April 2, 2013

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

Dear colleagues,

on behalf of Annette, please find below the German comments on the revised IP for Indonesia.

We have no general objections. Please take not of some observations and questions with regards to the revised IP:

Geothermal power an EE/RE remain the priority sectors in the revised IP. As we observed with regards to the original IP in February 2010, these sub-sectors seem generally well chosen, especially with regard to the Indonesian sectoral and climate policies. The shift of the ADB Geothermal Program from public to private investment is comprehensible and in general we appreciate the attempt to mobilize private sector financing. The minor improvements of the regulatory framework, especially the increase of the benchmark tariff, will be supportive. Also the Indonesian sovereign credit rating upgrade will be helpful, alleviating state owned utilities access to commercial loans. If this will actually be sufficient to increase other cofinancing from 1,100 to 4,225 mn USD remains to be proven. We would welcome a follow-up on this point. It does not become clear why the MDB contribution decreases from 1,575 to 845 mn USD. We would welcome clarification on that point.

(a) Potential for GHG Emissions Savings
The estimated figures for potential GHG Emissions Savings seem feasible (increase from 10.6 to 14.6 mn t CO2 from original to revised IP, due to an increased estimation for new geothermal capcity from 800 to 1,900 MW). Both geothermal and biomass technology are commercially available. Both have a high mitigation potential in Indonesia.

(b) Cost-effectiveness
The estimated macroeconomic abatement costs for geothermal respectively biomass power generation of 27 USD / t CO2 respectively 45 USD / t CO2 are below the CTF-limit of 200 USD / t CO2.

(c) Demonstration Potential at Scale
The IP seems to be eligible to support the development of large scale geothermal power plants and there is ample replication potential in this area. In general, we appreciate the mobilization of private sector financing for the exploitation of this potential.

(d) Development Impact
We see substantial and increased co-benefits for the environmental and energy security.

(e) Implementation Potential
No specific comments.

(f) Additional Costs and Risk Premium
No specific comments.

Kind regards
Ina Ina.von-Frantzius