

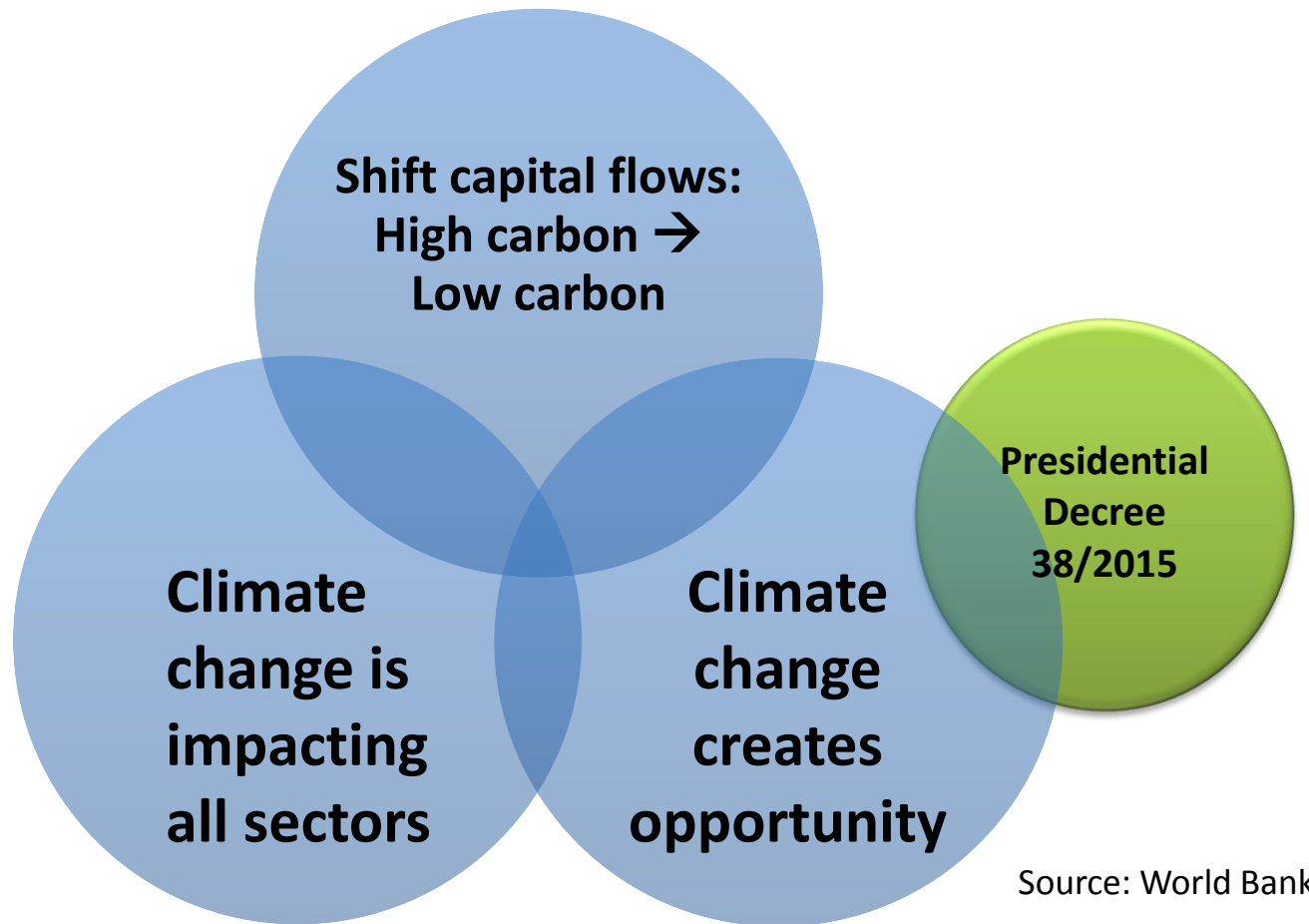


Financial Institutions Roles in Green Growth *A Focus on Infrastructure PPP & Role of IIGF*

The 2nd Joint Crediting Mechanism Business Forum 2015
Jakarta, 30 April 2015

Arianto Wibowo
Executive Vice President

BACKGROUND



- Climate change's impact to sectors lead to a need for shifting towards low carbon investments, which creates opportunity for green infrastructure growth
- Presidential Decree 38/2015 opens new avenue for wider application of PPP to promote infrastructure development → how does this impact green growth?

