

CIF Admin Unit

Sent by: Natalia
Magradze/Person/World
Bank

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To a-steer@dfid.gov.uk, carly.jonsson@foreign.ministry.se, elamrani@affaires-generales.gov.ma, esaboia@worldbank.org, frank.fass-metz@bmz.bund.de, Francois.Marion@dgtpe.fr, jusmani@worldbank.org, Jiayi Zou, mhammam@mic.gov.eg, ozgur.pehlivan@hazine.gov.tr, ricardo_ochoa@hacienda.gob.mx, robin.davies@ausaid.gov.au, hiroshi.takami@mof.go.jp, Vanesa.alvarez@meh.es, william.pizer@do.treas.gov, zfakir@deat.gov.za

cc Pblissguest@worldbank.org, Katherine Sierra, amontalvo@mma.es, ana.devicente@meh.es, beth.urbanas@do.treas.gov, carlos_delgado@hacienda.gob.mx, claudia_grayeb@hacienda.gob.mx, Ciyong Zou, daniel.riley@do.treas.gov, Deborah.fulton@ausaid.gov.au, e-grainger-jones@dfid.gov.uk, elamrani@affaires-generales.gov.ma, Frederick Jeske-Schonhoven, G-Briffa@dfid.gov.uk, hannah.ryder@decc.gsi.gov.uk, johannes.feist@kfw.de, julien.rencki@dgtpe.fr, James.Kapsis@do.treas.gov, Katherine Sierra, keisuke.sasaki@mof.go.jp, klaus.wardenbach@bmz.bund.de, Masato Kanda, melissa.tipping@ausaid.gov.au, mgarciajauregui@worldbank.org, Masato Kanda, O-Knight@dfid.gov.uk, qhamad@worldbank.org, sandrine.deguio@dgtpe.fr, serkan.ata@hazine.gov.tr, sisaksson@worldbank.org, tanakaj@ebrd.com, tomas.danestad@foreign.ministry.se, V-Seymour@dfid.gov.uk, wangzhongjing@mof.gov.cn, zoe.springs@decc.gsi.gov.uk, Zhijun Cheng, mkakahara@worldbank.org, keiko.anraku@mof.go.jp, leanne-jones@dfid.gov.uk, CIF Events Team, CIF-RDB List, Alexander Nicholas Jett, CXu1@ifc.org, Alison Micheli, dmillison1@cox.net, Dostojic@worldbank.org, HOhtsuka@ifc.org, Jheister@worldbank.org, Hitesh Luthra, Jleitmann@worldbank.org, Agripino C. Lanuza, Jack Sidik <JSidik@ifc.org>, mbenmaamar@worldbank.org, mjayawardena@worldbank.org, Nyoman Yogi <NYogi@ifc.org>, Anne M. Davis Gillet, Dominique Isabelle Kayser, Rkhanna2@worldbank.org, Roger Thomas Moyes <RMoyes@ifc.org>, rwestra@worldbank.org, tbrown2@worldbank.org, Hyun Hee Um, xwang1@worldbank.org, Abdul Raouf Zia, m_nasution@depkeu.go.id, aidris@adb.org, ajude@adb.org, calvin_xu_CXu1@ifc.org, dmccauley@adb.org, dmillison1 <dmillison1@cox.net>, Dostojic@worldbank.org, YYY <HOhtsuka@ifc.org>, Jheister@worldbank.org, jleather@adb.org, Jleitmann@worldbank.org, jlynch@adb.org, Jack Sidik <JSidik@ifc.org>, mbenmaamar@worldbank.org, mjayawardena@worldbank.org, Nyoman Yogi <NYogi@ifc.org>, rjdobias@adb.org, rkausar@adb.org, Rkhanna2@worldbank.org, Roger Thomas Moyes <RMoyes@ifc.org>, rwestra@worldbank.org, tbrown2@worldbank.org, wcum@adb.org, xwang1@worldbank.org, yzhai@adb.org

Subj Notification of CTF Joint Mission to Indonesia
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Dear CTF Trust Fund Committee Members,

The CTF Guidelines for Investment Plans call for the CIF Administrative Unit to inform the Trust Fund Committee of country expressions of interest and all planned joint missions for the preparation of investment plans.

The purpose of this email is to notify you that the Multilateral Development Banks (MDBs) have received a request from the Government of Indonesia (dated July 29, 2009) indicating its interest in accessing CTF funds and requesting a mission of ADB, IBRD and IFC to support the government in the preparation of a CTF investment plan. A joint MDB assessment confirmed the potential fit of the country request with the CTF investment criteria for significant greenhouse gas emissions savings, demonstration potential at scale, development impact and implementation potential.

