Greening Performance Report

FOR AGREEMENT OF 11 NOVEMBER 2012 SIGNED WITH THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ACTING AS A TRUSTEE OF THE SECOND TRANCHE OF THE SPANISH CARBON FUND

For 2012, as of 31 December 2012

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 Agreement with the International Bank for Reconstruction and Development acting as the trustee of the second tranche of the Spanish Carbon Fund (hereinafter "the Agreement") was signed on 16.11.2012. The commercial value of this agreement is EUR 20,000,000. On 7 December 2012 the Climate Account, owned by the National Fund for Environmental Protection and Water Management acting as the National Operator of the Green Investment Scheme, was credited with the amount equivalent to the commercial value, which after currency conversion amounted to PLN 82,260,002.88.

1.2. Summary of the obligations arising from Assigned Amount Unit (AAU) Purchase Agreements

In the implementation of obligations under the Agreement, the National Fund for Environmental Protection and Water Management (NFEPWM/the National Fund) will guarantee that minimum 95% of the Proceeds will be disbursed for the purpose of Greening Projects (Projects), especially for energy management in public utility buildings in Poland.

Up to 5% of the proceeds (PLN 4,113,000.14) can be assigned to cover the costs of implementing the Green Investment Scheme, including:

   a) Technical assistance for eligible Beneficiaries in preparation and development of Greening Projects.

   b) Marketing and promotion of Greening Programmes;

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

   d) Monitoring, verification, supervision, reporting and audits, including external auditors and reviewers.

Greening Programme includes implementation of activities of energy management in public utility buildings, such as saving heat and electricity in buildings intended for modernisation. Energy management in public utility buildings includes the exchange of technical infrastructure of the building for the devices with the highest standard of efficiency, what is connected directly to the conducted thermal modernisation of these buildings.

The Agreement specifies the following deadlines for performance of commitments:

- announcement of calls for proposals - not later than 60 working days from the date of signing the Agreement,
- disbursing 25% of the Proceeds – by 31.12.2013;
- period of project implementation and spending 100% of the Proceeds – by 31.12.2015;
- period of monitoring of Projects – until 31.12.2017. The revised Final Report should be submitted to the Buyer within one hundred eighty (180) calendar days after the end of the monitoring period.

1.3. Call for proposals

The selection of applications for co-financing took place under competition procedure.

The following Table 1 shows the information on the announced calls for proposals and initial allocation of projects.
Table 1. Calls for proposals under the GIS priority programme “Energy management in public utility buildings”.

<table>
<thead>
<tr>
<th></th>
<th>2nd call for proposals</th>
<th>4th call for proposals</th>
<th>5th call for proposals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announcement date</td>
<td>30.06.2010</td>
<td>26.04.2012</td>
<td>08.08.2012</td>
</tr>
<tr>
<td>Date of submission of proposals</td>
<td>22.10.2010-03.12.2010</td>
<td>18.05.2012-31.05.2012</td>
<td>01.09.2012-01.10.2012</td>
</tr>
<tr>
<td>Number of received proposals</td>
<td>32</td>
<td>99</td>
<td>63</td>
</tr>
<tr>
<td>Number of projects selected for co-financing under the Agreement - signed co-financing agreements</td>
<td>1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Number of projects initially selected for co-financing under the Agreement</td>
<td>-</td>
<td>12</td>
<td>46</td>
</tr>
</tbody>
</table>

1st and 3rd call for proposals do not concern Proceeds from the Agreement.

Under the terms of Agreements the call for proposals should be announced within 60 days after signing the Agreement. However, due to the large number of projects that were received and positively evaluated in the calls published by the National Fund prior to the signing of the Agreement and which met the conditions set out in the Agreement, there was no reason to announce the next call for proposals.

By 31.12.2012 one project under the second call for proposal for the GIS priority programme “Energy management in public utility buildings” was selected for co-financing under the Agreement – the Agreement was signed.

1.4. Financial performance of Projects

On 31.12.2012, the value of commitments, according to the grant agreement for 1 project co-financed under the Agreement amounted to PLN 4,773,400.00. Other projects are under negotiations.

In 2012 the total funds paid in the form of the grant amounted to PLN 2,585,600.00.

1.5. Environmental effect

Under the terms of the Agreement, the Greening Effect of the implemented Projects should not exceed the level of 1:76 for each Greening Project and for the entire Greening Programme.
Table 2. Environmental effect – implementation of indicators*

<table>
<thead>
<tr>
<th>No</th>
<th>Indicator</th>
<th>According to the agreement</th>
<th>Implementation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Number of buildings</td>
<td>not defined in the agreement</td>
<td>10</td>
</tr>
<tr>
<td>2.</td>
<td>Energy savings (MWh)</td>
<td></td>
<td>3,826,010240443</td>
</tr>
<tr>
<td>3.</td>
<td>Reduction of CO2 emission [Mg/year]</td>
<td></td>
<td>1,559.66</td>
</tr>
<tr>
<td>4.</td>
<td>Greening indicator (AAU/MgCO2/15 years)</td>
<td></td>
<td>76.56.2</td>
</tr>
</tbody>
</table>

* On the basis of the co-financing agreement – other allocated projects are under negotiations.

