

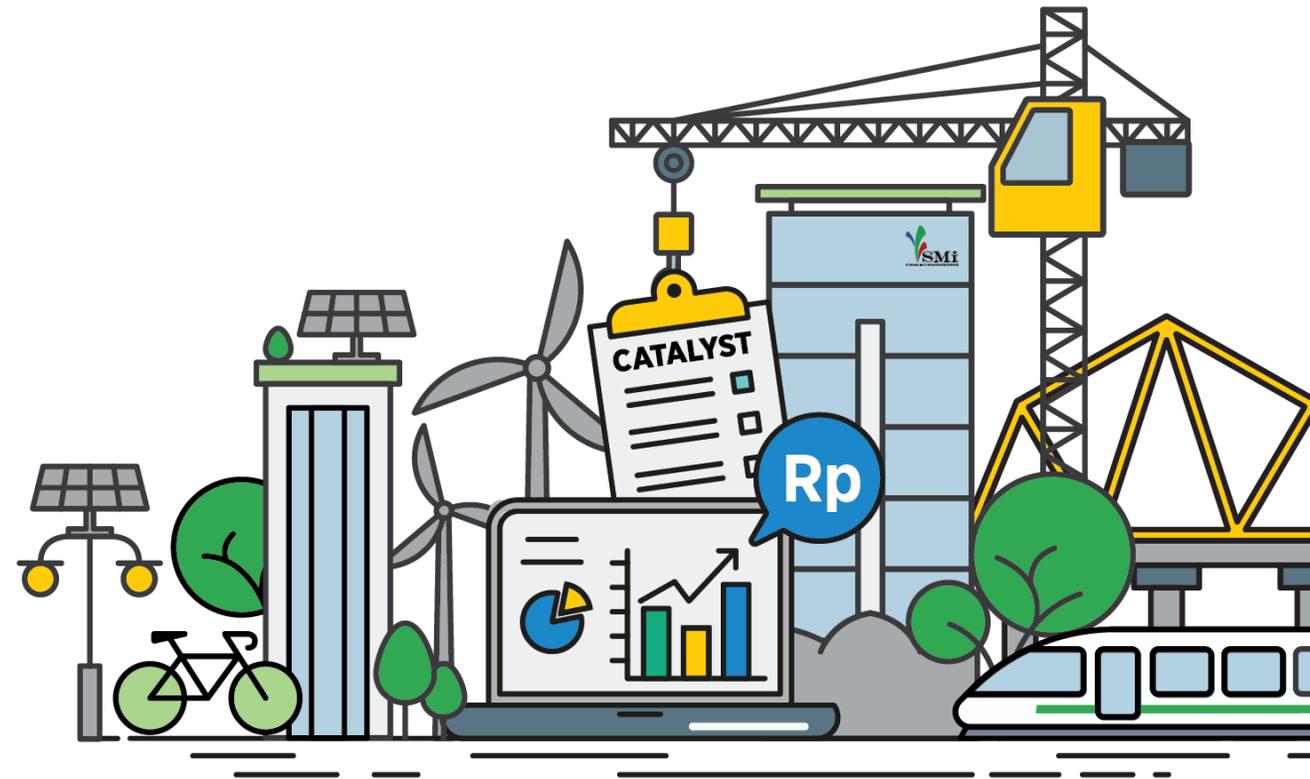
# PT SMI's Role as the Intermediary to Facilitate Investors and Financiers in Advancing Indonesia's Renewable Energy Development

For China RE Invest Indonesia 2024

**Sylvi J. Gani**

*Director of Financing and Investment*  
PT Sarana Multi Infrastruktur (Persero)

1 April 2024



# PT SMI is one of Special Mission Vehicles of the Indonesian Government Responsible to Accelerate the Infrastructure Development in Indonesia



PT Sarana Multi Infrastruktur (Persero) (“PT SMI”) was established in 2009 as a State-Owned Enterprise under the Indonesian Financial Service Authority Regulation Number 46/POJK.05/ 2020 on Infrastructure Financing Companies.

## Structure of PT SMI



Government of Indonesia

### Shareholder

Ministry of Finance  
Republic of Indonesia

100%



30%



## Vision

“To be an Agent of Sustainable Development to Increase the Welfare of the Nation”

## Mission

1. To be a strong catalyst in increasing the welfare of the nation.
2. To be a trusted partner in realizing the inclusive and sustainable development aspirations of the nation.
3. To be a leading driver in accelerating infrastructure development.

PT SMI carries the duty of supporting the Government’s infrastructure development agenda for Indonesia through partnerships with private and/or multilateral financial institutions including in Public-Private Partnership (PPP) projects.

