

# INTERVIEW

## Project Financing for Geothermal Power Expansion Project in Indonesia

Pioneering Project by JBIC in line with AZEC Concept

Interview with Deputy Director SHIRAHAMA Manabu and Deputy Director TANIGUCHI Hiroki, Division 3, New Energy and Power Finance Department I, Infrastructure and Environment Finance Group

SHIRAHAMA Manabu TANIGUCHI Hiroki

The Japan Bank for International Cooperation (JBIC) signed in January 2025 a loan agreement in project financing (PF) amounting to up to approximately USD138 million (JBIC portion) with PT Supreme Energy Muara Laboh (SEML), an Indonesian company invested in by Sumitomo Corporation, INPEX Corporation, etc., for the Muara Laboh geothermal power expansion project in Indonesia.

The loan is co-financed with private financial institutions (Mizuho Bank, Ltd., MUFG Bank, Ltd., Sumitomo Mitsui Banking Corporation, and The Hyakugo Bank, Ltd.) and the Asian Development Bank (ADB), bringing the total co-financing amount to approximately USD370 million. Nippon Export and Investment Insurance (NEXI) will provide the insurance for the loan by the private financial institutions.

### JBIC's First Project Aligned with AZEC Concept and JETP Indonesia

In this project, SEML will expand the power generation capacity of the Muara Laboh geothermal power plant, which currently has a capacity of approximately 85 MW in South Solok Regency, West Sumatra Province, Indonesia. SEML will build, own, and operate a new facility with a capacity of approximately 83 MW. The electricity generated will be sold to PT PLN (Persero), Indonesia's state-owned power company, until 2052.

In the Electricity Supply Business Plan released in 2021, the government of Indonesia announced a policy to actively introduce renewable energy to achieve carbon neutrality by 2060. It plans to increase the proportion of renewable energy in the country's energy mix to 23% by 2025 and 31% by 2050. By 2030, it aims to have more than 50% of the capacity of newly developed power sources come from renewable energy, with approximately 8% of the total coming from geothermal energy.

Indonesia, one of the world's top volcanic countries, has been actively promoting geothermal power generation by harnessing its abundant underground heat resources. JBIC has supported geothermal power projects involving Japanese companies, including the Sarulla project in 2014, the Muara Laboh project in 2017, and the Rantau Dedap project in 2018. The current project is an expansion of the original Muara Laboh geothermal power project.

"This project is based on the Asia Zero Emissions Community (AZEC) concept, proposed by the government of Japan in January 2022. AZEC aims to support energy transition efforts by Asian countries through leveraging the expertise of Japanese companies. Furthermore, the project aligns with the Just Energy Transition Partnership (JETP) Indonesia, which was agreed on by the government of Indonesia and Western countries, including Japan, in November 2022," says SHIRAHAMA, explaining the significance of the financing.

### Project Highlighted at Meeting between PM ISHIBA and President Prabowo

The negotiation for the expansion project started in November 2023 when the lenders and sponsors gathered in Singapore. Since then, numerous meetings were held in Singapore and Tokyo.

"The negotiation focused on whether the power plant can be operated on a long-term and stable basis, even after a new power generation facility of approximately the same size is constructed adjacent to the existing one. The Muara Laboh geothermal power plant has been operating steadily for nearly five years, and this expansion will almost double the generating capacity. Moreover, the condition of underground resources cannot be accurately assessed before production wells are drilled. Drilling may affect the stable operation of the existing plant. The key point was how to evaluate these risks," SHIRAHAMA explains.

TANIGUCHI also recalls: "We conducted a risk analysis based on expert evaluation and requested that the sponsors take measures to

minimize the impact arising out of the expansion project. It was challenging to reflect these details in the contract."

Meanwhile, this project was recognized by officials from both the Japanese and Indonesian governments in October 2023, when it was reported in the AZEC working-level meeting between the two countries. While there was a time when the financing negotiations slowed down with some challenges on the Indonesian side, JBIC worked on resolving the issues by continuing follow-ups at the AZEC meetings, where it led the discussion, and by maintaining dialogue through all channels it had with the government of Indonesia. These efforts bore fruit, and following the change of government in Indonesia in October 2024, the financing negotiations have swiftly moved towards conclusion.

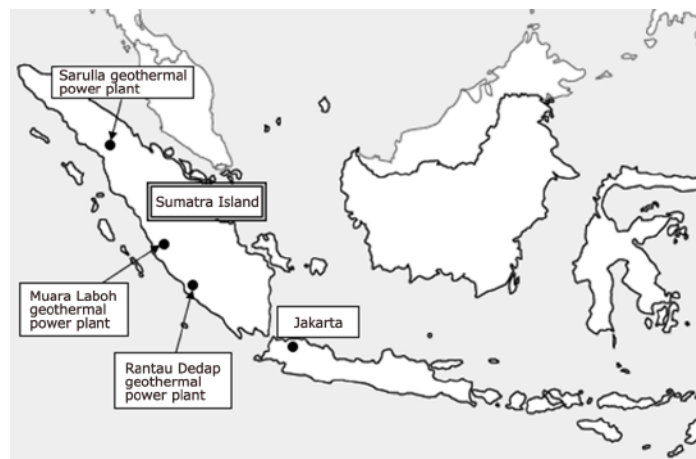
"Despite facing some difficult circumstances, we continued intensive negotiations with the sponsors every day towards the year-end and the beginning of the year, in order to finalize the loan agreement as early as possible. After the final rounds of negotiation, we managed to conclude the agreement in January 2025," TANIGUCHI explains.

Consequently, the Muara Laboh geothermal power expansion project, co-financed by JBIC and others, was highlighted as an achievement of the AZEC initiative during the bilateral summit meeting on January 11, 2025, when Prime Minister ISHIBA met with President Prabowo Subianto in Indonesia.

### Supporting Japanese Companies that Contribute to Zero Emissions

Indonesia has been actively developing power generation using renewable energy sources, including geothermal heat, with the aim of achieving carbon neutrality by 2060. Additionally, in the archipelago of Indonesia, the construction of undersea power interconnection lines connecting major islands is also important for the effective use of electricity.

"This project was very meaningful to us in that we were able to realize a project that contributes to the decarbonization of Asia within the framework of AZEC. Not only Indonesia, but also Vietnam, the Philippines, and other Asian countries are planning projects that help achieve carbon neutrality. In addition, this expansion project has adopted high-efficiency power generation turbines from Japan. JBIC intends to provide continuous support for initiatives that utilize the outstanding renewable energy technologies of Japanese companies in Southeast Asian countries undertaking energy transitions, in collaboration with international organizations such as the Asian Development Bank," says both SHIRAHAMA and TANIGUCHI, expressing their aspirations.



The geothermal power plants in Sumatra supported by JBIC