SPEECH
WEBINAR EVENT :
“INDONESIA’S SUCCESSES WITH FOSSIL FUEL SUBSIDY REFORM AND CLEAN ENERGY TRANSITION”

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September 15th, 2021
This is the general timeline of petroleum products and electricity subsidy reform. 2015 was marked as a reform of fossil fuel subsidies.

1997
Indonesia started subsidizing 7 types of fossil fuel

1999
The types of fuel subsidy was decrease into 5 types of fossil fuel

2004
Indonesia became net oil importer

2005
• Increase of gasoline price by 80%
• Subsidy budget increased to 8 Billion USD
• Only 3 types of fuel subsidized by government

2007
Kerosene to LPG conversion program was initiated; managed to reduce 9 million Kilo Liter (KL) kerosene consumption until 2014

2008
Encouraging the utilization of renewable energy

2010
Increase electricity tariff by 10% on July

2012
Converting public transportation from gasoline to Compressed Natural Gas (CNG)

2013
• Increase electricity tariff by 15%
• Government gives improved BLT to middle and lower society to compensate the price increase

2014
• Government completely eliminated gasoline subsidies.
• 12 groups of electricity consumers are no longer subsidized.

2015
Electricity tariff adjustment and reducing its subsidy for industrial sector

2016
Fixed subsidy IDR 500 per liter for diesel

Source: Various Sources (ADB, IISD, and G20 self Report)
Risk Mitigation of Energy Reform

Three critical aspects of risk mitigation to be taken into consideration for success of energy reform:

**Political Dimension**

Subsidies reform is very unpopular publicly. The Government has to deal with multiple stakeholders including members of parliament, informal leaders, and public figures.

**Technical Administration**

Technical administration process that involve the compensation related to eligibility identification of the beneficiaries whom are affected by the removal of subsidies.

**Public Communication**

Public communication is a key role in ensuring successful reform. Media becomes very important in the discussions on subsidy issues.

Source: Report G20
• More than half of G20 countries have already stipulated their commitment to net-zero emission: EU, UK, Brazil, France, US, Japan, China, German, etc.
• Net-zero targets will have implications to strategic sectors, such as economy and industrial process.

Sumber: WRI.org/Climate
Indonesia’s Net-zero Emission Draft Scenarios

Total GHG Emission (All Sectors)  

Energy Sector GHG Emission

Each of NZE scenario will have different policy implications. The more ambitious scenario requires more stringent policy measures.

Source: Bappenas Study, 2021
Low Carbon Development Indonesia (LCDI) As Development Framework

LCDI DEVELOPMENT FRAMEWORK

Economy
- Growing Green Economy
- More GDP Generated Compared to BAU
- High Performance Investment

Environment
- Avoiding Deforestation
- Avoiding Pollution-related Death
- Increasing Air Quality
- GHG Emission Reduction

Social
- Eradicating Poverty
- Increasing Employment
- Promoting Gender Equality

Economic
- Increasing Welfare

Mainstreaming
- National Mid-term Development Plan (RPJMN) 2020 – 2024

Policy Translation

LCDI POLICY SCENARIO

Energy
- Transition towards Renewable Energy and Energy Conservation

Forest and Peat
- Forest protection, Primary Forest and Peat moratorium, Reforestation

Agriculture
- Improving Agriculture Productivity, Sustainable Agriculture

Industry
- Reduce emissions generated from industrial process (IPPU)

Waste
- Waste management and industry revitalization
Three Expected Benefits On Energy Transition

1. Tackling Climate Change
   - 65% of GHG Emission is from energy sector in 2060

2. Improving Energy Security
   - Massive utilization of electric vehicles can reduce import dependence

3. Creating More Green Jobs
   - Activities from RE and EE create more full-time employment (FTE) compared to fossil energy

<table>
<thead>
<tr>
<th>Energy Efficiency</th>
<th>Renewables</th>
<th>Fossil Energy</th>
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<tbody>
<tr>
<td>7.72 FTE</td>
<td>7.49 FTE</td>
<td>2.65 FTE</td>
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per USD 1 million of investment
The Enablers

**Regulatory Framework**

- Acceleration of NRE price fixing with an attractive and fair scheme.
- Acceleration of the ratification of the Renewable Energy Law (RUU ET) to ensure the guidelines and investment laws.
- Establishment of a Special Zones of Renewable Energy Based Industry (REBID) to increase demand for RE
- Optimization of fiscal incentives such as tax allowances, import duty facilities, and tax holidays for RE investors
- Adjustment of fossil energy policy (e.g. subsidy, DMO (Domestic Market Obligation), etc)

**Institutional Framework**

- Establishment of Special Agency for Renewable Energy.
- Establishment of national financing institution capable of channeling aid funds from foreign countries (i.e. eximbank in China and India).
- Strengthening local institutions such as the Regional Energy Agency (Badan Energi Daerah) and BUMDes that will manage the utilization of EBT at the provincial and / or rural level (off-grid).

**Funding Framework**

- Simplification of the (collateral) guarantee system for the development of RE Power Plant.
- Mobilization of private (bank) funding for renewable energy by optimizing OJK Regulation No. 51/POJK.03/2017.
- Establishment of local (regional) KPBU scheme
- Exploring Innovative Blended Finance Scheme
Thank you!

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