Greening Performance Report

FOR AGREEMENT OF 4 OCTOBER 2012
ENTERED INTO BETWEEN THE MINISTRY OF AGRICULTURE, FOOD AND ENVIRONMENT OF SPAIN,
REPRESENTING THE GOVERNMENT OF SPAIN

For 2013, as of 31 December 2013

National Fund for Environmental Protection and Water Management
National Operator of the Green Investment Scheme
Climate Protection Department
Green Investment Scheme Unit
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1. Summary

1.1. Background

The Assign Amount Unit (AAU) Purchase Agreement between the Treasury of the Republic of Poland, represented by the Ministry of the Environment, and the Ministry of Agriculture, Food and Environment of Spain, representing the Government of Spain (hereinafter referred to as the “Agreement”) was concluded on 4 October 2012. The commercial value of the Agreement is EUR 40,755,080. The Climate Account of the National Fund for Environmental Protection and Water Management (NFPWM/the National Fund) acting as the National Operator of the Green Investment Scheme (GIS) was credited with the above-mentioned amount on 15 November 2012. According to the decision of the Management Board of the National Fund of 28 April 2010 on currency conversion of the funds from AAUs sales into PLN upon transfer of the EUR to the Climate Account, the funds were converted according to the following exchange rate EUR 1=PLN 4.1430; the commercial value of the Agreement constituted an equivalent of PLN 168,852,439.44.

Due to the Proceeds from the conclusion of the Agreement, the National Fund launched two new Priority Programmes: (i) “Gazelle” Programme – Low-emission municipal transport, and (ii) “Owl” Programme – Energy efficient street lighting. The Proceeds available under the co-financing for the two Programmes extend the offer for the climate protection projects financing addressed to local self-governments and economic entities acting for the self-governments.

1.2. Summary of the commitments arising from Assigned Amount Unit Purchase Agreement (AAUPA)

The Agreement imposes on the Seller a commitment to spend the Proceeds\(^3\) for Greening Activities under two eligible Greening Programmes, i.e.:

a) Greening Programme “Reducing of fuel and energy of the public transport fleet; replacement or modernisation”;

b) Greening Programme “Improvement of the external lighting energy efficiency; replacement of the lampposts together with associated equipment including lighting control system”.

Up to 5% of the Proceeds may be allocated to cover the costs of implementing the National Green Investment Scheme, including:

a) Technical assistance to eligible Beneficiaries for Greening Activities preparation and development;

b) Marketing and promotion of Greening Programmes;

c) Management, implementation and administration of the Greening Plan and the Greening Activities by the Seller or the Green Investment Scheme Operator;

d) Monitoring, verification, supervision, reporting and auditing, including external auditors and verifiers.

The Agreement specifies the following deadlines for performance of commitments:

- period of Greening Activity implementation and disbursement of the total amount of the Proceeds by 31 December 2015; possible to be extended by 31 December 2016, if following the announcement on the Call for Proposals the submitted applications does not correspond to the amount of the applicable Proceeds;

\(^2\) The report uses terms that comply with the definitions as set out in the Agreement

\(^3\)
Monitoring Period by 31 December 2015 – possible to be extended by 31 December 2017, if following the announcement on the Call for Proposals the submitted applications does not correspond to the amount of the applicable Proceeds.

1.3. Call for Proposals

The Greening Programmes listed in the Greening Plan being an Annex to the Agreement are implemented through Priority Programmes developed by the National Fund. The Greening Programme “Reducing of fuel and energy of the public transport fleet; replacement or modernisation” is being implemented as the GIS Priority Programme Part 7) GAZELLE – Low-emission municipal transport, and the Greening Programme “Improvement of the external lighting energy efficiency; replacement of the lampposts together with associated equipment including lighting control system” as the GIS Priority Programme Part 6) OWL – Energy efficient street lighting.

