

**MINISTRY OF FINANCE  
FISCAL POLICY AGENCY**

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# The Government Supports for Greening the Cities

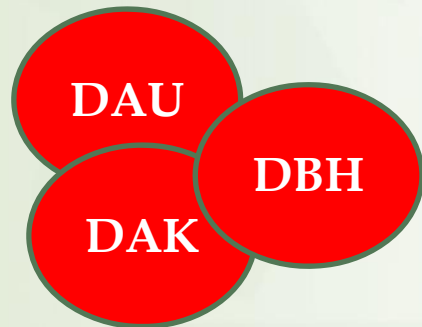
Warsaw, 16 November 2013



# Grant Mechanism on Financing Local Action Plan for GHG Emission Reduction (RAD-GRK)



According Law Number 33/2004 on Fiscal Balance : fiscal transfer to the local government is done by fiscal balance schemes (General Purpose Fund/DAU, Special Allocation Fund/DAK, Shared Revenue Fund/DBH)



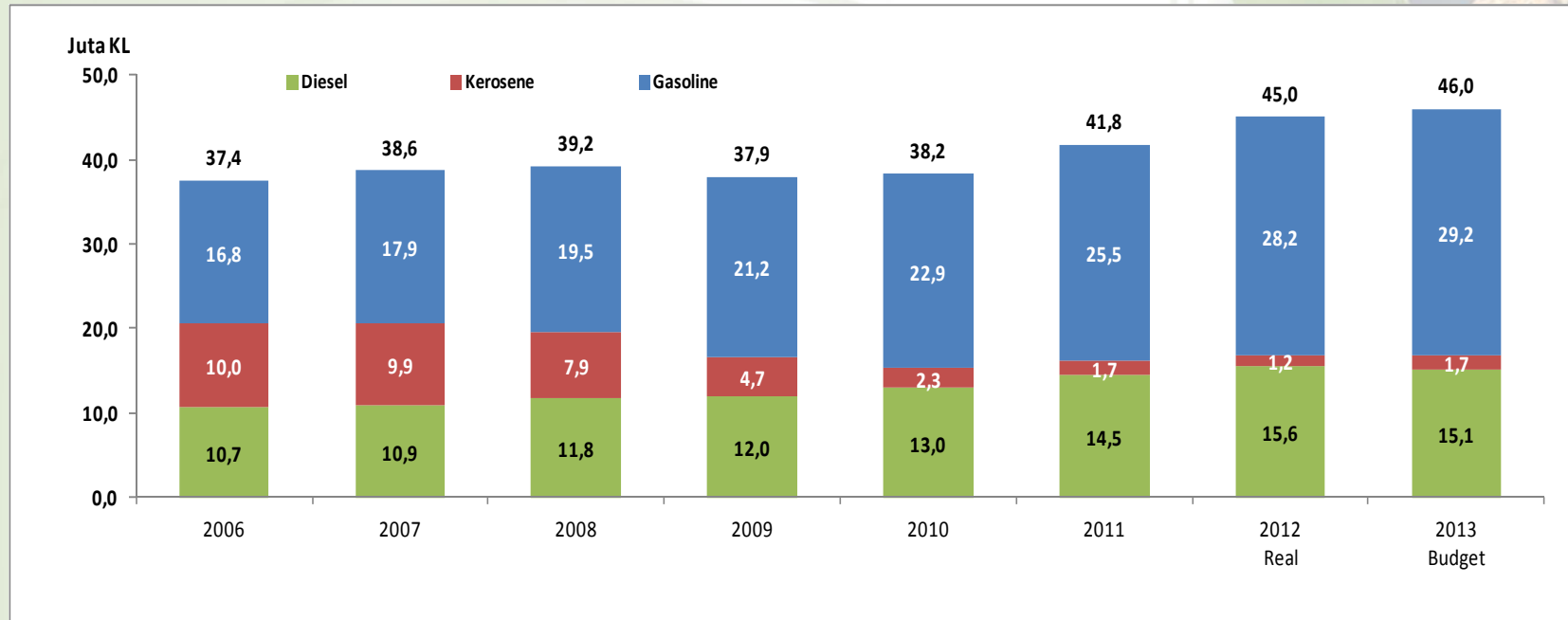
- In the short term, **Grant** is the most feasible mechanism (ownership, ear marking project, active participation, targeted);
- In the medium/long term : **DAK** will be used;

