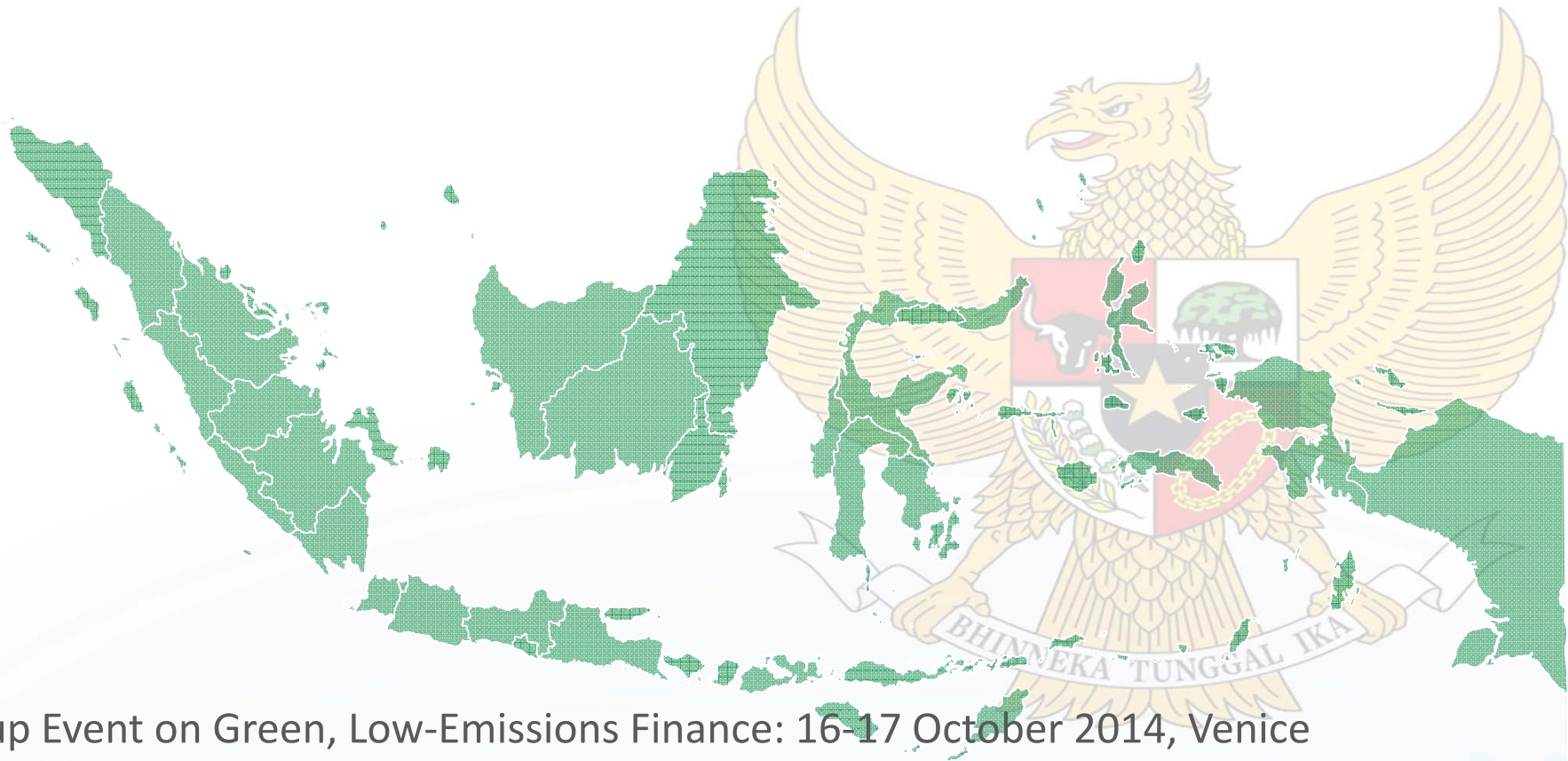




Ministry of Finance  
Republic of Indonesia

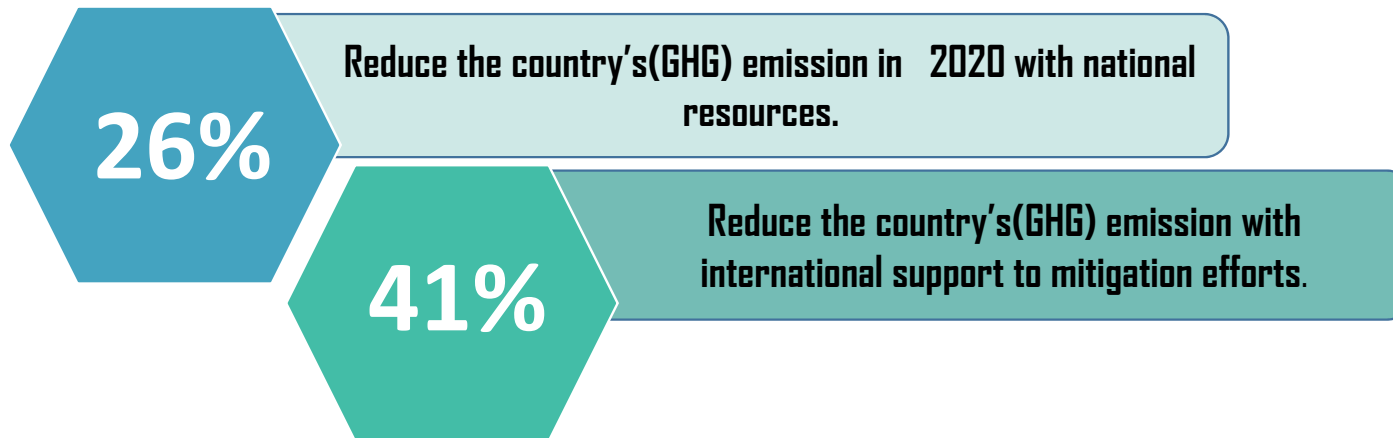


4th San Giorgio Group Event on Green, Low-Emissions Finance: 16-17 October 2014, Venice

