TFC Member Comments on Colombia Revised Investment Plan (2017)
Response from World Bank Team

Comment from TFC Member:	Substance	Team Response
Spain	Spain is pleased to support the revised Investment Plan for Colombia. However, we would like to take this opportunity to make some comments regarding future projects carried out within the framework of the current Investment Plan.	Thank you
	We would like to see more initiatives contributing to the enhancement of the regulatory framework in order to overcome the inefficiencies and the high costs in the energy sector in Colombia with the overall goal of boosting the electricity sector´s financial sustainability and therefore, the quality of the supply of energy to end users. These inefficiencies combined with the limited understanding of renewable energy solutions form a large risk for the penetration of renewable energy technologies in Colombia and the private sector investment.	Comment is duly noted and the team fully agrees. Despite the presence of a world-class wind regime in La Guajira region and a large pipeline of potential wind projects identified by private developers, the reality is that the only wind project installed in the region remains a 20 MW wind project (Jeripachi), which became operational in 2004. The Bank is therefore currently providing technical assistance to the government, and will continue to engage in removing barriers to investment in wind energy, renewables and energy efficiency in Colombia. The US$ 1 million proposed Project Preparation Grant (PPG) Facility to be supported by CTF, as well as a US$ 600 k PPIAF grant will provide an opportunity for meaningful engagement and

		technical contribution to review/adjust the current regulatory framework to promote competitive bidding (auctions) for the procurement of renewable contracts. With the decline in technology costs and in prices resulting from auctions in other countries in Latin America, wind has become a much more competitive and attractive investment area, even after the cost of managing production variability is concerned. It is expected that auctions for wind generation in Colombia will also result in attractive pricing, provided proper regulatory and commercial frameworks can be put in place. Under the current regulatory framework, auctions are conducted only for reliability products (firm energy), which are currently inadequate to foster deployment of large scale wind and solar renewables, as they do not capture the generation profiles of wind energy and the benefits it provides to the overall system (i.e. maintain reservoir levels even before the reliability products need to kick in). As a result of the regulatory barriers and with the need

		for new and expanded transmission capacity, the strong potential of wind and other renewables have not been financed and built, even in areas with excellent wind resources e.g. in La Guajira region. The Bank is closely following the ongoing discussions in Colombia on different auction and procurement mechanisms for renewables, as well as on the necessary amendments to the regulatory framework to support the selected choice for competitive procurement. In this regard, the Bank has shared with the Ministry of Mines and Energy, with UPME (the national planning unit), with CREG (the national regulator) and with other energy-related institutions, the experiences in auctions from neighboring countries. In addition, the World Bank is engaged in a dialogue with the government authorities to help address some of the inefficiency issues in the utility sector in certain areas of the country. The introduction of renewables at scale in the energy matrix will contribute to reduce the participation of fossil fuels such as coal

		(mitigation) and will help the power system become more resilient during power crisis (adaptive capacity). Indeed, the complementarity of hydro and wind can help ease the effects of drought when El Nino arrives and electricity prices go up.
United Kingdom	Thank you for sharing the revised IP for Colombia, and also to the Government of Colombia and the World Bank for providing the rationale for the proposed reallocation of funds. We agree in principle with the rationale for supporting the development of large-scale renewable energy and industrial energy efficiency in Colombia to diversity Colombia's energy mix and increase security of supply. However, before we approve the request for the proposed reallocation of funds, we have a couple of questions that we hope the World Bank team can clarify:	Thank you
	What impact the proposed reallocation will have on the transport sector. It is not clear whether the original plan to rollout to "one or two of Colombia's largest cities" would still happen? If yes, who would fund this?	The Government of Colombia remains very committed to sustainable urban transport, with solid commitments in National Development Plans, the country's legal framework and strategies. The Government has noted, however, that timely implementation of transport

		projects depends on many factors, including decisions and implementation capacity of the administrators of the cities.
	The proposal states that there are already at least 1.5 GW of wind projects identified by private developers in La Guajira, but the estimated potential exceeds 3 GW, and that the proposed reallocated funds would support pipeline projects that are currently under development. The case for concessional finance for additional wind projects seems to be less clear, and it would be helpful if the World Bank team can provide an explanation of the additionality of CTF funding.	While a healthy pipeline of wind projects has been identified by private developers, as discussed above, the only wind project installed in the region remains a 20 MW wind project (Jeripachi), which was installed in 2004. The challenge – and the opportunity through the proposed CTF-IBRD supported program -- is how to address the barriers and mobilize the financing to get the first set of renewables (including wind) to be deployed at scale. The projects in the pipeline have not been not implemented for various reasons including lack of regulatory framework, risks related to availability and capacity of transmission network, lack of clarity on offtake arrangements, off taker creditworthiness, etc. All these factors have contributed to non-availability of long term financing for wind projects. Until these risks have been properly addressed and adequate mitigation

		mechanisms have been identified, it is unlikely that this important and accessible climate mitigation resource will be deployed and the projects implemented any time soon. Technical assistance, supported jointly by PPIAF and the proposed CTF Grant, will help address some of the sector risks and help develop mitigation arrangements. However, even if those are addressed, the residual risks and lack of long term financing could make scale-up of these projects unaffordable. A significant proportion of financing for clean energy program is expected from private financing sources, and although Colombia has relatively liquid financing market in the region, it is unlikely to be sufficient to provide financing for a large scale program, without mobilization of local financing from institutional investors. Without appropriate credit enhancements and risk mitigation measures, the projects cannot be bankable, considering the need to mitigate several risks and attract long term financing to make the projects affordable.

		The proposed CTF-IBRD risk mitigation guarantees addresses targeted risks in clean energy program and has the ability to provide risk mitigation at concessional pricing to crowd-in private capital. The targeted products to be designed under this program by FDN (with the backstopping of CTF and IBRD) products would help enhance credit quality, bankability and affordability of new projects to help deploy clean technologies at scale for renewable energy and energy efficiency investments. Thus the CTF and IBRD has clear additionality to support the program which has high leveraging potential. It is also important to note that the CTF support will help develop the first set of such projects at this scale. This will support Colombia's efforts to catalyse the market and to build a track record of implementation and management of risks in order to allow the market to evolve and absorb a share of such risks in future projects.
Germany	Thank you for the opportunity to comment on the request for revision for the IP for Colombia.	Thank you

	Germany agrees in principle with the inclusion of the proposed large-scale RE and industrial EE program. We appreciate the envisaged efforts to tap the abundant wind power potential in the Guajira region. We are also supportive to the approach to foster EE in the industrial sector as another means to mitigate the reliance on variable hydro power and to avoid an increasing share of fossil fuel based power generation.	
	However, we do not fully understand why the formerly intended World Bank project to support the SITP (sustainable transport) program is planned to be canceled and kindly ask for an explanation.	The Government of Colombia decided to change the scope of the 'Strategic Public Transport Systems" (SETPs) and 'Integrated Public Transport Systems" (SITPs) initiatives due to issues with execution (delays in the construction and implementation of projects), as well as limitations in the country's infrastructure expenditure plans. In addition, the existing CONPES (sectoral strategies of the National Council on Economic and Social Policy) was not designed to monitor the development of the SETP/SITPs included in the co-financing agreements. These issues became a bottleneck to the timely execution of the CTF transport component with

		the World Bank, which led to its cancellation.