

Indonesia's Renewable Energy Investment Opportunity

Japan RE Invest Indonesia 2024
November, 27th 2024



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

Global Climate Update

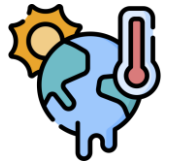


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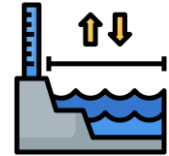


Climate change has been in the global spotlight due to the increasing impact felt by the world community and on the environment.

Important Signs of Climate Change



The global average temperature has increased by approximately 1.1°C since the pre-industrial era and is projected to rise by 1.5°C to 4.5°C by the end of the 21st century.



Global sea levels have risen by about 20 cm since the late 19th century and are projected to increase by 26 cm to 82 cm by the end of the 21st century.



The frequency and severity of extreme weather events, such as heatwaves, droughts, and floods, have increased globally.



The acidity level of ocean waters has increased by 26% since the pre-industrial era due to the absorption of carbon dioxide from the atmosphere.

Source: IPCC

Carbon Dioxide

↑ **427** Parts per million (ppm)

Global Temperature

↑ **1,17** °C since pre-industrialisation

Global Sea Level

↑ **103** mm since Januari 1993

Ocean Warming

↑ **360** Zettajoules since 1955

Arctic Sea Ice Minimum

↓ **12,2** Percent per decade since 1979

Ice Layer

↓ **424** Billion metric ton per year

Source: NASA, Climate Vital Signs (per Juni 2024)

1. Extreme Weather

2. Critical Changes to Earth's system

3. Biodiversity Loss

4. Climate resource crisis

5. Misinformation and disinformation

6. Negative Impact of AI

7. Force migration

8. Natural resources crisis

9. Social Polarization

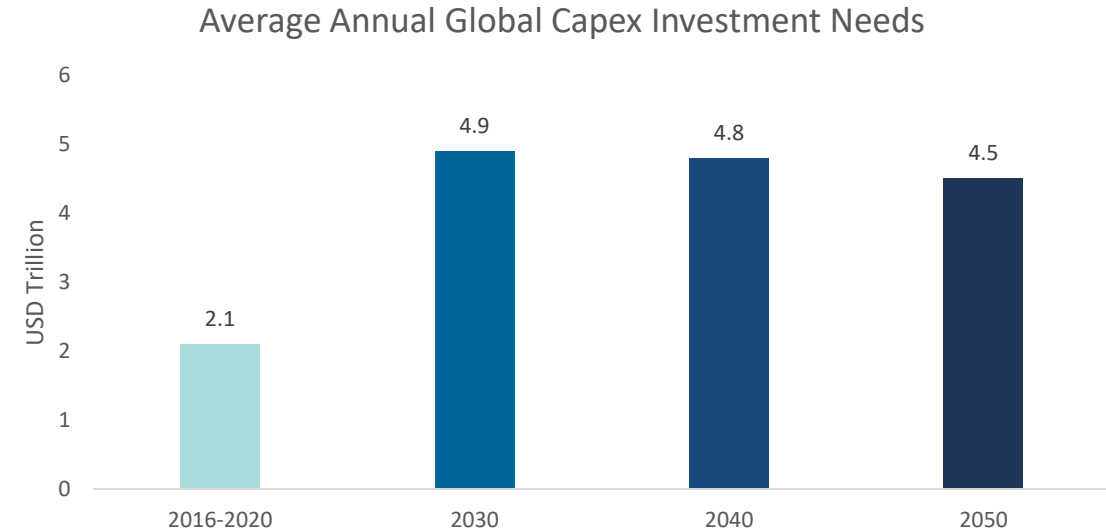
10. Pollution

- Economic
- Environmental
- Geopolitical
- Societal
- Technological



Global green transition's costs vary significantly, spanning from **USD 100 trillion - USD 300 trillion** until 2050.

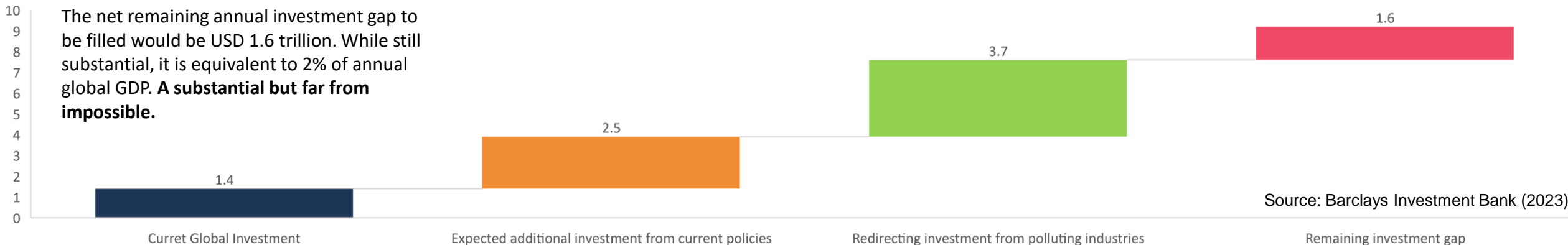
Average annual investment needs to 2050	Source/Reference	Scenario, scope or estimation method
USD 3,5 Trillion	Network for Greening the Financial System (NGFS)	Total investment in 1,5°C scenario
USD 4,1 Trillion	Boston Consulting Group	Total Investment, drawn from range of estimates
USD 4,4 Trillion	International Renewable Energy Agency (IRENA)	Energy investment
USD 3,5 – 5,1 Trillion	BloombergNEF	Range of investment depending on technology path
USD 4,5 Trillion	International Energy Agency (IEA)	Energy related investments
USD 9,2 Trillion	McKinsey	Broad view investment on demand side



There is a necessity for a significant increase in global capital expenditure from its current levels to effectively mitigate climate risks and curb global warming.

Source: Barclays Investment Bank (2023)

Annual Green Investment Gap (USD Trillion)

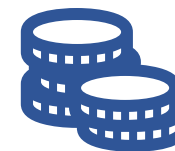


Source: Barclays Investment Bank (2023)



Baku Finance Goal

Tripling annual climate finance for developing countries **from \$100 billion to \$300 billion by 2035**, aiming to mobilize \$1.3 trillion per year from public and private sources



Reforming Fossil Fuel Subsidies and Accelerating the Just Transition

There is a clear timelines to phase out these subsidies, focusing on **energy transitions** that prioritize renewable energy and just transition measures

Strengthening National Commitments: The Role of Enhanced NDCs

Countries are being urged to include detailed plans for fossil fuel phase-outs, **renewable energy scaling**, and nature-based solutions.



Indonesia's Climate Finance Target and Financing Strategy



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Climate Change as National Priority

VISION OF GOLDEN INDONESIA 2045: “Towards A Sovereign, Developed, and Sustainable Archipelagic Country”

Long-Term Target 2025–2045

- 1 Income per capita equivalent to developed countries
- 2 Poverty towards 0% and reduced inequality
- 3 Increased international leadership and influence
- 4 Increased competitiveness of human resources
- 5 Decreased GHG emissions intensity and moving towards net zero emissions



Development Agenda in Mid-Term Strategies 2025 – 2029*

- 1 **Social Transformation**
- 2 **Economic Transformation**
- 3 **Governance Transformation**
- 4 **Rule of law, stability, and Indonesian leadership**
- 5 **Social, cultural, and ecological resilience**

