Annex 4: Final Presentations by Sector

CROSS-CUTTING ISSUES

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CROSSING CUTTING ISSUES: HOW ENERGY MEETS ECONOMIC DEVELOPMENT FOSTERED BY COOPERATION

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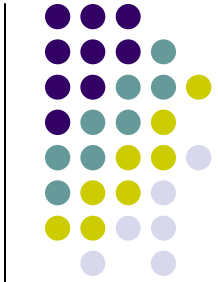


CROSS CUTTING ISSUES/ PROBLEMS:

INFRASTRUCTURE

1. ENERGY
2. AGRICULTURE-food security/issues, irrigation development
3. Land Acquisition

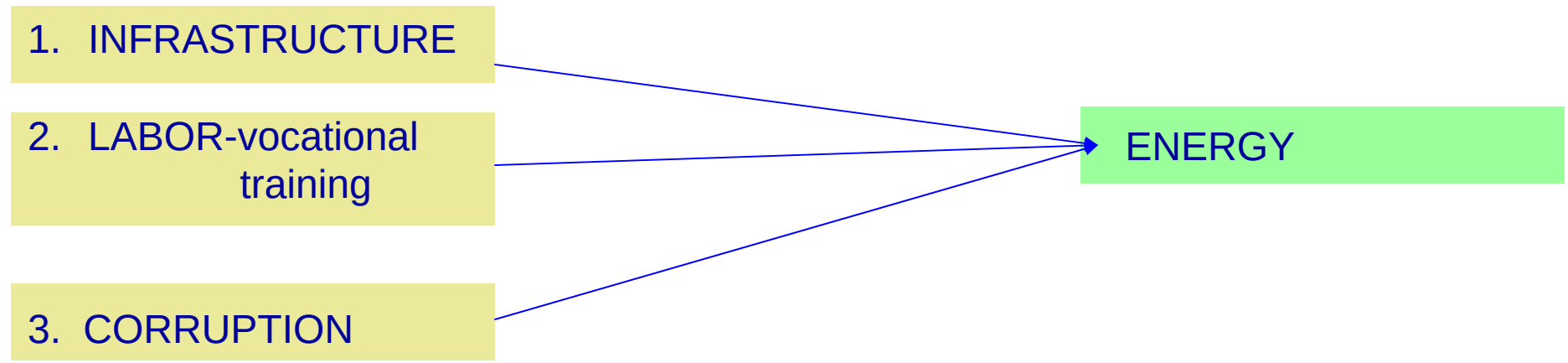
B. LABOR/HUMAN RESOURCE DEVELOPMENT (vocational training)

C. CORRUPTION, TRANSPARENCY, ACCOUNTABILITY

TIME FRAME:

- SHORT TERM (0 to 5 yrs); AND
- LONG TERM (5 to 10 yrs+) VIABILITY,National focus- policy, reforms

CROSS CUTTING ISSUES/ PROBLEMS:



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SUMMARY:

NEW STRATEGIES: Next Five years-
Where, when, what, and how?

- Lower the carbon intensity of development path while maintaining acceptable levels of macro, micro, and sectoral growth.

- Estimate the financing needs, and economic impacts of shifting to cleaner carbon energy development paths

- Outline mechanisms for achieving it, Investment, incentives, financial and economic policy initiatives

