

Japan-Indonesia Business Forum

Renewables in Indonesia

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Investment
Banking

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LEAD THE VALUE

■ Disclaimer and Equator Principles

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Market Leader in Project Finance

SMBC is proud to have been awarded “Global Financial Adviser of the Year”, “Asia Pacific Financial Adviser of the Year”, “Latin America Financial Advisor of the Year” and “MENA Financial Advisor of the Year” from IJ Global

PFI AWARDS 2017	Global Bank of the Year 2017	APAC Renewables Deal of the Year Star Energy	Europe PPP Deal of the Year Ikitelli Hospital
PFI AWARDS 2016	America / Middle East & Africa Bank of the Year 2016	APAC Power Deal of the Year Central Java IPP	LatAM Power Deal of the Year TEN
PFI AWARDS 2015	Mining Deal of the Year Oyu Tolgoi	Power Deal of the Year Salem Harbour Galloper	PPP Deal of the Year IJmuiden
PFI AWARDS 2014	Global Bank of the Year 2014	AP Deals of the Year Roy Hill Sarulla PAU	Europe Deals of the Year
PFI AWARDS 2013	AP Deals of the Year Nghi Son Refinery NSW Ports	Europe Deals of the Year A1/A6 Motorway Thameslink Rail	Americas Deals of the Year Sabine Pass LNG Chaglla Hydro
PFI AWARDS 2012	Global Bank of the Year 2012	AP Power Deal of the Year Gulf U-Thai	AP Infra Deal of the Year Sydney Desalination

Infrastructure Journal Awards

2017 Global MLA of the Year

2016 FA of the Year (Global)

FA of the Year (Asia Pacific)

FA of the Year (Latin America)

FA of the Year (MENA)

2015 MLA of the Year (EMEA)

2014 Asia Pacific Bank of the Year

2012 MLA of the Year – Social Infrastructure

2011 Global MLA of the Year

2011 Arranger of the Year – Oil & Gas

The Asset Triple A Awards

2017 Project Finance Advisory House of the Year

Project Finance House of the Year

Project Finance House of the Year (Australia)

Project Finance House of the Year (Japan)

