September 10, 2013

Honorable Cesar Purisima
Secretary
Department of Finance
Department of Finance Building
Bangko Sentral Complex
Roxas Blvd., Manila

Dear Secretary Purisima:

PHILIPPINES: Chiller Energy Efficiency Project (GEF Grant No. TF095991)
Amendment to the GEF Grant Agreement

We refer to the GEF Grant Agreement (the Agreement) dated June 28, 2010, between the International Bank for Reconstruction and Development, acting as an Implementing Agency of the Global Environment Facility (the World Bank) and the Republic of the Philippines (the Recipient) for the above-referenced Project. We also refer to the letter from Undersecretary Rosalia V. De Leon dated July 23, 2012, and the World Bank Aide Memoire for the February 11-15 Project implementation review mission, concerning the proposed restructuring of the Project.

Accordingly, the World Bank hereby proposes to amend the Agreement as follows:

1. The terms “CER” and “Certified Emission Reduction,” wherever used in the Agreement, are replaced with the terms “ER” and “Emission Reduction,” respectively.

2. Paragraph (a) of Section I.B.1 of Schedule 2 concerning the preparation of a Project Implementation Plan is deleted, the subsequent paragraphs (b) and (c) are renumbered as (a) and (b), and all references to the “Project Implementation Plan” in the Agreement are deleted.

3. Section I.B.2 of Schedule 2 is amended to read as follows:

"2. For purposes of Part 2 of the Project, the Recipient shall procure, in accordance with the provisions of Section III of Schedule 2 to this Agreement, consultants’ services to develop and maintain a management information system to collect and process data related to each replacement of a chiller supported by a Financial Incentive, and shall use such management information system as a tool to generate all technical reports required under the Project, and to estimate the value of ER units accrued for verification by a third party."
4. Section I.C of Schedule 2 to the Agreement is amended to read as follows:

"C. Terms and Conditions Governing Financial Incentives under the Project

1. For the purposes of Part 1 of the Project, the Recipient shall apply the proceeds of the GEF Grant allocated to GEF Category (1) to provide Financial Incentives to Beneficiaries in accordance with the guidelines, procedures and eligibility criteria set out in the Operations Manual, including the following:

(a) Such proceeds of the GEF Grant shall be applied exclusively to provide Financial Incentives for the replacement of chillers with new non-CFC-based chillers, with: (i) specific energy consumption equal or lower than 0.63 kW/TR at full load; (ii) a difference of at least 0.3 kW/TR in the efficiency between the old and new chillers; and (iii) a rated capacity within 10% of the baseline capacity.

(b) Financial Incentives shall be in the form of a subsidy of 15% of the normative cost of new energy efficient chillers or 15% of the ex-works price of the new chiller, whichever is lower.

(c) the Beneficiary shall be required to provide upfront 85% of the cost of the new chiller and to forego Deferred Revenues.

(d) To be eligible for replacement under the Project: (i) old chillers must be operating regularly for not more than 15 years (the age of the chiller will be based on the historical operating hours); (ii) old chillers must be at least 300 TR and with energy efficiency of 0.8 kW/TR; and (iii) chiller replacement must have taken place on or after January 1, 2012 but before December 31, 2014.

(e) Procurement of new chillers shall be carried out by Beneficiaries in accordance with the provisions of Section III of this Schedule 2.

2. The Recipient shall provide each Financial Incentive under a Subgrant Agreement with the respective Beneficiary on terms and conditions approved by the Recipient and the World Bank, which shall include the following:

(a) that the Financial Incentive shall be a non-reimbursable grant denominated in Philippine Pesos;

(b) details of the Financial Incentive, agreed disbursement schedule and the Beneficiary's obligations;

(c) an agreement to forego all rights to Deferred Revenues;

(d) Beneficiary to allow representatives of the Recipient to have access to its existing chillers for the purpose of establishing the baseline power consumption and
(e) determining and verifying ER units accrued during the agreed period; and
(f) in either case, an undertaking by the Beneficiary to comply with the Environmental Management Framework, the Environmental Management Plans, the Anti-Corruption Guidelines and the Governance and Accountability Action Plan to the extent they are applicable.

3. The Recipient shall obtain rights adequate to protect its interests and those of the World Bank, including the right to:

(a) suspend or terminate the right of the Beneficiary to use the proceeds of the Financial Incentive, or obtain a refund of all or any part of the amount of the Financial Incentive, upon the Beneficiary's failure to perform any of its obligations under the Subgrant Agreement; and

(b) require each Beneficiary to: (i) carry out its operations with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of loan proceeds other than the Recipient; (ii) provide, promptly as needed, the resources required for the purpose; (iii) procure the goods, works and services to be financed out of the Financial Incentive in accordance with the provisions of Section III of this Schedule 2; (iv) enable the Recipient and the World Bank to inspect the goods, works and services financed or to be financed out of the Financial Incentive, its operation and any relevant records and documents; and (v) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

4. The Recipient shall exercise its rights under each Subgrant Agreement in such manner as to protect its interests and the interests of the Recipient and the World Bank and to accomplish the purposes of the Grants. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any Subgrant Agreement or any of its provisions."

5. The phrase “the indicators set forth in Annex 1 to this Schedule” in Section II.A.1 of Schedule 2 is amended to read “indicators acceptable to the Association and specified in the Operations Manual.”

6. Section II.A.2 of Schedule 2 is deleted, and the subsequent Section II.A.3 is renumbered as Section II.A.2.

7. Sections II.B.4 and II.B.5 of Schedule 2 are deleted, and the subsequent Section II.B.6 is renumbered as Section II.B.4.

8. Annex 1 to Schedule 2 is deleted in its entirety.

9. The definitions of the terms “CDM,” “CDM-EB,” “CER,” “ERPA,” “KfW,” “Option A” and “Option B” in the Appendix to the Agreement (and the reference to “Option B” in the definition of the term “Subsidy”) are deleted, and the following new definition is added in the relevant alphabetical order to read as follows, with the remaining definitions renumbered accordingly:
“‘ER’ and ‘Emission Reduction’ mean the value of carbon credits generated by energy savings resulting from the replacement of baseline chillers with new energy efficient chillers under the Project, and to be determined according to a formula of relevant carbon markets including compliance and voluntary carbon markets.”

10. The definition of the term “‘Financial Incentive’” in the Appendix to the Agreement is amended to read as follows:

“‘Financial Incentive’ means a financial incentive provided or to be provided to chiller owners under Part 1 of the Project which will be in the form of a subsidy of 15% of the normative cost of new energy efficient chillers or 15% of ex-works price of the new chiller, whichever is lower.”

All other provisions of the Agreement shall remain in full force and effect.

Please confirm your agreement to the foregoing amendments by countersigning, dating, and returning to us the enclosed copy of this letter. Upon receipt by the World Bank of the copy of this letter countersigned by you, the amendments will become effective as of the date of the countersignature, provided that the amendment set forth in paragraph 7 of this letter shall apply retroactively to the date of the Agreement.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Motoo Konishi
Country Director, Philippines
East Asia and Pacific Region

AGREED:
REPUBLIC OF THE PHILIPPINES

By
Authorized Representative
Name Cesar V. Purisima
Title Secretary
Date: September 30, 2013

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