

THE POLICY OF BIOFUEL IN INDONESIA

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OBJECTIVE OF BIOFUEL DEVELOPMENT

1. Poverty alleviation and job creation
2. Encourage enhancement of sustainable economical activities, through biofuel development :
 - Meet quantity and quality requirements
 - Reasonable price
 - Efficient, reliable, save and environmental friendly
3. Reducing domestic fossil fuel consumption



TUGAS DAN PERAN TIM NASIONAL PENGEMBANGAN BBN



TUGAS TIMNAS

- Menyusun cetak biru pengembangan bahan bakar nabati untuk percepatan pengurangan kemiskinan dan pengangguran.
- Menyusun peta jalan (*Road Map*) pengembangan bahan bakar nabati untuk percepatan pengurangan kemiskinan dan pengangguran.
- Menyiapkan rumusan langkah – langkah pengembangan bahan bakar nabati untuk ditindaklanjuti oleh seluruh instansi terkait, sebagaimana dimaksud dalam instruksi Presiden Nomor 1 Tahun 2006 tentang Penyediaan dan Pemanfaatan Bahan Bakar Nabati (biofuel) Sebagai Bahan Bakar Lain.
- Melaksanakan evaluasi terhadap pelaksanaan pengembangan bahan bakar nabati untuk percepatan pengurangan kemiskinan dan pengangguran.
- Melaporkan kemajuan pengembangan bahan bakar nabati untuk percepatan pengurangan kemiskinan dan pengangguran secara berkala kepada Presiden

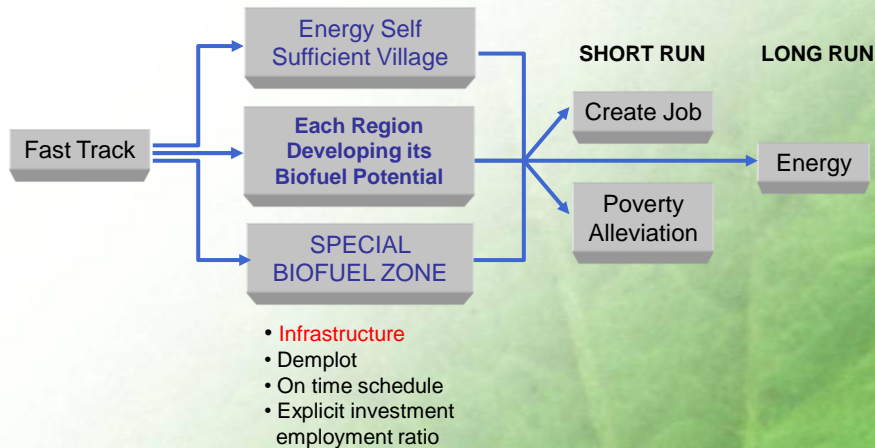




STRATEGY

1. Developing investment and finance scheme in biofuel development
2. Developing price mechanism, starting from the feedstock up to biofuel product that support biofuel development effectively
3. Increasing local content on biofuel development
4. Improving feedstock supply and production infrastructure
5. Establishing biofuel trading system
6. Accelerate land availability
7. Developing Special Biofuel Zone and Self Sufficient Energy Village
8. Improving Local Government and society participation in biofuel business

