

April 8, 2013

Comments from Spain and Sweden on Approval by Mail: Revision of the Investment Plan for Indonesia

Dear CTF Team from Indonesia and MDB's,

please find attached our joint Spanish and Swedish comments on the above mentioned Revised Investment Plan for Indonesia.

Kind regards
Aize Quemada

CTF Revision of the Investment Plan for Indonesia: Spanish- Swedish Comments

First of all, we want to thank the GOI and MDBs involved with the CIP for Indonesia for the valuable work done in revising and updating the IP. We find it is crucial to remain flexible and active in adapting the projects/plans to a changing environment. Furthermore, we welcome the efforts done regarding the involvement of other relevant stakeholders in the review of the implementation status.

We also find the higher involvement of the private sector very positive, as private sector investments are crucial for ensuring the sustainability of climate change financing, especially in the long run. In this particular case, it is also crucial that this shift of funds to private sector channels will accelerate the implementation of projects.

We welcome the revision and are pleased to endorse the revised Investment Plan for Indonesia.

That said, we would like to have some clarification regarding the following points:

- In the revised IP, CTF cofinancing is supposed to be able to achieve greater leverage of commercial financing. More concretely, the revised IP expects "other cofinancing" to reach US\$ 4,225million, in comparison with the US\$ 1.100million private flows in the original IP. It is a very important increase and we wonder if it is not too optimistic. We would like to have some clarification about the ways these new funds are going to be leveraged.
- In this regard, a wider variety of financing instruments and modalities are going to be used. We would also like to have more details about these "new" financial instruments that are going to be used.
- We also see that MDBs cofinancing decreases substantially. We would like to understand the rationale for this change.
- The revised IP refers also to the proposal of the IFC to shift a portion of funds from financial sector transformation for EE and RE to private sector geothermal investments. In this regard, we would like to know more details regarding the actions that are not going to be taken. Financial sector development and preparedness to be able to deal with new investment in EE/RE is of paramount importance. On the other hand,

geothermal private investments have already being reinforced in the revision of the IP.

- One of the major changes that have driven to the revised investment plan is the change in various pricing structures in the energy field. We understand that fixed off-take tariffs are necessary to attract private investments, but the effectiveness of this measure depends on how long these tariffs are going to be maintained. We would like to know more about the political support for the maintenance of these new pricing structures in the future, as the whole scheme depends on this fact.