



INDONESIA BIOFUELS POLICY

Prepared by:

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Ministerial Decree No. 32/2008 also concerning the Supply, Utilization and Business Field of Biofuel as Other Fuel

To prioritize the using of biofuel through:

- Regulate the supply, utilization and business field of biofuel as other fuel;
- Biofuel can be produced as Biodiesel (B100), Bioetanol (E100) and Pure Plant Oil;
- Enhance the utilization of biofuel as mandated for the Biofuel Business License Holder and direct user of biofuel gradually;
- Prioritize biofuel for domestic supply;
- Biofuel Business License Holder shall continuously supply for domestic use;
- Incentives for obliged biofuel user according to the regulation;
- Personal and or entrepreneurs under self sufficient village program can produce and sell biofuel directly in supplying their needs in the village;
- In term of biofuel business activities which are not under energy self sufficient program, it shall hold a license to have biofuel business;
- It is obliged to fulfill the standard and quality as specification.



BIOFUEL MANDATORY PROGRAM (based on Ministerial Decree No. 32/2008)

BIOETHANOL (Minimum)				
Sector	2010	2015	2020	2025
Transportation, PSO	3%	5%	10%	15%
Transportation, Non PSO	7%	10%	12%	15%
Industry	7%	10%	12%	15%

BIODIESEL (Minimum)				
Sector	2010	2015	2020	2025
Transportation, PSO	2.5%	5%	10%	20%
Transportation, Non PSO	3%	7%	10%	20%
Industry	5%	10%	15%	20%
Electricity	1%	10%	15%	20%

MANDATORY OF BIOFUEL BASED ON MINISTRY OF ENERGY AND MINERAL RESOURCES REGULATION NO. 25 YEAR 2013 CONCERNING ON **FIRST** AMENDMENT TO MEMR REGULATION NUMBER 32/2008,

BIODIESEL (Minimum)

Sector	September 2013	January 2014	January 2015	January 2016	January 2020	January 2025
Transportation, PSO	10%	10%	10%	20%	20%	25%
Transportation, Non PSO	3%	10%	10%	20%	20%	25%
Industry	5%	10%	10%	20%	20%	25%
Power Generation	7,5%	20%	25%	30%	30%	30%

BIOETHANOL (Minimum)

Sector	September 2013	January 2014	January 2015	January 2016	January 2020	January 2025
Transportation, PSO	-	0,5%	1%	2%	5%	20%
Transportation, Non PSO	1%	1%	2%	5%	10%	20%
Industry	-	1%	2%	5%	10%	20%
Power Generation	-	-	-	-	-	-

BIOOIL (Minimum)

Sector		September 2013	January 2014	January 2015	January 2016	January 2020	January 2025
Industry and Transportation (Low and Medium Speed Engine)	Industry	1%	5%	10%	20%	20%	20%
	Marine Transportation	-	5%	10%	20%	20%	20%
	Air Transportation	-	-	-	2%	3%	5%
Power Generation		1%	6%	15%	20%	20%	20%

MANDATORY OF BIOFUEL BASED ON MINISTRY OF ENERGY AND MINERAL RESOURCES REGULATION NO. 20 YEAR 2014 CONCERNING ON SECOND AMENDMENT TO MEMR REGULATION NUMBER 32/2008,

BIODIESEL (Minimum)

Sektor	July 2014	January 2015	January 2016	January 2020	January 2025
Micro, Fisheries, Agriculture Business, Transportation, and Public Services (PSO)	10%	10%	20%	30%	30%
Transportation Non PSO	10%	10%	20%	30%	30%
Industry and Comercial	10%	10%	20%	30%	30%
Power plant	20%	25%	30%	30%	30%

BIOETANOL (Minimum)

Sektor	July 2014	January 2015	January 2016	January 2020	January 2025
Micro, Fisheries, Agriculture Business, Transportation, and Public Services (PSO)	0,5%	1%	2%	5%	20%
Transportation Non PSO	1%	2%	5%	10%	20%
Industry and Comercial	1%	2%	5%	10%	20%
Power plant	-	-	-	-	-

