

*MP3EI - Accelerating the Expansion of Indonesia's Economic Development
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Press Release- August 29th 2012

Government Open Up Opportunities to Ease Infrastructure Investors

JAKARTA—29 Agustus 2012—The Government of Indonesia through two of its ministers once again invited private investors to participate in the country's infrastructure development. Various convenience have been prepared by the government to accelerate road and energy infrastructure in the country. Many opportunities and potential are still open to be explored by the private sector.

Such was stated on the second day of the Asia Pacific Ministers & Regional Governors and Indonesia International Conference & Exhibition (IIICE) 2012, at Jakarta Convention Center, Wednesday (29/8).

“We are inviting private investors to participate in the development of a freeway in Indonesia,” said **Minister of Public Works of the Republic of Indonesia**, Djoko Kirmanto before the conference participants. This freeway investment opportunity is still wide open. “There are still many opportunities to invest in more than 4,500 km freeway plan,” he stated.

The freeway itself will consist of Trans Java, Trans Sumatera and support toll roads. “With regards to support roads, investment opportunities in Pandaan-Malang and Pasir Koja-Kroya toll roads are now open,” he said.

The government has set up strategic steps to facilitate investors. “We've done regulatory framework reforms to accelerate highway construction,” said Djoko. Those regulatory reforms are related to land acquisition and concessions cooperation patterns between the government and private sector.

“Presidential Regulation No. 56 in 2011 concerns private partnerships for infrastructure work,” he said. Key points in the regulation sets government support in the form of land acquisition, permits, taxation, project implementation, and community development.

Thus, investors need not worry about land acquisition, which has often become a problem. This year the government has issued Law No. 2 in 2012 on Land Procurement for Development of Public Interest, and Presidential Regulation No. 71 in 2012 as a basis for implementation.

“Those two regulations becomes a certainty in easing land acquisition,” said Djoko. With those laws the negotiation time is shortened so as to accelerate land acquisition. In addition, land prices are set by an independent appraiser. “In addition to that, incentive coordination and communication with other stakeholders such as the local government, court, the police, serves to speed up the land acquisition process,” he explained.

Toll Road Regulatory Agency (BJPT), as a contract administration agency, has also improved the concession agreement model to be more bankable and in accordance with market wishes (market value, market driven). In this concession agreement it is made possible for a cooperation agreement to reach as much as 50 years Financing are completed during 2 months after 75% of the land has

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been freed by the government and independent consultants to correct construction work. In addition, the toll rate adjustments are done in 2 years by considering minimum service standard compliance.

The Governor of South Sumatera, who is also **Chairman of the Sumatera Governors Association**, **Alex Noerdin**, added that all local governments will help in acquiring land for the construction of toll roads. As planned, the Trans Sumatra highway will have a length of 1980 km extending from Bakauheni to Banda Aceh. "Land acquisition will be conducted by the local government of each province in Sumatera," he said.

Energy Investment Opportunities

In addition to road infrastructure, the government also provides great convenience and opportunities in energy infrastructure. Private investors can glance at the opportunities and draw on the potential of the energy sector, which is still quite wide open.

"On the energy sector, it is gas infrastructure that will be greatly developed, because oil supply are dwindling," stated **Minister of Energy and Mineral Resources of the Republic of Indonesia, Jero Wacik**, on the discussion of IIICE Energy Development, at Cendrawasih Room I, Jakarta Convention Center.

Jero Wacik asserted that new and renewable energy should be massively encouraged, especially geothermal. "The trick is I will increase the purchase price," he said. So, the government will purchase geothermal in a high price. "It's called fit in tariff," he explained. Thus, geothermal investors will be more eager to increase their investments. Indonesia has geothermal centers in Sumatera, Java, Sulawesi, Papua, Kalimantan, and all over Indonesia.

In addition to geothermal, Indonesia still has gas reserves in Maluku, Papua, Natuna and Mahakam. "And we will find more gas supply. I have been pushing for a more simplified gas exploration business," he stated. More convenience will be given to investors, one of them by improving the fiscal incentive system. "So we can find new sources of gas," he continued.

The Minister also promised that next month the construction of Trans Java gas pipeline will commence. "Groundbreaking are starting next month," he promised. This gas pipeline will cross from Gresik-Semarang and Cirebon-Semarang. In addition, it will also increase the existing Bekasi-Cirebon gas pipeline capacity. "So not matter where the gas demand in Java, can be met from the gas pipeline," he explained further.

In addition, there are plans to build 3 (three) oil refinery with a capacity of 300 thousand barrels/day. Two of those oil refineries are planned to be constructed in Bontang. "We are still looking for a suitable location for the last refinery," said Wacik. According to the plan, the refinery will start construction in 2018 and 2019.

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Jero Wacik also added that he will add the FSRU to facilitate the distribution of gas from the Eastern part Indonesia to the Western part. We are planning to build FSRU in Semarang, Lampung, Ancol, and are now selecting the location in Sumatra. "To facilitate the distribution of gas, the number Floating Storage and Regrassification Unit (FSRU) needs to increased," he explained.

For further information: www.indonesiainfrastructure.org

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