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KEY CONSTRAINTS/ISSUES

A. NATIONAL LEVEL PROBLEMS —

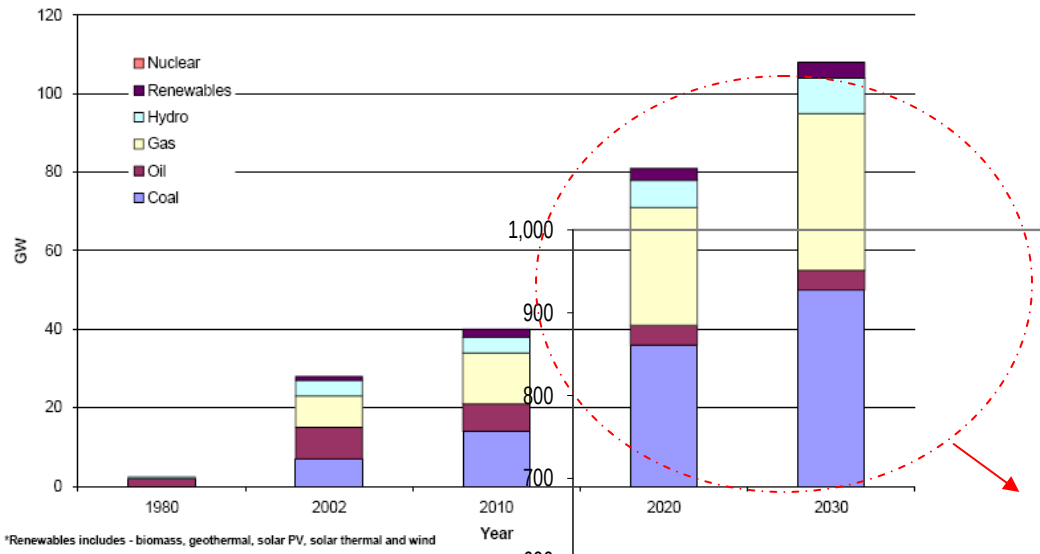
a. **Indonesia's Supply and Demand imbalance**, Energy Structures-oil, gas, and coal, and current Government of Indonesia (Ministry of Energy and Mines, and Ministry of Finance Plans)— for Diversifying National energy plan to broaden the need to supply the energy portfolio-addressing climate changes
b. **Energy Diversification Problem**: Problem with Indonesia's oil dependence