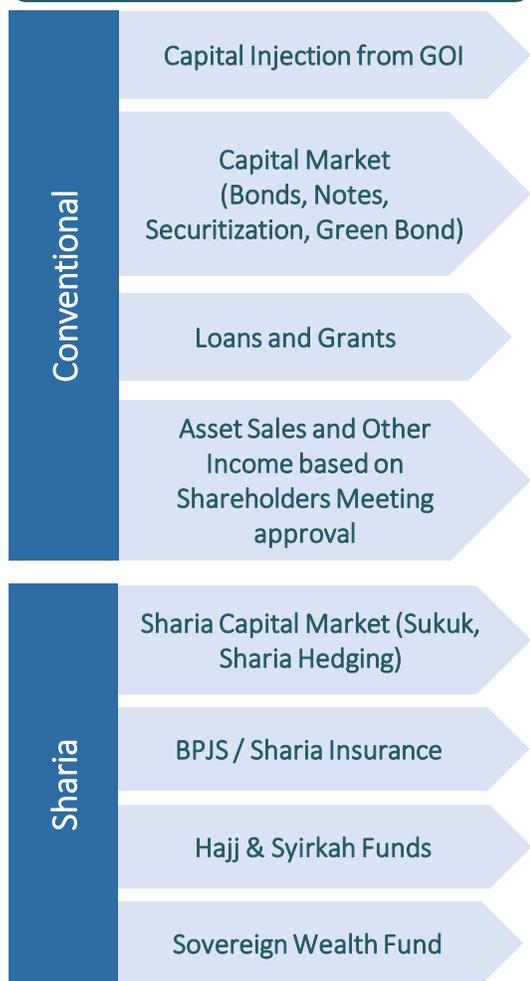
PT SMI has received an additional mandate given by The Government of Indonesia through Government Regulation (PP) Number 53 of 2020.

# PT SMI Offers Complete Infrastructure Development Solutions through its Three Core Business Pillars



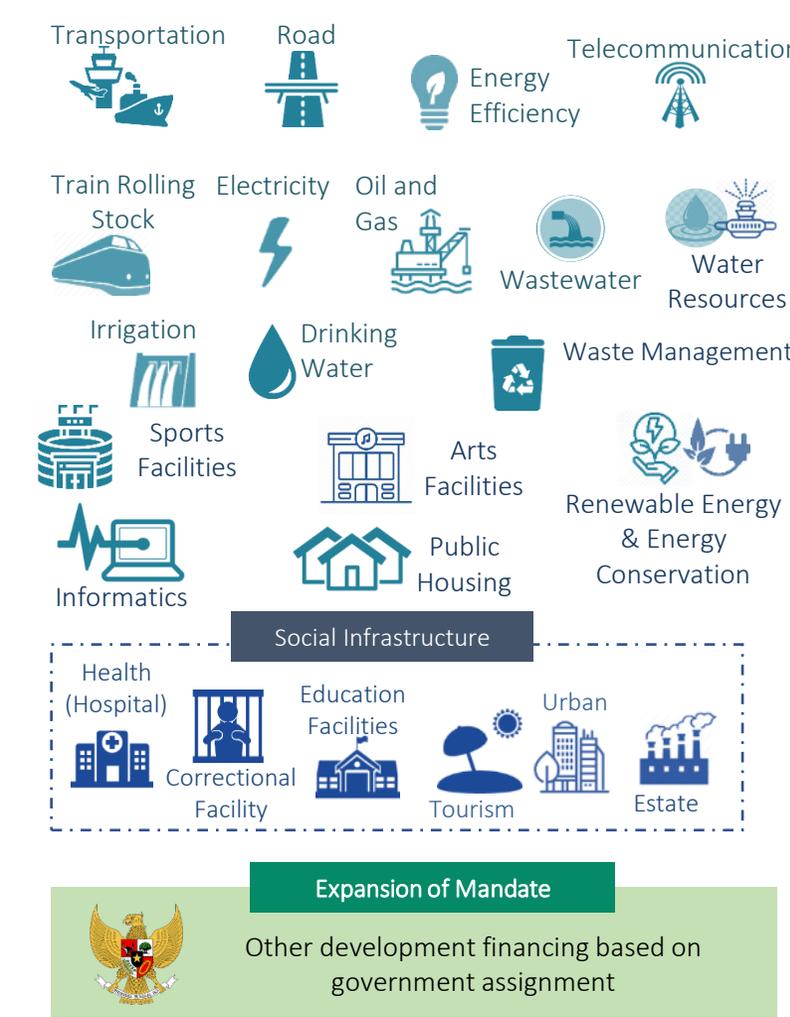
## PT SMI Business Pillars

### Source of Funds



Pillar #1	Pillar #2	Pillar #3
<b>FINANCING &amp; INVESTMENT</b>	<b>ADVISORY SERVICES</b>	<b>PROJECT DEVELOPMENT</b>
<b>Commercial &amp; Sustainable Financing</b> <ul style="list-style-type: none"> <li>• Senior loan</li> <li>• Junior Loan</li> <li>• Mezzanine</li> <li>• Cash Deficiency Support</li> <li>• Bridging Loan</li> <li>• Equity Investment</li> <li>• Arranger &amp; Underwriter</li> <li>• Credit Enhancement</li> <li>• Standby Financing</li> <li>• Funds Management</li> </ul>	Financial Advisory	PPP Project Development
<b>Sharia Financing</b> <ul style="list-style-type: none"> <li>• IMBT/ Lease with Option to Own</li> <li>• Murabahah/Installment Sale with Deferred Payment</li> <li>• MMQ/Diminishing Partnership</li> <li>• Musyarakah/Joint Partnership</li> <li>• IMFZ/Indent Lease with Option To Own</li> </ul>	Investment Advisory	Fund Management for Geothermal Infrastructure Development
<b>Public Sector Financing</b>	Financing Arranger	Renewable Energy Project Development & Energy Efficiency
	Investment Advisory & Financial Advisory (Sharia)	Project Preparation for Municipal Financing
		Capacity Building and Technical Assistance

