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UNITED STATES OF AMERICA



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Energy and Environment Project Mongolia

Mongolia's Energy and Environment Project is designed to address severe air pollution in the capital city of Ulaanbaatar. Air quality in the capital has deteriorated due to rapid rural to urban migration, coal-burning power plants, inefficient coal-fired household stoves, and inefficient coal-fired heat-only boilers that warm large buildings. The high levels of pollution affect air quality and the health and productivity of Ulaanbaatar's residents.

In January 2010, MCC approved \$41.5 million to address air pollution through four activities:

The **Millennium Challenge Energy Efficiency Innovation Facility** (\$33.4 million) provides a partial consumer subsidy for the purchase of energy-efficient products and appliances. The products—which include household stoves, insulation and entryway vestibules for traditional *ger* homes—were chosen based on tests that demonstrated their ability to produce significantly lower emissions. Millennium Challenge Account-Mongolia, which is implementing the compact, contracted with local banks to establish product centers where people could see product demonstrations, learn about microfinance opportunities and purchase the products at subsidized rates. Product sales ended in November 2012, though MCA-Mongolia continues to collaborate with the United Nations Development Programme on the construction and subsidized sales of a limited number of energy-efficient homes.

The **Public Awareness Activity** (\$2 million) was designed to raise awareness and demand for the energy-efficient products supported through the project. The activity included an informational campaign on the improved performance, benefits and functionality of the energy-efficient products. The activity also included a broader goal of raising awareness about energy efficiency and renewable energy and their role in air quality improvement.

The **Greening and Research Activity** (\$650,000) was added to the project in April 2013 to acknowledge ongoing small grants activities aimed at improved air quality by increasing the amount of green space per capita and support for small applied research activities that might generate an expanded knowledge base about the nature of and solutions to the air quality problem in Ulaanbaatar.

The **Wind Activity** (\$3.6 million) addresses air pollution from the city's combined heat and power plants. It provides \$2.8 million for upgrades necessary to incorporate wind power into the national grid. Another \$800,000 targets temporary tariff subsidies and allows for cost recovery until the gap is bridged between current consumer tariffs (which are below full-cost recovery) and planned consumer tariffs intended to recover the cost of power from the Salkhit Wind Farm. The introduction of renewable energy into the national grid is intended to displace an equivalent amount of coal-fired generating capacity and its associated emissions.

Energy-efficient stoves sold: 97,786

Ger insulation sets sold: 19,002

Ger vestibules sold: 4,660

Energy-efficient homes sold: 100

Heat-only boilers replaced: 15

Substations upgraded: 1