



Annex II: Energy Support Measures in Indonesia by Energy Source

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Preface

ANNEX II: Energy Support measures in Indonesia by Energy Source is an inventory of all the support measures that are available for the Indonesian energy sector. It accounts for all the support and incentives provided by the Government of Indonesian across six energy types:

1. Oil and gas (OG)
2. Coal (C)
3. Electricity (EL)
4. Renewable energy (RE)
5. Biofuels (BI)
6. Electric vehicles and batteries for EV (EV).

Covering the period from FY 2016 to FY 2020, this inventory has identified 78 support measures for the Indonesian energy sector. Based on data limitation and availability, 37% of the support measures identified are considered quantified, while the rest (63%) are considered not quantified.

A support measure is considered quantified if there are data available for any given year within the period in question (i.e., FY 2016 to FY 2020). Whenever available, official government data were used to provide quantitative estimates.

If the data are not available, N/A is assigned to the support measure. There are also some support measures that fall into the category of Not Applicable or N/P, meaning that the particular support measure has been enacted but not yet applicable until a specified date in the future. Support measures that fall into the N/P category are primarily those applicable to clean new technologies, particularly biofuels and EV and Battery.

ANNEX II. A: Oil and Gas Support Measures

OG. 1: Below-market price on DMO for crude oil

Support measure classification	Income or price support	Support measure sub-mechanism	Market price support and regulation
SDG 12.c.1 Mechanism	Induced transfers (price support)		
Stimulated activity	Production	Value chain link	Development, extraction, preparation (refinery)
Support measure name/designation	Below-market price on DMO for Crude Oil		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> UU no 22 Tahun 2001 / Oil and Gas Law No. 22 / 2001 		
Policy objective(s)	To secure domestic stock for crude oil.		
Beneficiary/end recipient(s) of support measure	Producers (refineries)		
Time period/frequency of support measure	1979–ongoing		
Background/definition	<p>DMO is recognized as a government intervention (i.e., to influence the market or send a market signal), and therefore it is included in this inventory report.</p> <p>Since 1979, the signatories of oil production-sharing contracts (PSCs), the Government of Indonesia (the Government or the GoI), and international oil companies have been required to supply a portion of their oil output to domestic refineries at a heavily discounted price. Referred to as the DMO, the amount of crude oil thus supplied accounts for up to 25% of the applicable First Tranche Petroleum (FTP) and the equity shares after cost recovery. However, if operating costs exceed the difference of total sales proceeds from crude oil produced and saved hereunder minus the FTP as provided under Section VI hereof, the contractors shall be relieved from this supply obligation for such year.</p> <p>While this DMO share has remained constant since the introduction of the measure, the price at which the contractors have to sell that fixed DMO amount has risen over time, with the fee currently amounting to 25% of the reference market price. Contractors extracting crude oil from new oil fields can, however, receive the full reference market price for their DMO amount for the first 5 years of production while still receiving the applicable DMO price after that.</p>		

	<p>Since the DMO provides Pertamina, the state-owned energy company, with cheaper crude oil feedstock for its refineries, it is considered a producer support benefiting Pertamina, though the measure does reduce the revenues of companies operating upstream. This measure is entirely allocated to crude oil.</p> <p>This measure cannot be estimated due to the lack of official government data available.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/ link	<ul style="list-style-type: none"> • Braithwaite (2010) • BPStats (2013) • Platts (various years) • PWC (2012) • SKK Migas (2013) • Organisation for Economic Co-operation and Development (OECD) Fossil Fuel Support for Indonesia item IDN_dt_02 https://stats.oecd.org/Index.aspx?DataSetCode=FFS_IDN 				

OG. 2: Total Pertamina reimbursement (paid and due)

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending, budget and off-budget transfers
SDG 12.c.1 Mechanism	Direct transfer of government funds		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	Total Pertamina reimbursement (paid and due)		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Central Government under the annual state budget (Anggaran Pendapatan dan Belanja Negara/APBN) 		
Policy objective(s)	To reduce the control of the retail prices of fuel products.		
Beneficiary/end recipient(s) of support measure	Consumers		

Time period/frequency of support measure	1967–ongoing				
Background/definition	<p>Since 1967, the Indonesian government has set the retail prices for motor gasoline (“Premium”), diesel fuel (“Solar”), and kerosene below corresponding market price levels. In order to compensate state-owned Pertamina for the losses the company incurs as a result of the lower selling prices, the government regularly provides direct financial compensation to the downstream operator.</p> <p>In 2015, the price of motor gasoline was adjusted to reflect the international oil price. This reform saved the Indonesian government as much as IDR 211 trillion. Diesel fuel and kerosene are still subsidized, but at a significantly lower level than in 2015. The value of the support provided, however, depends on international oil prices, evolving with them.</p> <p>Annual amounts related to this measure are allocated to motor gasoline, liquefied petroleum gas (LPG), diesel fuel, and kerosene on the basis of the IEA’s Energy Balances for Indonesia’s road and residential sectors. The compensation the government provides to Pertamina is recorded as a “fuel subsidy” in the national budget. This compensation is equivalent to the difference between the subsidized retail prices and the benchmark market price, multiplied by the respective domestic consumption volumes. The benchmark market price is set according to a formula that includes the Mean of Platts Singapore index plus an 8% markup covering the costs for storage, transportation, distribution, and a retailer margin. As this budget transfer ensures that retail prices for Premium, Solar, Kerosene, and 3-kg LPG cylinders remain lower than the comparable market prices, the measure counts toward consumer support.</p> <p>These numbers, reported directly in Pertamina’s Annual Report, contain both paid and due reimbursed amounts for LPG, revenue recognition from disparity of selling price, Receivable on certain fuel products, and Receivable on kerosene subsidies taken from Pertamina's annual report 2016–2020.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	54.51	90.76	120.03	98.34	68.59
(USD million, real 2020)	4,060	6,700	8,289	7,075	4,721
Information sources/link	<ul style="list-style-type: none"> PT Pertamina Annual Report https://www.pertamina.com//Media/File/Pertamina%20Annual%20Report%202020.pdf 				

OG. 3: Below-market price on DMO for natural gas

Support measure classification	Income or price support		Support measure sub-mechanism	Market price support and regulation	
SDG 12.c.1 Mechanism	Induced transfers (price support)				
Stimulated activity	Consumption		Value chain link	Consumers (various consumers directly)	
Support measure name/designation	Below-market price on DMO for natural gas				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • UU No 22 Tahun 2001/Oil and Gas Law 				
Policy objective(s)	To secure domestic stock for natural gas.				
Beneficiary/end recipient(s) of support measure	Consumers				
Time period/frequency of support measure	2001–ongoing				
Background/definition	<p>With the adoption of the 2001 Oil and Gas Law, the government extended the crude oil DMO system to be applicable to natural gas. The natural gas DMO thus mandates international oil companies operating under a PSC to sell about 25% of their natural gas output to the domestic market at discounted prices. The specific prices and conditions under which the DMO volumes are sold differ from contract to contract. Anecdotal evidence suggests, however, that domestic prices are generally much lower than the price at which natural gas producers sell their output on the international market.</p> <p>This measure counts toward consumer support as it provides for cheaper natural gas in Indonesia.</p> <p>Unfortunately, it was not possible to estimate the amounts of support provided since domestic prices and volumes of natural gas under DMO vary from contract to contract, and contracts are usually held confidential due to their commercial sensitivity.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • UU No 22/2001 https://jdih.esdm.go.id/storage/document/uu-22-2001.pdf 				

OG. 4: Compressed gas conversion kits

Support measure classification	Provision of goods or services below market value		Support measure sub-mechanism	Government-provided goods or services	
SDG 12.c.1 Mechanism	Direct transfer				
Stimulated activity	Consumption		Value chain link	Consumers (various consumers directly)	
Support measure name/designation	Compressed natural gas conversion kit distribution				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> Ministry of Energy and Mineral Resources/Pertamina 				
Policy objective(s)	To accelerate the transition from fuel to gas for the transport sector.				
Beneficiary/end recipient(s) of support measure	Consumers (public transportation and government vehicles)				
Time period/frequency of support measure	2016–2017				
Background/definition	<p>This measure provides support for the procurement of compressed natural gas conversion kits in three major cities in Indonesia, including Greater Jakarta Region, Palembang, and Subang, and it involves the distribution and installation of 1,000 conversion units in 2016 and 1,500 units in 2017 for public transportation vehicles (taxis and public minibus known as “Angkot”), as well as government vehicles.</p> <p>No estimates are provided because official data availability for this measure is limited; therefore, it was not possible to come up with an estimate.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Fossil Fuel Subsidies in Indonesia: Trends, Impacts and Reforms (ADB, 2015) https://www.adb.org/sites/default/files/publication/175444/fossil-fuel-subsidies-indonesia.pdf 				

OG. 5: Import duty exemption for production-sharing contractors

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 Mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Exploration, access, and appraisal		
Support measure name/designation	Import duty exemption for production-sharing contractors				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> Ministry of Finance Regulation No.177/2007 				
Policy objective(s)	To provide import duty exemption for production-sharing contractors in the exploration and exploitation stages to encourage more exploration activities.				
Beneficiary/end recipient(s) of support measure	Producers/production-sharing contractors				
Time period/frequency of support measure	2007–ongoing				
Background/definition	<p>Ministry of Finance Regulation No.177/2007 grants import duty exemption on imported goods used in the context of petroleum operations for new PSCs signed after 2007. This measure applies only to goods that have not yet been produced, or are not produced to the required specifications, or not produced in sufficient quantity in Indonesia. This tax incentive is applicable to both exploration and exploitation activities. Import duty exemption was already available before the enactment of the Oil and Gas Law in 2001 (based on a system of master list) and was reinstated in 2007.</p> <p>Data for 2020 were obtained from the Tax Expenditure Report 2020 (Laporan Belanja Perpajakan 2020). There were no official data for the previous years.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	0.765
(USD million, real 2020)	N/A	N/A	N/A	N/A	52.7
Information sources/link	<ul style="list-style-type: none"> Fossil Fuel Subsidies in Indonesia: Trends, Impacts and Reforms (ADB, 2015) https://www.adb.org/sites/default/files/publication/175444/fossil-fuel-subsidies-indonesia.pdf Tax Expenditure Report 2020 https://fiskal.kemenkeu.go.id/files/ter/file/1640354845_laporan_belanja_perpajakan_2020_ebook.pdf 				

OG. 6: VAT and sales tax reimbursement or exemption for upstream oil and gas

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 Mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Exploration, access, and appraisal		
Support measure name/designation	VAT and sales tax reimbursement or exemption for upstream oil and gas				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • Government Regulation No. 79/2010 • Ministry of Finance Regulation No. 27/2012 				
Policy objective(s)	To encourage more exploration activities				
Beneficiary/end recipient(s) of support measure	Producers/production-sharing contractors				
Time period/frequency of support measure	2010–ongoing				
Background/definition	<p>Under Government Regulation No. 79/2010, a PSC Contractor has the right to obtain reimbursement of VAT and Luxury Goods Taxes (“Indirect Taxes”) that it has paid. Ministry of Finance Regulation No. 27/2012 provides exemption from import VAT on certain goods exempted from import duty. It concerns goods used for upstream oil and gas exploration business activities, as well as temporarily imported goods. Exemption from VAT on importation was already available before the enactment of the Oil and Gas Law in 2001 based on a system of master list.</p> <p>The measure cannot be estimated due to the lack of information on the affected goods.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	14.67	N/A	N/A	N/A	N/A
(USD million, real 2020)	1,092	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • Indonesia Self Report https://www.oecd.org/fossil-fuels/publication/Indonesia%20G20%20Self-Report%20IFFS.pdf 				

OG. 7: Article 22 Income tax import exemption for exploration and exploitation

Support measure classification	Government revenue foregone		Support measure sub-mechanism	Tax breaks and special taxes	
SDG 12.c.1 Mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production		Value chain link	Cross-cutting through the value chain	
Support measure name/designation	Article 22 Income tax import exemption for exploration and exploitation				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> Ministry of Finance Regulation No. 154/2010 				
Policy objective(s)	To encourage more exploration activities, Article 22 provides for exemption on imported goods and services for PSC Contractors in the exploration and exploitation stages.				
Beneficiary/end recipient(s) of support measure	Producers (production-sharing contractors–Kontraktor Kontrak Kerja Sama/KKKS)				
Time period/frequency of support measure	2010–ongoing				
Background/definition	<p>Ministry of Finance Regulation No. 154/2010 grants exemption from Article 22 income tax on the importation of goods used in upstream oil and gas activities that are exempted from import duty and/or VAT. Article 22 income tax exemption was already available before the enactment of the Oil and Gas Law in 2001 and was reinstated in 2010.</p> <p>The measure cannot be estimated due to the lack of information on the affected goods.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Indonesia Self Report https://www.oecd.org/fossil-fuels/publication/Indonesia%20G20%20Self-Report%20IFFS.pdf 				

OG. 8: Reduction in land and building tax for production-sharing contractors for exploration and exploitation

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 Mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Reduction in land and building tax for exploration and exploitation		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Ministry of Finance Regulation No. 267/2014 		
Policy objective(s)	To encourage more exploration activities, up to 100% tax reduction for land and building is available for PSC contractors in the exploration and exploitation stages.		
Beneficiary/end recipient(s) of support measure	Producers (production-sharing contractors–Kontraktor Kontrak Kerja Sama/KKKS)		
Time period/frequency of support measure	2010–ongoing		
Background/definition	<p>Different regulations confer land and building tax reductions to PSC.</p> <p>Minister of Finance (MoF) Regulation No. 267/2014 grants land and building tax reduction up to 100% during both the exploration and exploitation stages. This tax incentive applies to PSCs signed after 2010 (i.e., the effective date of GR 79).</p> <p>There is also another reduction for oil and gas mining in the exploration stage and the exploitation stage (based on project economic considerations) for KKKS Taxpayers with PSCs based on the provisions in Government Regulations Number 27 of 2017, concerning Amendments to Government Regulation Number 79 of 2010 on Refundable Operating Fee and Treatment Income Tax in the Upstream Oil and Gas Business Sector Natural Gas (PP 27/2017).</p> <p>Provision of tax facilities for Tax Objects Oil and Gas Mining (PBB Migas) in Upstream Oil and Gas Business Activities with PSCs Gross Split (according to the provisions in the Regulations Government Number 53 of 2017 concerning the Treatment of Tax on Upstream Oil and Gas Business Activities with Gross Split Production-Sharing Contract). This measure cannot be estimated due to the lack of official data available.</p> <p>Values from 2016 were obtained from Indonesia Self Report. Values for 2017–2020 were obtained from Tax Expenditure Report 2020 (Laporan Belanja Perpajakan 2020).</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	0.067	0.081	0.074	0.055	0.048
(USD million, real 2020)	5	6	5.1	4	3.3
Information sources/link	<ul style="list-style-type: none"> Indonesia Self Report https://www.oecd.org/fossil-fuels/publication/Indonesia%20G20%20Self-Report%20IFFS.pdf Laporan Belanja Perpajakan 2020 https://fiskal.kemenkeu.go.id/files/ter/file/1640354845_laporan_belanja_perpajakan_2020_ebook.pdf 				

OG. 9: Lower rates of revaluation of fixed assets

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 Mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Lower rates of revaluation of fixed assets		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Ministry of Finance Ministry of Energy and Mineral Resources 		
Policy objective(s)	This tax incentive benefits oil and gas companies by increasing the tax depreciable value of their assets, thereby reducing their future tax payments.		
Beneficiary/end recipient(s) of support measure	Producers (production-sharing contractors)		
Time period/frequency of support measure	2015–2017		

