



# AFD'S CLIMATE COMMITMENTS

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RÉMI GENEVEY

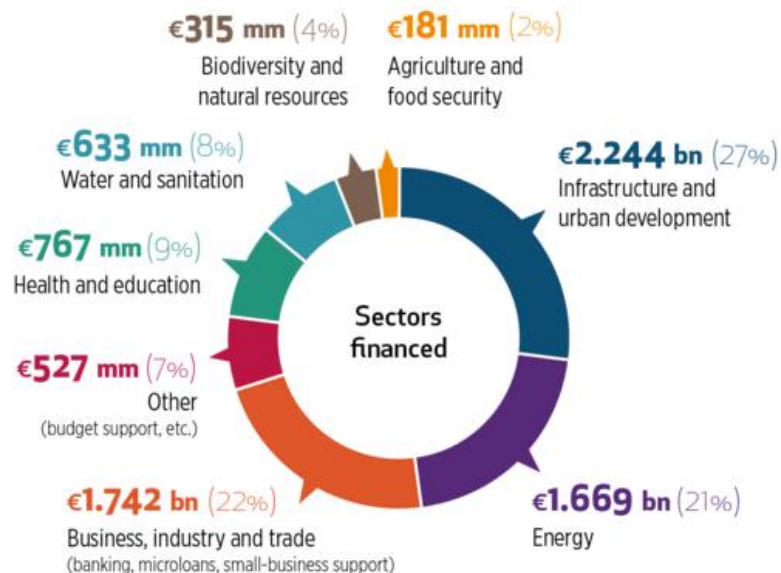
COUNTRY DIRECTOR

*développeur d'avenirs durables*

# AFD : BACKGROUND

AFD in 2015:

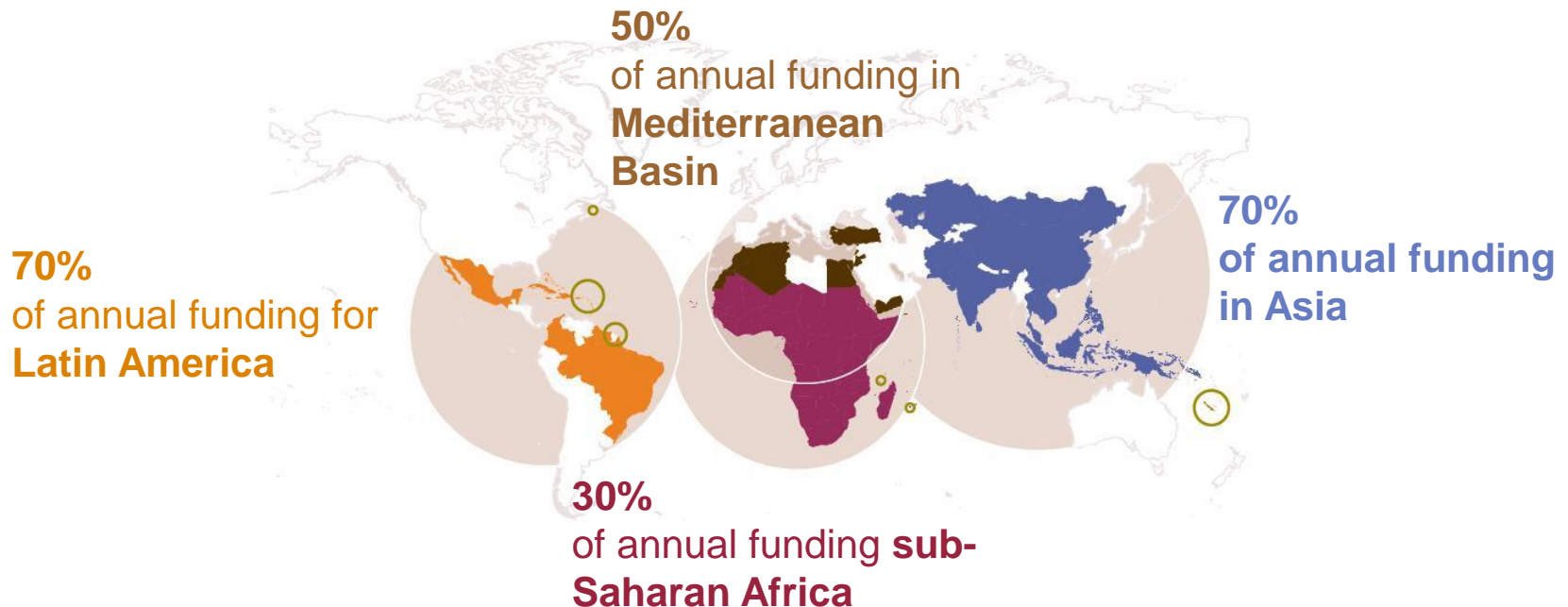
- EUR 8.1 Bn of financing commitments
- EUR 2.1 Bn for operations having demonstrably positive climate impacts (18 BEUR since 2005)
- 71% of financing activity in Asia accounted for climate-friendly operations



