

## INTERVIEW - South Pole has big hopes for small hydro in Indonesia

by Reuters News on 09 April 2010, 03:43 AM

Categories: Interviews - Reuters News

\* Firm says expanded CDM to help drive renewables investments

\* Bundling mini-hydros ideal starting point

\* Potential to group hundreds of megawatts of capacity

By David Fogarty, Climate Change Correspondent, Asia



SINGAPORE, April 9 (Reuters) - A UN-backed scheme aimed at bundling identical clean-energy projects and cutting costly auditing fees holds the potential to ramp up clean-energy investments in Indonesia, a project developer says.

Swiss firm South Pole Carbon says it recently received the first letter of approval from the Indonesian government for a project under an expanded form of the U.N.'s Clean Development Mechanism.

Renat Heuberger, South Pole's chief operating officer, said the project aims to bundle potentially dozens of small run-of-the-river hydropower plants across the vast archipelago of 240 million people. About a third of Indonesians have no access to electricity, the World Bank says.

In return, South Pole would earn revenue from selling the electricity to state power generator PLN as well as money from U.N. offsets called certified emissions reductions (CERs) issued under the CDM.

The CDM allows investors to develop clean-energy projects in poorer nations and earn CERs in return that can be sold for profit or used by polluting firms in rich nations to meet their mandatory emissions targets.

But the scheme acts as a deterrent to investors wanting to develop small projects individually because of the costly U.N.-mandated auditing process and the time it takes for the United Nations to approve each project.

Programmatic CDM, or PoA, streamlines this process by allowing developers to register a parent programme that allows them to bundle in a theoretically unlimited number of identical investments.

This cuts costs, clears the way for investments that were previously unviable and makes it easier to bring clean-energy generation to millions in poorer nations.

### SWEETENER

Heuberger told Reuters in an interview South Pole had already signed up seven hydropower projects under the PoA totalling about 35 megawatts (MW), with each ranging from 1 MW to 15 MW. He expected another 20 hydro projects could be added once the programme was formally registered by the United Nations some time next year, representing potentially hundreds of megawatts of capacity.

He said PoA was just another carrot that could help sweeten the deal on small renewable energy investments in Indonesia.

"Everyone's looking more into how to tap into the underlying assets and how to participate in energy revenues. It's a growing market. While the CDM is simply increasingly unsecure, that's a fact," he said.

The CDM is part of the U.N.'s Kyoto Protocol climate pact, whose first phase ends in 2012 and there is no decision yet to extend it or agree on a different climate treaty.

For the hydropower project he said CER revenues would comprise about 15 percent of the total, with the remainder coming from payments for electricity by PLN, which has a mandate to ramp up conventional and renewable energy capacity across the country.

All seven hydro plants, some of which are completed or under construction, had power purchasing agreements with PLN.

Indonesia has 45 registered projects under the CDM, far behind India with 498 and China with 787, the top two nations in the scheme, according to U.N. figures.

(Editing by Ed Lane)

((david.fogarty@thomsonreuters.com; +65 6403 5662; Reuters Messaging: david.fogarty.reuters.com@reuters.net))

Keywords: INDONESIA CARBON/