Background/definition	<p>Reduction in the tax rate of revaluation of fixed assets has been granted to oil and gas contractors that have submitted an application for fixed assets revaluation in 2015 and 2016</p> <p>In this case, the official 10% final income tax rate has been reduced to 3% in 2015, 4% in the first half of 2016, and 6% in the second half of 2016. Since January 1, 2017, the applicable tax rate has returned to 10%.</p> <p>This tax incentive benefits oil and gas companies by increasing the tax depreciable value of their assets, thereby reducing their future tax payments. Besides the reduction of the final tax rate, companies were also able to choose specific fixed assets to be revalued to optimize tax benefits.</p> <p>The value of this reduction was taken from the Indonesia Self Report, where it was estimated using the differential tax rate on the asset value. The Ministry of Finance and the Ministry of Energy and Mineral Resources, as a part of the G20 commitment to be more transparent, carry out the self-reporting.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	0.025	N/A	N/A	N/A	N/A
(USD million, real 2020)	1.88	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Item IDN_dt_17 in OECD inventory https://stats.oecd.org/Index.aspx?DataSetCode=FFS_IDN Indonesia Self Report https://www.oecd.org/fossil-fuels/publication/Indonesia%20G20%20Self-Report%20IFFS.pdf 				

OG. 10: New fields investment credit allowance for production capital expenditures

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Exploration, access, and appraisal
Support measure name/designation	New Fields Investment Credit Allowance for Production Capital Expenditures		
Jurisdiction	Central Government		
Legislation/endorsing organization	N/A		

Policy objective(s)	To encourage exploration activities, investment credit allowance for capital expenditures is extended for production from new fields.
Beneficiary/end recipient(s) of support measure	Producers (production-sharing contractors)
Time period/frequency of support measure	1989–ongoing
Background/definition	<p>In 1989, the Indonesian government introduced an investment credit allowance (ICA) in the context of oil and natural gas PSCs to provide signatories with further incentives to discover and develop new fields, as defined by the American Association of Petroleum.</p> <p>The ICA applies to the value of production of certain new fields in new geological locations after deduction of the FTP and before the recovery of operating costs and profit share. Instead of a royalty, the Indonesian government charges the FTP, which requires that the first 20% of production must be shared in favour of government and before cost recovery according to the equity split set in the contract (OECD, 2021).</p> <p>In more recent PSCs, the government has been entitled to take the entire FTP, although in this case the FTP has usually been lowered to 10% of the first production.</p> <p>The ICA is calculated based on the capital expenditures incurred in relation to production facilities only and has historically reached between 17% and 20% for oil PSCs, and between 20% and 55% for natural gas PSCs [Second-generation PSCs from 1976 through 1988 had an ICA rate of 20%.</p> <p>Third-generation PSCs, signed since 1988, have had an ICA rate of between 17% and 20%, while fourth-generation PSCs, signed since 1995, for areas in Eastern Indonesia did not provide any ICA.</p> <p>Finally, the fifth generation of PSCs, signed since 2001, have had ICA rates of 17% for oil PSCs and 55% for natural gas PSCs. The ICA rates of more recent PSCs are not known. The ICA can be regarded as producer support, as it provides oil and natural gas producers with additional income they would not have been entitled to through their equity share.</p> <p>The measure could not be estimated because of the lack of official data available to support quantification. Different companies paid different taxes, the amount of which cannot be determined.</p>

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • PWC (2012): www.pwc.com/id/en/publications/assets/oil-and-gas-guide_2012.pdf • OECD Inventory of Support measures for Fossil Fuels 				

OG. 11: Tax exemptions for imported goods used in oil and gas exploration and exploitation activities

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Import duty exemption for production-sharing contractors in exploration and exploitation stages		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance Decree No. 177 of the Minister of Finance from 2007 		
Policy objective(s)	To encourage more exploration activities.		
Beneficiary/end recipient(s) of support measure	Producers/production-sharing contractors		
Time period/frequency of support measure	2007–ongoing		

Background/definition	<p>The GoI normally charges a VAT of 10% on the value of imported goods, to which an import duty and the Article 22 income tax are then added at rates that vary depending on the classification of the goods and the sectors concerned.</p> <p>According to Decree No. 177 of the Minister of Finance from 2007, goods that are imported for use in upstream oil and natural gas activities are, however, exempt from all three levies (i.e., the import duty, Article 22 income tax, and the VAT).</p> <p>In order to claim the VAT exemption, eligible companies must have registered the goods in their Import Declaration list and received a registration number on or after January 1, 2008. VAT on exploration activities can only be reclaimed as soon as production begins. Further, the VAT and import duty exemptions only apply if the goods to be imported are: (1) not produced in Indonesia; (2) produced in Indonesia but do not meet the required specifications; or (3) produced in Indonesia but are in short supply.</p> <p>Numbers for 2016 and 2017 data are from OECD in-house estimates. No estimates were made for the more recent years due to the lack of official data.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	0.164	0.197	N/A	N/A	N/A
(USD million, real 2020)	12.22	14.54	N/A	N/A	N/A
Information sources/link	https://stats.oecd.org/Index.aspx?DataSetCode=FFS_IDN				

OG. 12: Reimbursement of financing cost for capital investment

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Reimbursement of financing cost for capital investment		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Bank of Indonesia • Government Regulation No. 55/2009 • Government Regulation No. 79/2010 		

Policy objective(s)	To encourage more exploration activities.				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	2009–ongoing				
Background/definition	<p>Contractors conducting oil and natural gas operations in Indonesia are usually not allowed to claim interest expenses for capital investments as part of their cost recovery. In cases where the internal rate of return (IRR) is lower than the standard petroleum investment IRR, the contractor is, however, allowed to receive a reimbursement for interest expenses incurred as a result of capital expenditures that are not internally financed.</p> <p>To the extent that the government receives a lower income from petroleum operations in cases where these interest expenditures are recovered, the measure can be regarded as supporting the production of hydrocarbons. The value of such support to the recipient could be estimated as the difference between the lower capital costs incurred by eligible contractors and the estimated IRR if the project were financed internally. Further research and information would, however, be required to arrive at such estimates. The latter would, in any event, probably be low as many oil and natural gas producers finance their capital expenditures using internal funds.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • Braithwaite (2010): www.iisd.org/gsi/sites/default/files/ffs_awc_indonesia.pdf. • Government Regulation No. 55/2009: http://eiti.ekon.go.id/v2/wp-content/uploads/2017/07/PP-55-Tahun-2009-tentang-PERUBAHAN-KEDUA-ATAS-PERATURAN-PEMERINTAH-Kegiatan-Hulu-Migas.pdf • Government Regulation No. 79/2010: http://eiti.ekon.go.id/v2/wp-content/uploads/2017/07/PP-79-Tahun-2010.pdf 				

OG. 13: VAT exemption for crude oil, coal, and natural gas

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain

Support measure name/designation	VAT exemption for crude oil, coal, and natural gas				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> Regulation PP No. 144/2000, President of Indonesia 				
Policy objective(s)	To encourage more exploration activities.				
Beneficiary/end recipient(s) of support measure	Producers/production-sharing contractors				
Time period/frequency of support measure	2000–ongoing				
Background/definition	<p>Since 2000, the sales of extractive resources, including crude oil and natural gas, have been exempted from VAT. The exemption also applies to other extractive resources, including coal, geothermal power, and several mineral resources. The measure applies to private and public companies engaging in these activities. The values identified are only the ones that are reported by Pertamina in its annual report and hence do not cover the entire sector.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	3.55	8.43	5.96	4.93	4.12
(USD million, real 2020)	264.32	622.45	411.34	354.81	283.37
Information sources/link	<p>Subsidies are in-house estimates based on government data from the following sources:</p> <ul style="list-style-type: none"> Pertamina Annual Report 2020 Page 615 Pertamina Annual Report 2018 Page 104: https://www.pertamina.com/id/dokumen/laporan-tahunan Attwood et al., 2017: https://www.iisd.org/sites/default/files/publications/financial-supports-coal-renewables-indonesia.pdf 				

OG. 14: Various exemptions for oil and gas upstream activities

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Various exemptions for oil and gas upstream activities		

Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • PP no 27/2017 • PP no 53//2017 				
Policy objective(s)	To encourage more exploration activities.				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	2017–ongoing				
Background/definition	<p>In 2017, two government regulations (Peraturan Pemerintah [PP]) were issued to govern incentives taxation for two oil and gas block management schemes still running in Indonesia:</p> <ol style="list-style-type: none"> 1. PP No. 27/2017 for cost-recovery scheme 2. PP No. 53/2017 for gross split scheme. <p>PP No. 27/2017 contains incentives for upstream activities in the form of investment credit, a DMO holiday, accelerated depreciation, cost sharing, and free income tax and VAT. It also provides incentives for the exploration and exploitation phases, including free import duty on goods and VAT incentives, corporate income tax, land, and building tax exemptions.</p> <p>Meanwhile, PP No. 53/2017 provides incentives in the form of a tax holiday from exploration to first production, loss carry forward up to 10 years, accelerated depreciation, and imposition indirect tax during the production period is to be compensated through split adjustment. Gross split taxation is more attractive compared to cost recovery.</p> <p>The values of these measures cannot be estimated because no official data are available to do estimates.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://www.esdm.go.id/assets/media/content/content-laporan-kinerja-esdm-2014-2019.pdf • https://peraturan.bpk.go.id/Home/Details/51526/pp-no-27-tahun-2017 • https://peraturan.bpk.go.id/Home/Details/127658/pp-no-53-tahun-2017 				

OG. 15: VAT and luxury goods tax exemption for oil and gas co-operation contract contractors during exploration phase

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Exploration, access, and appraisal		
Support measure name/designation	VAT and Luxury Goods Tax exemption for oil and gas co-operation contract contractors during exploration phase				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> Minister of Finance Decree No. 122/PMK.03/2019 				
Policy objective(s)	To encourage more exploration activities				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	2019–ongoing				
Background/definition	<p>Certain cooperation contract contractors are entitled to receive tax exemptions for VAT or VAT and sales tax on luxury goods (PPN/PPnBM), as well as a reduction in land and building tax (PBB) on upstream oil and gas business activities at the exploration and exploitation stages.</p> <p>At the exploration stage, the facilities provided include (1) VAT & luxury goods tax owing but not collected for the acquisition of taxable goods and/or services used or utilized in the framework of petroleum operations, and (2) a reduction of 100% of the outstanding oil and gas property tax listed in your tax return.</p> <p>Values could not be estimated because of a lack of available data.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> DJP, 2019: https://pajak.go.id/sites/default/files/2019-08/SP%2026%20-%20%20Fasilitas%20Perpajakan%20Kontraktor%20Migas.pdf 				

OG. 16: Corporate income tax exemption for oil and gas activities

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain		
Support measure name/designation	Corporate income tax exemption for oil and gas upstream activities				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> UU PPh No. 36/2008 				
Policy objective(s)	To encourage more exploration activities				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	2008–ongoing				
Background/definition	<p>Similar to OG.15, this regulation, released in 2008, regulates incentives schemes for cost recovery (Net PSC) contractors whose contracts were signed between 2008–2017. It provides 100% corporate income tax reductions for the net PSC contractors between 2008–2017 and are still governed under this regulation today.</p> <p>After 2017, new contractors are given the choice between using the cost-recovery schemes based on PP No. 27/2017 or the gross split scheme based on PP No. 53/2017.</p> <p>Values could not be estimated because of a lack of official data to support quantification.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> UU PPh No. 36/2008 Page 22 https://jdih.esdm.go.id/peraturan/UU%20No.%2036%20Thn%202008.pdf 				

OG. 17: Withholding tax exemption for oil and gas upstream activities

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain		
Support measure name/designation	Withholding tax exemption for oil and gas upstream activities				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • UU PPh No.36/2008 				
Policy objective(s)	To encourage more exploration activities				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	2008–ongoing				
Background/definition	<p>Tax withholding on income tax (branch profit tax-20%) on dividends and royalty imposed on balance after corporate income tax (CIT). Article 26 of UU PPh no 36/2008 mentions that the basis for imposition of taxes is taxable income after deducting 25% CIT, so that the amount of income tax on dividends, interest, and royalty is $20\% \times (100\% - 25\%) = 15\%$, which means the total is actually $25\% + 15\% = 40\%$.</p> <p>This measure applies to companies operating in the upstream oil and gas sector.</p> <p>Values could not be estimated because of a lack of available data.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • UU PPh No.36/2008. Branch Profit Tax – Final PDBR – Pajak Dividend, Interest, Royalty. Page 35 https://jdih.esdm.go.id/peraturan/UU%20No.%2036%20Thn%202008.pdf 				

OG. 18: Income tax exemption from transfer of participating interest—exploration phase

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain		
Support measure name/designation	Income tax exemption from the transfer of participating interest —exploration phase				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • UU PPh No. 36/2008 • PP 79/2010 				
Policy objective(s)	To encourage more exploration activities				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	2008–ongoing				
Background/definition	<p>This support measure applies to PSC under cost-recovery scheme PSC. PP 79 – Net PSC article 27 point 2a. Transfer of participating interest means selling its share to another contractor and making a profit. The difference in profit is what is taxed on the transfer of the participating interest.</p> <p>During the exploration phase, income from a transfer of participating interest is not considered taxable if it does not meet the following criteria:</p> <ol style="list-style-type: none"> Does not transfer all of its participating interests. Participating interest has been held for more than 3 years Exploration has been carried out in the work area (there has been investment expenditure) Transfer of participating interest is not intended to gain profit. <p>The lack of income tax is a support measure for PSC contractors. Values could not be estimated due to a lack of available data.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • PSC Net – PP 79/2010. Page 21 https://jdih.esdm.go.id/index.php/web/result/163/detail 				

OG. 19: Gross split income tax exemption from transfer of participating interest – exploration phase

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Exploration, access, and appraisal
Support measure name/designation	Gross split income tax exemption from transfer of participating interest – exploration phase		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • PP No. 53/2017 		
Policy objective(s)	To encourage more exploration activities.		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2017–ongoing		
Background/definition	<p>This is for PSC under the gross split scheme. During the exploration period, income from a transfer of participating interest is not considered taxable if it meets the following criteria:</p> <ol style="list-style-type: none"> Does not transfer all of its participating interests Participating interest (participating interest) has been held for more than 3 years Exploration has been carried out in the work area (there has been investment expenditure) Transfer of participating interest is not intended to gain profit. <p>No estimates were made due to a lack of available official data to support quantification.</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> PSC Gross PP No. 53/2017. Page 21: https://jdih.esdm.go.id/index.php/web/result/163/detail 				

OG. 20: Discount on corporate income tax for public companies (3% discount)

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Discount on corporate income tax for public companies (3% discount)		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Perpu No. 1/2020 		
Policy objective(s)	As part of the economic recovery program to support and protect businesses impacted by the COVID-19 pandemic, this policy is intended to mitigate the decrease in domestic economic activities and maintain financial sector stability through various relaxation policies.		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2020–ongoing		
Background/definition	<p>This measure stipulates a reduction in the corporate income tax (PPh) from 25% to 22% for the 2020–2021 tax year, followed by another reduction to 20% for tax year 2021–2022. This applies to both private and public companies</p> <p>There is additional 3% discount for companies classified as issuers (40% public shares), so that the issuer's corporate income tax becomes 19% in the tax year 2020–2021, and in 2021–2022 it becomes 17%.</p> <p>Values could not be estimated because of a lack of available data.</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Perpu No. 1/2020. Page 8 https://www.pajak.go.id/sites/default/files/2020-04/Perpu%20Nomor%201%20Tahun%202020.pdf 				

OG. 21: Deferral of tax payment for public companies (max. 6 months)

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Deferral of tax payment for public companies (max. 6 months)		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Perpu No. 1/2020 		
Policy objective(s)	As part of the economic recovery program to support and protect businesses impacted by the COVID-19 pandemic, this policy is intended to mitigate the decrease in domestic economic activities and maintain financial sector stability through various relaxation policies.		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2020–ongoing		
Background/definition	This is an extension of the application period or completion of tax administration. In this case, the extension of the period of submission of objections by taxpayers is extended to a maximum of 6 months, from 3 months to a total of 9 months. The extension of the settlement period by the Directorate General of Tax is also extended to a maximum of six months for requests for restitution through examination and objection requests from 12 months to 18 months. Furthermore, requests for reduction elimination of administrative sanctions from 6 months to 12 months.		