Detailed information on the estimated environmental effect and greening indicator is presented in Annex in Table 8.3.

2. Performance of the calls for proposals

Projects co-financed from the Proceeds of the Agreement and planned to be co-financed were identified in the II, IV and V call for proposals of the priority programme “Green Investment Scheme (GIS) Part 1 – Energy management in public utility buildings.”

Information about the Project selected for co-financing is given in Annex in Table 8.1.

2nd call for proposals

The 2nd call for proposals commenced on 29.10.2010. There were 22 projects on the ranking list of projects were initially eligible for co-financing from the funds collected in the Climate Account for the total grant amount of PLN 83,298,006.31 (the ranking list approved by the Management Board of the NFEPWM on 07.03.2012.). Projects have been pre-allocated for co-financing from the funds derived from the Agreement of the sale of assigned amount units with the Japanese partner.

On the date of the announcement of the ranking list all beneficiaries declared to complete implementation of the projects by 31.12.2012. At the negotiation stage four beneficiaries applied for extension of the completion period of the investment. One of the beneficiaries, Kluczbor Poviat, which has the longest completion period, exceeded the period specified in the Agreement with the Japanese Partner and was eligible for co-financing from the funds derived from the Agreement.

4th call for proposals

In order to use the full received amount under the Agreements signed in 2011 with the IBRD, on 26.04.2012 the fourth call was announced under the GIS priority programme “Energy management in public utility buildings”. Applications for co-financing could be submitted from 18.05.2012 to 31.05.2012. The amount of funds allocated to the co-financing of projects in the form of grants, including the funds in the Climate Account was PLN 155 million.

Under the call there 99 applications were submitted for a total co-financing amount in the form of grants of PLN 122.1 million.

On 5 September 2012, the Management Board of the NFEPWM approved the ranking list of the projects pre-qualified for co-financing under the fourth call. The ranking list consisted of 80 projects. The amount of the requested co-financing for the projects included on the above-mentioned list was PLN 98,214,555.22.

Of the 80 Projects included on the list of the pre-qualified projects, 12 projects were initially eligible for co-financing under the Agreement. Other projects were identified for co-financing from other agreements with IBRD.
5th Call for proposals

On 8 August 2012 the fifth call for proposals for co-financing of projects under the above-mentioned Priority Programme was announced.

The original amount of Proceeds allocated to the co-financing of projects in this competition was PLN 35 million.

Proposals for co-financing could be submitted during the period from 18.05.2012 to 31.05.2012. 63 applications for a total co-financing amount in the form of grants of PLN 74.93 million were submitted under the fifth call.

On 19 December 2012, the Management Board of the NFEPWM approved the ranking list of the projects initially eligible for co-financing under the call. The list was divided into a basic list, which included 28 projects for a total grant amount of PLN 34,279,160.00 PLN and a reserve list of 21 projects for the co-financing amount of PLN 26,567,171.00.

From the Projects included in the list of the projects initially eligible for co-financing, 46 projects were pre-selected for co-financing under the Agreement.

The negotiations on the conditions for the award of co-financing were completed in March 2013.

3. Description of the Projects that received co-financing from the funds on the Climate Account

The projects which received co-financing concern thermal modernisation of 10 buildings:

- 8 educational facilities
- 2 self-government facilities

No negotiations were completed and no agreement under the fourth and fifth call for proposals was signed in the period covered by this Report, so it is not possible to present more detailed information. Such information will be presented in further Greening Performance Reports.

4. Financial performance of Projects

On 31.12.2012, the value of commitments, according to the agreement for the 1 Project co-financed under the Agreement amounted to PLN 4,773,400.00. Other projects are under negotiations.

In 2012, the total grant amount paid was PLN 2,585,600.00.

Detailed Information on the Project financial performance is in Annex in Table 8.2.

4.1 Cost of the projects

As of 31.12.2012, the total cost of the co-financing agreement is PLN 17,822,940.00, while the eligible cost is PLN 15,780,640.00.

No negotiations were completed and no agreement under the fourth and fifth call for proposals was signed in the period covered by this Report, so it is not possible to present more detailed information.

Transfer of Proceeds from the sale of AAUs to Beneficiaries

As of 31.12.2012, the total value of Proceeds allocated to Greening Projects is PLN 4,733,400.00.