The procedure of Call for Proposals for co-financing under the two Priority Programmes used by the National Fund was a competitive based selection procedure according to the provisions of the Act of 17 July 2009 on the system to manage the emissions of greenhouse gases and other substances (Dz.U. 2013 item 1107) (hereinafter referred to as the “GIS Act” or “the Act”). The opinions on the documents for the two Calls for Proposals were issued by the Advisory Council (inter-ministerial advisory body of the Minister of the Environment dealing with the workings of the Green Investment Scheme) and they were approved by the Minister of the Environment.

Greening Activities were selected in line with the procedures set forth in the GIS Act. Pursuant to the provisions of the Act, the National Fund as the National Operator of the Green Investment Scheme is the entity responsible for organisation of the Call for Proposals. The provisions of the Act determine in particular that the National Operator makes a prequalification of Greening Activities intended for co-financing from the Climate Account, and then submits the list of the Greening Activities to the Minister of the Environment for approval. The Minister takes the decision on co-financing of the Greening Activities taking into account the opinion of the Advisory Council.

1.3.1 GAZELLE – Low-emission municipal transport Programme

On 31 December 2012, the National Fund announced the 1st Call for Proposals of the Priority Programme: GIS – Green Investment Scheme Part 7) GAZELLE – Low-emission municipal transport. The announcement on the 1st Call was published on the website of the National Fund4 and in a country-wide newspaper “Dziennik Gazeta Prawna”. The grant based funding allocated to the 1st Call amount to PLN 80 million, including PLN 40 million from the funds collected on the Climate Account. The grant may account for up to 100% of eligible costs of the Activity. The minimum total costs of the Activity must not be lower than PLN 8 million. The eligible applicants for the GIS co-financing are: urban gminas, municipal companies implementing tasks of urban gminas (municipalities) relative to local urban transport, and other entities providing services in the field of local urban transport on the basis of an agreement concluded with an urban gmina. The Call for Proposals was open since 1 March 2013 to 2 April 2013.

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1.3.2 OWL – Energy efficient street lighting Programme

On 31 December 2012, the National Fund announced the 1st Call for Proposals of the Priority Programme: GIS – Green Investment Scheme Part 6) OWL – Energy efficient street lighting. The announcement on the 1st Call was published on the website of the National Fund\(^3\) and in a country-wide newspaper “Dziennik Gazeta Prawna”. The grant based funding allocated to the 1st Call amount to PLN 160 million, including PLN 80 million from the funds collected on the Climate Account. The grant may account for up to 45% of eligible costs of the Activity. Applicants eligible for co-financing with the GIS grant include self-governments having a legal title to administer lighting infrastructure.

Given considerable interest of the potential applicants in obtaining co-financing from the Programme proceeds, the National Fund organised workshops that were attended by over 200 representatives of the local self-governments and representatives of consulting companies; more information on the workshops in point 7.1. The Call for Proposals was open since 1 to 30 April 2013.

2. Performance of the Call for Proposals

2.1 GAZELLE – Low-emission municipal transport Programme

The competitive Call for Proposals was conducted in two stages; applicants were required to draw up the pre-application and application for financing. Projects meeting the formal assessment criteria at the stage of pre-application were eligible for the 2nd stage of the Call, i.e. submission of the application for financing within 120 days from receiving the information on positive assessment of the pre-application. Projects meeting the formal criteria and substantive eligibility criteria were admitted to the assessment in accordance with the selection criteria. The Rules of the Call provide for development of the draft of the ranking list of Greening Activities pre-qualified for financing after completion of the assessment of all the applications for financing. The value of the Dynamic Generation Cost (DGC) indicator will establish the place of the Activity on the ranking list.

In response to the announcement on the Call for Proposals, the National Fund obtained 32 pre-applications for the total cost of applied Greening Activities amounting to PLN 656.5 million and the total amount of applied financing with GIS grant totalling PLN 643.6 million. Already at this stage of proceedings, it was stated that there is a significant probability of full allocation of the available proceeds earmarked for the 1st Call after completion of the assessment of applications developed in the 2nd stage of the Call, against the budget of the Call amounting to PLN 80 million.

