

Mitigating Exploration Risk

Experience in Indonesia



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Outline

Background

- Geothermal Development – Status
- The Bottle Necks

Geothermal Fund Facility

- Objectives
- Scheme
- Current Status

Challenges in Executing GFF

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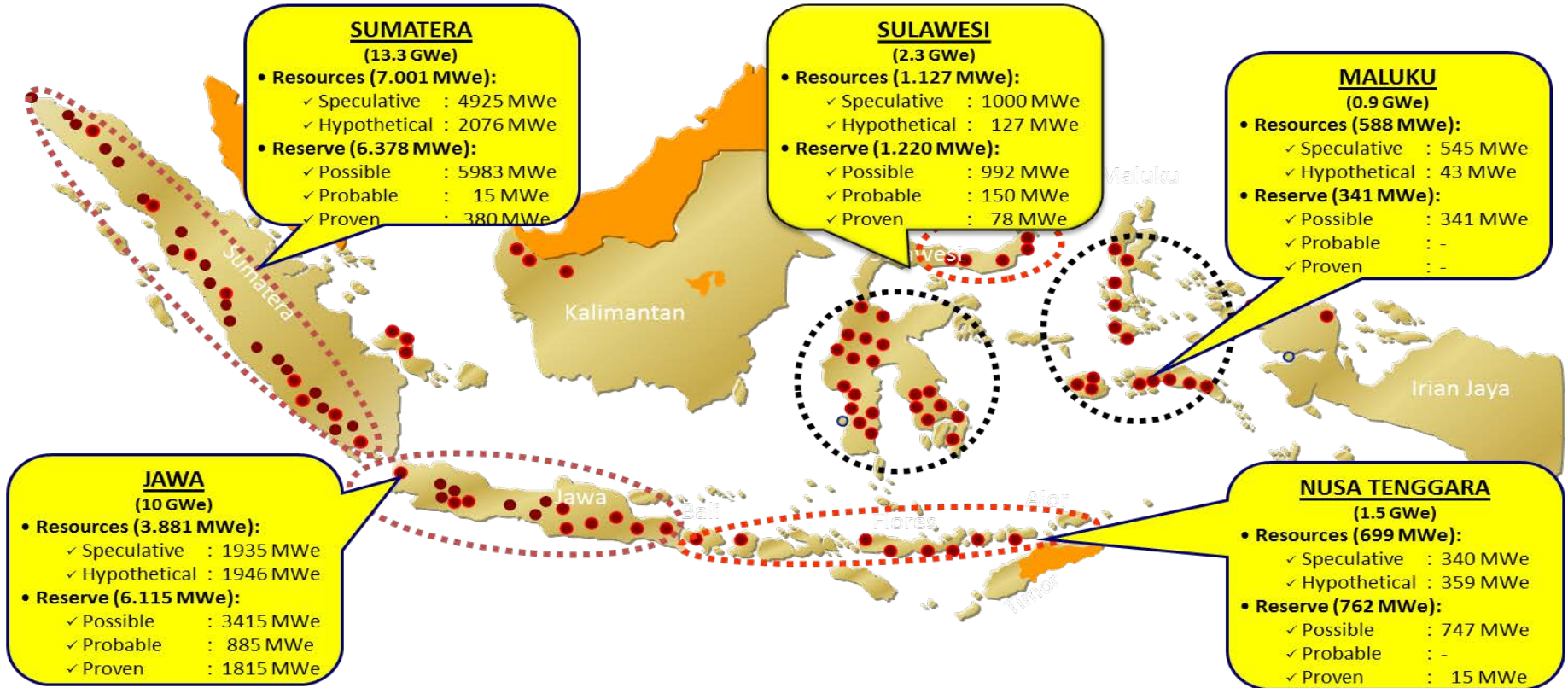
Moving Forward

- Strengthening Loan Scheme
- Step by step IPP tendering





Geothermal Development



High temperature geothermal zone, large potential, and found many other types of energy



High temperature geothermal zone, large-small potential, and lack of other energy types



Low-temperature geothermal energy zone, small-medium potential, and lack other types of energy



The Bottle Necks

- Government's target in 2025 : 9500 MW, until now only \pm 2000 MW achieved
- Reasons:
 - Government did not involve in exploration risks
 - IPP tendering without sub-surface data (no proven capacity) data
 - As a project finance , facing difficulties to reach financial close





Geothermal Fund Facility

Definition

- intended to fund geothermal exploration that provides sub-surface data before tendering process

Regulation

- MOF Decree No. 3 Year 2012

Objective

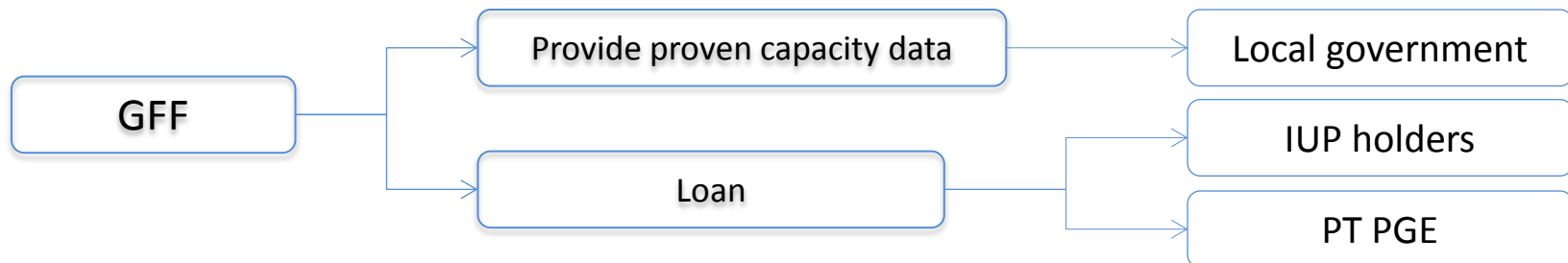
- Increase the contribution of renewable energy resources, especially geothermal energy in the energy mix
- to make the geothermal project become financially viable and bankable by providing exploration data which is verified a reputable international institutions

Eligibility

- For local government to increase the data sufficiency of geothermal working areas before tendering
- Loan for geothermal developers to do exploration

Size & Executing Agency

- Rp 3 Trillion in 2013, managed by Government Investment Unit (PIP)





Challenges

- PIP lacks on experience and capacity to execute GFF
- Regulation did not support if government involves in exploration risk
- Many believes that higher price will compensate exploration risk

Current Status:

- A new regulation stipulated ignoring GFF for local governments
- Regulation of GFF should be amended in the near future



Moving Forward...

- In short term: focusing GFF to the loan scheme for developer including risk sharing mechanism
 - Government will cover a part of risk particularly if exploration fails
- In medium or long term: IPP project will be tendered step by step
 - First step: Developer will do exploration using risk sharing mechanism
 - Next step: if exploration success, IPP development will be done by the developer or consortium

*Thank
you*



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