

July 30, 2013

**Comments from Germany on Approval by Mail: Philippines : Renewable Energy Development (PHRED) Project (IBRD)**

Dear colleagues,

thank you very much for the submission of the Philippines renewable energy development project (PHRED). In principle, GER supports the higher order objective of the proposed project to assist the Philippines in meeting its demand for electricity and to increase access to electricity in a sustainable manner by increasing renewable energy generation in all parts of the Philippines, including in off-grid areas, and to bolster private sector lending to electric cooperatives.

GER also welcomes the approach to extend an already existing and successful governmental program (the Electric Cooperative Partial Credit Guarantee (EC-PCG) program), using a CTF-financed guarantee.

**However, before we can approve the project, we feel the need for clarification of the following points:**

- Given a 30% share of natural gas for electricity generation and an already high share of RE (some 25%), we come to a different conclusion with regards to the **potential of specific avoided GHG emissions** - we think they would be **significantly below the assumed 1.034 t CO<sub>2</sub>/MWh** (PAD p. 73 f) - the revised IP had calculated the potential on the basis of the above mentioned energy mix and came to an assumption of 0,52 tCO<sub>2</sub>/MWh, which seems much more realistic to us. The project now assumes a reduction only on the basis of coal fired power plant production, with a very low efficiency factor of some 32%.

- Why has the scope of eligible investments been widened into smart grid and AMI (PAD p. 72 ff)? From our point of view the reduction of non-technical losses does not contribute to GHG Emissions Savings, nor can we see a transformational impact through this negligible sub-component. We think the project should rather **focus on renewable energy and energy efficiency** and not get sidetracked in small-scale activities.

- The PAD calculates the investment per avoided t CO<sub>2</sub>, but how high are the **economic marginal costs of CO<sub>2</sub> abatement**? The revised IP already had some illustration on this point (p. 11 ) which could serve as a basis for further elaboration. We would be grateful for clarification of these points before we can agree to the approval of the project.

Thank you very much,  
kind regards  
Ina (on behalf of Annette)

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Ina von Frantzius  
Referentin / *Policy Advisor*.