

Innovating New Incentives Mechanisms for Energy Transition Projects (Indonesia)



Terms of Reference | 19 January 2024

The project aims to promote investments in renewable energy, reduce the capacity factor of coal-fired power plants (CFPPs), and facilitate the early retirement of CFPPs. The project focuses on developing innovative incentive mechanisms that align with the government's plan to introduce a new incentive mechanism for energy transition. Incentive mechanisms for power projects vary depending on the specific goals and circumstances of the project, as well as the regulatory and economic environment in which it operates. Through this project, incentive mechanisms will be proposed considering policy objectives, technology type, market and regulatory environment, economic viability, technology advancement, economic development, and incentive flexibility, with the ultimate goal of attracting investments into renewable energy, reducing the capacity factor of coal-fired power plants (CFPPs) and decommissioning CFPPs whilst maintaining macroeconomic stability.

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I. Introduction

1. The Southeast Asia Energy Transition Partnership (ETP) brings together governments and philanthropies to work with partner countries in the region. ETP supports the transition towards modern energy systems that can simultaneously ensure economic growth, energy security, and environmental sustainability. To contribute to the achievement of the UN's Sustainable Development Goals (SDGs) and the Paris Climate Agreement objectives, ETP works in Southeast Asia, with a focus on three priority countries, namely Indonesia, the Philippines, and Vietnam. ETP's strategy is built around four interrelated pillars of strategic engagement that are squarely aligned to address the barriers to energy transition. These are (i) policy alignment with climate commitments, (ii) de-risking energy efficiency and renewable energy investments, (iii) extending smart grids, and (iv) expanding knowledge and awareness building.

II. Summary

2. The project aims to promote investments in renewable energy, reduce the capacity factor of coal-fired power plants (CFPPs), and facilitate the early retirement of CFPPs. The project focuses on developing innovative incentive mechanisms that align with the government's plan to introduce a new incentive mechanism for energy transition. Incentive mechanisms for power projects vary depending on the specific goals and circumstances of the project, as well as the regulatory and economic environment in which it operates. Through this project, incentive mechanisms will be proposed considering policy objectives, technology type, market and regulatory environment, economic viability, technology advancement, economic development, and incentive flexibility, with the ultimate goal of attracting investments into renewable energy and coal decommissioning projects whilst maintaining macroeconomic stability.

III. Project Background

A. Rationale

3. The Indonesian government has taken significant steps to reduce its reliance on fossil fuels and promote the use of renewable energy sources. In 2014, the National Energy Policy established ambitious targets of achieving a 23% share of renewables in total energy supply by 2025 and 31% by 2050¹. Furthermore, Indonesia has committed to set on-grid power sector emissions peaking by 2030 with an emission target of no more than 250 MT CO₂ in 2030 as part of the Just Energy Transition Partnership (JETP) stated in the Comprehensive Investment of Policy Plan (CIPP), which involves reducing the use of CFPPs and increasing the generation share of renewable energy to 44% by 2030².

¹ The 2025 target has been revised by the government to 17% in light of the current progress of RE development. Source: <https://www.thejakartapost.com/business/2024/01/16/indonesia-to-abandon-23-renewable-energy-target-by-2025.html#:~:text=The%20government%20has%20opted%20for,on%20what%20it%20could%20achieve>

² source: <https://jetp-id.org/cipp>

4. To further promote renewable energy development, the President of the Republic of Indonesia issued Presidential Regulation No. 112 of 2022 on September 13, 2022, which outlines a series of policies aimed at accelerating the development of renewable energy for electric power supply. These policies include streamlining the electricity procurement process, prohibiting new coal-fired power plants, introducing new electricity pricing, and providing government support.
5. The regulation also enables the Indonesian government to provide incentives to business entities engaged in renewable energy projects, including fiscal facilities such as tax holidays, import tax exemptions, and financing through state-owned enterprises, as well as non-fiscal incentives through central government and regional government. However, non-fiscal incentives like licensing and land acquisition facilitations are unlisted, while disincentive mechanisms lack clarity.
6. In addition, there's no clear analysis of their impact on accelerating renewable energy deployment, reducing the capacity factor of CFPPs, and facilitating the decommissioning of CFPPs. Sensitivity and impact analysis is crucial to measure if the incentive and disincentives mechanism affect fiscal and macro-economic, and benefits for renewable energy development and coal decommissioning.
7. Against this backdrop, the objective of this project is to drive investments in renewable energy, reducing the capacity factor of CFPPs, and facilitating the early retirement of CFPPs. The project will contribute to Indonesia's enhanced Nationally Determined Contributions (ENDC), Net Zero Emissions (NZE) by 2060, and JETP commitment.
8. The project aims to pinpoint the most effective practices for designing and implementing incentives, encompassing various types and optimal levels of both incentives and disincentives for energy transition projects. These practices should strike a balance between their applicability and economic viability from a business perspective while minimizing adverse impacts on the national economy.
9. The output will serve as a reference for the Government of Indonesia in promoting the reduction CFPPs capacity factor, CFPPs early retirement program and accelerating the RE uptakes for the power sector. The project will include a review and analysis of relevant literature and regulations, followed by stakeholder consultations, analysis of the design and implementation of existing incentive and disincentive mechanisms, and their implications, as well as policy recommendations of best practices in designing and implementing them.
10. A professional and qualified consultancy/ organization will be recruited to undertake the assignment of performing a literature review of existing incentives, stakeholder consultations, and analysis of incentive design and implementation and provide the assistance to ETP UNOPS, Coordinating Ministry of Economic Affairs (CMEA), Ministry of Finance (MOF), Ministry of Energy and Mineral Resources (MEMR) and Ministry of Investment (BKPM).

B. Impact

11. The project will contribute to Indonesia's ENDC target to reduce emissions by 31,89% (without international support) and 43,2% (with international support) by 2030, the JETP commitment to increase the share of RE generation to 44% and cap on-grid power sector emission to 250 MtCO₂ by 2030, and NZE by 2060.