2016 Project Finance House of the Year Asia Pacific

Indonesia – A Key Market for SMBC

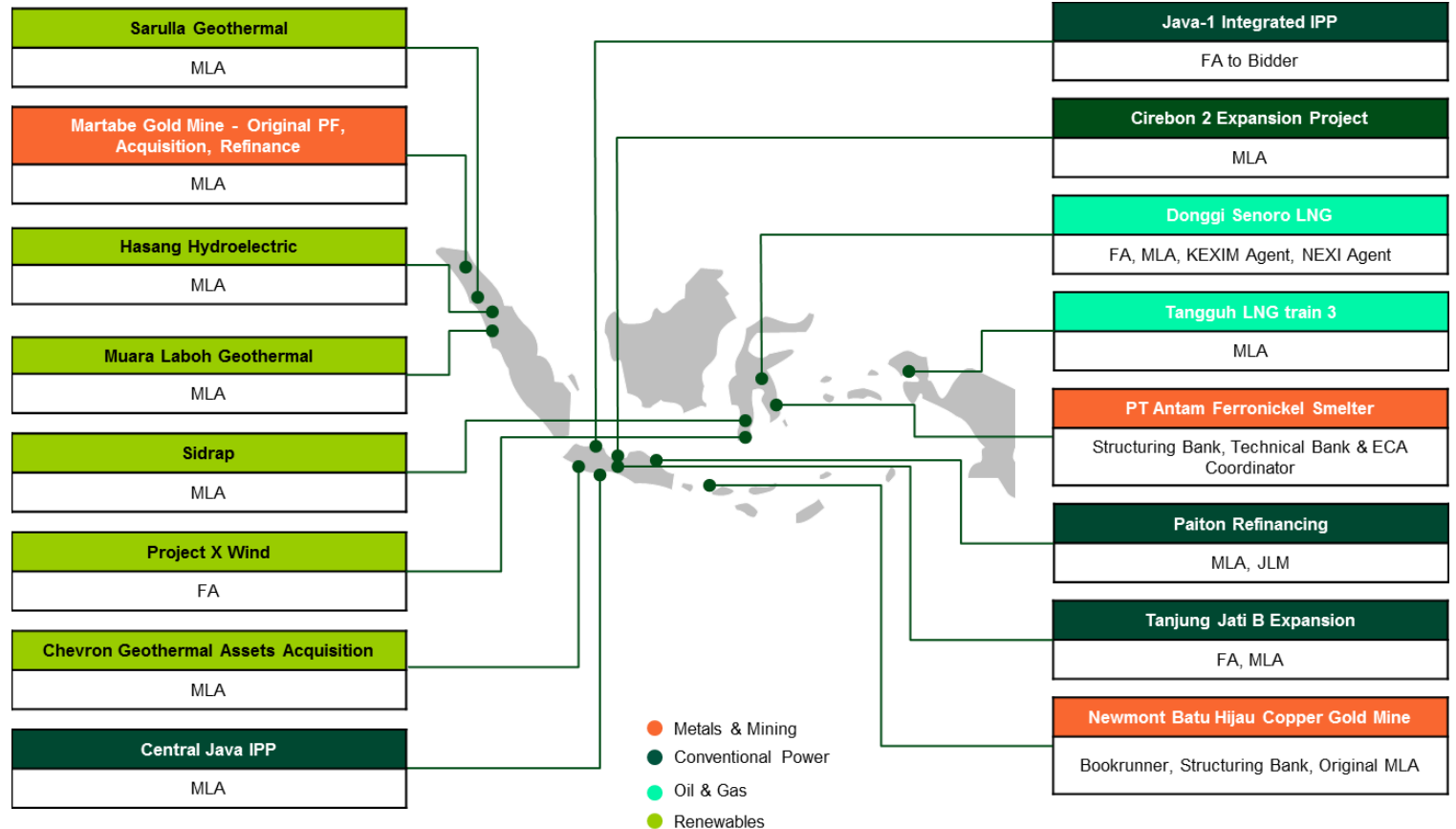
SMBC is involved in majority of the Project Financing transactions in Indonesia

Up-to-date and in-depth understanding of the market

On-the-ground presence via subsidiary SMBCI which has about 500 staff

SMBC is a shareholder in Indonesian bank BTPN (40%)

Invested in Indonesia Infrastructure Finance (“IIF”) – along with IFC, ADB, DEG and Government of Indonesia



Renewable Energy Experience in Indonesia

Indonesia Ongoing	Indonesia 2018	Indonesia 2017	Indonesia 2017	Indonesia 2017	Indonesia 2017	Indonesia 2016
Hydropower Project	Rantau Dedap 98.4 MW	Wayang Windu 227 MW	Tolo 72 MW	Muara Laboh 85 MW	Chevron Geothermal Assets Acquisition	Sidrap 75 MW
Confidential	US\$590 million	US\$660 million	Confidential	US\$440 million	Confidential	US\$120 million
Financial Advisor	Mandated Lead Arranger	Lead Arranger	Financial Advisor	Mandated Lead Arranger	Mandated Lead Arranger	Mandated Lead Arranger

Indonesia 2016	Indonesia 2015	Indonesia 2015	Indonesia 2014	Indonesia 2014	Indonesia 2014	Indonesia 2012
Hasang 39 MW	Semangka 56 MW	Samas 50 MW	Asahan 180 MW	Sarulla 321 MW	Meureubo 2 60 MW	Wampu IPP 45 MW
US\$147 million	US\$144 million	Confidential	US\$280 million	US\$1.6 billion	Confidential	US\$131 million
Financial Advisor Mandated Lead Arranger	Financial Advisor	Financial Advisor for PPA/Tariff Negotiation	Lead Arranger	Mandated Lead Arranger	Predevelopment Financial Advisor	Financial Advisor Mandated Lead Arranger

