

CLIMATE INVESTMENT FUNDS

CTF INVESTMENT PLAN

Indonesia

Indonesia has made a strong economic recovery from the 1997 financial crisis. This strong economic performance has resulted in an annual 5.2 percent increase in primary energy consumption, the supply of which is dominated by fossil fuels.



At the same time, the Government is committed to mitigating climate change, reducing the local environmental impacts of its growing energy use and diversifying the country's fuel mix. The Government is launching a multi-year policy and investment program for low-carbon growth, as outlined in its National Action Plan for Climate Change and its 2008 Development Planning Response to Climate Change.

Through the program, the country will develop 10,000 megawatts (MW) of electricity generation capacity by 2014 through a plan predominantly focused on renewable energy, particularly geothermal.

The Government has identified GHG reduction priorities in the energy sector, including energy efficiency, particularly in the industrial sector; renewable energy for power generation, primarily geothermal, but also including biomass; and low-carbon transport, especially public transport, vehicle efficiency improvements, and clean fuels.

The CTF Investment Plan supports a broad programmatic approach that includes policy dialogue, capacity building and advisory services and transformational investments in energy efficiency and geothermal power development, while the transport sector is proposed for a possible Phase 2.

Scaling Up Geothermal Power

Indonesia has the largest geothermal energy potential in the world. Geothermal energy serves as an ideal renewable base-load source that would directly displace an equivalent need for future coal-fired power plants.

INDONESIA CTF INVESTMENT PLAN

CTF financing: **\$400 million**

Co-financing: **\$2.7 billion**

PROJECT APPROVALS

Geothermal Clean Energy Investment Project

CTF Approval Date: Dec '10

CTF financing: **\$125 million**

Co-financing: **\$689 million**

Partner MDBs: **World Bank**



In an effort to nearly quadruple its current geothermal capacity, Indonesia will undertake a program to significantly scale up geothermal power development, with support from CTF financing. The CTF Investment Plan will address additional costs of geothermal power so that these investments become viable and reduce resource related risks in the early-stage of geothermal development that can be a barrier to the financial viability of development.

CTF support will have a transformational impact, substantially bending Indonesia's emission growth curve. These CTF supported investments will also help establish benchmarks for cost and performance for improved sector policy reforms, promote institutional learning, and economies of scale that could reduce, over time, the cost of geothermal development.

Promoting Renewables and Energy Efficiency

CTF financing is designed to support risk sharing facilities and mezzanine financing with participating state-owned or private commercial banks to increase access to financing for small and medium enterprises and to cover the incremental risk premium of energy efficiency and renewables investments. The Investment Plan may also provide direct lending to large end-users to reduce the cost of financing.

CTF support will transform the outlook of the Indonesian banking sector towards commercial energy efficiency and renewables activities, and create a substantial financing market linking banks with firms interested to finance energy efficiency and renewables projects.

Experience from other countries, such as Russia and China, demonstrates that energy efficiency investments produce high rates of return for firms and are relatively low risk for banks—and therefore can support significant financial leverage.

Indonesia's climate change goals

The Government has committed to reducing greenhouse gas emissions by 26 percent by 2020, and to make a further reduction of up to 41 percent with international support. The Government has also pledged to provide 17 percent of total energy use from renewable energy (RE) and improving energy efficiency (EE) by 30 percent from business-as-usual by 2025.

What is the CTF?

The Clean Technology Fund (CTF) is a multi-donor trust fund created in 2008 as part of the Climate Investment Funds (CIF) to provide scaled-up financing for the demonstration, deployment and transfer of low carbon technologies that have a significant potential for long-term greenhouse gas (GHG) emissions savings. CTF resources amount to approximately \$4.5 billion (based on exchange rates on the initial CIF pledging date of September 25, 2008) pledged by contributors (Australia, France, Germany, Japan, Spain, Sweden, United Kingdom, United States). The CTF supports a selected series of investment plans that meet the criteria of significant GHG emissions savings, demonstration potential at scale, development impact and implementation readiness.

