

# INVESTMENT OPPORTUNITY: COMMITMENT TO REPLACE COAL WITH RE

*The second International Virtual Investment  
Forum to Attract South  
Korean Investment in Indonesia's Renewable  
Energy Sector*

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Ministry of Investment / Indonesia Investment Coordinating Board

## THE CLIMATE PLEDGE: COMMITMENT OF 115 MULTINATIONAL COMPANIES TO ACHIEVE NET ZERO CARBON BY 2040

**THE CLIMATE PLEDGE** Current participation: **217** Signatories

*Oldest members:*



**SIEMENS**

Mercedes-Benz



jetBlue

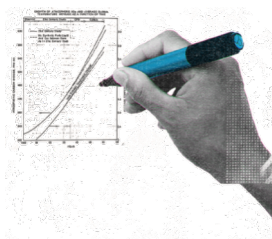
Uber

Unilever

 Microsoft

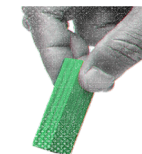
### 3 strategies to achieve 2040 net-zero carbon emissions:

1. **Carbon Elimination:** Implement decarbonization strategies through business change and innovations.



2. **Regular Reporting:** Measure and report greenhouse gas emissions on a regular basis.

3. **Credible offsets:** Take action to neutralize any remaining emissions with additional, quantifiable, real, permanent, and socially beneficial offsets.



# PRIVATE SECTOR TREND (2/2)

## RE100: THE WORLD'S TOP 500 COMPANIES TARGET FOR REDUCING CARBON EMISSIONS

RE100 is the global corporate renewable energy initiative bringing together hundreds of large and ambitious businesses committed to 100% renewable electricity

### 2019 membership

Fortune Global 500 companies with formal climate targets<sup>2</sup>:

163

Countries represented

23

### CLIMATE TARGET TYPE



#### CARBON NEUTRAL<sup>1</sup>

Achieved when a company completely offsets its greenhouse gas emissions.



#### RENEWABLE 100% (RE100)

Achieved when a company relies on 100% renewable energy.



#### SCIENCE BASED TARGETS (SBT)

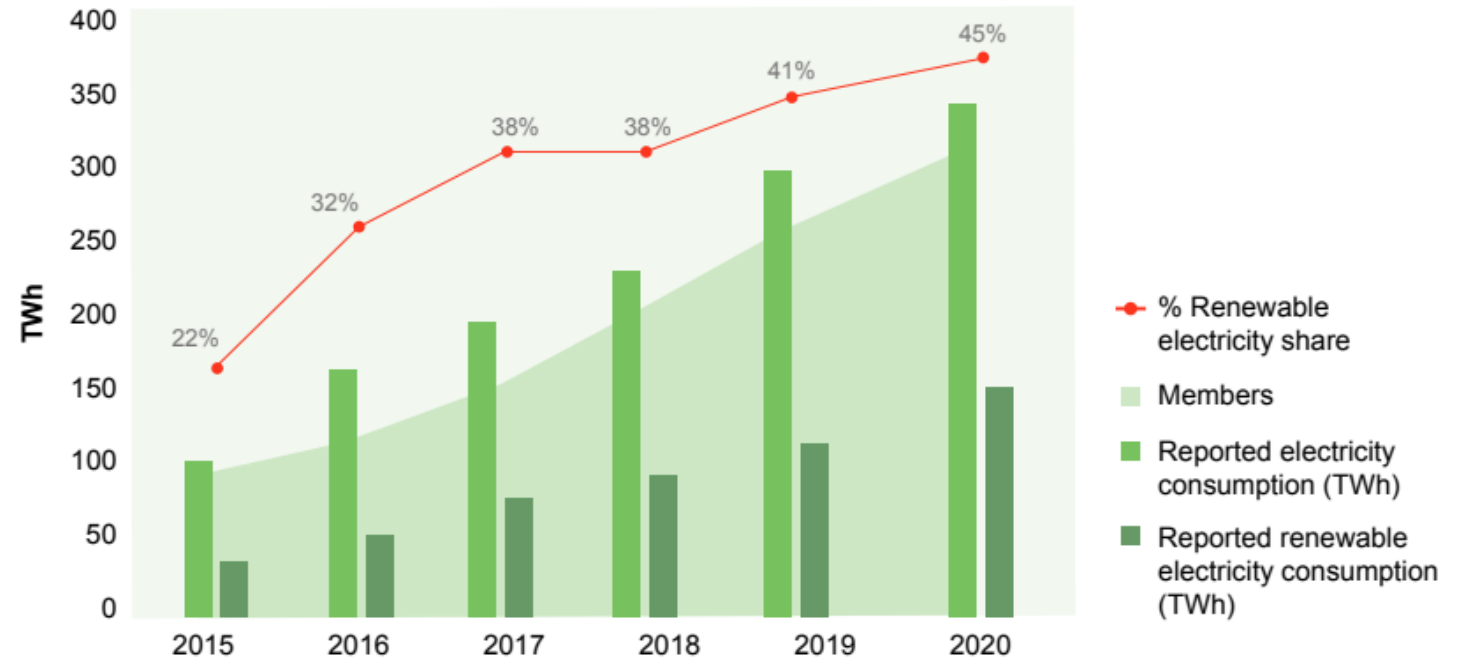
Emissions are reduced in line with the need to keep global warming below 2 degrees Celsius.