Adaptive social protection

Blue economy

Acceleration of energy transition

Industrial circular economy

Green jobs

Sustainable forest management

High-quality family, gender equality, and inclusive society

Environmental quality and biodiversity

Energy

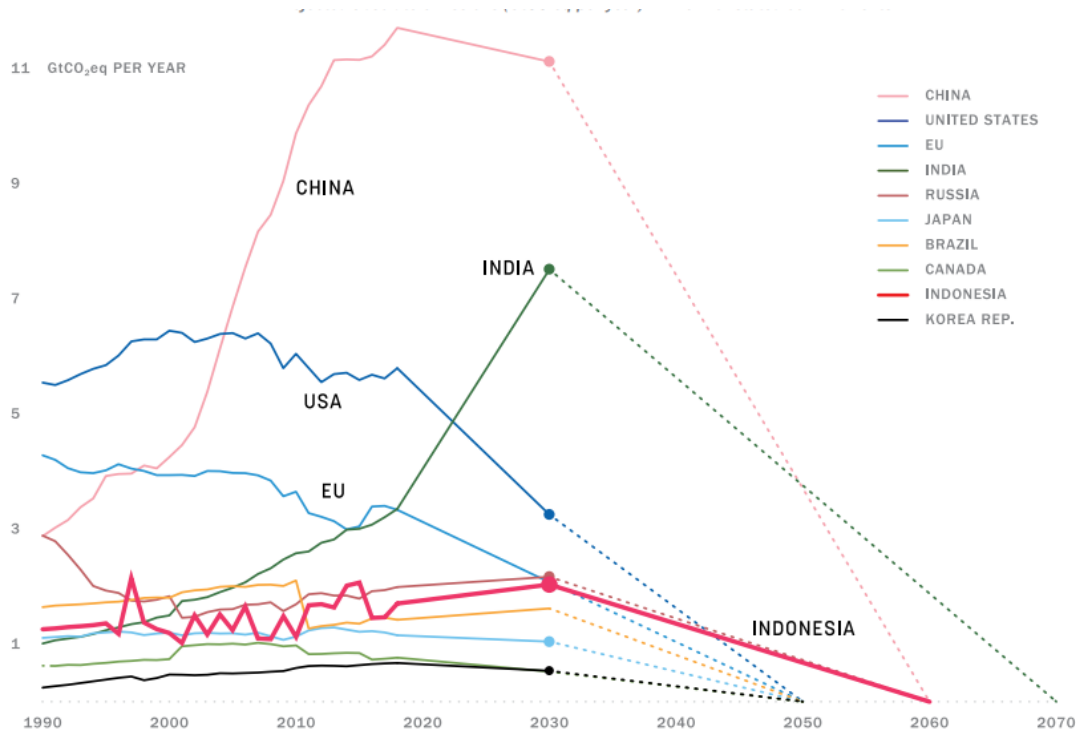
Food Security

*based on technocratic design as December 2023

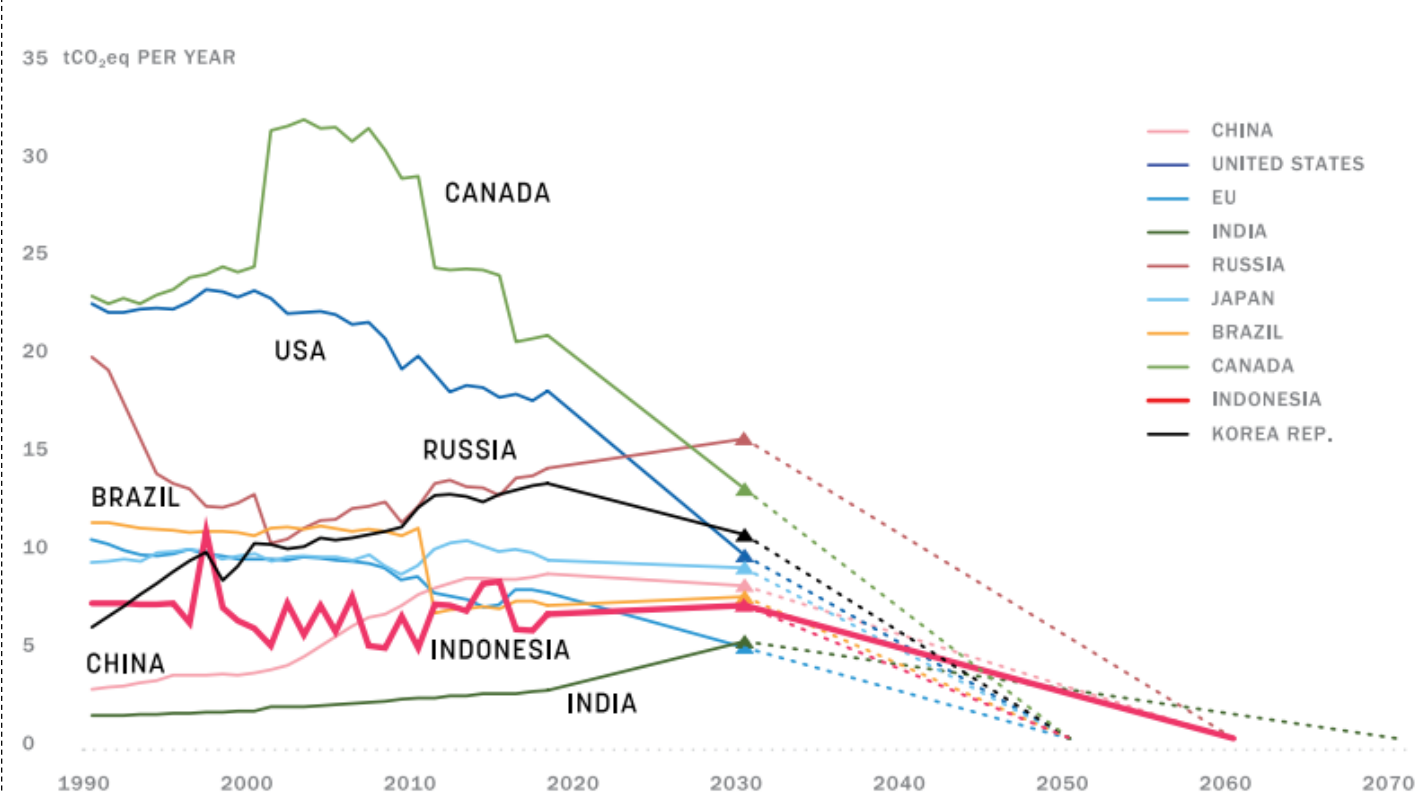


Projections of Emissions and Per Capita Emissions in line with NZE targets in various countries

Projected Emissions based on NZE commitments (in Giga tons CO₂eq per year)



Projected Emissions per capita based on NZE commitments (in Giga tons CO₂eq per year)



Sumber: World Bank Country Climate and Development Report (2023)



Enhanced NDC and Required Climate Change Financing





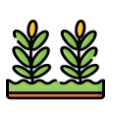
CM 1 **31.89%**

Below the BAU emission level in 2030 with own efforts (Unconditional Scenario)

CM 2 **43.20%**

Below the BAU emission level in 2030 with international support (Conditional Scenario)

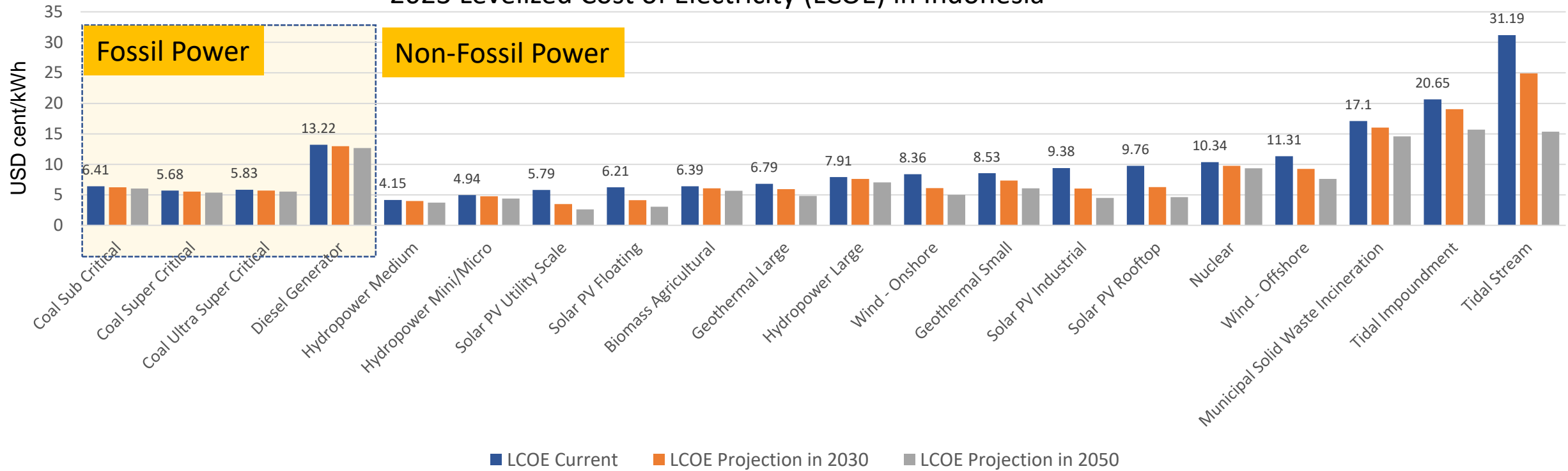
Estimation need financing for **unconditional(29%)** on 2030 based on Report BUR-3. **Financing need for *Enhanced NDC* still in process estimate.**

	Trillion Rupiah	Billion USD	Emmision Reduction Target CM1 (gigatons CO2e)	Emmision Reduction Target CM2 (gigatons CO2e)	
 FOLU	309.01	21.86	500	729	<ul style="list-style-type: none"> Reducing deforestation and mineral degradation Reducing deforestation and peatland degradation Sustainable Forest Management Land rehabilitation (with or without rotation) Development of industrial plantation forests Peatland restoration Peat water management
 Energy	3,500.00	245.99	358	446	<ul style="list-style-type: none"> Renewable energy generation Non-electric renewable energy Low-carbon coal power generation City gas networks and LPG conversion
 IPPU	0.93	0.07	7	9	<ul style="list-style-type: none"> Improvement of software & hardware that can reduce the frequency, duration, and voltage of acoustic emissions (AE). Installation of co-processing (AFR) to reduce the clinker ratio per cement to 75% by 2030 Construction of new plants with new or advanced technology Substitution and retrofit of technology Improvement of production systems Installation of secondary N2O Reduction Catalysts and Operational Costs
 Waste	185.27	12.99	40	43.5	<ul style="list-style-type: none"> Collection and transportation Final processing
 Agriculture	7.23	0.50	10	12	<ul style="list-style-type: none"> Utilization variety low emission inland rice fields (x1000 hectares) Implementation system irrigation rice field economical water (x1000 hectares) Repair supplement feed (x1000 farm)
TOTAL**	4,002.44	281.23			<p>Notes:</p> <p>* cost of emission reduction per timber life cycle is included, as well as cost of new technologies that may occur at any stage of life cycle, and cost of peat management technologies.</p> <p>** Financial needs in BUR-3 are larger than reported in BUR-2 with IDR 3,461.31 trillion due to the additional mitigation programs, differences in cost-methodology used, and longer time frame (2011-2030 for agriculture sector and 2013 -2030 for forestry sector)</p>



Green Industry Should be Enhanced to lower Cost of RE

2023 Levelized Cost of Electricity (LCOE) in Indonesia



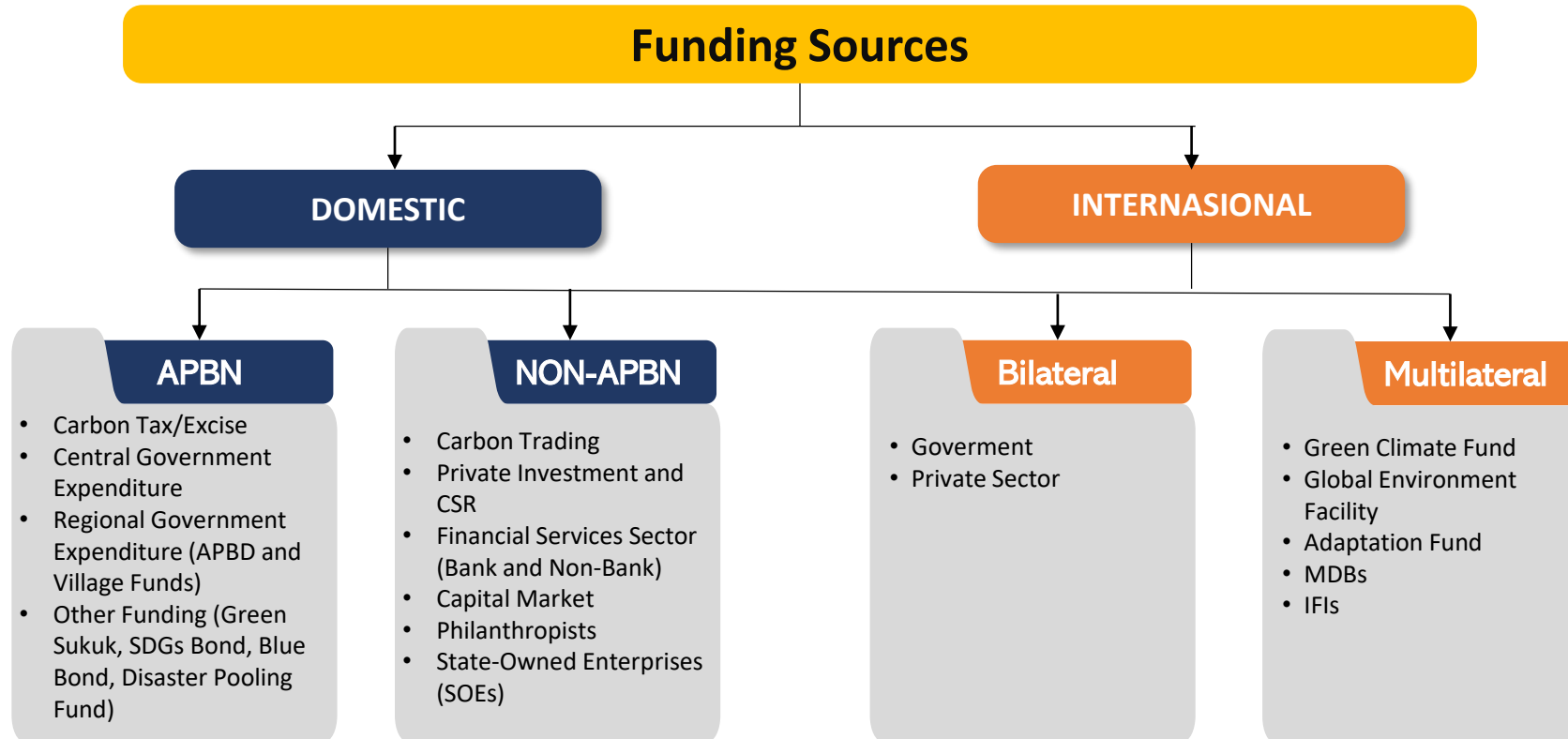
LCOE is calculated based on Investment cost, fixed Operational & Maintenance (O & M), and variable O & M costs. This calculation did not include the land-use and pre-development costs. For fossil power, the LCOE is quite low since coal price using Domestic Market Obligation (DMO). The regulation set the coal cap price at US\$70/ton of coal with certain specifications and used for electricity generation that serves the general public.