	<p>These provisions are contained in a government regulation in lieu of a law (Perpu) on Financial Policies and Financial System Stability for Handling Pandemic Corona Virus Disease 2019 (Covid-19) or in the Context of Facing Threats that Endanger the National Economy and Financial System Stability. This regulation was established by President Joko Widodo on March 31, 2020, and was immediately submitted to the parliament.</p> <p>Values could not be estimated because of lack of available data.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Perpu No. 1/2020. Page 13 https://www.pajak.go.id/sites/default/files/2020-04/Perpu%20Nomor%201%20Tahun%202020.pdf 				

OG. 22: Industrial gas price reduction to USD 6/mmbtu

Support measure classification	Income or price support	Support measure sub-mechanism	Market price support and regulation
SDG 12.c.1 mechanism	Induced transfers (price support)		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	Industrial gas price reduction to USD 6/mmbtu		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> PerPres 40/2016 Permen ESDM No. 8/2020 		
Policy objective(s)	To boost the utilization and competitiveness of specific manufacturing industries in the country so that it will make a significant contribution to the national economy.		
Beneficiary/end recipient(s) of support measure	Consumers/specific industrial sectors		
Time period/frequency of support measure	2020–ongoing		

Background/definition	This measure regulates the gas price for industrial usage to a maximum price of USD 6/mmbtu to accelerate economic growth and national industry competitiveness through the use of cheap natural gas. This regulated pricing applies to seven industrial sectors, namely the fertilizer, petrochemical, oleochemical, steel, ceramic, glass, and rubber gloves industries. Values could not be estimated because of a lack of available data.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> PerPres 40/2016: https://peraturan.bpk.go.id/Home/Details/40276 Permen ESDM No. 8/2020 https://jdih.esdm.go.id/storage/document/PERMEN%20ESDM%20No%208%20Tahun%202020_SALINAN.pdf 				

OG. 23: COVID-19 recovery package tax incentives

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	COVID-19 recovery package tax incentives		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> PP No 23/2020 		
Policy objective(s)	This policy is part of the government's efforts to save the national economy after being hit by the COVID-19 pandemic, as part of the economic recovery program for the business sectors and affected parties. It is meant to mitigate the decrease in domestic economic activities and to maintain financial sector stability through various fiscal relaxation policies.		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2020–ongoing		

Background/definition	<p>In 2020, as part of the COVID-19 recovery package, government gave various tax incentives to the business sector (energy sector included) in the form of an exemption of income tax (PPH Pasal 22 Impor), reduction of Income Tax Article 25, reduction of corporate income tax, among other incentives.</p> <p>Values could not be estimated because of a lack of available data.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Laporan Belanja Perpajakan 2020: https://fiskal.kemenkeu.go.id/files/ter/file/1640354845_laporan_belanja_perpajakan_2020_ebook.pdf 				

ANNEX II. B: Coal Support Measures

C. 1: Above-market pricing for coal mine mouth power plants

Support measure classification	Income or price support	Support measure sub-mechanism	Market price support and regulation
SDG 12.c.1 mechanism	Induced transfer (price support)		
Stimulated activity	Production	Value chain link	Exploration, access, and appraisal
Support measure name/designation	Above-market pricing for coal mine mouth		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • From 2011 to 2014 under Peraturan Dirjen Minerba No. 1348.K/30/DJB/2011 • Starting in 2016 under Ministry for Energy and Mineral Resources (MEMR) Regulation No. 9/2016 		
Policy objective(s)	<ul style="list-style-type: none"> • To provide above-market pricing for coal supplied to mine-mouth electricity generators and make the use of low-grade coal at domestic mine-mouth power plants more attractive for the Indonesian coal sector. • The policy was intended to make it more attractive for Indonesia's coal sector to develop and use low-grade coal at domestic mine-mouth power plants. 		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2011–ongoing		
Background/definition	<p>From 2011 to 2014, under regulation No. 1348.K/30/DJB/2011, coal with calorific values above 3,000 KCal/Kg GAR was sold at a lower price than the coal reference price (HBA/Harga Batubara Acuan), contingent on government approval. For calorific values below this benchmark, coal prices were determined at production costs plus a profit margin of 25%.</p> <p>In 2016, MEMR Regulation no. 9/2016 established the price range for all mine-mouth coal at 15%–25% above total production cost. The regulation was later revised again that in some cases, the price could be negotiated between the mining company and electricity generator (PLN or IPPs), subject to governmental approval. This change raised concerns from electricity generators, who claimed that the profit margins were too high compared to international coal price developments. Since the policy was designed to promote the use of low-calorific coal through price support, it qualifies as an incentive for the coal sector.</p>		

	<p>The more recent regulation for mine-mouth power generation is in the Job Creation Law in which mine-mouth power is considered a downstream use of coal, which means there is a 0% royalty for the coal used directly in the mine-mouth power plants instead of the 3%–13.5% royalty rate applicable to other coal producers based on their contracts.</p> <p>This measure cannot be estimated due to a lack of official government data available to facilitate quantification.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Attwood et al., 2017 https://www.iisd.org/sites/default/files/publications/financial-supports-coal-renewables-indonesia.pdf MEMR Regulation No. 9/2016 https://peraturan.bpk.go.id/Home/Details/143296/permen-esdm-no-9-tahun-2016 				

C. 2: Coal R&D, technology, and training

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending, budget and off-budget transfers
SDG 12.c.1 mechanism	Direct transfer of government funds		
Stimulated activity	Production and consumption	Value chain link	Research
Support measure name/designation	Coal R&D, technology, and training		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> MEMR Regulations No 11.779/1956 and No 55/2010, Ministry of Energy and Mineral Resources 		
Policy objective(s)	To support R&D activities to ensure supply continuity. R&D activities may cover the entire value chain, including the exploration, mining, and processing of coal. The budget may also be used to provide capacity building for coal producers and any value-adding activities for the industry.		
Beneficiary/end recipient(s) of support measure	Producers and Consumers		
Time period/frequency of support measure	1956–ongoing		

Background/definition	<p>Since 1956, the national government has funded a centre to support R&D and training in the mineral and coal industry. This centre is now known as the Centre for Research and Development of Mineral and Coal Technology and is housed within MEMR. All public and private mining companies are eligible to benefit from the activities supported by this centre. Previous IISD report found that about half of the centre’s work is dedicated to coal as opposed to other minerals.</p> <p>This is considered a supporting measure for both production and consumption of fossil fuels, as it is public money that could be spent in other priority areas and responds to the definition of “subsidy” used in this report.</p> <p>Figures from 2017 onwards cannot be estimated/obtained because no official government data were available to facilitate quantification.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR billion, real 2020)	0.092	N/A	N/A	N/A	N/A
(USD million, real 2020)	6.82	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> MEMR Regulation No. 55/2010 https://jdih.esdm.go.id/index.php/web/result/159/detail Attwood et al., 2017 https://www.iisd.org/sites/default/files/publications/financial-supports-coal-renewables-indonesia.pdf 				

C. 3: Free royalty for coal derivatives

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Free royalty for coal derivatives		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Central Government–UU Cipta Kerja (UU No 11/2020) 		
Policy objective(s)	Free royalty for companies that engage in coal derivatives to encourage the development of the industry.		
Beneficiary/end recipient(s) of support measure	Producers		

Time period/frequency of support measure	2020–ongoing				
Background/definition	<p>The development of the coal derivatives industry is further encouraged by the Job Creation Law (UU Cipta Kerja UU No 11/2020). The latest version (Kementerian Sekretariat Negara, 2020) states that coal producers that expand their business into the derivatives industry will be given preferential treatment in their state revenue obligations in the form of a 0% royalty.</p> <p>Estimates for 2020 onwards cannot be obtained due to the fact that no official government data were available to facilitate quantification.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Job Creation Law. UU Republik Indonesia No 11/2020 https://www.setneg.go.id/view/index/undang_undang_republik_indonesia_nomor_11_tahun_2020_tentang_cipta_kerja. 				

C.4: Preferential export tax rate on coal

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Preferential export tax rate on coal		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Regulations 75/PMK.011/2012 and 107/PMK.010/2015, Ministry of Finance Peraturan Direktur Jenderal Pajak Nomor PER-31/PJ/2015 		
Policy objective(s)	To support coal exports.		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2015–ongoing preferential tax rate		

Background/definition	<p>From 2012 to 2015, thermal coal was designated as a commodity to be excluded from export tariffs. The policy change in 2015 requires companies operating under a mining licence (IUP) to pay a 1.5% export tax rate, while the Coal Contract of Works (CCoWs) companies are still exempted. The measure is then applied to all companies the following year. This measure applies to producers because it confers an economic advantage to export coal, favouring the production of coal for exports.</p> <p>The amount estimated was based on the foregone revenue from the applicable 1.5% coal export tax rate compared to the 7.5% export tax rate that applies to other mineral commodities. No official export data is available yet, so estimates for 2021 are not available.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	11.86	10.5	15.53	17.21	16.53
(USD million, real 2020)	883	775	1,073	1,238	1,137
Information sources/link	<ul style="list-style-type: none"> Export data are taken from: https://www.bps.go.id/statictable/2014/09/08/1034/ekspor-batu-bara-menurut-negara-tujuan-utama-2012-2020.html Attwood et al., 2017 https://www.iisd.org/sites/default/files/publications/financial-supports-coal-renewables-indonesia.pdf 				

C.5: Preferential VAT rate for goods and services purchased by coal mining companies

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Preferential VAT rate for coal mining companies		
Jurisdiction	National		
Legislation/endorsing organization	<ul style="list-style-type: none"> Regulations 194/PMK.03/2012 and 130/PMK.011/2013, Minister of Finance Law Number 11 Year 1994 on the imposition of Value Added Tax and Sales. Regulation No. 116/PMK.04/2019 on exemption or reduction of import tax and/or VAT on goods import for “Kontrak Karya” (KK, Job Contract) or “Perjanjan Karya Pengusahaan Pertambangan Batubara” (PKP2B Coal Mining Concession Work Agreement). 		

	<ul style="list-style-type: none"> Tax on luxury goods in the field of oil and gas, mining, and other mining products through sharing contracts, the work contract or cooperative agreement; (linked to Regulation No. 116/PMK.04/2019). 				
Policy objective(s)	To support extractive industries by reducing the VAT paid by specified coal mining companies on purchases of goods and services from third parties.				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	1994 to present (until contracts expire)				
Background/definition	<p>Coal mining companies benefit from a series of measures offering a preferential tax rate.</p> <p>Regulations 194/PMK.03/2012 and 130/PMK.011/2013 offer a preferential VAT rate for the purchase and sales of goods and services. It is provided to six coal companies that signed an agreement with the State Coal Company before April 1, 1985. The six coal mining companies, commonly referred to as the CCOWs (PT Arutmin Indonesia, PT Kendilo BHP Coal Indonesia, PT Kaltim Prima Coal, PT Kideco Jaya Agung, PT Adaro Indonesia and PT Berau Coal), are known as the first generation of coal mining companies, and they have a special privilege of having the VAT waived for their purchases on goods and services and for their sales on certain goods and services. The preferential rate is a maximum of 2.5%–5% compared with the usual rate of 10%–15%.</p> <p>Regulation No. 116/PMK.04/2019 offers an exemption or reduction of import tax and/or VAT on goods import for "Kontrak Karya" (KK, Job Contract) or "Perjanjan Karya Pengusahaan Pertambangan Batubara" (PKP2B Coal Mining Concession Work Agreement). The benefits may be granted to:</p> <ol style="list-style-type: none"> Contractor whose contract does not include provisions for the granting of VAT exemption on the import of Taxable Goods in the context of KK or PKP2B; or Contractor whose contract includes provisions for the granting of VAT exemption on the import of Taxable Goods in the context of KK or PKP2B, as long as it complies with the provisions of the legislation that regulates the treatment of VAT and sales tax on luxury goods and the import of Taxable Goods which are exempt from import duty levies. <p>Applies to KK or PKP2B contractors with contracts that include provisions for VAT exemption for imported taxable goods, in compliance with the provisions of all applicable legislations (e.g., import of taxable goods, VAT, and sales tax on luxury goods).</p> <p>Estimates are not available because no official government data were available to facilitate quantification</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A

Information sources/link	<ul style="list-style-type: none"> • https://perpajakan.ddtc.co.id/peraturan-pajak/read/peraturan-menteri-keuangan-116pmk-042019 • https://perpajakan.ddtc.co.id/peraturan-pajak/read/peraturan-menteri-keuangan-194pmk-032012 • Attwood et al., 2017: https://www.iisd.org/sites/default/files/publications/financial-supports-coal-renewables-indonesia.pdf
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C.6: Reduction in corporate tax for coal mining companies registered after August 2011

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Reduction in corporate tax for coal mining companies registered after August 2011		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance Regulations Regulation 159/2015 		
Policy objective(s)	For coal mining companies registered after August 15, 2011, a reduction in corporate tax is extended to promote specified pioneer industries (which do not include coal) and processing industries in special economic zones (which may include coal).		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2015 to present		
Background/definition	<p>Coal mining companies registered as a legal entity after August 15, 2011, were eligible for ongoing reduction in corporate tax following its introduction in 2015. To qualify, they must make an investment above IDR 1 trillion (with at least 10% deposited in Indonesian banks), process their coal and have operational areas in designated special economic zones</p> <p>This regulation applies to several industries (coal included) in which the reduction in corporate tax rate ranges from 10% to 100% depending on the company subject to government approval.</p> <p>Estimates are not available because no official government data were available to facilitate quantification.</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Attwood et al., 2017 https://www.iisd.org/sites/default/files/publications/financial-supports-coal-renewables-indonesia.pdf Ministry of Finance Regulation No. 159/PMK.010/2015 https://jdih.kemenkeu.go.id/fullText/2015/159~PMK.010~2015Per.pdf 				

C.7: 30% tax allowance for coal liquefaction and gasification

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	30% tax allowance for coal liquefaction and gasification		
Jurisdiction	National, except Java province		
Legislation/endorsing organization	<ul style="list-style-type: none"> Government of Indonesia Ministry of Finance 		
Policy objective(s)	To promote the development of coal conversion into gas and liquid, in order to improve the usability of low-medium quality coal.		
Beneficiary/end recipient(s) of support measure	Producers of coal derivatives (liquids and gas)		
Time period/frequency of support measure	2016–ongoing		

Background/definition	Government Regulation No. 9/2016, provides tax allowances to public and private coal companies investing or expanding their business into coal liquefaction and gasification. More concretely, it offers a reduction in taxable income of up to 30% of the value of investments. The measure is applicable nationwide, except for Java province. Estimates are not available due to no official government data were available to facilitate quantification				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • Attwood et al., 2017: https://www.iisd.org/sites/default/files/publications/financial-supports-coal-renewables-indonesia.pdf • Government Regulation No. 9/2016: https://peraturan.bpk.go.id/Home/Details/5730 				

C. 8: Small coal mining preferential royalty and corporate tax rates

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Small coal mining preferential royalty and corporate tax rates		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Regulation No. 4/2009 on Mineral and Coal Mining • Ministry of Finance (107/2015) and Ministry of Energy and Mineral Resources (Regulation 9/2012) 		
Policy objective(s)	To impose lower tax burdens on smaller coal mining companies and licence holders.		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2009–ongoing		
Background/definition	Royalties and tax rates vary among Indonesian coal mining companies. Holders of coal mining licences (Izin Usaha Pertambangan or IUP) issued by provincial governments or districts are subject to lower royalty and corporate tax rates than companies licensed		

	through the national regime. Licences issued under the old CCoW regime pay a corporate tax of 45% and royalty of 13.5%, while holders of newer IUP coal mining licences issued by provincial governments pay 3%–7% royalties, with a corporate tax rate of 25%.				
	The inventory was able to quantify only the foregone revenue from one main coal-producing province (East Kalimantan) for the last 3 years of data, using the preferential royalty rate of 3% instead of the standard 13.5%.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	24.57	35.71	33.36
(USD million, real 2020)	N/A	N/A	1,700	2,680	2,340
Information sources/link	Production data are available only from East Kalimantan BPS. Estimated support measure therefore covers only this province and not nationwide. https://kaltim.bps.go.id/indicator/10/361/1/produksi-batubara.html				

