

**Comments from Australia
On Investment Plans for Kazakhstan, Colombia, Indonesia and Ukraine**

CTF Investment Plan for Kazakhstan – CTF allocation of \$200m

We look forward to endorsing a revised IP for Kazakhstan and note a number of issues we would appreciate seeing addressed in more detail, including the impact of low energy prices on the proposed activities; and further information on the alignment with several CTF Investment Criteria of the associated gas utilisation activity and the district heating system modernisation activity.

Key Issues:

General

- We would like to see the revised IP explore in more detail the impact of low energy prices on the proposed activities. It is difficult to assess based on the information provided in the current IP whether new power generation is required or whether more funding should be allocated to energy efficiency activities and efforts to support policy and regulatory reform.

Associated gas utilisation activity

- Demonstration potential at scale – we would like to see further discussion in the revised IP of how to address the poor infrastructure available for gas processing and distribution, which is one of the key barriers identified to make investment in gas-fired power plants more attractive.
- Additional costs and risk premium – we'd appreciate further justification in the IP of the need for CTF resources to reduce associated gas flaring given legislation has been in place in Kazakhstan since 2005 to phase it out.

District heating system modernisation activity

- Demonstration potential at scale – it appears the proposed use of CTF resources would have limited impact on the cost of clean technology as it would be a straight subsidy to buy down the cost of importing technology that is readily available elsewhere. We would appreciate information in the revised IP of alternatives that have been considered by the Government of Kazakhstan to address the cost barriers to this technology, for example by reducing costs by promoting local manufacture (noting this would not be eligible for CTF resources).
- Additional costs and risk premium – further discussion in the revised IP of complementary measures that the Government of Kazakhstan could pursue to overcome non-cost barriers to modernising district heating systems identified in the IP, including a lack of client focus among district heating companies and tariffs for heating services being set below cost recovery level, would be useful.

CTF Investment Plan for Colombia – CTF allocation of \$150m

We were pleased to approve the IP for Colombia and look forward to seeing further examination, during project development, of the complexity of the energy efficiency activity. We consider the complexity of the energy efficiency activity poses some risks to implementation, because it includes all key energy consuming sectors (industrial, commercial

and residential), uses numerous modalities (direct investment, financial guarantees, performance-based incentives, energy efficiency audits, technical assistance and training) and deals with both governments at various levels and the private sector.

CTF Investment Plan for Indonesia – CTF allocation of \$400m

We warmly endorsed the Indonesia IP and note below comments we would appreciate seeing addressed during project development.

Key Issues:

PGE & PLN geothermal activity

- Demonstration potential at scale – it would be very useful if the project proposal included discussion of the Government of Indonesia’s progress in implementing the proposed geothermal energy tariff under Ministerial Decree No. 32/2009, which is a key factor influencing whether private investment will follow the CTF.

Energy efficiency and renewable energy activity

- Demonstration potential at scale – further information in the project proposal on the Government of Indonesia’s progress in implementing the pricing and incentive policy identified in the IP would be helpful. As in the case of the PGE & PLN geothermal activity, a key factor influencing private investment is whether such incentives are available to allow renewable energy to become competitive with traditional energy resources.
- Additional costs and risk premium – detailed project development should address the potential environmental and food security impacts of biomass energy. We consider a risk management process to ensure that biomass projects selected for funding are sustainable in the long term and do not result in the diversion of food production to energy generation or deforestation to open land for biomass will be important.

Revised CTF Investment Plan for Ukraine - CTF allocation of \$350 million

Thank you for the work that went into the revised IP for Ukraine, which we were pleased to endorse, noting that we would like some additional information to be included in the project design as below.

Key Issues:

General

- Our assessment of the IP would have benefited from more information on how private sector investment will follow the proposed activities. Aside from pioneering new investment areas and testing regulatory frameworks, we would have found it helpful for the IP to estimate the reduced cost of investment that these interventions would bring about, through encouraging market penetration of technology and facilitating private sector learning. If this information can be addressed as appropriate during project development that would be appreciated.

Heat recovery steam generator activity

- It appears that the heat recovery steam generator activity appears to have strong potential in Ukraine and the surrounding region and that the technology used is relatively well

known. A strong case in relation to why concessional finance is needed for it to be viable would be useful in further project development. The project proposal would also benefit from some discussion of other activities that have been considered, aside from a demonstration project at scale, that might assist the private sector invest in this technology.

Smart grid activity

- The rationale in the IP centres on the benefits of a smart grid in managing future contributions from wind power, which are currently very low in Ukraine and are not likely to come online for some time. The IP states that no direct greenhouse gas emissions savings would be generated, however, there are likely to be energy savings generated from better management of supply and demand on the grid. We would like to see these energy savings and the associated greenhouse gas reduction potential quantified at the time the project is submitted for approval by the CTF Trust Fund Committee.