# 2012-2016 AFD Climate Strategy

## An ambitious Climate objective

### ■ 50% of AFD's ODA commitments



### ■ 30% of Proparco's annual commitments (for private sector)

# STRATEGY, MISSIONS AND FINANCING INSTRUMENTS IN VIETNAM

*Strategy*

Supporting Green Economic  
Development in Viet Nam

*Missions*

Sustainable Energy  
transition

Climate Change  
Control

Sustainable Urban  
Development

*Tools*

- Financial (loans sovereign or non-sov, guaranties, grants)
- Non-financial (technical assistance, research and knowledge sharing)

# PROJECT-BASED OPERATIONS IN VN'S ENERGY SECTOR

- AFD on VN energy sector (mainly RE and EE): EUR3 10 M → 19% of total financial commitments in VN
- Examples of projects in the energy sector:
  - Huoi Quang Hydropower Plant (520 MW), USD 100 M
  - Pleiku-My Phuoc-Cau Bong Transmission Line (500 kV), EUR 75 M
  - Northern Power Transmission Projects (500, 220, 110 kV), EUR 40 M
  - Rural electrification in Mekong Delta , EUR 19 M
  - BOT combined cycle Phu My 2.2 (715 MW ; PPP project), 40 MUSD

# POLICY-DRIVEN SUPPORT TO ENERGY/CLIMATE

- Support to the GoV in developing renewable energy and energy efficiency in the broad context of green economic development:
- Promoting market-based and command-and-control approaches
  - FiTs for wind, solar, biomass and waste to energy
  - Standards and regulations for energy efficiency
- Contributing to capacity building of key sectoral actors (public and private)
  - Detailed design for the wholesale market (support to ERAV)

## AFD “Climate” recent operations in Vietnam

*SP-RCC: an innovative approach to support Vietnam CC Policy*

- **In 2009, AFD partnered with JICA to develop** a comprehensive approach to support the government of Vietnam in its CC Policy development and implementation - **Support Program in Response to Climate Change (SP-RCC)**. World Bank, Canada, Australia and Korea have joined the programme.
- **SPRCC is a budget support programme subject to implementation of Climate Change Policy Matrix**, The Matrix provides a platform for dialogue between the donor community and the Vietnamese ministries, allowing to hold regular dialogue sessions on all sectors affected by climate change, to prioritize initiatives and to articulate the government’s needs in terms of technical and financial supports from donors.
- **In Renewable Energy AFD** contributes to dialogue on **Energy Efficiency and setting-up of « Climate Financial Mechanism »**
- In addition to SPRCC budget support, AFD has assisted **Danang PC in designing Da Nang CC Action Plan**, and **Ministry of Industry and Trade** with the establishment of a **Roadmap for Energy Efficiency in Steel Sector**.

