

CLIMATE
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Innovative Energy Efficiency Financing Scheme for Industrial and Commercial Sectors in Indonesia

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Market Opportunity and Challenges of Energy Efficiency in Commercial and Industrial Sectors

Market Opportunities

1. National energy policy to reduce energy intensity by 1% per year and total of energy consumption reduction target of 17% compared to business-as-usual in 2015
2. Usage of cooling systems in Indonesia continues to increase by 15% per year in the industrial, commercial, and private sectors and contribute to 15.4% of energy-related GHG emissions
3. Cooling system appliances in Indonesia do not widely use energy efficiency features such as VSD or inverter compressors (BPPT, 2020).
4. Covid-19 Pandemic pushes commercial and industrial sectors to operate efficiently

Challenges

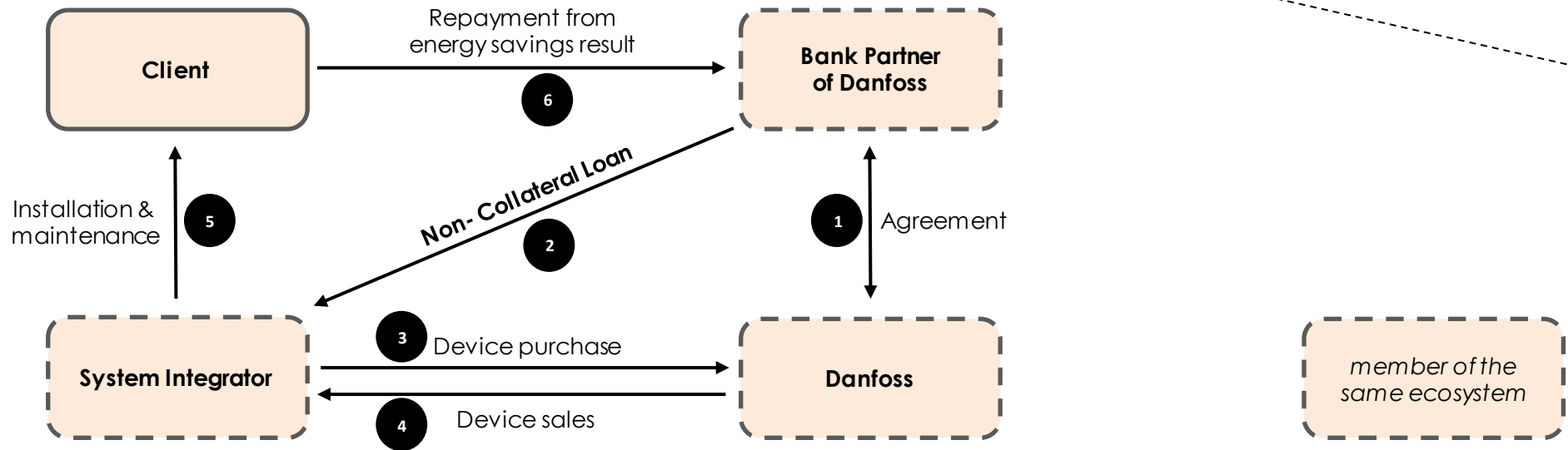
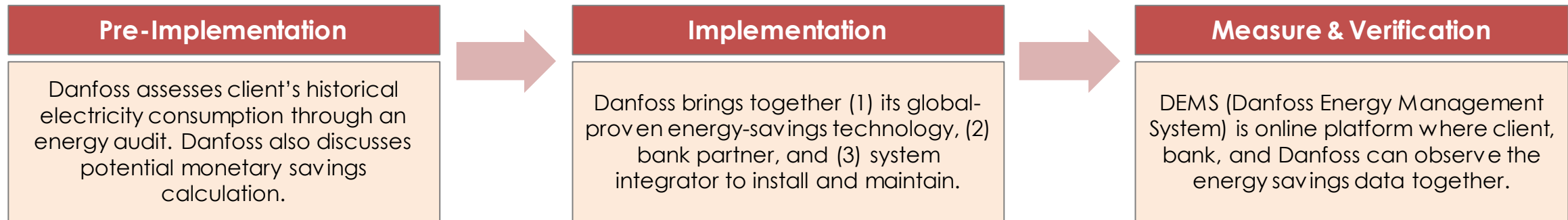
1. Low awareness on energy efficiency in commercial and industrial sectors
2. Financial risk perceived by both clients and lenders on energy efficiency project
3. Clients are usually face difficulties in accessing financing from banks
4. ESCOs in Indonesia are usually small and face the same difficulty in accessing financing from banks