C.9: VAT Exemption for Coal

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	VAT exemption for coal		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Regulation PP No. 144/2000, President of Indonesia 		
Policy objective(s)	To avoid double taxation of goods mostly used as inputs and of staple commodities		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2000 to present		

Background/definition	<p>Since 2000, coal has been exempted from VAT. The exemption also applies to other extractive resources including crude oil, natural gas, geothermal power, and several mineral resources.</p> <p>The amount was estimated based on the foregone revenue (using standard 10% VAT) from the annual sales value for coal.</p> <p>The latest regulation UU no 11/2020 (Job Creation Law) updated this regulation, making coal one of the resources subjected to a 10% VAT. However, it has been decided that the PLN will be the one to bear the tax, making its purchase price 10% higher.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	7.56	11.29	11.66	13.43	11.16
(USD million, real 2020)	563	833	805	966	768
Information sources/link	<p>Production, export and domestic consumption data taken from Ministry of Energy and Mineral Resources reports https://www.esdm.go.id/assets/media/content/content-indonesia-energy-outlook-2017-english-version-.pdf https://www.esdm.go.id/assets/media/content/content-indonesia-energy-outlook-2019-english-version.pdf</p>				

C.10: Failure to collect taxes and royalties from unregulated/illegal coal mines

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Exploration, access, and appraisal
Support measure name/designation	Failure to collect taxes and royalties from unregulated/ illegal coal mines		
Jurisdiction	National		
Legislation/endorsing organization	N/A		
Policy objective(s)	N/A		
Beneficiary/end recipient(s) of support measure	Illegal coal miners and exporters		
Time period/frequency of support measure	Ongoing		

Background/definition	According to a previous IISD report, it was discovered that there is a significant gap between officially recorded coal production and total coal exported or consumed, in which this gap is counted as production from unregulated coal mines. Indonesia produces around 5%–15% more coal annually than the Ministry of Energy and Mineral Resources reports based on production, export, and consumption data (Author calculations and Jensen, 2013). The report predicted that up to 2014, there is a gap reported to represent more than USD 2 billion worth of the coal mined illegally and going untaxed each year, leading to USD 100–200 million in lost revenue. The measure is not quantified due to the fact that no official government data were available to facilitate quantification.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Attwood et al., 2017: https://www.iisd.org/sites/default/files/publications/financial-supports-coal-renewables-indonesia.pdf 				

C.11: Loan guarantees for coal production for electricity generation

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending
SDG 12.c.1 mechanism	Transfer of risk to government		
Stimulated activity	Production	Value chain link	Exploration, access, and appraisal
Support measure name/designation	Loan guarantees for coal production for electricity generation		
Jurisdiction	National		
Legislation/endorsing organization	<ul style="list-style-type: none"> Minister of Finance Regulations: 44/PMK01/2008; 173/PMK.011/2014; 130/PMK.08/2016 Presidential Regulation Number 4 Year 2016 on Accelerating the Development of Electricity Infrastructure 		
Policy objective(s)	To support the 35,000 MW power plant project		
Beneficiary/end recipient(s) of support measure	Producers (PT PLN)		
Time period/frequency of support measure	2008–ongoing		

Background/definition	Loan guarantees are provided for coal producers that are used in coal-fired electricity generation projects that are self-managed by PT PLN as well as to provide feasibility assurance for PT PLN projects that are being executed by independent power producers (IPPs). This measure supports coal production by lowering the cost and incentivizing its use for power generation. The broader objective is to support the development of 35,000 MW power plants and 46,000 km of transmission lines. The measure cannot be estimated because no official government data were available to facilitate quantification.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://peraturan.bpk.go.id/Home/Details/121194/pmk-no-130pmk082016 • https://jdih.kemenkeu.go.id/fulltext/2008/44~PMK.01~2008Per.htm 				

C.12: Exemption or reduction of import tax for job contract or coal mining concession

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Exemption or reduction of import tax for job contract or coal mining concession		
Jurisdiction	National		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Regulation of the Minister of Finance of the Republic of Indonesia Number 116/PMK.04/2019 concerning Exemption or Relief of Import Duties and/or Exemption of Value Added Tax on Imported Goods in the Context of Contracts of Work or Coal Mining Concession Work Agreements 		
Policy objective(s)	To provide exemption or reduction of import tax on imported goods for "Kontrak Karya" (Job Contract) or "Perjanjan Karya Pengusahaan Pertambangan Batubara" (PKP2B/ Coal Mining Concession Work Agreement)		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2019–ongoing		

Background/definition	<p>This measure offers an exemption or relief from import duty that can be granted until the end of the contract period to:</p> <ol style="list-style-type: none"> 1. PKP2B contractors whose contracts were signed before 1990 2. PKP2B contractors whose contracts include provisions regarding the granting of exemption or relief from import duty on the import of goods within the framework of the PKP2B 3. PKP2B contractors whose contracts do not include provisions regarding the period of granting exemption or relief from import duty 4. PKP2B contractors whose imported goods are state-owned goods. <p>The measure cannot be estimated due to the fact that no official government data were available to facilitate quantification, and information on the extent of tax deduction was utilized by the coal companies was also not available.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	https://perpajakan.ddtc.co.id/peraturan-pajak/read/peraturan-menteri-keuangan-116pmk-042019				

ANNEX II. C: Electricity Support Measures

EL. 1: COVID-19 Economic Recovery Program – PLN compensation

Support measure classification	Direct and indirect transfer of funds and liabilities		Support measure sub-mechanism	Direct spending	
SDG 12.c.1 mechanism	Direct transfer of government funds				
Stimulated activity	Consumption		Value chain link	Consumers (various consumers directly)	
Support measure name/designation	COVID-19 Economic Recovery Program – PLN compensation				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> Government Regulation No. 23/2020 				
Policy objective(s)	The economic recovery program, which includes compensation payments to PT PLN, the national electricity company, is intended to stimulate the economy and support businesses struggling during the COVID-19 crisis.				
Beneficiary/end recipient(s) of support measure	Consumers				
Time period/frequency of support measure	2020–2021				
Background/definition	In 2020, the GoI prepared three programs to support state-owned enterprises during the COVID-19 crisis in the form of state capital participation, compensation payments, and investment bailouts. PT PLN received a total of IDR 12.3 trillion in compensation payments and participation of state capital in 2020. There is no official number yet for FY 2021.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	12.3
(USD million, real 2020)	N/P	N/P	N/P	N/P	844.5
Information sources/link	<ul style="list-style-type: none"> LKPP 2020, P. 389: https://www.kemenkeu.go.id/media/18103/lkpp-2020.pdf https://peraturan.bpk.go.id/Home/Details/136615/pp-no-23-tahun-2020 				

EL. 2: Compensation for below-market prices for electricity

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending
SDG 12.c.1 mechanism	Direct transfer of government funds		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	Compensation for below-market prices for electricity		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Ministry of Energy and Mineral Resources 		
Policy objective(s)	To keep electricity prices low for end users from vulnerable households.		
Beneficiary/end recipient(s) of support measure	Consumers		
Time period/frequency of support measure	2017		
Background/definition	<p>The Indonesian government sets electricity tariffs for all consumer categories (i.e., households, industries, and commercial and government services). The current electricity tariffs for all customer categories are below the cost of generating and distributing that electricity. Therefore, the GoI provides PLN, the state-owned electricity company, annual compensation for the losses the company incurs because of the lower selling prices. Annual amounts for this compensation are recorded in the government budget under "electricity subsidies" and are equivalent to the difference between the subsidized retail prices and the average cost of supplying power to end consumers by PLN. The average cost is based, in turn, on an estimate of the composition of energy feedstock and on the costs of operating power plants, to which are then added supplementary costs for transmission, distribution, and the margins charged by PLN.</p> <p>While all electricity customers benefited from prices below cost until 2012, more and more customer categories have been excluded from the measure since then. The last reform notably happened in 2017, when approximately 18.2 million customers with 900 VA connections were taken off of the program because they are not part of the poor household income under the updated Social Welfare Consolidated Data (Data Terpadu Kesejahteraan Sosial/DTKS).</p> <p>The values reported under this measure can be extracted from national budget expenditure statements (APBN) and the Central Government Financial Report (Laporan Keuangan Pemerintah Pusat/LKPP 2020).</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	63.1	50.6	71.3	74	66
(USD million, real 2020)	4,700	3,734	4,921	5,320	4,534
Information sources/link	<ul style="list-style-type: none"> • Data for 2016, 2017, 2019 and 2020 were taken from LKPP 2019 and LKPP 2020, as well as PLN Annual Report 2020 and 2019. The amount each year from 2018 to 2020 is the total yearly support added to the income compensation. • Data for 2018 were taken from PLN Annual Report 2018: https://web.pln.co.id/stakeholder/laporan-tahunan • https://www.kemenkeu.go.id/publikasi/laporan/laporan-keuangan-pemerintah-pusat/ 				

EL. 3: COVID-19 Economic Recovery Program – Electricity discount for poor households

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending
SDG 12.c.1 mechanism	Direct transfer of government funds		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	COVID-19 Economic Recovery Program – Electricity discount for poor households		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Government Regulation No. 23/2020 		
Policy objective(s)	To protect and support poor households struggling during the COVID-19 crisis.		
Beneficiary/end recipient(s) of support measure	Consumers		
Time period/frequency of support measure	2020–ongoing		
Background/definition	<p>To support the vulnerable groups of society during the COVID-19 pandemic and the associated economic crisis, the government provided electricity support for poor households by giving electricity price discounts to the subsidized households and small businesses with connected capacity of 450 VA and 900 VA (criteria based on the DTKS). This measure was implemented in spring 2020 and went through several extensions up to the point this report was written.</p> <p>The values reported are taken from Central Government Financial Report (Laporan Keuangan Pemerintah Pusat/LKPP 2020)</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	11.45
(USD million, real 2020)	N/P	N/P	N/P	N/P	788
Information sources/link	<ul style="list-style-type: none"> Electricity Subsidy for Society, LKPP 2020, P. 122: https://www.kemenkeu.go.id/media/18103/lkpp-2020.pdf https://www.kemenkeu.go.id/media/17049/apbn-kita-januari-2021.pdf 				

EL. 4: COVID-19 Economic Recovery Program – Subscription tariff for poor households

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending
SDG 12.c.1 mechanism	Direct transfer of government funds		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	COVID-19 Economic Recovery Program – Subscription tariff for poor households		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Government Regulation No. 23/2020 		
Policy objective(s)	To protect and support poor households struggling during the COVID-19 crisis.		
Beneficiary/end recipient(s) of support measure	Consumers		
Time period/frequency of support measure	2020–2021		
Background/definition	<p>To support the vulnerable groups of society during the COVID-19 pandemic and the associated economic crisis, in addition to the discounted tariff support for the subsidized household and small businesses with a connected capacity of 450 VA and 900 VA, the government also waived subscription tariffs for new connection for the same categories. This measure was implemented in spring 2020 and went through several extensions up to the point this report was written.</p> <p>The values reported are taken from Central Government Financial Report (Laporan Keuangan Pemerintah Pusat/LKPP 2020)</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	1.7
(USD million, real 2020)	N/P	N/P	N/P	N/P	116.2
Information sources/link	<ul style="list-style-type: none"> Electricity Subsidy for Society, LKPP 2020, P. 122: https://www.kemenkeu.go.id/media/18103/lkpp-2020.pdf https://www.kemenkeu.go.id/media/17049/apbn-kita-januari-2021.pdf 				

EL. 5: Income tax reduction for electricity generation projects using new types of fossil energies

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Income tax reduction for projects electricity generation using new types of fossil energies		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Government Regulation No. 18/2015 		
Policy objective(s)	To incentivize investments in projects that exploit new economic opportunities.		
Beneficiary/end recipient(s) of support measure	Producers (of electricity)		
Time period/frequency of support measure	Since 2015		

Background/definition	<p>The GoI supports investments in various so-called “high-priority business areas” to promote economic growth and equitable development through a 30% reduction (5% over a period of 6 years) in income tax since 2007. Based on the current tax rate of 22%, the income tax would be reduced to 17% for 6 years starting from the commercial production. The provision of this tax reduction to an investment project is proposed by the Head of the Investment Coordinating Board to the Minister of Finance and subject to his/her approval.</p> <p>Electricity generation projects based on new types of fossil energy sources (hydrogen, coal bed methane [CBM], an unconventional form of natural gas found in coal deposits or coal seams, and liquefied coal or gaseous coal) are considered business areas with high national priority that are eligible for this tax reduction according to Government Regulation No. 18/2015. These projects include both new investment and the expansion of existing businesses and need to have a high investment value, large employment absorption, and significant local content.</p> <p>This support measure is not quantified because no information is available about the investment projects that have benefited from this tax reduction.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://jdih.kemenkeu.go.id/fullText/2020/11~PMK.010~2020Per.pdf • https://jdih.kemenkeu.go.id/in/page/dokumen-peraturan/33974b66-d83f-41d7-b69a-9f716f487a3a 				

EL. 6: Accelerated depreciation and amortization for initial capital investment on electricity generation using new types of fossil energies

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Accelerated depreciation and amortization for initial capital investment on electricity generation based on new types of fossil energies		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Government Regulation No. 18/2015 • Minister of Finance Regulation No. 11/PMK.010/2020 		
Policy objective(s)	To incentivize investments in projects that exploit new economic opportunities in fossil fuels.		
Beneficiary/end recipient(s) of support measure	Producers of electricity		
Time period/frequency of support measure	Since 2015		
Background/definition	<p>Since 2007, the GoI has supported investments in various so-called “high-priority business areas” to promote economic growth and equitable development through an accelerated depreciation of tangible assets and accelerated amortization of intangible assets. The permit to accelerate depreciation and amortization is requested by the project developers from the Head of the Investment Coordinating Board, but it is subject to approval by the Ministry of Finance.</p> <p>According to Government Regulation No. 18/2015, electricity generation based on new types of fossil energy sources (e.g., hydrogen, CBM—an unconventional natural gas found in coal deposits or coal seams—and liquefied coal or gaseous coal) are considered to be business areas with high national priority, and the developers are eligible for this tax reduction. These projects include both new investment and the expansion of existing businesses and need to have a high investment value, large employment absorption, and significant local content.</p> <p>This support measure is not quantified because no information is available about the investment projects that have benefited from it.</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Government Regulation No. 18/2015: https://peraturan.bpk.go.id/Home/Details/5582 Minister of Finance Regulation No. 11/PMK.010/2020: https://jdih.kemenkeu.go.id/fullText/2020/11~PMK.010~2020Per.pdf 				

EL. 7: Extended corporate income tax compensation for electricity generation from new types of fossil energies

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Extended corporate income tax compensation for electricity generation from new types of fossil energies		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Government Regulation No. 18/2015 Minister of Finance Regulation No. 11/PMK.010/2020 		
Policy objective(s)	To incentivize investments in projects that exploit new economic opportunities, the GoI extended corporate income tax compensation for losses on projects using new types of fossil energies		
Beneficiary/end recipient(s) of support measure	Producers of electricity		
Time period/frequency of support measure	Since 2015		
Background/definition	The GoI has supported investments in various so-called “high-priority business areas” to promote economic growth and equitable development since 2007 through compensation for losses longer than 5 years but not more than 10 years. The provision of this support measure is proposed by the Head of the Investment Coordinating Board to the Minister of Finance and is subject to his/her approval. The compensation on loss appears when the company has a loss in the previous fiscal year. This compensation can be offset with the net profit in the current year when the yearly tax is reported nil or in excess for 5 years in a row. With the incentives here, a company can be compensated for its losses from the previous years for the next 5 years and an additional 1 year.		

