

December 4, 2013

Comments from the United Kingdom on Approval by mail: Indonesia: Geothermal Electricity Finance (IGEF) Program (IFC) CTF

Dear Patricia,

Relating to this project, we agree with the comments and requests for additional information made by France.

The UK has the following questions for the project team relating to this proposal:

Expected Results

1. Could you clarify which is the figure will be used to report for the CTF results?
2. Can you clarify why the other 50% of the funding will only buy up to another 340MW?

CTF investment cost/tonne

3. At the Oct TFC meeting there was a decision that each proposal needs to report on the cost-effectiveness of projects in the following ways:
 - a) In addition to CTF investment per ton of CO₂-equivalent reduced, an estimate of total project costs (CTF investment plus co-financing) per ton of CO₂-equivalent reduced should also be provided.
 - b) In addition to the above, CTF proposals will provide an analysis, where applicable and feasible, of the expected reduction in the cost of the technology due to technological progress and scale effect at a global level, and/or through organizational learning and scale effects at the country level.

This analysis (or rationale for why it is not possible) has not been provided.

The proposal has given an estimate of the cost effectiveness: "Based on the above calculations and an expected Program cost of US\$50 million the implied direct GHG reductions per CTF US dollar spent will be 2.2 tCO₂e/\$ over the life of the sub-projects." However, there is no estimate of total project costs per ton of CO₂e reduced provided. It is also unclear how the CTF investment per ton CO₂e has been calculated. We calculate this as \$0.45/t. With the overall investment cost/tonne:\$20.1/t.

Transformational Change

4. How will this investment lead to transformational change? How will we actually achieve a long term impact? Are the investors investing in these 3 projects more likely to invest afterwards in further geothermal plants because of the learning involved? The transformational element of the proposal seems to hinge on private sector learning and the knowledge generated by these investments being

disseminated and shared but there is no knowledge sharing strategy or articulation of how this will actually happen for a five-fold scale up.

Interaction with CDM

5. Please can you confirm that any credits sold to the market will be reported to the CTF? The use of financial instruments such as equity and mezzanine finance seems to go beyond the activities that are usually financed under the CDM. Please can you confirm?

Kind regards

Simon

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