

Cover Page for CTF Project/Program Approval Request¹

1. Country/Region	Indonesia	2. CIF Project ID#	(CIF AU will assign ID.)
3. Investment Plan (IP) or Dedicated Private Sector Program (DPSP)	<input checked="" type="checkbox"/> IP <input type="checkbox"/> DPSP	4. Public or Private	<input type="checkbox"/> Public <input checked="" type="checkbox"/> Private
5. Project/Program Title	Renewable Energy Program (REP)		
6. Is this a private sector program composed of sub-projects?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
7. Financial Products, Terms and Amount			
	USD (million)	EUR (million) ²	
Grant			
Fee on grant			
MPIS (for private sector only)	0.9		
Public sector loan			
• Harder terms			
• Softer terms			
Senior loan	27.1		
Senior loans in local currency hedged			
Subordinated debt / mezzanine instruments with income participation	27.0		
Second loss Guarantees			
Equity			
Subordinated debt/mezzanine instruments with convertible features			
Convertible grants and contingent recovery grants			
Contingent recovery loans			
First loss Guarantees			
Other (please specify)			
Total	55.0		

¹ This cover page is to be completed and submitted together with the MDB project/program proposal when requesting CTF funding approval by the Trust Fund Committee.

² Please also provide USD equivalent in the column to the left

Funding request: USD 55.0 million

Funds requested in this proposal are made available by utilizing the original USD 25 million allocation to this *Renewable Energy Program (REP)* as well as by moving additional USD 30 million from the IFC’s USD 55 million *Indonesia Geothermal Electricity Finance (IGEF) Program* of the CTF Indonesia Country Investment Plan. To formalize the reduction of the *IGEF* program and reallocation of funds to the *REP* program, concurrently with this funding approval request, IFC is submitting the Amendment to the CTF Indonesia Country Investment Plan and a request to the CTF Trustee for a partial cancellation of the *IGEF* program.

8. Implementing MDB(s)	IFC
9. National Implementing Agency	Private sector
10. MDB Focal Point	Andrey Shlyakhtenko, CTF coordinator, ashlyakhtenko@ifc.org Joyita Mukherjee, CIF focal point, jmukherjee1@ifc.org
11. Brief Description of Project/Program (including objectives and expected outcomes)³	
<p>The <i>REP</i> will support a pipeline of sub-projects across various RE segments of the market with primary focus on solar and mini-hydro with an aggregate capacity of up to 200 MW. Implementation of these sub-projects will help attract private sector investments to climate-smart projects in Indonesia by demonstrating commercial viability of nascent and heretofore challenging segments, while facilitating market access to commercial financing.</p> <p>The Government of Indonesia (GoI) has demonstrated a strong Presidential-level commitment to bring the share of RE from around 10 percent of the national energy mix in 2015 up to 25 percent by 2025 (“Energy Vision 25/25”). The national energy mix target serves as a bedrock of Indonesia’s Intended Nationally Determined Contribution (INDC). Unfortunately, the share of power generation from RE had been decreasing over the last decade and reached 10.4 percent (about 6 percent hydro and 4.4 percent geothermal) in 2015, which is lower than the 13.6 percent in 2005. This declining share of RE in the energy mix remains incongruent with the wealth of RE opportunities in Indonesia, including hydropower (75 GW), micro/mini hydropower (1.013 GW), solar (4.80 kWh/m²/day), biomass (over 32 GW), wind (3-6 m/s), and 40 percent of the world’s geothermal reserves (28 GW).</p> <p>Recently, the GoI has provided numerous policies and regulations, and undertaken a number of steps attempting to stimulate activities on the RE market in Indonesia and help project pipeline move forward. The overall approach of the GoI, strongly supported and advocated by the PT Perusahaan Listrik Negara (PLN, state-owned vertically integrated power utility), aligns the work on promoting various RE technologies with the priority to pursue cost-competitive power generation. At the same time, the electricity subsidy is being phased out gradually, until all but the poorest households receive electricity at market price by 2018. PLN’s move towards a full costing approach with retail tariffs will significantly improve its own bankability, resilience, and capacity to promote power sector.</p> <p>Further, given the importance of rapid growth of the cost-competitive power supply beyond large population centers, the GoI expects private foreign and domestic IPPs to play a critical role in the</p>	

³ Please provide the information in the cover page or indicate page/section numbers in the accompanying project/program proposal where such information can be found.

planned capacity additions (IPPs represent over 70 percent of the planned developments from 2016-2019), especially for Eastern Indonesian and RE projects. To that end, the GoI has made tangible progress addressing broader bottlenecks that have stalled infrastructure project development over the past decade. A critical improvement was the February 2015 enacting of the 2012 Land Acquisition Law that specifically facilitates land acquisition process for private investment.

With all the recent improvements in the sector, the proposed *REP* will aim to address the remaining barriers in the sector, including (but not limited to) projects’ risk reward mismatch and limited access to long-term non-recourse project finance. The CTF funds can help reduce the first mover barriers for projects that face higher development costs and extra efforts in designing bankable first generation PPAs and project documentation. The CTF funds can also be utilized to support private sector RE projects that demonstrate commercial viability of distributed generation business models. Given that the cost reductions are ultimately passed to end users, CTF concessional financing can help lower the tariff burden on end users and support Indonesia’s effort to continue scaling up renewable energy, while bringing the technology closer to competitiveness.

