



Indonesia: Sustainable and Inclusive Energy Program

Project Name	Sustainable and Inclusive Energy Program	
Project Number	48323-001	
Country	Indonesia	
Project Status	Active	
Project Type / Modality of Assistance	Technical Assistance	
Source of Funding / Amount	TA 8826-INO: Sustainable and Inclusive Energy Program	
	Technical Assistance Special Fund	US\$ 1.00 million
	TA 8826-INO: Sustainable and Inclusive Energy Program (Supplementary)	
	Agence Francaise de Developpement	US\$ 537,375.00
Strategic Agendas	Inclusive economic growth	
Drivers of Change	Governance and capacity development Knowledge solutions Partnerships Private sector development	
Sector / Subsector	Energy - Energy sector development and institutional reform	
Gender Equity and Mainstreaming	No gender elements	

Description	<p>Access to reliable and cost-effective sources of modern forms of energy is a pre-requisite for growth and productivity improvement, and can help Indonesia avoid the pitfalls of the middle income trap. While this is particularly true for the country's manufacturing and commercial centers, it is also important that access to modern forms of energy be available to millions of Indonesians living in remote areas across the far-flung archipelago. Otherwise, the benefits of national growth will be limited to the country's economic centers and leave behind people living in less connected areas. Furthermore, this push for increased energy use needs to come at a minimal environmental cost if Indonesia is to preserve the quality of its local environment and honor its commitments to global environmental protection.</p> <p>Most indications are that Indonesia's energy sector is underperforming. Energy security concerns have increased in recent years. Fossil fuels currently dominate Indonesia's energy mix. While Indonesia is particularly well-endowed with a range of renewable energy resources, namely geothermal, biomass, solar, and hydropower, it lags behind its regional peers in its ability to promote the use of renewables for power generation or transportation. With domestic production of oil declining, Indonesia is increasingly dependent on imported oil to meet its burgeoning domestic demand. Similarly, in recent years, the rate of growth of gas production has stalled, and Indonesia has initiated the import of liquefied natural gas (LNG). The government has also indicated its strong interest in supporting other renewable sources of electricity. In 2013-2014, the government announced a program to support grid-connected solar PV plants through a combination of ceiling prices and tendering, and also announced a feed in tariff for waste-to-energy projects, and for hydropower projects that are less than 10 MW in size. The government is currently considering alternate incentives schemes for supporting grid-connected wind energy and is also preparing an incentive scheme for biomass-based power (from agricultural waste or woody biomass).</p> <p>Energy access has also been brought to the forefront through a series of recent policy initiatives. MEMR has chosen Sumba Island in Nusa Tenggara Timur as an iconic island where energy access would be expanded from the current baseline of about 30% using renewable energy. With the assistance of ADB5 and other development partners, the government hopes to showcase Sumba as an example of how spatial planning tools, technology approaches, financing models and implementation approaches, can be dovetailed to scale up energy access in remote parts of Indonesia, using renewable energy. This detailed work complements the ongoing regional energy planning and resource surveys being undertaken by the World Bank in association with PLN. ADB is undertaking a review of the challenges and opportunities for expanding electrification in Eastern Indonesia and this analysis will serve as the basis for convening a high-level dialogue in late 2014 of related ministries and government entities and development partners on how to plan for and obtain financing for a large-scale roll out of a rural electrification program in Eastern Indonesia.</p> <p>The government has taken significant steps towards lowering subsidies for electricity and moving towards a cost-reflective tariff, and putting place cash transfers and smart subsidies to protect the poor from the tariff increase. The tariff was increased by an average of 15% in 2013 with the increases being phased in on a quarterly basis (MEMR Regulation No. 30/2012). In mid-2014, the government announced a further average tariff hike of nearly 13% which will be phased in during the course of the year. There is also an ongoing effort to move away from the current public service obligation framework wherein PLN is reimbursed the difference between its actual costs of operation plus a margin (7%)</p>
-------------	--