BIOFUEL DEVELOPMENT FAST TRACK

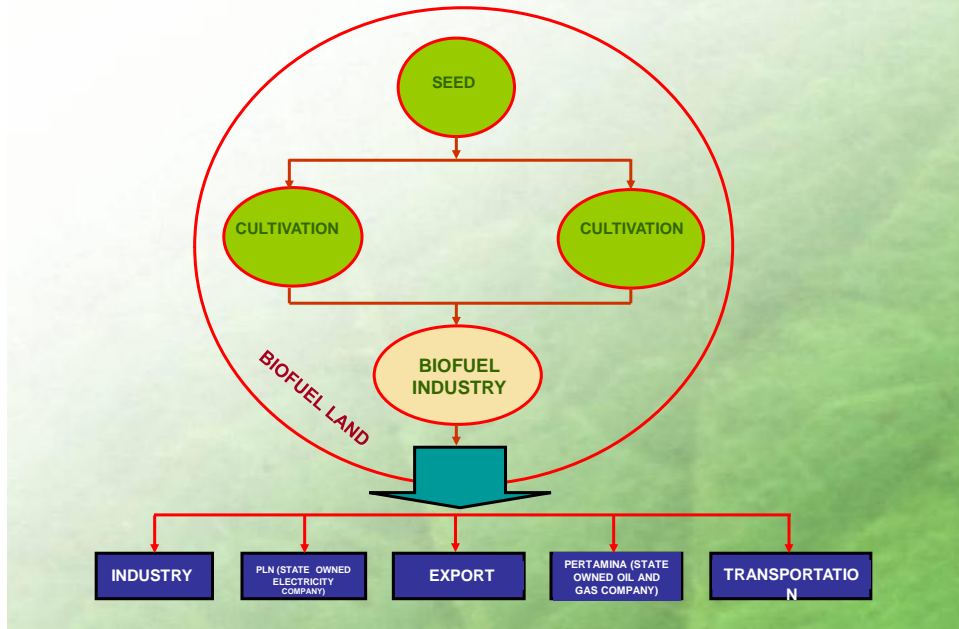


BACKGROUND OF ENERGY SELF SUFFICIENT VILLAGE (ESSV) DEVELOPMENT

1. Indonesia has more than 70,000 villages, 45% of which are under poverty line.
2. Energy Self Sufficient Village is a program to fulfill the village's needs on energy, to create job and to alleviate poverty through optimizing local community capabilities.
3. The target of this program is to release local community dependency on fossil fuel.
4. Energy Self Sufficient Village is implemented gradually, starting from the villages that have been prioritized by the Government.



DEVELOPMENT OF SPECIAL BIOFUEL ZONE



TARGET 2010

1. Job creation for 3.5 million unemployment
2. Increasing income for On-Farm and Off-Farm workers in biofuel sector up to the Regional Minimum Payment
3. Development of biofuel plantation in 5.25 million ha unused land
4. 1000 Energy Self Sufficient Villages and 12 Special biofuel Zone
5. Reducing Fossil Fuel for transportation up to 10%
6. Reducing fuel subsidy
7. Achievement of biofuel target



CHALLENGES

1. **Land availability for Biofuel Development**
Land availability inventory, synchronizing data among Forestry Department, National Land Affairs Agency and Regional Government
2. **High price of biodiesel feedstock, especially CPO**
Feedstock diversification is needed
3. **Improving quality of Biofuel commodities**
Agricultural research on biofuel commodities sector
4. **Improving national technological capabilities on biofuel processing**
Research and Development, technology transfer on biofuel processing with more experienced parties
5. **The price of biofuel that has not yet competitive in compare with fossil fuel**
Subsidy Fossil fuels/oil
Feedstock diversification and effective technology will decrease the price of biofuel

REGULATIONS related to BIOFUEL DEVELOPMENT

1. Presidential Regulation No. 5/2006 on National Energy Policy
2. Presidential Instruction No. 1/2006 on Supply and Utilization of Biofuel as Alternative Fuel
3. Presidential Decree No. 10/2006 on The Establishment of National Team for Biofuel Development
4. Estate Crop Law No. 18/2004
5. Government Regulation No. 1/2007 on Income Tax Facilities for Investment Activities in Specific Industries and/or Particular Region
6. Government Regulation No. 8/2007 on The Government Investment
7. Law No. 22/2001 on Oil and Natural Gas
8. Presidential Regulation No. 36/2004 on Oil and Natural Gas Downstream Activities



REGULATIONS related to BIOFUEL DEVELOPMENT (continuation)

