



Private Sector Perspective and Efforts for Green Growth and Sustainable Development

Jakarta, 8 April 2014

PT Sarana Multi Infrastruktur (Persero)

Joint Crediting Mechanism (JCM) Business Forum

AGENDA

- I. PT Sarana Multi Infrastruktur (Persero) (“SMI”)**
- II. Low carbon initiatives: Opportunities and Challenges**
- III. Lesson learned in accessing climate funds in Indonesia**

Who we are

PT Sarana Multi Infrastruktur (Persero) (“SMI”) was established on February 26, 2009 with a purpose to become a catalyst for accelerating infrastructure development in Indonesia

Ownership :

100% owned by the Government of Indonesia

Vision:

“A leading catalyst in the acceleration of the National Infrastructure Development Program”

Mission:

1. To become a strategic partner to the government in promoting and accelerating infrastructure development in Indonesia.
2. To establish synergy with third parties, e.g. private institutions, banking sector, local government, state-owned enterprises, or multilateral organizations in order to increase the capacity of infrastructure fund

Our services

1

We provide Commercial Financing

Promoter Funding	Senior Term Loan	Equity
Take Out Financing	Subordinated Loan	Refinancing
Working Capital Loan	Mezzanine	Bridge Loan

2

We provide Advisory Services

Financial & Investment Advisory Services
Transaction Advisory Services
Training & Capacity Building

3

We provide PPP Project Preparation Services

Project Development Financing
Advisory to Contracting/ Tendering Agencies
Limited Capacity Building

What does the Outlook for Low Carbon Projects, especially in the renewable energy?

Growth factors

Opportunity factors



Geothermal

- High demand new and renewable energy for national power security
- Investment in geothermal exploration and production
- The second biggest geothermal sourcing

- Geothermal field exploration and production activities
- Geothermal production service provider
- Geothermal power plant development



Bioenergy

- High demand new and renewable energy for national power security
- Investment in biofuel
- Investment in biomass power production facilities
- Petroleum reserves is depleting

- Biomass power electricity production development
- Biofuel plant
- Biofuel transportation technology
- Biomass energy source production (e.g. waste processing plant)
- Biomass and biofuel tools and equipment



Hydropower

- High demand new and renewable energy for national power security
- Investment in hydro and micro hydro power plant
- The biggest power energy source potential in Indonesia

- Hydro power plant development
- Equipment and service in hydro power plant
- Micro hydro power plant is the most popular for hydro energy source



Solar Energy

- High demand new and renewable energy for national power security
- Investment in solar energy power source
- High potential in solar source

- Solar PV equipment (solar cell, battery and power storage) producer and provider
- Solar PV equipment service maintenance provider
- Solar energy for power electricity investment

National energy mix strategy is supported by diversified Renewable Energy sourcing in Indonesia

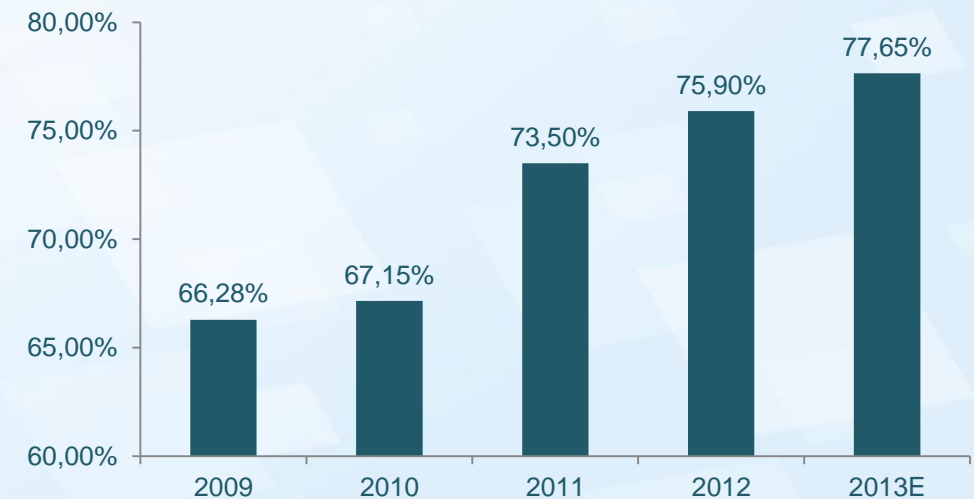


Renewable Energy Potential in Indonesia

Energy Source	Installed capacity	Resource Potential	Undeveloped Potential (%)
Hydropower	4.264 MW	75.760 MW	94
Geothermal	1.052 MW	27.510 MW	96
Mini-hydropower	86,1 MW	500 MW	83
Biomass	445 MW	49.810 MW	99
Solar	12,1 MW	4.8 kWh/m ² /day	-
Wind	1,1 MW	9.190 MW	99
Ocean	0,0 MW	35 MW	100

