

December 21, 2010

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

Dear all,

First we would like to congratulate IBRD staff for the very clear and detailed financial and economic analyses presented in the document for the proposed project. We fully support the objective of the project, very relevant as Indonesia's geothermal power potential represents roughly 40% of the world's resources.

We just have three questions on how to secure the transformational potential of the proposed project:

- 1) this project aims at ensuring the financial viability of the investments performed by Pertamina Geothermal Energy (PGE) in 2 power plants of 110 MW and 40MW, and at helping PGE becoming a world-class geothermal developer. Could we have more information on the business development plan for the scaling-up of PGE's geothermal activity to reach 1000 MW of viable projects? (Self-financing? Further external support? Pending on regulatory milestones?)
- 2) As outlined in the document, one of the main barriers to the large scale development of this energy remains the relative low regulated tariffs and the lack of a comprehensive pricing and compensation mechanism for geothermal. We understand that this project will provide a benchmark to support this process. Could you be more specific on what lessons are to be learned from this project and the consequences it could have on pricing policy?
- 3) Several other initiatives seem to aim at a transformational impact in geothermal power in Indonesia, such as *the Geothermal Power Generation Development Project* and the series of *Climate Change Development Policy loans*. How will be addressed the synergy between these initiatives and what could be proposed to maximize their joint outcome?

Best regards,

Cyril