PT SMI’s role in achieving a just and affordable energy transition in Indonesia

Manila
5 June 2024
## PT SMI’s Business Model

### Sectoral Focus
- Electricity
- Oil and Gas
- Train Rolling Stock
- Water Resources
- Waste Management System
- Renewable Energy & Energy Conservation
- Health (Hospital)
- Correctional Facility
- Education Facilities
- Tourism
- Social Infrastructure
- Urban Estate
- Sports Facilities
- Arts Facilities
- Public Housing
- Road
- Telecommunication
- Energy Efficiency

### Expansion of Mandate
- PP No.53/2020
- POJK No. 46/POJK.05/2020 (PPI)

### Source of Funds

**Conventional**
- Capital Injection from GOI
- Capital Market (Bonds, Notes, Securitization, Green Bond)
- Loans and Grants
- Asset Sales and Other Income based on Shareholders Meeting approval

**Sharia**
- Sharia Capital Market (Sukuk, Sharia Hedging)
- BPJS / Sharia Insurance
- Hajj & Syirkah Funds
- Sovereign Wealth Fund

### PT SMI’S BUSINESS PILLARS

<table>
<thead>
<tr>
<th>Pilar #1</th>
<th>Pilar #2</th>
<th>Pilar #3</th>
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<tbody>
<tr>
<td>COMMERCIAL FINANCING</td>
<td>PUBLIC FINANCING</td>
<td>ADVISORY</td>
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<tr>
<td>• Senior loan</td>
<td>Municipal Government Regular Loan</td>
<td>Financial Advisory</td>
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<td>• Junior Loan</td>
<td>• Program Loan</td>
<td>Investment Advisory</td>
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<tr>
<td>• Mezzanine</td>
<td>• Loan to Regional Government Institutions (BUMD, BLU Pusat/ BLUD, etc)</td>
<td>Financing Arranger</td>
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<td>• Cash Deficiency Support</td>
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<td>PPP Project Development</td>
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<td>• Bridging loan</td>
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<td>Fund Management for Geothermal Infrastructure Development</td>
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<tr>
<td>• Equity investment</td>
<td></td>
<td>Renewable Energy Project Development &amp; Energy Efficiency</td>
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<tr>
<td>• Arranger &amp; Underwriter</td>
<td></td>
<td>Project Preparation for Municipal Financing</td>
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<td>• Credit Enhancement</td>
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<td>Capacity Building and Technical Assistance</td>
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<td>• Standby Financing</td>
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<td>• Take Out Financing</td>
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### Sharia Financing
- As provider of sharia financing solution for Indonesia’s development

### Sustainable Financing
- As catalyst for financing and investment to support the achievement of SDGs in Indonesia

### Finance & Treasury
- Management of optimal balance sheet & CEO Excellence

### Credit Excellence
- Management of principal credit risk through optimization of human resources, platform, and process

### People, Organization and KPI
- Agile organization with high talent density and high quality EVP

### Governance, Risk, Compliance
- Governance, strong risk management and compliance and kus, effective stakeholder engagement

### Next-Gen IT & Analytics
- As future proof business partner with scalable IT infrastructure and strong data capabilities

### Other development financing based on government assignment
- • PP No.53/2020
- • POJK No. 46/POJK.05/2020 (PPI)
Funding Needed for Energy Transition

The funding provided by JETP is insufficient to meet the energy transition target. **The total capital expenditure** required ranges from USD 50-130 billion, whereas **the potential funding from JETP** amounts to only USD 20 billion. As a result, there exists a **funding gap** ranging from USD 30-110 billion.

**JETP Funding Potential:**
1. JIPG : USD 10 billion
2. GFANZ : USD 10 billion

**Source:** PT PLN – JETP Workshop

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**PT SMI's Renewable Energy Portfolio**

**Estimated Potentially Avoided GHG emission:** >6 Million TCO2 eq per year
At the project level, the expectation is that project developers will implement the JT Assessment for all Standards (1 - 9), with concessional lenders potentially providing the financing.

