

Financing Project & Roles Of Financial Institution in JCM



Jakarta, May 2015

1. Potential Of Low Carbon Initiatives In Indonesia
2. Project Outcome Matrix
3. Barriers Of JCM Project / Low Carbon Initiatives
4. Financial Institution In Indonesia
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Potential of Low Carbon Initiatives In Indonesia

Numbers Of Vehicles

Motocycles	86.253.700
Passenger Car	10.540.800
Commercial Car	5.156.500
Bus	1.962.344
Others	297.656
Total	104.211.000

Police Reg. @ 2013



255 Mio
Population

*) 2015 Projection

State Budget Fossil Fuel Quota 2015 (litres)

Gasoline Ron 88	29.480.000.000
Diesel Fuel	15.670.000.000
Kerosene	850.000.000
Total	46.000.000.000

BPHMigas Website



Cold Storage



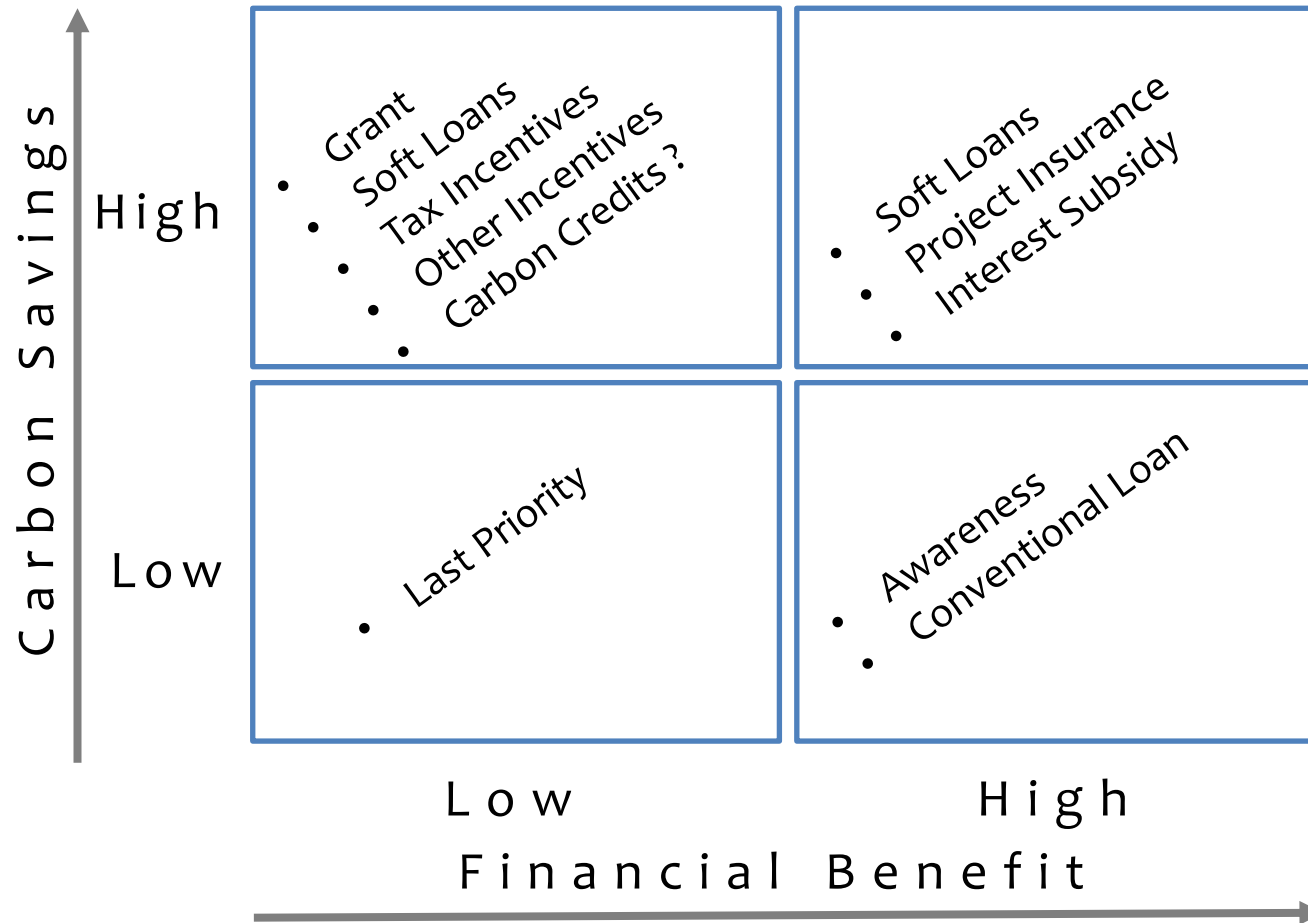
Deforestation



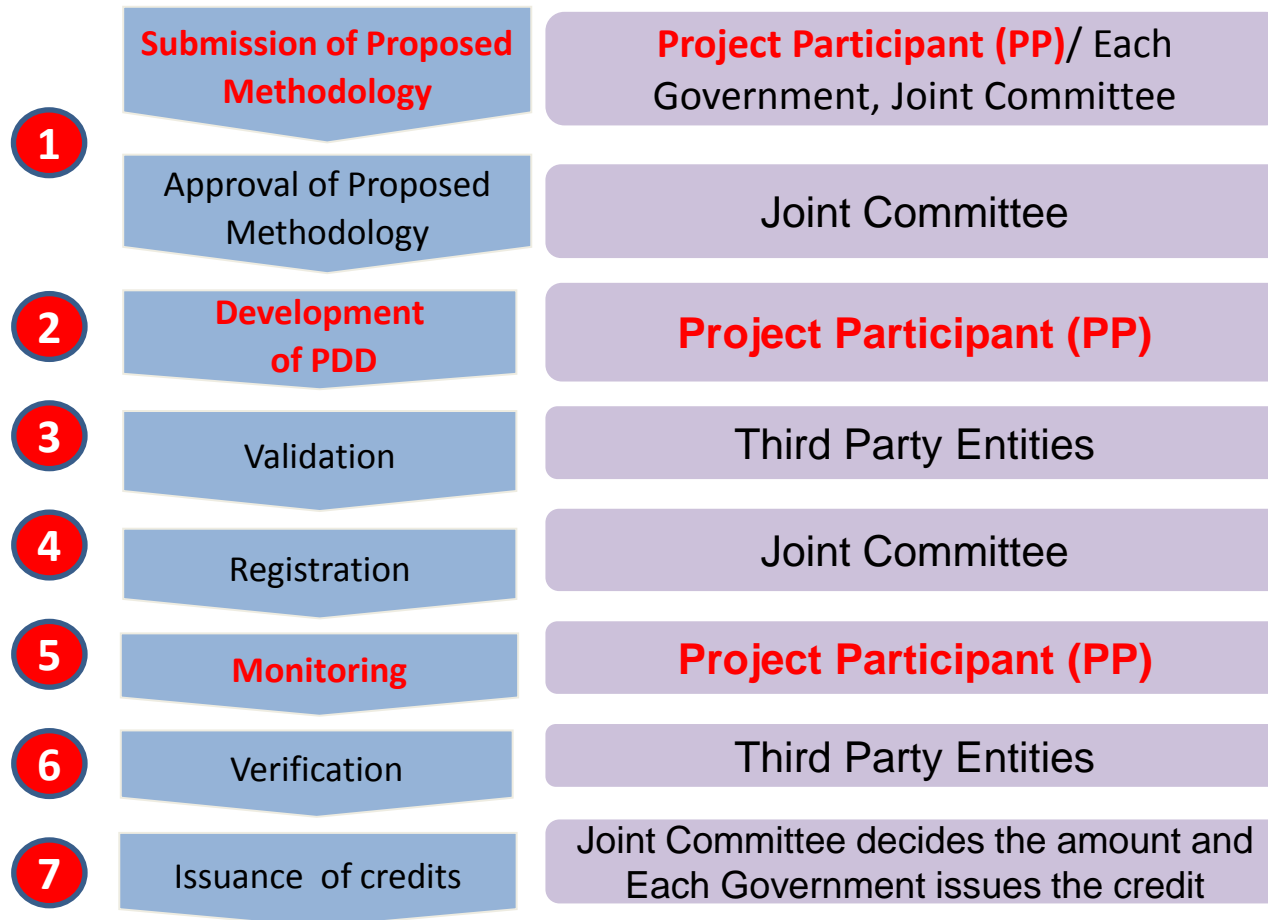
Power Plant

Indonesia Has Huge prospects in Carbon Saving initiatives

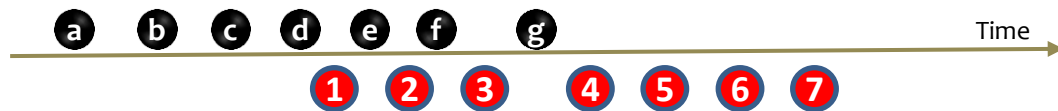
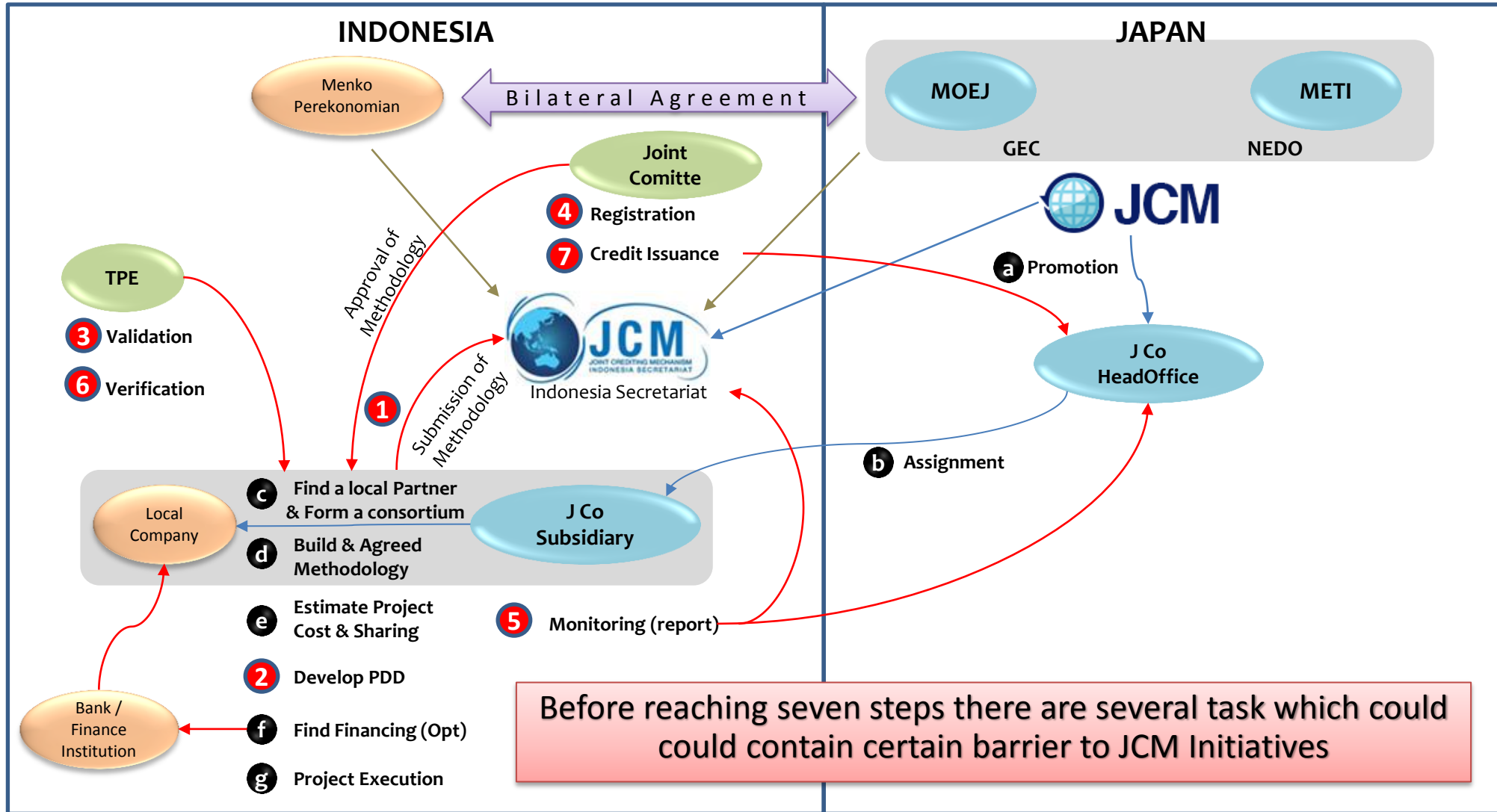
Outcome Matrix of Low Carbon Initiatives



Each Quadrant might requires different approach in promotion & Incentives



There are Seven Steps to accomplished a JCM Project



Reliability of New Technology

Because most of the methodologies are new, it requires more analysis in risk management, feasibility and other impact of implementing the technology. A success story or a demo project is very helpful in this situation

Environmental Awareness

The awareness and attention to environmental issues has to be well develop in Top Management before the decision to do CDM, JCM or other Environmental Friendly initiatives

Relationship & Trust to Partner

in many cases the partner should have proven achievement to convinced the management, but that is not enough. The Partner should also convinced that the Local company will also enjoy the result and benefit of the projects. JFE has build trust to PT Semen Indonesia way back from 90's this make Tuban Project more Smooth

High Initial Capital Costs

Environment friendly technology usually more pricey than conventional one. In some cases cashflow is more important than Economic value.