In 2012, the total grant amount paid was PLN 2,585,600.00, i.e. 3% of the Proceeds from the Agreement.
4.3. Funds returned, unused or used contrary to the terms of co-financing agreements

In the reporting period there was no evidence that funds were spent contrary to the terms of the Greening Plan or the co-financing agreements between the National Fund and the Beneficiaries.

4.4. Use of proceeds for administrative purposes

Within the amount of 5% of the Proceeds received, which can be used to cover the costs of implementing the Green Investment Scheme as at 31.12.2012 no funds for technical assistance were spent.

5. Greening Effect

5.1. Planned Greening Effect

As a result of 1 Project thermal modernisation of 10 buildings is planned, for which the total annual energy saving equals 3,826.01 MWh.

The total value of environmental effect, in terms of avoided greenhouse gas emission for the above-mentioned Projects, is 1,559.66 Mg CO₂/year.

The aggregated greening indicator, defined in the Agreement as a number of AAUs necessary to achieve a reduction of 1 Mg CO₂ within 15 years, for 14 Projects co-financed under the Agreement amounts to 56.20, with the maximum level defined in the Agreement equalling 76.

Detailed information on the estimated environmental effect and greening indicator for the above-mentioned Projects is presented in Annex in Table 8.3.

5.2. Achieved Greening Effect

The achieved environmental effect of the projects will be confirmed after their completion, after completion of the monitoring of the full calendar year (January-December). Beneficiaries are required to prove to the National Fund the achieved environmental effect by providing verified reports prepared in accordance with "Greening Effect Estimation Method" developed by the National Fund. In the case of Greening Projects whose implementation ends during the calendar year, the partial data is collected for the given year (i.e. for the period from the day of completion to the last day of the calendar year).

In 2012, no Greening Project was completed.

6. Compliance with environmental requirements

As regards the activities concerning thermal modernisation of existing buildings, the most important environmental requirement is protection of species of birds and bats. Therefore, the instructions concerning their protection were annexed to the Priority Programme.

All Beneficiaries were obliged to abide by the instructions during the implementation of Projects.

Under the terms of the Agreement, the Beneficiaries are also required to comply with the provisions of the Environmental Management Framework for Polish regulations and IBRD requirements for environmental impact assessments.

In case of the fourth and fifth call for proposals, the Environmental Management Framework formed an Annex to the Rules of the competition. All applicants submitted a declaration on the classification of the tasks involved in a project as classified by the Environmental Management Framework.

The framework determines the categories of the projects dependent on the expected impact on the environment, and as the category C refers to the very low impact, category B refers to the low to the moderate impact.
If the conduct of the environmental impact assessment was not required by Polish law, and the Project was classified in category B with the expected low and moderate impact (below the threshold set out in Annex 2 of the Directive on Environmental Impact Assessment), the Beneficiaries were required to submit the Checklist of the Environmental Management Plan at least in relation to the tasks for which building permits had been obtained or applications for a building permit had been submitted.

For tasks in category B with a moderate impact and subject to the provisions of Annex 2 of the Directive on Environmental Impact Assessment, one should submit a full Environmental Management Plan in accordance with the requirements of the Environmental Management Framework.

In the case of the Project allocated to the second call for proposals, the competition Rules include provisions relating to the increase of the competition allocation with use of Proceeds from several AAU purchase agreements. The provisions concern making decisions on co-financing and require taking into consideration provisions of AAU purchase agreements as of the day of their making.

Therefore, for Projects from the second call for proposals the beneficiary was obliged to submit the relevant document related to the requirements of the Environmental Management Framework.

7. Main Activities of the National Operator

7.1. GIS implementation issues addressed by the Operator

By the end of 2012, the obligations of the Agreement were implemented according to the schedule.

The main threat to the disbursement of funds under this Agreement is the reduction in the value of co-financing upon settlement of the tenders for selection of contractors or settlement of works in amounts lower than envisaged at the time of signing the project co-financing agreement. The National Fund monitors the status of the use of funds and it will possibly allocate released funds for projects to be selected in the subsequent calls for proposals.

In the course of work related to the implementation of the Agreement in question, inconsistency was identified in relation to deadlines for providing the Buyer with Greening Performance Reports Plan and Final Financial Reports. In the case of the Final Financial Report, the Greening Plan provisions are inconsistent in:

- point 38 - the deadline for the submission of audited Final Report to the Buyer is **150 calendar days** after the end of the monitoring period\(^1\).
- point 47 - the deadline for the submission of each audited Financial Report to the Buyer (including the relevant Final Report) is **180 calendar days** after the end of the Reporting Period\(^2\).

