).

For your information the following table summarizes the allocation of resources endorsed for Ukraine. The Trustee has confirmed that there are sufficient resources available for the commitment requested.

CTF Ukraine			
	<u>USD million</u>		
<u>CTF Allocation (Revised August 5, 2013)</u>			350.000
Approved CTF funding	<u>Loan</u>	<u>Grant</u>	<u>Total</u>
<u>District Heating Energy Efficiency (IBRD)</u>	50.000	1.050	51.050
<u>Ukraine Renewables Direct Lending Facility (EBRD)</u>	27.000	0.603	27.603
<u>Novoazovsk Wind Farm (EBRD)</u>	20.150	0.539	20.689
<u>Renewable Energy Program (EBRD/IFC)</u>	49.200	0.800	50.000
<u>Renewable Energy Program (EBRD)*</u>	0.000	0.000	0.000
<u>Ukraine District Heating Modernisation (EBRD)</u>	49.250	0.750	50.000
<u>Ukraine Sustainable Energy Lending Facility (EBRD)</u>	27.000	0.500	27.500
<u>Second Urban Infrastructure Project (UIP-2) (IBRD)</u>	50.000	0.000	50.000
<u>Gender Assessment Grant approved (EBRD)</u>	0.000	0.056	0.056
<u>Second Power Transmission Project (EBRD)</u>		0.525	0.525
<i>Sub-Total - Approved CTF Funding</i>	272.600	4.823	277.423
Project Submitted for CTF Funding Approval			
<u>Residential Energy Efficiency Finance Facility (UREEFF) (EBRD)*¹</u>	24.000	0.152	24.152
<u>Second Power Transmission Project (EBRD)</u>	48.425	0.000	48.425
<i>Total approved CTF funding if above request is approved</i>			350.000
<i>Total CTF allocation remaining</i>			0.000

Figures as of October 15, 2014

*EBRD has cancelled USD 15.0 million (USD 14.73 million in loans and USD .27 million in grants) approved by the Trust Fund Committee on May 20, 2013 for the Renewable Energy Program (EBRD) and is proposing to re-allocate these funds to UREEFF, along with USD 9.152 million in additional funds.

1/ This project was submitted for TFC approval on September 10, 2014 and is pending TFC approval

If we do not receive an objection to this proposed decision by close of business on **October 30, 2014**, the decision will be approved.

Sincerely,

Mafalda Duarte
 Climate Investment Funds, Program Manager
 CIF Administrative Unit
 1818 H Street NW
 Washington, D.C. 20433
www.climateinvestmentfunds.org