Source: IESR, 2024



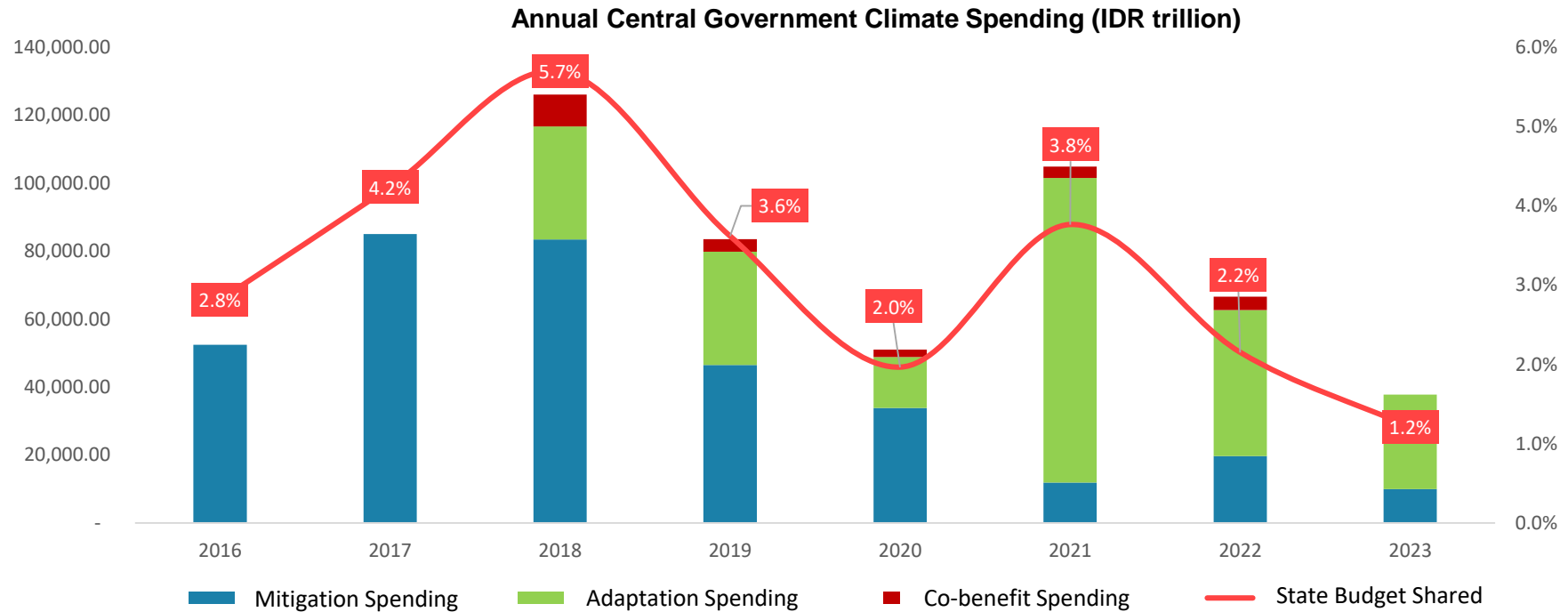
Climate Change Financing Strategy

The government needs to optimize the state budget (APBN) and mobilize funds from various sources other than the APBN





Central Government Spending for Climate Change

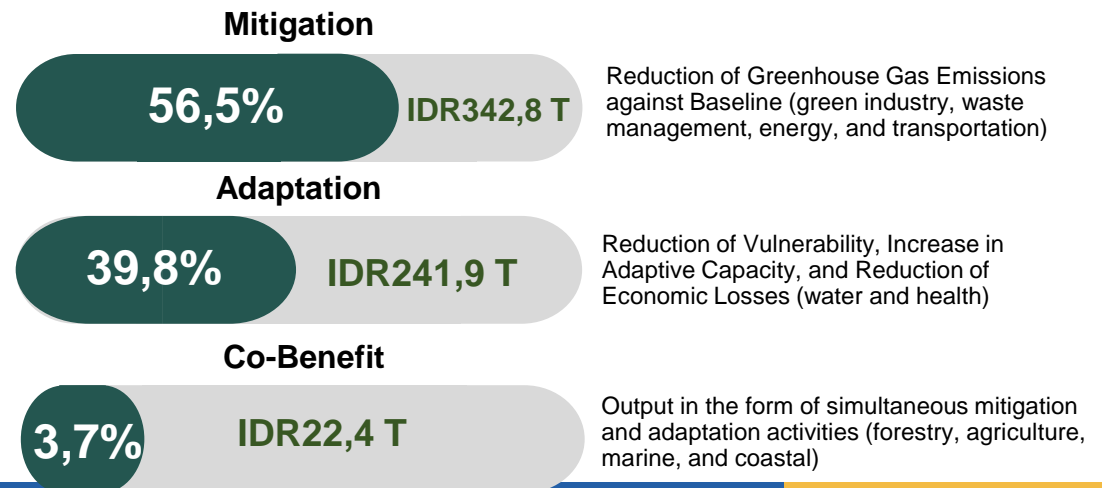


The implementation of climate change budget tagging since 2016 has helped the government in identifying expenditures for climate change actions. The cumulative realization of central government climate change action expenditure from **2016 to 2023** reached **IDR607 trillion or USD 39,2 billion**.

The **average expenditure** for climate change action from 2016-2023 was IDR75.9 trillion per year (**USD 4,9 billion**) or **3,2% of the state budget**.

The **funding requirement for mitigation actions based on BUR-3** for the period 2018-2030 is IDR4.002,44 trillion, or an average of **IDR307,88 trillion per year**. Meanwhile, the total **mitigation funding from the state budget** (mitigation actions & co-benefits) for the period 2018-2023 is IDR227,83 trillion, or an average of **IDR37,97 trillion per year**. Thus, the state budget so far has only been able to meet approximately **12.3% of the annual mitigation funding requirement**.

Composition & Total Climate Change Budget Based on Actions from 2016-2023





GREEN SUKUK

Green Sukuk has been financing green projects in 5 eligible sector

Renewable Energy

Energy Efficiency

Resilience to Climate Change for Highly Vulnerable Areas and Sectors/ Disaster Risk Reduction

WTE & Waste Management

Sustainable Transport

GLOBAL MARKET

	1 st Issuance	2 nd Issuance	3 rd Issuance	4 th Issuance	5 th Issuance	6 th Issuance
Issuance date	March 2018	February 2019	June 2020	June 2021	June 2022	November 2023
Volume	USD 1.25 Bio	USD750 Mio	USD750 Mio	USD750 Mio	USD1.5 Bio	USD1 Bio
Tenor	5 years	5.5 years	5 years	30 years	10 Years	10 Years
Yield	3.75%	3.9%	2.3%	3.55%	4.70%	5.60%

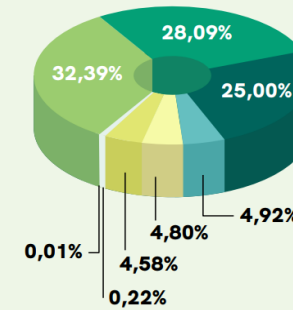
DOMESTIC MARKET

	1 st Issuance	2 nd Issuance	3 rd Issuance	4 th Issuance	4 th Issuance
Issuance date	November 2019	November 2020	November 2021	December 2022	November 2023
Volume	IDR 1.4 Trillion	IDR 5.4 Trillion	IDR 5 Trillion	IDR 10 Trillion	IDR 6.8 Trillion
Tenor	2 years	2 years	2 years	2 years	4 years
Yield	6.75%	5.5%	4.8%	6.15%	6.5%

DOMESTIC (PROJECT BASED) MARKET

	1 st Issuance
Issuance date	2022 - now
Volume	IDR 8.35 Trillion
Tenor	7 years
Yield	6.625%

CUMULATIVE BREAKDOWN PER SECTOR (2018-2022)



- Sustainable Transportation
- Resilience to Climate Change
- Sustainable Water and Wastewater Management
- Renewable Energy
- Energy Efficiency
- Waste to Energy and Waste Management
- Green Building
- Sustainable Management of Natural Resources

GLOBAL MARKET

	1 st Issuance
Issuance date	September 2021
Volume	EUR 500 Mio
Tenor	12 years
Yield	1,351%

DOMESTIC MARKET

	1 st Issuance	2 nd Issuance
Issuance date	Okt 2022	2023
Volume	IDR 3.26 Trillion	IDR 7.25 Trillion
Tenor	8 years	7 years
Yield	7,375%	7,375%



SDGs BOND



BLUE BOND

	1 st Issuance	
Issuance date	May 2023	
Volume	JPY 14,7 Bio	JPY 6 Bio
Tenor	7 years	10 years
Yield	1,2%	1,43%



Utilization of **Non-State Budget** funding sources to mobilize **international** and **private** climate funds



National Trust Fund



Indonesia Climate Change Trust Fund (ICCTF)

UNFCCC Financial Mechanisms



GREEN CLIMATE FUND



GLOBAL ENVIRONMENT FACILITY
INVESTING IN OUR PLANET



ADAPTATION FUND

National Public Service Agency



Indonesia Environment Fund/ Badan Pengelola Dana Lingkungan Hidup (BPDHL)

MOF Special Mission Vehicle



PT SARANA MULTI INFRASTRUKTUR (PERSERO)



PT Geo Dipa Energi (Persero)



PENJAMINAN & INFRASTRUKTUR
Guarantee & Infrastructure

PT. SMI as Country Platform of:



SDG Indonesia One



ENERGY TRANSITION MECHANISM (ETM)



Green Climate Fund as an Alternative Source of Cheap Financing for the Energy Sector

- The GCF is the implementing entity of the UNFCCC financial mechanism established by the Conference of Parties (COP) in 2010.
- The world's largest global climate finance mechanism