Approach #1: Developing Innovative Business Model in Energy Efficiency

This project is supported by P4G – Partnering for Green Growth and the Global Goals 2030

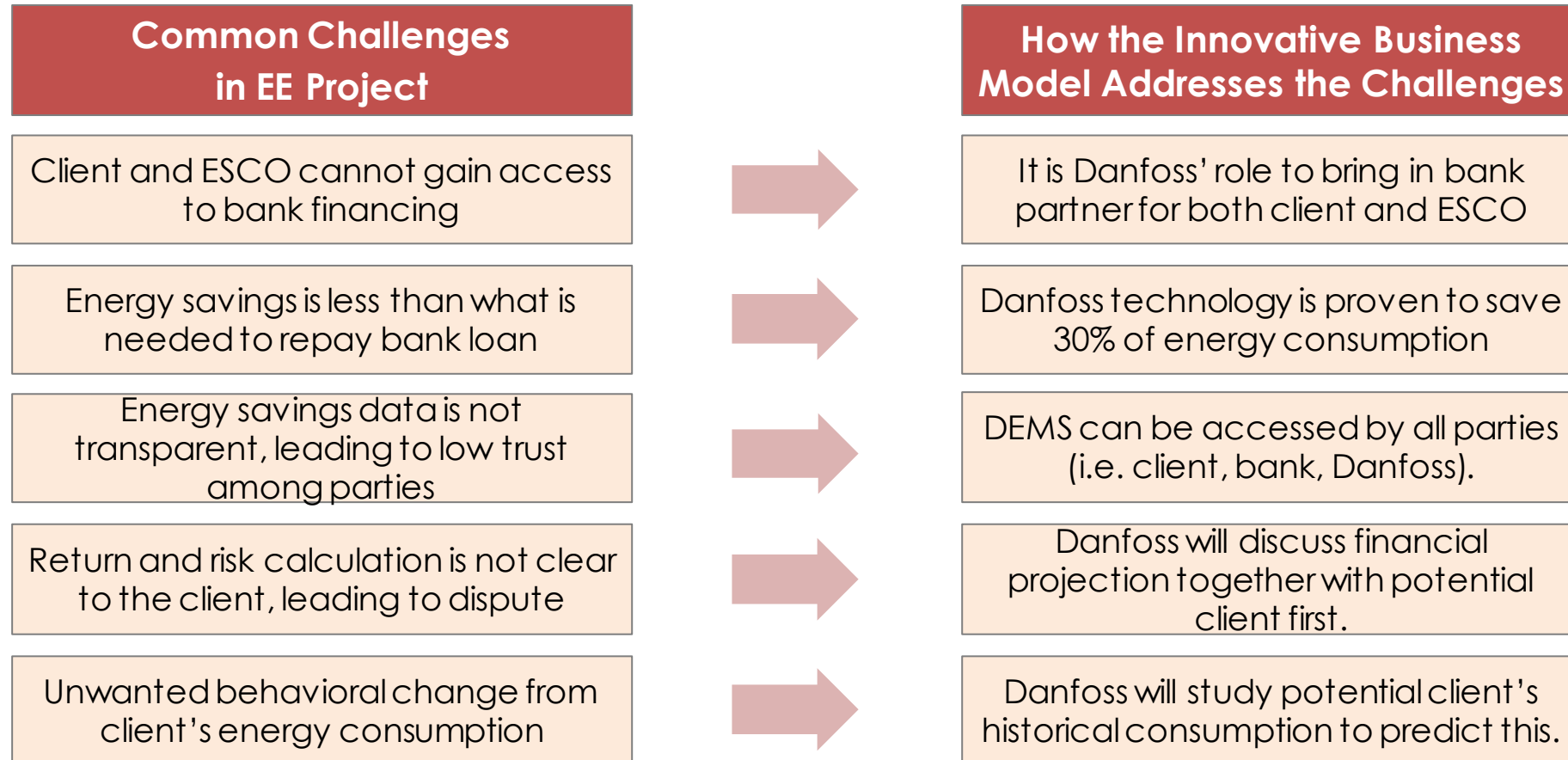
The schematic of innovative business model

