



WORLD BANK CLIMATE AND CARBON FINANCE UNIT CARBON PARTNERSHIP FACILITY 2015 ANNUAL MEETING

SRI LANKA RENEWABLE ENERGY PROGRAM

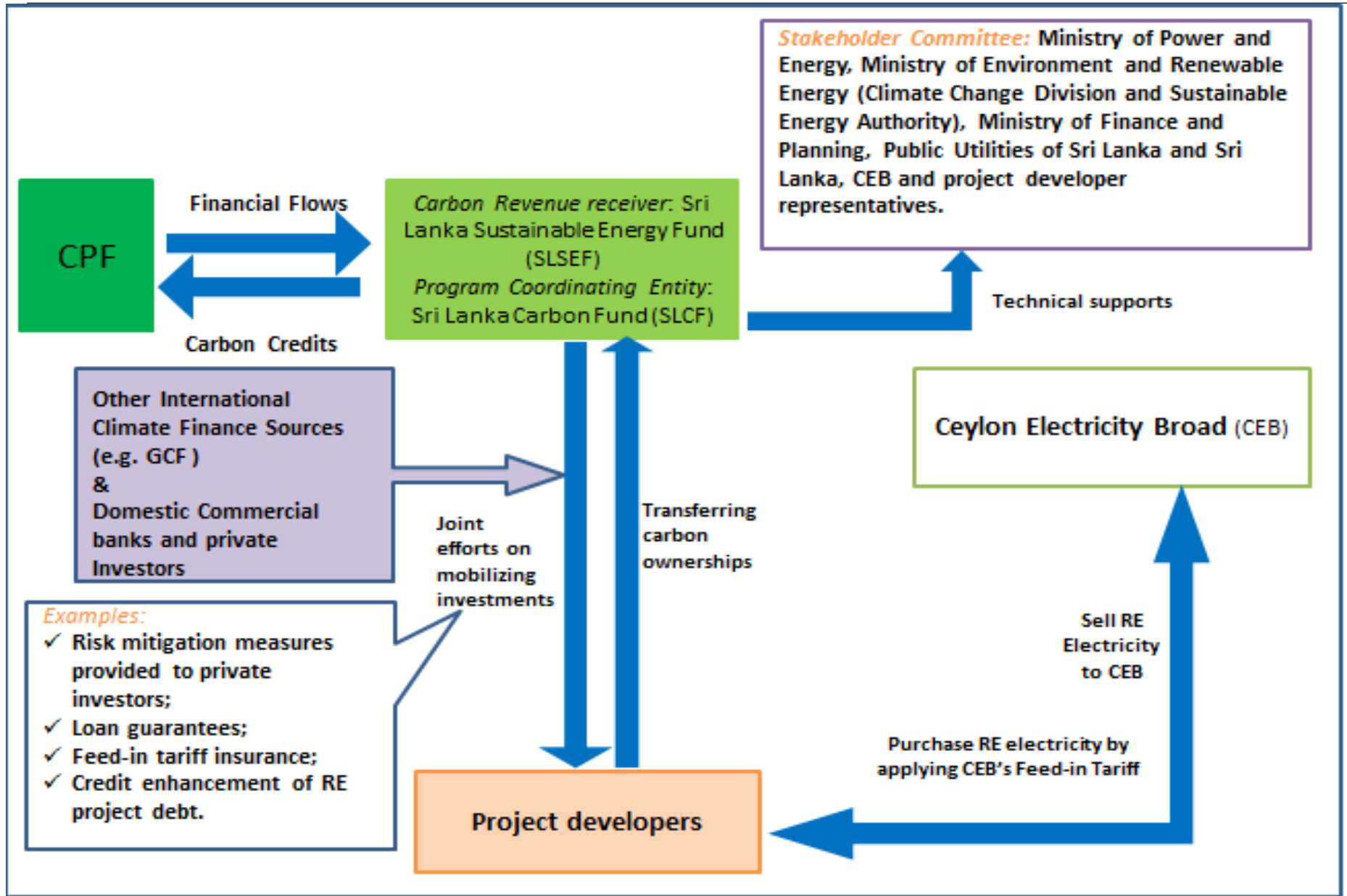
Overview of presentation

- Current context
- Program overview
- Implementation arrangements
- Role of carbon finance
- Key NMM features and size
- Achievements to date and recent developments
- Next steps and timetable