	Electricity generation projects based on new types of fossil energy sources (hydrogen, CBM, and liquefied coal or gaseous coal) are considered to be business areas with high national priority, and the developers are eligible to receive an income tax reduction according to Government Regulation No. 18/2015. These projects include both new investment and the expansion of existing businesses and need to have a high investment value, large employment absorption, and significant local content. This support measure is not quantified because no information is available about the investment projects that have benefited from it.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Government Regulation No. 18/2015 https://peraturan.bpk.go.id/Home/Details/5582 Minister of Finance Regulation No. 11/PMK.010/2020 https://jdih.kemenkeu.go.id/fullText/2020/11~PMK.010~2020Per.pdf 				

EL. 8: Custom and import duty exemption on imported equipment and machinery for electricity development

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Infrastructure and equipment
Support measure name/designation	Custom and import duty exemption on imported equipment and machinery for electricity development		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Ministry of Finance Regulation No. 154/PMK 011/2008 		
Policy objective(s)	To attract investments in the electricity sector by reducing the costs of assets needed to move forward with the project.		
Beneficiary/end recipient(s) of support measure	Producers of electricity		

Time period/frequency of support measure	Since 2008				
Background/definition	<p>Imported equipment and machines for power generation projects, but not spare parts, have been exempt from paying the custom and import duty since 2008. The current rate for custom and import duty is 7.5%. In order to support the development of the power generation industry business, the GoI has exempted the import duty on the import of capital goods in the framework of the business of building and developing power plants for the public interest since 2008 (Minister of Finance Regulation154/PMK.011/2008).</p> <p>To obtain the exemption, the importer or buyer needs to meet a range of provisions (e.g., these goods cannot be produced domestically) and submit an application to the Director General of Customs and Excise that needs to be approved. This support measure is not quantified because no information is available about which importer or buyer applied for this exemption.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://jdih.kemenkeu.go.id/download/66f22f76-7c45-4cff-9435-be77103d84a6/65~PMK.04~2021Per.pdf • https://jdih.kemenkeu.go.id/fullText/2019/199~PMK.010~2019Per.pdf • https://trendeconomy.com 				

EL. 9: Below-market price on DMO for coal for power generation

Support measure classification	Income or price support	Support measure sub-mechanism	Market price support and regulation
SDG 12.c.1 mechanism	Induced transfers (price support)		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	Below-market price on DMO for coal		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> MEMR Regulation No. 78K/30/MEM/2019 		
Policy objective(s)	To secure a affordable coal supply for PLN		
Beneficiary/end recipient(s) of support measure	Consumers		
Time period/frequency of support measure	2009–ongoing		
Background/definition	<p>The DMO support measure for coal for power generation is recognized as a government intervention (i.e., to influence the market or send a market signal), and therefore it is included in this inventory report.</p> <p>Coal producers have had to sell a portion of their production to the domestic market at discounted prices since the introduction of the DMO Law in 2009. The DMO quota for coal is set annually by the government, reflecting demand and supply conditions in the coal market, and is particularly aimed at guaranteeing the supply of coal to local power plants. Each coal mining company operating in Indonesia thus contributes a share of the overall quota proportionally to the company's budget and program approval. The current situation still refers to MEMR Regulation No. 78K/30/MEM/2019, in which the DMO quota for all coal producers is set at 25% of their annual production, with the price capped at USD 70/ton.</p> <p>As coal producers are obliged to sell a share of their output on the domestic market at prices that are lower than what they would obtain on the international market, this measure can be considered as counting toward consumer support, in this case PLN, though it does reduce the revenues of coal mining companies.</p> <p>Quantified numbers are taken from OECD database, in which, to quantify the DMO, the annual coal DMO quota is multiplied by the average price gap observed between the ICPR and the comparable export price published by the MEMR.</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	9.35	10.3	11.2	12.2	13.3
(USD million, real 2020)	700	760	773	877	912.7
Information sources/link	<ul style="list-style-type: none"> MEMR Regulation No. 78K/30/MEM/2019 https://jdih.esdm.go.id/storage/document/Permen%20ESDM%20Nomor%2020%20Tahun%202019.pdf https://stats.oecd.org/Index.aspx?DataSetCode=FFS_IDN 				

EL. 10: Government Credit Loan Guarantee for PLN related to PPAs

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Credit support
SDG 12.c.1 mechanism	Transfer of risk to government		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Government credit loan guarantee for PLN		
Jurisdiction	Central Government		
Legislation/endorsing organization	Ministry of Finance		
Policy objective(s)	To support the strengthening of the electricity network in Sumatra with a focus on the development of the distribution network		
Beneficiary/end recipient(s) of support measure	Producers of electricity		
Time period/frequency of support measure	2016–ongoing		

Background/definition	<p>Coal-fired electricity generators can, in formal partnership with PT PLN, apply for a government loan guarantee and project feasibility assurance.</p> <p>The business viability guarantee letter is granted by the Ministry of Finance to PT PLN to ensure that PT PLN can meet its financial obligations with reference to the power purchase agreement with the IPP. The guarantee is addressed to the project company, but the project company is entitled to assign the guarantee by way of security to the lenders. To be eligible, the creditor must have a signed agreement with PT PLN, and projects must be approved by the Ministry of Energy and Mineral Resources and the Directorate General of Investment and Risk Management.</p> <p>The realized amounts of the loan guarantees displayed in the table below are directly extracted from the government's financial statements.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	0.43	0.3	0.79	N/A
(USD million, real 2020)	N/A	31.6	20.5	54.4	N/A
Information sources/link	<p>FY 2020 and FY 2021—loan guarantee from the government amounted IDR 7.91 trillion for 10 years. The credit support was also received at the end of 2019 for various projects totalling 35,000 MW, which were started in 2014.</p> <p>For FY 2017 and 2018—the numbers from LKPP 2018, p. 104</p> <ul style="list-style-type: none"> • https://jdih.kemenkeu.go.id/download/66f22f76-7c45-4cff-9435-be77103d84a6/65~PMK.04~2021Per.pdf • https://jdih.kemenkeu.go.id/fullText/2019/199~PMK.010~2019Per.pdf • https://www.thejakartapost.com/news/2016/09/06/ministry-provides-credit-guarantee-to-pln-to-speed-up-35000-mw-projects.html 				

EL. 11: VAT exemption for electricity consumption

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	VAT exemption for electricity consumption		

Jurisdiction	Central Government				
Legislation/endorsing organization	Government Regulation No. 81 / 2015				
Policy objective(s)	To protect purchasing power of lower-income households				
Beneficiary/end recipient(s) of support measure	Consumers				
Time period/frequency of support measure	Since 2015				
Background/definition	<p>Based on Presidential Regulation 81/2015, certain strategically taxable goods are exempted from the imposition of VAT, which is normally set at a rate of 10%. This provision also includes the supply of electricity, except for households with power connections above 6,600 ampere voltage. Therefore, household consumers with installed capacity below 6,600 VA pay a lower tariff because there is no VAT included in their tariff.</p> <p>The numbers are directly taken from the official government Tax Expenditure Report 2020.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	23.8	5.6	6.36	6.6	6.38
(USD million, real 2020)	1,770	417.4	440	472	439
Information sources/link	<ul style="list-style-type: none"> Laporan Belanja Perpajakan 2020 p. 47—Tax expenditures report Indonesia https://jdih.kemenkeu.go.id/fulltext/2015/81TAHUN2015PP.pdf https://fiskal.kemenkeu.go.id/publikasi/tax-expenditure-report 				

EL. 12: Indonesia Infrastructure Guarantee Fund (IIGF) for Electricity Projects

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Credit support
SDG 12.c.1 mechanism	Transfer of risk to government		
Stimulated activity	Production and consumption	Value chain link	Cross-cutting through the value chain
Support measure name/designation	Indonesia Infrastructure Guarantee Fund (IIGF) for Electricity Projects		
Jurisdiction	Central Government		

Legislation/endorsing organization	<ul style="list-style-type: none"> Government Regulation No. 35/2009 				
Policy objective(s)	To increase private sector participation and encourage partnership in infrastructure development by providing government guarantee in the projects.				
Beneficiary/end recipient(s) of support measure	Producers and consumers				
Time period/frequency of support measure	2009				
Background/definition	<p>Established in 2009 through government regulation No. 35/2009, the IIGF is a state-owned enterprise that acts as the main entity for providing government guarantees to public-private partnership infrastructure projects, in the form of State Equity Participation (Penyertaan Modal Negara/PMN). Having a loan guarantee provided by IIGF will significantly reduce project risks, and increase transparency and project bankability, therefore providing more assurances for the private sector to engage more on national strategic projects (Proyek Strategis Nasional). It provides support for multiple sectors (toll roads, airports, ports), including the electricity sector.</p> <p>So far, IIGF has provided loan guarantees to seven projects in the electricity sector (one hydropower plant, one coal power plant, two geothermal plants, and the rest are transmission and distribution projects). It has not been possible to estimate the total cost of the IIGF loan guarantees due to a lack of data on the impact on project cost of capital.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> https://ptpii.co.id/informasi-proyek Government Regulation No. 35/2009: https://jdih.bumn.go.id/lihat/PP%20Nomor%2035%20Tahun%202009 				

ANNEX II. D: Renewable Energy Support Measures

RE. 1: Special allocation fund for the small-scale energy sector (Dana Energy Terbarukan)

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending
SDG 12.c.1 mechanism	Direct Transfer of Government Funds		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Special allocation fund for the small-scale energy sector (Dana Energy Terbarukan)		
Jurisdiction	Provincial Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministerial Regulation (MEMR) no 3/2016 • Ministerial Regulation (MEMR) no 3/2017 • Ministerial Regulation (MEMR) no 36/2018 		
Policy objective(s)	To improve energy access, especially in locations that are not connected to the public electricity grid.		
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)		
Time period/frequency of support measure	2011–2019		
Background/definition	<p>The Special Allocation Fund for the Small-Scale Energy Sector (Dana Energy Terbarukan) is a fund sourced from the state budget and allocated to certain regions to finance the physical construction of renewable energy installations. When it was initiated in 2011, this regional energy fund was aimed at improving energy access through renewable energy in locations that had not been reached by PLN or other licensed electricity producers. The program ended in 2019, and since then the funds have been allocated to the ministerial budget expenditures (see RE. 2).</p> <p>The types of renewable energy projects that received support from this fund included:</p> <ol style="list-style-type: none"> 1. Off-grid microhydropower water plants (Priority) 2. Off-grid solar photovoltaic (PV) (Pembangkit Listrik Tenaga Solar–PLTS) with centralized communal solar power systems that operate independently in locations where there is no grid or PLN network 3. Off-grid hybrid solar PV and wind power 4. Distributed Solar PV 5. Residential scale biogas 6. Micro-hydro service expansion (off-grid) 		

	<p>7. Solar PV (off-grid) service network expansion</p> <p>8. Maintenance and rehabilitation for solar PV, micro-hydro, residential scale biogas, and feasibility studies for renewable energy projects.</p> <p>Values reported correspond to the budget as reported the State Budget 2016-2018.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	0.5	0.5	0.5	N/P	N/P
(USD million, real 2020)	35.8	37	34.5	N/P	N/P
Information sources/link	<p>Detail on State Budget – APBN 2016 to 2018</p> <ul style="list-style-type: none"> • 2016: https://jdih.dephub.go.id/assets/uudocs/perpres/2016/Perpres_66_Tahun_2016.pdf • 2017: http://www.djpk.kemenkeu.go.id/wp-content/uploads/2016/11/RINCIAN-ALOKASI-DAK-FISIK-TA-2017-UPLOAD.pdf • 2018: http://www.djpk.kemenkeu.go.id/wp-content/uploads/2017/11/Rincian-Alokasi-TKDD-TA-2018-1.pdf • https://peraturan.go.id/common/dokumen/bn/2016/bn112-2016.pdf • https://peraturan.go.id/common/dokumen/bn/2017/bn91-2017.pdf • https://jdih.esdm.go.id/peraturan/Permen%20ESDM%20Nomor%2036%20Thn%202018.pdf 				

RE. 2: Direct support to line ministry and regional infrastructure (Anggaran Lini Kementerian dan Infrastruktur Daerah)

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending
SDG 12.c.1 mechanism	Direct transfer of government funds		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Direct support for renewable energy to line ministry and regional infrastructure (Anggaran Lini Kementerian dan Infrastruktur Daerah)		
Jurisdiction	Central Government		
Legislation/endorsing organization	Ministry of Energy and Mineral Resources		
Policy objective(s)	To increase the installed capacity of renewable energies.		

Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)				
Time period/frequency of support measure	Started in 2019 to replace DAK (see RE. 1)				
Background/definition	<p>The Indonesian Ministry of Finance allocates funds to support renewable energy projects through various ministries, including the Ministry of Energy and Mineral Resources. This funding comes from the APBN, which is compiled by MoF with inputs from line ministries and ultimately approved by the national legislature. Most of the funds provided under this support measure are used for physical infrastructure spending.</p> <p>The beneficiaries of this support measure are public and private developers. The number of support measures identified in this report corresponds to actual transfers as reported in the MEMR yearly performance report. Data for 2021 have not been reported by the MEMR and therefore are not available.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	1.04	0.74
(USD million, real 2020)	N/P	N/P	N/P	74.8	51.2
Information sources/link	<ul style="list-style-type: none"> • https://www.esdm.go.id/assets/media/content/content-laporan-kinerja-kementerian-esdm-2019.pdf • https://www.esdm.go.id/assets/media/content/content-lapoan-kinerja-kesdm-2020.pdf 				

RE. 3: Suspension and elimination of VAT and income tax for various renewable energy projects

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Suspension and elimination of VAT and income tax for various renewable energy projects		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance • Ministry of Energy and Mineral Resources 		
Policy objective(s)	To stimulate the economy and support businesses struggling during the COVID 19 crisis.		

Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)				
Time period/frequency of support measure	2020–2021				
Background/definition	<p>The Government of Indonesia suspended and eliminated the VAT and CIT for various renewable energy projects in early 2020 as part of the general package of measures to stimulate the economy and support businesses struggling during the COVID-19 crisis. These measures were extended to the end of 2021. Normal rates during the 2020/2021 period were 10% for VAT and 22% for CIT.</p> <p>Since there is no information available about the investment projects that have benefited from this suspension and elimination of VAT and income tax, this support measure is not quantified.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	N/A
(USD million, real 2020)	N/P	N/P	N/P	N/P	N/A
Information sources/link	<ul style="list-style-type: none"> • https://money.kompas.com/read/2021/06/24/054800026/ini-insentif-pajak-yang-diperpanjang-sri-mulyani-hingga-akhir-tahun?page=all • https://www.esdm.go.id/id/media-center/arsip-berita/petakan-dampak-covid-19-di-bisnis-ebt-pemerintah-prioritaskan-proyek-padat-karya • https://www.pajak.go.id/siaran-pers/implementasi-penurunan-tarif-pajak-penghasilan-badan-dalam-penghitungan-pph-pasal-29 				

RE. 4: Income tax reduction for renewable energy projects

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Income tax reduction for renewable energy projects		
Jurisdiction	Central Government		

Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance Regulation No. 16/PMK 03/2007 • Ministry of Finance Regulation No. 21/PMK 11/2010 • Government Regulation No. 18/2015 • Government Regulation No. 9/2016 (Amendment of GR No.18/2015) • Permenkeu No 11/PMK 010/2020 				
Policy objective(s)	To support the development of renewable energy in Indonesia.				
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)				
Time period/frequency of support measure	Since 2010				
Background/definition	<p>Under regulation No. 16/PMK 03/2007, the GoI supports investments in high-priority business areas to promote economic growth and equitable development through a 30% reduction (5% over a period of 6 years) of income. This regulation is the umbrella regulation that governs incentives and support measures, including income tax reduction, for designated priority business areas, which include renewable energy. The specific regulation on tax facilities for renewable energy was enacted in 2010, under MoF No.21/PMK 11/2010.</p> <p>Based on the current tax rate of 22%, the income tax would be reduced to 17% for 6 years starting from the beginning of commercial production. The provision of this tax reduction is proposed by the Head of the Investment Coordinating Board to the Minister of Finance and subject to his/her approval.</p> <p>Renewable energy projects (electricity generation through hydropower, solar, wind, or ocean current), as well as geothermal energy exploitation and exploration for geothermal power plants are considered business areas with high national priority that are eligible for this tax reduction. These projects include both new investment and the expansion of existing businesses and need to have a high investment value, large employment absorption, and significant local content.</p> <p>Estimates cannot be provided because there is no available data on renewable energy project revenue.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://jdih.kemenkeu.go.id/in/page/dokumen-peraturan/33974b66-d83f-41d7-b69a-9f716f487a3a • https://jdih.kemenkeu.go.id/fulltext/2007/16~PMK.03~2007Per.htm 				

