

INVESTMENT OPPORTUNITY: COMMITMENT TO REPLACE COAL WITH RE

*The Second International Virtual Investment
Forum to Attract Chinese Investment into
Indonesia's Renewable Energy Sector*

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Ministry of Investment / Indonesia Investment Coordinating Board

THE CLIMATE PLEDGE: COMMITMENT OF 115 MULTINATIONAL COMPANIES TO ACHIEVE NET ZERO CARBON BY 2040

THE CLIMATE PLEDGE Current participation: **217** Signatories

Oldest members:



SIEMENS

Mercedes-Benz



Unilever

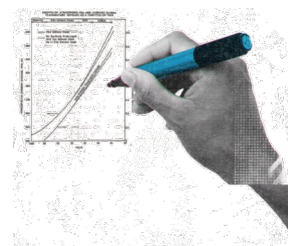
jetBlue

Uber



3 strategies to achieve 2040 net-zero carbon emissions:

1. **Carbon Elimination:** Implement decarbonization strategies through business change and innovations.



2. **Regular Reporting:** Measure and report greenhouse gas emissions on a regular basis.

3. **Credible offsets:** Take action to neutralize any remaining emissions with additional, quantifiable, real, permanent, and socially beneficial offsets.



PRIVATE SECTOR TREND (2/2)

RE100: THE WORLD'S TOP 500 COMPANIES TARGET FOR REDUCING CARBON EMISSIONS

RE100 is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity

2019 membership

Fortune Global 500 companies with formal climate targets²:

163

Countries represented

23

CLIMATE TARGET TYPE



CARBON NEUTRAL¹

Achieved when a company completely offsets its greenhouse gas emissions.



RENEWABLE 100% (RE100)

Achieved when a company relies on 100% renewable energy.



SCIENCE BASED TARGETS (SBT)

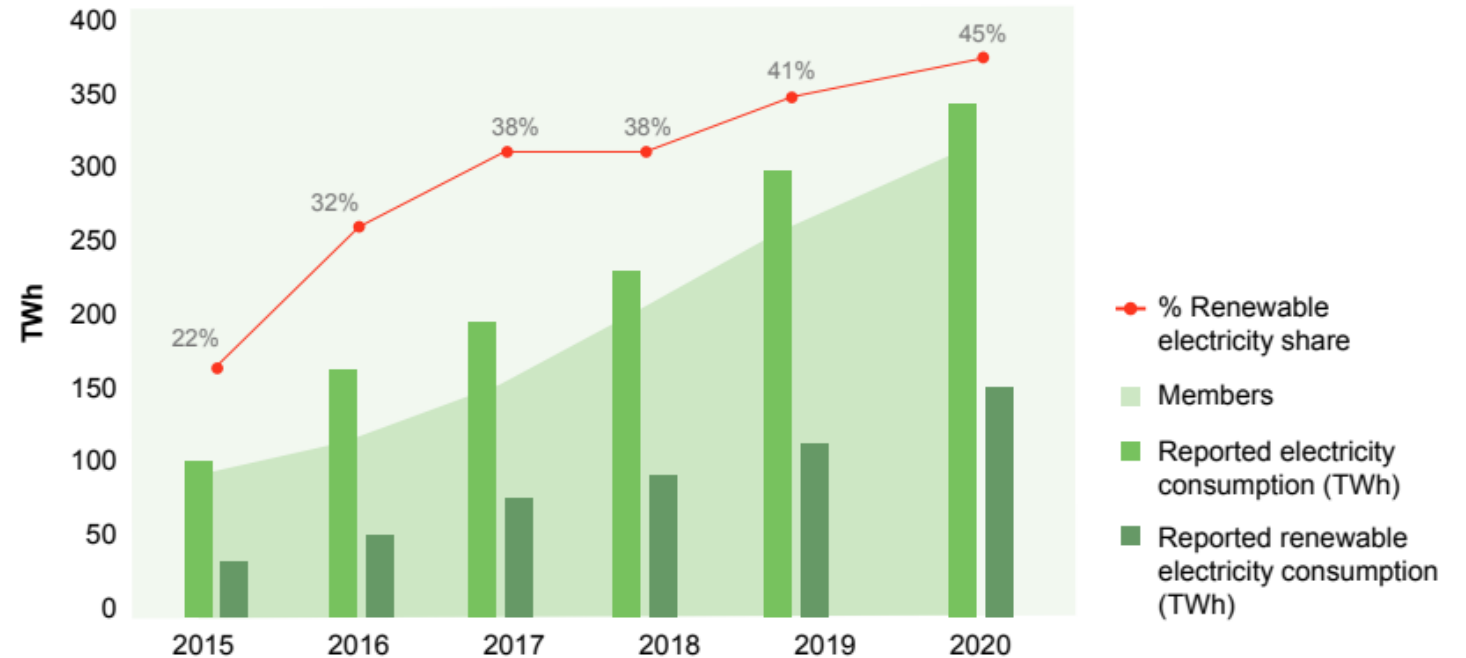
Emissions are reduced in line with the need to keep global warming below 2 degrees Celsius.

