

CIF Admin Unit

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Subj Notification of CTF Joint Mission to Colombia - December 2-4,
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Dear CTF Trust Fund Committee Members,

We would like to notify you that the MDB Committee approved on November 19 a CTF Joint Mission to Colombia which will take place on December 2-4, 2009.

On February 27, 2009 the Department of National Planning (DNP) on behalf of the Government of Colombia (GoC), requested a joint mission of Multilateral Development Banks (MDBs) – namely, the Inter-American Development Bank (IDB), the International Bank for Reconstruction and Development (IBRD), and the International Finance Corporation (IFC).

A scoping mission April 21 - 23 2009 met with a wide-range of Government representatives from DNP, the Ministry of Finance and Public Credit (MHCP), the Ministry of Environment, Housing and Territorial Development (MAVDT), the Institute of Hydrology, Meteorology, and Environmental Studies (IDEAM), the Ministry of Transport (MT), the Ministry of Energy and Mining (MEM), the Mining and Energy Planning Unit (UPME), and the Energy and Gas Regulatory Commission (CREG) as well as some state-owned and private sector companies involved in renewable energy development. The mission identified the Government's priorities for CTF investments as including: (i) scaling-up investment in energy efficiency, (ii) demonstrating the opportunities and benefits of investment in renewable energy, and (iii) promoting integrated public transport systems.

At a follow-up joint MDB video-conference meeting with the GoC 5th November 2009, it was agreed that an Investment Plan would be developed on the basis of around \$300m CTF concessional finance, with proposals coming in two phases. Phase I would be developed with \$150m of CTF finance, with Phase II being taken forward to the extent resources become available.

This is to confirm that Colombia is ODA-eligible and has active lending programs supported by both the IDB and World Bank groups, with active projects in the energy and infrastructure sectors, including transportation, as well as a climate change policy-based loan. Colombia also meets the CTF criteria as below.

Potential for GHG Reductions

Colombia is the 5th largest emitter of GHGs in Latin America and the Caribbean and the 33rd largest emitter globally. Colombia's annual emissions in 2004 were 180 Mt CO₂e, 4.25 t CO₂e per capita, or 1.9 kg CO₂e per dollar of GDP. However, the GoC expects fossil fuel based generation, particularly natural gas and locally available coal, to become more prominent within the energy supply mix in the future. Transport emissions, accountable for 39% of fossil fuel combustion emissions, are also increasing rapidly as a result of urbanization and motorization. Together these sectors are driving upwards fossil fuel-related emissions on an upwards trend.

According to the findings of several studies commissioned by UPME and other institutions, there are substantial emission reduction potentials in the following sectors:

- (i) Opportunities in end-use energy efficiency include demand reduction programs in the residential, commercial and industrial sectors.
- (ii) Colombia's immense renewable energy resources suggest potential programs in wind, geothermal, and small-scale hydropower, as well as considerable co-generation potential from biomass.
- (iii) The transport sector has the potential to reduce its carbon footprint through integrated transport strategies that could generate an additional annual reduction of 5 Mt CO₂e.

Demonstration potential

A potential CTF program on low-carbon energy end-use and electricity generation technologies could have significant demonstration and transformational outcomes through building the understanding and

confidence of public and private sector decision-makers on the social, economic as well as environmental benefits of low-carbon development.

Following the success of Colombia's activities in public transport systems, there is now scope for scaling-up investment to through a fully integrated urban transport program which would stimulate the transformation of the urban transport sector in Colombia. This would represent a major scaling-up of current efforts towards a truly sustainable transportation system, which would have a strong demonstration potential throughout LAC and internationally.

Development Impact

The adoption of energy efficiency and renewable energy technologies offers local and regional environmental benefits in terms of improved air quality, reduced water pollution and reduced deforestation. Improvements to public transportation systems, including the adoption of low-carbon bus technologies such as hybrid buses, can also bring social benefits to urban communities, in terms of reduced congestion, improved health, and other development co-benefits. All of these investments would enhance energy security by reducing dependency on fuel imports, exposure to fuel price volatility, and energy expenditures.

Implementation Readiness

Over the past 6 years the GoC has developed a number of policies for tackling climate change. Recognizing the multi-sectoral dimension of the climate change challenge, Colombia established a Climate Change Office in 2002, which has since become the Climate Change Mitigation Group (2005), to promote activities for the mitigation of GHG emissions. The Inter-sectoral Technical Committee on Climate Change Mitigation – (CTIMCC) is in charge of developing projects, and setting climate change-related fiscal incentives and policies. DNP is leading the formulation of the National Climate Change Policy, to be reflected in a policy document of the National Council for Economic and Social Policy (CONPES) that would include specific mandates for formulating and coordinating climate change strategies for different sectors.

Joint Assessment

The joint assessment of the MDBs is that (i) the GoC is committed to voluntary GHG reduction initiatives, (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, services and systems.

Based on current information, notably on implementation readiness, the MDBs suggest as priorities for phase I the lines of action on energy efficiency and integrated transport systems, with provision of technical assistance for design of a policy and regulatory framework for removing barriers to renewable energy. Once some of the regulatory barriers for renewable energy are overcome, a phase II of CTF investments could include this line of action, as well as potentially further investments in energy efficiency and transport.

Best regards,

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