

PRESS RELEASE

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IESR Response to the Statement of Minister of Energy and Mineral Resources, Ignasius Jonan, at the 'G20 Ministerial Meeting for the Energy Transitions and Global Environment for Sustainable Growth', in Karuizawa, Tokyo, Japan.

"Globally, the trend of renewable energy prices are declining and become more competitive with fossil fuels. The Government of Indonesia needs to develop and implement policies and regulations that create a level playing field for renewable energy so that it grows fast."

Jakarta, Tuesday, June 18, 2019 – IESR, a think tank, that has a focus on advocating the acceleration of the low-carbon energy transition in Indonesia, is responding to Indonesia's strategic response at the 'G20 Ministerial Meeting for the Energy Transitions and Global Environment for Sustainable Growth; which was attended by Minister of Energy and Mineral Resources, Ignasius Jonan, together with Minister of Environment and Forestry, Siti Nurbaya, on Saturday, June 15, 2019.

IESR appreciates the Government of Indonesia's commitment to support energy transition and to tackle global warming as Indonesia's strategic response to the G20 Ministerial Meeting. In addition, the energy transition which conducted through renewable energy development and fossil fuel burning limitation is a necessity to fulfill the global commitment in limiting global temperature increases below 2 degrees, as well as the implementation of Indonesia's commitment to achieve the Paris Agreement's target. IESR also appreciates the Government's commitment to implement the SDGs target through renewable energy development.

IESR highlights the statement of the Minister of Energy and Mineral Resources, Ignasius Jonan, quoted by a number of media, as follows; "In principle I want to encourage affordable renewable energy for all Indonesians as soon as possible." [Tribunnews.com](http://tribunnews.com)¹. According to IESR, this statement gives a perspective that there is a dichotomy between the cost of producing electricity from renewable energy and the affordability issue of energy prices which is currently the political agenda of the Government.

Fabby Tumiwa, IESR Executive Director, stated that the Government's policy that prioritizes coal as the backbone of affordable electricity supply and the thought that renewable energy is expensive so it does not fit the Government's political agenda, needs to be reviewed. According to Fabby, from the IESR analysis, the electricity price from renewable energy is now affordable. The latest report from the International Renewable Energy Agency² or **IRENA** states that, globally, the cost of renewable electricity is getting cheaper, even lower than fossil fuels (see appendix).

The IESR study indicates that the cost of generating electricity from large-scale renewable energy generation (utility scale) can compete with the generation of fossil fuels such as coal power plants as long as they get similar conditions, for example in terms of financing costs.

Fabby stated, the cost of coal power plants is currently could be cheaper than renewable energy because it receives various subsidies from the Government; one of them is coal price subsidies in the form of a Government's policy of limiting coal prices for Domestic Market Obligation for PLN (an electricity state-owned enterprise). Apart from that, the electricity cost from fossil fuels does not take into account the externalities cost and the environmental impacts. The

¹<http://www.tribunnews.com/nasional/2019/06/16/menteri-jonan-ingin-energi-terbarukan-segera-menjangkau-masyarakat>

² <https://www.irena.org/publications/2019/May/Renewable-power-generation-costs-in-2018>

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IESR calculation shows that by removing coal subsidies and increasing carbon taxes by \$25/ton as one of the externalities cost, the cost of generating electricity from coal power plants will be more expensive than the cost of generating electricity from renewable energy.

IESR emphasizes the fact that affordability issues should no longer be an obstacle for the Government to accelerate the energy transition, through the massive and aggressive renewable energy development. A set of policies and regulations is needed to reduce the renewable energy technology costs Indonesia so that it is equivalent to the technology costs at the global level; therefore, renewable electricity cost can compete with current electricity cost. According to IESR, the policies and regulations issued by the Ministry of Energy and Mineral Resources since 2017 have not been effective in encouraging renewable energy development, instead becoming an inhibiting factor in the form of increasing investment risk, reducing the bankability of renewable energy projects, and inhibiting the innovation of business and communities, resulting in lower installed capacity in the last five years (2015-2019).

The current coal power plant development, which is planned to be 27 GW, and together with the slowing down of renewable energy generation capacity in 2015-2019, will make Indonesia difficult to achieve its GHG emission reduction commitments target stipulated in the Paris Agreement Ratification Law No. 16/2016. IESR analysis shows that if all coal power plants to be built as its planning, the total GHG emissions from the coal power plant will increase by 2.5 X in 2025-2028 from the emission level in 2016. With the current scenario, this GHG emission number will continue until 2050, then gradually decreasing afterwards due to retiring period of a number of power plants.

According to Erina Mursanti, IESR Green Economy Program Manager, Indonesia's commitment to the energy transition needs to be demonstrated by limiting the coal power plants construction after 2020 and increasing the renewable energy share in the energy mix. IESR analysis suggests the renewable energy share in the energy mix must reach 31-33% by 2030 to fulfill Indonesia's commitment in Paris Agreement. This amount is higher than the current RUEN (National Energy Planning) target. Without any change in policy direction and accelerated development of renewable energy in the near future, Indonesia can only fulfill half (15-16%) of these needs. "Changes in the paradigm and innovation of policies that balance energy supply security, environmental sustainability, and energy prices need to occur; and this change was started from the Ministry of Energy and Mineral Resources," said Erina.

Erina regretted that the Minister of Energy and Mineral Resources and the Minister of Environment and Forestry did not optimize the G20 meeting in accessing appropriate investment, funding and technology cooperation with other G20 countries. Where this collaboration should be optimized to accelerate renewable energy development, in terms of increasing the ambition of the Government of Indonesia as an effort to achieve Indonesia target stated in the Paris Agreement.

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ANNEXES

**Table 1. Levelized Cost Of Electricity (LCOE) of Renewable Energy Power Plant (IESR and IRENA)
(in cents \$/kWh)**

Technology	IESR (Indonesia)		IRENA (Global Average)	
	Low	High	Low	Average
Solar (Utility Scale)	5,96	10,52	5,7	21,8
Wind (Onshore)	5,29	16,67	4,3	9,9
Hydro (Large)	3,06	53,46	3	13,5
Geothermal	4,49	8,77	5,9	14,2
Bioenergy *	4,34	11,94	4,8	24,3

* Bioenergy in Indonesia is only from biomass

**Table2. Levelized Cost Of Electricity (LCOE) Coal Power Plant without or with Carbon Tax
(in cents \$/kWh)**

Coal Plant LCOE	Without CO2 Tax		With CO2 Tax	
	Low	High	Low	High
Sub critical	4,24	7,30	6,88	9,94
Super critical	4,35	7,37	6,77	9,79
Ultra supercritical	4,46	7,81	6,60	9,95