### Sectoral Focus



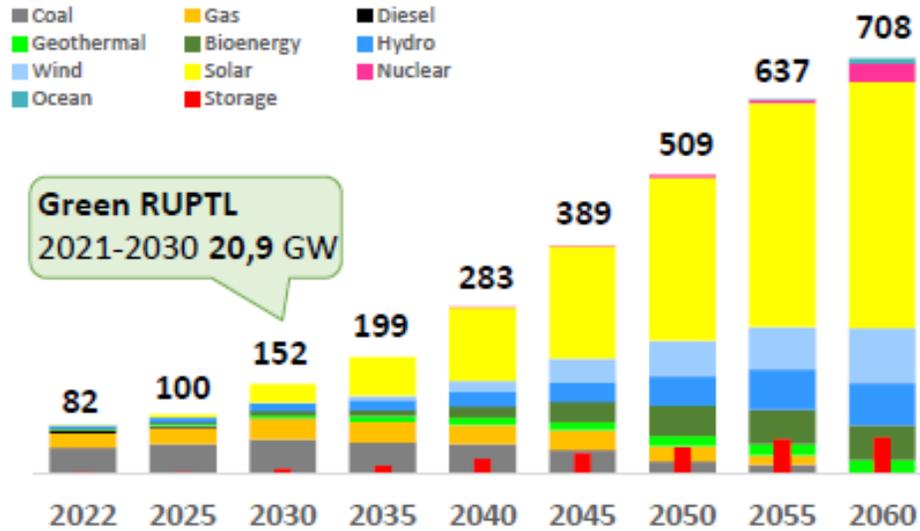
IMBT= Ijarah Muntahia Bittamlik

MMQ= Musyarakah Mutanaqisah

IMFZ= Ijarah Mausufah Fiz Zimmah

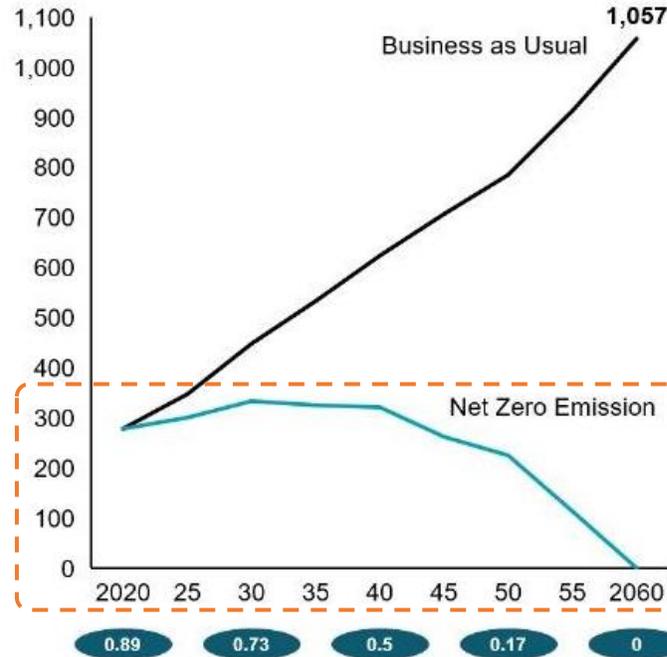


# Green RUPTL and Zero Carbon Emission 2060



Projected CO<sub>2</sub>e reduction from the Energy Sector through NZE

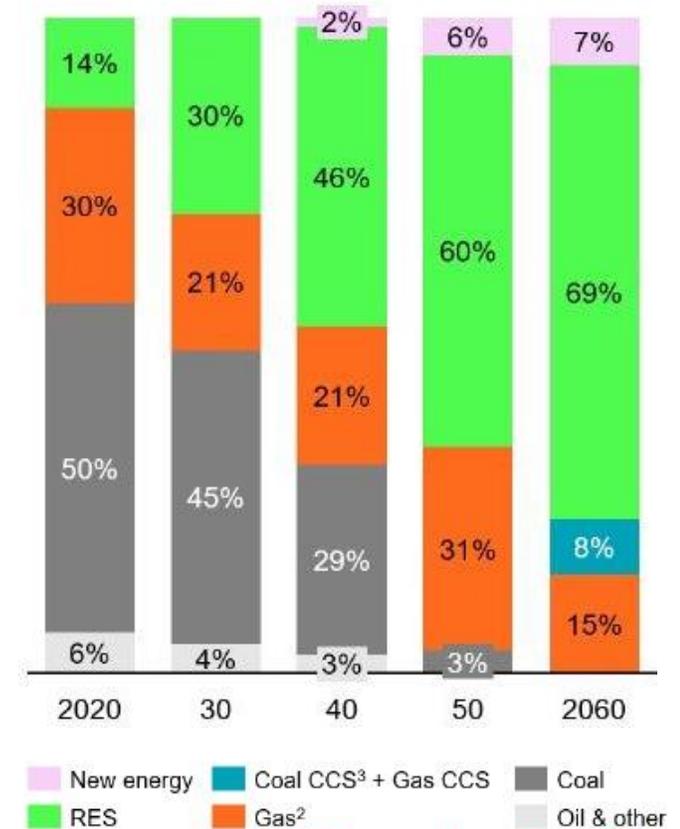
million tCO<sub>2</sub>e/year



The installed capacity of renewable energy in 2060 will be around 708 GW from a potential of 3,689 GW.



## Capacity share by technology for net zero scenario, %



Source: PT PLN RUPTL

# The Role of PT SMI in Climate Change and Energy Development Finance

PT Sarana Multi Infrastruktur (Persero) was established in 2009 as a State-Owned Enterprise under the Ministry of Finance. PT SMI's business activities are regulated in the Financial Services Authority Regulation ("POJK") No. 46/POJK.05/2020 concerning Infrastructure Financing Companies



## PT SMI Product on Energy Transition



### Financing & Investment

- Green Loan
- Co-Financing Loan Facility
- Bilateral Loan Facility
- Syndicated Loan Facility
- Sustainability Linked Loan
- Equity Investment



### Project Development

- Geothermal Fund (PISP)
- Grant for Project Development Support
- Green Climate Fund (GCF)-Project Preparation fund



### De-Risking

- Investment Grant
- Reimbursable Grant for Geothermal
- Credit enhancement for Bonds



### Partnership

- Energy Transition Mechanism (ETM) Country Platform
- SDG Indonesia One Blended Finance Platform



### Innovation

- SMI Institute