c. **Bad Governance-**-Transparency, Corruption, Accountability complications
d. **Regulation and deregulation—**current subsidy--pricing, deregulation
e. **Bureaucracy Complications**
f. **Electricity Sector Reform and Plans-**Challenges, shortages, and geopolitics

B. LOCAL COMMUNITY LEVEL, CITIZEN PROBLEMS—

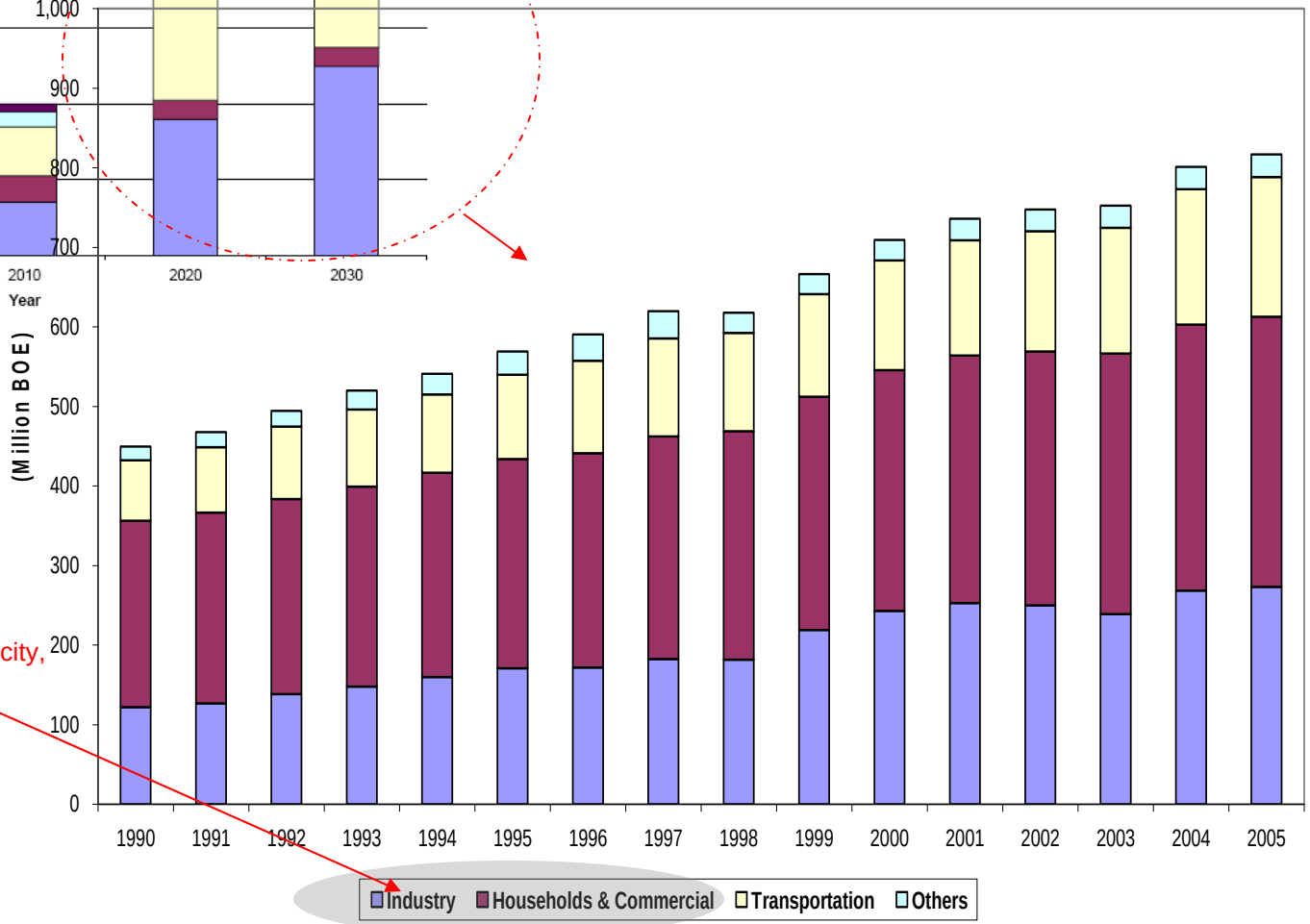
a. Off-grid electricity problems and complications
b. Local Corruption
c. Land Acquisition (property) for public energy purposes

