

April 12, 2013

**Comments from WRI on Approval by Mail: Revision of the Investment Plan for  
Indonesia**

Dear Patricia,

Please find attached a submission of comments on the revision of the Investment Plan for Indonesia, circulated March 21, 2013. We are submitting this comment on behalf of WRI's partner organization on electricity governance in Indonesia - the Institute for Essential Services Reform - and in our capacity as CTF developed country CSO Observer.

Thank you for the opportunity to comment.

Best,  
Milap Patel

Jakarta, 12 April 2013

**CTF Trust Fund Committee**

Re: Comments on the CTF Revision of Investment Plan of Indonesia

Dear Sir/Madam,

Based on the Revision of the Investment Plan for Indonesia, the Institute for Essential Services Reform (IESR) would like to make several comments as a member of Indonesian civil society and the World Resources Institute's partner on electricity governance in Indonesia:

1. The revised IP emphasizes geothermal development with an ambitious target to finance about 1900 MW capacity. Despite the vast geothermal potential as well as strong policy and regulatory support and incentives (e.g. feed in tariff for geothermal) provided by the Government of Indonesia (GoI), the development of geothermal still faces a number of challenges. These include the risk and uncertainties around exploratory drilling, the credibility of local government issued tenders, and the issuance of various permits and licenses from local and national government. Moreover, since more than 42% of potential geothermal capacity (12 GW of 29 GW) is located in forest protected and conservation areas, additional regulatory requirements (e.g. permits and licenses) will make the development process lengthy and complicated. As a result of these uncertainties, the private sector in Indonesia considers geothermal development in Indonesia risky. The manner in which the revised IP addresses these challenges and risks is not clear in the document, but we believe that the challenges will not be easily resolved in the next 3 years and will require substantial policy and regulatory reform as well, which is not currently programmed into the revised IP.
2. By contrast, other renewable energy technologies and energy efficiency opportunities are emerging. While non-geothermal RE has developed at a slower pace than geothermal in the past, in recent years the development of biomass, waste-to-energy, mini-hydro and solar PV projects have picked up significant pace. There are a number of private sector projects in the pipeline that would benefit from CTF assistance. For instance, USAID ICED's program has more than 100 RE (biomass, waste, and mini-hydro) projects that require financing. PLN, the state-owned power company, is planning a 'thousand islands RE project' that, in the first phase (2013-2017), will install 300 MW of solar and mini-hydro with World Bank and KfW financing. In addition to PLN's existing plan, an additional 300 MW could be added in the next three years if financing were available. The development of small and medium size RE projects would help the penetration of RE technologies and the transformation (and diversification) of Indonesia's RE market. We suggest that the MDBs should diversify the portfolio of RE technologies in the revised IP to hedge risks that the geothermal components present.
3. We are also concerned with the application of safeguard mechanisms to the private sector geothermal projects, considering the shift of public to private sector financing in the revised IP and the sensitivity of many potential project sites. While private sector organizations may be reluctant to adopt and implement MDB safeguard policies due to the complicated processes that might increase the perceived risk of the project, as a member of Indonesia's civil society, we want to avoid adverse environmental and social impacts, and hope to see coherent and strong safeguards applied. This should be clearly

emphasized in the revised IP in order to guarantee that all stakeholder concerns are addressed.

We thank you for consideration.

Sincerely Yours,

Fabby Tumiwa

Executive Director, Institute for Essential Services Reform