This business model has been successfully implemented by Danfoss at a hotel in Jakarta, with required capital around USD 200K



The innovative business model can address common challenges in EE projects

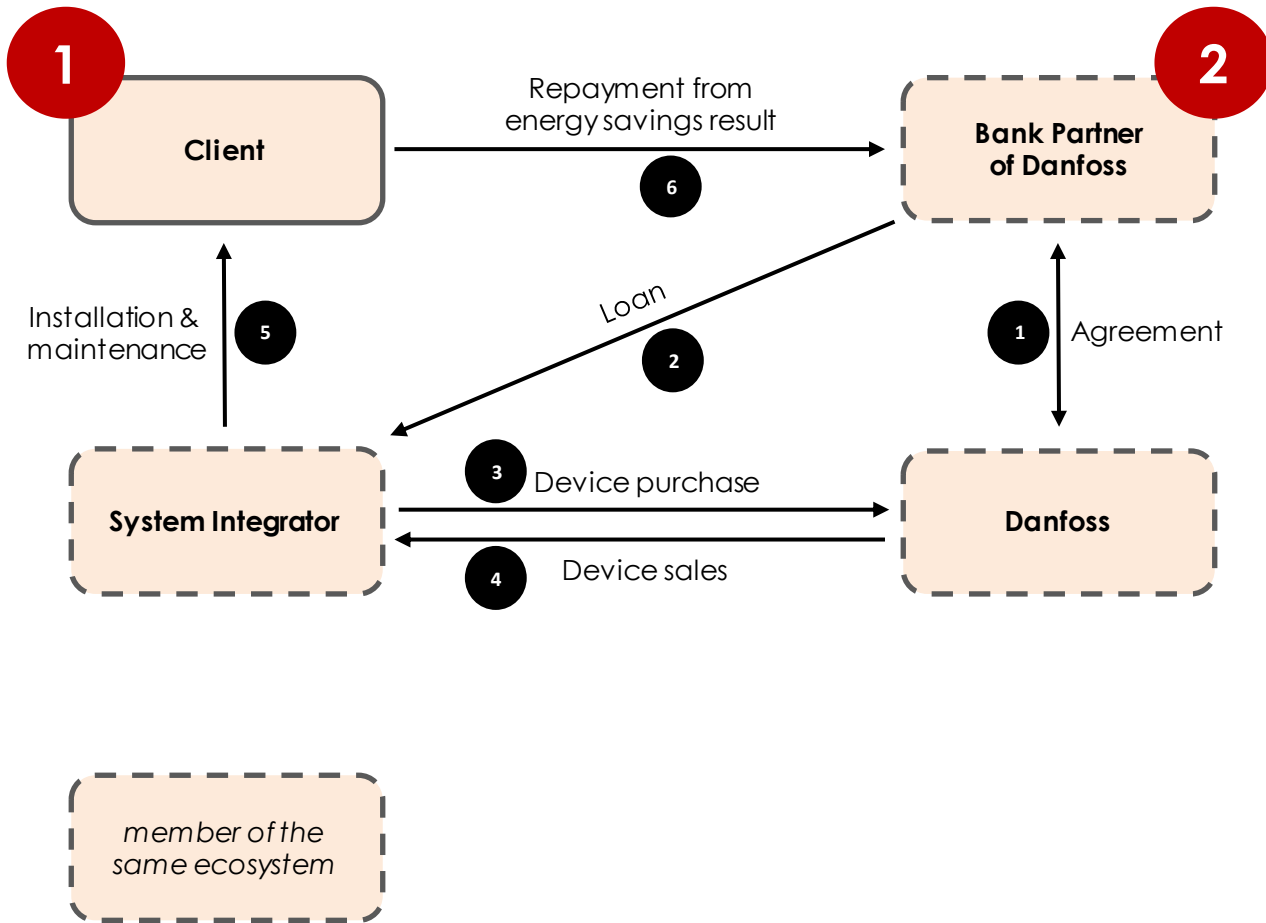
This business model is a one-stop integrated solution to tackle these challenges, from its pre-implementation until MRV stage



Approach #2: De-risking Instrument to Accelerate Energy-Efficiency Business Transaction

