

Signing of Japanese ODA Loan with the Republic of Indonesia

- Supporting geothermal power generation to promote earth-friendly renewable energy-

1. Today, the Japan International Cooperation Agency (JICA) signed an agreement with the Republic of Indonesia to provide a Japanese ODA loan for up to 26.966 billion yen for the Lumut Balai Geothermal Power Plant Project.

2. Under the **Lumut Balai Geothermal Power Plant Project**, a geothermal power plant will be constructed in Muara Enim Regency in South Sumatra Province and connected to the Sumatra power grid. This will improve the stability of power supply, the lives of residents and the investment climate in the region. These improvements will promote economic development and the use of renewable energy in the Sumatra region while alleviating negative impacts on the global environment. The loan will be allocated to the construction of a geothermal power plant and consulting services such as detail design, tender assistance, construction supervision, and environmental monitoring assistance. The potential for registering as a Clean Development Mechanism (CDM) project will also be explored in the designing process.

3. The peak power demand for Sumatra was 3,743 megawatts in 2010, a number which is expected to grow by 10.7 percent annually to reach 6,219 megawatts by 2015 as the economy grows. Although the power generating capacity of Sumatra was 4,572 megawatts in 2010, the development of new power sources is an urgent task since some of existing power equipment will become obsolete and no longer supply power in the near future.

An important step the Indonesian Government is taking to meet the increase in power demand and to alleviate the negative impacts of climate change is the implementation of an energy diversification policy that includes the promotion of renewable energy. At least 15 percent of primary energy is targeted to be produced by non-fossil fuel sources in the forms of hydroelectric, geothermal and biomass energy by 2025. Indonesia is said to have 27,000 megawatts of geothermic potential, the largest of any nation on earth. As a great deal of additional power sources are needed, between 2010 and 2014, new power development is expected to provide additional 10,000 megawatts, approximately 40 percent of which to be generated with geothermal energy.

4. With regards to geothermal projects, JICA has provided technical cooperation for the formulation of geothermal development plans as well as assistance with Japanese ODA loans to PT PLN and PT Pertamina (the national petroleum company) for the government's geothermal projects[1]. Such government projects alone will fall far short of the power required to meet the expanding power demand, and the promotion of private power projects is an urgent task. Due to the high risk in digging wells as deep as 2,000 meters to search for the steam and hot water required for power generation and the difficulty in making profits due to low purchase price of power, however, little progress has been made in participation by the private sector. JICA is, therefore, supporting the Indonesian Government's effort in geothermal development through policy dialogue within the framework of the "Climate Change Program Loan"[2] as well as working on a collaborative study for national institutional reforms that will lead to geothermal projects by the private sector.

[1] Assistance has been provided through Japanese ODA loans for Lahendong Geothermal Power Plant Project in FY2003, Ulubelu Geothermal Power Plant Project in FY2004, and Engineering Services for Kamojang Geothermal Power Plant Extension Project in FY2005.

[2] Press release on Climate Change Program Loan: JBIC Signs Japanese ODA Loan Agreement with Indonesia

Reference

1. Terms and Amounts of Loan

Program title	Amount (million yen)	Annual interest rate (%)		Repayment period (years)	Deferment period (years)	Procurement
		Program	Consulting services			
Lumut Balai Geothermal Power Plant Project	26,966	0.3*	0.01	40	10	Untied

* Qualifies as the terms and conditions of "Climate Change Japanese ODA loan".

2. Program Summaries

Lumut Balai Geothermal Power Plant Project

Executing Agency

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Planned Implementation Schedule

- (i) Completion of project: October 2014 – when the facilities are put into service
- (ii) Mailing of letters of invitation for consulting services (including detailed design): Completed
- (iii) Tender announcement for initial procurement package for international competitive bidding on project construction:
Procurement package title: Power Plant and FCRS Package
Release date: October 2011