C. Objectives, Outcomes, and Outputs

12. The objective of this project is to drive investments in renewable energy, reduce the capacity factor of coal-fired power plants, and expedite early retirement of coal-fired power plants in Indonesia. Align with ENDC, NZE 2060, and JETP commitments by Identifying effective incentive and disincentive practices, while balancing applicability and economic viability.
13. The outcome of this project is to support Indonesia in meeting its enhanced NDC target, NZE by 2060, and JETP commitment by driving investments in renewable energy and facilitating the early retirement of coal-fired power plants through the implementation of effective incentive and disincentive mechanisms.
14. The primary outputs of this project are
 - a. Comprehensive analysis of existing energy-related incentive and disincentive regulations.
 - b. Proposed new Incentives and disincentive mechanisms
15. Proposed suite of policy measures and recommendations for designing and implementing new Incentives and disincentive mechanisms.

D. Sustainability, Gender Equality and Social Inclusion Mainstreaming

16. ETP is committed to promoting and supporting gender equality and social inclusion (GESI) through its project implementation. Groups that will be impacted by the project activities shall be identified. The Project shall be inclusive of the invited stakeholders during the consultation and seek a balanced representation of women and other identified groups in project activities. The implementing partner should identify the implications, its outputs, and contributions to gender equality and social inclusion in the project activities. This task shall be accomplished through a clear methodology and approach which must be identified as part of the inception report.

IV. Project Deliverables

17. In line with the outputs and outcomes expected from this project (see Project Background), this section provides additional information on specific deliverables and activities required.
18. Table 1 outlines the key deliverables and associated activities expected in this project. Additional details about each deliverable follow Table 1.

Table 1. Key activities and deliverables

	Deliverables	Target delivery and payment date	Payment Allocation by Percentage
	Deliverable 1: Inception Report	Month 1	15%
	Deliverable 2: Comprehensive analysis of existing energy-related incentive and disincentive regulations for energy transition projects in Indonesia Deliverable 3: A Report On Incentives And Disincentive Mechanisms From International Experience	Month 4	30%
	Deliverable 4: Proposed suite of policy measures and recommendations for designing and implementing the most effective types of incentive and disincentive mechanisms Deliverable 5: Impact analysis/ cost-benefit analysis of the proposed incentive and disincentive mechanisms	Month 8	30%
	Deliverable 6: Final report + Summary for policymakers	Month 12	25%
	Event-related Deliverables: Consultation workshops, meetings, post-workshop report, and overseas policy dialogue trip	Month 3, 5, 7, 9, 11	Reimbursable. The budget to be proposed based on the requirements on the logistic organisations that are listed in the TOR's section IV. Project Activities and Expected Deliverables.
	Monthly Progress Report: In addition to the listed deliverables, the consultant will need to provide monthly progress reports as per the provided template. Failure to submit this report will result in the payments being withheld.	Monthly	NA

Deliverable 1: Inception Report including a communications plan

19. The consultant must develop and submit a detailed inception report detailing the plan, ensuring the expectations of ETP are aligned with the understanding of the project from the consultant.

20. The inception report should contain, as a minimum:

- a. Introduction and project background
- b. Scope of Services
- c. Methodology and Workplan, including approach, methodology, and project gantt chart
- d. A detailed approach as to how each deliverable will be met and what each submission will contain
- e. Audience mapping and communication/ outreach plans
- f. Identification of suitable media channels to be used for communicating the project and rationale for choosing them
- g. A donor coordination strategy
- h. Project management inclusive of organisational chart detailing key personnel, their roles and responsibilities, as well as their locations (strong in-country team and project management is expected)
- i. Risks, mitigations and assumptions
- j. Monitoring and Evaluation Framework, presented in the form of the ETP Results Based Monitoring Framework (RBMF)
- k. Communications Plan as described in the below table.
- l. The consultant is responsible for drafting and executing³ communications plans for all workshops. The detailed communications plan will be embedded in the Inception Report. The minimum requirements for the communications materials are as follows:

Table 2: The Minimum Requirements of the Communications Plan⁴

Item	Communications materials	Quantity
1	Social media posts (liaising with ETP)	5, spread throughout the project linked to various key milestone events
2	Press releases	1 per public workshop/ event (subject to government approval)
3	Newspaper articles (online)	1 per public workshop/ event in 2 different medias
4	Policy briefs	At least 2, spread throughout the duration of the project linked to various key milestone
5	Opinion Editorial (Op-Ed)	At least 2 publications, spread throughout the duration of the project linked to various key milestone
6	Online presentations of project progress and highlights to the ETP Secretariat, ETP Funders,	At least 2 presentations: English and Bahasa (1-hour maximum/ each)

³ The bidder is required to budget the pricing for the execution of these communication materials in the non-personnel costs to be disbursed as per actual.

⁴ The content needs to be approved by ETP and beneficiary prior to the publication.

	and/or ETP stakeholders.	
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Deliverable 2: Comprehensive analysis of existing incentive and disincentive regulations for energy transition projects in Indonesia

21. This deliverable provides a comprehensive review, and analysis, of existing energy-related incentives and disincentive regulations in Indonesia, including those for early retirement of coal-fired power plants (CFPPs) and large-scale renewable energy (RE) projects.