Reason : Indonesia's Electricity Demand

m) Electricity installed generation capacity



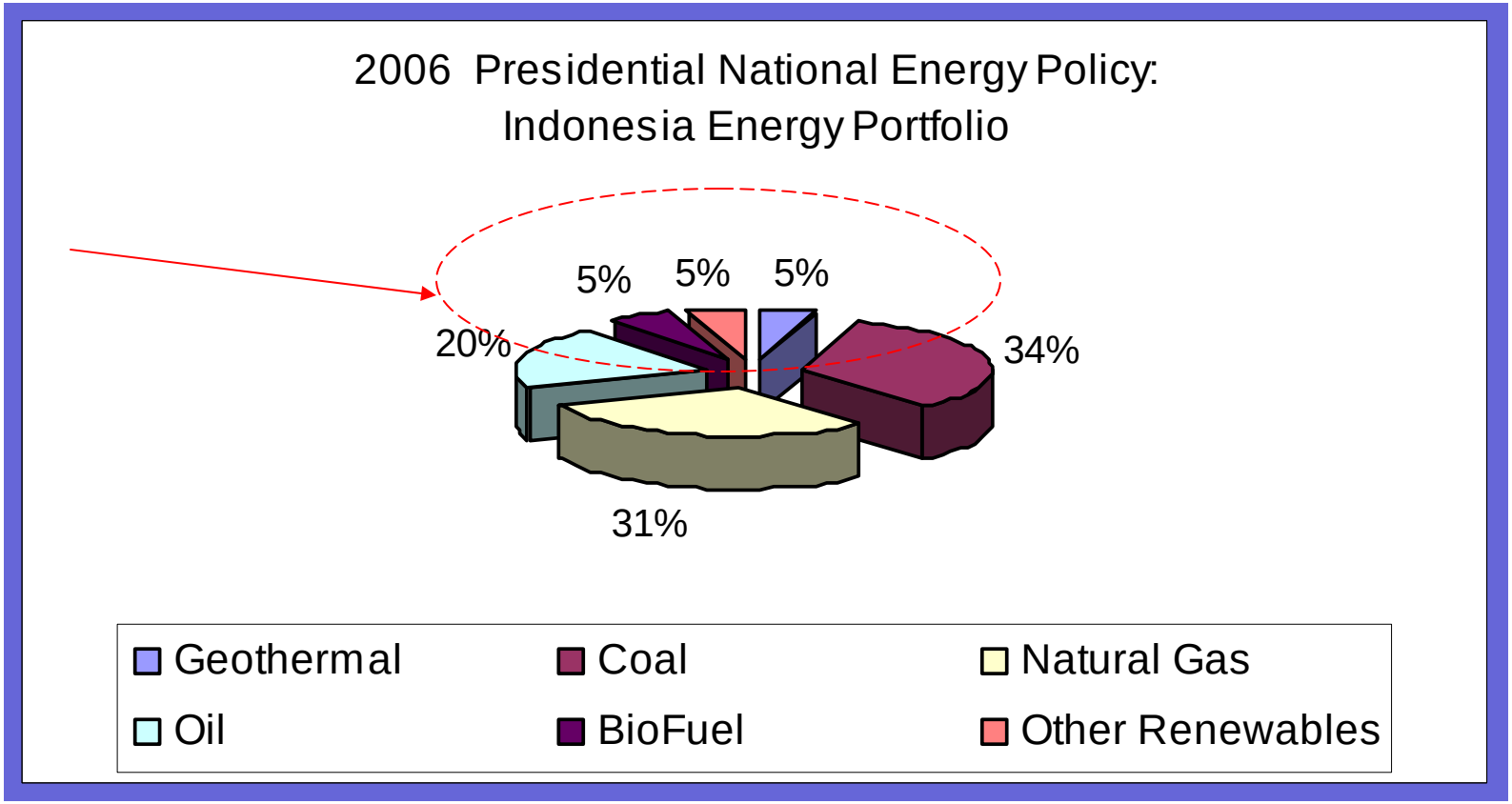
*Renewables includes - biomass, geothermal, solar PV, solar thermal and wind



Nearly 70% of use will require input of electricity, meaning natural gas and coal production

GOI's Objective:

