

Lesson Learned of Project Finance in Indonesia as a Realization of Sustainable Finance

*Strategic Partnership for Supported NAMAs and Climate Finance Support to the
Indonesia Climate Change Trust Fund/ Indonesian NAMAs Financing Support
(INFIS)*

National Long
Term
Development
Plan (RPJN 2005 –
2025)

Green and sustainable development pathway

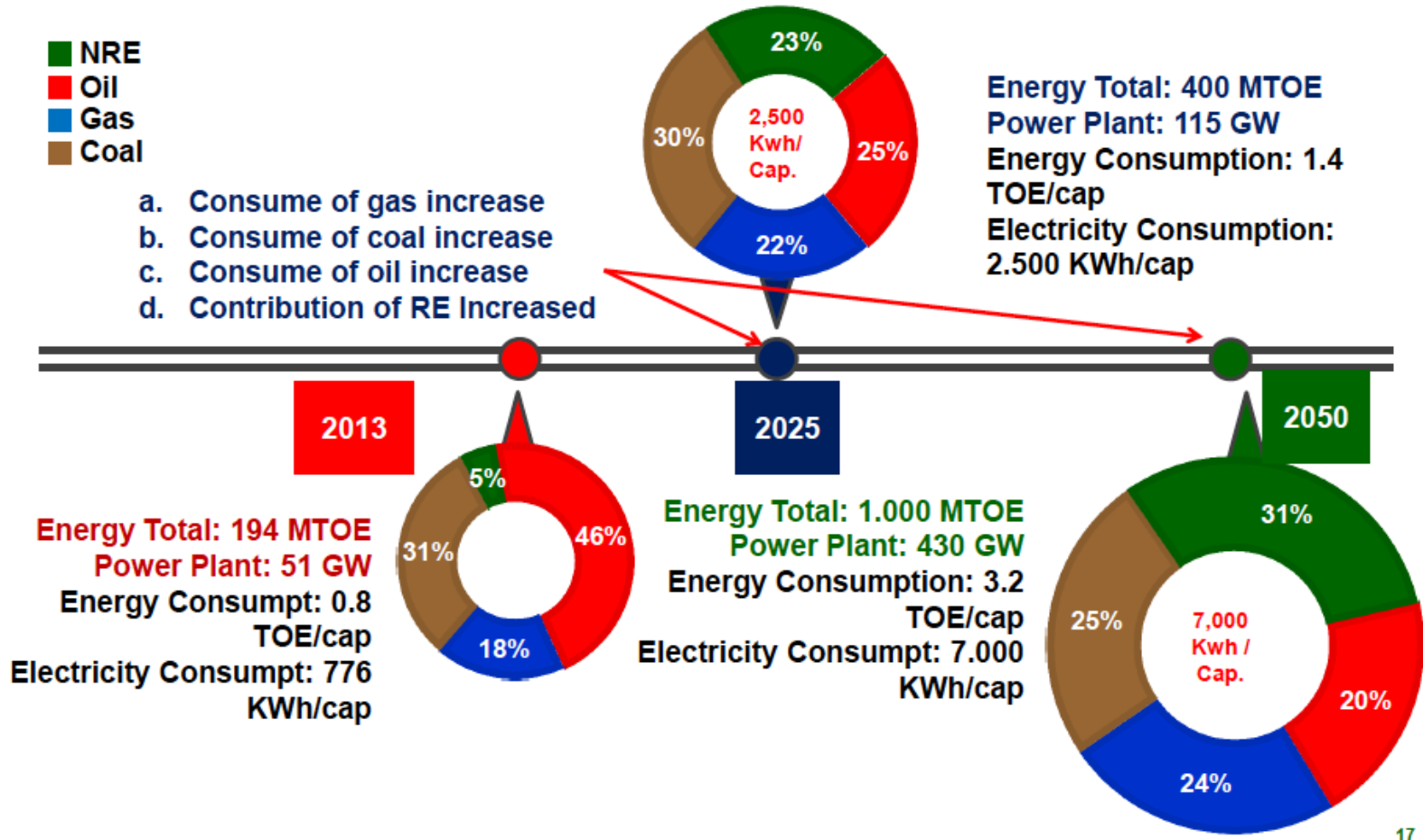
Annual investment needed US\$300 – US\$530

Critical
infrastructure

Environment Area:
Agriculture, Forestry,
Energy, Mining, and Waste

Energy Sector and National GHG Emission

ENERGY MIX TARGET TO 2050



Lesson Learned of RE Financing in Indonesia

Lesson learned from 8 banks of *First Mover Sustainable Finance*

- Indonesia banking sector has not applied a full project finance
- No specific product of project finance as a financing scheme
- Corporate finance is preferable
- Financial capacity and experience of sponsor plays crucial role