GCF Funding Areas

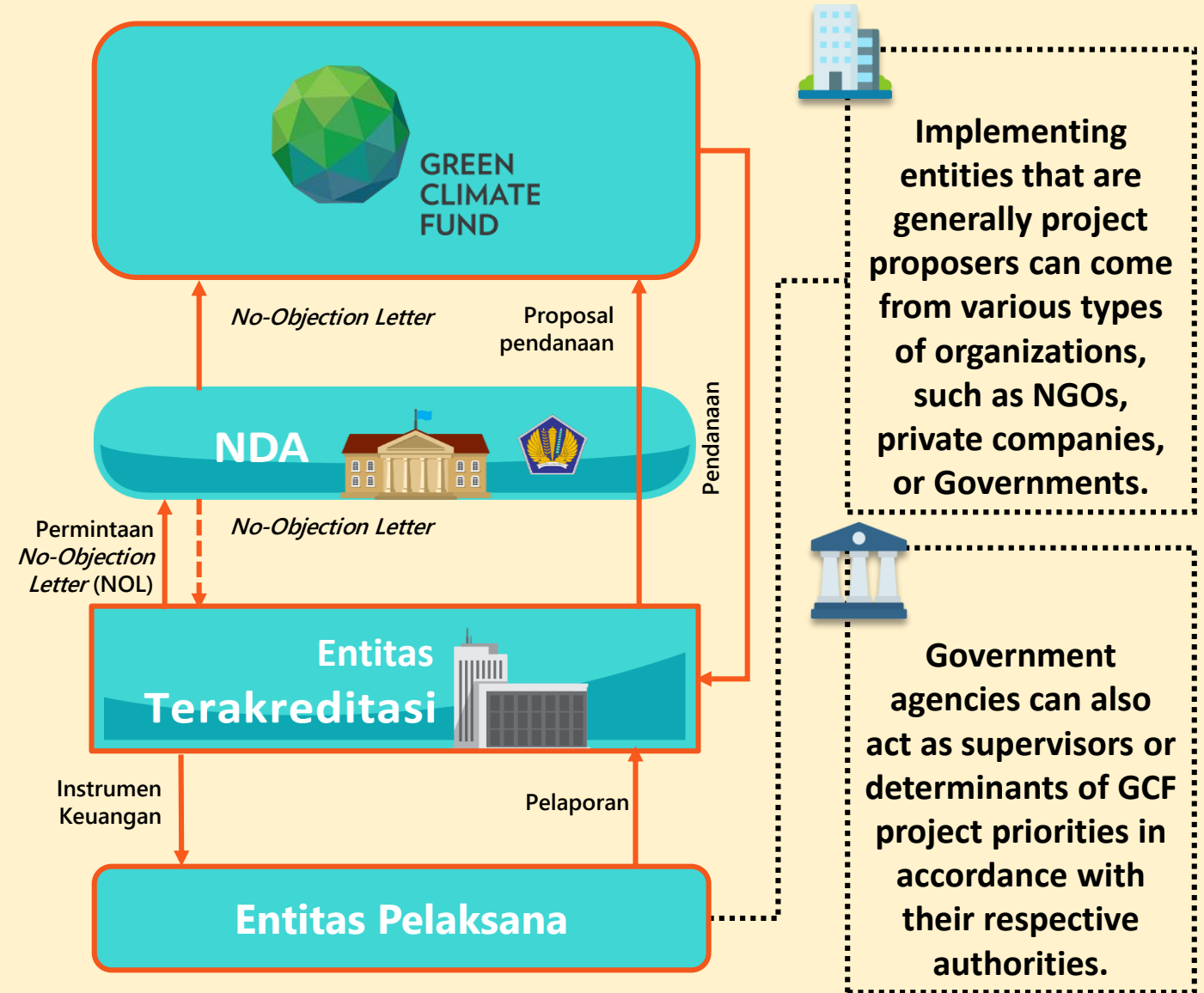
Mitigasi

- Energy and transmission
- Transportation
- Land-based and forestry sectors
- Building, urban, industrial and supporting infrastructure

Adaptasi

- Health, food and clean water security
- People's and community's livelihoods
- Infrastructure and built environment
- Ecosystems and ecosystem services

GCF Architecture and the Role of National Actors





GCF Funding in Indonesia – Dashboard (as of July 2024)

17 project

- 3 dedicated for Indonesia
- 14 *multi-country*

430,05 million*

ton CO2eq

21,38 million*

beneficiaries

Total GCF Funding
(including multi-country
projects/programmes and
readiness)

**USD 541,7
million****

Source: Web GCF

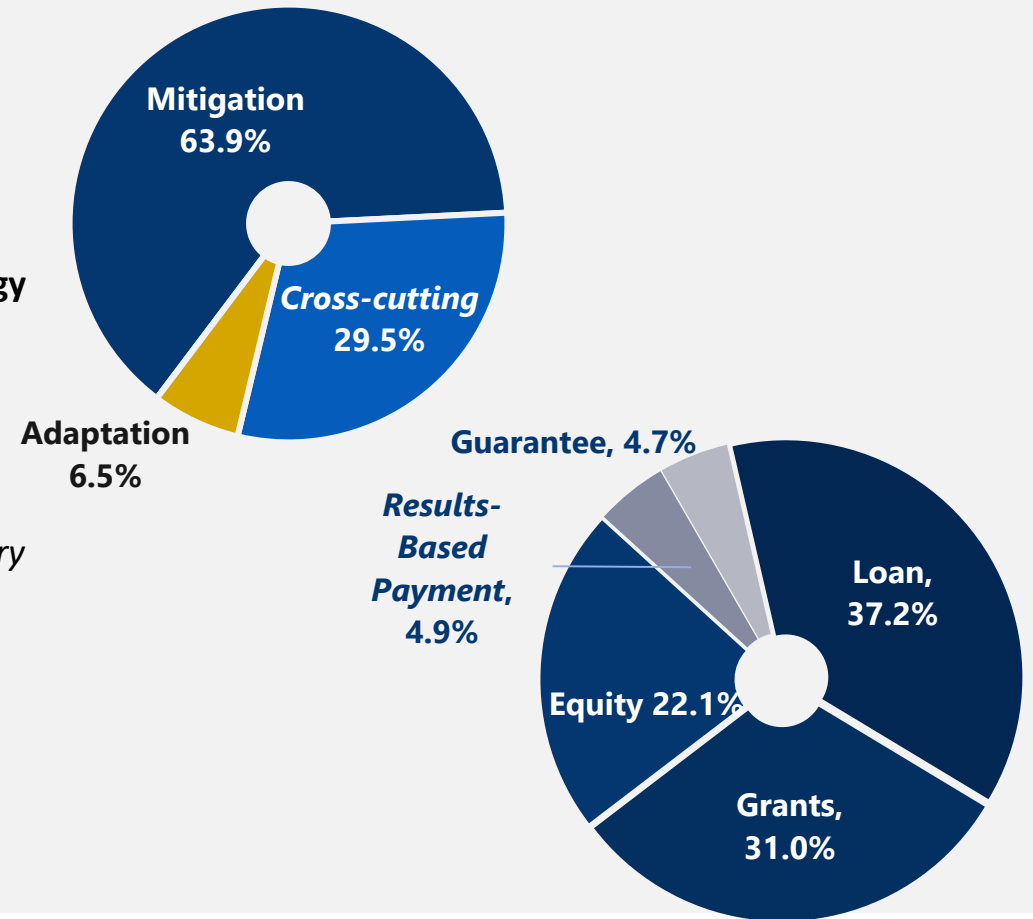
Approved Projects/Programs for Indonesia in the Energy Sector

1. Geothermal Resource Risk Mitigation
2. Supporting Innovative Mechanisms for Industrial Energy Efficiency Financing in Indonesia with Lessons for Replication in other ASEAN Member States

Approved Multi-Country Projects/Programs in the Energy Sector

1. *Sustainable Renewables Risk Mitigation Initiative (SRMI) Facilities – 9 countries*
2. *Climate Investor One – 18 countries*
3. *Global Sub-national Climate Finance – 42 countries*
4. *ASEAN Catalytic Green Finance Facility: Green Recovery Program – 5 countries*
5. *Programme for Energy Efficiency in Buildings (PEEB) Cool – 11 countries*

Total Funding by Project/Program Type and Funding Type (in percent)



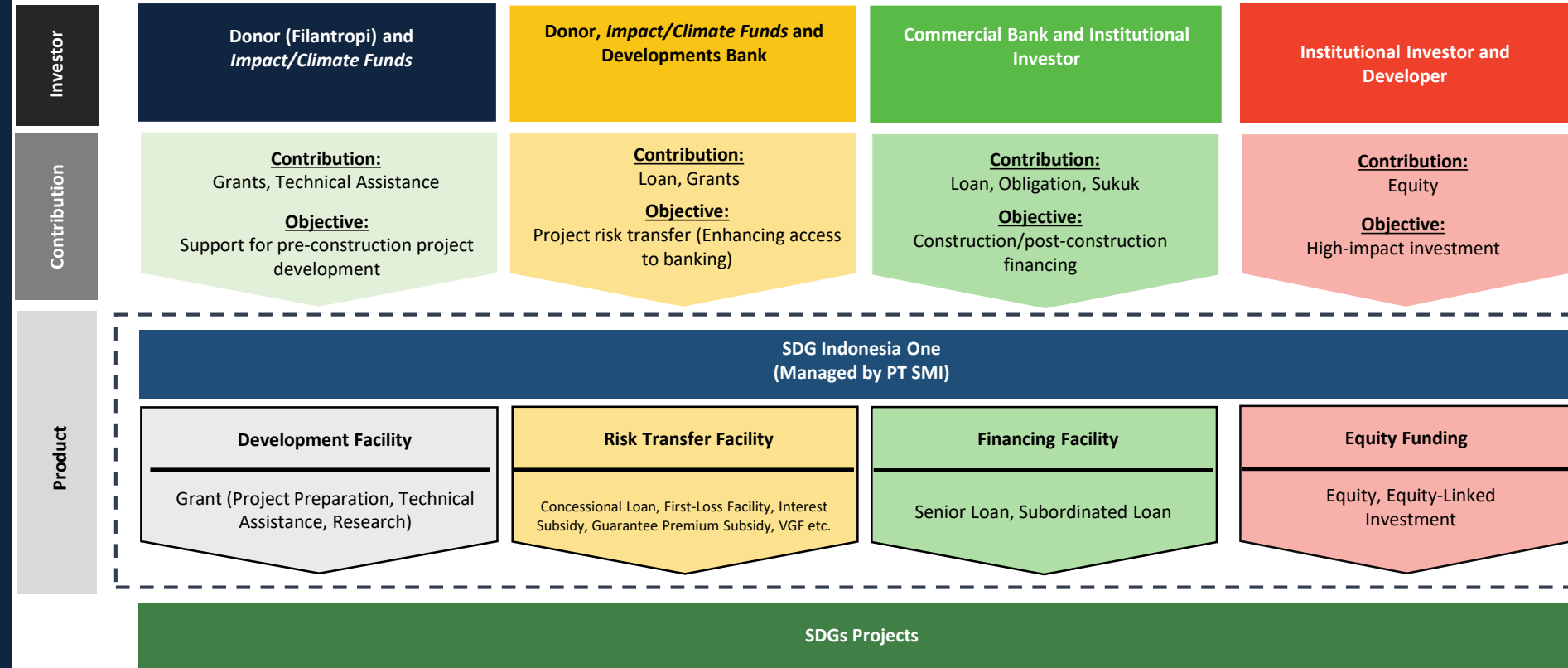
SDG Indonesia One



SDG Indonesia One is an innovative financing instrument that supports infrastructure development to achieve 16 out of the 17 SDG goals.



