

April 3, 2014

**Comments from Germany on Approval by mail - Mexico: Geothermal Financing
and Risk Transfer Facility (IDB) CTF**

Dear Patricia, dear all,

We welcome IDB's initiative to promote geothermal energy in Mexico under the CTF framework and want to encourage IDB to closely cooperate with other donors and financiers in the region. The approach seems to be well tailored to the requirements of Mexico's comparatively mature geothermal sector which nevertheless so far has been lacking suitable risk mitigation mechanism in order to mitigate the upfront resource risk during the early exploratory drilling stages and suitable financing mechanisms for later stage drilling at scale. We also appreciate the assistance of IDB to the GoM to work towards the establishment of a suitable geothermal energy regulatory framework, specifically the development of a geothermal energy law.

GER approves IDB's program proposal "Mexico: Geothermal Financing and Risk Transfer Facility" subject to the understanding that the loans that are convertible to grants will be sourced from grant contributions, implicating that losses resulting from the use of this instrument will be borne by grant contributions (in the same manner as e.g. project preparation grants).

Kind regards,

Frank

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