

April 20, 2012

Comments from United Kingdom on the Approval by Mail: Thailand Private Sector Renewable Energy Program [the Program]

Dear Patricia,

In going through the above proposal the UK has a number of question we like the ADB team to answer. Please would you forward these to the team. Please note that we will not be able to support the project until these are answered.

- Could we please have more detail on the pipeline of projects, including on the nature, technology and size of projects, as well as further information about the stages that each of the projects is at.
- Demonstration potential at scale – A replication potential of 10:1 is mentioned. How is this figure justified? Please can we have an explanation as to how this figure is derived?
- On development impacts, could we please have further information on how how poor households will benefit? Will there be any emphasis on connecting poor household to the grid? How can this be ensured? There are no developmental indicators or baselines mentioned. Please can we have a list of such indicators.
- Why is CTF financing needed for solar if the ADB have recently closed financing on two utility scale solar projects? Will these large scale projects not provide a sufficient track record for private sector investors by reducing the perceived risks of deploying the technology at scale in the country? Are these projects using private sector co-financing and who is providing the “grants resources from other fund sources”?
- If the programme is seeking to “*establish a track record of completed projects and investments*”, what evidence does ADB have to support the assertion that a “*sustainable scale*” for these technologies is in the order of 350MW for wind, 50MW for WTE and 120MW for solar? In addition, why is the technology focus orientated to wind technologies when this is a technology with “*lesser perceived risks*” for installation and technologies and given the fact that there is less technical potential than solar (i.e. 1,600MW compared to 50,000MW)? Has the GoT assigned particular targets to different RE technologies in light of this technical potential?
- What is the existing capacity for solar, wind and WTE projects by technology in Thailand (in terms of number of completed projects and MW installed) prior to the CTF intervention?

- From the perspective of environmental integrity, we understand that the project owners will own the CERs and will make decisions on the disposition of the CERs. We assume that these are likely to be sold to Annex I countries as part of meeting their emission reduction targets. Have the expected carbon savings figures been adjusted to account for the sale of CERs to Annex I countries? Taken to an extreme, if all direct carbon savings from these wind, solar and WTE projects generate CERs which are then sold to Annex I countries, the direct carbon savings on a net basis associated with the project would be zero.
- We realise that the CERs may not be considered bankable by project owners but how will you control for the risk of a windfall return if these are sold? Would you address this in financial structuring of support to minimise economic rents?
- Can we have further details on the debt structuring? The proposal mentions that CTF would investing pari passu with ADB and other lenders; does this include all lenders?
- Page 10 sets out that there is “*still limited private sector investment in the RE market at present*”. Please can you quantify the current level of private sector investment in the RE market?
- Could you please clarify the leveraging figures and effective utilisation of concessional finance? Is the 20% figure assumed on page 10 an average across projects? How will the total cost of the projects (\$1bn) be met if the CTF leverage rate is 5:1?
- Please can you quantify approximately what you envisage the additional risk premium and costs to be for these projects? Will you reduce the level of concessionality for projects throughout the life of this project as these technologies become increasingly proven? What is the comparable risk premium and costs for fossil fuel based generation investments in Thailand and first of a kind solar, WTE and wind projects in Thailand?

Many thanks,

Simon

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