22. To deliver this activity, the consultant is required to:

- a. Conduct Regulatory Landscape Analysis. The consultant will review and analyze the current energy-related regulations incentive and disincentive regulations in Indonesia, identifying both fiscal and non-fiscal mechanisms, such as but not limited to the existing mechanism/compensation of early retirement of CFPPs and incentives for renewable energy (RE) development, as well as policies which are blocking RE development (e.g., Coal Domestic Market Obligation (DMO)).
- b. Identify the underlying objectives of the existing regulations and policies in terms of energy transition, social-environmental impact, and economic development.
- c. Assess the economic implications of these regulations by considering their influence on investment decisions, job creation, and overall economic growth.
- d. Evaluate the effectiveness of these regulations by examining their impact on renewable energy projects, ongoing energy transition projects, and case studies by looking at the incentive mechanisms around coal phase-out and RE development, **including but not limited to:**
 - i. Energy Transition Mechanism (ETM) PLTU Cirebon-1 which has a Business to Business (B to B) mechanism rather than incentives or any other ETM mechanism in Indonesia coal retirement projects that involve incentives,
 - ii. The ongoing RE development projects, such as utility-scale floating solar project in Cirata (West Java) or hydropower project in Kayan (North Kalimantan).
- e. Assess the sufficiency of existing incentives for reducing the capacity factor of CFPPs, early retirement of CFPPs and RE development projects (including small, medium, and large/ utility scale).
- f. Summarize the findings in a report.

Deliverable 3: Incentives and Disincentive Mechanisms From International Experience

23. This deliverable provides proposed new incentives and disincentive mechanisms based on international experience to expedite renewable energy development and coal decommissioning in Indonesia. To deliver this activity, the consultant should:

- a. Conduct an in-depth analysis of international best practices related to incentives and disincentives for renewable energy development and coal decommissioning.
- b. Identify specific mechanisms and policies employed by other countries that have effectively accelerated renewable energy adoption and coal phase-out/ phase-down.
- c. Conduct a comparative analysis to evaluate the adequacy of current incentives and disincentives and identify gaps when compared to the mechanisms outlined in Deliverable 1.
- d. Engage with key stakeholders in Indonesia, including government bodies, energy regulators, and industry representatives, to gather input and insights into the local context.
- e. Evaluate the feasibility and adaptability of international strategies to the Indonesian energy landscape, considering regulatory frameworks and resource availability.
- f. Summarize the findings in a report.

Deliverable 4: Proposed suite of policy measures and recommendations for designing and implementing the most effective types of incentive and disincentive mechanisms

24. This deliverable provides a proposed suite of policy measures. To deliver this activity, the consultant should:

- a. Develop a well-defined policy framework that outlines the objectives, scope, and rationale for introducing incentive and disincentive schemes to promote renewable energy investments and phase out/ phase down coal-fired power plants, taking into account Indonesia's unique challenges and opportunities. Ensure the proposed mechanisms align with Indonesia's energy transition goals and are compatible with existing regulations and policies.
- b. Develop a set of incentive mechanisms that encourage and reward decarbonization and transition practices. These could include tax benefits, subsidies, grants, or other financial incentives designed to promote renewable energy adoption.
- c. Design disincentives to discourage activities that contribute to environmental degradation or hinder energy transition goals. These might involve carbon taxes, penalties for non-compliance with energy efficiency standards, or other deterrents.

- d. Analyze the existing legal and regulatory framework to understand any barriers or opportunities for implementing new schemes. Identify areas where changes are needed to align with the policy goals.
- e. Engage with key stakeholders in Indonesia, including government bodies, energy regulators, and industry representatives, to gather input and insights into the local context.
- f. Provide a detailed implementation plan for rolling out these incentives and disincentives within the Indonesian energy sector.
- g. Summarize the findings in a report.

Deliverable 5: Impact analysis/ cost-benefit analysis of the proposed incentive and disincentive mechanisms

25. This deliverable provides an extensive impact and sensitivity analysis on fiscal, economic, renewable energy (RE) growth, and CFPP decommissioning rates, evaluating the new proposed incentive and disincentive schemes, and will assess the quantitative and qualitative effects of these incentives on government finances, macroeconomic indicators, RE capacity expansion, and CFPP retirement under various scenarios. To meet the objective of this component, the consultant needs to:

- a. Conduct a thorough cost-benefit analysis to assess the economic impact of the proposed measures and their potential benefits for renewable energy development and coal decommissioning.
- b. Conduct an in-depth impact analysis and sensitivity analysis on fiscal and macro-economic by implementing the new proposed incentive and disincentive schemes.
- c. Assess different scenarios and incentive and disincentive levels (e.g., no subsidy, low subsidy, high subsidy) to understand their respective impacts on the specified areas.
- d. Examine potential trade-offs, impacts, and synergies among various incentive and disincentive scenarios, taking into account their implications for desired policy outcomes, such as but not limited to the potential increase in subsidies resulting from long-term incentives.
- e. Engage with key stakeholders in Indonesia, including government bodies, energy regulators, and industry representatives, to gather input and insights into the local context.
- f. Based on the analysis, provide specific recommendations for adjustments to the existing regulations, new policies, or amendments that can enhance the effectiveness of energy transition initiatives.

- g. Summarize the findings in a report.

Deliverable 6: Final report + Summary for Policymakers

26. The final report summarizes the project, providing clear guidelines for policymakers and stakeholders on implementing proposed incentive and disincentive schemes for maximizing their impact on energy transition projects in Indonesia, including developing derivative reports, providing policy recommendations, and ensuring accuracy and consistency, and subject to feedback and approval from the beneficiary. Additionally, it provides a concise summary tailored for policymakers in Indonesia. To meet the objective of this component, the consultant needs to:

- a. Summarize the whole project, building and integrating a narrative of the deliverables. It will include clear guidelines for policymakers and stakeholders on how to implement the new incentive schemes to maximize their impact on energy transition projects in Indonesia. This report details the key activities and outputs from each task. The report will be presented as a professional and publishable document that may be widely disseminated. It includes a finalized version of the Results Based Monitoring Framework and it should be gender disaggregated. The final report should be submitted after 12 months from the start of the contract. Therefore, the consultant will:
 - i. Review and synthesize the findings and recommendations from each of the outputs.
 - ii. Conduct a comprehensive review of the report to ensure accuracy and consistency.
 - iii. Develop several derivative reports covering relevant components of the report tailored to each key stakeholder's interests.
 - iv. Prepare a comprehensive report with clear recommendations and actionable steps for relevant authorities and stakeholders to consider.
 - v. As a stand-alone document, a policy brief is to be prepared for policymakers highlighting recommendations and suggested policy actions.
- b. Summarize all comments, questions, and inputs from the dissemination event and post-dissemination event.
- c. Incorporate any additional feedback or revisions as necessary.
- d. Obtain final approval from relevant stakeholders such as the Coordinating Ministry of Economic Affairs (CMEA) before releasing the report.
- e. Support in formulating policy frameworks upon request from the relevant ministries.