# Promoting Green Investment in Indonesia

## 1. Introduction

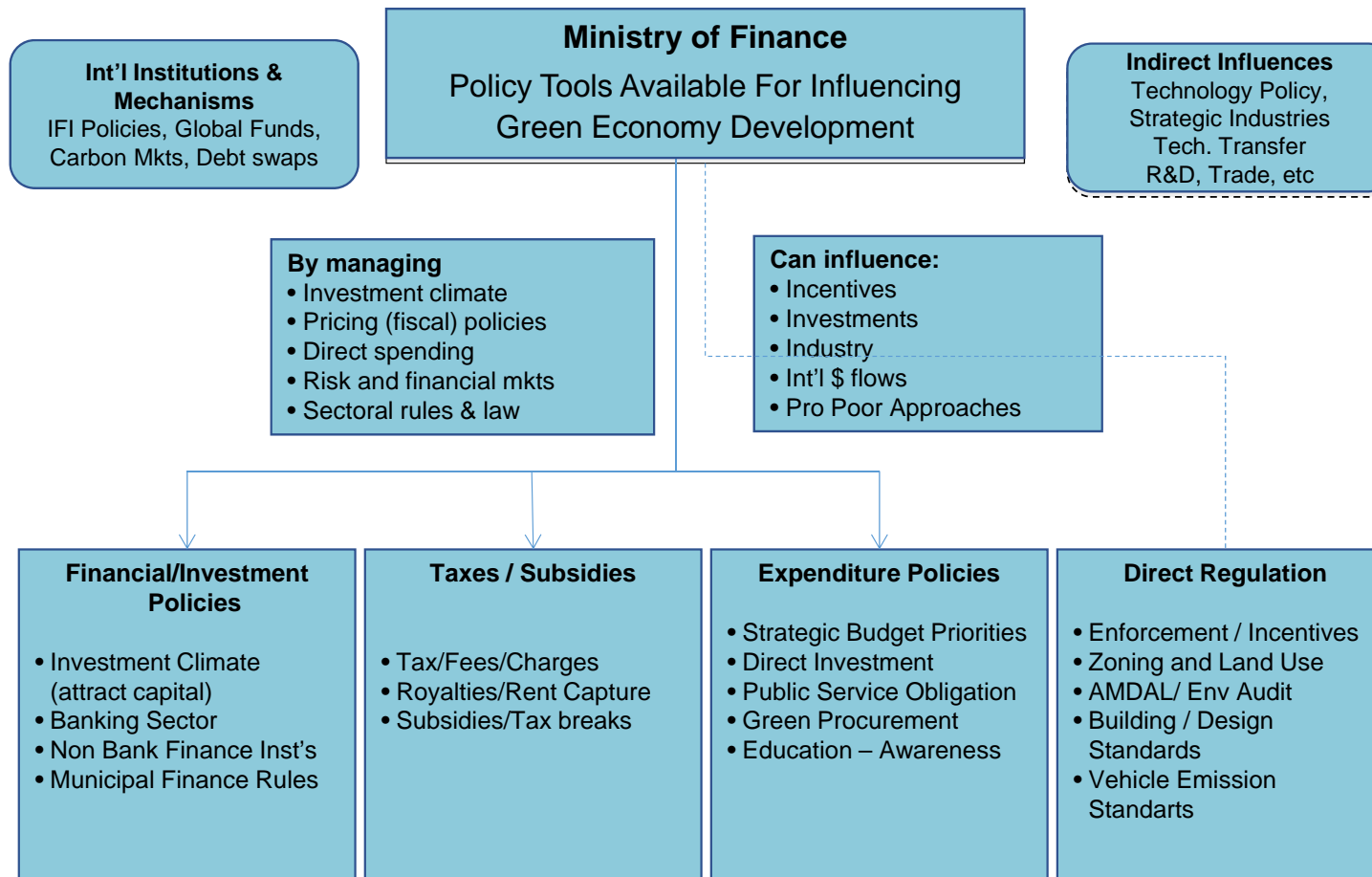
### COMMITMENT



**President Regulation:  
Perpres No. 61 Tahun 2011**

RAN-GRK arranged to provide a framework for central government, local government, private sector and other stakeholders.

## 2. Role of Ministry of Finance in Green Economy



## 2. Role of Ministry of Finance in Green Economy

### The Role of Ministry of Finance

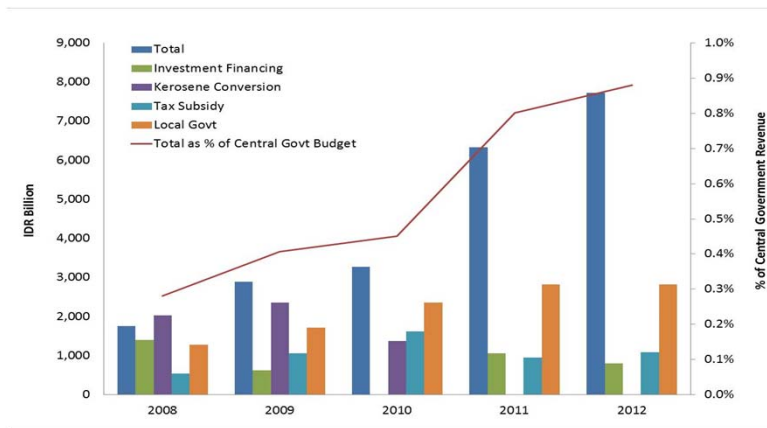
Expenditure Side policies

Revenue Side policies (Taxation policies)