¹Includes commitments to achieving "net zero emissions".

²Companies that did not specify a target date were unable to be included in this graphic.

2021 Update

RE100's growth in membership numbers, aggregated electricity consumption, and sourcing of renewable electricity



349

Memberships

members, represent 340 TWh of electricity consumption

45%

Renewable electricity Consumption

of reported electricity consumption by RE100 members is now renewable, up from 41% (2020)

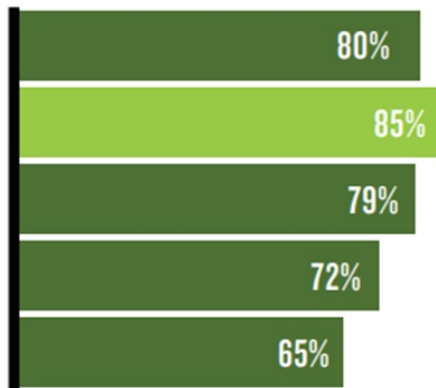
NIELSEN'S GLOBAL SUSTAINABLE SHOPPERS REPORT 2018:
THE GREAT DEMAND FOR SUSTAINABLE PRODUCTS AROUND THE WORLD

CORPORATE SUSTAINABILITY IN HIGH DEMAND ACROSS GENDER AND GENERATIONS

PERCENTAGE OF RESPONDENTS WHO SAID THAT IT IS "EXTREMELY" OR "VERY" IMPORTANT THAT COMPANIES IMPLEMENT PROGRAMS TO IMPROVE THE ENVIRONMENT

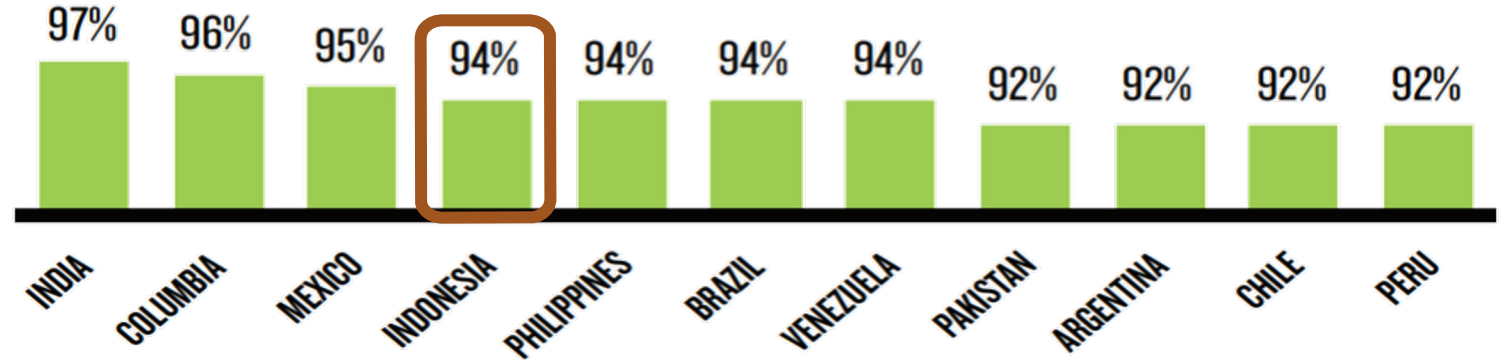


GEN Z
15 - 20
MILLENNIALS
21 - 34
GEN X
35 - 49
BABY BOOMERS
50 - 64
SILENT GENERATION
65+



TOP COUNTRIES WHERE CONSUMERS DEMAND CORPORATE SUSTAINABILITY

PERCENTAGE OF RESPONDENTS WHO SAID THAT IT IS "EXTREMELY" OR "VERY" IMPORTANT THAT COMPANIES IMPLEMENT PROGRAMS TO IMPROVE THE ENVIRONMENT BY COUNTRY



- 81% of global respondents feel strongly that companies should help improve the environment. This passion for corporate responsibility is shared across gender lines and generations.
- The majority (73%) of consumers say they would definitely or probably change their consumption habits to reduce their impact on the environment.
- The most enthusiastic consumers for company-driven environmentalism are the ones from the **emerging market**, many of whom are dealing with environmental hazards in their everyday lives.