Project Rationale and Linkage to Country/Regional Strategy	<p>The government is currently developing its new medium-term development plan (RPJMN) for 2015-2019 with a clear emphasis on expanded infrastructure investments, increased deployment of the country's energy resources for domestic utilization and efficiency improvements in the energy sector. These priorities will be reflected in ADB's Indonesia's Country Partnership Strategy 2015-2019 that is currently being developed and the draft Energy Sector Assessment, Strategy, and Roadmap. In terms of lending modalities, BAPPENAS has indicated that going forward; there will be a greater emphasis on programmatic approaches, and greater use of policy and results-based lending in the energy sector. The proposed TA is therefore in line with these priorities. More broadly it also reflects the priorities of the previous CPS 2012-2014, namely inclusive growth, regional connectivity, and climate change mitigation. The TA also supports ADB's Mid-Term Review of Strategy 2020,7 which emphasizes the need for inclusive economic growth, infrastructure development and policy based engagements in middle income countries.</p>
--	--

Impact	A more sustainable and inclusive energy sector created
--------	--

Project Outcome

Description of Outcome	A regulatory framework and policy actions for a more sustainable and inclusive energy supply prepared
------------------------	---

Progress Toward Outcome	
-------------------------	--

Implementation Progress

Description of Project Outputs	<ol style="list-style-type: none"> 1. More efficient energy markets enabled 2. Road map for transitioning to cost-reflective electricity tariffs and energy prices developed 3. Appropriate incentives and programs for scaling up grid-connected renewable electricity supply developed 4. Regulatory and institutional framework for expanding energy access in Eastern Indonesia designed
--------------------------------	--

Status of Implementation Progress (Outputs, Activities, and Issues)	Several activities are ongoing including support for establishment of a wind tariff and solar PV rooftop tariff, support for expanding gas supply in the country, and new approaches to expanding the electrification rates in the country. Activities include analytical support, policy dialogue, consultations and drafting of regulations. Loan documentation for a proposed first subprogram of a policy-based loan called the Sustainable and Inclusive Energy Program for a total of \$500 million (\$400 million OCR and \$ 100 million AIF) was approved by the ADB board in September 2015. The preparation of the second subprogram (\$500 million OCR and \$100 million AIF) is ongoing with expected approval this year.
---	--

Geographical Location

Summary of Environmental and Social Aspects

Environmental Aspects

Involuntary Resettlement

Indigenous Peoples

Stakeholder Communication, Participation, and Consultation

During Project Design

During Project Implementation

Business Opportunities

Consulting Services	A consulting firm, PT Castlerock Consulting Indonesia, and three individual consultants (energy analyst, finance specialist, and program assistant), were engaged to provide broad-ranging policy analyses and implementation support, with a focus on tariff schemes and incentives for large-scale grid connected renewable energy, energy access and rural electrification, utility regulatory economics, energy prices and electricity tariffs, and natural gas supply and distribution. The consultants are working closely with the executing agency (Directorate General for Energy within the Coordinating Ministry for Economic Affairs) and the implementing agencies (Ministry of Energy and Mineral Resources [MEMR], Ministry of Finance, and PLN).
---------------------	--

Responsible Staff

Responsible ADB Officer	Tharakan, Pradeep J.
Responsible ADB Department	Southeast Asia Department
Responsible ADB Division	Energy Division, SERD
Executing Agencies	<i>Coordinating Ministry for Economic Affairs 2nd Floor, Jl Lapangan Banteng Timur 2-4 Jakarta Pusat 10710</i>

Timetable

Concept Clearance	20 Oct 2014
Fact Finding	20 Oct 2014 to 24 Oct 2014
MRM	-
Approval	15 Dec 2014
Last Review Mission	-
Last PDS Update	15 Mar 2017

TA 8826-INO

Milestones					
Approval	Signing Date	Effectivity Date	Closing		
			Original	Revised	Actual
15 Dec 2014	20 Jun 2015	20 Jun 2015	31 Dec 2017	-	-

Financing Plan/TA Utilization	Cumulative Disbursements
-------------------------------	--------------------------

ADB	Cofinancing	Counterpart				Total	Date	Amount
		Gov	Beneficiaries	Project Sponsor	Others			
1,000,000.00	537,375.00	0.00	0.00	0.00	0.00	1,537,375.00	15 Dec 2014	725,778.68

Project Page <https://www.adb.org/projects/48323-001/main>

Request for Information <http://www.adb.org/forms/request-information-form?subject=48323-001>

Date Generated 06 July 2017

ADB provides the information contained in this project data sheet (PDS) solely as a resource for its users without any form of assurance. Whilst ADB tries to provide high quality content, the information are provided "as is" without warranty of any kind, either express or implied, including without limitation warranties of merchantability, fitness for a particular purpose, and non-infringement. ADB specifically does not make any warranties or representations as to the accuracy or completeness of any such information.