

Indonesia

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Business sees clean electrification as a means of boosting economic competitiveness and energy security—opportunities that will be missed if the pace of transition fails to accelerate.

What Business Needs

Company executives want the government to ramp up their investment in improving the capacity and connectivity of the country's national transmission system.

Policy Context

Indonesia's energy policy places a strong emphasis on renewable energy supply. The latest ten-year business plan by state-owned energy utility PLN, for example, aims for renewables to provide over one third (34.3%) of the electricity mix by 2034—more than double the current share of 15.75%.¹ The government's targets on the demand side are less clear.

That said, policymakers recognise the economic benefits of greater electricity consumption by industry, especially in regards to its impact on competitiveness and energy security. This view is shared widely among senior executives, the vast majority of whom say that electrifying their equipment would make their firms more competitive (97%) and more energy secure (97%).

Energy security is especially topical during these times of geopolitical turbulence, given the knock-on disruption this causes to international energy markets. The government is sensitive to the implications for domestic price pressures and has consequently been accelerating its electrification agenda, especially in the transport sector. This sensitivity is shared by businesses; following recent geopolitical tensions, for example, 86% of executives believe that Indonesia is now too dependent on fossil fuel imports.

Clean electrification would certainly help in reducing reliance on fossil fuel imports, but success here relies on the power system's capacity to act as a viable substitute.

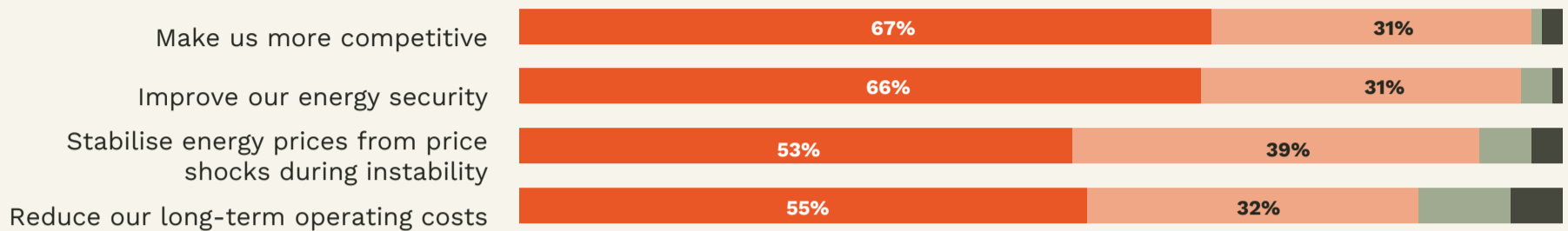
Under its ten-year business plan, PLN intends to create a "Green Super Grid", including nearly 48,000 circuit-km of new transmission lines and around 108,000 MVA of new substation capacity. For now, however, 83% of executives say their companies are electrifying faster than the government is preparing the system for.

¹ <https://www.esdm.go.id/id/media-center/arsip-berita/pemerintah-gandeng-industri-percepat-elektifikasi-nasional>

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Indonesian executives expect electrification to boost business competitiveness and energy security

Definitely Probably Probably not Definitely not Don't know



Thinking about your business switching from fossil fuel-powered equipment to electric alternatives, to what extent do you think this would do the following?

A further 64% say one of the biggest challenges to electrifying their operations is the government not investing enough in grid-related infrastructure—the highest proportion of all the countries polled.

Consequently, executives are prone to pick the expansion and digitalisation of the grid (52%) and faster planning approach and grid connection (51%) as among their most preferred policy interventions by the government, alongside clearer long-term policy planning (55%).

Business Viewpoints

A strong appetite for electrification is evident within Indonesia's business community. Over nine in ten (91%) executives reckon on electrifying their operations before 2030, for example, with even more (99%) anticipating having done so by 2035; this is the joint highest level of confidence in all the 18 markets surveyed. A similarly high proportion (88%) of business leaders agree that their

company would be best prioritising electric equipment over fossil-fuel equipment during the next decade.

However, a discrepancy exists between the enthusiasm of executives and the pace of change anticipated by public policy; for instance, Indonesia's national electricity plan still envisages coal use until 2059, with an additional 6.3 GW of new coal capacity earmarked over the next decade alone. In response, businesses would like to see clearer long-term policy planning with national timelines—the policy option selected most frequently by executives (55%). This might help correct the view of many business leaders (65%) that Indonesia risks falling behind in the race to electrify. That said, 68% of business leaders say they are willing to invest in their own renewable energy generation if necessary. Should they fail to do so and should access to clean electricity remain stretched, however, a noteworthy majority (78%) would not rule out moving their operations abroad.