CURRENT INISIAIVE - CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

- **What is CBAM?**

Key policy: the imposition of additional fees on a product to be exported to the European Union (EU) for the products which classified as not environmentally friendly.

- **Objective:**

To prevent the risk of carbon leakage (i.e. companies based in the EU could move carbon-intensive production abroad to take advantage of lax standards, or EU products could be replaced by more carbon-intensive imports).

- **CBAM Scope**

CBAM will be phased in gradually and will initially apply only to a selected number of goods at high risk of carbon leakage:



A reporting system will apply as from 2023 for those products with the objective of facilitating a smooth roll out and to facilitate dialogue with third countries, and importers will start paying a financial adjustment in 2026.

- **Other countries soon to implement CBAM**

- California (applied to certain imports of electricity)
- Canada and Japan (initiation stage)

The infographic features three circular icons: a blue circle with a Euro symbol and a thought bubble, an orange circle with a Euro symbol and a document, and a green circle with a checkmark. Below each icon is a step in the process.

- EU importers of goods covered by the CBAM registers with national authorities where they can also buy **CBAM certificates**.** Certificates are priced based on **weekly ETS allowances**.
- EU importer declares the emissions embedded in its imports and surrenders** the corresponding number of certificates each year.
- If importers can prove that a carbon price has already been paid during the production of the imported goods, the corresponding amount can be deducted.**

#EUGreenDeal
European Commission

MINISTRY OF INVESTMENT/BKPM PROGRAM HIGHLIGHT

The National Strategic Projects Preparation to be Offered to Investors (Output: Pre-feasibility Studies)

BACKGROUND

1

- Indonesia does not yet have master data regarding detailed investment opportunities in the regions so promotional activities to attract incoming investment are not strong enough
- Direct investment is considered as one of the solutions to help economic recovery during and after the COVID-19 pandemic

STRATEGY

2

- The Ministry of Investment/BKPM conducts preparation of potential projects from 34 provinces.
- The targeted projects refer to the list of major projects in the 2020-2024 Medium-Term National Development Planning (RPJMN), the Presidential Regulation on National Strategic Projects (PSN), and other national policies.

OUTPUT DISPLAY

4



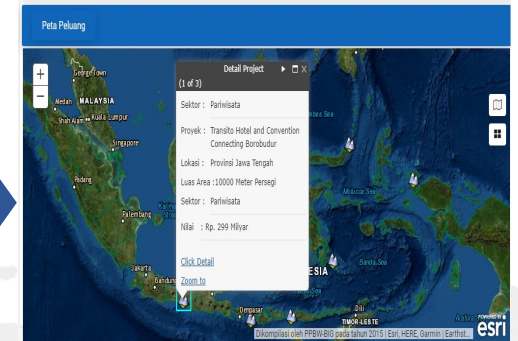
Illustration

Pre-Feasibility Study Document



Illustration

Project Teaser (info memos and infographics)



Illustration

Spatial Based Project Information

OUTPUT DAN TARGET

3

Pre-Feasibility Study (Pre-FS)

- Pre-FS includes, among others:
 - ✓ analysis of legal and administrative aspects,
 - ✓ technical analysis,
 - ✓ economic, social, and environmental impacts,
 - ✓ Financial feasibility;
 - ✓ business model schemes, as well as support from the Government and stakeholders.
- The results of the 2020-2021 pre-FS: **22 + 25 projects from 34 provinces.**

2022 Projects:
2 RE Development Projects in Riau and West Kalimantan Province to encourage the realization of scattered quota projects on RUPTL 2021-2030