The joint mission's initial assessment has also shown that (i) the Government of Indonesia is committed to low carbon development options, (ii) there is a broad spectrum of opportunities for investment in transformational projects and programs, and (iii) the CTF can play a critical role in supporting public and private sector investments in low-carbon technologies and systems.

Potential transformational opportunities are: (i) energy efficiency and conservation (EE), particularly industrial end-use efficiency complemented by distributed generation; (ii) clean and renewable energy (CE and RE), primarily through development of geothermal power, biomass, and CBM resources; (iii) advanced power transmission and gas transport technologies to facilitate increased transfer from energy-rich Sumatra to demand centers in Java and Bali; and (iv) public transport systems complemented by fuel switching.

Indonesia's Second National Communication to the UNFCCC is currently being prepared and the National Commission on Climate Change has commissioned a GHG abatement cost study by McKinsey. These works in progress will provide a comprehensive knowledge base to establish priorities for emission reduction opportunities across key sectors.

Energy-related GHG emissions in Indonesia were estimated at 292 million tons carbon dioxide equivalent per year (MtCO₂e/y) in 2002, and are projected to increase to 745 MtCO₂e/y in 2030, an increase of 155%. Emissions are projected to increase most rapidly in the industry, electric power, and transport sectors.

The power sector emissions growth will increase due to the shift from oil-to coal-fired generating plants. The manufacturing sector is the largest oil user and fossil fuel GHG emitter (partly due to inefficient energy use and weak environmental controls, which also undermine competitiveness). The transport sector is also a major emitter, due to rapidly growing number of vehicles, poor fuel quality, limited deployment of clean and alternative fuels, and the lack of investment in mass transport systems.

Indonesia has significant alternative and renewable energy resources, including non-conventional gas, geothermal, hydro, solar, and biomass, which remain relatively under-developed. Indonesia has the world's largest known geothermal energy potential (27,000 MW), but only about 3% of this has been commercially developed. Total potential RE from biomass, geothermal, small hydropower, and wind may exceed 80,000 MW, but will require new incentives for commercial development. Coal bed methane (CBM) resources are being explored under production sharing contracts; the estimated potential could double natural gas reserves, possibly displacing and avoiding as much as 20,000 MW of future coal-fired power capacity. Clean and renewable fuel development could provide a substantial share of transport energy within the next 2 decades.

The Government of Indonesia is committed to developing a low-carbon development path by developing a strategic, multi-year policy and investment program, as outlined in the National Climate Change Action Plan (2007) and the Development Planning Response to Climate Change (2008). Indonesia has embarked on a major policy lending program based on its own climate change development plans, with support from Japan and France. The President has established a National Council on Climate Change

with representation from 15 Ministries to coordinate Indonesia's climate change policies and international positions. Government of Indonesia is establishing a climate change trust fund and developing climate policy papers and a low-carbon development strategy, with support from several donor agencies (Australia, Germany, UK, and World Bank).

The joint MDB mission will follow a two-step approach. The first step scoping mission is planned for **November 5 – 13, 2009**.

The objectives of the mission are to:

- (i) agree on a broad strategy for CTF investment which is in line with the GOI national climate change and sector development program;
- (ii) agree on the types of priority projects to be included in the Investment Plan submitted for CTF financing; and
- (iii) agree on roles, responsibilities and timeline for preparation of the first draft of the Investment Plan. A follow-up mission would be scheduled in consultation with the GOI with a view to finalizing the investment plan for submission to the CTF Trust Fund Committee in early 2010.

This mission falls in the category 2 Investment Plan (i.e. public and private sector). The proposed estimated budget for the two country investment plan missions is US\$214,300 broken down as follows:

- ADB \$64,000
- IBRD: \$90,000
- IFC: \$60,300

The contact point for the Government of Indonesia is Mulia Nasution, Secretary General, Ministry of Finance (m_nasution@depkeu.go.id). The contact point will be expected to arrange for meetings with key GOI ministries and agencies, convene decision makers to review interim results from the mission, and provide summary briefing and conclusions at Ministerial level.

Contact persons at the MDBs are:

- ADB: Samuel Tumiwa (stumiwa@adb.org) and Yongping Zhai (yzhai@adb.org)
- IBRD: Migara Jayawardena (sectoral lead, mjayawardena@worldbank.org) and Timothy Brown (country lead), with Rohit Khanna, CTF Coordinator (rkhanna@worldbank.org)
- IFC: Roger Thomas Moyes, Program Manager of Access to Finance, IFC Indonesia (rmoyes@ifc.org) and Calvin Xu, Senior Energy Specialist (cxu1@ifc.org)

Patricia Bliss Guest
Program Manager, Administrative Unit
Climate Investment Funds

CIF Admin Unit
1818 H Street NW
Washington, D.C. 20433
www.worldbank.org/cif