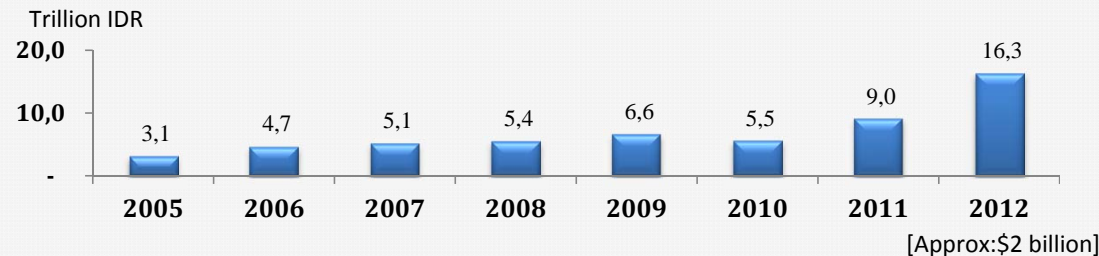
Direct Investment: Government Sovereign  
Investment Unit (PIP)

Public budget is the main  
driver of green investment

While climate public financing has  
continued to increase but remain  
insufficient



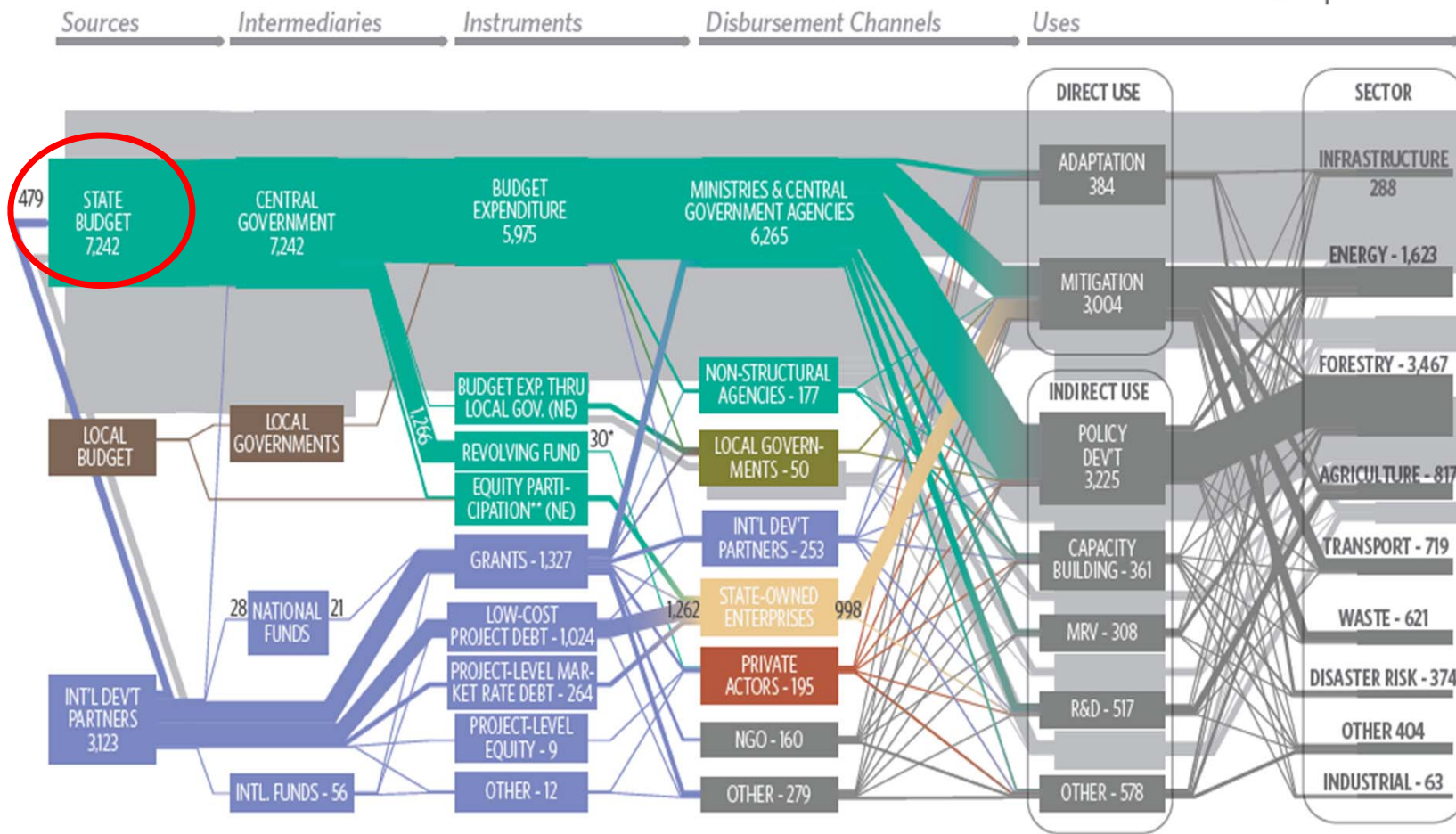
Source: CPEIR (2012)