# POLICY-DRIVEN SUPPORT ON ENERGY/CLIMATE IN VN: THE SPRCC

## ■ SPRCC in brief:

- 50 MEUR concessional loan. Board's approval in year ( $n$ ). Disbursement in ( $n+1$ ) based on successful implementation at ( $n$ )
- Currently: stabilization PM 2016 and CC and GG support program for next period 2016-2020

## ● SPRCC PAs on Energy Efficiency in 2016—2020

- Developing EE regulatory measures (“circulars”) in key energy-intensive industrial sectors (steel, beverage, plastics, pulp & paper)
- Improving EE standard for electrical appliances
- Encouraging training for energy managers and auditors in the Energy Management Training Center

## ● SPRCC PAs on Renewable Energy in 2016—2020

- Revision of support mechanism for wind energy
- PM Decision on support mechanism for solar energy
- Master Plan of solid waste-to-energy to 2025



# In China: Retrofit of existing non residential buildings in Wuhan (1)

- Period (start - end): 2011 - 2016
- Total budget (EUR): € 20 Million
- Project description:
  - Loan to the city of Wuhan to finance the retrofit of 30 existing municipal buildings with a total floor area of 600 000 m<sup>2</sup>.
  - The energy savings offset the financial costs and make it a “neutral” operation for the city.
  - Energy savings are guaranteed by construction companies through EPC (energy performance contracts).
- Origin of funding: French Development Agency (AFD), ADEME (for technical assistance)
- Beneficiaries: City of Wuhan (through a Project Management Office set up by the municipality).
- Objective: reach savings comprised between 20% and 30% with a ROI not exceeding 10 years

# Retrofit of existing non residential buildings in Wuhan (2)

- The project was preceded by a three years research program that investigated the energy savings potential in non residential buildings of Wuhan
- It is the first demonstration project in China involving EPC at that scale. If successful, it could be replicated in the province of Hubei.
- The retrofit works of the library (33 000 m<sup>2</sup>) have been completed in October 2014 : saving 32% of the total electricity bill amounting to 84 kWh/m<sup>2</sup> with an investment of 29 €/m<sup>2</sup> (payback time of 7 years).
- Lessons learned:
  - Importance of initial energy savings assessment
  - EPC is a new type of contracting that requires capacity building of stakeholders
  - Importance of having technical assistance with experience of EPC contracts and technical expertise to support the project promoter

## AFD and GCF

- Very little feed back for AFD : one project authorised by GCF in SENEGAL (flood protection programme involving a EUR 50 M. loan from aFD along with a USD 15 M. grant from GCF)
- Vietnam has been a MIC since 2010, this may have implication on GCF allocation of grants (vs loans)
- The Vietnamese government insists on keeping public debt below 65 % of GDP, and therefore may limit access to GCF loans
- In Vietnam the « blending solution » privileged by AFD to improve its financial offer for climate projects or programmes is with the EU (under the AIF facility)
- However, AFD has been approached for co-financing a industrial pollution abatement programme of a SOE, which might involve a GCF subsidy and an AFD non-sovereign loan.



# THANK YOU

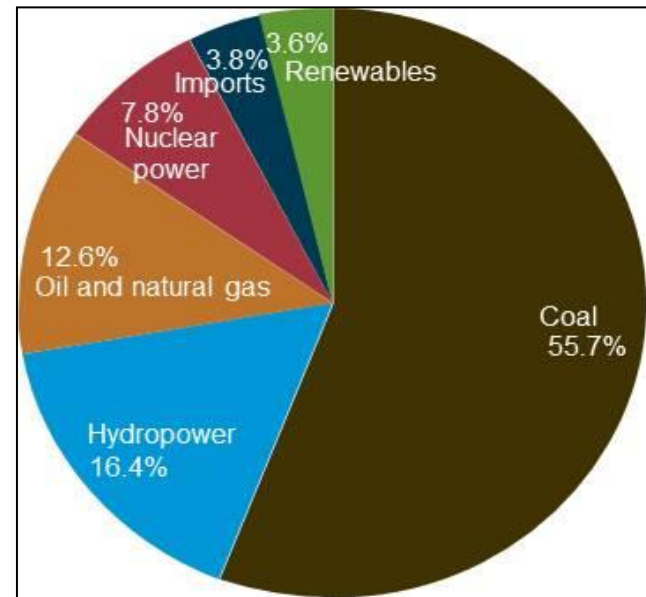
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# II.A. PROJECT-BASED OPERATIONS IN VN'S ENERGY SECTOR

- Background of our operational scope: Coal-fired generation projected to dominate the country's total installed capacity : from 25% in 2014, to 56% in 2030



*Data EIA. (2015).*