**PT SMI has been assigned by Government of Indonesia as a Country Platform Manager for Energy Transition Mechanism in Indonesia**

# Highlight of Energy Transition Mechanism Country Platform 2023

## Implementing Regulation

- 1** Ministry of Finance Decree (KMK) No. 275/KMK.010/2022
- 2** Ministry of Finance Regulation (PMK) No. 103/2023
- 3** Ministry of Finance Decree (KMK) No. 470/2023

### Mandate

### Deliverables



Coordination Between Stakeholder in Energy Transition



**ETMCP- GFANZ - SOE Investment Roundtable**  
27 February 2023



**5th FGD on Energy Transition Mechanism**  
20 March 2023



**ETM – JETP Roundtable Discussion**  
13 November 2023

*PT SMI also attended 12 coordination events hosted by stakeholders*



Comprehensive Studies on Energy Transition



**Transition and Repurposing of CFPP Pelabuhan Ratu Report**  
September 2023



**Submission of Feedback to OJK Sustainable Taxonomy**  
September 2023



**Analysis of ETM Narrative**  
December 2023



Exploring Source of Fund for Energy Transition



**Submission of Government Investment Operator (OIP) Proposal**  
February 2023



**Comprehensive Investment and Policy Plan JETP**  
November 2023



Providing Support for Energy Transition Projects



**2 Project Development**

- PS Hydro Grindulu
- PS Hydro Sumatera



**Green Loan to PLN**  
IDR 2 Trillion / USD 131 million



**Equity Investment (ETM)**

- Cirebon CFPP
- Pelabuhan Ratu CFPP



Strategic Partnership with Third Party in Energy Transition



**TONY BLAIR INSTITUTE FOR GLOBAL CHANGE**  
Feb 2023

**MUFG**  
Feb 2023



**AIB**  
Sept 2023



**PLN Enjiniring**  
Nov 2023



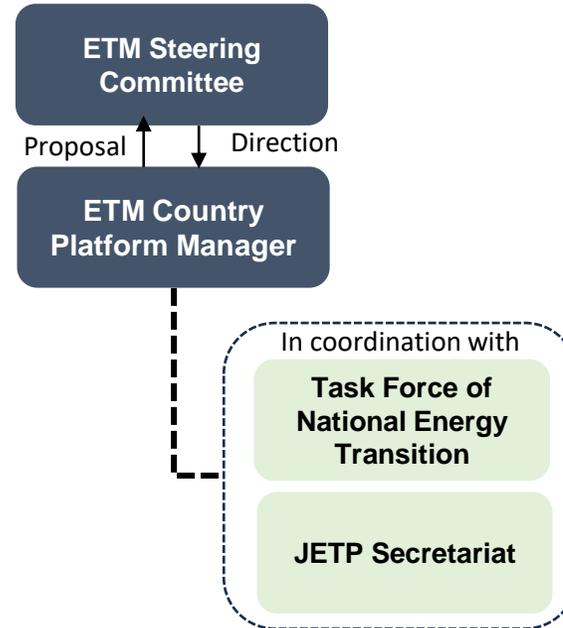
**ENERGY TRANSITION PARTNERSHIP**  
Dec 2023