Reimbursable Deliverable: Consultation workshops, meetings, post-workshop report, and overseas policy dialogue trip

27. To meet the objective of this component, the consultant needs to:

- a. Deliverables 2, 3, 4, 5, and 6 must have **at least one consultation workshop and/or meetings** to disseminate the outputs delivered by the consultants and gather input and feedback from relevant stakeholders to be incorporated into the final version of the outputs.
- b. Activities mentioned in point (a) Deliverables 2, 4, 5, and 6 should be placed within the Jakarta Metropolitan Area (JABODETABEK) area. Consultant to prepare the logistics of the consultation workshops for deliverables 2, 4, 5, and 6 with the following logistic information:
 - i. at a minimum of 1 full day workshop per each deliverable in a hotel/ meeting venue
 - ii. Hybrid meeting, with live interpretation through Zoom or other software
 - iii. full-day workshop
 - iv. costs and honorarium for speakers
 - v. workshop located in Jabodetabek area or others
 - vi. Minimum 50 offline participants per workshop
- c. Activities mentioned in point (a) Deliverable 3, the consultant is required to organize one overseas event, which include **workshop, policy dialogue, site visit** to a selected country. This selection should be based on the findings and analysis from Deliverable 3, specifically focusing on international experiences in implementing successful incentive and disincentive mechanisms. While the selected country will be determined during the implementation stage, the bidder is required to include a financial component for this deliverable in their proposal with the indicative information below:
 - i. A 5 day-trip to Indicative country: Germany
 - ii. at minimum 3 days, full-day in-person workshop, or equivalent
 - iii. Travel costs and honorarium for speakers/ participants
 - iv. Bidders should include the calculation and the cost for organizing the workshop. The calculation to be included in the Financial Proposal should be considered as the estimate to serve as ceiling. The actual cost to be paid for organizing said workshop

- v. At minimum 10 participants from the relevant Indonesian government institutions, a representative of the consultant and an ETP member.
- d. The payments for all tasks for event-related items will be reimbursable. The budget to be proposed is based on the requirements of the logistic organisations that are listed.
- e. The detailed agenda needs to be discussed with ETP. Gender and social inclusion considerations have to be taken into consideration in organising the consultation workshop. Groups that will be impacted by the project activities shall be identified. The Project shall be inclusive of the invited stakeholders during the consultation and seek a balanced representation of women and other identified groups in project activities. All key stakeholders related to the topic, particularly governmental entities, should be engaged. Journalists should be invited also to promulgate the findings of the workshop.
- f. The consultant is expected to handle all tasks related to the workshop including organising the logistics, inviting participants and speakers, booking the venue, and executing the actual workshop.
- g. One week after the workshop/ meetings/ dissemination events/ policy dialogue, the consultant is required to submit a workshop report that includes the following components:
 - i. Description of the workshop (e.g., background, objective, organisation)
 - ii. Workshop agenda and participant components
 - iii. Workshop proceedings (e.g., summary of presentations, key points raised, important insights, significant outcomes or decisions)
 - iv. Gender considerations
 - v. Stakeholder engagement
 - vi. Monitoring and implementation
 - vii. Media and communication
 - viii. Conclusion and next steps
 - ix. Annexes (supporting materials such as slides of the presentations, workshop handouts, participant list, list of comments, etc.)

Monthly Progress Report

- 1 In addition to the listed deliverables, the consultant will need to provide monthly progress reports (concise narrative of activities completed with next steps) as per the provided template with updates on the mentoring activities, if applicable. Failure to submit this report will result in the payments being withheld.

- 2 The monthly progress report serves as the mentoring report and is an internal facing between the consultant and the ETP team. The monthly progress report must also include the following standard items:
- a. Updated Gantt Chart
 - b. Risks and mitigations
 - c. Minutes of meetings, where applicable
 - d. Minutes of Interviews, Consultations, Workshops, FGDs, etc., where applicable
 - e. Every quarter, this report should include an update on results achieved as per the Results Based Monitoring Framework (RBMF) and provided template. Where applicable, must be gender disaggregated

Other key information:

- All public-facing deliverables are expected to be professionally formatted after the content is approved. It is therefore required that the project team contain the skills of graphic design, copy editing, and desktop publishing.
- Public-facing, publishable Executive Summary (approximately 2 pages) in professional English must be submitted with each deliverable.
- Consultants will be required to deliver and record presentations on the outputs for communications purposes.
- Consultants will be expected to engage with various technical working groups and represent ETP as and when required.
- A public-facing, catchy PowerPoint presentation highlighting key information must be submitted with each deliverable.
- All project deliverables and presentations must be submitted in English and Bahasa Indonesia.
- All deliverables are subject to review by ETP, and beneficiary entity(ies) where applicable, before approval. If there are comments and suggestions, the deliverables need to be revised accordingly before payment is released.
- The consultant is required to update the results and achievements of the project in accordance with the agreed project-level Results-Based Monitoring Framework, as per the approved template. All results, where applicable, must be gender disaggregated
- The consultant is required to organize and execute all aspects of the workshops, including organization and logistics.
- The consultant must consider and highlight specific gender considerations in their proposal.
- The consultant must be available to attend at least 1 in-person workshop with the ETP secretariat in the region. The costs for this will be covered outside the financial scope of this proposal.

- The consultant, or an active organization within the applying consortium, must have an in-country presence.

V. Timeline for the Project

- h. The project will require twelve months. The actual project timeline will be presented by the consultant and agreed upon in the Inception Report.

