

# 1st Indonesia Clean Energy Finance and Investment (CEFI) Training Week (Bandung, 31 October-4 November 2022)



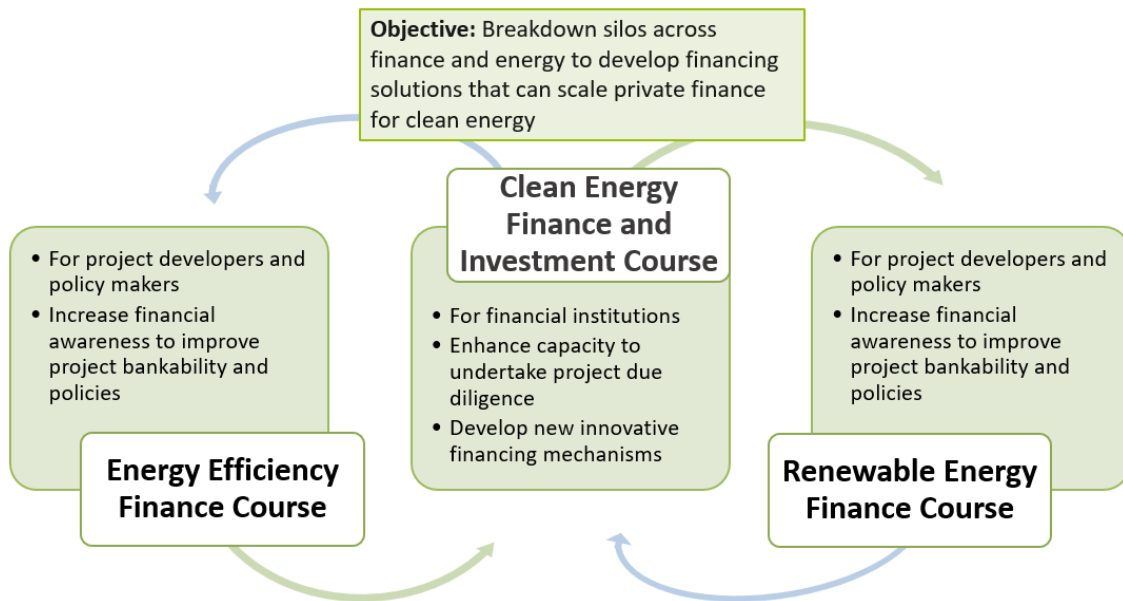
## Background and rationale

To meet Indonesia's 2025 renewable energy (RE) target of 23% share under the National Energy Plan (RUEN) 2017, 45 GW of RE power capacity will need to be in operation by 2025, from just 10.49 GW in April 2021. Although electricity demand has experienced a correction due to COVID-19 and economic conditions that are not as optimistic as the RUEN assumption, the 2021-2030 RUPTL targets an additional 20.92 GW of new and renewables capacity or about 51.6% of the total capacity addition in 2021-2030 period. To help boost investments in renewable energy, there were 75 Power Purchase Agreements (PPAs) for RE power plants with total capacity of 1,573 MW signed between 2017 and 2018. As of February 2021, 27 PPAs (36%) have not reached financial closing, and close to 7% were terminated. In fact, between 2018 and 2020, only a total of 564.89 GW from 13 projects (an average of 188.3 MW) per year have signed PPAs, far lower than previous yearly average of 500 MW per year. For projects that have struggled to reach financial close, the main challenges highlighted include weak financial performance of project developers and low-quality feasibility studies.

A similar if not more difficult situation can be seen for energy efficiency (EE) projects. Although RUEN has identified an average energy savings potential of 17%, implementation falls well short of this target. Knowledge and experience with financing energy efficiency projects among financial institutions is very limited and there is an absence of suitable financing mechanisms targeted towards energy efficiency projects. Energy service companies (ESCOs) have failed to develop as suitable regulation has yet to be implemented; hence, financing ESCO projects is even more challenging.

To overcome the challenges of clean energy finance and investment, it is essential for clean energy project developers, as well as government officials supporting renewable energy and energy efficiency development, to improve their knowledge of financial markets. At the same time, domestic financial institutions need to improve their understanding of the RE and EE industry to support the clean energy transition and help Indonesia achieve its sustainable finance objectives. This includes working with the government and industry to develop appropriate financial mechanisms and vehicles to increase the flow of funds to clean energy projects. This is also in line with Indonesia's OECD Clean Energy Finance and Investment Policy Review recommendation to consider a more integrated approach to training programs. OECD CEFIM, with MEMR's HR Development Agency, RE and EE Training, and Financial Service Authority (OJK) were agreed to co-organize a Clean Energy Finance and Investment training program. RE and EE project developers, policymakers, and financial institutions will participate in the training. This is a 3-year annual training week with the training of trainer's session held in Year 3.