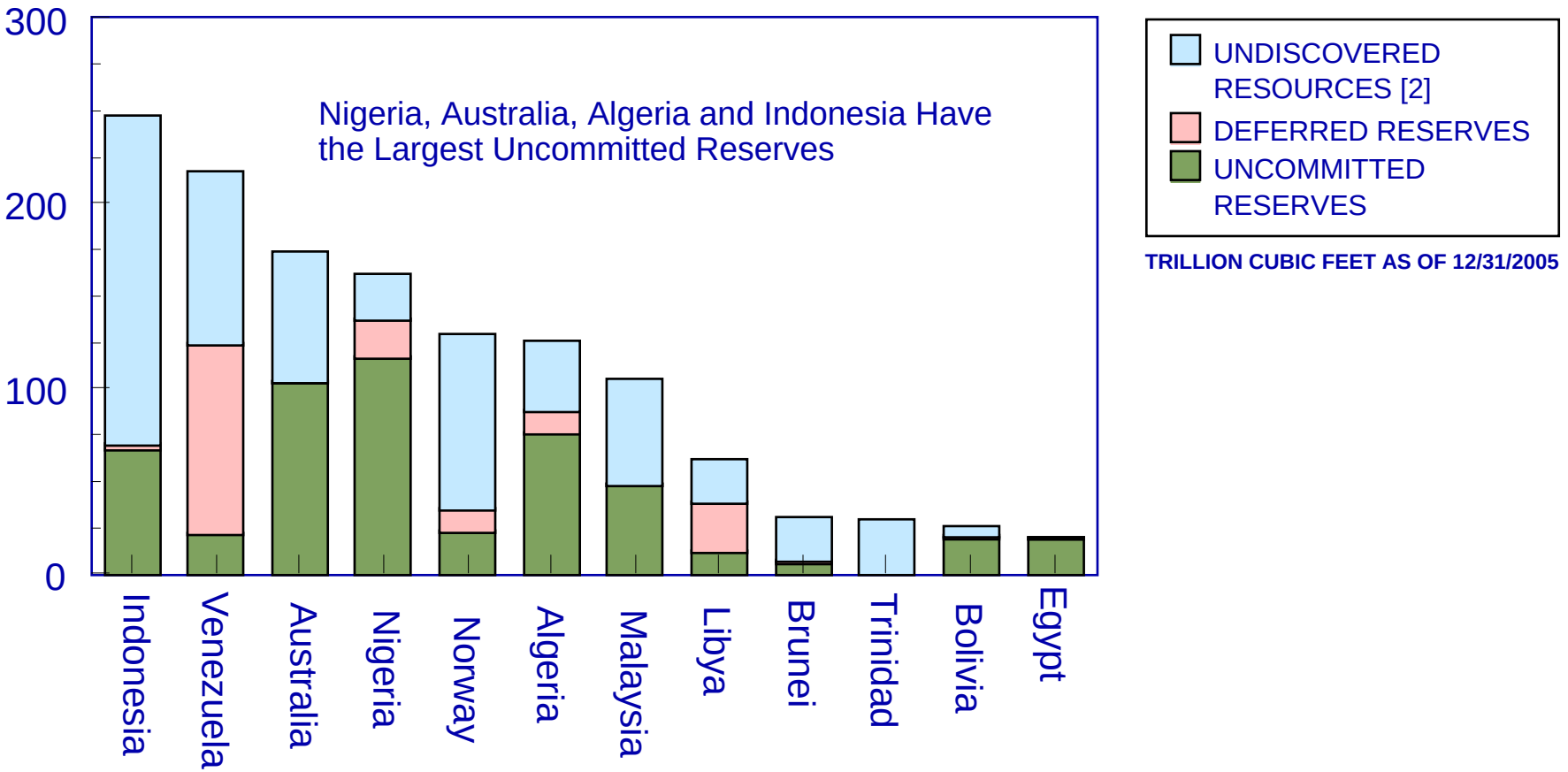
GOI is willing to listen to Aid agencies for cleaner energy resources now than in the past when oil was abundant and cheap which resulted in our USAID programs to fail on energy reform. Private organizations are willing to invest when necessary regulation and policies are in place for easier and faster way of doing business is available.



D TO FOCUS ON WHERE INDONESIA'S ADVANTAGE

UNCOMMITTED NATURAL GAS RESOURCES [1]
SELECTED POTENTIAL EXPORTING COUNTRIES
INCLUDES UNCOMMITTED RESERVES, DEFERRED RESERVES AND UNDISCOVERED RESOURCES

Note: As a unit of volume, 1,728 cubic inches. As applied to water, 7.48 gallons. As applied to natural gas, the volume of gas which, when saturated with water vapor at 60ºF and at a pressure of 30 inches of mercury occupies one cubic foot of volume.



