

Innovative Financial scheme for sustainable development of Renewable Energy project in Rural Areas in Vietnam, Philippines and Indonesia (IFRERA) – Project 69



Supported by the ACE through the
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IFRERA Project aims at developing a full contractual framework for the implementation of mini hydro projects substituting diesel in isolated locations including financing schemes with a view to implementation, possibly also mobilizing the EAEF demonstration facility in a next stage. The success in reaching this final goal will naturally be very dependant on the regulatory frameworks in the targeted countries, both at a national and local regional levels within the countries. The project aims at favouring exchanges in terms of regulatory frameworks and financial frameworks with European Countries and within ASEAN. In as much as possible, the full implementation packages will be developed for actual sites : F/S to be developed for one SHPP in Vietnam and F/S review for some identified sites in Indonesia and the Philippines. A team of partners from France, the Netherlands, Vietnam and the Philippines is working for the completion of this project.

Objectives

The project objectives are :

- To develop small-scale hydropower based rural electrification and develop national capacity in this respect.
- To develop a “ready to implement” package and ESCo implementation modality for investors in renewable energy projects.
- To have a full understanding of the Philippine, Indonesian and Vietnamese energy and renewable energy status context and a good knowledge of their regulatory, institutional and legal frameworks: foster exchanges between countries to encourage project implementation.

Expected outcomes

The followings are expected:

- Beneficial consequences on rural communities who presently do not have access to electricity at all, or only to an unreliable and expensive service;
- A fully implementable package of hydro projects ready for business development that will have a great impacts on target groups and a replication potential within the countries in the region;
- A framework which can be applied to potential mini hydro sites in ASEAN members countries. Indeed, IFRERA will

propose a framework that can be applied to other ASEAN countries and to other renewable energy technologies. The project team will assess the potential for future similar activities in the region.

Update on project activities

The IFRERA project is now entering its 9th month of implementation. Several tasks have been carried out as planned and others are under way. The global objectives for the first year are as per the initial schedule. The following points describe projects' global activities as well as country specific actions in Vietnam, Philippines and Indonesia .

Preparation and kick-off meeting

A detailed work plan for the first year of activities was established at the kick off meeting. The kick off meeting was held in Hanoi – Vietnam on 22-23 July 2004. The delegations from IED, ETC, MBA, ADEME, IE participated actively in the kick-off meeting with the objective to clearly identify the needs and means to implement the project, to present current status of minihydro development framework in three countries. The delegations from IED, ETC, ADEME, MBA and IE made presentations on ESCO approach, on the existing feasibility studies in Indonesia and Philippines, on local integration issues, on

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innovative French tools for financing of renewable energies, on the current status of regulatory and institutional frameworks for mini-hydropower development in three countries. A specific presentation on the global minihydro potential in Vietnam and obstacles to its development was given by IE. The main conclusions from this meeting are :

- That there is large potential for minihydro development in the three countries.
- That financing of RE development is a major obstacles and the EU cooperation and financing are welcome and much needed.
- That the successful implementation of the project potentially has a large multiplier effect in the region.



Kick-off meeting in Hanoi

Vietnam activities

In Vietnam, a first mission took place in November-December 2004 (ETC, IE and IED experts) for a field mission in Gia Lai Province. The first mission aimed to visit and select a Small Hydro Power plant site for feasibility study and to collect all the required data to undertake this study. Based on the Institute of Energy Master Plan for small hydro power development in Gia Lai Province, a prior desk study led the experts to select 3 most promising sites amongst more than 25 pre-identified sites proposed in the master plan.

The sites were visited and assessed from the technical, socio-economic and environmental point of view. Local authorities (Regional, District and Communal) were consulted and interviewed to collect data about the local context and the rural electrification status.

Krong Pa 2 site located in the remote northern part of Gia Lai has been selected for F/S and presents the following main characteristics :

- More than 4 MW capacity, promising estimated economic indicators;
- Full local authority and population support. This site is on the priority list to develop to support a poor and remote area, in line with local policy
- A potential developer and investor has been identified;
- The area not connected to national electric grid: the site development can bring much benefit to nearby ethnic population
- The environmental impact would be minimal, taking into account the site characteristics : no dam, no population resettlement, no agriculture activity nearby. But the social impact would be maximum, as asserted by local villagers and its representative in terms of improving of living conditions and revenue for local population.



Krong Pa 2 waterfalls at intake site

The site is now under technical study and the provisional feasibility report will be ready in May 2005 for review by all partners.

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Regarding the Environmental and Social Impact Studies, ETC, who is in charge of this task is setting up a mission to Vietnam in March in order to train local surveyors. This important study will be hence completed by next May.



Typical non electrified village in Gia Lai Province

The report on the Vietnamese institutional and regulatory framework is under preparation and will be circulated in April 2005.

Indonesia activities

The review of legal and regulatory framework for rural electrification and mini-hydropower development in Indonesia was completed and has been send to all partners for comments.

Indonesia Power, a subsidiary of national utility PLN, has shown great interest in the three project sites located in South East Sulawesi and is the project partner for investment in the sites and their development.

A mission to Indonesia was undertaken by IED in cooperation with Indonesia Power in February – March 2005.

All three sites were visited (Sambilambo, Mikuasi, Ratelimbong), and meetings were held with the ministry of mines and energy (DJLPE) as well as the local authorities and national utility PLN (both at the national and local levels). The data collection is completed with the active collaboration of IP; investment

costing review is planned by Indonesia Power at the end of April.

Economic, technical and financial assessment of the three sites is being carried by IED using this data. One of the most interesting options discussed with the investor would involve the connection of the remote and currently isolated area of Lasusua with the Kolaka system, thus providing 24hrs power supply to North Kolaka and better stability for the struggling Kolaka system. The project seems to sparkle interest among the population and an article has already been published in a national newspaper. All three sites are run-of-the-river and would size from 1.3 MW to 5 MW.



Ratelimbong 2 site. Sulawesi - Indonesia

A meeting with the ministry of environment of Indonesia is planned in order to discuss potential CDM registration for this project. In addition to reducing electricity costs in an area exclusively supplied by diesel engines, this

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project could foster economic development in Sulawesi as well benefit the environment. These are all strong motives for Indonesia Power, who is planning public listing in 2005 and is engaging on positive public relations.

The review of the F/S report will be under discussion by project partners as a draft in April.

Philippines activities

The review of legal and regulatory framework for rural electrification and mini-hydropower development in Philippines was completed and has been sent to all partners for comments. This comprehensive study can serve as a basic document for potential investor.

The Philippine private investor PowerOne corporation has been contacted and has confirmed its interest in the potential development of the Lower Dugui site. A mission is planned from March 13th to March 20th in order to proceed with data collection, comprising IED, MBA and POC. Meetings are already set with the national and local authorities, as well as with local electricity distributor FICELCO. Tentatively, a technical site review mission will take place early April and the site F/S review report will be available for discussion in May 2005.

Upcoming events

IFRERA will continue looking for integrated solutions and the small hydro systems “ready to implement” package. Several activities are already scheduled within the next few months :

- Philippines, Vietnam, Indonesia : by the month of June, the institutional and regulatory studies tasks as well as the technical and economical feasibility of the SHP sites will be completed for review and comments.
- Implementation framework and identification of potential financiers and investors will then take place. Required further sensitivity analyses will be

undertaken and tender documents elaborated as and if relevant.

- Before starting to work on a guideline and general methodology for SHP development within South-East Asia, a consortium progress meeting will be held in July in France (IED offices) to review the project progress, update and elaborate detail schedules for the next activities.

Contacts

For more information about the IFRERA project, please contact :

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