9. Minister of Energy and Mineral Resources Decree No. 051/2006 on Guideline and Procedure for Biofuel Businesses
10. Minister of Finance Decree No. 117/PMK.06/2006 on Credit for the Development of Biofuel Energy and Plantation Revitalization
11. National Standard (SNI) for Biodiesel No. 04 – 7182 – 2006
12. National Standard (SNI) for Bioethanol No. DT27 – 0001 – 2006
13. Director General for Oil and Gas Decree No. 3674K/24/DJM/2006 on Gasoline Specification for Domestic Market
14. Director General for Oil and Gas Decree No. 3675K/24/DJM/2006 on Diesel Fuel Specification for Domestic Market
15. Director General for Oil and Gas Decree No. 13483K/24/DJM/2006 Biodiesel Specification for Domestic Market



RECOMENDATIONS



Recomendations

No.	Policy Recommendations	Departement/ Related Insititutions	Policies and Regulations	Priority/Remarks
BIOFUELS PRICE AND MARKET				
1	Policy on Domestic Market Obligation for feed stock producer and biofuels product based on Minister of EMR (Energy and Mineral Resources) which is periodically evaluated.	Energy and Mineral Resources (DEMR), Department of Trade, Regulatory Agency for Downstream Oil and Gas (BPHMIGAS), Parlement (DPR), Pertamina	Law (UU), Government Regulations (PP), Presidential Instruction (Inpres)	According to market mechanism principle being adopted which is based on the ratio of biofuel price to MOPS in the market (15 – 20%)
2	Formulation of Pricing Policy : a. Based on real biofuels production cost structure relevant to market price and appropriateness b. Based on biofuels price range within MOPS and MOPS+alpha if FAME/Biodiesel (B100) price and Bioethanol (E100) are above MOPS	Department of Finance, State Owned Enterprise, Pertamina	Government Regulations (PP), Joint Minister Decree (SKB) between Ministers of EMR, State Owned Enterprise, Finance)	
3	Reduction of fuel tax for vehicles	Coordinating Minister for Economy and Local Government (Provincial or District)	Local regulations (Perda)	reduction similar to NGV from 5% to 2.5% due to environmental benefit considerations



Recomendations (continued)

No.	Policy Recommendations	Departement/ Related Insititutions	Policies and Regulations	Priority/Remarks
4	In the short term it is required to determine that biofuels fall under the PSO fuel category	Department of Finance, DEMR, State Owned Enterprises (BUMN)	Government Regulations (PP), Presidential Decree (Keppres), Joint Minister Decree (SKB)	In 2006, Biosolar is included as PSO but in 2007 bioethanol and biosolar has not been considered PSO fuel
5	Issuance of Joint Minister Decree by Minister of EMR and State Minister for State Owned Enterprise (BUMN) instructing PERTAMINA and PLN as stand by buyer of biofuels product	Menkeu, ESDM, BUMN	Joint Minister Decree (SKB)	If Joint Minister Decree is not possible, then Presidential Regulation
6	Decree of Minister of Finance to abolishing VAT on biofuels commodity from the upstream to downstream sector, CPO, Molasses, Cassava, Sugar Cane, Biodiesel, Bioethanol, Pure Plantation/Vegetable Oil, etcl	Department of Finance	Minister Decree (SK) / Ministerial Regulations (PMK)	Only Minister Decree on agriculture products and downstream (Minister Decree no S-144/MK.01/2007). No regulation for CPO or molasses industry to biofuel industry
7	Policy to make the use of biofuels mandatory on a periodic basis	Parliament, Presidential Cabinet	Law on Energy, Government Regulations (PP) and supporting Laws on biofuels	16

Recomendations (continued)

