Climate Change Finance:
How Can Private Sector Investment be Mobilized?

Unlocking Carbon Benefits for Clean Energy Investment in Indonesia
Contents

• Global carbon investments
• Carbon trading and pricing for energy in Indonesia
• Building a pipeline of viable projects
• Converting plans into procurements
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Global Carbon Investments

![Global Carbon Offset Market: Volumes vs Price in 2019](image_url)

Source: Ecosystem Marketplace
Opportunities for Renewable Energy

Private equity funds that invest solely in renewable energy assets raised approximately $52 billion in 2020.

Investors in private equity, like pension funds, are moving away from investing in oil and gas in pursuit of their carbon neutral goals.

Bloomberg New Energy Finance

“Carbon-pricing instruments will not only unleash massive investment in renewable power systems globally, but boost sectors from construction to transport, which are in urgent need of transition.”

Günther Thallinger, Member of the Board of Management Allianz SE and Chair of the Net-Zero Asset Owner Alliance.
Corporate Buyers of Renewable Energy

CORPORATE RENEWABLE ENERGY BUYERS’ PRINCIPLES:
INCREASING ACCESS TO RENEWABLE ENERGY

78 COMPANIES
69 MILLION MWH OF DEMAND FOR RENEWABLE ENERGY
$7.8 TRILLION IN MARKET CAP

Bloomberg
BD Sprint
eyebay
io
volvo
Etsy
Microsoft
Berry
AMD
Hilton
VISA

3M
TD
ARUP

P&G
Gap Inc.
Equinix

Adobe
adidas
STAPLES

MARS
Johnson

Lifeline

Digital Realty

Autodesk

Kellogg’s

Yahoo!

Kimberly-Clark

Oracle

McCormick

Avnet

PEPSICO

Target

Starwood

GM

Intuit

PC

Marriott

Symantec

Samsung

Google

www.buyersprinciples.org
Carbon Trading and Pricing for Energy in Indonesia

- Clean Development Mechanism
- Indonesia-Japan Joint Credit Mechanism
- Voluntary Emission Trading for the Power Sector (trial)
- Indonesian Carbon Tax ??
Between 2015-2020, USAID ICED II reviewed 299 clean energy projects with a combined design capacity of nearly 4,309 MW.

Over $1.6 billion mobilized, 61.3% from private international and domestic sources.

Projects include run-of-river hydropower, geothermal, bioenergy, wind, and solar PV, as well as streetlighting and other EE projects.

Many projects stalled due to policy changes, procurement delays, PPA terms, and financing challenges.
Converting Plans to Procurement

• PLN Draft RUPTL call for additions of 19,900 MW of RE by 2030, 49% of total capacity additions, with 6,000 MW planned from solar PV

• PLN procurements have stalled in the face of lower demand growth and excess capacity on Java and Sumatra

• PLN Energy Transition Roadmap to achieve GOI Net Zero Emissions target will require:
  o Reductions of coal power plants
  o Significant increase of RE
  o Grid and operations improvement
Conducive Policy and Investment Climate Needed

• An Emissions Trading Scheme will create a value of avoided emissions from renewable energy generation
• A proposed Carbon Tax will increase the cost of PLN and captive fossil fuel power plants, improving RE cost competitiveness
• Verified Renewable Energy Credits, private PPAs and power wheeling rights for commercial and industrial customers
• Cost reflective retail tariffs need by PLN to recover RE purchases and associated grid investments