# National Kerosene Subsidy Conversion Program



- ❑ Kerosene is one of the fuel type that is subsidized by government;
- ❑ The price of kerosene is fluctuated following the international fuel price, then automatically the subsidy on kerosene would also be increased;
- ❑ The main reasons for this conversion were among others:
  - Reducing the subsidy on liquid fuel;
  - This conversion is part of the implementation of National Energy Policy that mandate the reduce of dependency on oil
  - Utilization of LPG can increase the efficiency of the energy usage, since the calorific value of LPG is higher then kerosene;
  - Kerosene can be processed to produce avtur, thus generating added value since the price of avtur is higher then subsidized kerosene;

# Result of the conversion



- The result of this program can be seen in the graph, where the consumption of kerosene reduced significantly since it's inception in 2007;
- In 2013 the subsidy on kerosene is still budgeted to 1.7 million kL since subsidized LPG is not available yet in most of the eastern parts of Indonesia.

# Result from reducing emission

In addition to the financial saving, the conversion of subsidy from kerosene to LPG has also reduced GHG emission. Should the conversion be continued at the current level, then the total GHG emission that could be reduced until 2020 would reach about 130.2 million tCO<sub>2</sub> ;

Year	BE (t.CO <sub>2</sub> /yr)	PE (t.Co <sub>2</sub> /yr)	ER (t.CO <sub>2</sub> /yr)
2007	28,627,264	28,540,325	86,939
2008	29,423,532	25,232,345	4,191,187
2009	30,219,800	20,472,126	9,747,674
2010	31,016,068	19,149,836	11,866,232
2011	31,812,336	20,071,035	11,741,301
2012	32,608,605	20,992,235	11,616,370
2013	33,404,873	21,913,434	11,491,438
2014	34,201,141	22,834,634	11,366,507
2015	34,997,409	23,755,833	11,241,576
2016	35,793,677	25,174,335	10,619,342
2017	36,589,945	26,592,837	9,997,108
2018	37,386,213	28,011,339	9,374,874
2019	38,182,481	29,429,841	8,752,640
2020	38,978,749	30,848,343	8,130,407
			<b>130,223,596</b>

BE: Baseline Emission

PE: Project Emission

ER: Emission Reduction

# Energy Efficiency Revolving Fund



1

- To encourage the utilization of energy-efficient technologies;
- To reduce energy subsidies;