Presidential Regulation (Perpres) 38/2015 on PPP Infrastructure Development



Transportation



Road



Water and Irrigation



Drinking water



Waste water



Waste



Telecommunication



Oil and Gas



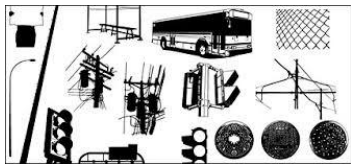
Power



Renewable
Energy



Energy
Conservation



Urban facilities



Education



Regional
Development



Tourism



Health



Prisons

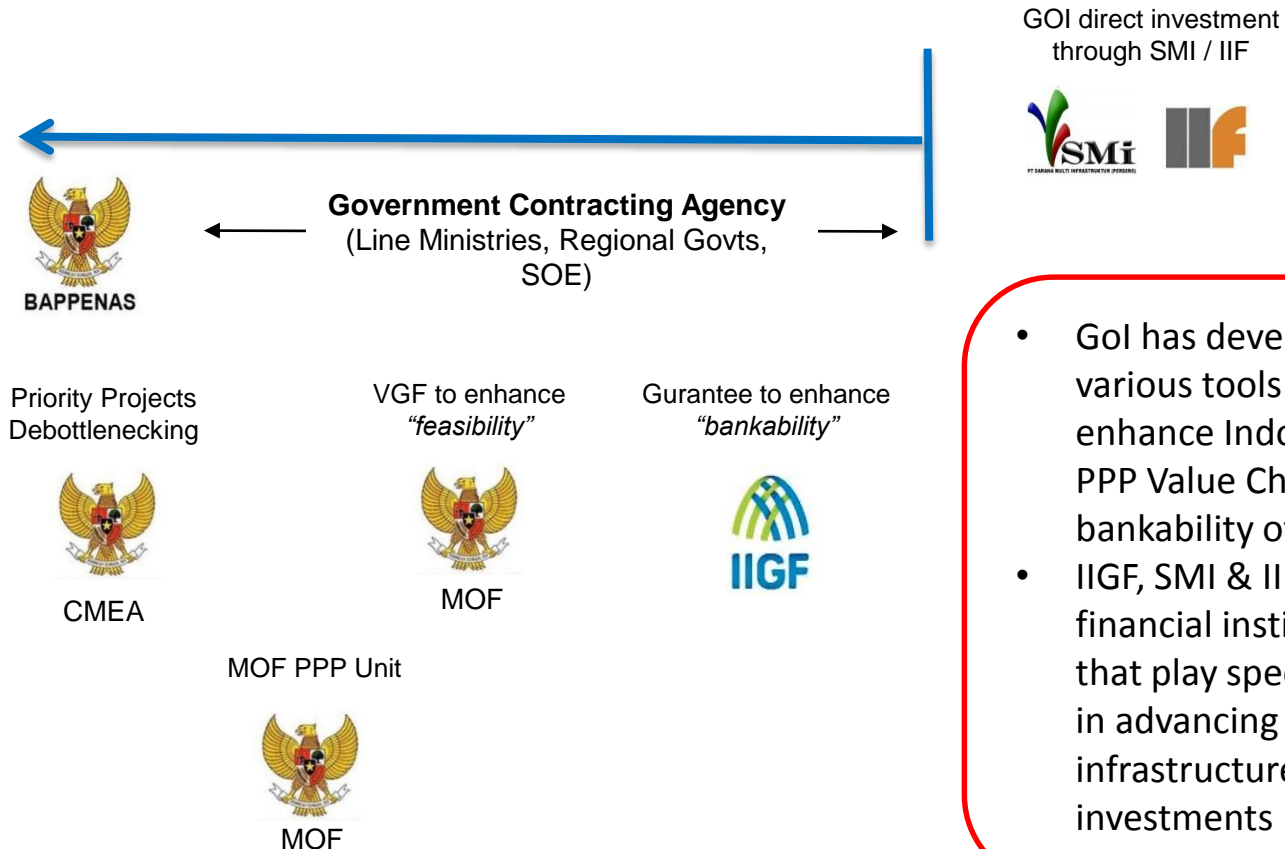


Housing

Indonesia PPP Value Chain

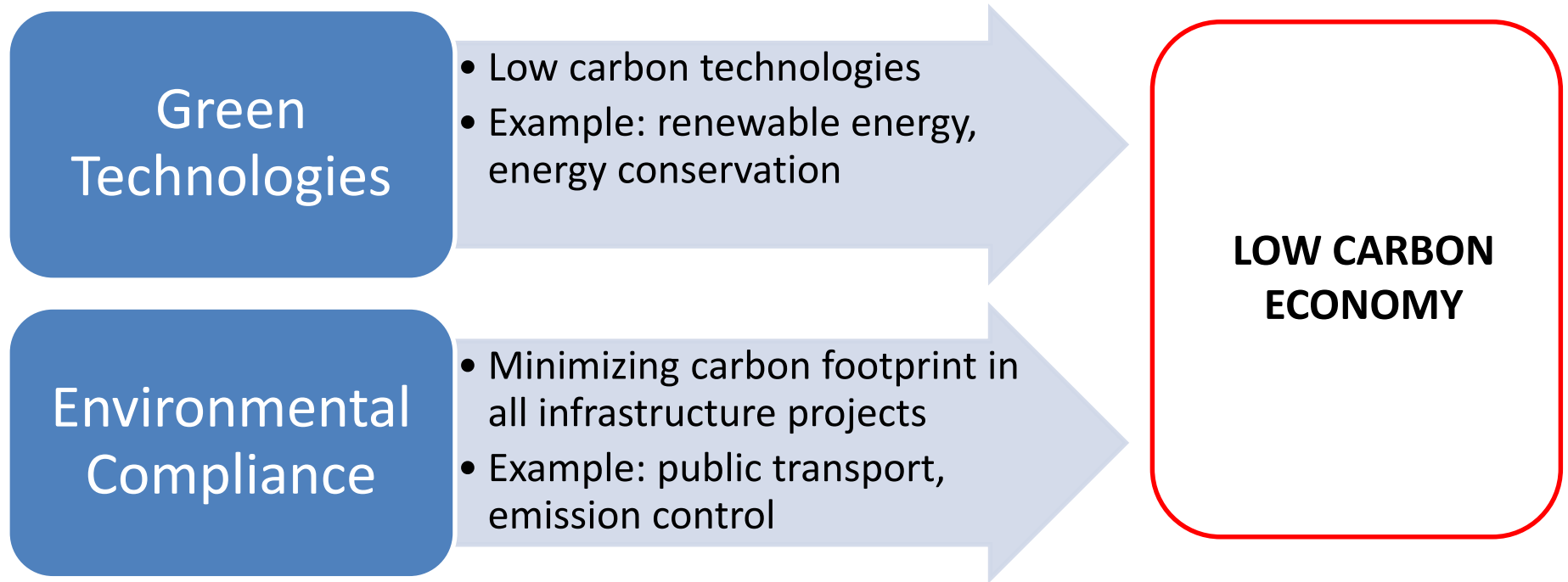
Infra sectors:

1. Transportation
2. Road
3. Power
4. Water
5. Waste
6. Irrigation
7. Telco
8. Oil & Gas
9. Renewable
10. Energy conservation
11. Urban facilities
12. Education
13. Sports & Arts
14. Regional devt
15. Tourism
16. Health
17. Prisons
18. Public Housing



- GoI has developed various tools to enhance Indonesia's PPP Value Chain & bankability of projects
- IIGF, SMI & IIF are financial institutions that play specific roles in advancing infrastructure investments

Relevance of Green Growth in Infrastructure Development



Environmental Perspective in IIGF

- Environmental aspects as one of IIGF's project appraisal criteria
- Environmental risk management is key in guaranteed projects' risk mitigation plan
- IIGF views projects with desirable environmental impact to be likely obtaining long term public support