# ETM Country Platform Manager Focus Program in 2024

## ETM Country Platform Supporting Transition Asset Class

-  Coal Phasing Out
-  Renewable Energy Acceleration
-  Transmission Line
-  Energy Efficiency
-  Carbon Removal

## ETM Country Platform Governance

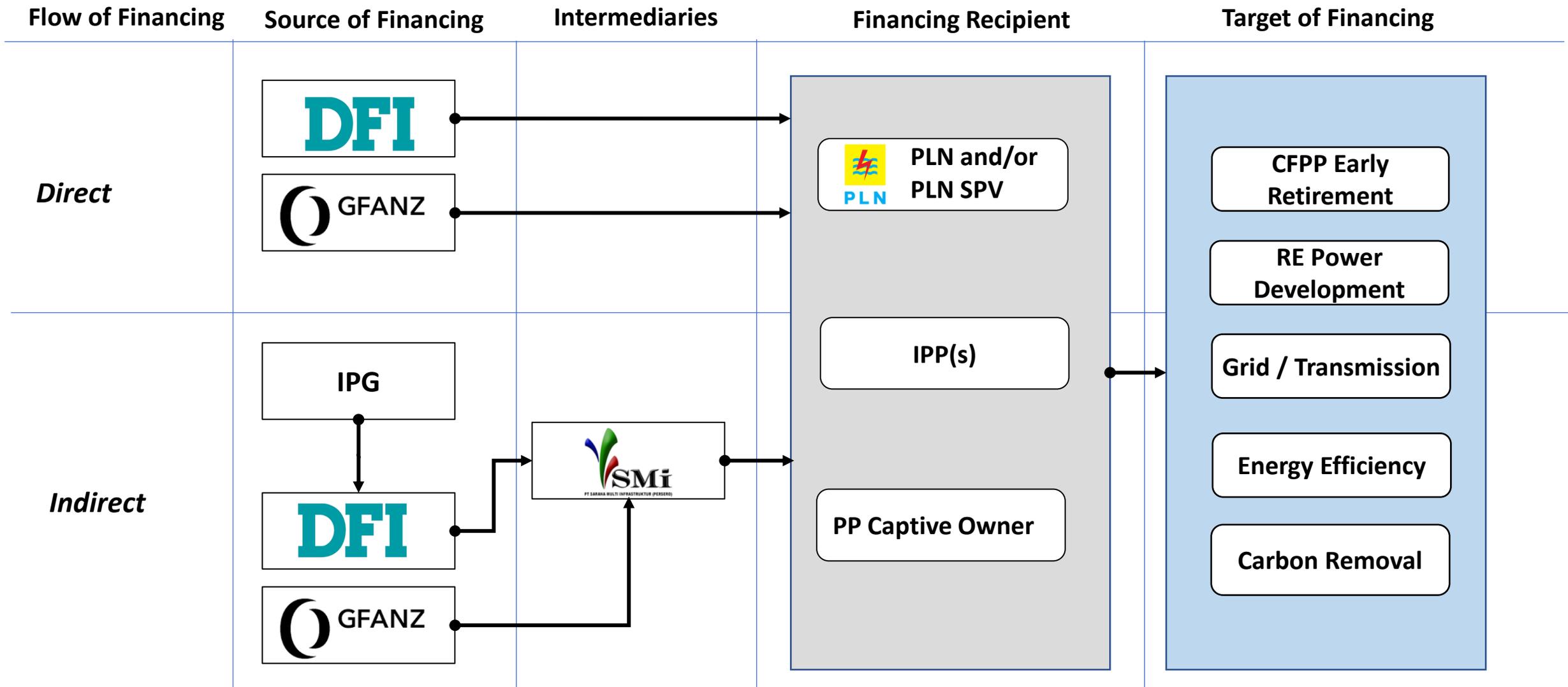


## ETM Country Platform Seeking Blended Source of Fund

-  Government Fund (Concessional Loan)
-  Bilateral / Multilateral (Loan)
-  Donor / Philanthropist (Grant)
-  Sovereign Wealth Fund (Equity)
-  Capital Market (Bond)

<b>Enablers 2024</b>	<b>Framework</b>	 Socio Economic Framework	 Just Transition Framework
	<b>Product Development</b>	 Carbon Finance (Debt to Carbon Swap)	 Trust Fund Establishment
	<b>On Going Initiatives</b>	 Cirebon CFPP	 CIF - REI Proposal  GCF Proposal
	<b>Operational</b>	 Establishment of ETM Secretariat under ETM Country Platform Manager	