PURE PLANT OIL (Minimum)

Sektor	July 2014	January 2015	January 2016	January 2020	January 2025
Industry and Transportation (<i>Low and Medium Speed Engine</i>)	Industry	5%	10%	20%	20%
	Marine Transportation	5%	10%	20%	20%
Air Transportation	-	-	2%	3%	5%
Power Plant	6%	15%	20%	20%	20%

**MANDATORY OF BIOFUEL BASED ON MINISTRY OF ENERGY AND MINERAL RESOURCES REGULATION NO. 12 YEAR 2015
CONCERNING ON **THIRD** AMENDMENT TO MEMR REGULATION NUMBER 32/2008,
BIODIESEL (Minimum)**

Sektor	April 2015	January 2016	January 2020	January 2025
Micro, Fisheries, Agriculture Business, Transportation, and Public Services (PSO)	15%	20%	30%	30%
Transportation Non PSO	15%	20%	30%	30%
Industry and Comercial	15%	20%	30%	30%
Power plant	25%	30%	30%	30%

BIOETANOL (Minimum)

Sektor	April 2015	January 2016	January 2020	January 2025
Micro, Fisheries, Agriculture Business, Transportation, and Public Services (PSO)	1%	2%	5%	20%
Transportation Non PSO	2%	5%	10%	20%
Industry and Comercial	2%	5%	10%	20%
Power plant	-	-	-	-

PURE PLANT OIL (Minimum)

Sektor	April 2015	January 2016	January 2020	January 2025
Industry and Transportation (<i>Low and Medium Speed Engine</i>)	Industry	10%	20%	20%
	Marine Transportation	10%	20%	20%
Air Transportation	-	2%	3%	5%
Power Plant	15%	20%	20%	20%



MINISTRY OF FINANCE REGULATION NUMBER 21/PMK.011/2010
Regulation of tax and customs facility for renewable energy resources utilization activities

**FINANCIAL INSTRUMENTS
SUPPORT**

Income Tax

- Reduced net income for 30% of total investment
- accelerated depreciation
- Imposition of Income Tax on dividend paid to Foreign Taxable at 10%
- compensation for losses in certain circumstances

Value Added Tax

Exemptions of VAT for Taxable Goods, machinery and equipment for RE utilization (not included spare parts)

Import Duty

- Exemptions for Import Duty of
- ☐ Goods and Machinery for development and capital investment
 - ☐ Capital Goods Imports for construction and development of electricity industry

Tax Borne by Government

Regulated in State Annual Budget Law and its implementing regulations



BIODIESEL MARKET PRICE INDEX (MPI) FORMULA

EXISTING FORMULA

MEMR DECREE NO. 0726 YEAR 2015

$$\text{MPI Biodiesel (USD/liter)} = (\text{CPO} + 188 \text{ USD/tonn}) \times 870 \text{ kg/m}^3$$

CPO	Based on Export Price By Ministry of Trade
188 USD/ton	Average conversion cost CPO to Biodiesel (include margin)

Considerations for using **CPO based Formula** :

1. CPO availability in Indonesia is the hugest in the world.
2. Encouraging toward downstreaming of CPO products (CPO to biodiesel)

CONCEPT OF NEAR FUTURE BIODIESEL

1. No extra subsidies for Biodiesel and Bioethanol anymore
2. Accelerating 15% biodiesel mandatory to reduce diesel import and increase CPO's international price
3. There is supporting fund from Pam Oil Industry to close the difference between biodiesel and diesel price
4. Revising MPI Formula to push more efficient conversion cost. It is becoming...

$$\text{MPI Biodiesel (USD/liter)} = (\text{CPO} + 125 \text{ USD/tonn}) \times 870 \text{ kg/m}^3$$



