

Linkages between the Sustainable and Inclusive Energy Program and the Infrastructure Reform Sector Development Program, (2006-2010)

No.	IRSDP Actions	Output and/or Milestone	Link to Actions under the Program
1. Power (MEMR, PLN, BKPM)			
1.	Undertake long-term planning for the power sector in terms of physical expansion, service coverage, and sector restructuring	41.1 Revised power sector master plan (RUKN) 41.2 Updated power development plan (RUPTL 2007–2016) completed by PLN 41.3 Institutional and financing strategy for meeting the government’s electrification targets 41.4 Implementation of the electrification strategy	The program aims to make these plans (RUKN and national energy general plan, or RUEN) more robust by including specific policy proposals and plans on gas sector reform. They will also contain information for scaling up government programs on electrification and making them more performance-based.
2.	Adopt a legal framework for the energy sector that ensures energy security through diversification of energy sources and energy conservation	42.1 Law 30/2007 on Energy 42.2 Development of government regulations for Energy Law 30/2007 (regulations on energy conservation; geothermal resource development issued)	The program supports the enactment of the new geothermal law and related implementing regulations, and key regulations on energy efficiency that will help set up a marketplace for energy efficiency investments.
3.	Revise the legal framework for the power sector to remove uncertainty caused by the annulment of Law 20/2002 on electricity by the Constitutional Court	43.1 Government regulations 3/2005 and 26/2006, and related ministerial decrees enabling the purchase of electricity from independent power producers by PLN 43.2 Law 30/2009 on Electricity 43.3 Development of draft government regulations for Law 30/2009	The Program takes these reforms further by focusing on regulations that would allow for power wheeling which would allow IPPs to sell power directly to customers that are distant from their generation plants, and by stream-lining the issuance of IPP licenses and permits. Further, the program will also support steps to bring in private sector participation in generation and distribution of power in remote areas and off-grid areas. Finally, the program is also supporting a recently-enacted regulation that sets up service standards for which PLN would be accountable.
4.	Strengthen PLN’s institutional	44.1 Policy paper on corporate restructuring of PLN	This is a medium-priority for the

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	structure and capacity in the areas of project planning and implementation, financial management, and corporate governance	44.2 Implementation of corporate restructuring	government and the program is taking the first step in this direction by undertaking studies under subprogram 1 to determine a road map of actions that can be supported under subprogram 2 and 3.
5.	Adopt appropriate tariff policy for PLN customers in line with the cost recovery principle	45.1 Strategy for achieving full cost recovery by PLN through efficiency improvements, tariff increases, and transparent subsidies	The government has removed power sector subsidies for most consumer classes. The program is supporting the enactment of cost-recovery-based tariffs and a move towards a long-term tariff policy that will bring all customer classes under market pricing.
45.2 Implementation of the full cost recovery strategy			
45.3 Review of the tariff structure and tariff-setting process			
6.	Adopt regulatory arrangements for the power sector that are consistent with the new legal framework and aim at economic regulation	46.1 Assessment of the current regulatory arrangements	The program is supporting the enactment of an economic regulation for PLN which would move away from the cost-plus-margin approach for PSO to a more performance-based approach.
46.2 Implementation of recommendations of the assessment			
7.	Review the current PSO policy for the power sector to make it affordable for the poor.	47.1 Review of PSO policy framework for power sector	
47.2 Implementation of the revised PSO policy			
8.	Improve the investment climate for independent power producers	48.1 Presidential regulation 77/2007 and amendment 111/2007 on Lists of Fields Closed and Conditionally Open to Investments	See 3 above
48.2 Implementation of the presidential regulation by the Indonesia Investment Coordinating Board (BKPM)			
2. Oil and Gas (MEMR, BPH MIGAS)			
9.	Undertake long-term planning for the oil and gas sector in terms of physical expansion	49.1 Oil and gas sector master plan (RUPPN) prepared by MEMR	The program is supporting actions that the government will take which would signal its intent to enhance the domestic supply of gas through greater participation of the private sector, and by creating a market place that is consistent with the expected revisions to the governing legal and regulatory framework in the sector (“the Oil and Gas Law”). In the short-term, the
49.2 Ministerial decree 2950/2006 on master plan for natural gas pipeline network			
10.	Amend the legal framework for the oil and gas sector to address concerns of the constitutional court about domestic market obligation and pricing, while	50.1 Revision of government regulations 35/2004 and 36/2004 for law 22/2001 on oil and gas	

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	preserving downstream competition		actions are focused improving the process of extending production service contracts in the gas sector, and in the medium term, on gas pricing and the establishment of an aggregator. Further, actions focused on enabling greater private sector participation in infrastructure development and incentives for increasing exploration and production from marginal fields.
11.	Adopt a legal framework for the energy sector that ensures energy security through diversification of energy sources and energy conservation	51.1 Presidential regulation 5/2006 on National Energy Policy, stipulating an increased share of natural gas in the energy mix 51.2 Ministerial decree 1503/2006 establishing a team comprising DG Migas, BPH Migas, and PLN to coordinate gas supply policy 51.3 Ministerial Regulation 33/2006 on coal bed methane development	actions are focused improving the process of extending production service contracts in the gas sector, and in the medium term, on gas pricing and the establishment of an aggregator. Further, actions focused on enabling greater private sector participation in infrastructure development and incentives for increasing exploration and production from marginal fields.
12.	Introduce competition in oil product distribution, and adopt market-based pricing to remove government subsidies and energy mix distortions	52.1 Dismantling of the Pertamina monopoly in the retail market 52.2 Gradual domestic oil price adjustments 52.3 Removal of fuel subsidies for industrial users 52.4 Preparation of a roadmap for complete fuel subsidy removal	The government has removed subsidies for gasoline and has put in place a fixed subsidy scheme for diesel. The program is supporting actions that would help enable greater private sector participation in the gas sector including in the upstream, mid-stream and downstream sectors.
13.	Adopt regulatory arrangements for the oil and gas sector that are consistent with the amended legal framework and aim at separating the policy making, contracting, and regulatory functions	53.1 BPH Migas operational in terms of functions, budget, organizational structure, staffing, and standard operating procedures 53.2 Assessment of the current regulatory arrangements 53.3 Implementation of recommendations of the assessment	The government has removed subsidies for gasoline and has put in place a fixed subsidy scheme for diesel. The program is supporting actions that would help enable greater private sector participation in the gas sector including in the upstream, mid-stream and downstream sectors.

DG Migas = Directorate General Oil & Gas, BKPM = Indonesia Investment Coordinating Board, BPH Migas = Regulatory Agency for Upstream Oil and Gas, IPP = independent power producer, IRSDP = Infrastructure Reform Sector Development Program, MEMR = Ministry of Energy and Mineral Resources, PLN = State Electricity Corporation, PSO = public service obligation, RUEN = National Energy General Plan, RUKN = National Energy Plan, RUPPN = Oil and Gas Sector Master Plan, RUPTL = Electricity Power Supply Business Plan