Source: JETP Comprehensive Investment and Policy Plan, 2023
Just Transition Process and Impact

Figure 1: Four-Stage Just Transition Process

<table>
<thead>
<tr>
<th>Stage 1</th>
<th>2023-2024</th>
<th>Stage 2</th>
<th>2024-2030</th>
<th>Stage 3</th>
<th>2030-2032</th>
<th>Stage 4</th>
<th>2033 onwards</th>
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<tbody>
<tr>
<td>ADB initial site visit, labor and community engagement, and baseline data collection.</td>
<td>ADB will lead active engagement with stakeholders (GOI, CEP) on the following:</td>
<td>Assimilate analyses from stage 2 and update PJTA methodology and prevailing laws and policies.</td>
<td>Implementation of Post-PPA Plan and JTP by CEP and GOI (ADB monitoring and evaluation ongoing).</td>
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<td>ADB DISCLOSURE: Preliminary just transition methodology and assessment (PJTAs) inclusive of the just transition process between 2024-2035)</td>
<td>Economic, regulatory, institutional, labor market assessments and analyses at national, subnational level and district level;</td>
<td>ADB prepares the Just Transition Plan (JTP) based on actual JT impact assessment.</td>
<td>Implementation of JTP will likely extend beyond plant closure in 2035.</td>
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<td>Stakeholder consultations to socialize and seek inputs on the PJTA.</td>
<td>Gender disaggregated data collection and updating on socio-economic indicators and analysis;</td>
<td>ADB, CEP and GOI conduct stakeholder consultations to get inputs on Post PPA Plan and JTP.</td>
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<td>Technical feasibility studies to understand repurposing options.</td>
<td>Stakeholder engagement with core groups.</td>
<td>ADB, GOI and CEP consultations to finalize JTP and Post PPA Plan.</td>
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ADB = Asian Development Bank, CEP = Cirebon Electric Power, GOI = Government of Indonesia, JT = just transition, JTP = Just Transition Plan, PJTA = Preliminary Just Transition Assessment, PPA = power purchase agreement.


Source: Cirebon Energy Transition Mechanism Pilot Project: Preliminary Just Transition Assessment, 2024

| Impact to GDP | -243 MUSD |
| Impact to number of workers | -14.022 |
| Impact to number of people living in poverty | +3.373 |
| Impact to business owner’s profit | -240 MUSD |

Source: CELIOS & Yayasan Indonesia CERAH, 2024
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 Steering Committee
- ETM Country Platform Manager
- In coordination with JETP Secretariat
- Task Force of National Energy Transition

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)

Enablers 2024
- Framework
- Product Development
- On Going Initiatives
- Operational

Socio Economic Framework
Just Transition Framework
Carbon Finance (Debt to Carbon Swap)
Trust Fund Establishment
Cirebon CFPP
CIF - REI Proposal
GCF Proposal
Establishment of ETM Secretariat under ETM Country Platform Manager
Collaboration of PT SMI with Public Sector, DFIs and Donors:

Blended Finance Structure in Geothermal Sector

Blended Finance Structure to de-risk Exploration Stages of Geothermal Development

1. Geothermal Upstream Development Projects (Government Drilling)
   - Waesano Projects
     - Manggarai Barat, NTT
   - Location: Wae Sano
   - Province: Nusa Tenggara Timur
   - Potential Capacity: 30 MW
   - Exploration Drilling cost: USD 30.3 juta
   - Co-financing: USD 49 mill.

2. Geothermal Resource Risk Mitigation (GREM) (SOE Drilling)
   - Loan Facility with De-risking for SOE drilling
     - 100% PISP fund or GREM
   - De-risking: Government Fund

3. Geothermal Resource Risk Mitigation (GREM) (Private Drilling)
   - Loan Facility with De-risking from donor fund
   - Blended Loan: IBRD/GCF/CT

Public Window SOEs
- 50% De-risking Government Fund
- 50% Blended Loan IBRD/GCF/CT

Private Window Private Sectors
- Financial Instrument Reimbursable Grant GCF/CTF

Program: Geothermal Energy Upstream Development Projects (GEUDP)

CTF grant USD 49 mill.
GEF grant USD 6.25 mill.
TA grant NZD 2.13 millions
Thank you,

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