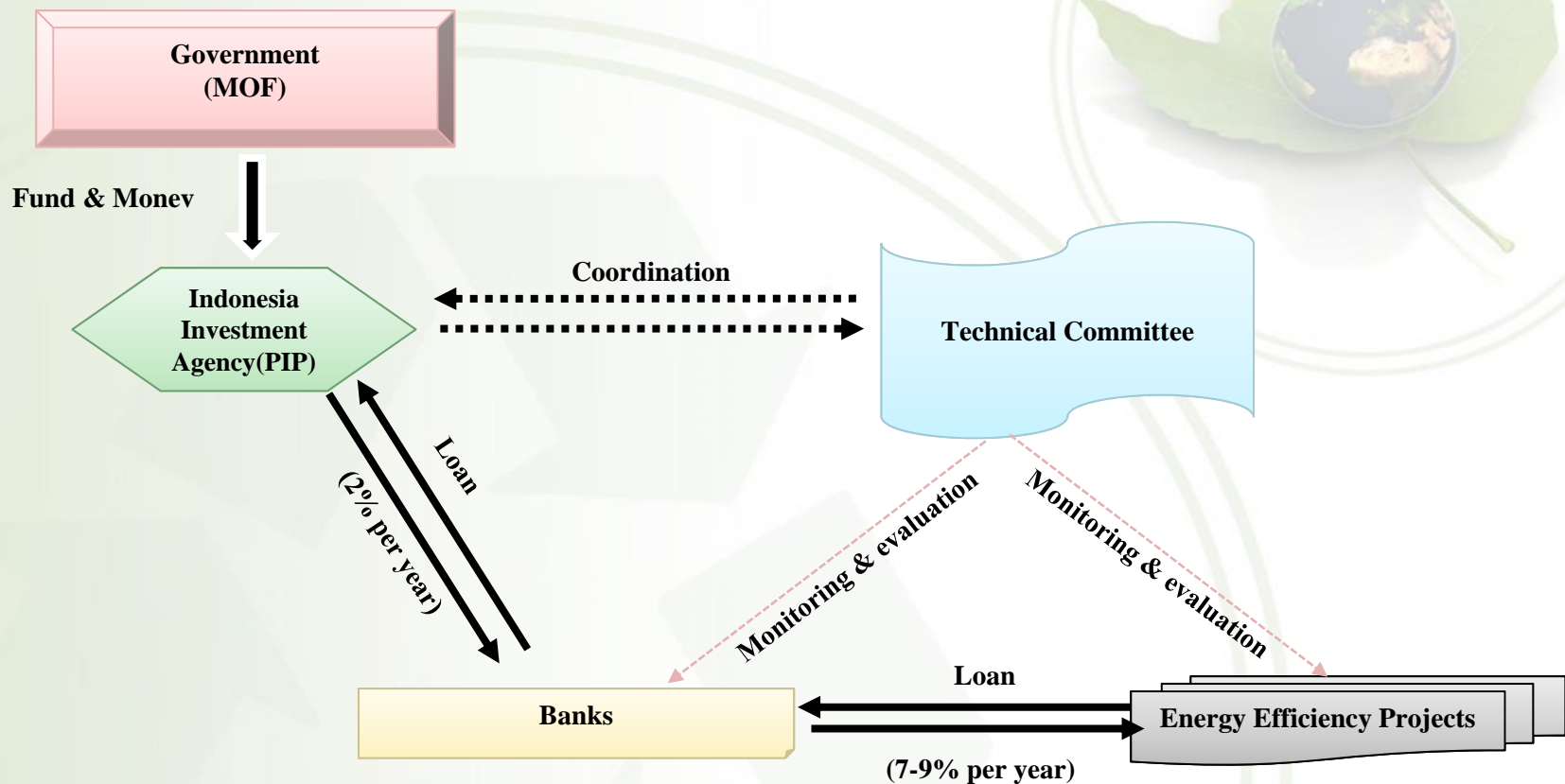
2

- To stimulate the involvement of the financial sector (banking institutions) in order to support the government's energy efficiency programs

3

- To reduce greenhouse gas emissions (GHG). This inline with the government policy direction in the RAN-GRK with stated to implement efficiencies in energy utilization in all sectors of energy users, namely transportation, industrial, residential, and commercial

# Indonesia EERF Scheme



- the Technical Commission responsible to conduct and evaluate periodically the projects and further consider the report results from the PIP and banks.
- In terms of default project, the Bank may terminate funding to the project or to provide a penalty to the project by imposing interest rate equal to the prevailing market interest rate
- In order to streamline between the Bank and the Project progress, the Committee form a Technical Support Team. This team, as the Energy Manager, is responsible for making reports of the energy performance projects, energy audits reports, and formulate plans for the achievement of energy efficiency targets.

# Work Currently Underway

## National/Green Development Planning and Budgeting (Allocating Expenditure)



No.	Activity	Output (Instrument/Mechanism)
1	GIZ piloting grants under RAD-GRK (Kalimantan, NTB, Central Java) (GIZ)	<b>MOF Regulation for Grants RAD</b>
2	Transfer schemes (Grants) to local government (Hibah RAD) (GIZ)	
3	JICA piloting grants under RAD-GRK (South Sumatera Province, City of Surabaya)	
4	Draft guidelines of grants to fund RAD - GRK (GIZ)	
5	Technical proposal from local gov to support Grants RAD (JICA)	<b>MOF Regulation for Budget Marking and Scoring</b>
6	Budget marking/ scoring (UNEP/UNDP)	



# Work Currently Underway

## Industry, energy and transportation (Allocating expenditure)

No.	Activity	Output(Instrument/Mechanism)
1.	Solar PV (UKCCU)	Academic Paper to support Ministry of Finance Policy

## Industry, energy and transportation (Incentives/disincentives and revenues)

No.	Activity	Output(Instrument/Mechanism)
1.	Fiscal policies to support LCD in energy efficiency (JICA)	Academic Paper to support Ministry of Finance Policy and Local Gov Policy
2.	Energy audit of Local Gov City of Surabaya (JICA)	

# Work Complete / Currently Underway

## Cross-Cutting (Capacity building)



No.	Activity	Output(Instrument/Mechanism)
1.	Low carbon support programme (UKCCU/LCS)	Various
2.	Low Emissions Capacity Building Programme (UNDP)	
3.	Green Growth Knowledge Platform (WB)	
4.	Short Term specialists from Australia, Coaching and mentoring through secondees of GPF, Management training (AusAid)	
5.	Training on Regulatory Impact Assessment Phase I and II (AusAid)	
6.	Training on Cost and Benefit Analysis Phase I and II (UKCCU)	
7.	Study Tours and Internships in Kitakyusu City (JICA)	Study Tours and Internships



**Thank You**