No.	Policy Recommendations	Departement/ Related Insititutions	Policies and Regulations	Priority/R emarks
INSTITUTIONAL KELEMBAGAAN				
1	SPECIAL REGION FOR BIOFUELS DEVELOPMENT (authority or coorporate such as BTDC), enables an integrated planning of infrastructure and its supporting infrastructure and permit issuance under one roof (one stop service)	Agency for Coordinating of Investment, Forestry Department, Agriculture Department, Ministry for Internal Affairs, National Land Agency (BPN), Departments of EMR, Public Works, Transportation, Finance, Industry, and Trade	Government Regulations (PP), President Decree	
2	Institution for management and financing of Energy Self Sufficient Village (Desa Mandiri Energi)	Coordinating Minister for Economy, Coordinating Minister for Walfare, and all related Departments, Local Government	President Decree	
3	Mainstreaming dan Refocusing of National Budget allocation for People's Walfare and Poverty Alleviation (Taskin) to biofuels development through Special Allocated Budget (DAK)			



Recomendations (continued)

No.	Policy Recommendations	Departement/ Related Insititutions	Policies and Regulations	Priority/Re marks
INVESTMENT				
1	Revision on Minister of EMR Regulation no. 51/2006 which provides a definitif time frame to obtain recomendations on biofuel exports (maximum 10 working days) or exporter periodically submits report on export plan to Minister of EMR. Another alternative is that biofuels producer need only once to obtain recomendations on export/import and subsequently is only required to periodically submit report.	Department of Energy and Mineral Resources (DEMR)	Minister Regulation (in the process)	
2	Finance Minister Decree on reducing tax related to fincancing of biofuels through investment products: share (tax on capital gain), obligation (tax on interest) and derivatives (capital gain dan interest) for 5 years	Minister of Finance	Minister Decree	



Recomendations (continued)

No.	Policy Recommendations	Departement/ Related Insititutions	Policies and Regulations	Priority/Re marks
LAND AREA				
1	President Decree on optimum utilization of unattended land (within HPK or APL): Assigns authority to Minister of Forestry/Local Government/National Land Agency (BPN) to take action regarding unattended land	Department of Forestry, Department of Agriculture, National Land Agency (BPN), Local Government	President Decree	
2	Revision of Government Regulation no. 36, 1998 on the rights to use for business (Hak Guna Usaha/HGU) on unattended land	Dephut, BPN, Pemda	Government Regulation	
3	The reduction of fee to obtain the rights on land and building (<i>Biaya Perolehan Hak Atas Tanah dan Bangunan / BPHTB</i>) to utilize land for biofuels development	Department of Finance, National Land Agency (BPN)	Minister of Finance Decree	

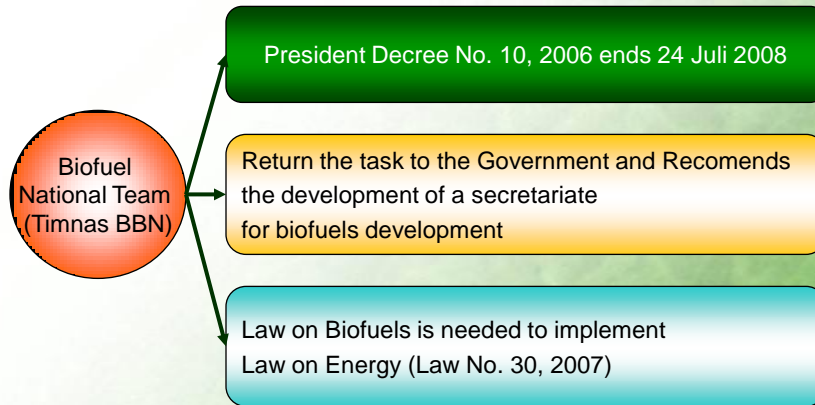


RECOMENDATION

- Positive support from Regional Government to develop Biofuels;
- Value Added Tax (VAT / PPn) reduction for Biofuels (conforming to the spirit of Law no 30 2007 on Energy, article 20 and 21);
- Simplification of process to obtain permit to utilize plantation land;
- Support from Government (executive and legislation branch) for research and development of biofuels production process through the use of advanced technology, research on type and quality of plant as feedstock for biofuels;



