

May 24, 2010

**Comments from the United Kingdom
IFC's Thailand Renewable Energy Accelerator Program**

Dear Patricia,

Many thanks for responses to the questions we raised regarding the Thailand Renewable Energy Accelerator Programme.

Please note in relation to the issue of the possibility of a subordinated debt structure the CTF Financing Products, Terms and Review Procedures for Private Sector Operations states:

"MDB's will always seek the minimum concessionality necessary to enable projects to happen and **will justify** the amount of concessionality requested in **each** CTF proposal". (par 10).

And

"In **all** cases, the **MDB would be responsible for explaining why it believes it can structure and implement the financial instruments proposed in the CTF proposal.**" (par 15)

While we recognise that it is unlikely that CTF funds will be subordinated in this instance, the proposal does see this as a **possibility**, however slim. We are still not clear on the circumstances in which CTF funds could be subordinated and what the justification would be. What are the senior lender constraints likely to be and might there be other ways in which these could be mitigated? What is the likely (however slim) proportion of the CTF funds that may be subordinated? Could it be for one or more of the potential deals? Should it turn out that there is a need for subordination, what conditions would go into the finance agreement to ensure that CTF funding is not exposed unduly? Could it also be clarified that in the event of a subordination of CTF funds that the pari passu IFC investment would be on the basis of a 50:50 apportionment of the loan?

Regarding the issue of Demonstration as Scale and the response to the question asked previously, we understand now that the estimate of a tenfold increase in projects cannot be quantified, what are the steps in the process of achieving the envisaged market transformation? Can they please be spelt out?

Regarding developmental indicators related to market development, we recognise that it is difficult to quantify the number of new companies likely to be created, however there must be an expectation, based on a knowledge of the structure and capacity of Thai industry where this growth is likely to occur and in what proportion spread across the sectors listed.

Please can you respond to these questions in time for us to meet the Wednesday deadline.

Many thanks,

Simon