Table 3. Proposed timeline of the project's deliverables

DELIVERABLES	1	2	3	4	5	6	7	8	9	10	11	12
Deliverable 1: Inception report												
Deliverable 2 and Deliverable 3 report												
Deliverable 4 and Deliverable 5 report												
Deliverable 6: Final report												
Event-related Deliverables: Consultation workshops, meetings, post-workshop report, and overseas policy dialogue												
Monthly report												

VI. Key Beneficiaries

28. The key beneficiaries of this project are provided in Table 4.

Table 4. List of beneficiaries of this project

Beneficiary	Benefit	Explanation
Coordinating Ministry of Economic Affairs (CMEA)	Informed energy transition policies	It helps the CMEA develop more effective and informed energy transition policies by analyzing the impact of various incentive schemes on coal-fired power plant (CFPP) retirement, renewable energy (RE) growth, in relation to the government state budget and macroeconomic indicators.
Ministry of Finance (MOF)	Optimize fiscal planning	The project enables the MoF, the executing ministry responsible for fiscal incentives and state budget management, to optimize fiscal planning by assessing the financial implications of various incentive schemes on government revenues and expenditures, ensuring the

		sustainability of fiscal policies. It also helps in the efficient allocation of budget resources by identifying cost-effective incentive mechanisms that support energy transition goals while minimizing fiscal burdens.
Ministry of Energy and Mineral Resources (MEMR)	Accelerates coal decommissioning and renewable energy deployment aligned with energy transition targets.	The project is highly beneficial for the MEMR, as it aligns with energy transition and Net Zero Emissions goals, and accelerates coal decommissioning and renewable energy deployment.
BAPPENAS	Streamlined energy transition targets with national development plan	The project supports the alignment of national development plans with energy transition goals, ensuring that development initiatives are in sync with the energy transition and Net Zero Emissions targets.
PT SMI	Optimizing incentive mechanisms to deliver more energy transition projects	The project helps PT SMI, as ETM country platform manager, to implement ETM more effectively by identifying and optimizing incentive mechanisms.

29. A donor mapping was conducted to prevent duplication of efforts between ETP and other development partners in the same areas, as well as to identify areas where ETP could provide support for energy transition that had not yet been addressed. See Annex 1.

30. The contractor is expected to identify and engage with other relevant stakeholders as part of this project.

VII. Results-Based Monitoring Framework and Risks

A. Results-Based Monitoring Framework

31. The Results of the Project are monitored through the following Framework in Table 5. All reports will update the achievement of the indicators.

Table 5. Results-Based Monitoring Framework Outline

Innovating Incentives Mechanism for Energy Transition Projects in Indonesia

IMPACT

- GHG Emissions avoided or reduced – estimates of fossil fuel mix replaced in % (Coal, Natural Gas, Oil)

- Additional RE (non-combustible) installed capacity (GW)

OUTCOME

1. Policy alignment with climate commitments

4. Knowledge and Awareness Building

OUTPUT

1.1 National RE and EE policies, regulations, standards, and energy plans reflect a clear commitment to Energy Transition agenda and integrated into sectoral plans to contribute to the achievement of Paris Agreement

1.2 National Fiscal policies, regulations, and Investment policies have undergone reforms to create an Investment Climate that is conducive to investment flow into RE/EE and improves its energy transition readiness for capital and investments

4.1. Stakeholders (relevant Government entities, Public sector companies, Financial institutions, Private entities, Academia, and Consumers) involved in the RE/EE value chain, are knowledgeable and better informed to advance the energy transition agenda

INDICATORS	TARGETS
IN 1.1-02.1 - No. of RE and EE policies, laws, regulations, and/or technical standards developed/revised and presented to the government entities	At least 1 policy, law, regulation, on energy transition incentives in power sector are developed/revised and presented to the government entities
IN 1.2-01 - No. of RE and EE related financing frameworks and fiscal reforms developed and presented to the government entities	At least 1 financing framework and fiscal reform related to energy transition in power sector are developed and presented to the government entities
IN 4.1-01 - No. of studies, research, new evidence gathered and published, for raising awareness, improving knowledge base, driving decisions, and dissemination	At least 1 study, research, new evidence gathered and published, for raising awareness, improving knowledge base, driving decisions, and dissemination
IN 4.1-02 - No. of trainings, knowledge sharing events, and/or awareness workshops organised at national and regional levels building institutional capacity and knowledge networks	At least 6 trainings, knowledge sharing events, and/or awareness workshops organised at national and regional levels building
IN 4.1-02 A - Total Number of participants	At least 200 participant from relevant stakeholder joining trainings, knowledge sharing events, and/or awareness workshops
IN 4.1-02 B - Number of female participants	At least 35% of the participant is female

ACTIVITIES

- **Review and Analysis of relevant literature and regulations** on energy-related incentive regulations for energy transition projects both in Indonesia and drawing on international experiences.
- **Consultations with key stakeholders** from policymakers, industry representatives, and experts, such as CMMIA, CMEA, MOF, MEMR, PLN, IPP, PT SMI, etc,
- **Impact analysis on fiscal, economic, RE growth and decommissioning speed of CFPPs** by implementing the existing and new incentive schemes.
- **Develop a policy recommendation of best practices** in designing and implementing the most effective types, and the optimal incentive levels for energy transition projects that should be applicable and economically viable for the business perspective and could attract stakeholder interest.
- **Facilitate technical working groups**, workshops, and capacity building programs throughout the project consist of relevant stakeholders to enhance the understanding on Public Financial Management, encompassing government budgeting and subsidies, to managing public finances related to the energy transition effectively.
- **Support the beneficiary in the drafting of new policy** based on the recommendations and findings.