RE. 5: Reduced tax on dividends of renewable energy projects paid to foreign taxpayers

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Development, extraction, and preparation		
Support measure name/designation	Reduced tax rate on dividends of RE projects paid to foreign taxpayers.				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance Regulation No. 16/PMK 03/2007 • Government Regulation No. 18/2015; • Government Regulation No. 9/2016 • Finance Ministry Regulation No. 11/PMK 010/2020 				
Policy objective(s)	To support the development of RE in Indonesia.				
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)				
Time period/frequency of support measure	Since 2015				
Background/definition	<p>Under regulation No. 16/PMK 03/2007, the GoI supports investments in high-priority business areas to promote economic growth and equitable development through a tax reduction of 10% or less on dividend income of foreign taxpayers. For non-priority business areas, the income tax rate on dividends varies between 15% and 20%. The provision of this tax reduction is proposed by the Head of the Investment Coordinating Board to the Minister of Finance and subject to his/her approval. Though the specific regulation MoF No.21/PMK 11/2010 on tax facilities for renewable energy sector was enacted in 2010, it did not include a lower rate on tax on dividends. Hence, it was only implemented following Government Regulation No. 18/2015.</p> <p>This support measure is not quantified because no information is available about the investment projects that have benefited from it.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://www.rusdionoconsulting.com/pajak-dividen 				

RE. 6: Accelerated depreciation and amortization of initial capital investment assets for renewable energy projects

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Development, extraction, and preparation		
Support measure name/designation	Accelerated depreciation and amortization on assets for initial capital investment of renewable energy projects				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance Regulation No. 16/PMK 03/2007 • Ministry of Finance Regulation No. 21/PMK 11/2010 • Government Regulation No. 18/2015 • Government Regulation No. 9/2016 • Finance Ministerial Regulation No. 11/PMK 010/2020 				
Policy objective(s)	To support the RE sector as part of high-priority business areas according to the Government of Indonesia.				
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)				
Time period/frequency of support measure	Since 2010				
Background/definition	Under Regulation No. 16/PMK 03/2007, the GoI supports investments in high-priority business areas to promote economic growth and equitable development through an accelerated depreciation of tangible assets and accelerated amortization of intangible assets. This permit to accelerate depreciation and amortization is requested by the project developers from the Head of the Investment Coordinating Board. However, this is subject to approval by the Ministry of Finance. The renewable energy sector only became one of the high-priority business areas following the implementation of MoF Regulation No.21/PMK11/2010.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://jdih.kemenkeu.go.id/fullText/2020/11~PMK.010~2020Per.pdf 				

RE. 7: Extended corporate income tax compensation for losses on renewable energy projects

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Development, extraction, and preparation		
Support measure name/designation	Extended corporate income tax compensation for losses on renewable energy projects.				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance Regulation No. 16/PMK 03/2007 • Ministry of Finance Regulation No. 21/PMK 11/2010 • Government Regulation No. 18/2015 • Government Regulation No. 9/2016 				
Policy objective(s)	To improve the economic feasibility of RE projects.				
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)				
Time period/frequency of support measure	Since 2010				
Background/definition	<p>Under Regulation No. 16/PMK 03/2007, the GoI supports investments in high-priority business areas to promote economic growth and equitable development, including providing a compensation for losses incurred for a period between 5 and 10 years (longer than 5 years but not more than ten years). The compensation on loss appears when the company has a loss in the previous fiscal year. This compensation can be offset with the net profit in the current year when the yearly tax is reported nil or in excess for 5 years in a row. The specific regulation that covers the losses incurred for renewable energy is the MoF Regulation No.21/PMK 11/2010.</p> <p>This support measure is not quantified because no information is available about the investment projects that have benefited from the measure.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A

Information sources/link	<ul style="list-style-type: none"> • https://www.online-pajak.com/tentang-pajak-pribadi/kompensasi-kerugian-fiskal • https://jdih.esdm.go.id/storage/document/PMK-21-2010.pdf
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RE. 8: Income tax exemption on imported equipment and machines for renewable energy projects

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Exemption of income tax on imported equipment and machines for renewable energy projects.		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance Regulation No. 21/PMK 11/2010 • Government Regulation No. 18/2015 • Government Regulation No. 9/2016 		
Policy objective(s)	To support RE projects development in Indonesia.		
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)		
Time period/frequency of support measure	2010		
Background/definition	<p>The government of Indonesia allows for the income tax exemption on the imports of machinery and equipment, both installed and detached, excluding spare parts, required by renewable energy project developers.</p> <p>This incentive has been available since 2010 for imported equipment and machinery used to develop renewable energy projects. The rate of Income Tax Article 22 ranges between 2.5% and 7.5%, depending on the type of the business and whether or not a company is using the importer identification number. The exception from this tax happens automatically for the defined beneficiaries</p> <p>This support measure is not quantified because no information is available about the reference tax rates that can vary for each import activity.</p>		

Amount of Support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://www.pajak.go.id/id/pph-pasal-22 • https://jdih.esdm.go.id/storage/document/PMK-21-2010.pdf 				

RE. 9: VAT exemption on imported equipment and machines for renewable energy development

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Infrastructure and equipment
Support measure name/designation	Exemption of VAT on imported equipment and machines for renewable energy development.		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance Regulation No. 21/PMK 11/2010 • Government Regulation No. 18/2015 		
Policy objective(s)	To attract investment in the RE sector and increase RE competitiveness.		
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)		
Time period/frequency of support measure	2010		
Background/definition	<p>Imported equipment and machines for renewable energy projects, but no spare parts, are exempt from paying the usual 10% VAT since 2010 according to the Ministry of Finance Regulation No. 21/PMK 11/2010 to attract investment in that sector and increase the competitiveness of such projects. This includes geothermal, wind, bioenergy, solar, hydro, and ocean energy projects. Under this regulation, VAT levied on imports of these strategic taxable goods are deposited into the State Treasury but may be requested for a refund by the importer or buyer, as long as it has not been credited.</p> <p>Beneficiaries are renewable energy developers.</p> <p>This measure is not quantified because no information is available about the reference tax rates, which can vary for each import activity.</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://jdih.kemenkeu.go.id/download/66f22f76-7c45-4cff-9435-be77103d84a6/65~PMK.04~2021Per.pdf • https://jdih.kemenkeu.go.id/fullText/2019/199~PMK.010~2019Per.pdf • https://trendeconomy.com 				

RE. 10: Custom and import duty exemption on imported equipment and machines for renewable energy development

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Infrastructure and equipment
Support measure name/designation	Custom and import duty exemption on imported equipment and machines for renewable energy development.		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Ministry of Finance Regulation No. 21/PMK 11/2010 • Government Regulation No. 18/2015 		
Policy objective(s)	To attract investment in the renewable energy sector and increase renewable energy competitiveness.		
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)		
Time period/frequency of support measure	2010		
Background/definition	Imported equipment and machines for projects, but not spare parts, have been exempt from paying the custom and import duty since 2010. The current rate for custom and import duty is 7.5%. This includes geothermal, wind, bioenergy, solar, hydro, and ocean energy projects. This regulation (Regulation No. 21/PMK.011/2010) extended to renewable projects the previous regulation exempting the import duty on the import of capital goods in the framework of the business of building and developing power plants for the public interest, created in order to support the development of the power generation industry business.		

	<p>To obtain the exemption, the importer or buyer needs to meet a range of provisions (e.g., these goods cannot be produced domestically) and submit an application to the Director General of Customs and Excise that needs to be approved. For geothermal activities, the item that can be re-exported can be exempted from the custom.</p> <p>Beneficiaries include private and public renewable energy developers, including PLN.</p> <p>This support measure is not quantified because no information is available about which importer or buyer applied for this exemption.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • https://jdih.kemenkeu.go.id/download/66f22f76-7c45-4cff-9435-be77103d84a6/65~PMK.04~2021Per.pdf • https://jdih.kemenkeu.go.id/fullText/2019/199~PMK.010~2019Per.pdf • https://trendeconomy.com 				

RE. 11: Tax holidays for renewable energy projects

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Tax holidays for renewable energy projects		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Permenkeu 130/PMK 010/2020 in Pioneer Industry • Investment Body Regulation No. 7/2020 on Renewable Energy as Economic Infrastructure Industry 		
Policy objective(s)	To increase economic feasibility of renewable energy projects and accelerate their payback period.		
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)		
Time period/frequency of support measure	2020		
Background/definition	<p>The tax holiday for renewable energy, designated as a pioneer industry, had been previously provided from 2011 to 2015. In 2020, this incentive measure was reactivated for pioneer industries under the Permenkeu 130/PMK 010/2020, although <u>renewable energy was not explicitly specified</u>. Designation of renewable energy is specified under the Investment Body Regulation No. 7/2020, which stipulates that renewable energy is part of the economic infrastructure industry and therefore effectively a pioneer industry.</p> <p>Depending on the size of investments, renewable energy project developers (both private and public) are exempted from the corporate income tax for the first 5 to 20 years of generating energy (revenue). The exemptions are applicable under the following criteria:</p> <ol style="list-style-type: none"> Tax holiday 5 years: for investment with minimum value of IDR 500 billion and under IDR 1 trillion (IDR 500 billion \leq investment < IDR 1 trillion) Tax holiday 7 years: for investment with minimum value of IDR 1 trillion and under IDR 5 trillion (IDR 1trillion \leq investment < IDR 5 trillion) Tax holiday 10 years: for investment with minimum value of IDR 5 trillion and under IDR 15 trillion (IDR 5 trillion \leq investment < IDR 15 trillion) Tax holiday 15 years: for investment with minimum value of IDR 15 trillion and under IDR 30 trillion (IDR15 trillion \leq investment < IDR 30 trillion) Tax Holiday 20 years: for investment with minimum value of IDR 20 trillion and above (investment \geq IDR 20 trillion) 		

	Since there is no available data on investment value and size of project, this support measure is not quantified.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	N/A
(USD million, real 2020)	N/P	N/P	N/P	N/P	N/A
Information sources/link	<ul style="list-style-type: none"> • https://www.cnbcindonesia.com/news/20210707123241-4-258960/simak-ini-sederet-insentif-untuk-energi-terbarukan-ri 				

RE. 12: Relaxation of commercial operation date for IPPs

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Relaxation of commercial operation date for IPPs		
Jurisdiction	Central Government		
Legislation/endorsing organization	PLN PPA		
Policy objective(s)	Meant to support renewable energy developers that suffer from the impact of COVID-19, the government extended relaxation of commercial operation date and the elimination of financial penalties to adjust the procurement mechanism of IPPs.		
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)		
Time period/frequency of support measure	2020		

Background/definition	<p>This is one of the measures developed as part of the general package to stimulate the economy and support businesses struggling during the COVID-19 crisis.</p> <p>Private independent renewable energy developers generally have certain commitments for when the project becomes commercially viable and starts to generate electricity. With the incentives provided by this measure, the IPPs are allowed to delay their commercial operation date without incurring penalties for the delay. This policy is focused on accelerating labour-intensive and decentralized renewable energy projects, such as rooftop PV in government offices and cold storage, and off-grid micro-hydro and solar PV projects.</p> <p>No specific regulation has been issued for this support measure; the provisions have only been included in the power purchase agreement between PLN and private developers. It is, therefore, difficult to assess the implications of this particular support measure with respect to project stage (new projects, projects under construction), project specificity, and project partners or stakeholders (PLN or IPPs). It is also believed that so far, there are no renewable energy developers that have received this incentive.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	N/A
(USD million, real 2020)	N/A	N/P	N/P	N/P	N/A
Information sources/link	<ul style="list-style-type: none"> • www.energypolicytracker.com • Interview with Surya Dharma, Chairman of the Renewable Energy Association of Indonesia 				

RE. 13: Infrastructure Fund for Geothermal Sector (Pembiayaan Infrastruktur Sektor Panas Bumi PISP)

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending
SDG 12.c.1 mechanism	Direct transfer of government funds		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Infrastructure Fund for Geothermal Sector (also known as Pembiayaan Infrastruktur Sektor Panas Bumi or PISP)		
Jurisdiction	Central Government		
Legislation/endorsing organization	Peraturan Menteri Keuangan nomor 62/PMK.08/2017 (PMK 62/2017)		

Policy objective(s)	To support geothermal exploration, exploitation, plant development activities, as well as provision of data and informatics.				
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)				
Time period/frequency of support measure	2017				
Background/definition	<p>The Infrastructure Fund for Geothermal Sector (or Pembiayaan Infrastruktur Sektor Panas Bumi [PISP] was established in 2017 (PMK 62/2017) to provide financial support for geothermal exploration and exploitation activities.</p> <p>The PISP Fund allocated by the Ministry of Finance worth IDR 3,129,500,000,000 was originally managed by the Government Investment Center (PIP, or Pusat Investasi Pemerintah).</p> <p>All PIP assets have been transferred to PT Sarana Multi Infrastruktur (PT SMI), a national entity with the goal of serving as a catalyst for accelerating national infrastructure development in Indonesia. With the transfer of PIP assets to PT SMI, the management of the PISP fund has officially become a new mandate carried out by PT SMI.</p> <p>The objectives and principles of the PISP fund are to support the financing of exploration and exploitation activities, development of geothermal power plant projects, and the provision of geothermal data and Information.</p> <p>Although the fund was established in 2017, funding was not allocated until 2018, and the fund was not spent or disbursed to finance geothermal projects until 2019 and 2020.</p> <p>All of the spending went to a financing commitment to PT Geo Dipa Energi (Persero) for small-scale geothermal power plants.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/A	0.41	0.6
(USD million, real 2020)	N/A	N/P	N/A	2.9	4.1

Information sources/link	<ul style="list-style-type: none"> • 2018: https://ptsmi.co.id/wp-content/uploads/2020/06/Laporan-Pengelolaan-Dana-PISP-Sarana-Multi-Infrastruktur-2018.pdf • 2019: https://ptsmi.co.id/wp-content/uploads/2020/06/Laporan-Pengelolaan-Dana-PISP-Sarana-Multi-Infrastruktur-2019.pdf • 2020: https://ptsmi.co.id/wp-content/uploads/2021/04/Laporan-Pengelolaan-Dana-PISP-Sarana-Multi-Infrastruktur-2020.pdf • https://investor.id/business/229381/pemerintah-siapkan-mekanisme-pendanaan-untuk-proyek-panas-bumi • https://www.kemenkeu.go.id/publikasi/berita/pengalihan-aset-pip-kepada-pt-smi-melalui-penyertaan-modal-negara/ • https://ptsmi.co.id/laporan-pengelolaan-dana-pisp • 2022: https://www.djppr.kemenkeu.go.id/page/load/3407
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RE. 14: Environmental Fund under Badan Pengelola Dana Lingkungan Hidup (BPDLH)

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending
SDG 12.c.1 mechanism	Direct Transfer of Government Funds		
Stimulated activity	Production	Value chain link	Cross-cutting
Support measure name/designation	Environmental Fund under Badan Pengelola Dana Lingkungan Hidup (BPDLH)		
Jurisdiction	Central Government		
Legislation/endorsing organization	Ministry of Finance in 2012 based on Presidential Regulation No. 56/2011 Regulation No. 265/PMK.08/2015 Presidential Regulation Perpres 77/2018		
Policy objective(s)	To provide financial support for environmental projects, including renewable energy.		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	2018		

