CLIMATE INVESTMENT FUNDS

Meeting of the Global Climate Action Programs (GCAP) Sub-Committee

Washington, D.C. (Hybrid)

Thursday, November 9, 2023

FIJI (REI) INVESTMENT PLAN COMMENTS

CLIMATE INVESTMENT FUNDS
1818 H Street NW
Washington, D.C. 20433 USA
T: +1 (202) 458-1801
www.cif.org

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Comments

Comments from Switzerland
Position and Comments - Switzerland We thank the Government of Fiji, the Asian Development Bank and the World Bank Group for the preparation of the REI investment plan for Fiji. We acknowledge the special situation of Fiji as a small island state vis-à-vis climate change. We have the following comments: 1. The requested USD 70 million from the REI Program (under SCF) is well beyond the available funding for a REI pilot single country, taking into account the remaining funds of USD 155 million vs the submission of up to 8 investment plans within the deadline of 30th November 2023. As earlier communicated, the allocation would have to be right-sized and take into account the respective guidance therefore issued by the CIF Secretariat, which place an adequate allocation for Fiji in the range of USD 20-30 million. In that sense, we are not in a position to endorse the IP (with an CIF REI allocation of USD 70 million). 2. Our appraisal resulted in qualifying the CIF REI investment plan (IP) for Fiji unambitious regarding technical innovation and expected results, notably for the following reasons: a. All investments are essentially going to electricity transmission and distribution (T&D) infrastructure, including a new 132 kV transmission line, substations, additional smaller lines (in outer islands) or upgrades of existing infrastructure. While permitted as “Enhancing infrastructure to be renewable energy-ready” under the REI design document, the proposed investments are hardly innovative nor promising to be transformative. The requirement in the design documents states: “New and smart grids, both large and small scale, that complement each other and enable new ways to manage variable renewable energy generation.” While necessary, T&D investments do not per se lead the way from fossil fuel generated electricity to renewable energy integration. These power lines and substations could equally be used to transmit and distribute fossil-fuel generated electricity and even lead to investments in fossil-fueled power plants. The proposed activities are at the limit of what the REI design document foresees. b. The expected results fall far short of other REI or even SREP investment plans in relation to the requested financing, notably: i. The installed capacity of 40 MW and expected power generation of 91 GWh/y from RE (solar PV and wind); ii. The corresponding estimated 50’000 tCO2eq/y avoided emissions iii. The co-financing leveraged of 1:1.78 in particular is far below expectations for REI, which in opinions voiced on earlier IPs should lie in between SREP (1:5)

and CTF (1:10).
These issues would somehow get solved by a smaller CIF REI contribution.
c. Both, the introduction of 40 MW solar- or wind-powered electricity generation into the grid on Viti Levu, and the increase of energy access by 7’000 clients in the outer islands, can hardly be qualified as transformational change.
3. Adequacy of using concessional financing: taking into account that Fiji is a middle income country with power purchasing parity adjusted per capita GDP of USD 16’000, the use of CIF REI concessional funding for T&D investments into the grid of its main island, including the capital city, must be verified.
4. It is assumed that public-private partnership will be successful in analogy with a project in Cambodia but little reference is made to necessary framework conditions and reforms. We assume the rather high risk mitigation measures, including the requested USD 8 million CIF REI-funded guarantee plus USD 15 million IFC co-financing for the USD 35 million private investments, are resulting from this uncertainty.
5. Project preparation grants seem excessive and should not exceed 5% of CIF REI contribution.

The Climate Investment Funds

The Climate Investment Funds (CIF) were established in 2008 to mobilize resources and trigger investments for low carbon, climate resilient development in select middle and low income countries. To date, 14 contributor countries have pledged funds to CIF that have been channeled for mitigation and adaptation interventions at an unprecedented scale in 72 recipient countries. The CIF is the largest active climate finance mechanism in the world.

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c/o The World Bank Group
1818 H Street NW, Washington, D.C. 20433 USA

Telephone: +1 (202) 458-1801
Internet: www.cif.org

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