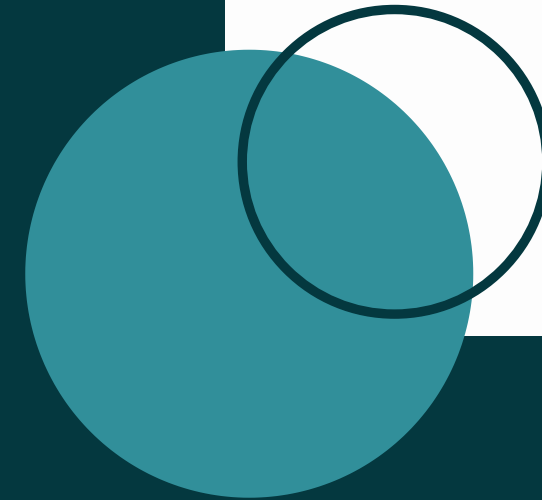


THE INDONESIAN LOW COST GREEN CAR PARADOX

Ansari Jowen Salim
Hari Prasetyo



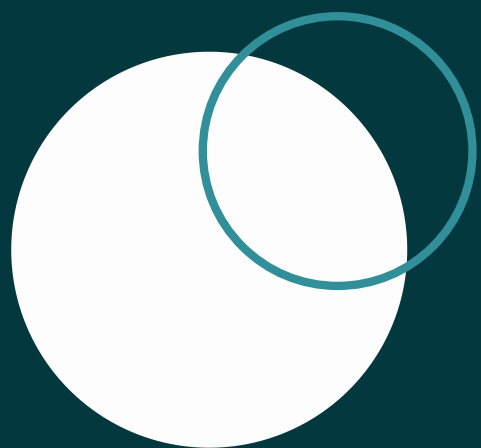


OUTLINE

Indonesian Climate Overview
Legal Framework
Challenges



CLIMATE AND AIR QUALITY OVERVIEW



- Fifth largest greenhouse gas emitter
- Reduction commitment: 29% of BAU unconditionally, 41% with international assistance by 2030
- Energy and transportation is currently responsible for 33% of Indonesia's GHG emissions (World Resources Institute, 2017)
- Jakarta, the capital has some of the worst air quality in the whole world.

Legal Framework

ACT NO 32/2009 (THE ENVIRONMENTAL PROTECTION AND MANAGEMENT ACT)

Stated that subsidies are given to decrease the expenses for environment recovery-related activities

GOVERNMENT REGULATION NO 46/2017 ABOUT ECONOMIC INSTRUMENTS FOR THE ENVIRONMENT

Subsidies are given to production of environmentally friendly products, environment recovery activities, and production of technology related to environment recovery

GOVERNMENT REGULATION NO 41/2013 ON TAXABLE LUXURY MOTOR VEHICLES SUBJECT TO SALES TAX ON LUXURY GOODS

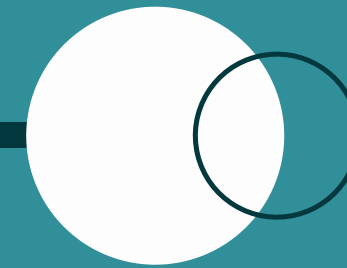
Backbone of the LCGC program, exempted LCGC from luxury tax

MINISTRY OF INDUSTRY REGULATION NO 33/M-IND/PER/2013

Regulated further specifications for the LCGC

LOW COST GREEN CAR

- Fuel consumption of minimum 20 km per liter, and
- Engine capacity of maximum 1200cc (petrol) and 1500cc (diesel).
- And the rest will be regulated by the ministry responsible



ENERGY SAVING AND AFFORDABLE FOUR-WHEELED VEHICLE

- Fuel consumption of minimum 20 km per liter
- Engine capacity of maximum 1200cc (petrol) and 1500cc (diesel).
- Locally produced to an extent
- Engine compatible to RON 92 or CN 51
- Does not cost more than 95 million Rupiah