SDG INDONESIA ONE FINANCING SCHEME



Health Sector, Education, New and Renewable Energy (NRE), and Urban Infrastructure (transportation, water & waste management) with potential for expansion





Highlight SDG Indonesia One – as of June 2024

SDG Indonesia One Support Throughout Indonesia



37

Partners

International Organization

Multilateral Organization

Bilateral Organization

Development Bank

Commercial Bank

Government

Corporation

Philantropy



Fund Mobilization*



42.88%

Realization from Agreement



25.94%

Implementation of Agreements to Commitments

\$3,13 billion
commitment

\$818 million
agreement

\$349 million
realization



Blended Finance Project



85.32%

Project Preparation



14.68%

Project Financing

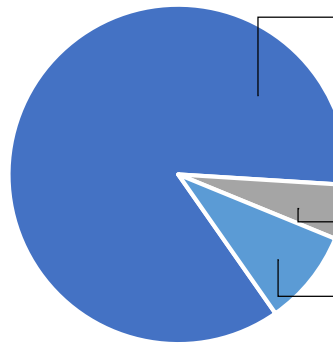
94 Project preparation
22 Project financing

Σ116

Project



Ecosystem Enabler Activities



79 capacity building, sharing session, & business matching

4 Kegiatan SDG centre

7 Synergy with Other SOEs/State-Owned Enterprises

Σ 90

Activities

Program Ongoing



Renewable Energy



Waste Management



Health



Waters

Achievement 2024

1 Project Preparation

Technical Support for Project Preparation

0 Project Financing

Project Financing through the SDG Indonesia One Platform

10 Activities

*) Asumsi kurs per 31 Januari 2024: USD/IDR = 15.796

Fiscal Incentives for RE Development



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Reshaping Fiscal Policy as Shock Absorber, Green Public Goods Provider, and Green Investment Catalyst

STATE REVENUE



State revenue policies are directed towards maintaining the **sustainability of natural resources and environmental management**, stimulating **investment in renewable energy and clean technology**, and ensuring a **just and affordable transition**.

- Tax facilities to stimulate renewable energy, EV, and clean technology investment (VAT cut, property tax cut, tax allowance, tax holiday, luxury tax cut for EV)
- Import duty exemption on renewable energy and/or clean technology machines and equipment.
- Non-tax revenue from forestry, fishery, and geothermal management.
- Preparation of imposing carbon tax to Coal-Fired Power Plant

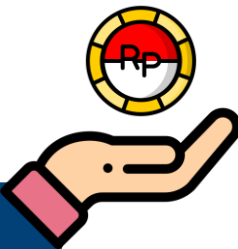
STATE EXPENDITURE



State expenditure policies also supporting a **low-carbon and climate-resilient development**, strengthening the capacity of regional expenditure through **ecological fiscal transfer**, providing fiscal buffers for **disaster financing**, and developing **green infrastructures**.

- Line Ministries mitigation and adaptation budget/spending
- Ecological Fiscal Transfer, indirect climate-related fiscal transfer such as Physical Special Allocation Fund (DAK Fisik), regional incentive fund (DID), profit sharing fund from sustainable natural resources management (DBH-DR, DBH Panas Bumi).
- Disaster Risk Financing

BUDGET FINANCING



The financing policy is aimed to **greening the financing** through ESG framework and promote more sustainable innovative financing instruments through the implementation of **Green Bond/Sukuk Framework** and **SDG Government Securities Framework**.

- The issuance of Global Green Sukuk and Retail Green Sukuk
- The issuance of SDG Bond that consist of Social Focus, Green Focus, and Blue Focus.
- The issuance of Samurai Blue Bond



Tax Facilities to Stimulate Consumption and Investment in Clean Energy and EV Ecosystem



Tax Holiday

PMK 69/2024

100% corporate income tax reduction for 20 years for pioneer industries: motor vehicle manufacturing and its main components (including electric cars and motorcycles, electric vehicle engines, electric vehicle batteries), and upstream basic metal industries, whether iron and steel or non-iron and steel, integrated or otherwise, including nickel smelters for battery production.



Tax Allowance

PP 78/2019

Incentives for income tax facilities in specific industries in certain areas, including nickel mining, battery stone industry, and motor vehicles.



Income Tax Super Deduction for Vocational Education

PMK 128/2019

Up to 200% income tax facility for vocational industrial activities with competencies that support the electric vehicle ecosystem.



Income Tax Super Deduction for R&D

PMK 153/2020

Up to 300% income tax facility for R&D activities in Indonesia, including R&D related to electric vehicles and their components.



Special Economic Zone Tax Facilities

PP 40 Tahun 2021 –
PMK 33 Tahun 2021

Tax incentives in Special Economic Zones include:

1. Tax Holiday
2. Exemption from Import Duty on Capital Goods
3. VAT Not Collected on Import/Delivery of Capital Goods.



Import Duty Exemption

PMK 176 Th 2009 jo
PMK 188 Th 2015
PMK 66 Tahun 2016
PMK 26/ 2022

Customs duty exemption for the purpose of investment and development of power plant industry. 0% Customs duty for the import of incompletely knocked down (IKD) electric vehicles, and 0% Customs duty for completely knocked down (CKD) electric vehicles through various FTA/CEPA collaborations, including with Korea and China.



Government-borne VAT and VAT exemption

PP 49/2022
PMK 38/2023

VAT exemption for mining goods, including nickel ore as a raw material for electric vehicle batteries, import and acquisition of machinery and factory equipment (including the automotive industry). The Government covers the VAT for electric cars and electric buses, at a rate of 11%/10%/5% of the selling price according to the Domestic Component Level (TKDN) value.



Luxury Tax 0% for EV

PP 74/2021

0% Luxury Tax (PPnBM) on electric vehicles using battery electric vehicle technology or fuel cell electric vehicle technology.



Local Tax Incentives

Ministry of Domestic Affairs
Regulation no. 6/2023

Local tax incentives in the form of a 0% reduction in motor vehicle transfer of ownership fees (BBN-KB) and motor vehicle tax (PKB).



Electric Motorcycles Subsidy

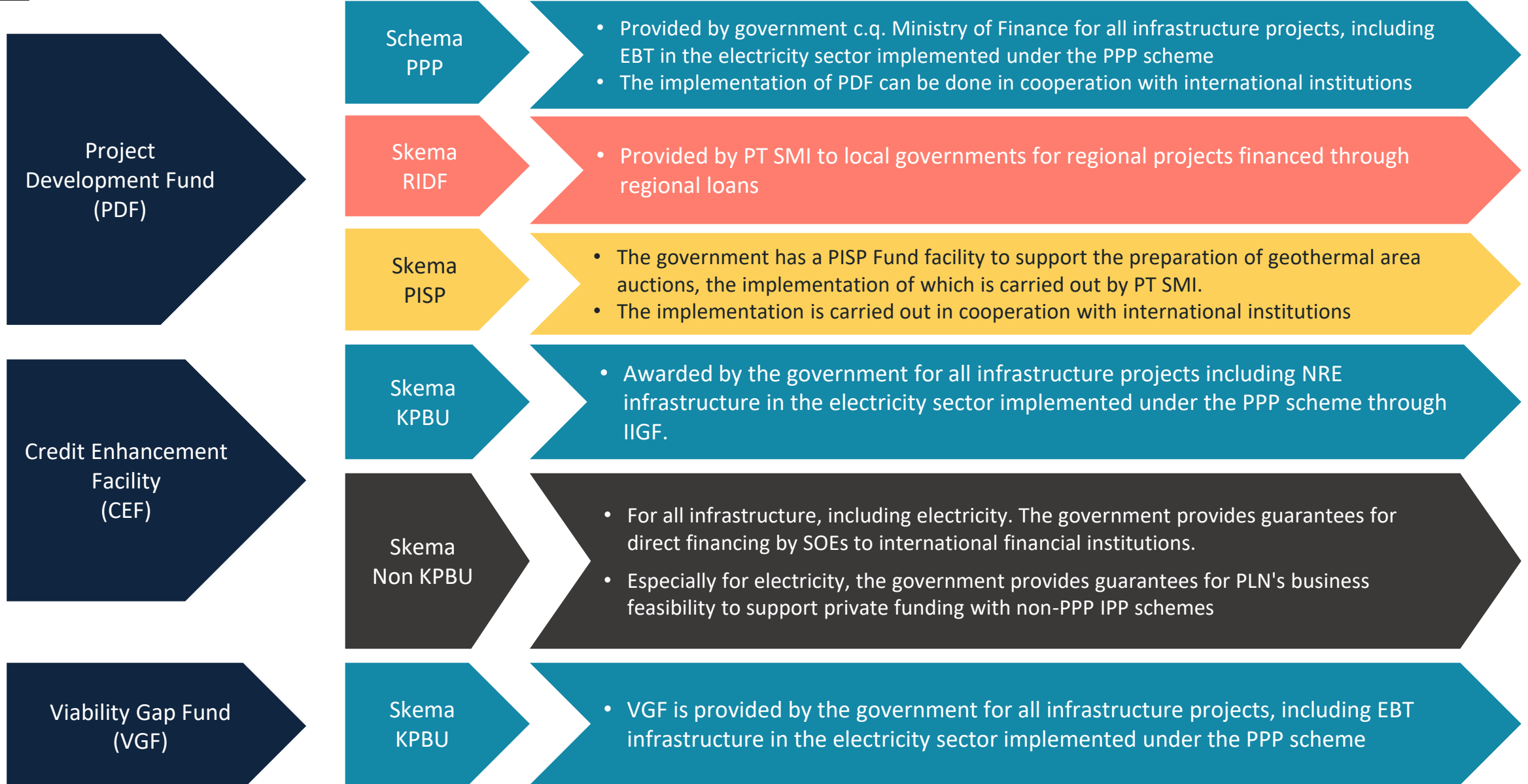
Min. Industry Regulation no. 21/2023

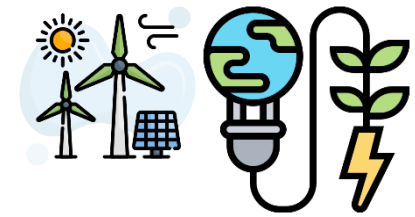
Subsidy for the purchase of electric motorcycles amounting to **7 million rupiahs per person.**



FISCAL SUPPORT VIA PDF, CEF, AND VGF

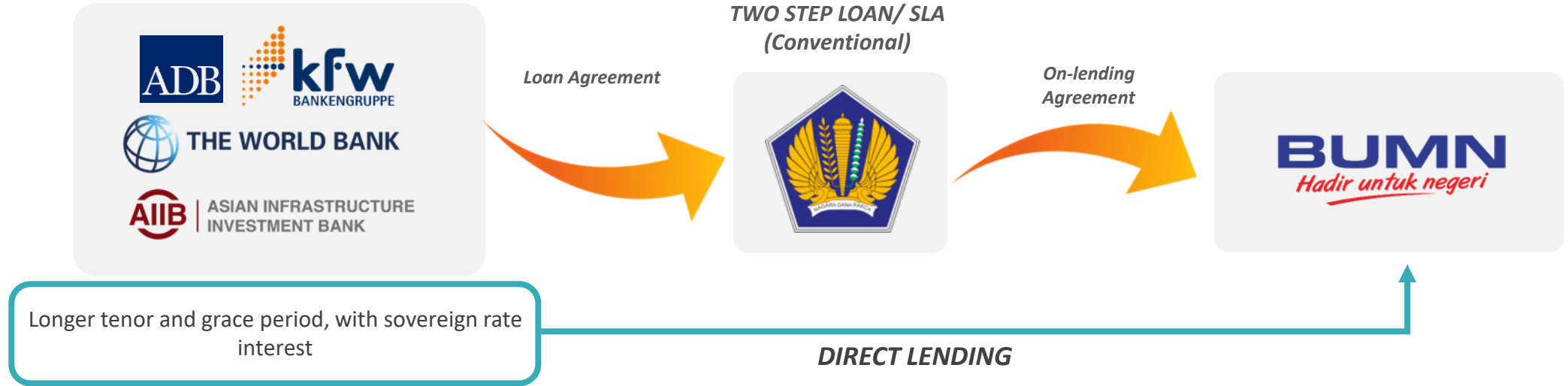
Fiscal support to support the development of NRE is generally aimed at reducing risk. The utilization of this financing facility is carried out through the optimization of Special Mission Vehicles (SMV) of the Ministry of Finance, such as PT. SMI, PT PPI, PT Geodipa, and BPD LH.