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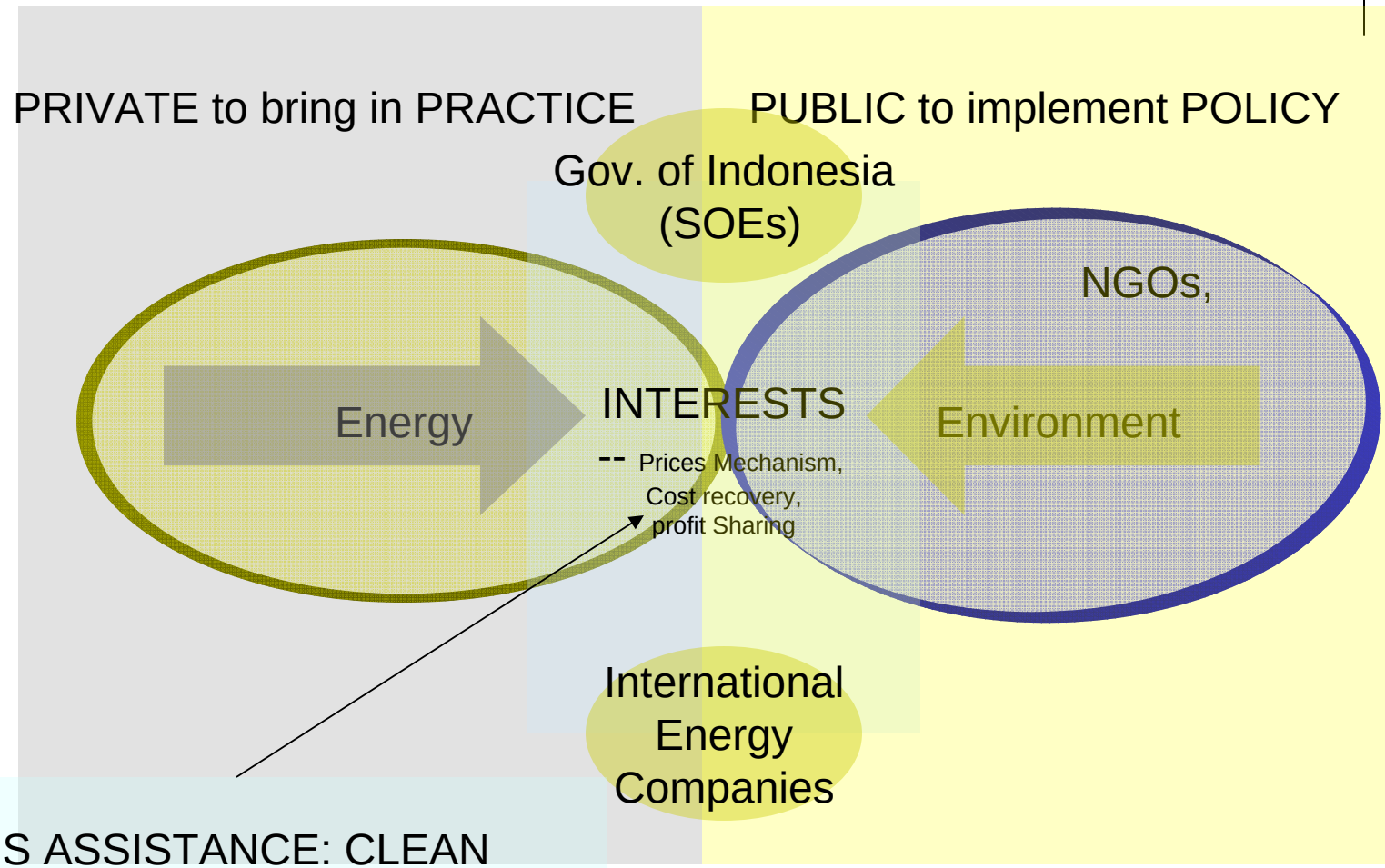
New Short Term Framework: WHERE USAID CAN HELP



US ASSISTANCE: CLEAN ENERGY RESPONSIBILITY INITIATIVE

Past USAID Recommendation

1. Energy Sector Policy/Restructuring and Capacity Building
1. Electricity Sector Reform
1. Oil and Gas Sector Restructuring
1. Energy Sector Subsidies Targeting and Price Reform
1. Supply Side Efficiency
2. Demand Side Efficiency
2 Renewable Energy Policy Support
2. Air Quality Improvement Program
3. U.S. Utility Partnership Program

The interventions are divided into two broad areas: (1) Energy Sector Restructuring and Regulatory Reform; and, (2) Urban and Environmental Management. Indicators are discussed for each of these areas.

