

WASTE-TO-ENERGY

🌱 Danantara and Waste-to-Energy Projects: Investment or Fiscal Burden Shift?

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Indonesia is entering a new phase of state investment reform through the establishment of **Danantara Indonesia**, a sovereign investment agency designed to attract global capital. Yet, beneath the optimism lies a critical question: *is Danantara truly driving strategic investment, or merely shifting fiscal burdens among state institutions?*

Energy policy analysts note that Danantara was envisioned as a **sovereign investment arm** capable of mobilizing foreign capital for national strategic projects. However, its recent direction raises concerns. Rather than catalyzing new investment inflows, Danantara has taken a more conservative role — notably through its “collaborative” **waste-to-energy (WTE)** projects with **PLN**, Indonesia’s state-owned power utility.

Under **Presidential Regulation No. 109/2025**, the government set the electricity tariff for WTE projects at **US\$0.20/kWh**, roughly **2–3 times higher** than PLN’s conventional electricity rates, while designating PLN as the **sole off-taker**. According to multiple legal and energy analyses, this pricing design places full cost risk on PLN without a balanced compensation scheme among the government, Danantara, and private investors. Officials have confirmed that the **20¢/kWh tariff** has passed **BPKP review**, signaling its readiness for implementation.

The challenge, however, lies in PLN’s fragile financial position. Bloomberg Technoz data shows that **government compensation and subsidy arrears to PLN reached IDR 78.4 trillion as of June 2025**, up **81% from end-2024**. In this context, obligating PLN to purchase high-cost WTE electricity appears counterproductive to fiscal efficiency and financial stability within the state-owned utility sector.

Analysts argue that the current project structure illustrates a **role reversal** for Danantara. Instead of attracting global co-investors and injecting new capital, the fund appears to act as a **domestic project intermediary**, effectively transferring financial risks to PLN. Such a pattern risks creating a closed capital loop — recycling funds among state entities without generating real economic value.

From a legal perspective, the **fixed 20¢/kWh tariff for 30 years** far exceeds the average *feed-in tariffs* of other renewable energy sources in Indonesia. Without a transparent risk-sharing framework, this could become a **long-term fiscal liability** for both PLN and the state budget (APBN). Energy experts emphasize the need to **differentiate municipal waste management objectives from green energy transition goals**, as both require distinct funding and fiscal mechanisms.

Criticism has also come from within the government. Finance Minister **Purbaya Yudhi Sadewa**, in a recent public forum, openly questioned Danantara's conservative approach, remarking: *"If you park so much money in government bonds, what exactly is your expertise?"* The statement highlighted growing skepticism about Danantara's lack of innovation. In the same forum, Minister Purbaya confirmed that Danantara could cover **IDR 2 trillion** in financing for the Jakarta–Bandung High-Speed Rail (KCJB) project, supported by **IDR 90 trillion** in dividends from state-owned enterprises.

Ultimately, many analysts believe Danantara **has yet to fully realize its mandate as Indonesia's strategic investment institution**. Rather than attracting foreign capital or creating new value, its current model risks **deepening fiscal burdens** through inter-agency obligations. *Indonesia needs an investment institution that is bold, visionary, and value-driven — not one that simply circulates state funds within the bureaucracy.*

Kiwoom Research Opinion & Recommendation

From a *market intelligence* perspective, Danantara's key issue lies not merely in its investment direction but in its **governance logic**. A sovereign investment fund should expand liquidity and unlock new financing channels — not rely solely on domestic capital recycling within state institutions.

If Danantara continues this **"lazy scenario"** — managing BUMN funds and redeploying them into other state projects like WTE — the net economic contribution will be negligible. Such an approach does not generate growth; it merely **shifts fiscal liabilities** without creating new capital.

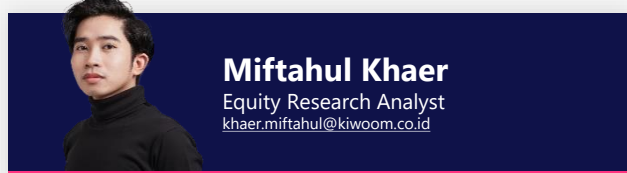
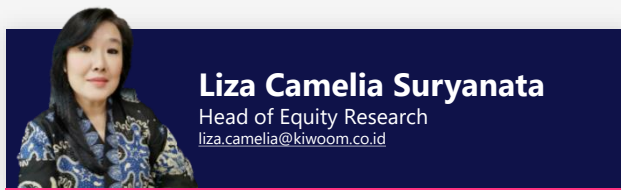
Kiwoom Research sees a major opportunity for Indonesia to transform the **waste-to-energy (WTE)** initiative into a **global green diplomacy tool**. Countries with strong renewable energy commitments — such as **China** (targeting 2,350–2,780 GW of wind & solar by 2030), **South Korea** (21.6% RE by 2030, 30.6% by 2036), and **Japan** (36–38% RE by 2030) — are actively seeking cross-border partnerships for **carbon offset and green investment**.

Danantara should position itself as a **capital magnet** for *public–private partnerships* that span nations, rather than as a domestic fund redistributor. The WTE program can be restructured to enable **cross-border green electricity trading, carbon credit exports, and FDI inflows** from global sustainability funds. *By doing so, Indonesia can evolve from a passive capital manager into an active investment catalyst — channeling global green capital into its domestic transformation agenda.*

Primary References:

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6. *Bloomberg Technoz & DetikFinance – Minister Purbaya Questions Danantara’s Investment Strategy*

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