

Dear Patricia,

I've been checking my emails and can't find a record of having sent you our key points on the four investment plans discussed by the CTF tfc in March - so for the record and putting on the password protected site here they are. I hope they will be useful to the teams developing the specific projects. Apologies if I have indeed already sent these.

Best wishes

Greg



UK comments on investment plans Ukr Indo Col Kaz.doc

UK comments on CTF investment plans prepared for Manila 15/16 March 2010

Ukraine

- This reworked plan is a significant improvement on the earlier version. However, we continue to have concerns over allocating CTF finance given Ukraine's macro-economic situation.
- So long as Ukraine's IMF stand by arrangement remains off-track we would not support budget lending and would only support project lending where there is a very good track record, the funds are very well targeted and they are not designed to alleviate funding constraints caused by the currently very tight fiscal situation in Ukraine. Even then we question the likely rate of uptake given that borrowers will have to repay loans in US\$. With CTF finance constrained we are hesitant to tie up money making provision for loans that may well move only slowly.
- The explanations of how initial CTF-supported investments will lead to scaling up of the measures in the Plan are still not detailed enough – especially with respect to energy efficiency and power from the gas network.
- We do not find the case and rationale for smart grid investment through CTF funding to be a strong one. The plans for renewables expansion – even if realised in full – will not present a particularly unique challenge for the Ukrainian power system. The share of renewables projected for 2020 remains modest (around 10%) – and should be manageable within a well functioning standard power grid.
- For renewables, there is talk of a 'virtuous feedback loop' from initial CTF investments, but it is unclear how this will be achieved. There is little detail on the policy and regulatory changes that would be made that would promote further diffusion of wind and other renewable technologies. A few areas are discussed, such as ensuring that wholesale power market reform is designed to incorporate wind farms. There also seems to have been difficulty agreeing financial incentives for renewables in Ukraine – but these have now been agreed as 'green tariffs'. The Plan does not, however, give enough information on implementation.
- Similarly, the policy detail on energy efficiency is rather thin. It is not clear how the scale up will be achieved from direct annual savings of around 3 million tonnes of CO₂ to 30 million tonnes of CO₂ saved per year by 2020. Price reforms may help, as might other measures mentioned – but in the absence of more detail, it is not possible to judge this.

Indonesia

- We share the emphasis placed by a number of others on the importance of transparency and the pricing and regulatory regimes. There are a number of policy developments yet to be finalised, some of which may be critical. These include energy pricing – for example, will there be favourable feed-in tariffs for geothermal and other RE-generated electricity?
- The description of the EE and RE components in the investment plan could be strengthened. In particular we would like clarification of the transformational potential of the EE and RE components – what, for example, are the planned targets?
- The use of RE for basic needs and reference to the MDGs is also welcome. However, in general the developmental aspects and benefits should be clearer and should be quantified. For example, although there is mention of stimulated local industry, particularly for EE and RE technologies, as the markets expand it is not clear to what extent Indonesia already has some industrial base in these areas and in what ways broader industrial policy is enabling.
- We welcome the inclusion of the geothermal component and recognise that the development of Indonesia's geothermal energy resources could lead to transformational change within its energy sector and in geothermal globally. It is, however, not clear exactly how this scale up will be achieved.
- We would like greater clarity on the use of biomass to produce energy. We must be particularly careful not to set up perverse incentives so we need assurance that any biomass projects would not be creating the conditions for further deforestation and loss of biodiversity. We therefore note the importance of each of the MDBs applying its safeguard policies, including environmental safeguards.

Colombia

- We note that CTF has a 1:20 leverage or, put alternatively, is only around 5% of the overall financial package. What is it about the CTF finance that will make a transformational difference – given that a sophisticated BRT public transportation system is already in place – and how will scale up happen?
- A number of development benefit are identified, but the plan could say more about how these will be quantified and be clearer on how low income groups will benefit. What will be the developmental indicators? Where will the buses be procured from - will they be locally manufactured or will they be imported? This could be a job creating opportunity.
- The CTF is now financing several mass rapid transport urban programmes. Recognising the importance of the CTF as a programme designed to learn lessons how will the lessons learned from Mexico, Cairo, Thailand etc., be shared?

Kazakhstan

- Energy pricing is critical understanding how these investments will be transformational. However, the overarching discussion of policies to support renewable energy and energy efficiency investments – particularly those that the CTF funding is expected to catalyse rather than directly fund – is brief and general. It is difficult to understand how the legislation mentioned will help, and it is therefore difficult to evaluate the potential contribution to scaling up.
- In terms of prioritising within the investment plan we would single out those components with clear development benefits (most obviously the district heating modernisation where low/middle income urban residents will be the main beneficiaries).
- The fourth project component – on lending for small energy efficiency and renewable energy projects is not analysed in sufficient detail for us to be able to evaluate. A key omission is any estimate of the impact of CTF funding (directly or indirectly) on outcomes, including carbon emissions. The analysis of policies that would facilitate scaling up is not sufficiently detailed to make a judgement about their adequacy.
- We welcome the explicit comment that there has been public consultation on the investment plan.
- Grateful for clarification of the column headed 'Others' in Table 5 (CTF financing plan for Kazakhstan) on p24 of the investment plan. What sort of financing is this?