To strengthen the delivery of the training program, improve efficiency and reduce overlap, the OECD is working with GiZ CASE and ETP UNOPS to deliver the training under a consortium of development partners.



**Clean Energy Finance and Investment Training Approach**

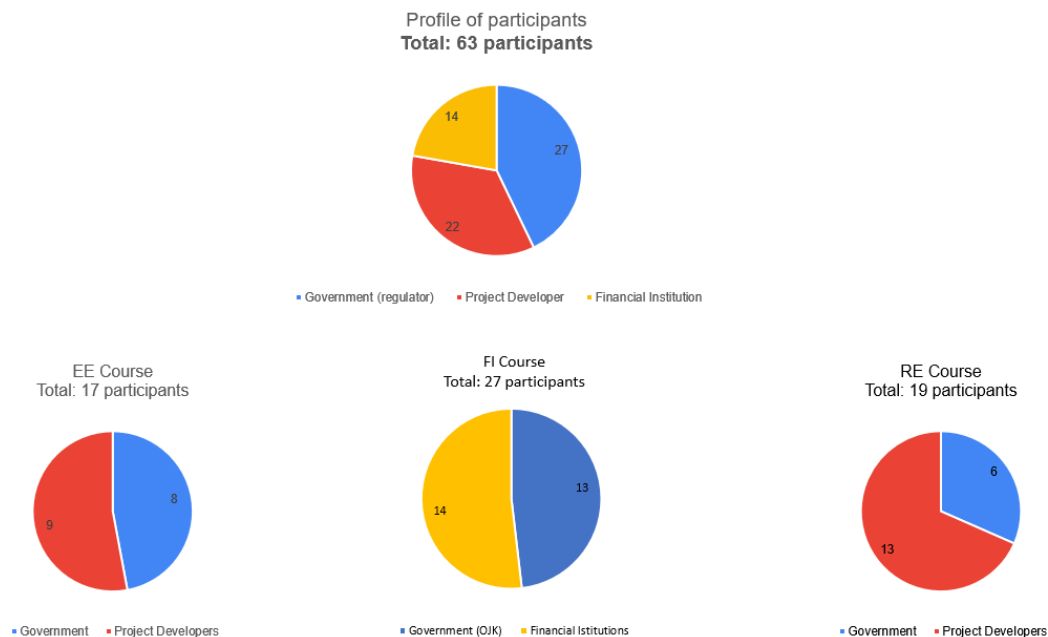
### The 1st training week

The 1<sup>st</sup> training week was conducted on 31 October-4 November 2022 in Novotel Bandung. This is the first training in Indonesia that bring together governments, project developers, and financial institutions in one place to discuss barriers and try to find solutions for clean energy (EE and RE) projects. Sixty-three participants attended the training of 27 governments, 22 project developers, and 14 financial institutions. From the government side, this training week has been attended by key policy-making stakeholders on clean energy development, namely, the Coordinating Ministry of Maritime and Investment (CMMIA), Coordinating Ministry of Economics (CMEA), Ministry of Energy and Mineral Resources (MEMR), Ministry of Development Planning (Bappenas), Ministry of Finance (MoF), Financial Service Authority (OJK), and Ministry of Environment and Forestry (MoEF). On the project developer side, a wide range of project developers, asset owners, and Energy Service Companies (ESCOs) have joined the training.

During training week, international and national trainers delivered the materials, which included: Introduction to EE financing, EE project cycle, EE financing solutions, EE financing solutions for industries, risk management in EE financing, EE financing for financial institutions, financial analysis of RE project, financial instrument and de-risking for RE project, structure and risk allocation of the power purchase agreement (PPA), RE financing agreement structure, and the introduction to the RETscreen software.

Besides providing capacity building to fill the knowledge gap of those three core stakeholders, this training also offers a unique platform for networking to facilitate the development of partnerships, share experiences, and develop new ideas to support innovative financing solutions for clean energy

projects. WhatsApp groups have been created to enable information sharing among participants of the 1<sup>st</sup> training week. Site visits to the RE and EE projects were also performed to give participants actual exposure to RE and EE Projects. To our knowledge, this training is also one of the few, including the projects pitch session where 2 EE and 2 RE-selected project developers presented their projects to the financial institutions to get feedback to improve project bankability.



Participants of 1<sup>st</sup> Indonesia training week

## Key Messages

Designed as a unique platform to facilitate discussion and find the solution for clean energy development, the 1<sup>st</sup> training week manages to explore the key messages from the participants as follows:

- A common template of project appraisal in RE and EE projects must be developed and agreed upon by financial institutions and project developers to achieve a common understanding among parties. In this case, regulators (OJK and ESDM) may take a role to facilitate the process.
- The development of an energy-efficient technology list for financing covering the description of the technology, potential saving, sector of implementation, annual monetary saving, payback period, capacity, etc., would increase the confidence of financial institutions to finance the projects.

## Selected photos of the event



## Contact

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