

September 29, 2010

Comments from Australia on IFC's **Philippines Renewable Energy Accelerator**  
and IFC's **Vietnam Sustainable Energy Finance Program**

Dear Patricia

Thank you for the opportunity to comment on the CTF project proposals and for the additional time granted to review them.

We note that Committee members have raised several important issues relating to the South Africa project proposals and we look forward to responses on these. Australia's comments focus on the Philippines and Vietnam project proposals, which we are happy to support and would encourage the issues we raise to be considered during implementation.

**Philippines Renewable Energy Accelerator**

- Generally, the proposal does not clearly identify how the project relates to other renewable energy projects underway or planned in the Philippines, including those to be supported under the CTF Investment Plan in the Philippines. In addition to this IFC project, the Investment Plan identifies an IBRD project focusing on long-term credit access and an ADB solar project. As foreshadowed in the current proposal, the Committee will also be asked to consider a further \$10 million in CTF funding to the Philippines Sustainable Energy Finance Program. Given the scope of activity in this area and the need to maintain a coherent program under the CIP, it would be helpful for this proposal to articulate its comparative contribution to the Philippines energy sector.
- The scale of the project is unlikely to be sufficient to transform the market for three renewable energy technologies (wind/solar/biomass). While first-mover projects have an important role to play in reducing perceived investment risk and testing new regulatory structures, the project would be likely to have a greater impact if it focused on one technology or if a second round of IFC investments were planned, as is suggested by the project's independent reviewer.
- The advisory services component of the project is a welcome and necessary inclusion in encouraging deployment of renewable energy projects at scale. There appears to be a clear need for advisory services to support the GoP in implementing its new feed in tariff scheme, the design of which the proposal identifies as the highest potential risk to renewable energy investment in the Philippines. There is scope in the proposal for the IFC to provide advisory support to the GoP in this area. If the GoP is receptive, we would encourage the IFC to work with the Department of Energy to mitigate this potential risk. Any IFC

advisory support would need to be carefully tailored to the needs of GoP as we understand other donors are already active in this area.

- The non-capital risks to renewable energy investment could have been explored more fully in the proposal. For example, the proposal refers to issues related to biomass feedstock on p15 as a potential barrier to biomass energy production. Given that this could not be resolved with finance alone, it would be helpful to know if the IFC has explored this with the GoP and whether any measures (donor or otherwise) are in place to help address this.

### **Vietnam Sustainable Energy Finance Program**

- The transformational potential of the project appears to be strong and, drawing on the IFC's experience from similar projects in other countries, this project could fundamentally change the financial sector's ability to loan to sustainable energy projects. The proposal clearly identifies how its focus on SMEs sits alongside other projects being planned, including the ADB industrial energy efficiency project under the CTF Investment Plan in Vietnam and an IBRD energy efficiency program currently being designed.
- It is unclear from this proposal whether the project intends to focus on energy efficiency alone or whether support could also be provided to financial institutions for renewable energy. The proposal initially indicates a focus on renewable energy and energy efficiency (as approved under the CTF Investment Plan in Vietnam), however, most of the remaining discussion focuses on energy efficiency. While we do not object to an exclusive energy efficiency focus, it is important that the proposal is clear because, on the basis of the current rationale, it is unlikely that sufficient justification has been provided to support a focus on renewable energy.
- The proposal does not clearly identify which end sectors the project will target and sets a very broad scope to include SMEs in the industrial, residential, transport and commercial sectors. Partly this is because further work is required to identify end sectors and partly because it will be the responsibility of local financial institutions to establish loan products for specific sectors. However, a deeper understanding of the end sectors' emissions profiles would enable the IFC to target local financial institutions that are currently active in sectors with the greatest emissions reduction potential. This would also allow a more accurate calculation of the expected emissions reductions from the project.
- The proposal refers to the National Target Program (NTP) for energy conservation and that fuel prices will be driven by the market by 2012. The energy price reform agenda includes new policies that aim to establish real competition in markets for electricity, gasoline, diesel and coal, however, as we understand it, no firm commitment has been reached at this stage. Given that successful implementation of these reforms poses a potential risk to the proposal

(and its demonstration effect more broadly), it may be necessary to consider a mitigation strategy as part of project implementation.

Again, thank you for the opportunity to comment. We hope this input is useful.

Regards

Jean-Bernard Carrasco