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Sustainable Biomass Energy Project

Sri Lanka Sustainable Energy Authority, Ministry of Power & Renewable Energy, Sri Lanka

Minutes of the Project Board Meeting to discuss the implementation of the Promoting Sustainable Biomass Energy Production and Modern Bio-Energy Technologies project

Tuesday 04 April 2017 at the Ministry of Power and Renewable Energy, Conference Room, 1st Floor, Ministry of Power & Renewable Energy, 72, Ananda Coomaraswamy Mw, Colombo 07.

Chair:

Dr. B.M.S Batagoda, Secretary, Ministry of Power and Renewable Energy

Present:

Ms. Nina Brandstrup, Food and Agriculture Organization of the United Nations (FAO) Representative Mr.
Dr. Visaka Hidellage, Assistant Country Director, United Nations Development Programme
Mr. Harsha Wickramasinghe, Deputy Director General (Strategy), SEA
Mr. M.M.R. Pathmasiri, Technical Advisor, United Nations Development Programme
Ms. Tharuka Dissanaikie, Policy Specialist, United Nations Development Programme
Ms. Sureka Perera, Programme Analyst, United Nations Development Programme
Mr. Sampath Ranasinghe, Project Manager, Biomass Energy Project, Food & Agriculture Organisation
Mr. Suranga Karavita, Technical Coordinator, United Nations Development Programme
Mr. S.P. Subasingha, Programme Assistant, Food and Agriculture Organization
Ms. Ravini Karunaratne, Engineer, Sri Lanka Sustainable Energy Authority (SEA)
Ms. Apsara Katugaha, Engineer, Sri Lanka Sustainable Energy Authority (SEA)
Ms. Supunika Subasinghe, Project Assistant, United Nations Development Programme
Mr. Aruna, Lalan Energy Solutions (Pvt) Ltd, Representative

Excused:

Ms. Lovita Ramguttee, Deputy Country Director, United Nations Development Programme

I. Opening Remarks

Dr. B.M.S Batagoda, Secretary, Ministry of Power and Renewable Energy welcomed the participants.

FAO representative Nina Brandstrup emphasized the contribution of FAO to the project for the preparation of Sri Lanka Standard for producing sustainable fuel wood. Nina also stated that the PMU was able to establish 750 ha of demonstration fuel wood plantations and PMU has taken considerable effort to increase the visibility of this task among local and international community. She mentioned that according to the last board meeting FAO has taken necessary actions to revise the budget and work plan of the FAO component until end of July 2018 in order to deliver sustainable outputs through the project.

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Sustainable Biomass Energy Project

Sri Lanka Sustainable Energy Authority, Ministry of Power & Renewable Energy, Sri Lanka

Dr. Vishaka Hidellage, Assistant Country Director, UNDP mentioned that the project hopes to collaborate with China to address an immediate requirement in the supply chain to setup a biomass energy terminal. She also explained that the project faced public protests in setting up the biomass energy terminal at Kurunegala. A meeting with the Deputy Minister was held to expedite the selection process for an alternative piece of land. The necessary clearance for the site at Galle has been issued by the CEA, and awaiting necessary approval from Ministry of Industry and Commerce who owns the piece of land in Galle. She stated that a new request for proposal has been published to setup the next three energy terminals. A database was developed by the PMU for all stakeholders of biomass and it will be launched around midyear. She concluded saying that the focus of the project for this year is mainly getting the biomass energy terminal into operation, conducting workshops and trainings to all stakeholders of the supply chain and getting the Inter-ministerial committee on Renewable Energy appointed.

II. Presentation of Project Progress and Discussion

Mr. Sampath Ranasinghe, Project Manager of the Biomass Energy project presented the project achievements since the last project board meeting and the Work Plan for Quarter 1 of 2017. Project Manager presented financial and physical progress of the project in year 2016.

I. Record of Discussion

Mr. Sampath Ranasinghe pointed out that the project was able to incorporate biomass energy sector in the energy policy launched in year 2017. Also obtaining necessary approvals for the Sri Lanka SLSI Standard 1551 was an achievement of the project. Ministry of Plantation Industries has drafted a common circular for Timber/Fuelwood harvesting. Also he stated that the training needs assessment was completed. He explained that the project was able to launch 750 ha of demonstration fuelwood plantations. Dr. Batagoda suggested to add smaller private sector entrepreneurs for the demonstrations of fuel wood plantations through selected national entities like Forest Department, Coconut Cultivation Board, etc.

