

CLIMATE INVESTMENT FUNDS

May 4, 2015

APPROVAL BY MAIL: ENDORSEMENT OF THE REVISED INVESTMENT PLAN FOR NEPAL (SREP)

Comments Received from the United Kingdom and Responses submitted by ADB

May 1, 2015

**RE: Approval by Mail: Endorsement of the Revised Investment Plan for Nepal (SREP) –
Response from ADB to the UK**

Dear Zhihong,

Here are our responses to the additional comments from the UK. May I request you to kindly forward this to them for their consideration.

- Regarding policy framework (UK point #9), the Government has adopted a *de facto* learning-by-doing approach to utility-scale solar development. IBRD's Board approved a public sector project in late 2014 which will finance 25 MW or more of utility-scale solar at Nepal Electricity Authority (NEA) sites; this project will provide technical assistance to NEA and NEA will own and operate the solar assets. The proposed ADB solar development project will complement the IBRD scope by focusing on solar assets which can be owned and operated by the private sector with minimal up-front policy development, complement by a policy formulation and evolution under the ADB program loan modality. The ADB program loan modality will be able to include measures government needs to take in addressing policy gaps relating renewable energy development and solar PV in particular. Based on the positive feedback from stakeholders (see Appendix 2) the Government agreed to pursue this approach as a means to accelerate solar development.
- With respect to the recent earthquake, ADB and the government prefer to move forward with the proposed project concept, as in any case solar is envisioned as part of the energy mix and diversification of supply will improve overall energy security and energy sector resilience in the long run and in particular under difficult circumstances such the one at present. ADB and other donors involved in reconstruction efforts will be incorporating lessons-learned from the earthquake in design of future energy systems, and these activities can proceed in parallel with the proposed solar development.

Regards,

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April 30, 2015

**RE: Approval by Mail: Endorsement of the Revised Investment Plan for Nepal (SREP) –
Comments received from the United Kingdom**

Dear Mafalda,

Thank you for submission for approval of the revised SREP Nepal Investment Plan and thank you to the MDBs and Government of Nepal for detailed responses to our, and Switzerland's questions.

We are broadly happy with these responses, however our question number 9 relating to the lack of policy relating to utility scale PV in Nepal was not fully addressed. Given the impact that unclear regulatory frameworks has on the potential for co-investment by the private sector and possible further delay to the programme, we would appreciate an answer to this point.

More immediately, given the tragic recent earthquake in Nepal, it would be useful to understand whether the MDBs/Government are considering a pause in approving projects under the Nepal Investment Plan, to allow for assessment of the damage to the energy system and development of a resilient approach to reconstruction, or whether the MDBs/Government of Nepal see utility scale solar as part of any future energy mix in any case, and that this programme can and should proceed without delay.

Best wishes,
Simon Foster on behalf of Steven Hunt

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