Government Guarantee for SOE Direct Loans

Development Banks



Started in 2015, with Presidential Decree No. 82/2015 on Government Support to SOEs to increase financing from MDBs by

Government Guarantee

The government does not provide guarantees to SOEs to utilize facilities from the Development Bank without relying on the circle of the Government budget.

The aim is to provide access to soft loans with a longer tenor (equal to state debt) for SOEs to develop national infrastructure projects as credit enhancement, especially for priority and strategic infrastructure projects.

The Government does not guarantee financial benefits to SOEs, but it will be a risk for the Government when SOEs default on their obligations. That is the reason the Government does not set criteria and manage the risks of this guarantee scheme.

Financing Facility for Geothermal Development

Direct Lending with Government Guarantee

<i>Legal</i>	PMK 189/2015
<i>Fiture</i>	Credit guarantee to SOE for infrastructure development
<i>Beneficiary</i>	SOE
<i>Stage</i>	Exploitation
<i>Risk Coverage</i>	Credit Risk
<i>Case</i>	Loan ADB to PT GDE (USD 330 jt) Exploitation Project D2P2

Surat Jaminan Kelayakan Usaha (BVGL)

<i>Legal</i>	PMK 130/2016
<i>Fiture</i>	Government guarantee for PLN financial obligation in PPA
<i>Beneficiary</i>	SOE and Private
<i>Stage</i>	Exploitation
<i>Risk Coverage</i>	Political Risk
<i>Case</i>	PLTP Muara Laboh, PLTP Sarula, PLTP Rantau Dadap, PLTP Wampu, PLTP Semangka, PLTP Hasang.



PISP Fund

<i>Legal</i>	PMK 80/2022
<i>Fiture</i>	<ul style="list-style-type: none"> ✓ Exploration Support (<i>Govt Drilling</i>) ✓ Exploration Financing <ul style="list-style-type: none"> ▪ <i>SOE Drilling</i> ▪ <i>Private Drilling</i>
<i>Beneficiary</i>	Govt, SOE, and Private
<i>Stage</i>	Exploration
<i>Risk Coverage</i>	Exploration risk, political risk
<i>Case</i>	Wae Sano, Jailolo, etc

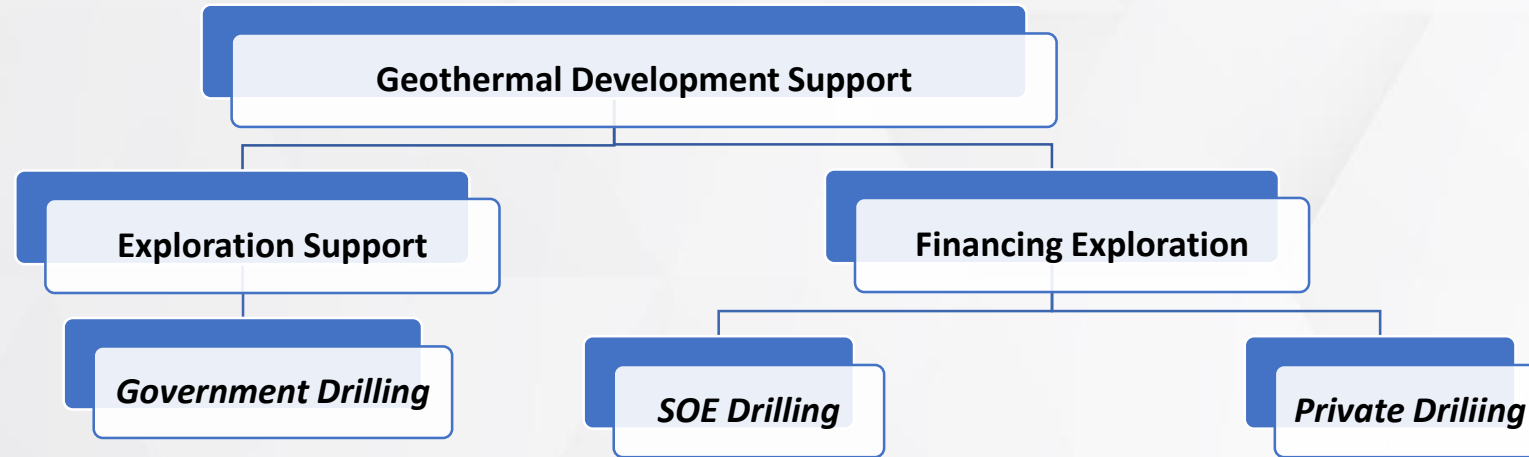
Subsidiary Loan Agreement (SLA)

<i>Legal</i>	PMK 108/2016 & PMK 108/2019
<i>Fiture</i>	Soft funding from multilateral and bilateral
<i>Beneficiary</i>	SOE
<i>Stage</i>	Exploitation
<i>Case</i>	SLA from JICA to PT PLN (JPY 30 Billion): PLTP Lahendong, PLTP Ulubelu, Engineering Service Tulehu, Engineering Service Hululais.

Financing facility with derisking that only provided for geothermal development

PISP Fund Facility for Geothermal Development

PMK 80/2022 about Geothermal Development Support through PISP Fund at PT SMI



	Exploration Support (<i>Government Drilling</i>)	Financing Exploration - SOE (<i>SOE Drilling / Public Window</i>)	Financing Exploration - Private (<i>Private Drilling / Private Window</i>)
Fitures	Funding geothermal exploration activities in areas owned by the Government, with 100% derisking	Funding geothermal exploration financing in areas owned by the SOE and Private, with 50% derisking	
Beneficiary	<ul style="list-style-type: none"> MEMR Developer (auction winner after exploration) 	<ul style="list-style-type: none"> SOE Entities that majority owned by SOE 	Private
Instrument	<i>Expense/Reimbursable Cost</i>	<i>Loan (Non Commercial) + Grant (applicable due to risk event)</i>	
Derisking Source	<i>Risk Sharing with Government (APBN)</i>		GREM Grant
Scheme	Assignment to PT SMI and PT GDE	Assignment to PT SMI	
Fund Manager	PT SMI		
Implementing	PT SMI as financier, PT GDE as executing agency	SOE as WKP holder	Private as WKP holder
Co Finance	Geothermal Energy Upstream Development Project (GEUDP) – World Bank Grant	Geothermal Resource Risk Mitigation (GREM) – World Bank Loan and Grant	Geothermal Resource Risk Mitigation (GREM) – World Bank Loan and Grant



Energy Transition Mechanism (ETM) and Just Energy Transition Partnership (JETP)



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA



Energy Transition Mechanism (ETM) to Address Energy Transition Challenges



Philippine Finance Secretary Carlos G. Dominguez, Indonesian Finance Minister Sri Mulyani Indrawati, and ADB President Masatsugu Asakawa at the Launch of the ETM at the UN Climate Change COP26, Glasgow on November 3, 2021.



Launch of the Indonesia ETM platform on the sidelines of the G20 Summit on November 14, 2022, in Bali.

Main Objectives of the ETM:



Optimizing the development of the energy mix based on the National Energy Policy



Shortening the economic lifespan of coal-fired power plant projects

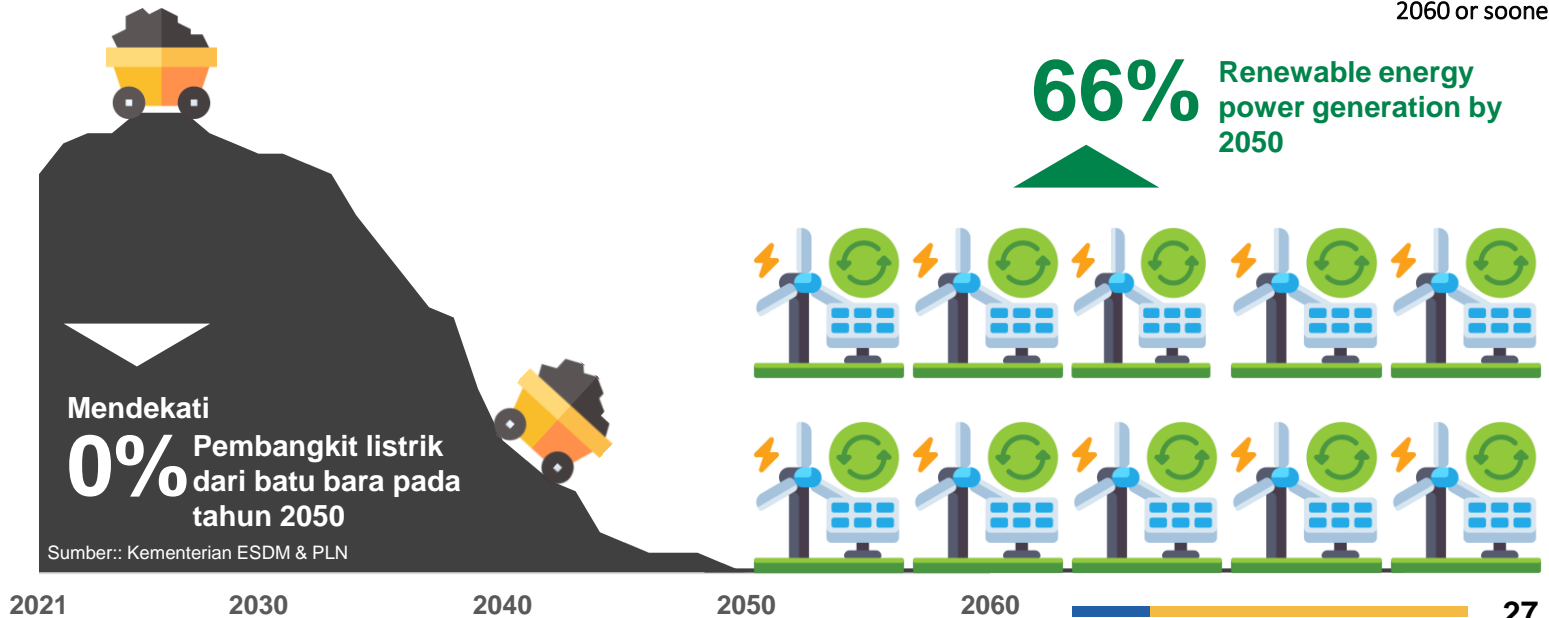


Supporting emission reductions in the electricity sub-sector to achieve NDC and NZE targets