Successful implementation of several sub-projects will serve not only to help clarify and reduce the perceived risks of RE development in Indonesia, but also to inform government stakeholders on how global RE economics translates to the Indonesian context. The progress of the *REP* will allow catalyzing a scale-up of RE projects, cultivating a network of experienced developers, suppliers, contractors, operators, and financiers that can eventually propel organic sector growth.

IFC is currently engaged with solar PV, hydro (mini-hydro), wind, and geothermal power project developers that are seeking long-term debt financing and collectively represent a pipeline of a very significant installed capacity size. The range of potential investments covers first generation utility-scale projects, as well as innovative business models in small-scale RE development, distributed solar PV and solar auction support. The CTF funds requested are not sufficient to support the entire pipeline and will be applied only to rapidly advancing projects.

Based on the status and expected needs of the projects in the pipeline, it is estimated that the *REP Program* could support approximately 200 MW of RE capacity (with the likely breakdown being around 130 MW solar PV and 70 MW mini-hydro), leveraging up to USD 290 million of private sector financing (including equity and debt financing from IFC and other financiers) and leading to GHG emission reductions of 380, 000 tCO₂e/year and about 10,100,000 tCO₂e over the life of the assets. IFC expects that the first sub-project may reach financial closure in less than a year from the time of *Program* approval.

12. Consistency with CTF investment criteria⁴	
(1) Potential GHG emission reduction	Please see section 2.1 of the <i>Utility-Scale Solar PV Program</i> proposal
(2) Cost-effectiveness	Please see section 2.2 of the <i>Utility-Scale Solar PV Program</i> proposal
(3) Demonstration potential at scale	Please see section 2.3 of the <i>Utility-Scale Solar PV Program</i> proposal

⁴ Same as footnote 3.

(4) Development impact	Please see section 2.4 of the <i>Utility-Scale Solar PV Program</i> proposal
(5) Implementation potential	Please see section 2.5 of the <i>Utility-Scale Solar PV Program</i> proposal
(6) Additional costs and risk premium	Please see section 2.6 of the <i>Utility-Scale Solar PV Program</i> proposal
Additional CTF investment criteria for private sector projects/ programs	
(7) Financial sustainability	Please see section 2.7 of the <i>Utility-Scale Solar PV Program</i> proposal
(8) Effective utilization of concessional finance	Please see section 2.8 of the <i>Utility-Scale Solar PV Program</i> proposal
(9) Mitigation of market distortions	Please see section 2.9 of the <i>Utility-Scale Solar PV Program</i> proposal
(10) Risks	Please see section 2.10 of the <i>Utility-Scale Solar PV Program</i> proposal
13. For DPSP projects/programs in non-CTF countries, explain consistency with FIP, PPCR, or SREP Investment Criteria and/or national energy policy and strategy.	
N/A	
14. Stakeholder Engagement⁵	
Stakeholder engagement will take place at the sub-project development stage and will follow the IFC rules and procedures. The work will be organized in an effective way, similar to other projects undertaken by IFC in RE markets across number of countries.	
15. Gender Considerations⁶	
Gender aspects will be given thorough consideration and addressed at the sub-project level depending on the issues and opportunities that are identified at the appraisal stage for each sub-project.	
16. Indicators and Targets	
Project/Program Timeline	
Expected start date of implementation ⁷	N/A
Expected end date of implementation ⁸	N/A
Expected investment lifetime in years (for estimating lifetime targets)	20, 30
Core Indicators	Targets⁹
GHG emission reduced over lifetime (tonnes of CO ₂ -eq)	10,100,000

⁵ Same as footnote 3.

⁶ Same as footnote 3.

⁷ Insert N/A if dates cannot be determined at the time of submission (e.g. private sector programs).

⁸ Same as note 7.

⁹ Insert value or N/A if indicator is not applicable to the project/program.

Annual GHG emission reduced (tonnes of CO ₂ -eq/year) ¹⁰	380,000	
Installed capacity of renewable energy (MW)	200	
Number of additional passengers using low-carbon transport per day	N/A	
Energy savings cumulative over lifetime of investment (MWh)	N/A	
Annual energy savings (MWh/year) ¹¹	N/A	
Identify relevant development impact indicator(s)	Targets	
17. Co-financing		
	Please specify as appropriate	Amount (in million USD)
• MDB 1	IFC	100
• MDB 2 (if any)		
• Government		
• Private Sector		190
• Bilateral		
• Others (please specify)		
Total		290
18. Expected Date of MDB Approval		
IFC expects that the first investment under the REP could reach IFC Board approval as soon as in June 2018, with the other sub-projects following later, but in any event complying with the CTF Pipeline Management and Cancellation Policy.		

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¹⁰ Choice of upon completion of the project/program, or on the maximum year, or on a representative year.

¹¹ Same as note 10.