Source: USAID Indonesia Energy Strategy for Sustainable Growth Report 1999

Recommendations

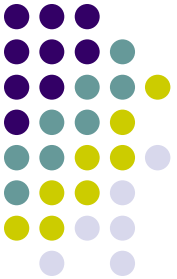
1. Energy Sector Policy/Restructuring and Capacity Building
1. Electricity Sector Reform
1. ~~Oil and~~ Gas Sector Restructuring
1. ~~Energy Sector Subsidies Targeting and Price Reform~~
1. ~~Supply Side Efficiency~~
2. ~~Demand Side Efficiency~~
2 Renewable Energy Policy Support
2. ~~Air Quality Improvement Program~~
3. U.S. Utility Partnership Program

Incorporate Assistance that would enhance more policy dialogues between the GOI and Private Energy corporation while emphasizing the need for CLEAN ENERGY Responsibility Programs that incorporate initiatives and practices

The interventions are divided into two broad areas: (1) Energy Sector Restructuring and Regulatory Reform; and, (2) Urban and Environmental Management. Indicators are discussed for each of these areas.

USAID programs that would increase funding for US-INDONESIA Energy Professional Vocational Training, Experts Dispatch to educate Indonesian energy experts on best practice models, pricing mechanism, better availability of statistics and analysis of data

New Framework: Short Term Approach



CLEAN ENERGY RESPONSIBILITY INITIATIVE:

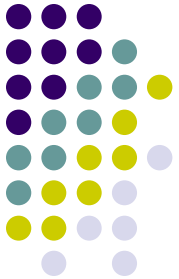
THREE COMPONENTS

1) National policy level: US Expertise and Technical Transfers--mobilize appropriate energy professionals for consulting, advising, technical transfers of US knowledge to GOI national government on pricing, regulation laws, contracts, bureaucracy, energy conservation, etc.
   i.e. Clean Technology Fund

2) Regional Level: SMEs Development and Financing for Rural Energy projects/ Communities

3) C*ommunity-citizen Level:* efficiency, incandescent light bulbs, clean energy development projects—UNDP on Micro-Hydro spends 20.5 million dollars. Currently, almost estimated 18 million dollars is coming from GOI side to develop these projects.

New Framework: Short Term Approach



Examples:

Public and Private side in Indonesia has trouble in deciding the appropriate Pricing: Federal Energy Regulatory Commission FERC– to give knowledge sharing, best practice/lessons learned for electricity reform.

Statistics/data--Energy Information Administration (EIA): energy information statistics is pivotal for transparency, informative on decision-making on all levels of government on energy policy, and accountability. There are no unified strategies for GOI and this is coupled with many discrepancies between the GOI on statistics. Need for clearer and unified system and integration--US knowledge sharing to build and improve GOI role.