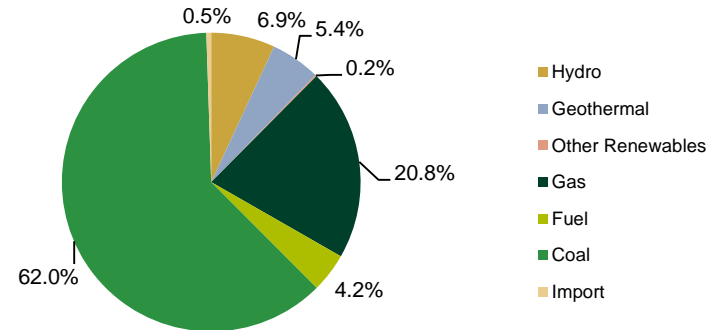
Hydro
Geothermal
Wind

Energy Mix - Move Towards Renewables

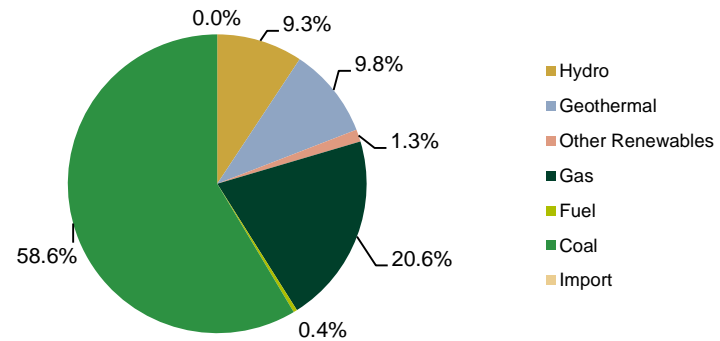
RUPTL 2018-2027

- Coal fired power plants are likely to still be the dominant power generation domestically and contribute more than 50% of the energy requirements by 2027
 - Coal mine-mouth power plants remain integral to the plan, given Indonesia's large coal deposits
- Gas power generation to grow by contributing roughly 20.6% of total electricity generation by 2027
 - Plans extensive use of LNG for gas-fired power plants, However, given relatively higher cost of LNG, plans to use LNG as a peak-load back-up rather than for base-load power plants
- Share of oil based generation will reduce from 4.2% in 2018 to 0.40% by 2027
- Renewable energy is expected to post the strongest growth, from the current c.10.50% contribution to ~20% by year 2027. Estimates for 2027 below:
 - 49,201 GWh of Geothermal
 - 46,700 GWh of Hydro
 - 6,631 GWh of other types of renewable energy

2018 Composition of Electrical Energy Production by Fuel In Indonesia (Total: 273,811GWh)



2027 Composition of Electrical Energy Production by Fuel In Indonesia (Total: 501,918GWh)



Hope is for expedited IPP tendering process to achieve generation targets

■ Key Challenges for Renewables

New Tariff Regime for Renewable Projects

- New Regulation 12 has attempted to push the renewable tariff closer to existing average cost of production (“BPP”)
- Depending upon the local BPP of the region (determined by energy mix), the renewable sources (Solar, Wind etc.) would potentially be benchmarked against the other cheaper sources of energy

Allocation Of Projects

- Confusion around allotment of projects (Auction v/s Reference Price v/s Direct Selection)

MEMR Regulation 10

- MEMR has set out some broad principle for risk allocation under PPA which have raised bankability concerns for future projects e.g. treatment of Government FM, Take or Pay commitment limited to debt servicing period, all projects to be on BOOT basis, currency convertibility risk staying with Project etc
- Whilst the above are not applicable for renewable projects, it appears that it is applied for renewables as well