<p>Background/definition</p>	<p>BPDLH was established in 2018 as the designated agency for the distribution and management of the national environmental fund. The purpose of the BPDLH is to channel funding for specific environmental projects and activities, including renewable energy, through a variety of instruments. In addition to the APBN, the BPDLH is also funded through international donor funding and other public funding. In January 2020, BPDLH was provided with initial funding of IDR 2.1 trillion through a merger with the Forestry Financing and Development Unit of the Ministry of Forestry and Environment.</p> <p>The funding instruments that receive support and fall under the management of the BPDLH include the following four funds that had already been established prior to the inception of the BPDLH:</p> <ol style="list-style-type: none"> 1. Viability Gap Fund (VGF) (MoF Presidential Regulation No. 56/2011): BPDLH provides cash support to reduce the amount of private funding needed so that a project becomes financially viable. The VGF is intended primarily for end-user infrastructure projects, but the BPDLH provides funding for renewable energy-related infrastructure projects. 2. Project Development Fund (MoF Regulation 265/PMK.08/2015): BPDLH supports renewable energy projects with grants and/or 0% to low-interest loans, depending on the projects (e.g., rooftop solar) and the project owners (e.g., public schools, project developers, and government entities). 3. Credit Enhancement Fund (Peraturan Otoritas Jasa Keuangan Indonesia No. 011/POJK.03/2019): BPDLH supports capital owners and financing institutions with various risk-reduction or de-risking measures, including 0% to low-interest loans (3% to 5%), insurance premium subsidies, interest subsidies, grants, and guarantees. 4. Technical Assistance Fund: BPDLH provides funding for technical assistance to support project preparation and development, including institutional capacity building and/or project developers (including renewable energy projects) for data collection and management activities, project pipeline identification and selection, as well as disbursement of funds, and project monitoring and evaluation. <p>Depending on the type of project, both producers and consumers can benefit from the support measures provided through the BPDLH.</p> <p>Since there is no detail on how much of the funding is going to the different areas, support for renewable energies under this measure could not be quantified.</p>				
<p>Amount of support measure</p>	<p>FY 2016</p>	<p>FY 2017</p>	<p>FY 2018</p>	<p>FY 2019</p>	<p>FY 2020</p>
<p>(IDR trillion, real 2020)</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>
<p>(USD million, real 2020)</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>	<p>N/A</p>

Information sources/link	<ul style="list-style-type: none"> • https://fiskal.kemenkeu.go.id/files/berita-kajian/file/kajian%20BPDLH.pdf • https://bpdh.id/about-bpdh/ • https://jdih.kemenkeu.go.id/fulltext/2008/154~PMK.011~2008Per.htm • https://www.adb.org/sites/default/files/publication/541531/renewable-energy-financing-indonesia.pdf • https://www.ojk.go.id/id/regulasi/Documents/Pages/Prinsip-Kehati-Hatian-dalam-Aktivitas-Sekuritisasi-Aset-bagi-Bank-Umum/pojk%2011-2019.pdf
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RE. 15: Feed-in-tariff for renewable energy

Support measure classification	Income or price support	Support measure sub-mechanism	Market price support and regulation
SDG 12.c.1 mechanism	Induced transfers (price support)		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Feed-in-tariff for renewable energy		
Jurisdiction	Central Government		
Legislation/endorsing organization	Ministry of Energy and Mineral Resources MEMR Regulation No. 19/2016		
Policy objective(s)	To attract renewable energy investment in Indonesia and accelerate RE growth in Indonesia		
Beneficiary/end recipient(s) of support measure	Producers (renewable energy developers)		
Time period/frequency of support measure	2016–2017		
Background/definition	<p>From 2016 to 2017, Indonesia had a feed-in-tariff (FiT) for renewable energy that covered solar PV, mini-hydro, geothermal, wind onshore, and biomass with different rates depending on the energy source.</p> <p>To estimate the cost to the government of the renewable energy FiTs, a price-gap analysis was applied to compare a reference price for electricity generation and the value of the FiT paid to each generator type. The support provided is equal to the difference between the reference price and the FiT price. FiTs in Indonesia vary according to location since a region-dependent multiplying factor is applied.</p> <p>Beneficiaries included private developers.</p>		

	The FiT measure ended in 2018, but due to the time period or duration of the projects (10 to 20 years), the benefits were still realized through 2020. Values after 2017 were estimated based on the remaining contract and the agreed FiT.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	2.58	1.83	2.0	0.43	0.57
(USD million, real 2020)	192	135	138	31.2	39
Information sources/link	<ul style="list-style-type: none"> • https://ebtke.esdm.go.id/regulation/9/feed.in.tariff • https://jdih.esdm.go.id/peraturan/Permen%20ESDM%20No.%2019%20Tahun%202016.pdf 				

RE. 16: State equity for geothermal SoE PT Geo Dipa Energi

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Government ownership of energy-related enterprises
SDG 12.c.1 mechanism	Direct transfer of government funds		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	State Equity for geothermal SoE PT Geo Dipa Energi		
Jurisdiction	Central Government		
Legislation/endorsing organization	Ministry of Finance Government Regulation Nomor 52 Tahun 2020.pdf		
Policy objective(s)	To support geothermal exploration, exploitation, and power plant development to increase renewable energy capacity.		
Beneficiary/end recipient(s) of support measure	Producer (state-owned enterprise)		
Time period/frequency of support measure	Since 2020		

Background/definition	<p>The government has proposed granting state capital participation to PT Geo Dipa Energi (Persero), amounting to IDR 700 billion in the 2020 fiscal year as an equity portion.</p> <p>PT GeoDipa has successfully completed financing efforts for the construction of the Dieng Unit 2 Geothermal Power Plant (PLTP) and the Patuha Unit 2 PLTP with a capacity of 55 MW each. This effort has the full support of the Ministry of Finance and PT Penjaminan Infrastruktur Indonesia (Persero)/PT PII, which is also the Ministry of Finance's SMV, which is mandated to provide government guarantee facilities for the development of the power plant project.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	0.7
(USD million, real 2020)	N/A	N/A	N/A	N/A	48.2
Information sources/link	<ul style="list-style-type: none"> • https://ptpii.co.id/pembangkit-listrik-tenaga-panas-bumi-pltp-dieng-unit-2-dan-pltp-patuha-unit-2 • https://www.geodipa.co.id/berikan-pmn-kepada-geodipa-dpr-pemerintah-ri-dukung-pemanfaatan-energi-panas-bumi/ • https://peraturan.bpk.go.id/Home/Details/147330/pp-no-52-tahun-2020 				

ANNEX II. E: Biofuel Support Measures

BI. 1: Price support for biodiesel producers

Support measure classification	Income or price support	Support measure sub-mechanism	Market price support and regulation
SDG 12.c.1 mechanism	Induced transfers (price support)		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Price support to biodiesel producers		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Law No. 39 Year 2014 on Plantation; Clause 93 on the collection of CPO Supporting Fund (CSF) from oil palm plantation companies. • Presidential Regulation No. 79 Year 2014 on National Energy Policy—targeted biodiesel-blending of 30% for transportation without public service obligation by 2025. • Presidential Regulation No. 61 Year 2015 then revised through the Presidential Regulation No. 24 Year 2016 on the collection and use of CSF. • MEMR Decree No. 26 Year 2016 on the Supply and Use of Biodiesel for the financing by BPDPKS. • MoF Decree PMK No. 113/PMK.01/2015 dated 11 June 2015 on The Establishment of BPDPKS. • MoF Decree PMK No. 76/PMK 05/2021 on Second Amendment to PMK No. 57/PMK 05/2020 concerning Service Tariffs for Public Service Agency of Indonesian Oil Palm Exports. 		
Policy objective(s)	To reduce the imports of diesel/fuel oil, while raising domestic demand for crude palm oil to benefit palm oil growers, including smallholders.		
Beneficiary/end recipient(s) of support measure	Producers		

Time period/frequency of support measure	<ul style="list-style-type: none"> • Presidential Instruction No 1 Year 2006: Supply and Utilization of Biofuel • 2006: First use of biodiesel by Pertamina • 2008: MEMR Decree No. 32/2008 on Supply, Utilization and Trading Procedure of Biofuel as Alternative Fuel: First mandatory blending of biodiesel • 2010-2017: Public Service Obligation biodiesel-blending targets for transportation • 2013: MEMR Decree No. 25/2013 • B15 Program: April-December 2015 • B20 Mandatory Program: 2016–2019; 2018–2019 (MEMR Decree No. 41 Year 2018 No. 45 Year 2018) • B30 Mandatory Program: 2020 until now 				
Background/definition	<p>The Government of Indonesia compensates biodiesel producers for the difference in market price between diesel fuel and biodiesel to reduce the price of biodiesel and increase its competitiveness. Funding for this compensation comes from the Crude Palm Oil Supporting Fund (CSF), which is funded by an export levy on crude palm oil (CPO) exports. The CSF is managed by the Indonesian Palm Oil Plantation Fund Management Agency (BPDPKS), which was established in 2015. The CSF supports sustainable palm oil activities, including the biofuel program.</p> <p>The compensation is based on and reflects only the estimate of the price gap between the cost of biofuels (purchase price) and the selling price. The price of biodiesel is adjusted periodically based on the market price for CPO, which results in fluctuating revenues and expenses of the CSF.</p> <p>The Government levies CPO export from USD 55/MT palm oil product up to 175/MT (based on the latest MoF Decree No. 76/PMK.05/2021). While the majority of the CPO export levy revenue, more than 85% from 2015 to 2020 (data from GAPKI, Katadata and MoF), is used for the biodiesel program, the remaining 15% is used for other purposes related to biofuel, including R&D, human resources development (scholarships), promotion program, and facilities and infrastructure development (including replanting).</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	10.7	10.3	5.7	3.1	28.1
(USD million, real 2020)	795.5	761	391	221	1,927
Information sources/link	<ul style="list-style-type: none"> • Unpublished data from the Ministry of Finance; Traction Energy BKF Data • CPO Export Levy PMK No 76/PMK 05/2021 on Second Amendment to PMK No 57/PMK 05/2020 concerning Service Tariffs for Public Service Agency of Indonesian Oil Palm Exports 				

BI. 2: One-time recovery support from National Economic Recovery Fund (PEN)

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Direct spending, budget and off-budget transfers		
SDG 12.c.1 mechanism	Direct transfer of government funds				
Stimulated activity	Production	Value chain link	Development, extraction, and preparation		
Support measure name/designation	One-time recovery support				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> Government Regulation No. 23 Year 2020 (replaced by Government Regulation No. 43 Year 2020) on The Implementation of National Economic Recovery Programs 				
Policy objective(s)	To compensate for low production in 2020, when the global oil price fell dramatically and the gap between the diesel and the biodiesel price widened.				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	2020 only				
Background/definition	This support measure is a one-time support from the National Economic Recovery Fund to compensate for the low production in 2020, when the global oil price fell dramatically and the gap between the diesel and the biodiesel price widened, prompting the GoI to provide higher subsidies for biodiesel producers that had contracts with Pertamina to supply biodiesel for the B30 program. At the same time, the revenue from CPO export levy, which increased slightly compared to 2019, was not sufficient to cover the expenses. The GoI provided an additional fund of IDR 2.78 trillion for the B30 Program implementation in 2020. It was revealed later that the payment for the biodiesel support measure in 2020 was short at IDR 11 trillion (Dunia Energi, 2011).				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	2.8
(USD million, real 2020)	N/P	N/P	N/P	N/P	191.3

Information sources/link	<ul style="list-style-type: none"> • Implementation of National Economic Recovery Programs, Biofuel (based on Government Regulation No. 23/2020, which was replaced by Govt Regulation No. 43/ 2020) • Association of Biofuel Producers in Indonesia KONTAN 20 May 2020: https://www.aprobi.or.id/id/fokus-pemulihan-ekonomi/.
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BI. 3: Smallholder credit interest support

Support measure classification	Direct and indirect transfer of funds and liabilities	Support measure sub-mechanism	Credit support
SDG 12.c.1 mechanism	Direct transfer of government funds		
Stimulated activity	Production	Value chain link	Development, extraction, and preparation
Support measure name/designation	Smallholder credit interest support		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> • Presidential Instruction No. 1 Year 2006 on Supply and Utilization of Biofuel as an Alternative Fuel • MoF Decree No. 117/PMK.06/2006 on Credits for Biofuel Development and Plantation Revitalization 		
Policy objective(s)	To stimulate production of palm oil for biofuel grown by smallholder palm oil farmers and plantations.		
Beneficiary/end recipient(s) of support measure	Producers		
Time period/frequency of support measure	Since 2006		
Background/definition	<p>This credit interest support measure is targeted at smallholder palm oil farmers and plantations, and is comprised of two programs: i) plantation development and ii) plantation revitalization. Under this support measure, the Government pays the difference between the market interest rate and the interest paid by the smallholders.</p> <p>In January 2006, the President instructed several ministries, governors, and mayors/regents to accelerate the supply and utilization of biofuel by formulating and implementing policy and providing incentives for the supply and utilization of biofuel. Later in November 2006, the MoF issued a decree on credits for biofuel development and plantation revitalization. This decree stipulates the credit interest subsidies (Clause 15) given to eligible farmers, calculated as the difference between the market interest imposed by the implementing banks/ financial institutions and the interest that is actually paid by the farmers. The MoF allocates the credit interest subsidies in the state budget plan based on the annual programs and budget proposed by the Ministry of Agriculture.</p>		

Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	0.15	0.13	0.052	0.016	0.026
(USD million, real 2020)	11.3	9.3	3.6	1.2	1.8
Information sources/link	<ul style="list-style-type: none"> • Financial Reports of Central Government (LKPP) Year 2017-2020 https://www.kemenkeu.go.id/publikasi/laporan/laporan-keuangan-pemerintah-pusat/ • Presidential Instruction No. 1 Year 2006 on Supply and Utilization of Biofuel as an Alternative Fuel • MoF Decree No. 117/PMK.06/2006 on Credits for Biofuel Development and Plantation Revitalization • Biofuel credit interest Support measure KPEN-RP (LKPP) PMK No 117/PMK 06/2006 on Credit for Biofuel Development and Plantation Revitalization (Kredit Pengembangan Energi Nabati dan Revitalisasi Perkebunan). 				