The level of support for  
renewable energies  
continues to grow

# Scale of Climate Public Expenditure in 2011

MOF and CPI Study



In 2011, the central government distributed IDR 7,242 billion (USD 822 million) of public climate finance out of the Indonesian state budget.

Approximately IDR 5,526 billion (USD 627 million) originated from domestic sources.

Most of domestic sources is used to indirect used (policy development, capacity building, and institutional development).

Central government disbursements focused on the highest emitting sectors including forestry, land use, agriculture and energy. 73% went to enabling environments while 27% paid for direct actions.



### 3. Regulation for Promoting Green Investment

*incentives from the State Budget 2011-2012*

No.	Fiscal Incentives	Type	State Budget
1.	Income Tax	<ul style="list-style-type: none"> <li>• Reduction of Income Tax (Investment Allowance)</li> <li>• Income Tax Exemption (Tax Holiday)</li> </ul>	Tax on geothermal commodities (2011 Budget: Rp 1 trillion; draft budget 2012: USD 1.2 trillion)
2.	Value Added Tax	<ul style="list-style-type: none"> <li>• Exemption VAT</li> <li>• VAT payable are not subject partly withheld part or all of the overall</li> </ul>	Import Tax upstream oil and gas exploration and geothermal (APBN 2011 Rp 2 5, Trillion)
3.	Tax Paid by the Government	Government Borne Import Duty	<ul style="list-style-type: none"> <li>• Facilities Duty (2011 Budget: USD 500 billion)</li> </ul>
4.	Geothermal Revolving Fund Incentive Fund	Managed by PIP (Government Investment Center)	Allocation in the 2011 budget: Rp 1.126 trillion

### 3. Regulation for Promoting Green Investment

1/2

Eco-Friendly Car Regulation : Government Regulations RI/41/2013

- Sales tax of 0% of the Selling Price for motor vehicles including low cost green car program;

Budget Tagging : Minister of Finance Regulation 136/PMK.02/2014

- Seven ministries are legally required to implement the budget-tracking system for climate mitigation activities by 2015;

Green Banking

- August 2003 : Bank Indonesia (Central Bank of RI) and Ministry of Environmental RI held a Media Briefing on the Role of Banks in Development and Implement Green Banking. (draft of regulations status : ongoing) ;

Minister of Finance Regulation Number 154 / PMK.011 / 2008

- Exemption of Import Duty on Capital Goods Imports in the Context of Development and Industrial Power Plant Development for Public Interest, and amendments.;

Minister of Finance Regulation Number 176 / PMK.011 / 2009

- Facilities Exemption of Import Duty on Import of Goods and Materials Engineering And Construction or Development for Industrial Investment in the Framework, and its modification;

Government Regulation Number 70 in 2009

- Conservation of Energy, associated with policies to provide incentives for energy conservation, especially energy users to energy use  $\geq 6,000$  TOE per year;