In the case of the Final Greening Performance Report, the Greening Plan provisions are inconsistent in:

- point 11 - the deadline for the submission of the Final Report to the Buyer is **150 calendar days** after the end of the Monitoring Period.
- point 47 - the deadline for the submission of each verified Greening Performance Report to the Buyer (including the relevant Final Report) is **180 calendar days** after the end of the Reporting Period.

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\(^1\) As defined in point 1.1. of the Agreement the monitoring period is the period calculated from the first day on which the Buyer will pay the Contract Price to 30.06.2016.

\(^2\) As defined in point 32 of the Greening Plan, the reporting period is each calendar year during the monitoring period except the period that starts on 01.01.2016 and ends on 30.06.2016.
At the same time point 32 of the Greening Plan and points 23 and 24 of the Monitoring, Reporting and Verifying Instruction (IMRW) have provisions that may raise doubts as to their interpretation. Therefore, the National Fund is proposing to establish the following deadlines for submission of the Reports:

<table>
<thead>
<tr>
<th>Report</th>
<th>Preparation and submission to the auditor/verifier (calendar days after the end of Reporting Period)</th>
<th>Submission of audited/verified Report to the Buyer (calendar days after the end of Reporting Period)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Financial Report</td>
<td>100 days</td>
<td>180 days</td>
</tr>
<tr>
<td>Final Financial Report</td>
<td>100 days</td>
<td>180 days</td>
</tr>
<tr>
<td>Annual Greening Performance Report</td>
<td>150 days</td>
<td>180 days</td>
</tr>
<tr>
<td>Final Greening Performance Report</td>
<td>150 days</td>
<td>180 days</td>
</tr>
</tbody>
</table>

Date and signature of the persons who drew up the Report:

Date and signature of the persons who accepted the Report:

Date and signature of the persons who accepted the Report:

Date and signature of the persons who approved the Report:

Greening Performance Report for agreement of 11 November 2012 signed with the International Bank for Reconstruction and Development
### 8. Annexes

#### 8.1. Table describing the projects that received co-financing from the Climate Account

<table>
<thead>
<tr>
<th>No.</th>
<th>No. of co-financing agreement</th>
<th>Beneficiary</th>
<th>Title of the project</th>
<th>Scope of the project</th>
<th>Types of construction works</th>
<th>Timetable for implementation</th>
<th>Progress in implementing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>283/2012</td>
<td>Kluczborski Poviąt</td>
<td>Energy management in public-utility buildings on the territory of the Kluczborski Poviąt</td>
<td>Thermal modernisation of 10 buildings, including: educational and self-governmental buildings</td>
<td>Insulation of walls, flat roof insulation, installation of solar collectors, modernisation of the heating system, replacement of windows, replacement of doors, modernisation of the mechanical ventilation system.</td>
<td>2013-06-30</td>
<td>Project in progress</td>
</tr>
</tbody>
</table>
### 8.2. Financial performance of projects

| No. | Project Code | Institution | Title of the project | Total cost according to the co-financing agreement (PLN) | Total cost according to the co-financing agreement (EUR) | Legal cost according to the co-financing agreement (PLN) | Legal cost according to the co-financing agreement (EUR) | Grant amount according to the co-financing agreement (PLN) | Grant amount according to the co-financing agreement (EUR) | Net present value according to the co-financing agreement (PLN) | Net present value according to the co-financing agreement (EUR) | Process to complete the project | Process to complete the project (in %) | Total cost (PLN) | Total cost (EUR) |
|-----|--------------|-------------|----------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------------|
| 1   | 283/2012     | Kluczborski Powiat | Energy management in public-utility buildings on the territory of the Kluczborski Powiat | 17,822,940.00 | 17,822,940.00 | 15,780,640.00 | 3,504,200.00 | 4,733,400.00 | 30.0% | 2,585,600.00 | 0.03% | 2,585,600.00 | 0.03% |

### 8.3. Table of environmental effects

<table>
<thead>
<tr>
<th>No.</th>
<th>Project Code</th>
<th>Institution</th>
<th>Title of the project</th>
<th>Number of buildings covered by the project</th>
<th>Energy savings (MWh/yr)</th>
<th>Avoided emissions of greenhouse gases (tCO2e/yr)</th>
<th>Greening indicator (tCO2/15 years)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>283/2012</td>
<td>Kluczborski Powiat</td>
<td>Energy management in public-utility buildings on the territory of the Kluczborski Powiat</td>
<td>10</td>
<td>3,826.01</td>
<td>1,559.6</td>
<td>56.20</td>
</tr>
</tbody>
</table>

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1 Planned – under the co-financing agreement provisions, that can be changed during the implementation of the Project

**Greening Performance Report for agreement of 11 November 2012 signed with the International Bank for Reconstruction and Development**