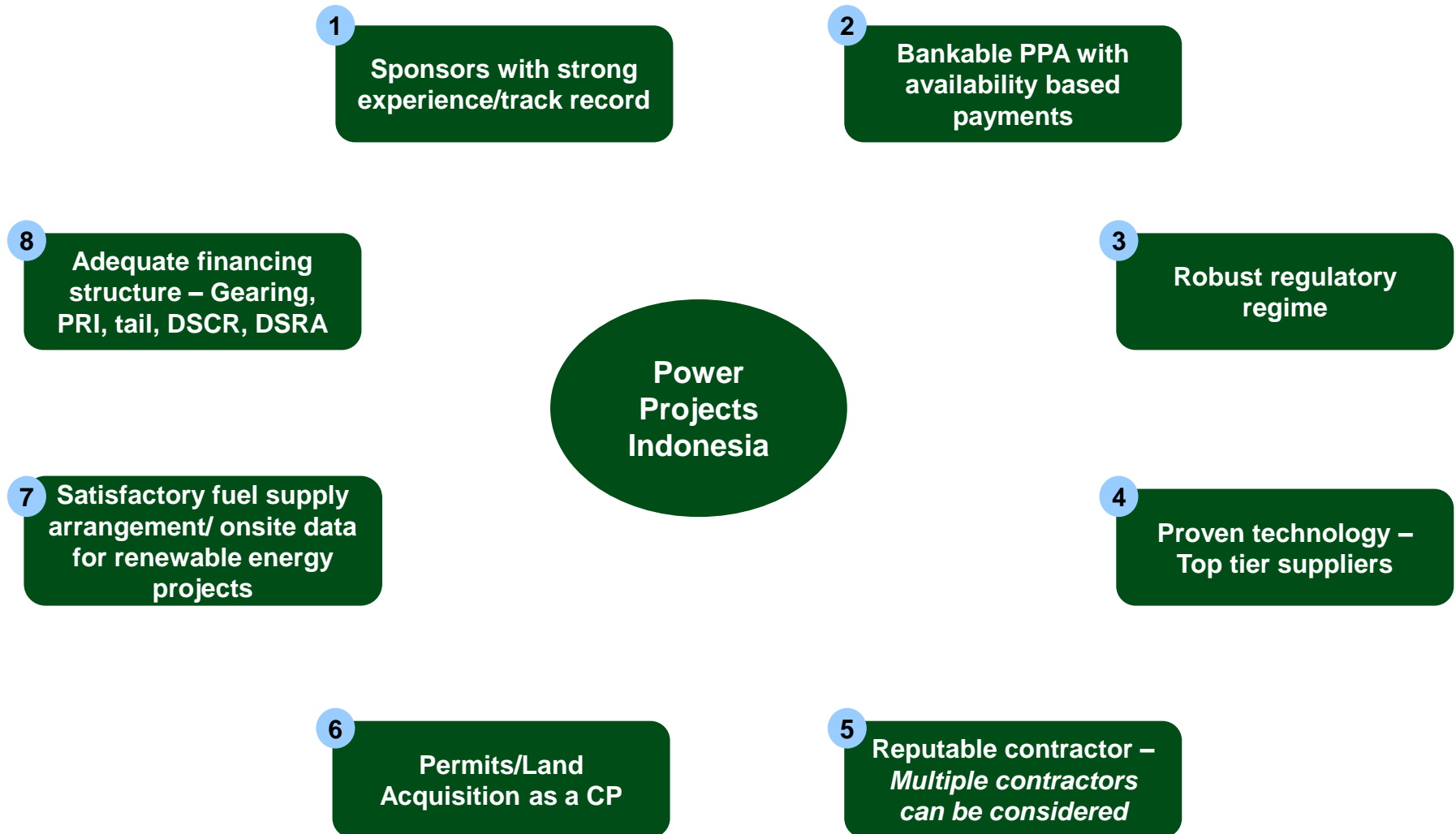
Land Acquisition

- Land acquisition continues to be a concern

Grid Connectivity

- Integrating vast amounts of renewables capacity into the grid will require greater investment in the network

