



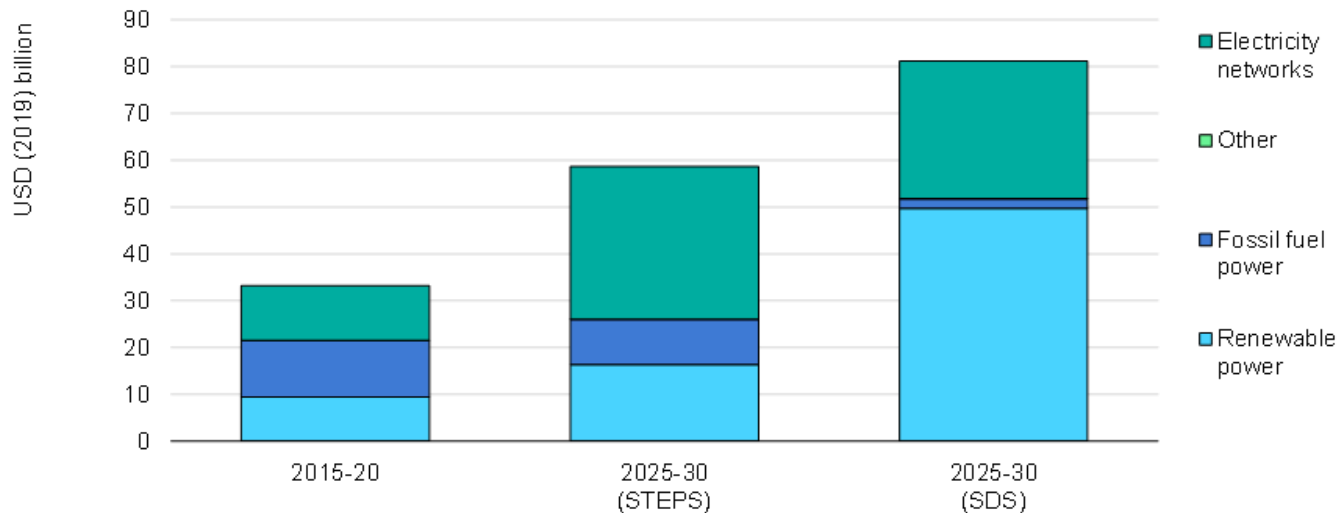
# Sustainable recovery in Indonesia

Randi Kristiansen

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# Investment in the power sector needs to increase

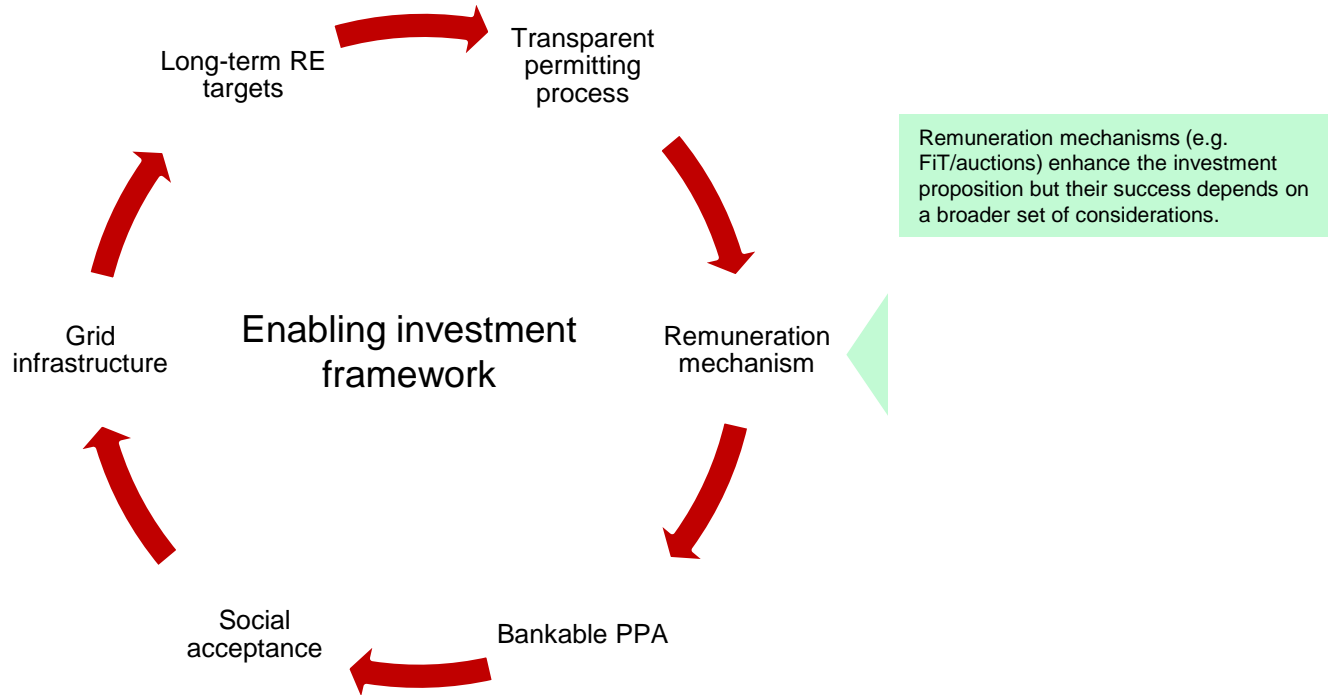
Current power sector investment in Southeast Asia compared with annual average investment in the Stated Policies and Sustainable Development scenarios, 2015-2030



**Investment in the power sector represents a clear opportunity for sustainable recovery**

- Indonesia's power sector needs to be enhanced to achieve a sustainable future
  - Technical flexibility
  - Commercial flexibility
  - Digitalisation
  
- With investment being a scarce resource clear prioritisation must take place
  - Increasing investor confidence
  - Enabling private investment e.g. in transmission and distributed energy (PV)
  - Identifying highest return on investment
  
- It is important to have a holistic approach to power system development

# The investment puzzle has many pieces



Many factors contribute to an enabling investment framework. Clear, predictable policies & institutions help reduce risks and attract investments, limiting the need for high monetary incentives.

# Business models for privately-financed transmission

Business model	Long-term concession	Build, own, operate and transfer (BOOT)	Financial ownership	Merchant line	Dedicated line (for IPP)
<b>Description</b>	Private company obtains long-term concession to manage and operate existing transmission assets and is in charge of expanding the transmission grid in its area of operation.	Private company finances, builds and operates a new transmission line under a long-term contract. After that, it transfers it back to the government.	Private company provides part of the financing for a new transmission line, but it is built and operated by the system operator.	Private company finances, builds and operates transmission line, with revenues coming entirely from short-term wholesale transmission market prices.	New line evacuating power from Independent Power Producer (IPP), connecting to existing grid.
<b>International examples</b>	Philippines, Scotland and other parts of Europe.	Brazil, Chile, India, UK, Australia, USA, among others.	Denmark and Germany.	USA and Australia.	Globally applied.

**Enabling innovative models to attract finance to different parts of the power sector could help bridge finance gaps**

# Power system enhancement is green recovery

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- Modernising Indonesia's power system has clear benefits for the economy
  - Increased reliability and access to renewable energy will bring foreign investment
  - In a modernised power system attracts competitive financing and makes LCOE of VRE is competitive
  - Ability to harvest full potential of digitalisation and smarter grids to achieve economic prosperity
  - A modernised power sector brings jobs e.g. service contracts, supply chain investments etc.
- Indonesia has a lot of momentum in the power sector which can propel the country's economy into a stronger and more sustainable post pandemic future

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