

CLIMATE INVESTMENT FUNDS

February 1, 2017

**[APPROVAL BY MAIL]: MONGOLIA: UPSCALING RURAL RENEWABLE ENERGY- SOLAR PV
(WORLD BANK) (SREP)- XSREM056A**

RESPONSE RECEIVED FROM THE WORLD BANK

#1-a (CIF AU Response) The SREP Investment Plan for Mongolia was endorsed in 2015. The level of debt distress of Mongolia at that time was high based on IMF's debt sustainability analysis. In accordance with SREP guidelines agreed by the Sub-Committee in November 2011 on resource distribution, Mongolia could receive all indicative allocations in grant.

#1-b (CIF AU Response) The resource tracking table should indicate the amount of funding requested as grant. The table will be fixed.

#2-a The revised IP with the updated results framework was circulated to the SREP Sub-Committee on December 17, 2015. The revised IP was also posted on the CIF website:

https://www-cif.climateinvestmentfunds.org/sites/default/files/meeting-documents/srep_ip_mongolia_final_14_dec_2015-latest.pdf

#2-b The results framework of the Project has adopted same indicators from that of the updated IP. Target numbers are estimated in a consistent manner with the revised results framework of the IP but with updated assumptions on average household electricity consumption and average household size.

#3-a Weighted average cost of supply at end-user level is 6.0 USc/kWh. It is correct the tariff is just 4.2 USc/kWh. The difference is paid as a subsidy to the utility due to the high incidence of poverty in the region.

#3-b With SREP support the cost of supply from the PV plant at end-user level would be 5.4 USc/kWh. Without SREP support the cost of supply at end-user level would be 8.6 USc/kWh. As a result of SREP support the subsidy to the utility can be reduced.

#4 There were two errors in the original financial and economic model. After fixing them, FIRR is 10% and FNPV is US\$11.68 million, in a scenario with SREP support. Without SREP contribution, FIRR would be 4.3% and FNPV US\$4.28 million. The updated PAD is circulated with this response.

#5-a This is still far below the threshold of cost-effectiveness under CTF, which is \$200 per ton of CO2 equivalent. With this level of GHG emission reduction, the Project is assessed economically feasible. Please be mindful that GHG emission reduction is one of the co-benefits, and this Project contributes to scaling up solar PV development outside the Central Energy System, where there has been no private sector investment.

#5-b All SREP contribution under the Mongolia IP is grant.