The applications referred to the following measures: (i) purchase of 362 low-emission urban busses and training for drivers; (ii) modernisation and construction of a repair, maintenance and fuel stations for public transport vehicles as regards adjustment of hybrid CNG powered buses (16 applications); (iii) implementation of the city bicycle system (4 applications); (iv) modernisation and construction of bicycle path (3 applications); (v) construction of “Park&Ride” car parks (1 application); (vi) implementation of urban transport management systems (1 application). None of the applications concerned modernisation and construction of dedicated lanes for urban buses although the Programme provided for such a possibility.

Out of 32 pre-applications submitted in the 1st stage 25 were assessed positively; 7 were rejected, given failure to meet all formal eligibility criteria as per the Rules of the call. An official written notice on the result of the initial assessment was sent to all applicants.

\(^3\) http://www.nfosigw.gov.pl/system-zielonych-inwestycji--gis/konkursy/l-konkurs-gazela/
Following a resignation of one applicant, 24 pre-applications were finally eligible for the 2nd stage of the proceedings, which applied for a total GIS co-financing of PLN 545.9 million. By 25 October 2013 (date of submission of the last application), the applicants have submitted 19 applications for financing for a total amount of PLN 477 million. By the end of 2013, the applications submitted in the 2nd stage of the Call are still under assessment.

2.2. OWL – Energy efficient street lighting Programme

The competitive Call for Proposals was conducted in a single stage; the Rules of the call gave 30 days for submission of the application for co-financing from the date of starting the Call. Projects meeting the formal criteria and substantive eligibility criteria were admitted to the assessment in accordance with the selection criteria. After completion of the assessment of all the applications a draft of the ranking list of Greening Activities pre-qualified for co-financing was developed. The value of the Dynamic Generation Cost (DGC) indicator established the place of the Activity on the ranking list.

In response to the announcement on the Call for Proposals, the National Fund obtained 48 applications concerning modernisation of 94,571 light points (covering the replacement of sources of light, fixtures, igniters, power cables, poles, installation of new light points under modernisation of lighting routes, if necessary to meet the PN EN 13201 standard), installation of devices for smart lighting control, installation of controllable power reduction systems and stabilisation of the supply voltage (including 1 application submitted after the deadline) for a total cost of applied activities of PLN 265.8 million and the total amount of applied co-financing with GIS grant totalling PLN 118.3 million. As a result of formal and substantive assessment and points awarded in line with the selection criteria the National Fund developed the ranking list of activities pre-qualified for co-financing from the GIS funds. The list covered 38 Greening Activities for a total cost of PLN 211.4 million and the applied co-financing with the GIS grant totalling PLN 95.1 million. Reduction or avoidance of emission as a result of implementation of the aforementioned Greening Activities was estimated at 31,271 Mg CO2/year (Annex B.1). The aforementioned ranking list of Activities was approved by the Management Board of the National Fund on 25 September 2013 and then it was published on the website of the National Fund: http://www.nfosigw.gov.pl/system-zielonych-inwestycji-gis/konkursy-i-konkurs-sowa/.

The total amount of the non-refundable (grant based) GIS co-financing, for which applied the applicants of Greening Activities included in the aforementioned list, meant that all Proceeds arising from the Agreement and earmarked for the Greening Programme on improvement of energy efficiency of external lighting systems will not be allocated under the Call.