Challenges in Green Infrastructure PPP

Key PPP Success Factors

- Healthy competition
- Financial Viability
- Social Acceptability
- Presence of local competent developers (also important as partner for foreign investors)

Green Infra Challenges

- Limited technology provider
- Higher technical risk
- Greater cost of service

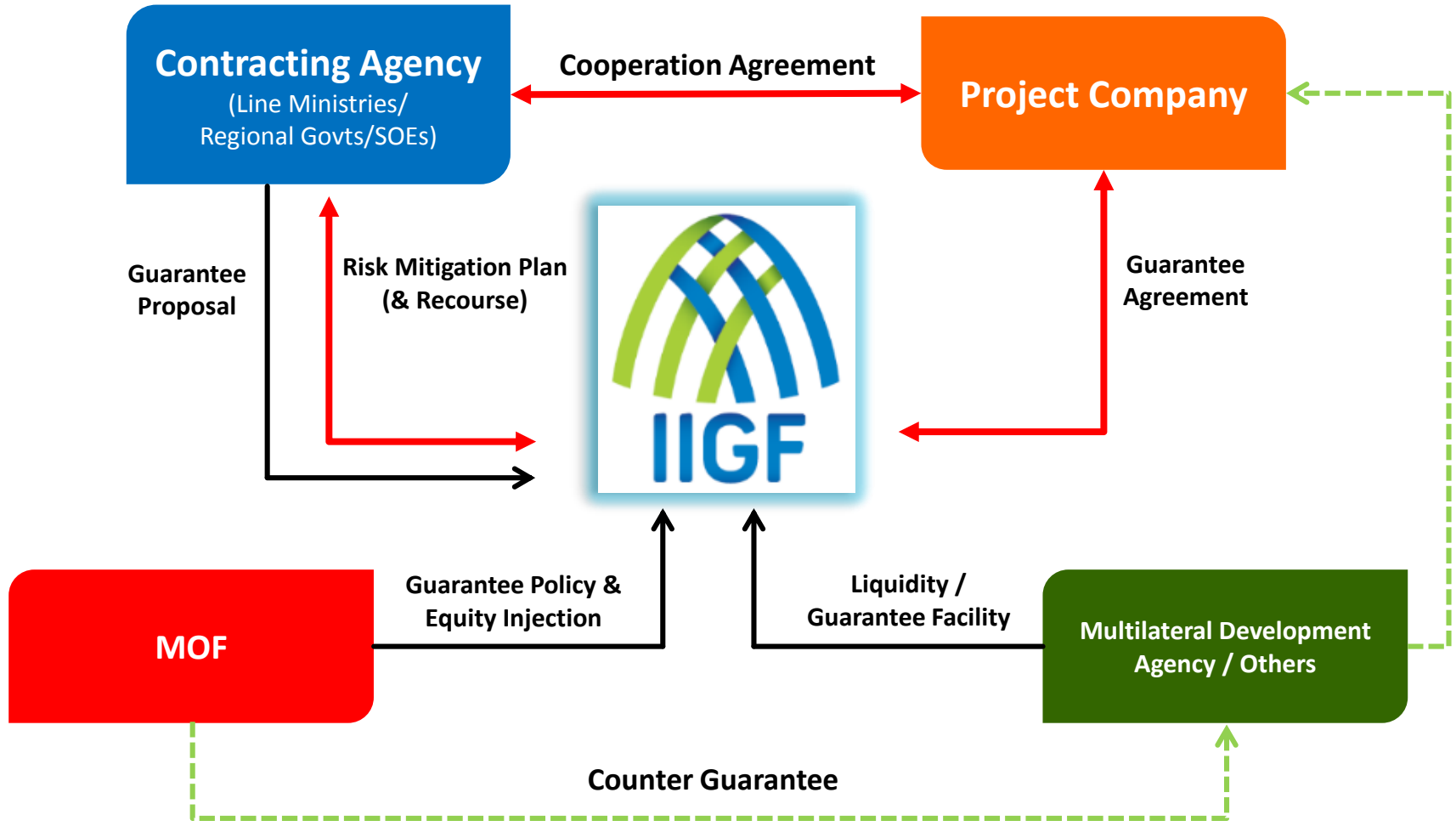
Important Agenda to Address the Challenges