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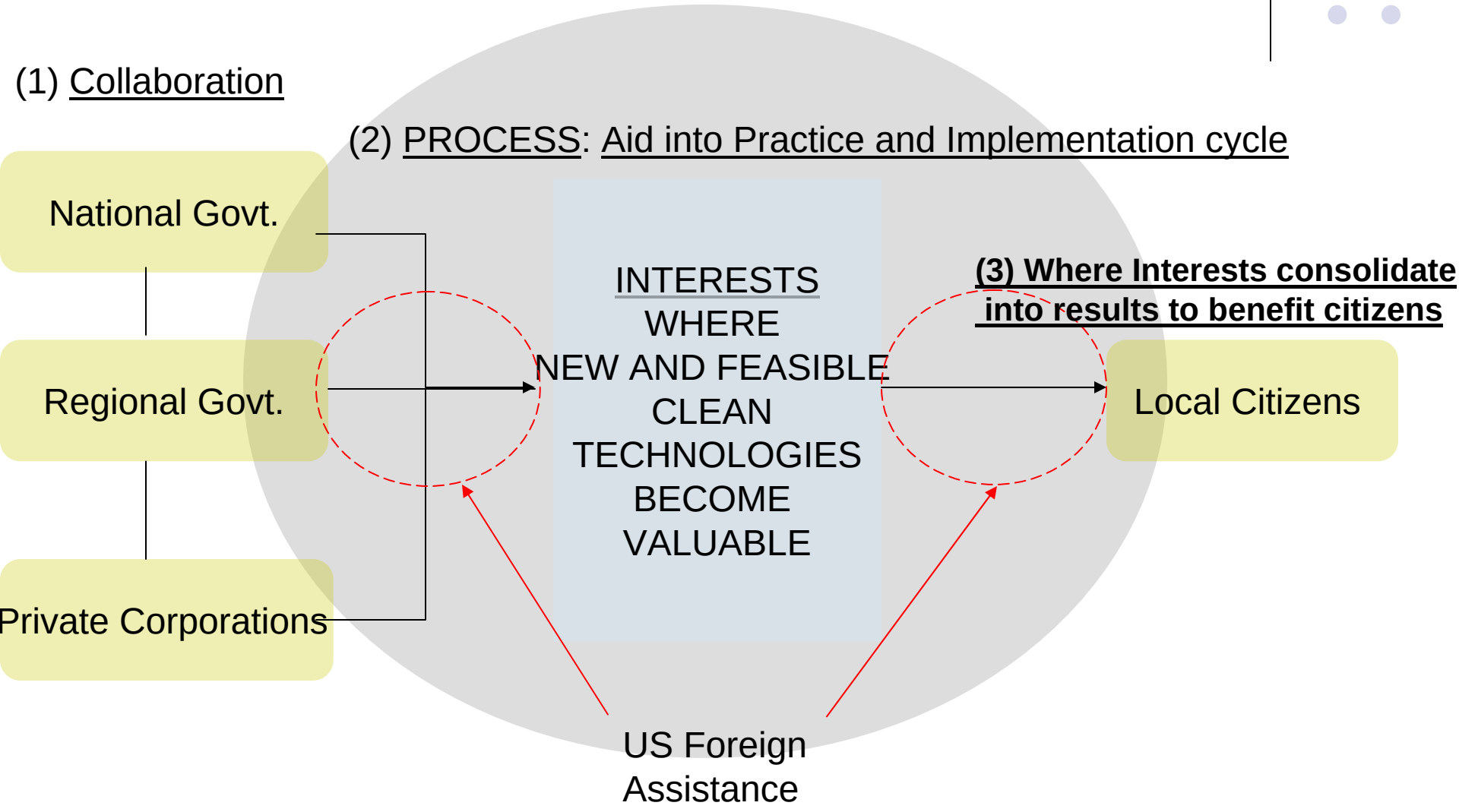
SHORT TERM FRAMEWORK USAID CAN HELP

(1) Collaboration

(2) PROCESS: Aid into Practice and Implementation cycle



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LONG TERM APPROACH: AID NOT IN DIRECT PROCESS OF SUPPLY, BUT ASSISTING THE PROCESS WHERE THE ENERGY PLAYERS HAVE AGREEABLE INTERESTS TO PURSUE IN DEVELOPING RESPONSIBILITIES TO BRING **CLEAN ENERGY TECHNOLOGIES VIABLE FOR ECONOMIC GROWTH AND ENVIRONMENT**.

Aid Contribution in three phases:

(1) Collaboration

(2) Aid into Practice and Implementation cycle

(3) Interests of public private would benefit citizen level

CLEAN ENERGY RESPONSIBILITY INITIATIVE

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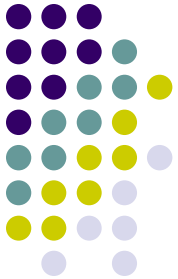

POINTS SUMMARY: Short and Long Term Approach

USAID SHOULD IMPLEMENT CLEAN ENERGY RESPONSIBILITY PRACTICUM TO SHORT AND LONG TERM APPROACHES AS FOLLOWS:

✓SHORT TERM APPROACH: STRESS FOR POWER SECTOR REFORM, FACILITATE BETTER UNDERSTANDING PUBLIC-PRIVATE PLAYERS THAT WOULD BENEFIT IN PRO-POOR GROWTH

✓LONG TERM APPROACH: FACILITATE THE PROCESS IN WHICH INDONESIA'S EFFORT IN ADOPTING AN INFRASTRUCTURE NECESSARY TO DEVELOP AND IMPLEMENT CLEAN TECHNOLOGY OPTIONS:

i.e. clean technology fund, micro-hydro power, geothermal