April 25, 2017

[APPROVAL BY MAIL]: INDIA: INNOVATIONS IN SOLAR POWER AND HYBRID TECHNOLOGIES-XCTFIN213A (CTF) (WORLD BANK) – COMMENTS FROM THE UNITED KINGDOM

Dear Mafalda,

Thank you to the Government of India and the World Bank project team for this proposal, which we found to be well written and informative.

Overall, we welcome the interventions proposed and the planned development of hybrid systems, batteries and floating solar, which have the potential to support the Indian Government's ambitious plans for deployment of renewables. However, there are some aspects on which we remain unclear and we would be grateful if the WB project team can provide a response to the following questions.

Financing Instruments:

1. It would be helpful to have a fuller justification of the financial instruments proposed, particularly:

    a. It would be good to better understand the reasons behind the proposed loan to the Solar Energy Corporation of India (SECI), as opposed to other financing instruments, such as a partial credit guarantee. Given the financial standing of SECI and the proposal to list, could use of a guarantee be a good opportunity to raise a higher level of finance whilst utilising considerably less capital on behalf of IBRD and also introducing SECI to future financiers?

    b. In relation to the CTF component of $50 million ($28 million loan and $22 million loan), it would be good to better understand the rationale for substantial grant funding. Although the Project Appraisal Document (PAD) provided sufficient information on the planned activities and sub-projects, it did not provide clear justification for the level of grant support requested – in particular there is no split in terms of component A between the 3 different project elements of solar/ wind hybrid, batteries and floating solar. Have any alternatives to providing 100% grant for these elements been considered (e.g. some reimbursable element or risk instrument if technology risk is the barrier being addressed)?

2. Economic Appraisal:

3. The PAD only provided economic and financial analysis relating to solar/wind hybrid, there is no economic and financial analysis presented for other sub-projects. We appreciate this is challenging whilst the sites remain uncertain but it would be helpful for the PAD to set out the rationale for intervention by each form of technology.

4. The appraisal is conducted solely for a solar/wind hybrid facility – the costs set out in the economic appraisal suggest that the cost of energy produced for this will be significantly lower than the other technologies, which are not appraised: does this mean the overall net benefits will be lower when the other technologies are taken into account?

5. Environmental Impacts:

6. Should any of the sites selected impact on areas of natural vegetation, how does the project plan to achieve zero net deforestation and zero net impact on biodiversity?

7. What impact will the floating solar installations have on the water quality and supply from the utilised bodies of water? What safeguards will be in place to ensure that the current use of these water bodies is unaffected by the installation of the floating solar facility?

8. Results/Monitoring/Evaluation:

9. The section under Development Impact notes that there will be opportunities for local employment. Is it possible to quantify and disaggregate the number of jobs created? Is it also feasible to include jobs created as a key indicator?

10. As the transformational impact of this programme relates to the demonstration of innovative technologies it would be good to know what tangible activities the project team are planning to share lessons learnt from this programme.

11. The M&E section in the annex (2) provides detail only on the M&E of the social and environmental impact management, not the broader programme. We think it would be more beneficial to cover M&E of the whole programme in more detail. Could the project team consider the scope for an independent evaluation at both mid-point (process) and end-point (impact), either specifically for this project or as part of evaluating the wider set of CTF renewable investments in India?

Regards,

Douglas Gibb