



Utility Scale Solar Photovoltaic Sub-Program

Country / Region: **Regional** | Project Id: **PCTFDP613A** | Fund Name: **CTF** |

MDB : **International Finance Corporation**

Comment Type	Commenter Name	Commenter Profile	Comment	Date
Comment 1	Batley Waqas	United Kingdom	<p>Thank you for the proposal. To be able to make a decision on the request we require further information on the following :</p> <p>As, according to the cancellation policy, an extension should only be provided in exceptional circumstances; we require a fuller explanation for the delays and in particular why it should be considered an exceptional circumstance.</p> <p>Furthermore there is little detailed information provided on the pipeline and the readiness of these potential sub projects. As such it's very difficult to judge whether the time requested is reasonable and justified. Please could you provide further information on the pipeline?</p>	Sep 12, 2018
Response 1	Andrey Shlyakhtenko	IFC	<p>Comment 1:</p> <p>As, according to the cancellation policy, an extension should only be provided in exceptional circumstances; we require a fuller explanation for the delays and in particular why it should be considered an exceptional circumstance.</p> <p>IFC response 1:</p> <p>As indicated in the original Program Extension Request, over the period of the implementation of this Sub-Program the solar PV sector across the globe has experienced significant and substantive evolution. Two distinct tracks of solar PV generation have emerged: (1) conventional utility-scale grid-connected power plants; and (2) various innovative approaches related to testing technology modifications, inclusion of storage, distributed nature of the grid, etc.</p> <p>1. Conventional, on-grid solar PV sectors evolved differently in middle-income and lower-income countries. Those countries that were "ahead of the curve" (including some where CTF provided financing), such as Thailand, have witnessed graduation of their utility-scale solar PV sectors into fully commercial and attractive businesses. With rapid decline of the technology cost and maturing commercial application of the solar PV technology, this "graduation" has happened more aggressively than expected and in a number of cases required less concessional support (if at all). As a result, in many of these countries utility-scale solar PV sectors no longer need concessional financing and even IFC's own investments have reduced or phased out over time.</p> <p>On the other hand, the solar PV sectors in less advanced economies have demonstrated significantly slower development pace and lower project completion rate than what was envisioned at the time of the development of this Sub-Program. Many projects in these countries continued facing extremely difficult regulatory circumstances and those few that could make it to the finish line have taken remarkably longer. Over the last three years, despite IFC's (and many other DFIs') continued high level of effort, only a handful of projects across these countries were able to reach commitment and enter construction phase, including, for example, two scaling solar projects in Zambia, one in Mozambique (financed out of this Sub-Program), and a project in Burkina Faso (supported out of a different source of concessional funds).</p> <p>Only now the pipeline of projects, that had financing secured before the start of the implementation of this Sub-Program (and, therefore, were not targeted by this Sub Program), has been worked through and only now less developed or new projects started moving ahead in the pipeline. Observing the successful execution of solar PV projects in the neighbor countries, governments of several countries have begun taking active steps to start stimulating private sector participation in solar PV sectors in their countries as well. By now several countries have set up or are in the process of setting up new regulatory systems to facilitate private sector participation in solar PV sector. IFC is now looking at a re-emerging pipeline of projects across the Sub-Saharan Africa region, including the work that is being done in Ethiopia and Madagascar, and expecting this pipeline to move forward with a steady implementation pace.</p>	Nov 29, 2018



2. Innovations in the solar PV sector have not stopped and now many of the countries that have already built a strong conventional utility-scale solar PV commercial sectors are leading the next wave of solar PV technology innovation, eyeing implementation of novel, more sophisticated projects (such as the ones utilizing battery storage), or more complex engineering structures (like floating solar), or more advanced grid composition approaches (like distributed generation), or different procurement models (such as tenders). That said, many of these pioneering projects will unlikely move forward without concessional financing, even though conventional utility-scale solar PV sectors in these same countries are fully commercial.

These innovative projects, however, have high transformation potential and will likely generate valuable experiences that will support the transition of today's centralized, fossil-fuel based energy systems into tomorrow's green, robust, resilient, and efficient energy services that can be provided to a much larger fraction of the population. As such, many of the activities in the emerging pipeline will have a potential to generate remarkable follow up pipelines of projects. Utility scale storage for example is viewed as a crucial piece to renewable energy overtaking fossil fuels by providing consistent energy levels to the grid, previously only attainable by fossil fuels.

IFC is now looking at several projects of that nature, including battery storage projects in Mexico (which is likely to move rather quickly), innovative tender projects in Egypt, and others.

Overall, after temporarily pausing, a new pipeline is emerging, built around the two tracks as discussed above. This new pipeline does contain fast-paced activities with a significant chance of reaching board approval over the next several months, for which IFC is requesting the extension of the Sub-Program board approval deadline to be able to bring them to completion.

In general, recognizing the CTF resource constraints, IFC aims at approaching the requests for CTF resources in a prudent and efficient manner. Given that IFC needs to have full certainty of availability of concessional funds fairly early in the project development process (certainly before signing a mandate letter with a client), IFC focuses on requesting the funds to support projects with high probability of crossing the finish line. For example, just this calendar year, IFC has returned USD 8.8 million under the Turkey Financial Innovation for Renewable Energy Program in March 2018 and USD 57.5 million under the South Africa Sustainable Energy Acceleration Program in August 2018, where the probability of completing projects within relative short period of time became uncertain/low.

We do, however, feel that the pipeline against this Sub-Program is fairly promising and potentially fast-moving, with a next sub-project reaching the Board approval as soon as before the end of 2018, with likely two more sub-projects delivered over the following 8-10 months.

Comment 2:

Furthermore, there is little detailed information provided on the pipeline and the readiness of these potential sub projects. As such it's very difficult to judge whether the time requested is reasonable and justified. Please could you provide further information on the pipeline?

IFC response 2:

There is a pipeline of sub-projects that are expected to be financed out of this Sub-Program. At this moment we are looking at a pipeline comprised of two projects with battery storage and at least two countries that are currently embarking on tender (reverse auction) process.

At this stage of the process IFC cannot disclose specifics on the client names, project locations, or project parties. The most advanced project, however, is expected to reach IFC Board approval as soon as before the end of this calendar year. It will likely aim at developing a utility-scale solar PV plant with battery storage of about 20 MWh size. The battery storage will allow the solar PV plant to benefit from power "firming" and mimicking the demand pattern, in addition to bringing other technical benefits, such as better ramp-up control and frequency regulation, to the plant. These benefits will improve economics of the plant but will not generate enough incremental revenue to fully offset the increased project costs due to the addition of the expensive battery storage, requiring the use of concessional funds. In the context of the favorable structure of the country's power system, the plants' battery storage will lead to lowering peak generation requirements for the entire power system, avoiding the use of peaking power generators (typically fossil-fuel based).

It is expected that one or two more sub-projects (depending on the final sizes of the sub-projects, that are currently under negotiations) will reach IFC's board approval within the first 8-10 month of the calendar year 2019.



Comment 2 Batley Waqas United Kingdom

Many thanks for providing the requested additional information. We are content to grant the request. We wish you the best with this project and look forward to its successful implementation.
Dec 03, 2018
Regards
Waqas Batley