

December 22, 2010

**Comments from Australia on the approval of CTF funding for IBRD's
Indonesia: Geothermal Clean Energy Investment Project**

Apologies for the late response but I still want to put Australia's support on the record.

Thank you for the opportunity to comment on the IBRD/IFC geothermal project under Indonesia's CTF Investment Plan. Australia is very pleased to support the project and we thank the team for preparing a strong proposal to the committee.

There is clearly enormous potential to exploit geothermal energy in Indonesia. This project, alongside other forthcoming CTF projects in Indonesia, will be an important step towards helping Indonesia tap its attractive geothermal reserves and demonstrate that geothermal investment is a viable way to meet Indonesia's growing energy needs.

Like others, we would like to see CTF resources generate substantial follow on investment rather than simply subsidise a one-off project. A key factor influencing whether investment will follow is whether a geothermal energy tariff will be established, which was the subject of a recent Ministerial Decree. Australia is working with Indonesia's Ministry of Finance on the enabling framework for geothermal in the energy sector, as part of support for implementation of the Ministry of Finance's Green Paper on fiscal and economic strategies for climate change mitigation. Progress on this front will be an important catalyst for investment and we look forward to working more closely together on improving the institutional environment for geothermal in Indonesia.

The proposal outlines a substantial expansion of PGE's role in geothermal investment in Indonesia. The company's shift to a more autonomous entity with increased financial responsibility will come with challenges, however, we are encouraged to see the project incorporates a technical assistance component to support this shift. We are also pleased to see that PGE will provide nearly half of total capital in the Ulubelu and Lahendong investments, which will incentivise delivery. Given that this is a public sector only investment, albeit with some outsourced components, we would encourage the implementation team to consider how the experience of this project could be used to enhance private sector confidence to invest in geothermal energy.

Jean-Bernard Carrasco