
Indonesia unlikely to hike electricity tariff early next year

Thursday, 31 Dec, 2009

The Jakarta Post reported that Indonesian government has hinted it will not yet raise the electricity tariff early next year, although required under the 2010 state budget, factoring in future economic conditions like increasing inflation.

Mr Anggito Abimanyu finance ministry's head of fiscal policy said that the electricity tariff hike will affect business players, who will need to recalculate their costs, and consumer prices, which if sharply inflated will hurt people's purchasing power, which drives 60% of the economy. He added that "Therefore we are reconsidering whether to raise the electricity base tariff in January."

Under the 2010 budget, the allocation for the electricity subsidy stands at IDR 37.8 trillion. The government is required to impose market price for users of more than 6,600 watts to encourage energy efficiency, following an approval to do this from the House of Representatives.

The Energy and Mineral Resources Ministry said earlier that the proposed allocation of IDR 37.8 trillion for the electricity subsidy is not enough, suggesting a tariff raise is inevitable, in accordance with a proposal by state utility firm PT PLN made in September.

Mr Hatta Radjasa coordinating minister for the economy said that the government's main focus at the moment would be on improving the financial health of PLN to enable it to provide electricity nationwide.

Mr Fahmi Mochtar former president director of PLN said that PLN needs IDR 32.7 trillion next year to address the blackouts which are now happening in the country. The government will lend IDR 10 trillion through a subsidized loan agreement to PLN, while the remaining funds needed will be raised by issuing bonds.

(Sourced from www.thejakartapost.com)

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