I. PIF Information

PART I: PROJECT IDENTIFICATION

GEF PROJECT ID: 3595  PROJECT DURATION: 5 YEARS
GEF AGENCY PROJECT ID: GF/INS/09/XXX
COUNTRY(IES): Indonesia
PROJECT TITLE: Promoting Energy Efficiency in the Industries through System Optimization and Energy Management Standards
GEF AGENCY(IES): UNIDO, (select), (select)
OTHER EXECUTING PARTNER(S): MINISTRY OF ENERGY AND MINERAL RESOURCES
GEF FOCAL AREA(S): Climate Change,(select), (select)
GEF-4 STRATEGIC PROGRAM(S): CC-SP2 Industrial EE
NAME OF PARENT PROGRAM/UMBRELLA PROJECT (if applicable): REDUCING INDUSTRY’S CARBON FOOTPRINT IN SOUTH EAST ASIA THROUGH COMPLIANCE WITH A MANAGEMENT SYSTEM FOR ENERGY (ISO 50,000).
Full size project GEF Trust Fund

II. STAP Advisory Response

1. Based on this PIF screening, STAP’s advisory response to the GEF Secretariat and GEF Agency(ies): Consent

III. Further guidance from STAP

STAP consents to this Energy Efficiency Industries project of Indonesia. The project aims to promote Industrial Energy Efficiency through System Optimisation Approach and ISO standards. The project identifies the barriers and suggests five Components incorporating a large number of activities to achieve the objectives. The STAP makes the following suggestions and clarifications, which could be incorporated in the full project brief:

1. **Technological Intervention and Innovation**: The project states that energy intensive industries such as Pulp and paper, Cement, Textile, Iron and Steel etc. will be selected for intervention.

   o IPCC (2007) has highlighted a number of potential technological interventions for reducing GHG emissions in the industry sector namely; energy management systems, efficient motor systems, boilers, furnaces, lighting and heating/ventilation/air conditioning and process integration. It is not clear which of these interventions will be the focus of the project. IPCC further highlights the mitigation potential of different sectors such as; Iron Steel, Cements, Chemicals, Glass, Pulp and Paper, food etc. Each sector is likely to be large requiring large scale interventions. It is not clear which of these sector will be the focus of the interventions. Surely all sectors can not be addressed. IPCC (2007) has highlighted the policies that reduce the barriers of adoption of the cost-effective and low GHG emission technology that can be effective.

   o It is desirable to consider the cost-benefit analysis as well as cost-effectiveness ($ per Ton of CO2 emission avoided) of energy efficiency interventions for different industries, especially given the limited budget. It is unlikely that the budget is adequate to achieve systems energy efficiency for large steel mills or cement plants. Thus energy intensity criterion alone may not be adequate for selecting industries for GEF project intervention. The rationale for inclusion or exclusion of SMEs needs to be presented. The cost-effectiveness of GEF investment for large industries vs. SMEs should be considered.

   o What is the incentive for an industry to adopt ISO standard and what are the costs and benefits for the industry for adopting the ISO energy management standards. The incremental cost of
adopting ISO energy management standards is critical and needs to be considered in the project Component activities.

- Is the focus on only CO2 or CO2 + Non CO2 gases?

2. **Barrier Analysis**: A large number of human, technical, market, financial and policy regulatory barriers are mentioned in the PIF. Firstly, the incremental investment cost barrier for adopting the energy efficient systems by the industries is not included. Secondly, it is desirable to prioritise and rank the Barriers. Thirdly, the targeted project interventions to overcome the key Barriers should be mentioned.

3. **Baseline**: There is a need to project the potential spread of energy efficient systems in industries in the absence of the GEF project.

4. **Risks**: The financial risks, such as the incremental investment or operational cost and the lack of access to finance and if any unfavourable benefit-cost ratio are not considered.

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<tr>
<th>STAP advisory response</th>
<th>Brief explanation of advisory response and action proposed</th>
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<tr>
<td>1. Consent</td>
<td>STAP acknowledges that on scientific/technical grounds the concept has merit. However, STAP may state its views on the concept emphasising any issues that could be improved and the proponent is invited to approach STAP for advice at any time during the development of the project brief prior to submission for CEO endorsement.</td>
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| 2. Minor revision required. | STAP has identified specific scientific/technical suggestions or opportunities that should be discussed with the proponent as early as possible during development of the project brief. One or more options that remain open to STAP include:
   (i) Opening a dialogue between STAP and the proponent to clarify issues
   (ii) Setting a review point during early stage project development and agreeing terms of reference for an independent expert to be appointed to conduct this review

   The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement. |
| 3. Major revision required | STAP proposes significant improvements or has concerns on the grounds of specified major scientific/technical omissions in the concept. If STAP provides this advisory response, a full explanation would also be provided. Normally, a STAP approved review will be mandatory prior to submission of the project brief for CEO endorsement.

   The proponent should provide a report of the action agreed and taken, at the time of submission of the full project brief for CEO endorsement. |