Currency Risk

Indonesia has experienced Currency crisis in the past, this has actually have serious impact on some companies/project during that times. This situation forced the Top Management to be more cautious in the decision making process

Arbitration Rules

International Cooperation agreement usually have certain rules of arbitration that has to be well Understood by Top Management. Typically using third country as an Arbitration place. Moreover the Arbitration clauses is sometimes perceived as more focused on the partner's rights.

Technical Barrier

The management have to assess the integration of new technology to their existing equipment & system.

Carbon Credit Sharing

The Management need time to understand and analyse the rights of carbon credit since this is new thing for them. Also possibility to claim ownership of the credits could be an issue.

Share Holder Acceptance

Top Management Has to be sure that they Have enough facts and analysis to convinced the Shareholders. In State Owned Enterprise the board of commissioners member is not just business professional some of them are politicians that can have different priorities & mindset

Clarity of future Cost & Responsibility

The Management has to be sure that the future liability, responsibility or other consequences doing the projects is already identified and clearly stated who will bare the cost/responsibility. The Example of this is who will pay the TPE? How can we sell the Carbon Credit? how much is the maintenance cost and who will pay for it ?

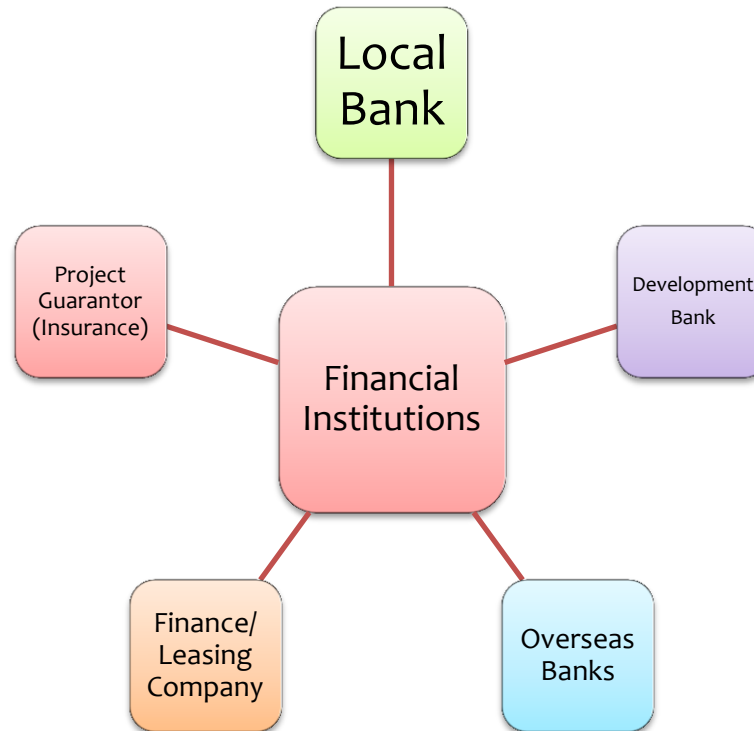
Procurement Risk

Indonesia is still in the development stages of Procurement Practices especially in Government and State Owned Enterprises, generally this is positive to avoid conflict of interest. But there are sides effects that made Managements to be extremely cautious when there is "no regulations" or "no past examples" of procurment process.

Regulatory Barrier

Both participant have to be sure that the implementation is comply with all related regulations & policies.

Before signing Agreement with partner barriers has to be solved first



As Lender

Financial Institution (FI) basic roles as financial intermediaries.

As Transaction point

FI has adequate infrastructure and competence in managing transaction.

As Promoting Agent

Some FI already have good relationship to business society, this could make promotion more effective

As point of services

FI has strong intention to keep relationship with their existing and potential customer

As Business Development Facilitator

With support from JCM FI could play a good match maker between Japan & Indonesian company to form a consortium.

As Channeling Agent

Using FI as channel should make administration process more smooth but require significant development to integrate JCM process to their process

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Modes of Financial Support (Some Possibilities)

Grant

Direct grant from Govt of Japan to project participants

Grant through Channel

Payment and transaction of grant through Bank/FI

Grant as Interest Subsidy

JCM will provide FI/ Banks with funds, on the other side they will help JCM achieve Carbon saving target.

Softloan Channeling

With their experience is more effective to mobilize society using FI/Banks organizations.

JCM As a Loan guarantor

In some cases of (ex microfinance: microhydro powerplant) it's difficult to obtain collateral from project participant