As a result of negotiations conducted with the applicants the ranking list of Greening Activities pre-qualified for co-financing was updated and after approval of the Management Board of the National Fund it was forwarded to the Minister of the Environment for approval as regards the Proceeds collected on the Climate Account. After completion of the negotiations with the first group of applicants, the National Fund drawn up the first partial ranking list of Greening Activities pre-qualified for co-financing from the proceeds collected on the Climate Account under the 1st Call of the Priority Programme entitled “Green Investment Scheme (GIS) Part 6) OWL – Energy efficient street lighting”. The list, including 11 Greening Activities, was adopted by the Management Board of the National Fund on 20 December 2013. The total cost of the aforementioned 11

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4 Finally, as a result of negotiations the National Fund prepared three-part lists of Activities initially eligible for co-financing covering a total of 34 Activities; the second and third list – covering, respectively, 9 and 14 Activities, were approved at the beginning of 2014.
Greening Activities is PLN 46,035,212 and grant co-financing from the proceeds collected on the Climate Account is PLN 20,715,842 (Annex 8.2).

Following a resignation of one Beneficiary, whose activity was placed on the first partial list of Greening Activities pre-qualified for co-financing, the total amount of applied grant for 33 Activities was PLN 87,948,423 against PLN 120 million earmarked for co-financing of Greening Activities under the competition and coming from the Climate Account. Not all of the Proceeds allocated to the Call were allotted, therefore an option analysis on the management of unallocated Proceeds was required for a decision to be made in 2014. Two options are being considered: allocation of proceeds unused under the OWL Programme to the GAZELLE Programme, or announcement of the 2nd Call for Proposals under the OWL Programme.

3. Description of the Greening Activities co-financed by the Proceeds maintained on the Climate Account

3.1 GAZELLE – Low-emission municipal transport Programme

The assessment procedure of the applications for co-financing under the 2nd stage of the Call for the GAZELLA Programme was not completed and no Greening Activities were selected for co-financing. Description of the co-financed Greening Activities will be presented in the subsequent Greening Performance Reports, after completion of the assessment and conclusion of co-financing agreements for Proceeds of the Climate Account. The scope of the Greening Activities covered by the applications for co-financing is presented in point 2.1.

3.2. OWL – Energy efficient street lighting Programme

The assessment procedure of the applications for co-financing was completed in the reporting period covered by this Report. The ranking list of the Greening Activities pre-qualified for co-financing from GIS proceeds was approved by the Management Board of the National Fund and the first partial list of the Greening Activities pre-qualified for co-financing was accepted on 3 January 2014.

By the end of 2013, no co-financing agreements were concluded, thus it is not possible to present a description of the Greening Activities co-financed by the Proceeds in this Report, covering the period by the end of 2013. A relevant description will be presented in subsequent Greening Performance Reports, after conclusion of co-financing agreements by the proceeds collected on the Climate Account. The scope of the Greening Activities covered by the applications for co-financing is presented in point 2.2.

4. Financial performance of the Greening Activities

In the period covered by this Report, no co-financing agreements were concluded. Information on the schedule of grant payments to the Beneficiaries and its implementation will be presented in subsequent Greening Performance Reports.

The payments from the Climate Account made in the period since 1 January to 31 December 2013, which amounted to PLN 82,093.30, came from the 5% of the Proceeds from the Agreement earmarked to cover the costs of implementing the National Green Investment Scheme. The funds paid were allocated to cover the costs of organisation of two series of workshops for potential
applicants and to cover the costs of publication of the announcements on the Calls for Proposals under the two Priority Programmes.

5. Greening Effect

5.1 GAZELLE – Low-emission municipal transport Programme

The environmental effect planned to be achieved under the Priority Programme GAZELLE – Low-emission municipal transport was estimated at 828 Mg CO₂/year. Due to the pending assessment of applications under this Priority Programme in question and due to verification of the level of the environmental effect, detailed information on the planned reduction in CO₂ emissions will be included in subsequent Greening Performance Reports.

