

August 17, 2015

Approval by mail: Dedicated Private Sector Program (DPSP) Turkey Geothermal Development Project (World Bank) – Proposed Decision

Dear CTF Trust Fund Committee members,

Please find attached a proposal entitled, DPSP: *Turkey Geothermal Development Project*, submitted by the Government of Turkey and the World Bank for your review and approval of USD 40.0 million in grant funding, including USD 38.0 million in contingency recovery grant, USD 1.8 million in technical assistance, and USD 200,000 in project supervision and implementation services.

This proposal is submitted under the Utility-Scale Geothermal Dedicated Private Sector Program, which was approved by the CTF Trust Fund Committee in October 2013.

The Geothermal Development Project will contribute to Turkey’s target of developing 1,000 MW of geothermal resources by 2023. The objective of the Project is to scale-up private sector investment in geothermal energy development in Turkey. The proposed Project will provide finance to establish a Risk Sharing Mechanism (RSM) for Resource Validation to support the exploration and confirmation drilling stages, as well as set up a Loan Facility for Resource Development for resource development and power plant development stages. The CTF contingent recovery grant will capitalize the RSM, which aims at reducing the risks taken on by the private sector covering a pre-defined percentage of the drilling expenditure incurred by the license holder during exploratory phases. In the case of success, the license holder will be required to contribute to the RSM a “success fee” as a way to reduce the rate of depletion of the RSM capital and maximize the number of projects to be supported. The transformational impact of the Turkey Geothermal Development Project will contribute to enhance private investment in the early stages of geothermal development and catalyze investment and local industry growth in the overall value chain.

The World Bank would like to draw the Trust Fund Committee's attention to Annex 10 which summarizes how the Project meets the CTF investment criteria.

The CTF Trust Fund Committee is requested to approve the following decision:

The CTF Trust Fund Committee approves USD 38.0 million in contingency recovery grant funding and USD 1.8 million in technical assistance for the proposal entitled, DPSP: *Turkey Geothermal Development Project, submitted by the Government of Turkey and the World Bank.*

The CTF Trust Fund Committee also notes the request for USD 200,000 in project implementation and supervision services and approves such costs.

For your information the following table summarizes the allocation of resources for the endorsed investment plan. The Trustee has confirmed that there are sufficient resources available for the commitment requested.

CTF Turkey	
	<u>USD million</u>
Allocations	
CTF Allocation (endorsed January 30, 2009)	250.000
CTF Stage 2 Indicative Allocation	140.000
Total CTF Allocation	390.000

Projects Approved	<u>Loan</u>	<u>Grant</u>	<u>Total</u>
Private Sector Renewable Energy and Energy Efficiency Project (IBRD)	100.000		100.000
Commercializing Sustainable Energy Finance Program (IFC)	20.000	1.702	21.702
Private Sector Sustainable Energy Financing Facility (TurSEFF) (EBRD)	40.000	3.250	43.250
Extension of Private Sector Sustainable Energy Financing Facility (TurSEFF) (EBRD)	6.750		6.750
Impact Assessment of Clean Technology Fund in Renewable Energy and Energy Efficiency Market in Turkey (IBRD)	0.000	0.095	0.095
Private Sector Bank-Intermediated Project(TURSEFF II))EBRD)	67.790	2.210	70.000
Renewable Energy Integration Project (IBRD)	50.000		50.000
Gender Assessment Grant Approved (EBRD)	0.000	0.160	0.160
Commercializing Sustainable Energy Finance Phase II (IFC)	29.450	0.550	30.000
Financial Innovation for Renewable Energy (FIRE) Program (IFC)	17.750	0.550	18.300
	Sub-total	331.740	8.517
			340.257
Total CTF allocation remaining			49.743
CTF Dedicated Private Sector Program Phase 1			65.000
Projects Approved			
Geothermal Development Lending Facility (GeoDELF)(EBRD)	24.000	1.000	25.000
Projects Submitted for Approval			
Turkey Geothermal Development Project (WB)		40.000	40.000
Total approved DPSP 1 Allocation if above request is approved			65.000
Total DPSP I Allocation Remaining			0.000

[Figures as of August 17, 2015](#)

If we do not receive an objection to this proposed decision by close of business on August 31, 2015, the decision will be approved.

Sincerely,

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