<sup>1</sup>Includes commitments to achieving "net zero emissions".

<sup>2</sup>Companies that did not specify a target date were unable to be included in this graphic.

### 2021 Update

RE100's growth in membership numbers, aggregated electricity consumption, and sourcing of renewable electricity



349

### Memberships

members, represent 340 TWh of electricity consumption

45%

### Renewable electricity Consumption

of reported electricity consumption by RE100 members is now renewable, up from 41% (2020)



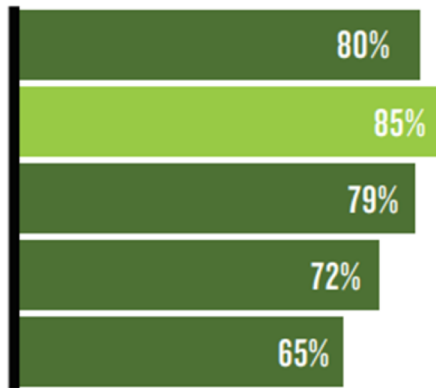
NIELSEN'S GLOBAL SUSTAINABLE SHOPPERS REPORT 2018:  
THE GREAT DEMAND FOR SUSTAINABLE PRODUCTS AROUND THE WORLD

CORPORATE SUSTAINABILITY IN HIGH DEMAND ACROSS GENDER AND GENERATIONS

PERCENTAGE OF RESPONDENTS WHO SAID THAT IT IS "EXTREMELY" OR "VERY" IMPORTANT THAT COMPANIES IMPLEMENT PROGRAMS TO IMPROVE THE ENVIRONMENT

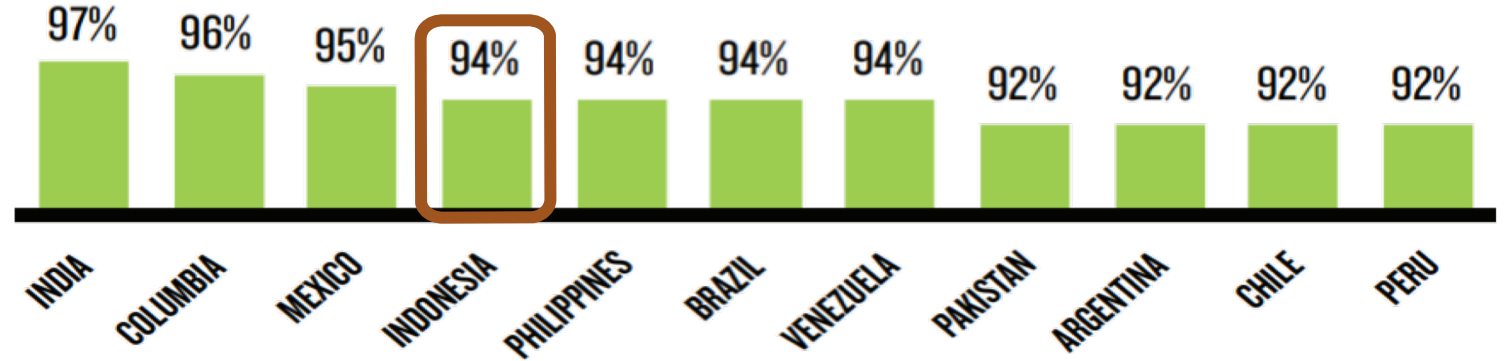


GEN Z  
15 - 20  
MILLENNIALS  
21 - 34  
GEN X  
35 - 49  
BABY BOOMERS  
50 - 64  
SILENT GENERATION  
65+



TOP COUNTRIES WHERE CONSUMERS DEMAND CORPORATE SUSTAINABILITY

PERCENTAGE OF RESPONDENTS WHO SAID THAT IT IS "EXTREMELY" OR "VERY" IMPORTANT THAT COMPANIES IMPLEMENT PROGRAMS TO IMPROVE THE ENVIRONMENT BY COUNTRY



- 81% of global respondents feel strongly that companies should help improve the environment. This passion for corporate responsibility is shared across gender lines and generations.
- The majority (73%) of consumers say they would definitely or probably change their consumption habits to reduce their impact on the environment.
- The most enthusiastic consumers for company-driven environmentalism are the ones from the **emerging market**, many of whom are dealing with environmental hazards in their everyday lives.



CURRENT INISIAIVE - CARBON BORDER ADJUSTMENT MECHANISM (CBAM)

• What is CBAM?

Key policy: the imposition of additional fees on a product to be exported to the European Union (EU) for the products which classified as not environmentally friendly.

• Objective:

To prevent the risk of carbon leakage (i.e. companies based in the EU could move carbon-intensive production abroad to take advantage of lax standards, or EU products could be replaced by more carbon-intensive imports).

• CBAM Scope

CBAM will be phased in gradually and will initially apply only to a selected number of goods at high risk of carbon leakage:



A reporting system will apply as from 2023 for those products with the objective of facilitating a smooth roll out and to facilitate dialogue with third countries, and importers will start paying a financial adjustment in 2026.

• Other countries soon to implement CBAM

- California (applied to certain imports of electricity)
- Canada and Japan (initiation stage)

The infographic is titled '#EUGreenDeal' and features three circular icons: a blue circle with a Euro symbol and a lightbulb, an orange circle with a Euro symbol and a document, and a green circle with a checkmark. Below each icon is a step in the process:

- Step 1:** EU importers of goods covered by the CBAM registers with national authorities where they can also buy **CBAM certificates**. Certificates are priced based on **weekly ETS allowances**.
- Step 2:** EU importer **declares the emissions** embedded in its imports and **surrenders** the corresponding number of certificates each year.
- Step 3:** If importers can prove that a **carbon price has already been paid** during the production of the imported goods, the corresponding amount **can be deducted**.

The bottom of the infographic includes the #EUGreenDeal hashtag and the European Commission logo.

# MINISTRY OF INVESTMENT/BKPM PROGRAM HIGHLIGHT

## The National Strategic Projects Preparation to be Offered to Investors

(Output: Pre-feasibility Studies)

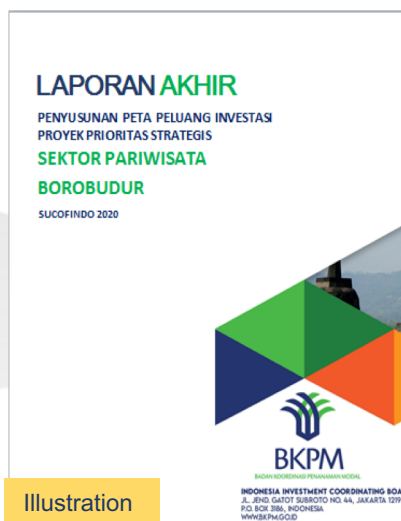
### 1 BACKGROUND

- Indonesia does not yet have master data regarding detailed investment opportunities in the regions so promotional activities to attract incoming investment are not strong enough
- Direct investment is considered as one of the solutions to help economic recovery during and after the COVID-19 pandemic

### 2 STRATEGY

- The Ministry of Investment/BKPM conducts preparation of potential projects from 34 provinces.
- The targeted projects refer to the list of major projects in the 2020-2024 Medium-Term National Development Planning (RPJMN), the Presidential Regulation on National Strategic Projects (PSN), and other national policies.

### 4 OUTPUT DISPLAY



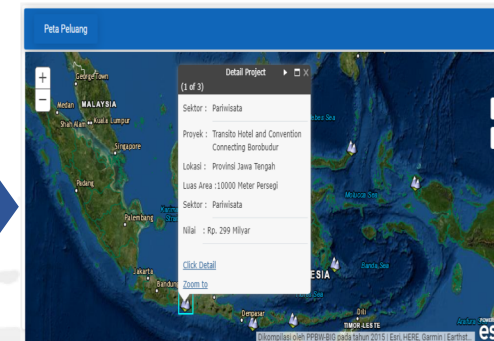
Illustration

Pre-Feasibility Study Document



Illustration

Project Teaser (info memos and infographics)



Illustration

Spatial Based Project Information






### OUTPUT DAN TARGET

3 **Pre-Feasibility Study (Pre-FS)**



















- Pre-FS includes, among others:
  - ✓ analysis of legal and administrative aspects,
  - ✓ technical analysis,
  - ✓ economic, social, and environmental impacts,
  - ✓ Financial feasibility;
  - ✓ business model schemes, as well as support from the Government and stakeholders.
- The results of the 2020-2021 pre-FS: **22 + 25 projects from 34 provinces.**

**2022 Projects:**  
**2 RE Development Projects in Riau and West Kalimantan Province** to encourage the realization of scattered quota projects on RUPTL 2021-2030

# Tax Incentives on Investment Tax Holiday

	MINI TAX HOLIDAY	TAX HOLIDAY										
<b>Percentage Reduction</b> 	<b>50 %</b>	<b>100%</b>										
<b>Concession Period</b> 	<b>5 Year</b>	<table border="1"> <tr> <td><b>20</b> years</td> <td>&gt; Rp. 30 trillion</td> </tr> <tr> <td><b>15</b> years</td> <td>Rp. 15 trillion to 30 trillion</td> </tr> <tr> <td><b>10</b> years</td> <td>Rp. 5 trillion to 15 trillion</td> </tr> <tr> <td><b>7</b> years</td> <td>Rp. 1 trillion to 5 trillion</td> </tr> <tr> <td><b>5</b> years</td> <td>Rp. 500 billion to 1 trillion</td> </tr> </table>	<b>20</b> years	> Rp. 30 trillion	<b>15</b> years	Rp. 15 trillion to 30 trillion	<b>10</b> years	Rp. 5 trillion to 15 trillion	<b>7</b> years	Rp. 1 trillion to 5 trillion	<b>5</b> years	Rp. 500 billion to 1 trillion
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<b>Transition Period</b> 	<b>25%</b> for 2 years	<b>50%</b> for 2 years										
	Minimum New Investment of <b>Rp. 100 billion</b>	For new investment minimum of <b>Rp. 500 billion</b>										
<b>Criteria</b> 	<p>✓ <b>Pioneer Industry</b> or meet <b>Pioneer Industry Criteria</b> (Min Quantitative Score : 80)</p> <ul style="list-style-type: none"> <li>✓ Investment Realization Commitment within 1 Year</li> <li>✓ Status as An Indonesian Legal Entity</li> <li>✓ Complying with the provisions of the comparison between debt and capital of the company for the purposes of calculating Income Tax as stipulated in PMK No. 105/2018</li> </ul>											
<b>Facility Application Procedure</b> 	<ol style="list-style-type: none"> <li>Application through OSS</li> <li>Along with the taxpayer application for a new Business License (NIB) to BKPM</li> <li>Submission before The Start of Commercial Production and no later than 1 year after the approval of the business license</li> </ol>											

## 18 Pioneer Industries

 Upstream base metal	 Manufacture of irradiation, electromedical equipment	 Shipbuilding main components
 Oil refining	 Manufacture of the main components of electronics	 Manufacture of the main components of the railway
 Oil and gas-based petrochemicals	 Machine component manufacturing	 Manufacture of the main components of the aircraft
 Organic based chemistry	 Manufacture of robotic components	 Processing based on agricultural products, plantations
 Anorganik based chemistry	 Manufacture of the main components of power plants	 Economic infrastructure
 Pharmaceutical raw materials	 Manufacture of motor vehicles	 Digital Economy related to data management & hosting

## Pioneer industry quantitative criteria Appendix A, PMK 130/2020

CRITERIA			SCORE	%
<b>Broad Interrelationship</b>	1.	Filling industrial trees	<b>20</b>	10%
	2.	The main raw materials from within the country		12%
	3.	Import substitution		10%
	4.	Number of similar companies in an area		12%
<b>Value Added</b>	5.	Employing a large workforce	<b>s.d.</b>	10%
	6.	Investment Location		7%
<b>New Technology</b>	7.	Using environmentally friendly technology	<b>100</b>	10%
	8.	Using new technology in production tools		10%
<b>National Scale Industry</b>	9.	Supporting National Strategic Projects	<b>100</b>	5%
	10.	Production Base		10%
	11.	Build infrastructure facilities independently		4%
<b>TOTAL</b>				<b>100%</b>



### TAX ALLOWANCE

30%

#### FROM INVESTMENT VALUE

Calculated based on valuation of tangible fixed assets



**Reduction of corporate income tax by 5% per year, for 6 years (total 30%)**

#### Criteria:



Absorbing certain numbers of local labour



Certain value of investment for export oriented industries



Using certain percentage of local content

#### Incentive scheme:



Accelerated depreciation of tangible fixed assets and accelerated amortization of intangible assets



Imposition of Income Tax on dividends of 10%



Compensation for losses of more than 5 years but not more than 10 years

### Offered for Investment in 183 Business Activities

#### Oil & Gas Industry

- Oil refinery
- Liquefied Natural & Petroleum Gas
- Lubricant

#### Power Generation

- Geothermal
- Alternative/renewable energy

#### Agriculture

- Cattle breeding & Farming
- Corn plantation
- Soya plantation
- Rice Farming
- Tropical Fruits

#### Manufacturing & Industry

- Iron & Automotive Ind,
- Steel
- Clothing
- Semi Conductors
- Electronic Components
- Computer
- Communication Devices
- Television
- Tires
- Pharmaceutical
- Cosmetics
- Fish & Shrimp processing etc

**New**

The granting of Income Tax Facility is **carried out by the Minister of Investment/Chairman of BKPM** on behalf of the Minister of Finance.

# Tax Incentives on Investment

## Import Duty Exemption Facility for the Import of Machinery, Goods, and Materials For Construction

### Import Duty Facility

Ministry of Finance Regulation  
No. 176 / PMK.011 / 2009 jo.  
No. 188 / PMK.010 / 2015)

- 2** Years  
Exemption from import duty on imported machines
- 2** Years  
Exemption from import duty on import of goods and materials for production requirements in accordance with installed capacity
- 4** Years\*  
Exemption from import duty on imports of current goods and materials using domestic machines

(\* ) > 30% of the total value of that machine used

#### Coverage of Business Fields:

1. Tourism and Culture
2. Transportation / transportation (public transportation services)
3. Public health services
4. Mining
5. Construction
6. Telecommunication industry
7. Port
8. Automobile assembly and component industry



KEMENTERIAN INVESTASI/BKPM

TERIMA KASIH



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