5.2 OWL – Energy efficient street lighting Programme

The environmental effect planned to be achieved under the Priority Programme OWL – Energy efficient street lighting was estimated at 50,000 Mg CO₂/year. It is estimated that the implementation of the pre-qualified for co-financing Greening Activities included in the ranking list approved by the Management Board of the National Fund will result in total reduction or avoidance of emission by 31,271 Mg CO₂/year (the effect is proportional to the lower total grant amount). The total environmental effect of the Greening Activities included on the first partial ranking list of activities pre-qualified for co-financing transferred for the approval of the Minister in December 2013 is estimated at the level of 5,012 Mg CO₂/year. Due to the unfinished implementation of the Activities and lack of possibility of environmental effect verification, detailed information on the planned reduction of CO₂ emissions will be included in subsequent Greening Performance Reports.

6. Environmental due diligence

In case of the Greening Programme concerning the low-emission municipal transport, the Call for Proposals documents indicated the imperative to submit relevant documents confirming the valid environmental impact assessment procedure (if necessary) along with the application for co-financing. The valid procedure could be confirmed by a copy of a legally binding building permit bearing, or by a relevant statement if the requirement to conduct the environmental impact assessment procedure was not applicable. Moreover, copies of the following were considered as confirming the performance of the procedure: the decision on the environmental conditions of consent to project implementation with appendix (project description), or the decision of an authority on the lack of the necessity to prepare the aforementioned decision, and a certificate issued by a relevant Regional Director for Environmental Protection on the lack of impact on Natura 2000 sites.

In case of the Greening Programme concerning the energy efficient street lighting, the competition documents indicated the imperative to provide information on the location of the Greening Activity in e.g. a national park, buffer zone of the national park, Natura 2000 site, in a nature reserve, landscape park or in other protected area of international importance or in a health resort, etc. During the training sessions addressed to the potential applicants and organised by the National Fund, special attention was drawn to formal issues regarding environmental protection which are linked to issuance of a building permit.
7. Main Activities of the National Operator

7.1 Green Investment Scheme implementation issues addressed by the National Operator

The following comment concerns the initial stage of Agreement implementation, i.e. identification of Greening Activities for co-financing from the proceeds of the Climate Account as a result of Calls for Proposals in the two Greening Programmes covered by the Agreement.

During the assessment of pre-applications submitted under the 1st Call off the GAZELLE Programme – Low-emission municipal transport, it was stated that the most common reason for rejection of the pre-application was omission in the scope of the Activity of the trainings for drivers indicated in the Rules of the Call as obligatory measures. The quality of development of the applications for financing submitted under the 2nd stage was considered as good; it will be possible to present detailed observations and comments after completion of the assessment, i.e. in the next Report.

As part of preparations for the Call for Proposals under the 1st Call of the OWL Programme – Energy efficient street lighting, the National Operator has organised workshops for applicants. Given considerable interest of potential applicants in participation in the Programme, the National Fund has organised in its head office workshops in two rounds; they were attended by over 200 representatives of self-governments and representatives of consulting companies. The workshops agenda covered: (i) discussion of the OWL Priority Programme (aim, assumptions, budget, co-financing rate, implementation period, beneficiaries, eligible costs, selection criterion, implementation schedule); (ii) information on the Call for Proposals (deadline, scope of documents forming the application for co-financing, schedule of the Call); (iii) discussion of the issues regarding development of the financial part of the application and financial assessment of applications; (iv) discussion of the issues relating to the development of the financial and material schedule and settlements. During the workshops the employees of the National Fund provided clarifications and answered the notified questions, including those related to legal issues. In the course of the assessment of applications for co-financing, the National Fund has noted that the main problem is the fact that the applicants do not have the right to administer of the real property or movables forming the street lighting infrastructure, which enables the implementation of the Greening Activity and ensures that its effects will be maintained for at least 10 years from the date of its completion.

7.2 Other activities related to GIS management

Not applicable

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5 From 28 March 2013 to 11 April 2013
Date and signature of the person who drew up the Report: 24.6.2014

Date and signature of the persons who accepted the Report:

Date and signature of the persons who approved the Report: