Sustainable recovery in Indonesia

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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
Green recovery and power system enhancement

- 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
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

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

Enabling innovative models to attract finance to different parts of the power sector could help bridge finance gaps
Power system enhancement is green recovery

- 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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