Dr. Batagoda inquired about the contribution and performance of Lalan Energy Solutions (Pvt) Ltd regarding the project activities. The Biomass project team stated that Lalan Energy Solutions (Pvt) Ltd was not able to complete the expected deliverables on time. Ms. Tharuka Dissanaikie explained that although there was a lot of interest at the pre-bid meeting when the Request for Proposals was published, only few companies actually submitted proposals. As a result, only Lalan Energy Solutions got technically qualified. Dr. Batagoda stated that the project management should give an ultimatum to the contractor and consider about contract termination of Lalan Energy Solutions (Pvt) Ltd if they do not follow the terms and conditions of the contract. He insisted that more opportunities should be given to smaller companies/young entrepreneurs to perform and contribute to the outcomes of the project.

The Project team explain to the project board that a Chinese company named Great Resources which the project team visited during the China Study Tour has expressed interest in investing in Sri Lanka to develop the biomass energy related projects in collaboration with the Coconut Cultivation Board (CCB). The

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Sustainable Biomass Energy Project

Sri Lanka Sustainable Energy Authority, Ministry of Power & Renewable Energy, Sri Lanka

relevant official communications were sent to the investor through official channels of the Sri Lanka government and Chinese government.

The meeting participants discussed about the sustainable fuel wood supply chain model. Dr. Batagoda stated more funding options, such as bank loans should be available to the suppliers. Ms. Tharuka Dissanaikie, Policy Specialist, UNDP noted that the banks are risk averse about the energy terminals. Dr. Batagoda mentioned that new technology and user friendly small scale machinery should be introduced to the sustainable fuelwood production process, especially at the farmgate level of the ongoing pilot growing models. He suggested that the project should sign an agreement with a small private sector company and apply the fuelwood supply chain model to optimize the production process. He suggested to contract a small scale company as a pioneer and SLSEA to guarantee the supply and quality which can be improved in the long run. If a successful example could be set, other companies will be keen to replicate the model.

Mr. Sampath Ranasinghe stated that the project was able to design a database which can be accessed by the stakeholders (suppliers, depots, land owners, investors etc.) of the project. The database is intended to provide real time information to all users. The database will contain details such as wood types, species, available locations, end-users and growers. He also noted the project's plan of launching the SLSI standard on the International Environment Day.

Further, project board has addressed the issue of leveraging raise to funds to establish a guarantee facility to support industries to facilitate the financial/loan support from the financial institutions for implementing biomass related industries. Project staff indicated based on the discussions had with UNDP-RAP officials visit in February that if the government can allocate funds to establish a guarantee facility, there will be good potential to get funds from the Green Climate Fund. The project team will consider prepare a proposal to GCF in consultation with SEA.

Also, the project board discussed about the continuity and sustainability of the project activities and Dr. Batagoda requested UNDP and FAO to develop a second phase of the project with relevant partners with immediate effect.

Mr. Sampath Ranasinghe also presented the highlights of the 2017 work plan. Conducting a transport related study, developing fuelwood standards for industrial thermal use, developing a pricing formula for fuelwood, operationalizing pilot fuelwood terminals and launching the SLSI Standard for sustainably produced fuelwood are some of the important project plans for year 2017.

II. Summary of Decisions and Action Points

- Mr. Sampath Ranasinghe informed the project requirement of co-financing. The project has requested Rs.70 Million from the government through the Ministry of Power & Renewable Energy. He inquired whether SLSEA would be able to fund it until the Treasury releases the

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Sustainable Biomass Energy Project

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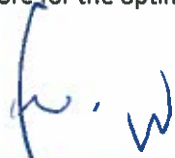
required funds. Dr. Batagoda instruct SLSEA to allocate requested co finance to the Project to meet the requirements.

- As the project starting was delayed the project will be officially ending on 31 July 2018. No project extension is required. As unanimously agreed by the project board, end date of the FAO component has also been aligned with the UNDP end date 31 July 2018.
- The project management should give an ultimatum to the contractor and consider about contract termination of Lalan Energy Solutions (Pvt) Ltd if they do not follow the terms and conditions of the contract. More opportunities should be given to smaller companies/young entrepreneurs to perform and contribute to the outcomes of the project.
- Add smaller private sector entrepreneurs for the demonstrations of fuel wood plantations through selected national entities
- Introduce new technology and user friendly small scale machinery to promote sustainable fuelwood production process, especially at the farmgate level of the ongoing pilot growing models. And the project should sign an agreement with a small private sector company and apply the fuelwood supply chain model to optimize the production process.
- As advised by the project board, UNDP and FAO agreed to develop a second phase of the project and begin working on a concept note for the same with relevant partners.

III. Concluding Remarks

Dr. Batagoda emphasized the importance of the involvement of small scale private sector companies/young entrepreneurs for the project. He insisted that small scale companies will be able to contribute more for the optimization of the biomass supply chain model.

Approved:


Dr. B.M.S. Batagoda
Secretary
Ministry of Power and Renewable Energy

Date: 05.05.17

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