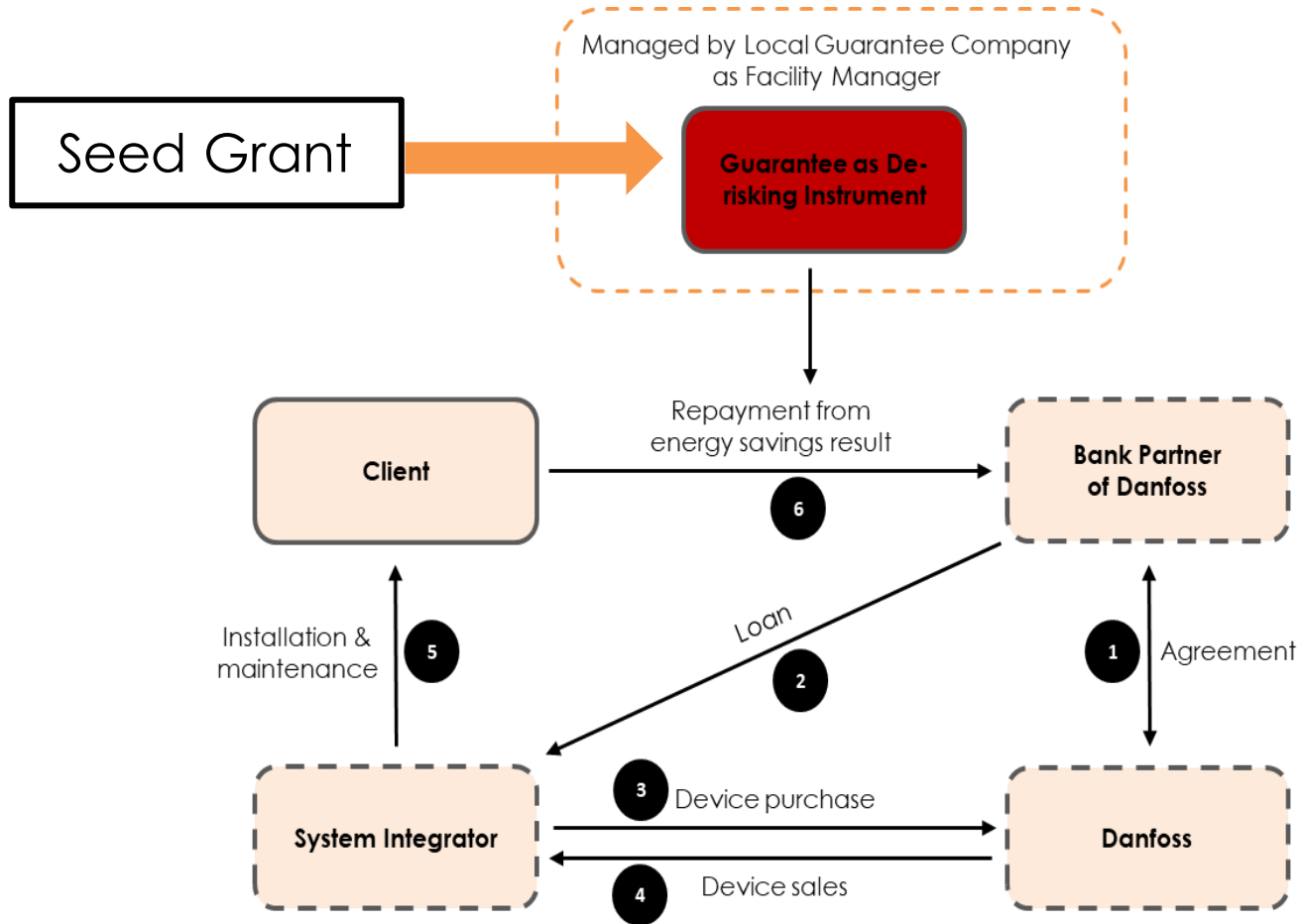
This project is supported by The Energy Transition Partnership (ETP) and UK Partnering for Accelerated Climate Transitions program

Challenges on the implementation of innovative business model



- 1** Lack of confidence/trust in the energy saving performance, leads to potential clients reluctant to invest in energy efficiency project
- 2** High perceived risk, lead to the high cost of finance. This then increases unwillingness potential clients to implement in energy efficiency project.

An integrated ecosystem to accelerate EE business transaction



Benefits

1. Improve confidence level/trust of potential clients to implement energy efficiency project as the potential risks has been distributed properly to other stakeholders
2. Loan providers/banks perceived risk will be reduced as more stakeholders participated to absorb potential risks, thus cost of finance could be reduced

Contact –

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Thank You