32. The results are reported with additional supporting information and evidence where applicable and necessary.

VIII. Qualification and experience of the service provider and evaluation criteria

A. Qualification and Experience of the Service Provider

33. The consultant's project team should demonstrate the capacity to execute the work and should include all essential roles filled with personnel with relevant experience. CVs of the personnel proposed should be used to verify this information.
34. The following are the **minimum positions** that should be included on the team. Bidders should assess the additional positions needed (if any) to complete the assignment as per the Terms of Reference:
- i. Team Lead
 - ii. Fiscal Expert
 - iii. Financial Analyst
 - iv. Energy Expert (technical and policy)
 - v. Legal Expert
 - vi. Gender Equality and Social Inclusion Specialist
 - vii. Communication Specialist
35. Considering the importance of close coordination with stakeholders in **Indonesia**, it is expected that the team proposed consists of consultant(s) who understand the local context in Indonesia.

36. The bidder should also assign a Contract Manager who would liaise on the non-technical part of the contract implementation, including coordination, liaising with key counterparts, and liaising with UNOPS on the submission of invoice and payment-related documents.
37. The minimum requirements per position are stated in the Evaluation Criteria, under Technical Criteria section 3

a. Evaluation Criteria

Eligibility and Formal Criteria

38. The *criteria contained in the table below will be evaluated on a Pass/Fail basis and checked during the Preliminary Examination of the proposals.*

Criteria	Documents to establish compliance with the criteria
<p>1. Offeror is eligible as defined in Instructions to Offerors, Article 4.</p> <p>In case of JV, all JV members should fulfill this requirement</p>	<ul style="list-style-type: none"> Form A: Joint Venture Partner Information Form, all documents as required in the Form, if the Proposal is submitted by a Joint Venture. Form B: Proposal Submission Form
<p>2. Completeness of the Proposal. All required Questionnaires (if any), Returnable Bidding Forms, and other documentation requested under the Document Checklist section have been provided and are complete</p>	<ul style="list-style-type: none"> All documentation as requested under Instructions to Offerors Article 10, Documents Comprising the Proposals
<p>3. Offeror accepts UNOPS General Conditions of Contract as specified in Section IV: Contract Forms</p>	<ul style="list-style-type: none"> Form B: Proposal Submission Form

Qualification Criteria

39. The criteria contained in the table below will be evaluated on a Pass/Fail basis and checked during the Qualification Evaluation of the proposals.

Criteria	Documents to establish compliance with the criteria
<p>1. The company should have a minimum of 5 years of continuous experience in delivering similar projects in the past with a track record of success.</p> <p>In the case of JV, the required experience can be combined among the JV members</p>	<ul style="list-style-type: none"> • Certification of incorporation of the Offeror • Form F: Performance Statement Form
<p>2. Offeror must provide a minimum of two (2) customer references from which similar services have been successfully provided, within any of the last 5 years.</p> <p>In the case of JV, the customer references of JV members can be combined</p>	<ul style="list-style-type: none"> • Form F: Performance Statement Form

Technical Criteria

40. Technical evaluation will be carried out on bids that pass the eligibility & formal criteria, and qualification criteria, with requirements as follows:
- The maximum number of points that a bidder may obtain for the Technical proposal is 80. To be technically compliant, Bidders must obtain a minimum of 56 points
 - Minimum pass score: 70% of maximum 80 points = 56 points

41. Technical proposal points allocation

Section number/description		Points Obtainable
1.	Offeror's qualification, capacity, and expertise	20
2.	Proposed Methodology, Approach, and Implementation Plan	35
3.	Key Personnel proposed and Sustainability Criteria	25
Total Technical Proposal Points		80

Section 1: Offeror's qualification, capacity and expertise

Section 1: Offeror's qualification, capacity, and expertise		Points	Sub-points
1.1	Brief description of the organization, including the year and country of incorporation, and types of activities undertaken, including relevance of specialized knowledge and experience on similar engagements done in the past. Bidders partnering up with a local entity to provide expertise on the local context of Indonesia's fiscal and non-fiscal, incentive and disincentive mechanisms, strategic consultation, translations; as well as communications expertise is considered a valuable asset.	15	
	1. Experience in projects of comparable size, type, complexity, and technical specialty		5
	2. Experience in providing similar services in the region, especially Indonesia		5
	3. Understanding of local context, expertise on the local context of Indonesia's fiscal and non-fiscal, incentive and disincentive mechanisms, strategic consultation and able to provide translations as well as the communications expertise.		5
1.2	General organizational capability which is likely to affect implementation: management structure, and project management controls. (Max 4 pages written text)	5	
	1. Management structure, management controls, and the extent to which any part would be subcontracted		3
	2. Financial Capacity/financial stability: Bidder should have a minimum annual turnover of 350,000 USD in any of the past 2 years. In the case of a joint venture, the annual turnover is calculated based on the total annual turnover of the JV members.		1
	3. Liquidity: the ratio Average Current assets / Current liabilities must be equal or greater than 1 in any of the past 2 years.		1

Section 1: Offeror's qualification, capacity, and expertise		Points	Sub-points
	In case of a joint-venture, at least one of the JV members should have 1 liquidity/quick ratio in any of the past 2 years.		
Total points for section		20	

Section 2: Proposed Methodology, Approach and Implementation Plan

Section 2: Proposed Methodology, Approach and Implementation Plan		Points	Sub-points
2.1	Description of the Offeror's approach including risk(s) and mitigation measure(s), and methodology for meeting or exceeding the requirements of the Terms of Reference	25	
	1. Description of the offeror's approach to identification of data sources, scenarios, issues for the deep-dive in the analysis and guiding the government policymakers		5
	2. Description of the offeror's approach to identifying the benchmark from the international experience that has successfully expedited renewable energy development and coal decommissioning in Indonesia through incentives and disincentives.		7
	3. Description of the offeror's approach to the development of the proposed suite of policy measures and recommendations for designing and implementing the most effective types of incentive and disincentive mechanisms		7
	4. Description of the offeror's approach to developing strategies and solutions for effectively addressing the impact of the existing and proposed incentive and disincentive mechanisms to the renewable energy development and coal decommissioning, as well as on fiscal and macro-economic		6
2.2	Quality Assurance Plan	5	
	1. A plan outlining how the bidder intends to ensure oversight and quality assurance throughout the assignment. Quality Assurance plan should include discussion on risk-assessment and its mitigation plan		5
2.3	Implementation Timeline	5	