ANNEX II. F: EV and Battery Support Measures

EV. 1: Acceleration of battery-powered EV program

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Production and Consumption	Value chain link	Cross-cutting
Support measure name/designation	Acceleration of battery-powered EV program		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Presidential Regulation No. 55 Year 2019 on Acceleration of Battery-Powered EV Program Perpres No 55/ 2019 		
Policy objective(s)	To provide direction, foundation, and legal certainty regarding EV production and consumption.		
Beneficiary/end recipient(s) of support measure	Producers and consumers		
Time period/frequency of support measure	Since 2019		
Background/definition	<p>The GoI envisions Indonesia to become the centre of production and export of EVs, and this vision serves as the basis for incentives/subsidies given to EV and EV component production, R&D, charging stations, and for the consumers of EVs.</p> <p>This support measure is based on existing incentives for pioneer industries regulated since 2015, and the subsequent regulations on EVs issued after 2019.</p> <p>Presidential Regulation No. 55/2019 is the umbrella regulation for policy planning on EV production and consumption in the country including the policy supports to accelerate Indonesia’s vision to become the production and export centre of battery-powered EVs in the region.</p> <p>In addition to regulating various incentives to develop the EV industry and stimulate investment, this regulation also regulates local-component requirements in a phased approach from 40% local components by 2019 to reach 80% by 2026 and beyond.</p>		

Amount of Support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/A	N/A
(USD million, real 2020)	N/P	N/P	N/P	N/A	N/A
Information sources/link	Presidential Regulation No. 55 Year 2019 https://peraturan.bpk.go.id/Home/Details/116973/perpres-no-55-tahun-2019				

EV. 2: Zero luxury tax for battery-powered EV

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	Zero luxury tax for battery-powered EV.		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Government Regulation No. 73 Year 2019 Government Regulation No. 74 Year 2021 on Amendment of Government Regulation No. 73 Year 2019 on Taxable Goods Classified as Luxury Goods in the Form of Motor Vehicles that Are Subject to Sales Tax on Luxury Goods (PP No. 73/ 2019, several clauses amended through PP No. 74/ 2021) 		
Policy objective(s)	To provide incentives for low-emission vehicles regardless of the engine capacity.		
Beneficiary/end recipient(s) of support measure	Consumers		
Time period/frequency of support measure	<ul style="list-style-type: none"> Since 2019, all types of EV Since 2021, battery EV 		

Background/definition	<p>In 2019, all types of EVs, including hybrid, were subject to a 15% luxury tax. Starting in 2021, only battery EVs are exempted from luxury tax. After the regulation was amended in 2021, several motor vehicles experienced significant drop in the sales price due to their economical fuel consumption, hence lower CO₂ emissions.</p> <p>Incentives given for EVs were estimated by using a 20% tariff of the off-the-road price of internal combustion vehicles and EV sales data from Gaikindo. In 2020, the amount of support provided reached IDR 17.5 billion or around USD 1.2 million.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/A	0.017
(USD million, real 2020)	N/P	N/P	N/P	N/A	1.2
Information sources/link	<ul style="list-style-type: none"> Assumption of 20% rate based on Government Regulation No. 73/2019 https://peraturan.bpk.go.id/Home/Details/122493/pp-no-73-tahun-2019 2020 and 2021 EV sales data: GAIKINDO, 2021 https://oto.detik.com/mobil/d-5899805/ini-dia-mobil-listrik-paling-laku-di-indonesia 2020 and 2021 EV prices data: various sources (EV producer website) https://otomotif.kompas.com/read/2021/08/03/082200815/daftar-harga-mobil-listrik-di-indonesia-agustus-2021-siapa-termurah- 				

EV. 3: Vehicle tax and title transfer fee exemption

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	EV sales fee exemption on vehicle tax and title transfer.		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Law No. 1 Year 2022 on Fiscal Relations between the Central Government and Regional Governments Presidential Regulation No. 55 Year 2019 on Acceleration of Battery EV Program 		

Policy objective(s)	To reduce the sale price of EVs and encourage more consumers to purchase EVs.				
Beneficiary/end recipient(s) of support measure	Consumers				
Time period/frequency of support measure	Starting January 2020				
Background/definition	<p>Article 7 on Vehicle Tax and Article 12 on Title Transfer Fee mandate the provincial governments to exempt the vehicle tax and title transfer fee of several types of vehicles including battery-powered EVs to reduce the sale price of EVs and encourage more consumers to purchase EVs.</p> <p>The Presidential Regulation No. 55 Year 2019 already mandated the exemption of vehicle taxes for EVs. However, vehicle taxes and title transfer fees are under the domain of provincial governments. In 2020, only the Province of DKI Jakarta issued an exemption for EVs from vehicle taxes. Just recently, in January 2022, the parliament passed Law No. 1 Year 2022, which has specific clauses applicable to EVs.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	N/A
(USD million, real 2020)	N/P	N/P	N/P	N/P	N/A
Information sources/link	<ul style="list-style-type: none"> Law No. 1 Year 2022 https://djpk.kemenkeu.go.id/?p=22499 				

EV. 4: 0% Down payment for EV purchase

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services		
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)
Support measure name/designation	0% down payment for the purchase of EVs.		
Jurisdiction	Central Government		
Legislation/endorsing organization	<ul style="list-style-type: none"> Bank of Indonesia Regulation No. 22/13/PBI/2020 Second Amendment of Bank of Indonesia Regulation No. 20/8/PBI/2018 on Loan to Value Ratio for Property Loan and Financing to Value Ratio for Property Financing and Down Payment for Motor Vehicles Credit/Leasing 		

Policy objective(s)	To encourage more sales of EVs.				
Beneficiary/end recipient(s) of support measure	Consumers				
Time period/frequency of support measure	Since 2020				
Background/definition	<p>The Bank of Indonesia provides a facility of smaller down payment (0%) to be given to consumers who purchase EVs through credit/financing by banks that meet certain prudential requirements (less than 5% non-performing loans ratio).</p> <p>The Bank also stipulates changes in providing a smaller down payment for the credits of environmentally friendly vehicles.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	N/A
(USD million, real 2020)	N/P	N/P	N/P	N/P	N/A
Information sources/link	<ul style="list-style-type: none"> Bank of Indonesia Regulation No. 22/13/PBI/2020 on Second Amendment of Bank of Indonesia Regulation No. 20/8/PBI/2018 on Loan to Value Ratio for Property Credits and Financing to Value Ratio for Property Financing and Down Payment for Credits/Leasing of Motor Vehicles https://peraturan.go.id/peraturan/view.html?id=6af4ed7e969059a35757570f1cc375ff 				

EV. 5: Proposed concessional GST on EVs

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Consumption	Value chain link	Consumers (various consumers directly)		
Support measure name/designation	Proposed concessional GST on the purchase of EV.				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • Presidential Regulation No. 55 Year 2019 on Acceleration of Battery EV Program 				
Policy objective(s)	To reduce the consumer price of EVs.				
Beneficiary/end recipient(s) of support measure	Consumers				
Time period/frequency of support measure	Expected in 2022				
Background/definition	<p>The concessional GST is necessary to reduce the consumer price of EVs. The market price of EVs is still considered high for most Indonesians. Once domestic production begins, Indonesia needs to absorb the products. Further incentives such as the concessional GST will increase EV adoption.</p> <p>The Presidential Regulation No. 55 Year 2019 mentions several incentive measures to be given to EV producers as well as consumers. Existing incentives include exemption of luxury tax, vehicle tax, and transfer title fees have been regulated. The concessional GST will make EVs more affordable for the consumers.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	N/P
(USD million, real 2020)	N/P	N/P	N/P	N/P	N/P
Information sources/link	<ul style="list-style-type: none"> • Presidential Regulation No. 55 Year 2019 https://peraturan.bpk.go.id/Home/Details/116973/perpres-no-55-tahun-2019 • https://www.cnnindonesia.com/ekonomi/20211201192240-85-728661/pln-minta-pemerintah-hapus-ppn-dan-pph-untuk-mobil-listrik 				

EV. 6: Corporate income tax holiday for pioneer industries

Support measure classification	Government revenue foregone		Support measure sub-mechanism	Tax breaks and special taxes	
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production		Value chain link	Cross-cutting through the value chain	
Support measure name/designation	Corporate income tax holiday for pioneer industries.				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> Minister of Finance Decree No. 130/PMK.010/2020 (previously MoF Decree No. 150/PMK.010/2018) on Corporate Income Tax Reduction 				
Policy objective(s)	To attract direct investment in industries that have emerging features/pioneer industries.				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	Since 2015—improved in 2016, 2018 and 2020				
Background/definition	The corporate income tax holiday is an attempt by the Government to provide legal certainty and ease of doing business in Indonesia, especially for strategic and pioneer industries. This facility has been available since 2015 for companies investing in strategic emerging activities that have a minimum investment value of IDR 500 million. The 2015 regulation was improved twice before the recent one in 2020.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Minister of Finance Decree No. 130/PMK.010/2020 (previously MoF Decree No. 150/PMK.010/2018) on Corporate Income Tax Reduction https://peraturan.bpk.go.id/Home/Details/148016/pmk-no-130pmk0102020 				

EV. 7: Income tax allowance for investment in certain sectors and certain regions

Support measure classification	Government revenue foregone	Support measure sub-mechanism	Tax breaks and special taxes		
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production	Value chain link	Cross-cutting through the value chain		
Support measure name/designation	Income tax allowance for investment in certain sectors and certain regions.				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • Government Regulation No. 18/2015 Jo • Government Regulation No. 9/2016 on Income Tax Facilities for Investment in Certain Sectors or Certain Regions 				
Policy objective(s)	<ul style="list-style-type: none"> • To attract more investments in certain sectors and certain regions to achieve accelerated equitable development. • To accelerate jobs creation as mandated by the 2015–2019 medium-term National Development Plan 				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	Since 2016				
Background/definition					
Amount of support measure					
Background/definition	This policy is intended to attract investments in strategic sectors such as agriculture, forestry, food, fisheries, textiles, clothing, leather, chemicals, energy, vehicles and many others in provinces outside Java. This regulation is applicable for vehicle production and battery production. This regulation is applicable to EVs in the context of vehicles as a strategic sector.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • Government Regulation No. 18/2015 Jo Government Regulation No. 9/2016 on Income Tax Facilities for Investment in Certain Sectors or Certain Regions https://peraturan.bpk.go.id/Home/Details/5730 • Kemenperin: Siap Masuki Era Kendaraan Listrik, Indonesia Fokus Bangun Ekosistem 				

EV. 8: Import duty exemption for industrial activities and investment

Support measure classification	Government revenue foregone		Support measure sub-mechanism	Tax breaks and special taxes	
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production		Value chain link	Infrastructure and equipment	
Support measure name/designation	Import duty exemption (borne by the government) for machineries, goods, and materials for industrial construction and development for the purpose of investment.				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • Second Amendment of The MoF Decree No. 176/PMK.011/2009 on Import Duty Exemption for machineries, goods and materials for industrial construction and development for the purpose of investment • Minister of Finance Decree No. 188/PMK.010/2015 • Presidential Regulation No. 55 Year 2019 on Acceleration of Battery-Powered EV Program Perpres No. 55/ 2019 				
Policy objective(s)	<ul style="list-style-type: none"> • To provide legal certainty and ease of doing business and investment • To encourage construction and development of industrial activities. 				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	Since 2019				
Background/definition	This policy is intended to encourage construction and development of industrial activities if an import duty exemption is deemed necessary. This facility is valid for 2 years after the import duty exemption decision has been made. EV and battery production will be eligible for this exemption.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> • Minister of Finance Decree No. 188/PMK.010/2015 on The Second Amendment of The MoF Decree No. 176/PMK.011/2009 on Import Duty Exemption for machineries, goods and materials for industrial construction and development for the purpose of investment https://jdih.esdm.go.id/peraturan/Kepmen%20ESDM%20Nomor%2078%20K%2030%20MEM%202019%20tentang%20D-MO%20Tahun%202019.pdf				

EV. 9: Pioneer corporate income tax facilities for the purpose of new investment

Support measure classification	Government revenue foregone		Support measure sub-mechanism	Tax Breaks and special taxes	
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production		Value chain link	Cross-cutting through the value chain	
Support measure name/designation	Corporate income tax facilities (exemption or reduction) for companies making new investments in pioneer industries.				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> Government Regulation No. 94/2010 concerning Calculation of Taxable Income and Repayment of Income Tax in the Current Year Government Regulation No. 45/ 2019 Amendment to Government Regulation No. 94 / 2010 				
Policy objective(s)	<ul style="list-style-type: none"> To encourage investment in labour-intensive industries, promote job creation and absorption, and drive the participation of business and industry in preparing high-quality human resources, increasing competitiveness, and to enhance the role of industry in R&D. 				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	Since 2010				
Background/definition	<p>Corporations that make new investments in areas that are categorized as pioneer industries that have not received facilities mentioned in Article 31A of the Law of Income Tax (net income reduction of maximum 30% of investment value), can be eligible for exemption or reduction of income tax. The facilities include net income tax reduction, accelerated depreciation/amortization, low income tax on dividend paid to foreign taxpayers, and compensation for losses.</p> <p>A pioneer industry is defined as an industry that has high relevance, high value-added and high externality, introduces new technology, and has strategic value for the national economy. EV and battery production fall under this category.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/A	N/A	N/A	N/A	N/A
(USD million, real 2020)	N/A	N/A	N/A	N/A	N/A
Information sources/link	<ul style="list-style-type: none"> Government Regulation No. 45 Year 2019 on The Second Amendment of The Government Regulation No. 94/2010 on The Calculation of Taxable Income and Repayment of Income Taxes in the Current Year https://peraturan.bpk.go.id/Home/Details/110284/pp-no-45-tahun-2019 				

EV. 10: Pioneer R&D super tax deduction

Support measure classification	Government revenue foregone		Support measure sub-mechanism	Tax breaks and special taxes	
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Production		Value chain link	Research	
Support measure name/designation	Super tax deduction for R&D				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> MoF Decree No. 153/PMK.010/2020 on Gross Income Reduction for Certain R&D Activities in Indonesia Government Regulation No. 45/ 2019 on Amendment to Government Regulation Number 94 of 2010 concerning Calculation of Taxable Income and Repayment of Income Tax in the Current Year 				
Policy objective(s)	To provide incentives for certain R&D activities in Indonesia.				
Beneficiary/end recipient(s) of support measure	Producers				
Time period/frequency of support measure	Since 2020				
Background/definition	<p>As also mandated by the Government Regulation No. 55 Year 2019, R&D activities are among the beneficiaries of fiscal and non-fiscal incentives for the acceleration of the EV ecosystem in Indonesia.</p> <p>Taxpayers involved in R&D activities can be eligible for a gross income reduction of a maximum of 300% of the total costs of certain R&D activities in Indonesia for a certain amount of time. This facility will be applicable for R&D activities in the EV and battery industry.</p>				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	N/A
(USD million, real 2020)	N/P	N/P	N/P	N/P	N/P
Information sources/link	<ul style="list-style-type: none"> MoF Decree No. 153/PMK.010/2020 on Gross Income Reduction for Certain R&D Activities in Indonesia https://peraturan.bpk.go.id/Home/Details/148409/pmk-no-153pmk0102020 				

EV. 11: Reduced electricity tariff for charging

Support measure classification	Government revenue foregone		Support measure sub-mechanism	Tax breaks and special taxes	
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Consumption		Value chain link	Consumers (various consumers directly)	
Support measure name/designation	30% lower electricity tariff for EV charging from 10:00 pm to 5:00 am.				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • Decision of PLN • Presidential Regulation No. 55 Year 2019 on Acceleration of Battery EV Program 				
Policy objective(s)	To encourage consumers to switch to EVs.				
Beneficiary/end recipient(s) of support measure	Consumers				
Time period/frequency of support measure	Since 2020				
Background/definition	In general, the electricity tariff is not burdensome for most people in the middle class who can afford EVs at current prices. However, with the same amount of money people, can buy ICE cars that are probably considered more luxurious. To further incentivize EV owners, a reduction in tariff is given to EV owners for EV charging at certain times.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	0.0001
(USD million, real 2020)	N/P	N/P	N/P	N/P	0.007
Information sources/link	<ul style="list-style-type: none"> • https://www.cnbcindonesia.com/news/20210104101806-4-213227/pln-charging-mobil-listrik-malam-hari-dapat-diskon-30 				

EV. 12: Discount on electricity installation and upgrade (PLN)

Support measure classification	Government revenue foregone		Support measure sub-mechanism	Tax breaks and special taxes	
SDG 12.c.1 mechanism	Tax expenditure, other revenue foregone, and under-pricing of goods and services				
Stimulated activity	Consumption		Value chain link	Consumers (various consumers directly)	
Support measure name/designation	Wattage upgrade fee waiver of 100% for EV owners. Calculated with an assumption of average cost of IDR 7,945,500 per customer.				
Jurisdiction	Central Government				
Legislation/endorsing organization	<ul style="list-style-type: none"> • Decision of PLN • Presidential Regulation No. 55 Year 2019 on Acceleration of Battery EV Program 				
Policy objective(s)	To encourage consumers to switch to EVs.				
Beneficiary/end recipient(s) of support measure	Consumers				
Time period/frequency of support measure	Since 2020				
Background/definition	Wattage upgrade from one tariff class to a higher one costs vary depending on the tariff classes. For example, an upgrade from 4,400 kVa class to 11,000 kVa costs IDR 8 million. A discount of almost 100% of the upgrade cost will give EV owners quite beneficial incentives.				
Amount of support measure	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
(IDR trillion, real 2020)	N/P	N/P	N/P	N/P	0.001
(USD million, real 2020)	N/P	N/P	N/P	N/P	0.068
Information sources/link	<ul style="list-style-type: none"> • https://money.kompas.com/read/2021/02/02/124306726/diskon-tarif-hingga-tambah-daya-ini-upaya-pln-genjot-pengguna-kendaraan 				