Accelerating investment in renewable energy power plants

ETM Aligns with the Power Generation Roadmap to support net-zero emissions by 2060 or sooner

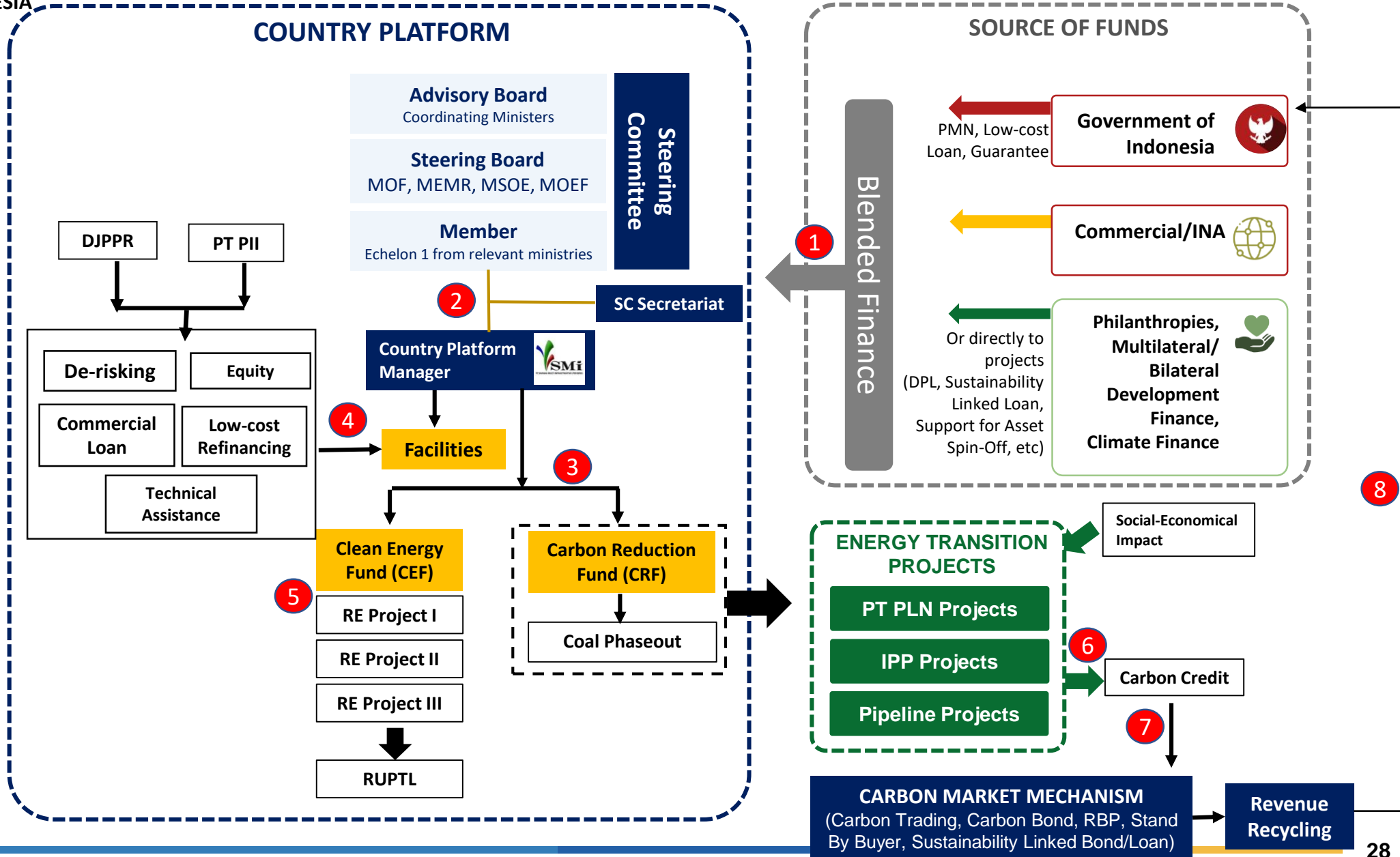




ETM Country Platform Scheme

Notes

- 1 There is a mixed flow of funds into CP through PT SMI.
- 2 SC provides priority program direction to the CP Manager.
- 3 CP conducts the early retirement process according to the roadmap.
- 4 CPs can get support from the MoF for some financial scheme models
- 5 Mobilization of CEF funds for the transformation of coal-fired power plants to EBT by paying attention to RUPTL.
- 6 ETMs generate tradable carbon credits.
- 7 Carbon credit ETMs are traded on the carbon market.
- 8 The revenue cycle of ETM is entered and managed via PNBP.



ETM PROGRESS AND MILESTONE

FINANCING

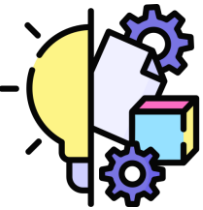


ADB & WBG committed **US\$500** Million

US\$5,1 Billion

and will be leverage through blended finance scheme under Climate Investment Fund-Accelerated Coal Transition (CIF-ACT) Investment Plan.

PILOT PROJECT

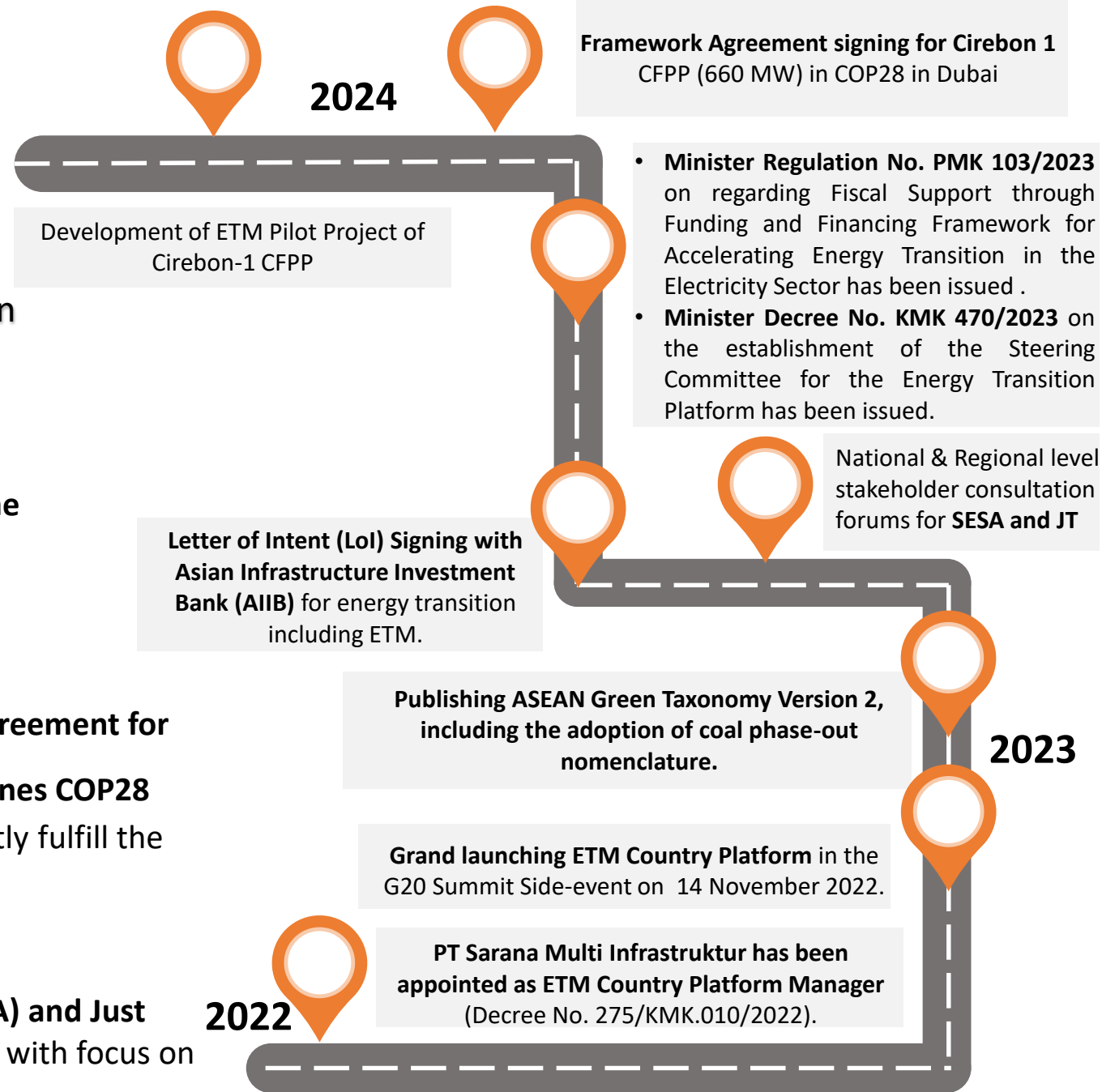


The relevant parties have agreed on a **Framework Agreement** for early retirement **Cirebon 1 CFPP** in sidelines COP28 last year, outlining a mutual understanding to promptly fulfill the requirements on deal closure.

COMMUNITIES



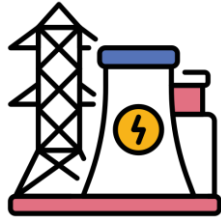
Strategic Environment and Social Assessment (SESA) and Just Transition (JT) Framework under ETM is developed with focus on environment, social, legal, and governance aspect.



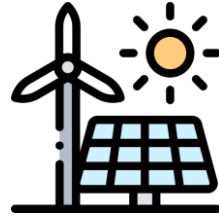


Project Criterias and ETM Facilities

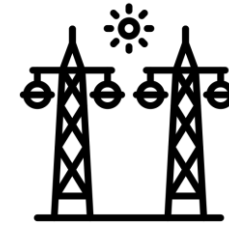
Projects Eligible to Receive ETM Facilities



Coal-Fueled Power Plant (CFPP) Early Retirement



Renewable Energy (RE) Development



Transmission and Distribution

Categories of ETM Facilities

Government Investment

Will be conducted in accordance with the existing laws and regulations on government investment

Government Guarantee

Regulated under the central government guarantee regulations on infrastructure financing through direct loans from international financing to State Enterprises

Govt-Enterprise Partnership (KPBU) Support

Government support and/or guarantees based on the regulation on KPBU in providing infrastructures