Section 2: Proposed Methodology, Approach and Implementation Plan		Points	Sub-points
	1. Bidder submits a detailed implementation timeline which includes detailed activities to be undertaken during this assignment, and is completed with Gantt chart		5
Total points for section		35	

Section 3: Key personnel proposed and Sustainability Criteria

Section 3: Key personnel proposed and Sustainability Criteria		Points	Sub-points
	Qualifications of key personnel proposed aligned with the Terms of Reference	20	
3.1	<p>Team Lead</p> <p>Education: An advanced University Degree (Master's or equivalent) or higher degree in Engineering, Economics, Finance, Sustainable Development, Energy Policy or related fields is required.</p> <p>An additional 5 years of similar experience with a Bachelor's Degree is considered equivalent.</p> <p>Experience:</p> <ol style="list-style-type: none"> 1) A minimum of 10 years of relevant experience in a similar role, with a minimum of 5 years of leadership experience 2) At least 5 years of experience in leading and managing complex energy transition or policy-related projects, with a strong focus on Southeast Asia, particularly Indonesia or similar contexts. 3) Proven track record in project management, and policy advocacy, and stakeholder engagement. 4) Demonstrated experience in successfully delivering similar projects in Indonesia or the Southeast Asia region. 		5
	<p>Fiscal Expert</p> <p>Education: An advanced University Degree (Master's or equivalent) or higher degree in Economics, Finance, Sustainable Development, Energy Policy, or related fields is required.</p> <p>An additional 5 years of similar experience with a Bachelor's</p>		3

	<p>Degree is considered equivalent.</p> <p>Experience:</p> <ul style="list-style-type: none"> • Minimum of 7 years of experience in fiscal policy analysis, with a specific focus on energy-related fiscal incentives and tax policies. • Strong background in financial modeling, economic impact assessment, and revenue analysis in the context of energy transition projects. • Prior experience advising governments or international organizations on fiscal policy reforms related to energy transition. • Experience in financial analysis for energy transition projects in Indonesia or Southeast Asia. <p>Other requirements</p> <ul style="list-style-type: none"> • Ability to build and maintain relationships, and work in a team, particularly interacting productively, proactively, and comfortably with various stakeholders such as local consultants, government officials, state companies, private sector • Considered an asset if based in Indonesia but not strictly required • Strong and demonstrated capacity for organisation, and management with excellent reporting and coordination skills • Openness to change and ability to receive/integrate feedback 		
	<p><u>Financial analyst</u></p> <p>Education:</p> <p>An advanced University Degree (Master's or equivalent) or higher degree in Economics, Finance, Sustainable Development, Energy Policy or related fields is required.</p> <p>An additional 5 years of similar experience with a Bachelor's Degree is considered equivalent.</p> <p>Experience:</p> <ul style="list-style-type: none"> • At least 5 years of experience in financial modeling, cost-benefit analysis, and financial evaluation, preferably within the energy sector. • Demonstrated proficiency in conducting financial assessments for renewable energy and coal decommissioning projects. • Prior experience advising governments or international organizations in conducting in-depth financial assessments of incentive mechanisms, evaluating cost-effectiveness, and estimating financial returns on investments. • Experience in financial analysis for energy transition 		3

	<p>projects in Indonesia or Southeast Asia.</p> <p>Other requirements</p> <ul style="list-style-type: none"> • Ability to build and maintain relationships, and work in a team, particularly interacting productively, proactively, and comfortably with various stakeholders such as local consultants, government officials, state companies, private sector • Considered an asset if based in Indonesia but not strictly required • Strong and demonstrated capacity for organisation, and management with excellent reporting and coordination skills • Openness to change and ability to receive/integrate feedback 		
	<p><u>Energy expert (technical and policy)</u></p> <p>Education: An advanced University Degree (Master's or equivalent) or higher degree in Engineering, Energy Economics, Energy Policy, Finance, Sustainable Development, or related fields is required.</p> <p>An additional 5 years of similar experience with a Bachelor's Degree is considered equivalent.</p> <p>Experience:</p> <ul style="list-style-type: none"> • Minimum of 7 years of combined experience in both technical and policy aspects of energy transition, renewable energy, and coal decommissioning. • Strong background in assessing the feasibility of renewable energy projects, coal decommissioning, and aligning them with energy policies. • Prior experience advising governments or international organizations in conducting in-depth technical and policy assessments of renewable energy and coal decommissioning projects. • Experience in technical and policy on energy transition projects in Indonesia or Southeast Asia. • <p>Other requirements</p> <ul style="list-style-type: none"> • Ability to build and maintain relationships, and work in a team, particularly interacting productively, proactively, and comfortably with various stakeholders such as local consultants, government officials, state companies, private sector • Considered an asset if based in Indonesia but not strictly required • Strong and demonstrated capacity for organisation, and management with excellent reporting and coordination skills 		3

	<ul style="list-style-type: none"> • Openness to change and ability to receive/integrate feedback 		
	<p><u>Legal expert</u></p> <p>Education: A legal degree with a specialization in energy law and policy or related fields is required.</p> <p>Experience:</p> <ul style="list-style-type: none"> • At least 7 years of experience in legal advisory roles related to energy sector policies, incentive mechanisms, and regulatory frameworks, particularly in Indonesia or Southeast Asia. • Proven track record in providing legal guidance on energy transition initiatives. • Experience in reviewing and ensuring the legal compliance of incentive designs, drafting legal documents, and providing guidance on regulatory matters. • Experience in advising governments or international organizations on energy law reforms in Indonesia or Southeast Asia region. <p>Other requirements</p> <ul style="list-style-type: none"> • Ability to build and maintain relationships, and work in a team, particularly interacting productively, proactively, and comfortably with various stakeholders such as local consultants, government officials, state companies, private sector • Considered an asset if based in Indonesia but not strictly required • Strong and demonstrated capacity for organisation, and management with excellent reporting and coordination skills • Openness to change and ability to receive/integrate feedback 		2
	<p><u>Gender equality and social inclusion specialist</u></p> <p>Education:</p> <ul style="list-style-type: none"> • An advanced University Degree (Master's or equivalent) or higher degree in Gender Studies, Social Sciences, Sociology, Anthropology or a related field. <p>Experience:</p> <ul style="list-style-type: none"> • A minimum of 3 years of professional experience in gender and social inclusion (GSI) assessments, social impact assessments (SIA), or related roles. • Experience with international best practices and guidelines related to gender and social inclusion in development projects. 		2