MANDATORY BIODIESEL 15% IN 2015 (APRIL TO DECEMBER) (Based on MEMR Regulation No. 12/2015)

DEMAND OF MANDATORY

	Volume of Fossil Diesel (kL)	Volume of Biodiesel (kL), April - Dec 2015
BIODIESEL 15% (B15)		
Fossil Diesel for PSO	17,050,000	1,918,125
Fossil Diesel for Non PSO	17,050,418	1,918,172
TOTAL		3,836,297

SUPPLY AVIABILITY

1. Palm oil production in 2014 was 31 million tonn and expecting increase to 33 million tonn in 2015.
2. CPO's utilization in 2014 was just 8,8 million tonn so that many opportunities to make downsreaming product of CPO to Biodiesel

READINESS OF PRODUCER COMPANIES

1. Total installed capacity of Biodiesel in 2015 is 5.8 million kL . It is sufficient to fulfill the targeted 3.8 million kL for B-15.
2. There is at least four producers interested to built new biodiesel factory with 2.67 million kL in total capacity and 467 million USD in total invetment.



CPO SUPPORTING FUND MECHANISM FOR BIODIESEL

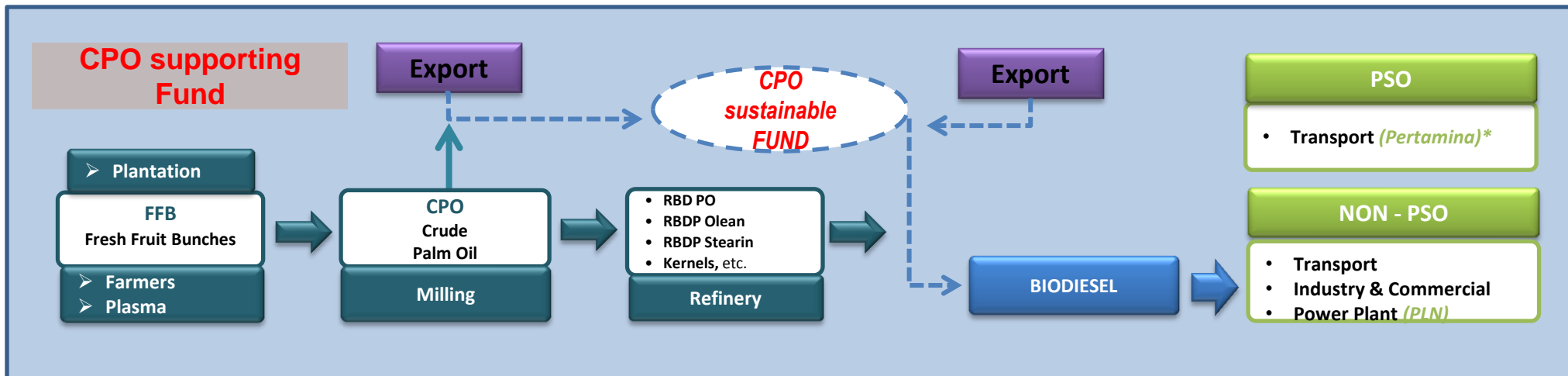
Allocation of Support Fund Needed

Volume of Fossil Diesel (kL)	Volume of Biodiesel (kL)	Support Fund (IDR/litre)	Total of Allocation (Trillion IDR)
17,050,000	1,918,125	4,000	7.67

Noted:

1. Total Biodiesel needed is calculated since April 2015
2. Reference of MIP Biodiesel is based on CPO+125 USD/ton

FLOW OF CPO SUPPORTING FUND FOR BIODIESEL





INCENTIVE FACILITIES FOR BIODIESEL INDUSTRY

- a. Releasing of import excise accorded to Minister of Finance Regulation Number 176 Year 2009 and Number 154 Year 2008
- b. Releasing of Value Added Tax for Imported Machines both For Industrial (secondary) and Non Industrial sector accorded to Several Government Regulation and Minister of Finance Decree



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