Lesson Learned of RE Financing in Indonesia

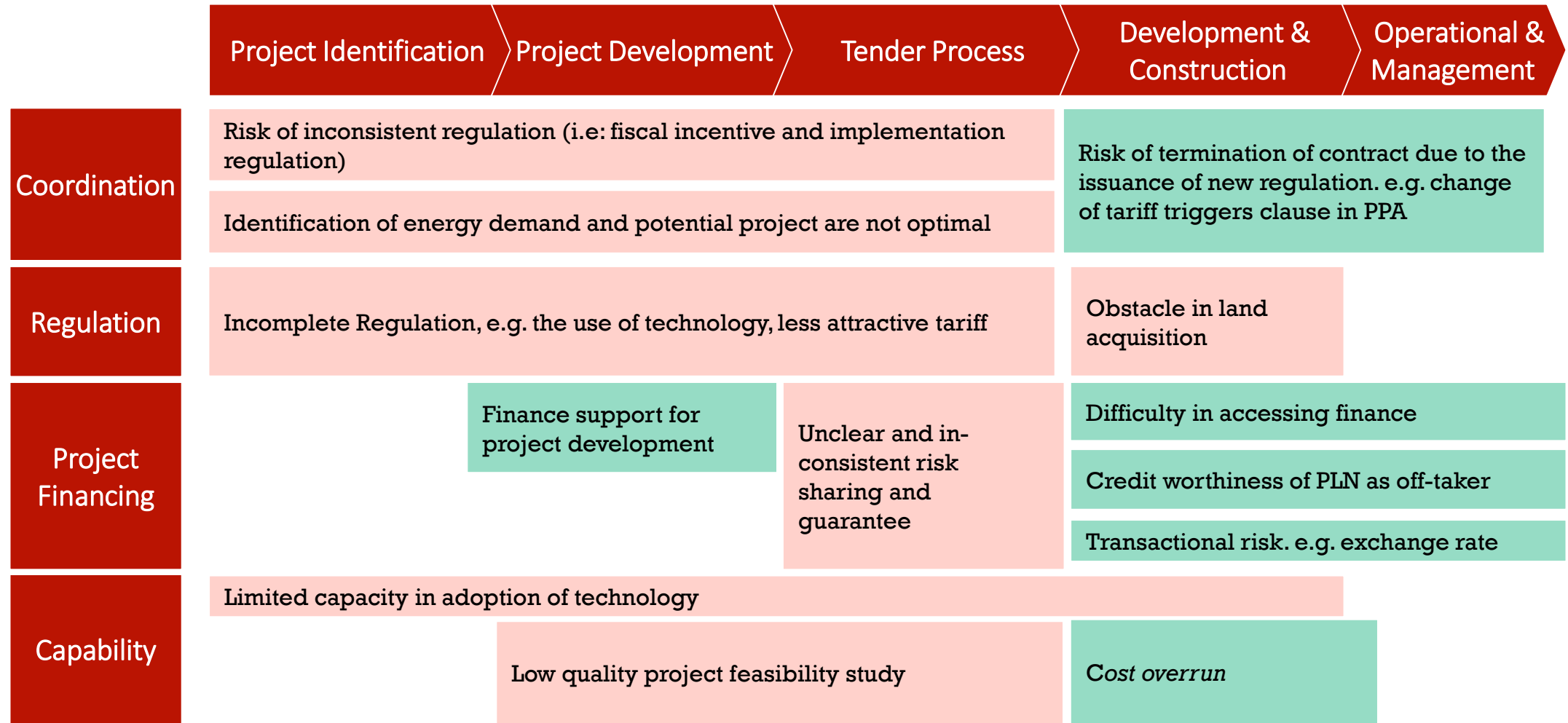
Banks that apply project finance:

- Loan is given to sponsor, not the SPV
- Sponsor to provide a commitment of stand-by financing to anticipate cost overrun or other possible causes
- Collateral: corporate guarantee or letter of undertaking from sponsor(s)
- Work with qualified consultant and/or contractor, supplier for risk mitigation
- Financing green infrastructure is still considered risky

Regulation Framework

- No regulation prohibiting or limiting banks to implement project-based financing/ project finance
- However, existing regulation framework is developed based on corporate-based financing

Institutional Risks and Challenges in RE Development



Identified Enabling Environment

- Insurance to mitigate risks
- Availability of Bankable projects
- Certainty in regulation (energy sector)
- Available best practice

- Adjustment of regulation framework to support project finance (credit guideline, risks management, securitization)
- Capacity building for banks (technical assistance, pilot project, guideline, etc.)
- Guarantee instruments
- Renewable energy credit line
- Development of bankable projects pipeline
- Standardized competency and supporting service

Strategic Partnership for Supported
NAMAs and Climate Finance –
Support to ICCTF (BMUB-ICCTF)
Indonesian NAMAs Financing
Support (INFIS)

Sonny Syahril
Wisma Bakrie 2, 5th Floor
ICCTF/INFIS Room
Jl. HR. Rasuna Said Kav.B-2
Jakarta 12920
T +62 21 5793 2691
F +62 21 5793 2693
sonny.syahril@giz.de

Thank You