Source: PLN & Ministry of Energy and Mineral Resources Republic of Indonesia

National Electrification Ratio



Source: Ministry of Energy and Mineral Resources Republic of Indonesia

The energy sector in Indonesia is dominated by four key policies and objectives as the basis of green energy regulatory framework

Diversification

“A key objective of the Government of Indonesia is to reduce dependence on oil & coal by expanding the use of gas, and renewable energy resources”

“The Government of Indonesia recognizes that it can no longer sustain uniform pricing for electricity and petroleum products across the country, and it has begun to eliminate subsidies.”

Rational Energy Pricing

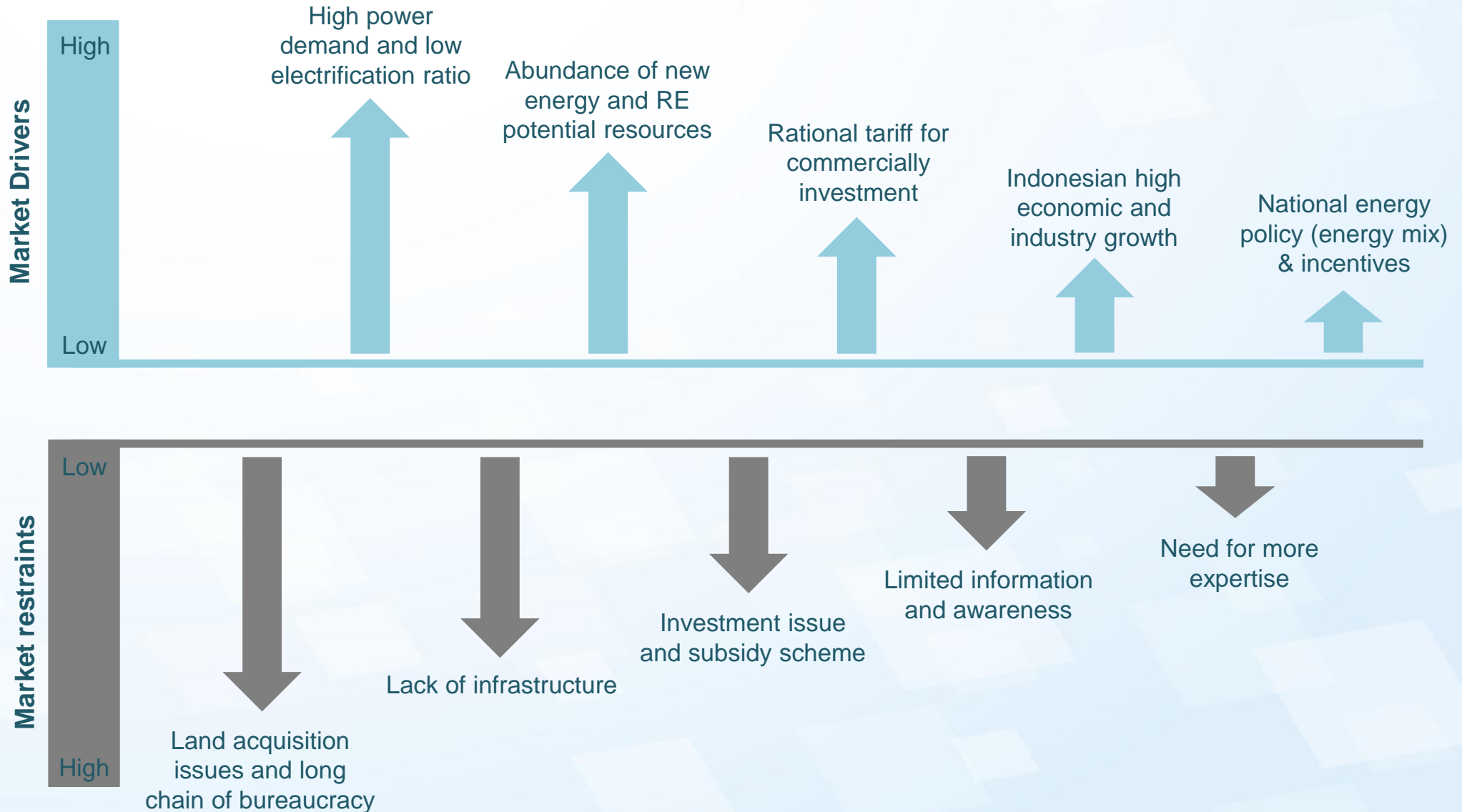
Energy Sector Reform

“The combination of decentralization of government decision-making to give greater involvement to regional authorities, and the need to attract capital investment in the energy sector call for energy sector reform that introduces greater transparency to planning and decision-making”

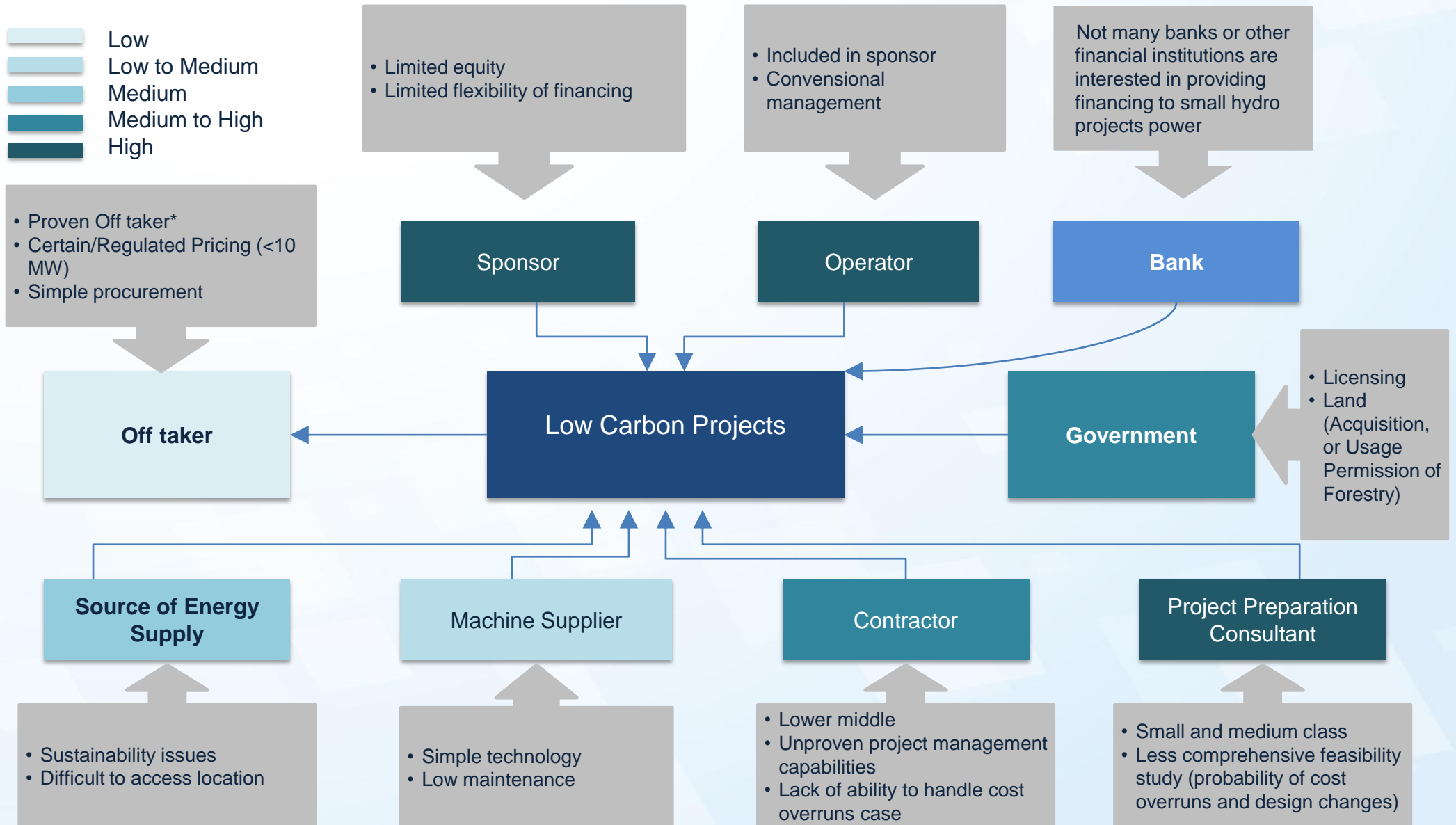
“The Government of Indonesia wants to bring electricity to 90 percent of the population by 2020”