Minister of Finance Regulation Number 21 / PMK.011 / 2010

- taxation and customs facilities for the utilization of renewable energy. \* Tax: reduction of net income of 30% of total capital investment;

Minister of Finance Regulation Number 24 / PMK.011 / 2010

- VAT is borne by the government to import goods for the upstream oil and gas exploration and geothermal exploration;

### 3. Regulation for Promoting Green Investment

2/2

Minister of Finance Regulation No. 35 / PMK.011 / 2010

- The mechanism of tax paid by the government and not the state income tax calculation for the utilization of geothermal energy for power generation;

Minister of Finance Regulation Nomor 139/PMK.011/2011

- Procedures for Granting Guarantee Feasibility of PT PLN (Persero) For Construction of Power Plants Using Renewable Energy, Coal, and Gas Forum and through cooperation with the Private Power Developer;

Minister of Finance Regulation No.3/PMK/2012

- Geothermal incentives Fund Facility (FDG). FDG is given to the Local Government (Pemda), holder of the Mining Business Permit (IUP) and also geothermal PT Pertamina Geothermal Energy (PGE);

Feed in Tariff for biomass: Minister of Energy and Mineral Resources Number 04 in 2012

- Power Purchase Price by PT PLN (Persero) From Power Plants Using Renewable Energy Small and Medium Scale Or Excess Power;

Feed-in Tariff for electricity from power PLT Municipal Solid Waste: PPESDM No. 19 in 2013

- Power Purchase by PT PLN (Persero) from Municipal Solid Waste Power Plant;

Feed-in Tariff for electricity from hydropower and wind (ongoing);

Feed-in Tariff for electricity from geothermal energy: Minister of Energy and Mineral Resources Number 22 In 2012

- on Assignment to PT PLN (Persero) To Perform Purchase of Electricity from Geothermal Power Plant and Power Purchase Price Benchmark by PT PLN (Persero) of geothermal power plants;

Regulation of the Minister of Energy and Mineral Resources Number 17 in 2013

- Power Purchase by PT PLN (Persero) of Solar Photovoltaic Power Plant;



### 3. Financing to Support Green Investment

#### Pusat Investasi Pemerintah

Indonesia investment institutions managed by the MoF

Based on PMK No 177/KMK.01/2010 PIP set to carry out direct investment in the field of environmentally friendly investments that include renewable energy, environmentally friendly transportation, waste management, water management, biomass, bioethanol and REDD+.

##### Investment Strategy

Type: Funding via Flexible Soft Loan and Convertible Debt

Maximum funding: not restricted per project

Grace Period: 1-3 years (depending on the future development of the project and the results of the feasibility assessment)

Interest Rate: the average BI + 2% (depending on risk)

Period Returns: 5-10 years

#### Indonesian EXIM BANK

Indonesian Export Financing Institution

##### Asian Development Bank

Energy Efficiency Project Finance Program (USD. 30 Million)

- Investment in energy efficiency activities
- Supported by technical assistance for several first projects

Status : LAUNCHED

##### KfW – Germany

Industrial Efficiency and Pollution Control Phase II (EUR 4,5 juta)

- Investment in industrial efficiency or pollution control activities

- Some portion can be utilized as working capital

Status : FULLY UTILIZED

## 4. Climate Change Related Program in Indonesia's Development Planning

### Focuses of Middle Term Development Planning in 2015-2019

- Implementation, achievement, and supervision of greenhouse emission reduction;
- Capacity building in climate change (mitigation and adaptation);
- Adaptation implementation in 15 locations.

### Strategic Issues in 2015

- Supervision and evaluation of greenhouse emission reduction and the implementation of REDD+;
- Increase in resilience of people caused by climate change.

### Target in 2015

- Greenhouse emissions reduction at 17,3% in 2015;
- Increase in resilience of people caused by climate change in 3 vulnerable areas, the implementation of National Action Plan for Climate Change Adaptation.