Other Support

Other forms of assistance based on fiscal regulations



CLIMATE INVESTMENT FUNDS ACCELERATING COAL TRANSITION (CIF ACT) INVESTMENT PLAN

Main Pillars



Governance

~5%



People &
Communities

~25%



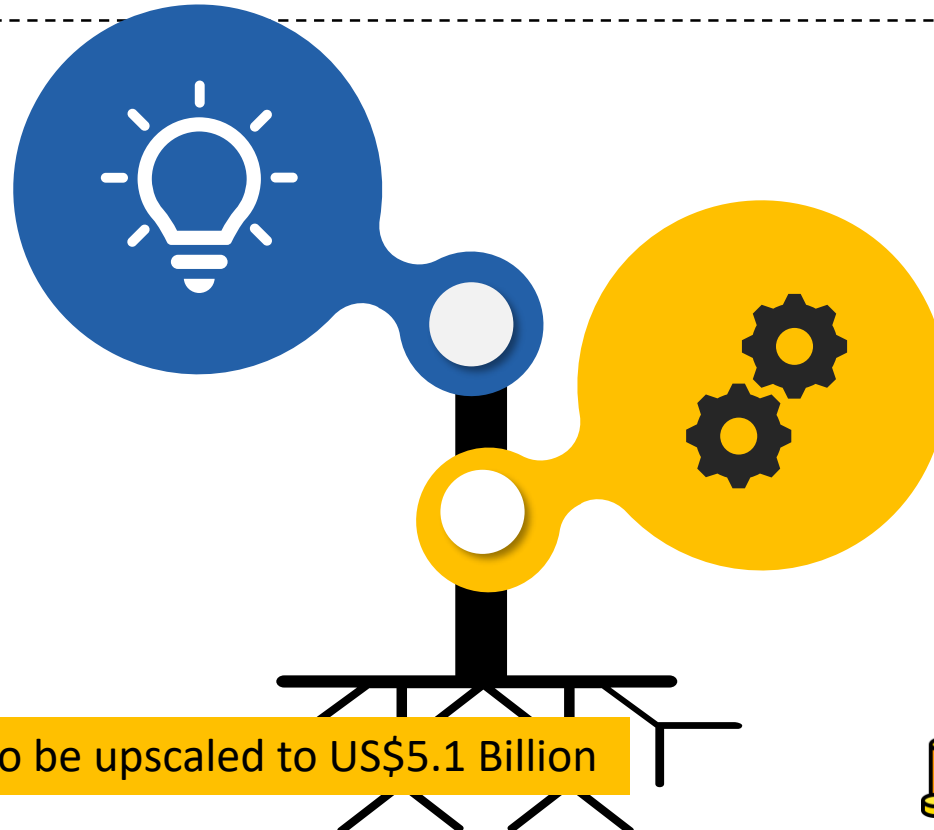
Infrastructure

~70%

Main components

Component 1

- Component 1 will focus on accelerating the early retirement of coal-fired power plants which will be implemented in 2023-2025.
- The capacity target to be retired is 2-3 GW for PLN and private power plants.



Component 2

Component 2 will focus on dismantling, remediation, asset transfer, analyzing replacement technology options such as storage batteries, solar PV, closed mine site reuse activities and other supporting technologies



US\$249 dari ADB



Total funding: US\$500 Million to be upscaled to US\$5.1 Billion



US\$251 dari *World Bank Group*
(WB, IFC, IBRD)



Photo: G20 Leaders Summit, Bali (2022)

Just Energy Transition Partnership

On November 16 2022, President Joko Widodo and leaders of International Partners Group (IPG) of likeminded countries, co-led by the United States and Japan, and including Canada, Denmark, EU, France, Germany, Italy, Norway, and UK, **launched a Just and Energy Transition Partnership (JETP)** developed with Indonesia during its G20 Presidency. The landmark partnership supports an ambitious and just power sector transition in Indonesia, consistent with keeping 1.5 °C global warming limit within reach.

JETP aim to improve the business environment for Indonesia's green economy by building green infrastructures and improving financial vehicles for sustainable projects.

A just and affordable transition is our principle to balancing the recovery and transition agenda.

JETP Main Objectives:



Capping power sector emissions at **290 megatons of CO2e** in 2030, down from baseline value of 357 megatons of CO2e.



Accelerate the deployment of **renewable energy power plant** to reach 34% of all power generation by 2030



Support **early retirement** and restrict the development of CFPPs

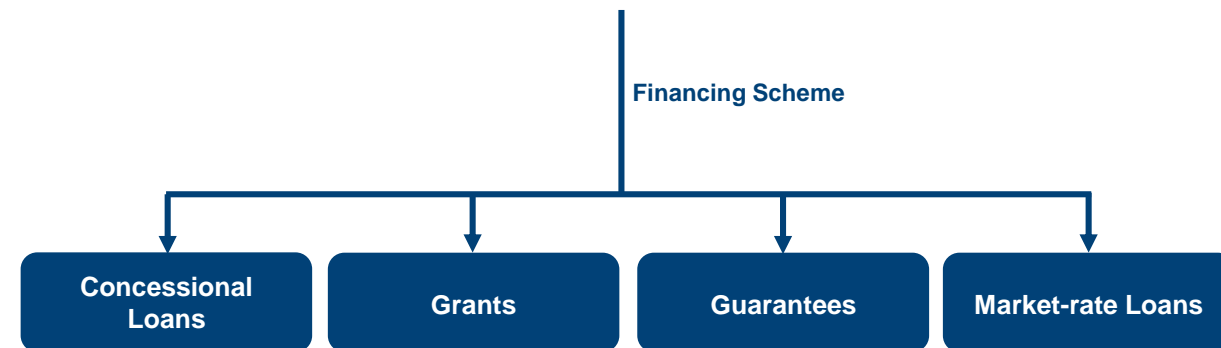


Supporting **affected communities** to adapt with the transition

USD 20 B = IDR 330 T

50% Public: G7 countries, Norway, and Denmark

50% Private: Glasgow Financial Alliance for Net Zero (GFANZ) consist of Bank of America, HSBC, Citibank, Standard Chartered, MUFG, and Macquarie

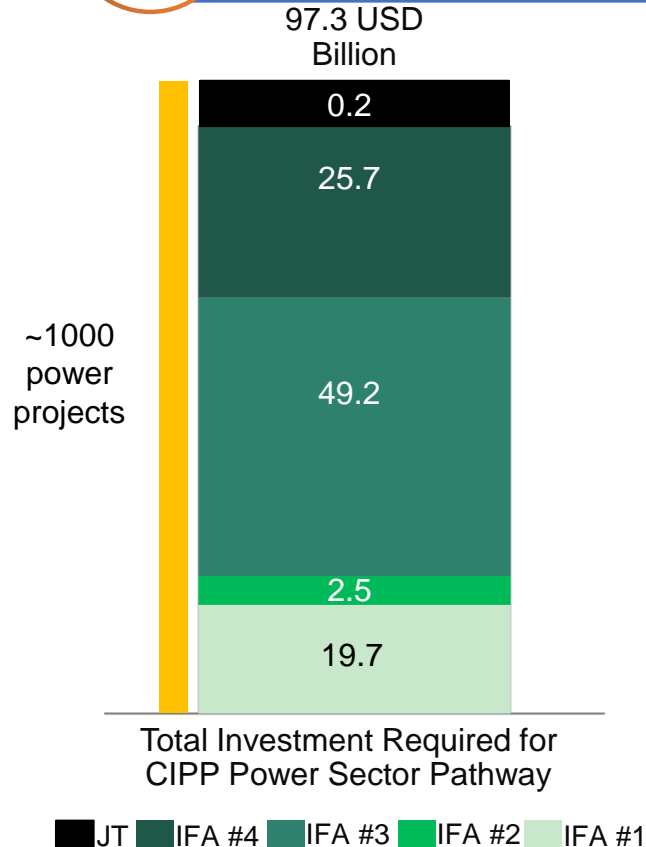









Investment Needs in the JETP Framework



At least US\$97.3 billion investments required for JETP power sector pathway by 2030



Investment Focus Area (IFA)	Description	Financing Terms
 IFA #1: Transmission and Distribution	Development of transmission networks (inter-and-intra islands)	Requires concessional loans
 IFA #2: Early CFPP Retirement and Managed Phase-down	Early CFPP retirement and implementation of coal flexibility	Require grants and highly concessional capital
 IFA #3: Dispatchable Renewables (REs)	Dispatchable REs infra. (e.g. hydropower, geothermal)	May use market-rate capital , possibly requiring de-risking instruments
 IFA #4: Variable Renewables	Variable REs infra. (e.g. solar PV, wind)	May use market-rate capital
 Just Transition (JT) Programs	Programs to ensure "no one is left behind" (e.g. reskilling, upskilling)	Ideally grants

Source: JETP Analysis (2023)

THANK YOU



MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

TAX HOLIDAY

MoF Regulation 69/PMK.010/2024



Facility Applicant Requirements



Forms of Facility

- ✓ National Taxpayer Entities
- ✓ Pioneering Industry
- ✓ New investment object
- ✓ Minimum Rp 100 billion of planned investment value
- ✓ Fulfils the requirements of DER
- ✓ An Indonesian Legal Entity

100 M s.d. < 500 M investmen

500 M minimum investment

50%



100%

Tax Revenue
Discount for Entity

5 Years



Timeframe

- 5 yrs : Rp500 M s.d. < Rp1 T
- 7 yrs : Rp1 T s.d. < Rp5 T
- 10 yrs : Rp5 T s.d. < Rp15 T
- 15 yrs : Rp15 T s.d. < Rp30 T
- 20 yrs : minimum Rp30 T

For 2 years
subject to **25%**
discount



Transition

Another 2 years
subject to **50%**
discount



Pioneering Industries Eligible for Tax Holiday (PMK 69/2024)



Upstream basic metal industries: stainless/regular steel, with or without its integrated derivatives



Oil and gas refinery industries with or without its integrated derivatives



Petrochemical industries oil, gas, or coal with or without its integrated derivatives



Basic organic chemical industries sourced from agriculture, farming, or forestry products with or without its integrated derivatives



Basic inorganic chemical industries with or without its integrated derivatives



Primary pharmaceutical material industries with or without its integrated derivatives



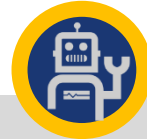
Anti-radiation, electromedical, or electrotherapy tools industries



Primary components for electronic and telematic tools industries



Machinery and its components manufacturing industries



Robotic component industries supporting machinery manufacturers



Power plant machinery components manufacturing industries



Vehicle and its components manufacturers



Ship and its components manufacturers



Train and its components manufacturers



Aircraft manufacturers and supporting aerospace industries



Agricultural, plantation, and forestry product processing industries for pulp with or without its integrated derivatives



Economic infrastructure



Digital economy which consists of data processing, *hosting*, and other related activities

35111
New and Renewable Energy Power Plants

▪ Products eligible for tax holiday stipulated in the BKPM Regulation No. 7/2020

TAX ALLOWANCE

Govt Regulation (PP) 78/2019

MoF Reg 11/2020 as amended through

MoF reg 96/2020

Allocated to:

**PRIORITISED
NATIONAL
INDUSTRIES**



183
KBLI

Prioritised Industries Criteria:

high investment or export value;

massive employments; and

high local components

BENTUK INSENTIF



30% net revenue cut



10% dividend tax



Accelerated shrinking and amortisation



Additional compensation on loss for 5 years, with extension up to 10 years

For RE projects, they are entitled for an additional 1 year of compensation



RE SECTOR ON THE ANNEX OF PP 78/2019

OIL, GAS, AND GEOTHERMAL MINING

No	Business	KBLI	Products	Requirements
1	Geothermal power business	06202	<ul style="list-style-type: none">▪ Geothermal exploration▪ Geothermal drilling	

Pengadaan Listrik, Gas, Uap/Air Panas dan Udara Dingin

No	Business	KBLI	Products	Requirements
1	Power plant activation	35101	<ul style="list-style-type: none">▪ Micro power plants▪ Mini power plants with Rp 100 billion of minimum investment	