- PPP Procurement & Transaction Process (Technology standard, standard documentations)
- Fiscal support mechanisms
- Risk allocation between public & private
- Supporting regulatory framework
- Roadmap for Domestic Capacity Development

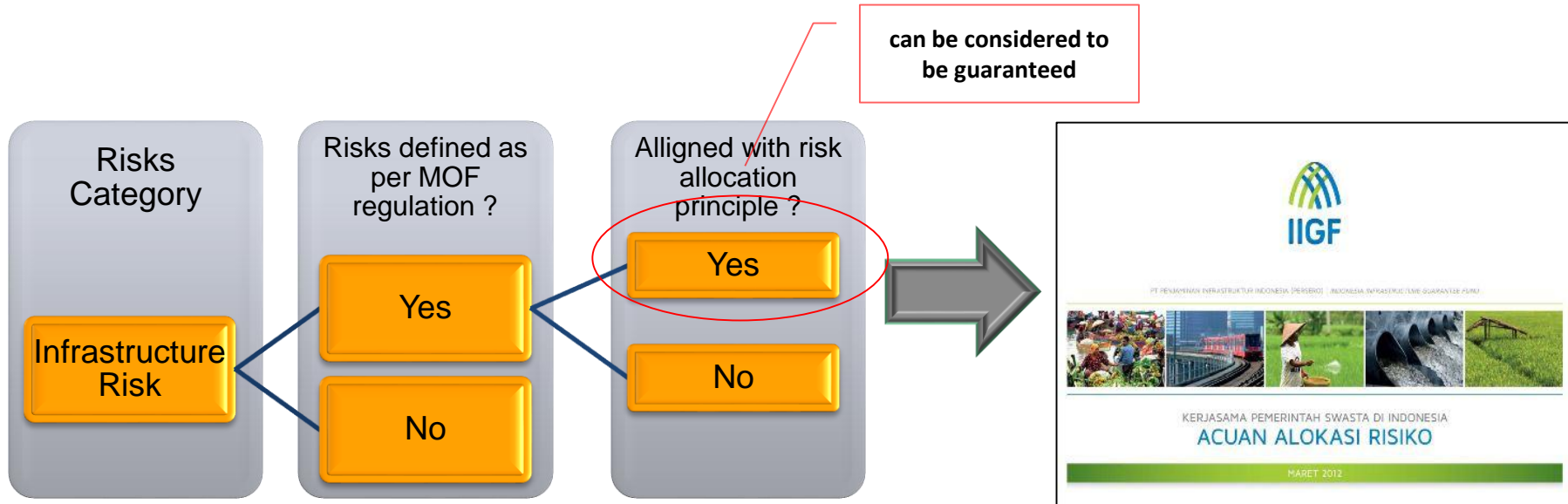
IIGF is GoI's Fiscal Tool in Managing PPP Contingent Liabilities & to Enhance Creditworthiness of Subsovereign Contracting Agencies



IIGF Guarantee



How does IIGF assure risk is properly allocated ?



Factors affecting IIGF will guarantee Infrastructure Risk based on:

1. Actions or inactions of the Contracting Agency or Government other than CA
2. Policies of the Contracting Agency or Government other than CA
3. Unilateral decision of the Contracting Agency or Government other than CA
4. CA breach of contract

IIGF & Emissions Reductions: Central Java Power Plant



Uses **ultra-supercritical boiler technology**:

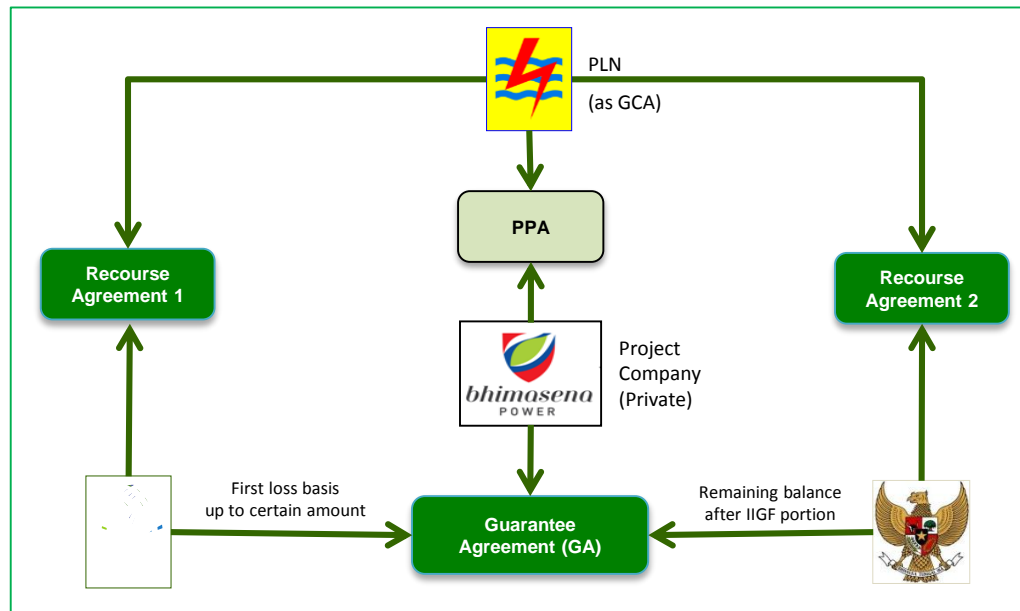
- Reduces harmful emissions resulting from coal
- Pushes mechanical limits of equipment
- Provides higher thermal efficiencies

Example of IIGF Guaranteed Project

Central Java Power Plant IPP Project (CJPP) – Ultra Super Critical Coal Power Plant

  Guarantee Agreement for Central Java Power Project 2x1000 MW; ~US\$ 4 bio   6 October 2011	Project	Ultra super critical coal fired power plant, 2x1000 MW
	Location	Batang Regency, Central Java Province, Indonesia
	COD	2019
	PPA Tenor	25 years
	PPP Structure	Build, Operate, Transfer (BOT)
	Developer	PT Bhimasena Power Indonesia, an SPV of consortium: <ul style="list-style-type: none">• ADARO: 34% (Indonesia)• J-POWER: 34% (Japan)• ITOCHU: 32% (Japan)
	Guarantee Structure	<ul style="list-style-type: none">• Guarantee Agreement: Project Co. with IIGF & GOI• Coverage: political risks, force majeure affecting PLN & PLN EOD• Guarantee Tenor:<ul style="list-style-type: none">• Equity : 16 years• Debt : 21 years

*) In accordance with PR no 38/2015 (PPP Regulation)



Scope of IIGF & MOF Guarantee

Covered:

PLN's
Payment
Obligations,
as in PPA



1. Obligation to purchase electricity
 - Monthly payment (Capacity and Energy payment)
2. Deemed Dispatch
 - Due to PLN not being able to receive Sellers output
3. Buyout obligation due to PPA Termination triggered by Political Force Majeure and Natural Force Majeure
4. Obligation to pay due to PLN Event of Default (EOD):
 - Non payment
 - Material Breach
 - Merger, Consolidation
 - GOI EOD under GA



Not covered:

1. Sellers EOD
2. Tax for Special Facilities
3. Indemnity

WAY FORWARD

The Leaders need action on:

- Low carbon and energy efficiency finance and investing.
- Emission reducing finance and investing.
- Adaptation finance and investing.
- Engagement with companies.
- Engagement with policy makers.



Provide knowledge and education to key stakeholders and general public on the privately-financed infrastructure projects (particularly PPP)

- Financing
- Risk management
- Credit enhancement

Disclaimer

All information presented were taken from multiple sources and considered as true by the time they were written to the knowledge of PT Penjaminan Infrastruktur Indonesia (Persero).

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Any questions can be submitted to:

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