



Achieving Fossil Free Recovery in Indonesia

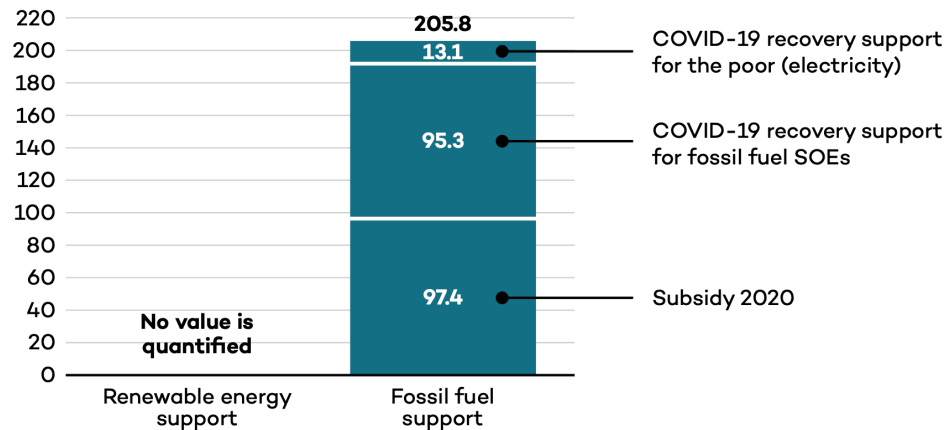
December 2021

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Do not provide public money to fossil fuel sectors - How Indonesia Can Achieve Both a COVID-19 Recovery and Its Climate Targets

Figure 2. Total quantified government support to fossil fuels in 2020 by form and area (in trillion IDR)



Source: Author diagram based on Energy Policy Tracker, n.d.; Ministry of Finance, 2021a.

A greener State Budget is an option!

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Raise money from fossil fuel subsidy reform and taxes

What Indonesia is doing:

- Indonesia is going to implement carbon tax in April 2022.
- Starting with coal-fired power plant.
- The carbon tax revenue will be used to fund climate mitigation & climate adaptation in Indonesia

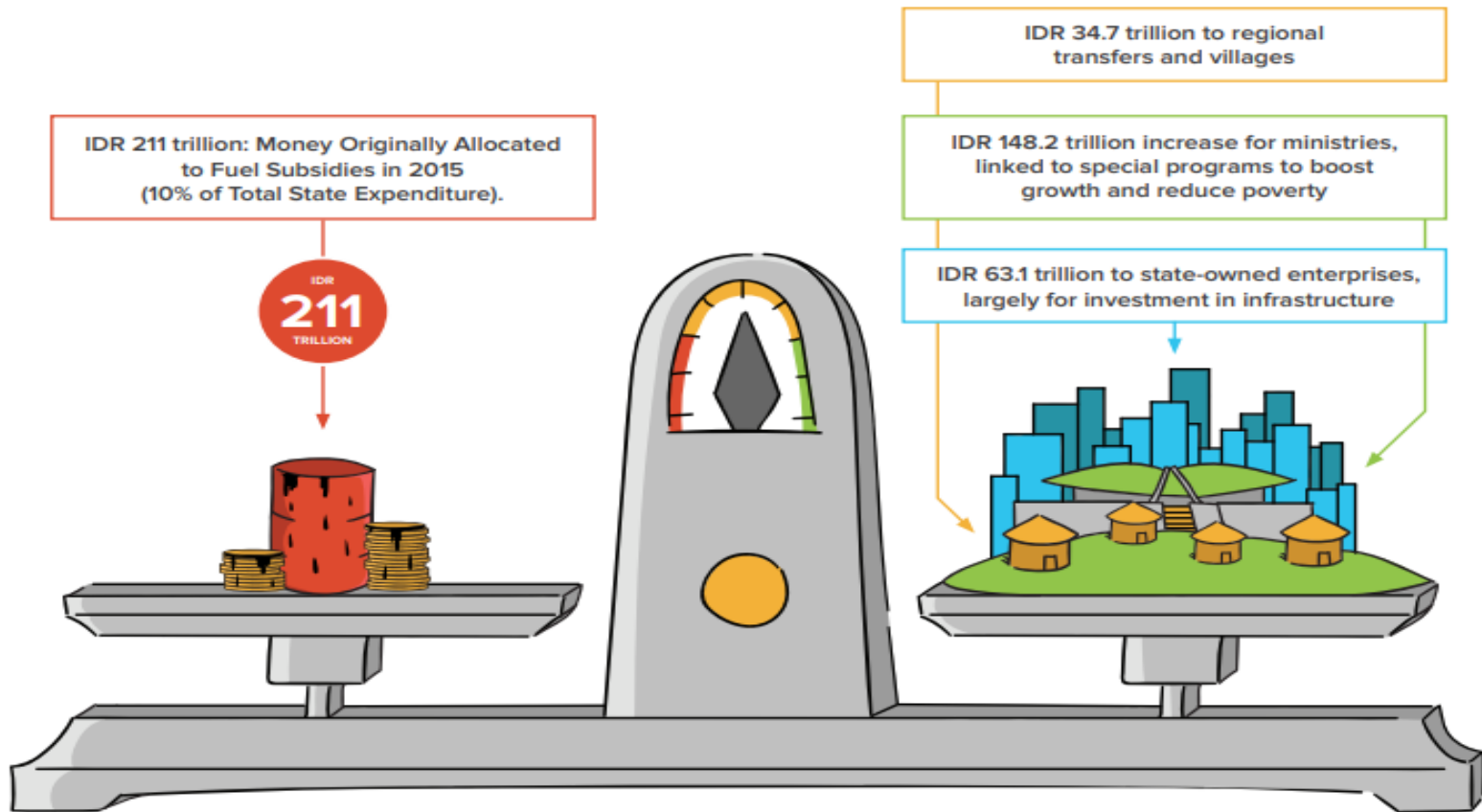
What can they do:

- Additional transport fuel taxes & coal taxes
- Reforming transport fuel subsidies & coal subsidies
- Social protection and renewable energy development

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Subsidy swap from fossil fuels to clean energy



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Incentivizes investment in renewable energy

Fiscal Incentives

- Tax Allowance: Suspension and elimination of VAT and Income Tax for various RE projects. As part of its COVID-19 support, MEMR decided to suspend and eliminate the VAT and Income Tax for various RE projects until end of 2021
- Credit facilities: Reduced interest rates for Renewable Energy projects (on loan)
- Tax Holidays: 100% discount on CIT for up to 20 years depending on investment value

Improve the regulation for fiscal incentives

Direct Transfer

- Green sukuk (cannot be traced to which projects this funding was given to)
- International funding (grant/loan) through SOEs (PT SMI)
- State Budget - macro level (cannot be identified in the state budget)

Improve transparency on mechanisms and the financial flow.

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Ensure the transition is a just one

- Prioritizing expanding access to energy and maintaining affordable energy prices in order to achieve the role of new and renewable energy in the primary energy mix to 23% by 2025.
- Forming Renewable Energy Skills Development (RESK) project to provide training for workers to enter the renewable energy sector. This project is under the Ministry of Employment and Immigration, supported by Switzerland Government.

What can be done further:

- Ensure those impacted by the energy transition is well protected – for example poor people need to be protected against energy price increases due to removal subsidies and additional taxes by better targeting subsidies
- If giving supports to fossil fuel is unavoidable, conditional fossil fuel supports is an option.



Thank you!