■ Financing Considerations



Financing Participants

Multilaterals/DFIs/ECAs

Multilaterals/DFIs/ECAs are active in the market and also provide Political Risk Coverage

- ✓ JBIC
- ✓ ADB
- ✓ IFC
- ✓ MIGA
- ✓ OPIC
- ✓ FMO
- ✓ Proparco
- ✓ KfW

Commercial Banks/Institutional Investors

- ✓ *Japanese Banks*
 - SMBC, BTMU, Mizuho
- ✓ *European Banks*
 - BNP, Soc Gen, Natixis, Credit Agricole, ING, HSBC etc.
- ✓ *Regional Banks*
 - KDB, DBS, OCBC, Maybank
- ✓ *Local Banks*
 - Tend to have higher \$ pricing and tenor restrictions

Institutional Investors/ Funds

- ✓ *Institutional investors (FIs)*
 - Eastspring, Clifford Capital, Deka Bank
- ✓ *Indonesia Infrastructure Fund ("IIF")*
- ✓ *Renewable focused PE Funds*
 - ReEX
 - Berkeley
 - Armstrong
 - Vena Energy

Extremely keen to support renewable and gas fired projects

- ✓ *Credit Enhancement*
- ✓ *Potential Equity/Mezzanine*

Liquidity available for renewable projects:

- ✓ *Require Political Risk Cover*
- ✓ *Longer Tenors possible*

FIs can provide fixed rate financing without any PRI cover

Active fund space for developers to tap on equity financing

Indonesia Renewables Case Study: Wampu Hydropower

Wampu Hydropower Project Financing



**Financial Advisor, MLA,
Hedging Bank, Account Bank**

USD130 million

The Project	<ul style="list-style-type: none"> 45 MW, run-of-the-river hydroelectric project in Indonesia developed by a consortium of Korea Midland Electric Power, PT Mega Power Mandiri and POSCO Engineering are the Sponsors.
SMBC Roles	<ul style="list-style-type: none"> Financial Advisor, Mandated Lead Arranger, Hedging Bank, Account Bank, Security Agent and Facility Agent. SMBC was actively involved in the bilateral negotiations with PLN.
Financing Structure	<ul style="list-style-type: none"> Total project cost was USD 175 million and was financed in a gearing ratio of 75:25. Debt financing of about USD 130 million was financed by <ul style="list-style-type: none"> KEXIM providing USD 72 million direct loan and SMBC providing USD 58 million commercial loan under the comprehensive cover from KEXIM.

1st Power Project In Indonesia to close under the BVGL structure

Indonesia Renewables Case Study: Rantau Dedap

Rantau Geothermal Project Financing



**MLA, Hedging Bank,
Intercreditor Agent**

USD540 million

The Project

- 98.4 MW, dual flash geothermal plant in Indonesia developed by a consortium of Marubeni Corporation, Tohoku Electric Power and PT Supreme Energy.
- The project is located in the South Sumatra Province.

SMBC Roles

- MLA, Hedging Bank, Inter-creditor Agent.

Financing Structure

- Total project cost was USD 701 million funded in a debt to equity ratio of 77:23.
- Debt amount of ~USD 540 million was financed with limited-recourse debt from:
 - JBIC direct loan of ~USD 189 million
 - ADB direct loan of ~USD 175 million
 - ABD CTF of USD 50 million
 - Commercial banks including SMBC, Mizuho and MUFJ remaining debt of ~USD 126 million under the comprehensive cover from NEXI (90% CRI+100% PRI)
- Tenor of BVGL is 15 years vis-à-vis loan tenor of 20.5 years, this was accepted based on higher DSCR post expiry of BVGL.

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