MENUNTASKAN PENGAKHIRAN MASA KERJA JULI 2008



Feedback Results from Socialization Process at the Local Level

- The alternative option of follow-ups in the handling of biofuels development at the national level include the following:
 - Dismissal of team and the responsibility is returned to relevant institutions (this option is not positively responded by the audience since biofuels development requires coordination among many institutions).
 - An alternative institution is created: in the form of Non-Departmental Government Agency (LPND) with an authority larger than the Biofuels Development National Team.
 - A coordinating team under a certain institution is created, such as Coordinating Minister of Economy, Department of EMR, National Energy Council or Department of Agriculture with the task to implement and socialize biofuels, monitoring, and evaluation of programs.
- The success of biofuels development also depend on the readiness of the local level. It is recommended to create a coordinating team at the local level to develop biofuels (at the Provincial/District/City level) to solve problems arising from biofuels development in that area. The other task is to perform monitoring and evaluation at the local level in cooperation with the team at the national level.



Feedback Results from Socialization Process at the Local Level

3. Business of biofuels need to be regulated to encourage activities in supplying feedstocks from the farmers' level to its utilization at the consumer level. A policy on mandatory biofuels utilization is needed to provide a security in biofuels business. In addition to the business regulatory in place at the downstream area, there is a need to regulate the business of biofuel feedstocks (under the Dept of Trade based on the recommendations from Dept of Agriculture);
4. The development of biofuels is linked to the development of ESSV and is coordinated through the Coordinating Minister of Economy. The development of ESSV is directed towards local energy supply where surplus energy will be sold outside of that village.
5. Pricing policy of biofuels is conducted based on two categories. The price for special type of biofuels will be regulated by the Government, and the price for general type of biofuels will be based on negotiations (B to B).



CONCEPT OF (PLANS ON) MANDATORY
BIOFUEL UTILIZATION



CONCEPT ON PHASING OF MINIMUM OBLIGATION FOR BIODIESEL UTILIZATION

Sector	September 2008 to December 2008	January 2009	January 2010	January 2015**	January 2020**	January 2025**	Remarks
Household	-	-	-	-	-	-	No plans for mandatory at present
Public Service Obligation (PSO) in the Transportation sector	1 % (existing)	1 %	2,5 %	5 %	10 %	20 %	* with respect to total demand
Transportation Non PSO	-	1 %	3 %	7 %	10 %	20 %	** Spesification is adjusted to conform global specification and domestic interests
Industry dan Commercial	2,5 %	2,5 %	5 %	10 %	15 %	20 %	* with respect to total demand
Electricity Power Plant	0,1 %	0,25 %	1 %	10 %	15 %	20 %	* with respect to total demand



CONCEPT ON PHASING OF MINIMUM OBLIGATION FOR BIOETHANOL UTILIZATION

Sector	September 2008 s.d December 2008	January 2009	January 2010	January 2015**	January 2020**	January 2025**	Remarks
Household	-	-	-	-	-	-	Not applicable at present
Public Service Obligation (PSO) in the Transportation sector	3 % (existing)	1 %	3 %	5 %	10 %	15 %	* with respect to total demand
Transportation Non PSO	5 % (existing)	5 %	7 %	10 %	12 %	15 %	** Spesification is adjusted to conform global specification and domestic interests
Industry and Commercial	-	5 %	7 %	10 %	12 %	15 %	* with respect to total demand
Electricity Power Plant	-	-	-	-	-	-	* with respect to total demand



CONCEPT ON PHASING OF MINIMUM OBLIGATION FOR PURE PLANT OIL (PPO) UTILIZATION

Sector		September 2008 to December 2008	January 2009	January 2010	January 2015	January 2020	January 2025	Remarks
Household		-	-	-	-	-	-	No plans for mandatory at present
Industry dan Transportation (Low & medium speed engine)	Industry	-	-	1 %	3 %	5 %	10 %	
	Marine	-	-	1 %	3 %	5 %	10 %	
Electricity Power Plant		-	0,25 %	1 %	5 %	7 %	10 %	with respect to total demand



THANK YOU

