COOKING FOR LIFE

INDONESIA: A CASE STUDY

Together we can fuel solutions in the home.

The conversion project from kerosene to LP Gas in Indonesia is an excellent success story lending its support to future LP Gas conversion programs in other countries.

In 2004, 48 million households out of the estimated 52 million households nationwide depended on kerosene for daily cooking. It was also the main fuel source for fisheries in the country. A government program already subsidised kerosene to make it affordable for citizens. However, the rising cost of oil made the subsidies a burden for the government and a large issue in the state budget. Measures were taken to raise the price of kerosene in order to offset the rising cost of subsidising the fuel. This was an extremely unpopular decision with the general public.

In 2006, the Indonesian government made the decision to launch a conversion program meant to transfer 50 million consumers of kerosene over to LP Gas. The biggest reason for the switch was to reduce the burden of fuel subsidies on the government. Another reason was the fact that LP Gas requires less energy than kerosene yet produces the same amount of heat; 1 liter of kerosene equals just .57 kg of LP Gas. Environmentally, LP Gas is also cleaner than kerosene and improves the health of low-income families affected by indoor pollution. Converting to LP Gas is easier than other fuel alternatives, such as coal and natural gas, especially in rural areas.

Following a study and one-month market test, the conversion program was launched in 2007 and implemented over the following years. The program was a collaborative effort between the Ministry of Energy and Mineral Resources, Ministry of Industry, Ministry of Women's Empowerment, and Pertamina, a state run oil and natural gas corporation. Pertamina distributed free starter kits, which included a 3 kg cylinder, one burner stove, hose and regulator, and free first gas fill, to citizens meeting the program requirements. There were a few initial challenges included citizen demonstrations, illegal resale of kerosene from unconverted areas to converted areas, and the rise of LP Gas prices during the kerosene withdrawal period.

Currently, the program is implemented in 23 provinces with 53.9 million conversion packages distributed. As the demand for LP Gas rises, capacities of existing terminals and fill stations must be improved and added upon. Pertamina continues to offer opportunities for the private sector to invest in building filling stations and terminals. Thirteen provinces have already been designated as "closed and dry," meaning all subsidized kerosene has been removed. In total, 8.2 million kiloliters of kerosene have been withdrawn and replaced with 3.2 million MT of LP Gas. This has translated to a gross subsidy savings of more than 6.9 billion US dollars for the government.

For individuals the savings is also huge. In the average household, 84% of expenditures went to fuel but in households now using LP Gas, this percentage has been reduced to just over 58%.

Indonesia's successful project to convert over 50 million users of kerosene to LP Gas has piqued the interest of other countries interested in adopting similar programs. Strong governmental policies accelerated the program, and an effective business model for the execution aided in its success. The clear benefits for both the government and citizens and the readiness of the initial packages were huge factors in making the launch successful.

Suggestions for other countries looking to follow Indonesia's example include establishing a clear and consistent financing and regulatory plan, understanding the target, and communicating the program effectively with marketing through the media and user-specific programs. When an institution, whether public or private, is chosen to oversee implementation, they must be ready to work closely with local and central governments, making safety their number one priority.