	<ul style="list-style-type: none"> • Experience in identifying and analyzing gender-based and social inequalities and vulnerabilities related to the public policy. <p>Other requirements</p> <ul style="list-style-type: none"> • Ability to build and maintain relationships, and work in a team, particularly interacting productively, proactively, and comfortably with various stakeholders such as local consultants, government officials, state companies, private sector • Ability to mainstream gender considerations into project planning, implementation, and monitoring and evaluation processes. • Expertise in designing and implementing social inclusion strategies. • Openness to change and ability to receive/integrate feedback 		
	<p><u>Communication specialist</u></p> <p>Education:</p> <ul style="list-style-type: none"> • A Bachelor's or Master's Degree in Communications, Public Relations, Journalism, or a related field is required. • Advanced degrees or certifications in communications are a plus <p>Experience:</p> <ul style="list-style-type: none"> • A minimum of 5 years of professional experience in communications, public relations, or related roles. • Experience in developing and executing strategic communication plans tailored to diverse stakeholders, including government agencies, investors, local communities, and the public. <p>Other requirements</p> <ul style="list-style-type: none"> • Strong media relations skills with a track record of successfully engaging with journalists, securing media coverage, and managing media inquiries. • Strong writing and editing skills to produce high-quality content for various communication materials, including press releases, reports, website content, and social media posts. • Openness to change and ability to receive/integrate feedback 		2
3.2	The bidder shall provide a clear statement, approach, and methodology that demonstrates its commitment to support and mainstream gender equality and social inclusion through its operations and project implementation activities signed by the authorized personnel.	5	

Total points for section	25	
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Financial Criteria (20 maximum points)

The financial part of those proposals that are found to be technically compliant will be evaluated as follows.

The maximum number of points that a bidder may obtain for the Financial Proposal is 20. The maximum number of points will be allocated to the lowest evaluated price bid. All other prices will receive points in reverse proportion according to the following formula:

- a. Points for the Financial Proposal of a bid being evaluated =

$$\frac{[\text{Maximum number of points for the Financial Proposal}] \times \{\text{Lowest price}\}}{[\text{Price of proposal being evaluated}]}$$

Financial proposals will be evaluated following completion of the technical evaluation. The bidder with the lowest evaluated cost will be awarded (20) points. Financial proposals from other bidders will receive prorated points based on the relationship of the bidder's prices to that of the lowest evaluated cost.

Formula for computing points: Example

Points = (A/B) Financial Points
Bidder A's price is the lowest at \$20.00. Bidder A receives 20 points
Bidder B's price is \$40.00. Bidder B receives (\$20.00/\$40.00) X 20 points = 10 points

ANNEX 1. Donor Mapping

Name of Organizations	Topic and Detailed Activities
World Bank	Currently leading the policy working group of JETP Indonesia, supporting the development of the Comprehensive Investment and Policy Plan (CIPP). As part of the role in the policy working group, the World Bank was tasked with introducing a new incentive mechanism within the CIPP document.
<u>USAID</u>	Under the USAID SINAR project, currently assisting Indonesia in creating realistic plans to decarbonize the electricity sector, including identifying incentives to boost investments in renewable energy and retiring coal power units earlier than planned. In addition, the previous ICED II project (2016-2021) assisted the Government of Indonesia (GOI) in establishing an effective policy, regulatory, and incentive environment for low-emission growth in the energy sector, while simultaneously attracting public- and private-sector investment in clean energy development.
<u>CASE (Clean, Affordable, Secure Energy for Southeast Asia)</u>	Currently assisting Indonesia with nine initiatives towards the country's energy transformation. By taking into account regional problems and situations, CASE provided a regional framework for local Indonesian experts to use and implement. Among these nine initiatives, CASE collaborated with a regional consultant to examine the gaps in previous research, offer policy suggestions to accelerate the energy transition, and initiate a study on de-risking renewable energy projects.
<u>ADB</u>	The knowledge and support technical assistance (TA) will assist ADB's developing member countries (DMCs) in creating a legal and regulatory framework that is conducive to the development of renewable energy and energy efficiency projects that meet the basic commercial viability and bankability requirements of national and international private sector investors. Additionally, ADB published a report on RE tariffs and incentives in Indonesia in 2020.
<u>The UK Government</u>	Currently supports Mentari, a four-year initiative that connects the MEMR and the British Embassy in Jakarta to promote low-carbon energy in Indonesia. The programme covers several work streams in policy, brokerage, and investment, as well as a demonstration project, networking, collaboration, and incorporating gender equality and inclusion through all parts and functions.
<u>AFD</u>	Provides loans and TA to support the increase of credit dedicated to climate-related investments, AFD provides long-term financial resources and technical assistance to PT SMI. AFD granted PT SMI a first US\$ 100M credit line, dedicated to the financing of infrastructure projects with climate benefits (mitigation or adaptation) and a US\$ 5M grant dedicated to the financing of renewable energies and allowing PT SMI to partially cover the risks taken in this sector. Finally, a €400K technical assistance program has been granted to strengthen PT SMI's procedures and support project appraisal. The grant and the technical assistance program were financed by funds delegated by the British Cooperation (DFID). In July 2019, a second support was approved by the AFD Board in the form of a US\$150M credit line, a EUR 600K grant for technical assistance, and a EUR 5M delegated fund from the European Union for technical assistance and investment grants.