Tax Incentives on Investment Tax Holiday

	MINI TAX HOLIDAY	TAX HOLIDAY										
Percentage Reduction	50 %	100%										
Concession Period	5 Year	<table border="1"> <tr> <td>20 years</td> <td>> Rp. 30 trillion</td> </tr> <tr> <td>15 years</td> <td>Rp. 15 trillion to 30 trillion</td> </tr> <tr> <td>10 years</td> <td>Rp. 5 trillion to 15 trillion</td> </tr> <tr> <td>7 years</td> <td>Rp. 1 trillion to 5 trillion</td> </tr> <tr> <td>5 years</td> <td>Rp. 500 billion to 1 trillion</td> </tr> </table>	20 years	> Rp. 30 trillion	15 years	Rp. 15 trillion to 30 trillion	10 years	Rp. 5 trillion to 15 trillion	7 years	Rp. 1 trillion to 5 trillion	5 years	Rp. 500 billion to 1 trillion
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Transition Period	25% for 2 years	50% for 2 years										
	Minimum New Investment of Rp. 100 billion	For new investment minimum of Rp. 500 billion										
Criteria	<p>✓ Pioneer Industry or meet Pioneer Industry Criteria (Min Quantitative Score : 80)</p> <ul style="list-style-type: none"> ✓ Investment Realization Commitment within 1 Year ✓ Status as An Indonesian Legal Entity ✓ Complying with the provisions of the comparison between debt and capital of the company for the purposes of calculating Income Tax as stipulated in PMK No. 105/2018 											
Facility Application Procedure	<ol style="list-style-type: none"> Application through OSS Along with the taxpayer application for a new Business License (NIB) to BKPM Submission before The Start of Commercial Production and no later than 1 year after the approval of the business license 											

18 Pioneer Industries

Upstream base metal	Manufacture of irradiation, electromedical equipment	Shipbuilding main components
Oil refining	Manufacture of the main components of electronics	Manufacture of the main components of the railway
Oil and gas-based petrochemicals	Machine component manufacturing	Manufacture of the main components of the aircraft
Organic based chemistry	Manufacture of robotic components	Processing based on agricultural products, plantations
Anorganik based chemistry	Manufacture of the main components of power plants	Economic infrastructure
Pharmaceutical raw materials	Manufacture of motor vehicles	Digital Economy related to data management & hosting

Pioneer industry quantitative criteria Appendix A, PMK 130/2020

CRITERIA			SCORE	%
Broad Interrelationship	1.	Filling industrial trees	20	10%
	2.	The main raw materials from within the country		12%
	3.	Import substitution		10%
	4.	Number of similar companies in an area		12%
Value Added	5.	Employing a large workforce	s.d.	10%
	6.	Investment Location		7%
New Technology	7.	Using environmentally friendly technology	100	10%
	8.	Using new technology in production tools		10%
National Scale Industry	9.	Supporting National Strategic Projects	100	5%
	10.	Production Base		10%
	11.	Build infrastructure facilities independently		4%
TOTAL				100%

TAX ALLOWANCE

30%

FROM INVESTMENT VALUE

Calculated based on valuation of tangible fixed assets



Reduction of corporate income tax by 5% per year, for 6 years (total 30%)

Criteria:



Absorbing certain numbers of local labour



Certain value of investment for export oriented industries



Using certain percentage of local content

Incentive scheme:



Accelerated depreciation of tangible fixed assets and accelerated amortization of intangible assets



Imposition of Income Tax on dividends of 10%



Compensation for losses of more than 5 years but not more than 10 years

Offered for Investment in 183 Business Activities

Oil & Gas Industry

- Oil refinery
- Liquefied Natural & Petroleum Gas
- Lubricant

Power Generation

- Geothermal
- Alternative/renewable energy

Agriculture

- Cattle breeding & Farming
- Corn plantation
- Soya plantation
- Rice Farming
- Tropical Fruits

Manufacturing & Industry

- Iron & Automotive Ind,
- Steel
- Clothing
- Semi Conductors
- Electronic Components
- Computer
- Communication Devices
- Television
- Tires
- Pharmaceutical
- Cosmetics
- Fish & Shrimp processing etc

New

The granting of Income Tax Facility is **carried out by the Minister of Investment/Chairman of BKPM** on behalf of the Minister of Finance.

Tax Incentives on Investment

Import Duty Exemption Facility for the Import of Machinery, Goods, and Materials For Construction

Import Duty Facility

Ministry of Finance Regulation
No. 176 / PMK.011 / 2009 jo.
No. 188 / PMK.010 / 2015)

- 2** Years
Exemption from import duty on imported machines
- 2** Years
Exemption from import duty on import of goods and materials for production requirements in accordance with installed capacity
- 4** Years*
Exemption from import duty on imports of current goods and materials using domestic machines

(*) > 30% of the total value of that machine used

Coverage of Business Fields:

1. Tourism and Culture
2. Transportation / transportation (public transportation services)
3. Public health services
4. Mining
5. Construction
6. Telecommunication industry
7. Port
8. Automobile assembly and component industry



KEMENTERIAN INVESTASI/BKPM

TERIMA KASIH



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