# Financing Modalities to Support Energy Transition



Source: JETP, PT SMI



# Working Together with Strategic Partners for Energy Transition and SDGs Achievement in Indonesia

Collaborative Actions to Maximize Impacts



## Energy Transition Mechanism (ETM) Country Platform Partners



## National Accredited Entity Partner



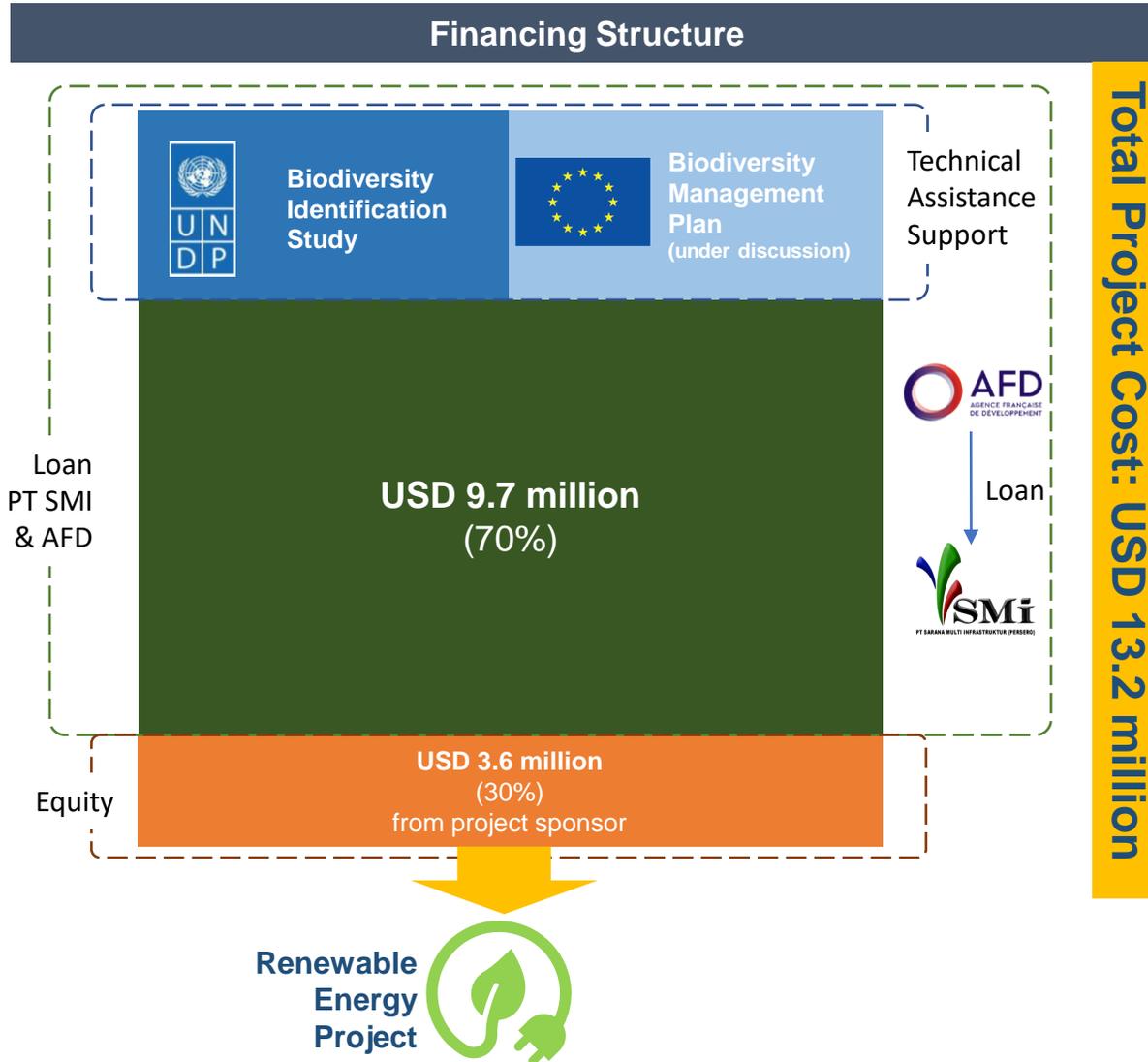
## SDG Indonesia One Blended Finance Platform Partners



Partners under SDG Indonesia One could be classified in some facilities such as Development Facilities, De-risking Facilities, Financing Facilities and Equity Fund.

# Collaboration Between PT SMI and AFD Development Bank

Technical Assistance for Biodiversity Management Plan in the Blended Finance Structure



**Project Profile**

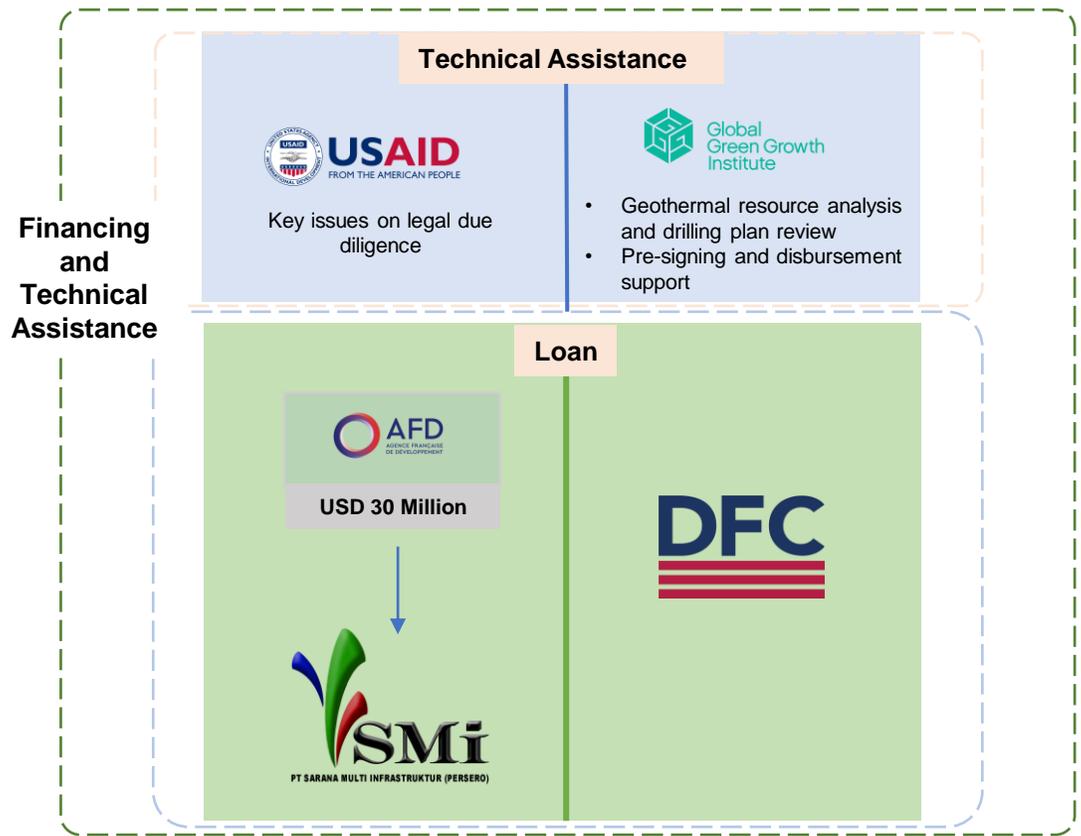
<b>Project Name</b>	Mini Hydro Power Plant in Sumatra
<b>Facility Type</b>	Senior Term Loan Facility
<b>Cost of Project*</b>	USD 13.2 million
<b>Commitment*</b>	USD 9.7 million
<b>Output</b>	Mini hydro generates electricity with capacity 2 x 3.5 MW
<b>Tenor</b>	10 years and 9 months
<b># of SDG</b>	



\*) USD equivalent assumption USD 1 = Rp 14.883 (June 2022)

# Collaboration through Blended Finance in Renewable Projects Potential (Geothermal)

## Financing Structure



Financing and Technical Assistance

## Project Profile

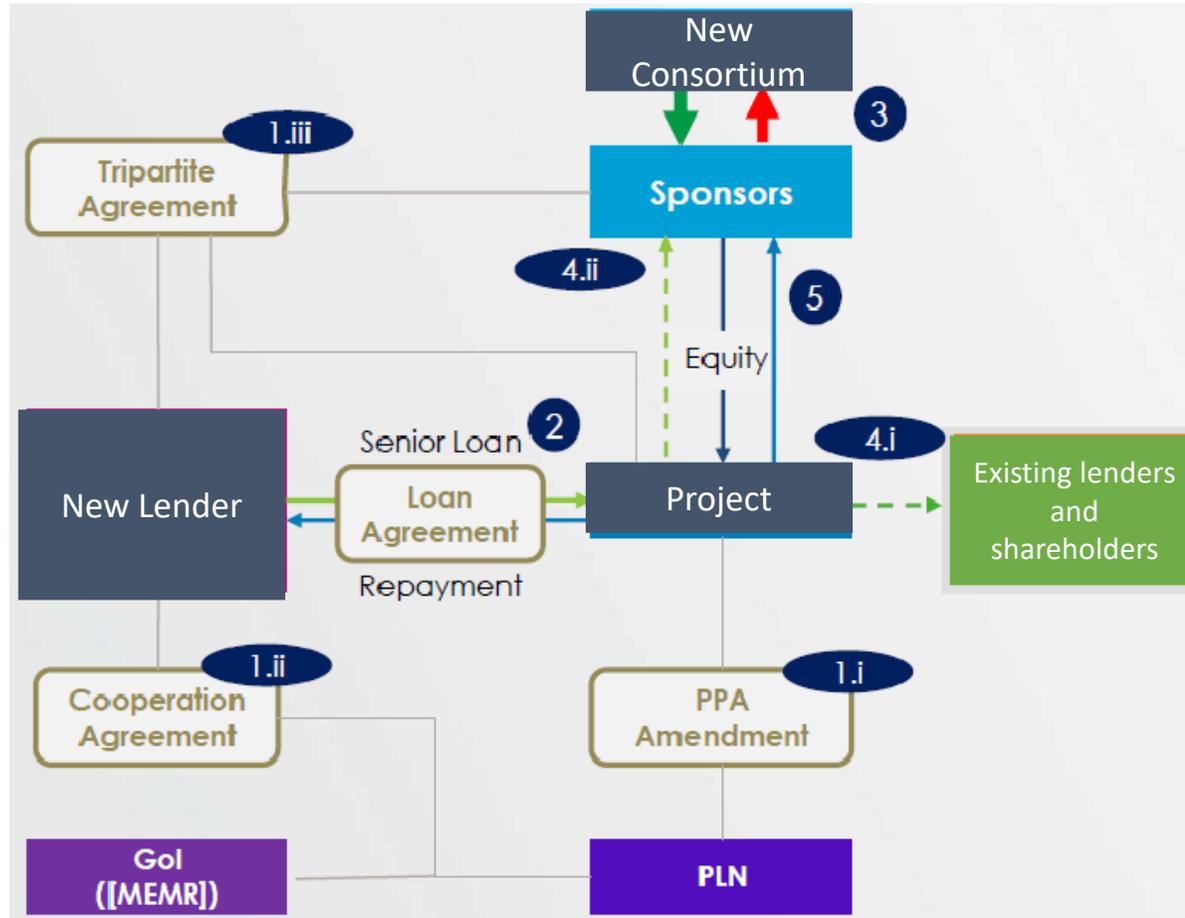
<b>Project Name</b>	Geothermal Power Plant 31,4 MW in Java
<b>Facility Type</b>	Loan and Technical Assistance
<b>Project Value</b>	USD 227,000,000
<b>PT SMI's Commitment</b>	USD 70,000,000
<b>Output</b>	Potential provision of renewable energy through geothermal
<b>Support from SDG Indonesia One Partners</b>	<ul style="list-style-type: none"> <li>• <b>AFD:</b> Loan (With allocation to project of USD 30,000,000)</li> <li>• <b>GGGI:</b> Technical Assistance (Geothermal resource analysis and drilling plan review, pre-signing and disbursement support)</li> <li>• <b>USAID- SINAR:</b> Technical Assistance (Key issues on legal due diligence)</li> </ul>