Rural Electrification

Overall, the key drivers and restraints of the Low Carbon investment in Indonesia



Case study: Financing Low Carbon Projects



Financing Low Carbon Projects: Sources of Financing

	Typical Financing Mix	Financing Institutions	Source of Funds
Infrastructure Project Investment	70% - 80% Debt	Banks <ul style="list-style-type: none"> • International Banks • Large Domestic Banks • Local Branch of Foreign Bank • Small-to-medium Domestic Banks 	e.g. deposits (mostly short term for domestic banks) & capital market
		ECAs	e.g. government, private investors
		multilaterals/bilaterals	e.g. multilaterals/bilaterals member countries, capital market
		Infrastructure Financing Institutions (PT SMI/IIF)	e.g. Government, multilaterals/bilaterals, private investors & capital market
	20% - 30% Equity	Quasi-Equity <ul style="list-style-type: none"> Subordinated Loan Mezzanine Convertibles Equity	<ul style="list-style-type: none"> • Strategic Investors • Private Equity / Hedge Funds • Infrastructure Financing Institutions (PT SMI/IIF) • Carbon Development Credit or JCM ??

Background: there are many climate/ green funds for emissions reduction projects

Under UNFCCC (United Nations Framework Convention on Climate Change)

Special Climate Change Fund (SCCF).

“The total amount pledged to date is the equivalent of USD 253.5 million”

Least Developed Countries Fund (LDCF)

“LDCF resources now amount to more than \$400 million in grants”

Copenhagen Accord

“to mobilize between U.S. \$ 30 for the period 2010 to 2012 and to \$ 100 billion annually by 2020”

Adaptation Fund (AF), Kyoto Protocol

“The Fund is financed with 2% of the Certified Emission Reduction (CERs) issued for projects of the Clean Development Mechanism (CDM) and other sources of funding”

Funding to climate change activities is also available through bilateral, regional and multilateral channels

“African Development Bank (AfDB), WB, Finland, Germany, Norway, **Japan (JCM)**, United Kingdom, United States of America”

What are some of the challenges in accessing those climate/ green funds?

1 Project developers' perspective (e.g: CDM of project)

- Potential project developers are not aware that their projects can generate emission credits
- Technical issues: CDM project development involves jargons and conditions which are not practical and time consuming to project developers
- Although consolidated methodologies are built to address this technical issues, data needs may not be easily available
- Weak understanding of CDM modalities and procedures
- Little information on and contacts with emission credit buyers

Q: What should we do? A: To promote the programs and build capability of project

2 Lack of “Climate Fund (e.g: CDM development) Awareness” of related institution that may help the project developers

- The institutions that are supposed to support the project developers) are not aware of CDM and its benefits/advantages (e.g. financial institutions, local consultants, local designated operational entities, business associations, local media/press)
- Those who are aware do not have clear understanding on CDM that it provides incentives but not project financing

Q: What should we do? A: To promote the programs and build capability of all stakeholders

3

Complexities, risks and uncertainties

- Complicated and lengthy process of the CDM procedures, and unavailable support from local institutions
- Some project risks undermine CDM attractiveness (e.g: Obtaining PPA in power projects to secure underlying financing)
- Certified Emission Reductions (CER) ownership: in some sector CER ownership will be an issue due to national policy/regulation (e.g: in oil and gas sector, share of CER that could be claimed by the project developer and that should be transferred to Special Task Force for Upstream Oil and Gas Business Activities Republic of Indonesia (SKK Migas) are still unclear)

Q: What should we do? A: To simplify process & procedure to get those incentives

THANK YOU FOR YOUR KIND ATTENTION

Disclaimer

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Any complaint in the process of financing irregularities can be submitted to:

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Fax : +62 21 5785 4298

Email : corporatesecretary@ptsmi.co.id

Public complaints on PT SMI service will be kept strictly confidential and handled by a special committee to ensure that complaints are addressed appropriately.