

GCSO comments on the project given as intervention during the 18th GCF Board Meeting, October 2017

- WE appreciate this direct access proposal brought forward by Xac Bank. Our concern with the proposal is that it does not support structural changes that would lead to a larger uptake of renewable energies in Mongolia, beyond just the one 10 MW solar power plant. In particular, the proposal spells out a number of regulatory shortcomings that hinder the development of the renewable energy sector. While the country has a generous feed-in-tariff, there are no rules regarding priority dispatch to ensure that renewable energy sources will always feed into the grid first before any fossil sources and will not be curtailed. As a condition for this project going forward, this and other regulatory shortcomings identified in the proposal should be resolved.
- We also note that the mining sector is one of the principal drivers of electricity demand growth in Mongolia. The proposal explicitly mentions the growing energy demand of the Tavan Tolgoi mine, a large open-pit coal mine. Of course, GCF resources should not be used to support electricity provision for coal mining projects. One of the objectives of climate finance has to be that fossil fuels stay in the ground.
- As far as the grant component is concerned, this should not only benefit the hiring and training of staff at XacBank, but ideally , the larger domestic financial sector by opening it to participants from other domestic financial institutions; additional trainings could also target potential project developers.
- Lastly, as the project proposal provides a gender action plan, but without any budget provisions, money from the grant provided by GCF should be also used to strengthen the gender capacity of project partners to implement the GAP. A local women's institutions such as the Mongolian Women's Fund, could provide such gender capacity TA for example.