**GEO THERMAL PROJECT (31.4 MW)**



# Transaction Overview for CFPP Early Retirement



## Transaction Overview

1. Early retirement of the CFPP will be contractually agreed through:
  - i. PPA amendment, to reduce PPA tenor
  - ii. Cooperation agreement (New Lender, PLN, MEMR)
  - iii. Tripartite agreement (Project, Sponsors, New Lender)
2. New lender provides senior debt to project company
3. Consortium to conduct share purchase transaction
4. New lender loan proceeds to be used for:
  - i. Prepayment of existing lenders
  - ii. Payment of a special dividend to shareholders
5. Project continues to operate the CFPP and shareholders receive residual cash flows until the end of shortened PPA tenure

## Showcase ETM Country Platform: Cirebon CFPP Early Retirement



<b>Capacity</b>	<b>660</b>	<b>MW</b>
<b>Tariff (Stage 3)</b>	<b>5.03</b>	<b>Cent\$/kWh</b>
<b>Emission Intensity</b>	<b>919.68</b>	<b>Kg/MWh</b>
<b>Natural Retirement Date</b>	<b>July 2042</b>	
<b>Early Retirement Date</b>	<b>December 2035</b>	

Early Retiring CFPP Cirebon Unit 1 from December 2035 until July 2042 will cause:

<b>Capacity Shortage</b>	<b>660</b>	<b>MW</b>
<b>Energy Shortage</b>	<b>31</b>	<b>TWh</b>
<b>Emission Reduction</b>	<b>28.47</b>	<b>Mton</b>
<b>Coal Demand reduction</b>	<b>15.3</b>	<b>Mton</b>

# Challenges and Alternative Solutions for the Development of Transition Asset Class

Transition Asset Class	Challenges	Possible Solutions
Coal Phasing Out 	<ul style="list-style-type: none"> <li>Potential opportunity cost from retiring coal power plants</li> </ul>	<ul style="list-style-type: none"> <li>Increase the availability of concessional financing</li> <li>Potential monetization from carbon credit</li> </ul>
Renewable Energy Acceleration 	<ul style="list-style-type: none"> <li>Project readiness (need for feasibility study, due diligence)</li> </ul>	<ul style="list-style-type: none"> <li>Provide support for project development</li> <li>Provide de-risking instrument for catalyzing private sector investment</li> </ul>
Transmission Line 	<ul style="list-style-type: none"> <li>Technical challenges due to Indonesia's topography</li> <li>Financing modalities of transmission line financing</li> </ul>	<ul style="list-style-type: none"> <li>Provide capacity building for project owners and the manpower</li> <li>Explore more financing modalities including PPP to finance transmission project</li> </ul>
Energy Efficiency 	<ul style="list-style-type: none"> <li>Availability of projects in the market</li> <li>Mostly small-scale projects</li> </ul>	<ul style="list-style-type: none"> <li>Explore different types of business models to increase the investment appetite</li> <li>Provide incentives/benefits for project owners</li> </ul>
Carbon Removal 	<ul style="list-style-type: none"> <li>Reliability of carbon removal technology</li> <li>Carbon buyers availability</li> </ul>	<ul style="list-style-type: none"> <li>Accelerate the investment for carbon removal technology</li> <li>Enhance the potential mechanism for carbon market</li> </ul>

# Thank you,



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