- **Current Generation mix:** 3,500 MW installed capacity – 12,000 GWh p/a; Thermal power = 1,600 MW (5,000 - 8,300 GWh); hydro = 1,400 MW (2,700 - 6,000 GWh) and NCRE = 366 MW - 9.8% (730 - 1,200 GWh - 5%)
- **Business as usual/future baseline:** Coal
- **Non conventional renewable energy sector characteristics:**
 - Sound framework, feed in tariffs and commercial finance to support NCRE;
 - NCRE project pipeline not moving: 249 NCRE projects totaling 600 MW plus additional 300 – 500 MW (pipeline not moving)
 - CEB preferences: least cost coal, high plant load factor, dispatchable plants, grid stability etc

- **Objective: Govt NCRE objective: 20% NCRE by 2020**
- **NMM objective:** Support increase in NCRE power generation above the baseline through carbon finance
- **Technologies identified:** Renewables (wind, hydro under 10MW, biomass/dendro, solar, possibly others like waste and run of river hydro (over 10MW but less than 2% of all generation))
- **Stakeholders:** Min Finance, Sri Lanka Carbon Fund, Min Power, Ceylon Electricity Board, Min Environment, Sustainable Energy Authority, Public Utilities Commission, organized private sector
- **Overall design:** Sector crediting scheme for emission reductions generated above the baseline and “own effort”
- **Financial aspects:** Public or private sector finance projects – largely based on strength of power purchase agreement with CEB, supported by commercial banks and any other climate finance becoming available
- **Institutional capacity:** Sri Lanka Carbon fund – capacity building with Bank support/candidate of National Implementing Entity for GCF

Implementation arrangements (one model)



- Channeled through Sri Lanka Sustainable Energy Fund under Sustainable Energy Authority (SEA)
- SEA will use the income to drive forward the NCRE program/address barriers and provide some of the income to NCRE power producers

- **Crediting Approach includes:**
 - **Baseline:** reflecting the projected generation of NCRE in the baseline each year without carbon finance.
 - **Setting ex ante aspirational generation targets for NCRE:** to guide longer term power planning and anticipated NCRE generation share – not binding for crediting to take place. To be monitored.
 - **Tradable credits:** Credits generated above the baseline minus a discounted percentage for own effort.
 - **ER volumes:** 226,000 (2016) to 840,000 p/a by 2022

Achievements/Recent developments (1)



- March 2015: Program Note endorsed by CPF Buyer Participants
- Sri Lanka has received support from the Bank via PPIAF to support capacity development to access GCF and for strengthening Sri Lanka Carbon Fund
- Sri Lanka is preparing Concept Note to apply for GCF readiness support
- Sri Lanka requested the World Bank to use CEB's 100MW wind farm in Mannar as a demonstration case for accessing GCF.
 - Possibly co-financed by other bilateral and multilateral funding. Expected to be commissioned in 2018.

- January 2015 elections led to a new Government:
 - (i) Ministry of Power has released a Power Sector Strategy that includes achieving energy self-sufficiency by 2025;
 - (ii) Renewable energy is expected to play a critical role in achieving the aspirational goal through increasing its share in electricity generation from 50% to 60% by 2020;
 - (iii) CEB plans to include Government's desire to achieve 20% NCRE by 2020 in its next 2015-2034 plan.

- Clarify how Sri Lanka intends to achieve targets and the firmness of the project pipeline
- June 2015: Sign MoU
- July 2015: First draft NMM note
- September 2015: Draft NMM Design Document
- October 2015: Sign Seller Participation Agreement