

October 25, 2012

**Comments from Germany on the Approval by Mail: CTF Chile: Project Preparation Grant: Renewable Energy Self-Supply and Energy Efficiency Program (IDB and IFC)**

Dear colleagues,  
thank you very much for the project preparation proposal for Chile. We think this is a very relevant and necessary PPTA and have no objections to the proposal. We do have some suggestions and questions we would propose to take into account and would be grateful to receive clarification on those.

Thank you very much,  
kind regards  
Ina

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**Chile Renewable Energy Self-Supply and Energy Efficiency Program Preparation Grant**

**- Comments and Questions Germany -**

Considering the CTF IP for Chile and the planned RESSEE program itself, from our point of view there are no objections against the IDB/IFC Preparation Grant Proposal. We very much agree that capacity building for technical service providers continues to be an urgent and critical need in Chile, and we would suggest increasing the focusing a large part of the resources committed to this activity.

Apart from coordination with AChEE through its participation in the program's coordination committee, we suggest activities in this area should also be coordinated with a number of ongoing initiatives of the German Chamber of commerce.

Specific comments on the proposal:

Market analysis and selection of sub-sectors:

- The proposal states that extensive research and lessons learnt is readily available from existing research on market barriers and financing potential by IDB/IFC and others, but that existing data is still not sufficient to select a specific subsectors or niche ex-ante. While we agree that more comprehensive data on other variables such as technology-specific marketing mix and comfort level of FIs would be useful, we are concerned that this level of analysis, if applied to the whole array of technologies short listed by the GoC, would disperse limited resources and create unnecessary delays. **We would therefore recommend focusing all further**

**analytical efforts on the most attractive sub-sectors identified through the cost-benefit analysis already undertaken.**

However, it would be useful to also already analyze market prices for cross-sectional energy efficiency technologies (e.g. co-/tri-generation, heat recovery, boiler, air conditioning, solar thermal

- water heating, PV modules etc.) within the project preparation. Furthermore, the transaction costs to implement such energy efficiency measures should be determined. These data can provide a basis to propose the required level for interest rates to land loans on a wide scale or to enable bank employees a best possible promoting of the EE loan.

Sharing of research and feasibility studies:

- We would appreciate a brief clarification which type of information compiled and feasibility studies produced as a result of activities 1-3 will be published, and which will be proprietary to participating project partners and companies.

Complementary projects:

- As Annex IV illustrates, there is a plethora of past and ongoing projects tackling both RE and EE in Chile, the majority of which involving market barrier analysis, TA, capacity building, market development, pilot projects and financial mechanisms. Hence, while the “inventory of other activities” is a very useful first step, it still leaves the reader wondering about the added value of yet another “broadband” RE/EE initiative with a relatively large and mainstream focus opposed to a more targeted intervention addressing more specific needs and market niches. Therefore, in addition to the description of related projects in Annex IV, we would appreciate a **more detailed description as to how each of these is different from the proposed project and in which way the project will build on their respective successes and lessons learnt.**

Finally, KfW is currently preparing a RE/EE credit-line with CORFO to be combined with a TA component of approx. EUR 1.5MM to support commercial banks in the development of their RE/EE portfolios. Consequently, Germany is keen to coordinate all future TA activities closely with

- the proposed program and will provide IDB/IFC with a more detailed description of the planned credit line in due time.

Selection of project partners and beneficiaries:

- We would appreciate a slightly more detailed description as to how exactly participating client companies; technical service providers and local financial institutions will be selected. While our experience with similar projects shows that it might make sense to keep the door open for private sector and financial institutions to jump on board during later project stages, the ambitious implementation schedule

(page 7) suggests that the final selection of partners will be completed within the very first week after project kickoff. Given the complexity and limited predictability of intermediary results from activities 1-2 (incl. potential implications in terms of suitable partners for activities 3 and 4), we would recommend to **allow for a longer timeframe for the selection of client companies and service providers.**

Involvement of-/cofunding by local FIs:

- We are wondering whether the program envisages a “deal making platform” or other mechanism for projects and pilots resulting from activity 3 and seeking funding to be presented to local commercial partner banks of CORFO for financing /cofunding.
- We would appreciate clarification whether all CORFO Partner banks will have access to the TA services and assistance offered under the proposed program.