

# Indonesia Investments

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## Indonesia's Geothermal Potential

- Indonesia is Home to Some 40% of Estimated Total Global Geothermal Power Potential. However, It Only Taps a Fraction of the Potential
- Indonesian Government Wants Renewable Energy Sources to Dominate in the Country's Primary Energy Mix. However, Progress Goes Slow
- The Indonesian Government Is Set to Create a Geothermal Energy Holding Company in 2021
- What Are the Biggest Challenges Faced by Geothermal Energy Investors in Indonesia?

28 JUNE 2021

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Van Der Schaar Investments B.V.  
CV Indonesia Investments



# Indonesia Investments

Update – 28 June 2021

## ‘Indonesia’s Geothermal Power Potential’



# Preface

In addition to our reports, Indonesia Investments sends updates on key economic, political or social developments to our subscribers to make sure that our subscribers do not miss out on vital information. The topics in these updates will be discussed in more detail (and in an updated form) in the forthcoming report.

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DIREKTORAT JENDERAL MINYAK DAN GAS BUMI  
KEMENTERIAN ENERGI DAN SUMBER DAYA MINERAL



# PEMERINTAH KEMBALI MEMBUKA LELANG WILAYAH KERJA MIGAS TAHUN 2021

Pemerintah melakukan upaya-upaya agar Lelang Wilayah Kerja semakin menarik dengan perbaikan *Terms & Conditions* antara lain pada *sharing split* Kontraktor, *Signature Bonus*, *FTP*, *DMO price*, *relinquishment obligation*, insentif dan fasilitas perpajakan serta kemudahan dalam akses data.

## PENAWARAN LANGSUNG

### SOUTH CPP DARATAN RIAU



LUAS AREA 5.446,39 KM<sup>2</sup>  
MINIMUM KOMITMEN PASTI  
\* GGG  
\* SEISMIK 2D 500 KM  
\* SEISMIK 3D 50 KM<sup>2</sup>  
\* 1 SUMUR EKSPLORASI

### SUMBAGSEL DARATAN SUMATERA SELATAN



LUAS AREA 1.751,04 KM<sup>2</sup>  
MINIMUM KOMITMEN PASTI  
\* GGG  
\* 1 SUMUR EKSPLORASI

### RANGKAS DARATAN BANTEN & JAWA BARAT



LUAS AREA 3.969,8 KM<sup>2</sup>  
MINIMUM KOMITMEN PASTI  
\* GGG  
\* SEISMIK 2D 300 KM

### LIMAN DARATAN & LEPAS PANTAI JAWA TIMUR



LUAS AREA 3.135 KM<sup>2</sup>  
MINIMUM KOMITMEN PASTI  
\* GGG  
\* SEISMIK 2D 400 KM

## LELANG REGULER

### MERANGIN III DARATAN SUMATERA SELATAN DAN JAMBI



LUAS AREA 1.488,84 KM<sup>2</sup>  
MINIMUM KOMITMEN PASTI  
\* GGG  
\* SEISMIK 3D 100 KM<sup>2</sup>  
\* 1 SUMUR EKSPLORASI

### NORTH KANGEAN LEPAS PANTAI JAWA TIMUR



LUAS AREA 4.679,33 KM<sup>2</sup>  
MINIMUM KOMITMEN PASTI  
\* GGG  
\* SEISMIK 3D 200 KM<sup>2</sup>  
\* 1 SUMUR EKSPLORASI

## JADWAL LELANG

WK MIGAS KONVENSIONAL TAHAP I TAHUN 2021

### A. PENAWARAN LANGSUNG

SOUTH CPP, SUMBAGSEL, RANGKAS & LIMAN

- Akses Bid Document: mulai tanggal 17 Juni 2021 s.d. 28 Juli 2021
- Pemasukan Dokumen Partisipasi: 28 Juli 2021 s.d. 30 Juli 2021.

### B. LELANG REGULER

MERANGIN III & NORTH KANGEAN

- Akses Bid Document: mulai tanggal 17 Juni 2021 s.d. 12 Oktober 2021
- Pemasukan Dokumen Partisipasi: 12 Oktober 2021 s.d. 14 Oktober 2021



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# Update on Renewable Energy Sources; Indonesia's (Untapped) Geothermal Power Potential

Despite several persistent challenges, geothermal energy remains a very interesting (and relatively environmentally friendly) power source for Indonesia. It is estimated that Indonesia is home to 40 percent of total global geothermal energy potential. But as impressive as that sounds, the country only uses a fraction of the potential. So, let's take a look at recent developments in terms of geothermal power in Indonesia.

It is almost 40 years ago when Indonesia saw its first commercial geothermal power plant coming online (namely the 30 MW Kamojang Unit 1 in West Java in 1983) but further progress has been quite slow. In fact, if we take 1983 as the starting point of geothermal power development in Indonesia, then the country only saw an average 56.0 megawatt (MW) being added to its geothermal power capacity, each year (as Indonesia's total installed geothermal power capacity reached 2,131 MW by the end of 2020). For comparison, between 2015 and 2020, Indonesia added around 2,000 MW – each year – in power capacity from (dirty) coal-fired power plants (coal being easy to extract, cheap, reliable, and abundantly available in Indonesia).

## Renewable Energy in Indonesia

Before we focus on geothermal power development in Indonesia, we first devote some words to renewable energy sources in general. The Indonesian government

has repeatedly emphasized that it seeks more power (electricity) from renewable energy sources for three key reasons<sup>2</sup>:

(1) Renewables are much more environmentally friendly (which is important in the context of the 2015 Paris Agreement on climate change, and for achieving the sustainable development goals by 2030);

(2) Fossil fuels such as crude oil, coal and natural gas are (eventually) exhaustible natural resources, and therefore people cannot depend on them forever (moreover as they will become scarcer, they will become more expensive), and;

(3) Indonesia has a traditional deficit in its oil and gas trade balance because it needs to import costly fuel and crude oil as domestic production cannot meet domestic demand. This deficit burdens not only the trade balance, but also the current account balance and the rupiah exchange rate (while also undermining portfolio investors' confidence in Indonesia's economic fundamentals). So, energy

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<sup>2</sup> Indonesia is having a hard time meeting people's and businesses' power and electricity demand. Amid economic growth and population growth, demand for power rises strongly across Indonesia (although the COVID-19 crisis has – probably temporarily – disturbed this trend) but an adequate increase in the supply of power has been lagging behind; something that disrupts the country's economic and social development (hence power outages remain a frequent phenomenon).

self-sufficiency is placed high on the agenda of the Indonesian government (being dependent on other countries for the energy supply indeed entails certain risks).

Per end-2020, Indonesia's (combined) renewable energy capacity stood at around 10,467 MW. By the end of 2021, the Indonesian government targets to have raised total capacity of renewable energy to 11,373 MW, thus contributing 14.5 percent to total power generation in Indonesia (which remains dominated by coal, oil and gas).

#### **Indonesia's Primary Energy Mix and Targets of the Indonesian Government:**

Energy Source	2015	2025 (Target)	2050 (Target)
Coal	30%	30%	25%
Oil	46%	25%	20%
Renewables	5%	23%	31%
Natural Gas	23%	22%	24%

Source: 2019–2038 National Electricity Plan (RUKN)

[...]

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