

From: stumiwa@adb.org  
To: jasso@worldbank.org  
Cc: "Haru Ohtsuka" <haruhisahtsuka@gmail.com>, Lisa Da Silva <Lsilva@ifc.org>, mjayawardena@worldbank.org, tbrown2@worldbank.org, ptharakan@adb.org, rkausar@adb.org, rkhanna2@worldbank.org, Pblissguest@worldbank.org  
Date: 03/05/2010 02:41 AM  
Subject: Re: Fw: Investment Plan for Indonesia

Joumana,

Please see response from the Indonesia CTF Team:

The UK has posed a pertinent issue and we thank them for this opportunity to address this very important question regarding the types of biomass projects that may be supported through the proposed Financial Sector Transformation for Energy Efficiency and Renewable Energy program.

The Indonesia team believes that Indonesia enjoys significant potential to reduce the use of fossil fuels through better use of biomass wastes from the numerous plantations and farms, and this potential is fully documented in a recent study commissioned by IFC Indonesia.

The biomass we refer to in the CIP are currently treated as waste, and are either burned or left to rot, causing environmental problems in the form of carbon and methane emissions.

While realizing the potential benefit, the team is equally aware that there is the potential for overuse of biomass in generating electricity, and we are specifically aware of and will ensure that CTF resources will not be used for the diversion of food production to energy generation and that forest will not be cut down to open land for biomass.

The Program intends to work with financial institutions (FIs) that would finance only biomass/biogas projects that are deemed sustainable through a careful selection of the project sponsors. In this sense, the Program would require FIs to work only with end-clients that demonstrably adhere to sustainable principles and practices in their operations, evidences, for example, by membership in the Roundtable on Sustainable Palm Oil (RSPO).

The team believes that the kinds of initiatives that IFC is suggesting in the CIP would encourage and promote sustainable practices among plantation companies and small farmers, and reward companies that actually abandon presently common, unsustainable practices.

Best regards,

Samuel Tumiwa (on behalf of the Indonesia CTF Team)

Samuel Tumiwa  
Principal Planning and Coordination Specialist . Regional and Sustainable Development Department  
Asian Development Bank . 6 ADB Avenue, Mandaluyong City . 1550 Metro Manila, Philippines  
tel: (63-2) 632-6624 . fax: (63-2) 636-2198





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From: "Simon Ratcliffe" <S-Ratcliffe@dfid.gov.uk>  
To: <cifadminunit@worldbank.org>  
Date: 03/02/2010 06:15 AM  
Subject: RE: Investment Plan for Indonesia

Dear Admin Unit,

With regard to the Indonesia Investment Plan, please can you provide more detail and clarification on the types of biomass projects that are envisaged through the financial support to this sector. There is a danger that the large scale production of energy through the use of biomass could compromise soil fertility and endanger forests.

To support healthy plant life soil must contain organic matter. As organic matter breaks down in soil nitrogen, phosphorus, and sulfur are released. Organic matter is the main source of energy (food) for microorganisms. A higher level of microbial activity at a plants root zone increases the rate of nutrient transfer to the plant. As the organic matter decreases in soil so does this biochemical activity. Without organic matter, soil biochemical activity could stop.

In addition to being a storehouse of nutrients, decaying plant matter keeps soil loose, helping soil remain both porous and permeable as well as gaining better water holding capacity. This is not only beneficial to plant growth but is essential for soil stability. Soil becomes more susceptible to erosion of all types as organic matter content is reduced.

The value of returning organic matter to the soil has been well-known to farmers since the earliest days of agriculture. Crop residues and animal waste are tilled back into the soil to promote fertility.

Similar economic damage could occur in the forest products industries. Dedicating acreage to servicing biomass wood burners denies its use for lumber or paper.

Ultimately, the consumer will shoulder the loss in the form of higher prices for forest products.

As available sources of forest biomass near the new power plants diminish, clearcutting and conversion of native forests into biomass plantations could occur, resulting in the destruction of wildlife habitat with serious consequences for forests.

Are we creating a new sector that will need ever increasing amounts of biomass to sustain it, creating a new problem rather than solving an existing one?

Regards

Simon

Simon Ratcliffe | Energy Advisor | Low Carbon Development Team | Policy and Research Division | UK Department for International Development (DFID) | One Palace Street | LONDON SW1E 5HE | Tel +44 (0)20 7023 1626 |

[S-Ratcliffe@dfid.gov.uk](mailto:S-Ratcliffe@dfid.gov.uk) / [www.dfid.gov.uk](http://www.dfid.gov.uk)