

The target growth of industrial sector in Indonesia is...

for 2015-2019 period

7%



as of 2014,

The manufacturing sector generates over a fifth of Gross Domestic Product

17%

Employment

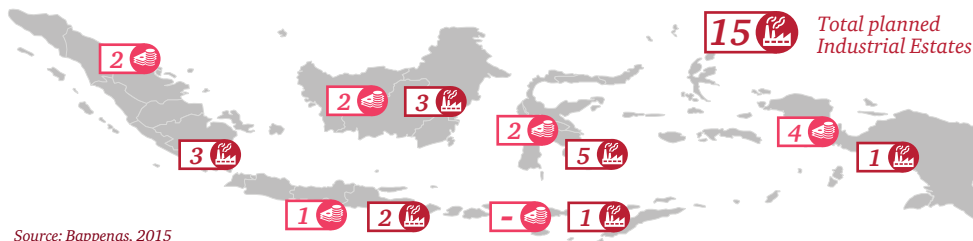
21%

GDP

Industrial Estates will be the engines to drive investments and economic activity..

11 Total planned Special Economic Zones

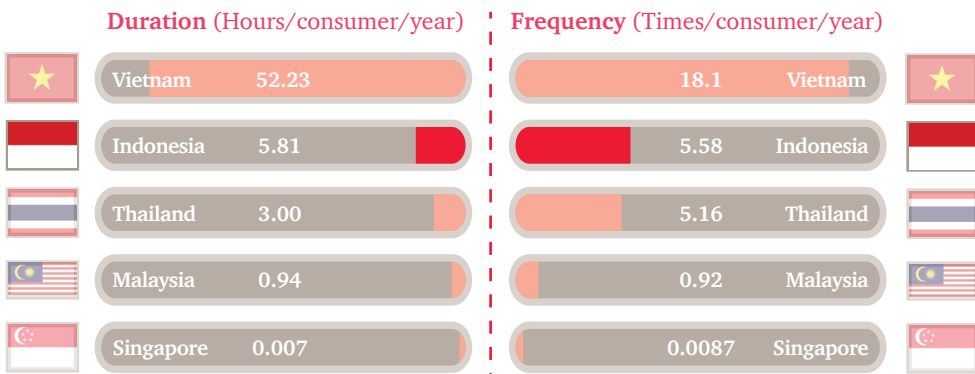
15 Total planned Industrial Estates



Source: Bappenas, 2015

But, Industrial Estates need reliable power supply. Currently, Indonesia lags behind most regional peers.

System Average Interruption Index



35 GW Program



Expected to increase capacity and improve current power reliability by 2019, but there is a risk that the program could be late given the need to still finance and construct a majority of the 35 GW.



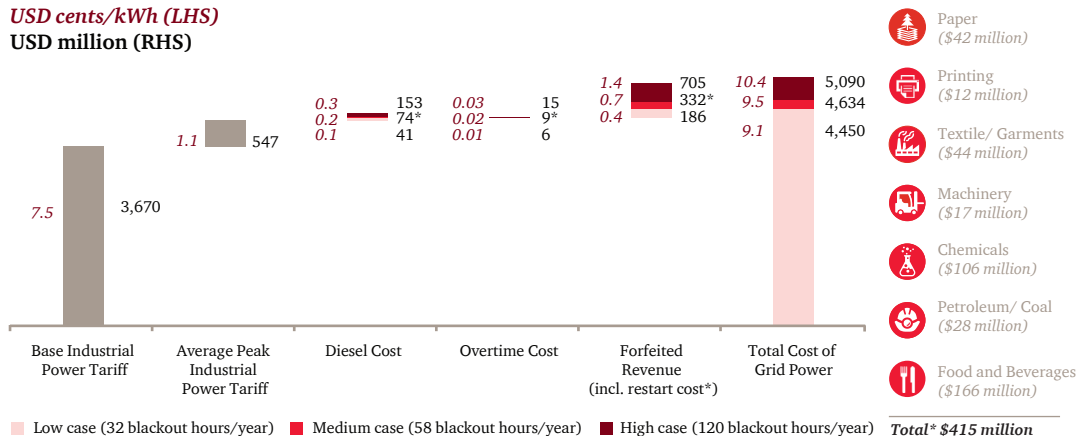
Captive power could address risks to Industrial Estate development and bring benefits to all parties

What is a Captive Power Plant?

A Captive unit is a generator set up by a company to generate electricity primarily for its own use. This study looks at Private Power Utilities (Captive Power Plants developed to serve multiple customers, such as factories, in Industrial Estates). This does not include backup gensets inside the factories themselves.

Captive Power value creation: costs of blackout to companies in seven manufacturing sectors

USD cents/kWh (LHS)
USD million (RHS)



Source: PwC Analysis, Base Industrial Power Tariff based on PLN tariff for large industry in Indonesia 2015, Average Peak Industrial Power Tariff based on PLN Peak Hour multiplier of 1.7 for peak hours 6pm to 10pm with Baseload-Peak ratio of 0.7. Total consumption for 7 sectors: 49 TWh. Note: Restart cost is the time taken after a blackout for manufacturing to restart, during which time revenue is not earned. Key assumptions: Diesel price IDR 9,000/litre, 68% of firms have diesel generators, firms are not able to run higher than 90% capacity utilization, USD:IDR 13,500

PLN

- Reduced load in grid-stressed areas
- Reduced risk of delay in electrification plans

Industrial Estate Management

- Provide a significant new sources of long-term recurring income in the real estate portfolio
- Attract high quality tenants

Tenants

- Lost and delayed output, spoiled inventory, and excessive overtime can be avoided
- Could increase revenue and profit

Government of Indonesia

- Increase the availability of power supply to key industries
- Attract foreign investors
- Accelerate industrial development outside Java
- Provide flexibility if 35 GW programme delay

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For the full report and methodology, published in March 2016, go to: <http://www.pwc.com/id>