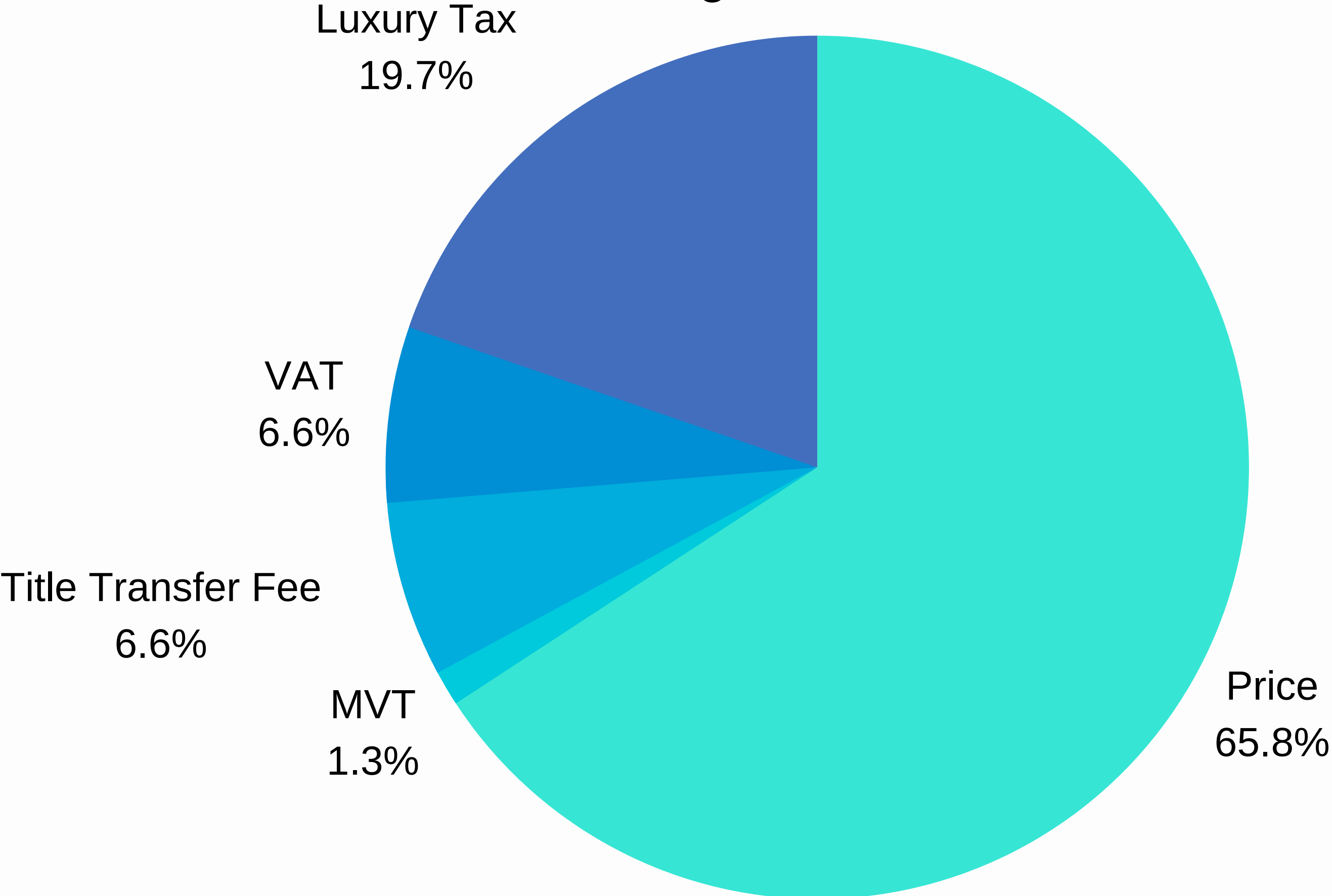


10%-125%

LUXURY TAX ON VEHICLES



Price overview of a low-compact mpv in Jakarta





CURRENT SITUATION

- LCGCs have the market share of about 20% of private cars (including trucks and buses). Their direct competitors, the low compact MPVs have 43% of the market share;
 - Ever since LCGC's introduction, the market share of Low compact MPVs have fallen 10%, but car sales have been generally growing every year and so has car ownership rate;
 - currently there are approximately 1 million LCGCs
- (Gaikindo, 2014-2018)



MAIN PROBLEMS

UNCERTAIN OBJECTIVES

The government and Ministry of Industry kept changing their views and objectives of the program.

NON- PROPORTIONAL SCHEME

Tax cuts or exemption not based on fuel efficiency

LOW COMPLIANCE IN FUEL USE

The use of dirtier, cheaper fuel that only leads to the same inefficient fuel economy.

Government Regulation 41/2013:

One of the objectives of LCGC is to support the growth of environmentally-friendly technology and energy conversion in transportation

Directorate General of Machinery and Transportation:

"Affordable, Energy Saving Cars do not aim to reduce pollution, and only aims to make cars affordable for motorcyclist"

<https://otomotif.kompas.com/read/2017/04/20/130200915/jangan.lagi.sebut.legc.tapi.mobil.kbh2>



75%

LUXURY TAX FOR CARS WITH FUEL
CONSUMPTION OF 20-28 KM/L

50%

CARS WITH FUEL CONSUMPTION OF
MORE THAN 28 KM/L



**Analisis of State Budget
(House of Representatives, 2014)**

**State's Loss because of LCGCs use of subsidized fuel in 2014 equals
to
1,5 trillion Rupiah**

SUBSIDIES?

TARGET

Should be able target consumers with largest shares of the markets

CLEAR OBJECTIVES

As means to adopt newer greener technology.

COMPETITIVENESS

Competitive in features and in price

THANK YOU