

# INDONESIA - Team Europe Initiative Green Agenda

#GLOBALGATEWAY

#TEAMEUROPE

## TEAM EUROPE PROPOSAL



### 1. Sustainable energy

- EU contribution to the Just Energy Transition Partnership (JETP) in cooperation with other international partners

#### Possible priority areas:

- Creating an enabling environment and mobilising investments for the energy transition:
- Early retirement of coal-fired power plants
- Renewable energy investments
- Promotion of energy efficiency
- Delivery of a just energy transition

### 2. Sustainable Value Chains

- Focus on key sectors with major impact on forests, biodiversity and marine resources (e.g. wood products, food and plastics)

#### Possible priority areas:

- Policy development and regulatory frameworks
- Improved land use governance
- Support to the private sector, notably MSMEs and small holders, to meet new market demands and adopt sustainable practices
- Action on waste management, tackling the pollution of marine ecosystems
- Measures to mobilise finance and investments

### Ongoing / new initiatives and potential new contributions:

#### 1. EU

- Bilateral cooperation facility (EUR 12 M) under the MIP for Indonesia 2021-2027.
- Regional MIP for Asia and the Pacific (EFSD+, AFD, KfW, EIB)
- Thematic programmes: Global Public Goods and Challenges programme, the Civil Society Programme (indicatively EUR 17 M)

#### 2. EIB - EUR 1 billion for the Green Transition

#### 3. EU Member States with significant portfolios:

- Sustainable energy: DK, DE, NL, FR
- Sustainable value chains: DK, DE, NL, FR, PL

## MODALITIES/TOOLS

Policy Dialogue

Technical Assistance

Grants

Research and investment

Loans

Bank Guarantees

Twinning / TAIEX

### TRANSFORMATIONAL POTENTIAL

- To provide a meaningful contribution to Indonesia's climate, environment, and sustainable growth objectives.
- To contribute to the broader EU and Indonesia relations, facilitating engagement in areas where cooperation needs to be improved (e.g. deforestation, biofuels).
- To contribute to the external dimension of the Green Deal, but also to the Global Gateway, notably through investment in energy infrastructure and support to sustainable and resilient value chains.

## KEY DELIVERABLES

1. Just Energy Transition Partnership (JETP) with Indonesia to support eligible projects that contribute to the decarbonisation of Indonesia's power system through the development and integration of renewable energy
2. Development with the Indonesia's Development Bank of infrastructure projects, including:
  - Provision of financing for renewable energy, particularly geothermal energy projects.
  - Project pipeline development for urban development and renewable energies, in particular geothermal.
  - Support to the Indonesian financing institution PT SMI's activities to increase subnational governments' access to finance for basic environmental, productive and social infrastructure, e.g. through trainings to municipal financing personnel to better address the requests from municipalities.
  - Technical assistance to support the mobilisation of additional financial resources for SDG relevant investment projects under PT SMI's SDG Indonesia One platform.
  - Development and adoption of environmental and social safeguards applying to all investments from Indonesia's financing institution PT SMI.
  - Enhancement of PT SMI e-procurement systems to comply with international IFI standards.

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## NATIONAL CONTEXT

### Indonesia:

- 4th largest population in the world
- G20 Member, 35 % of ASEAN GDP
- Middle Income status
- In the top-10 largest emitters of Green House Gases
- Among the most biodiverse countries in the world
- Key role in global trade of commodities and value chains (coal, agro-food products)

### Energy sector:

- Growing share of Indonesia's greenhouse gas emissions (33%)
- Dominated by coal (59.3%) and natural gas (20.9%), IEA 2019.
- Strong potential for renewable energy (currently 11,5% share of energy mix)
- Since 2000, coal exports quadrupled - moratorium on new coal power plants in 2023
- Petroleum products - dominant fuel for road transport

### Key national policies:

- Medium Term development Plan 2020-2024
- Updated Nationally Determined Contribution (2021)
- New Forestry and Other Land Use (FOLU) Net Sink 2030 Strategy
- National Circular Economy Strategy
- Long Term Strategy for Low Carbon and Climate Resilience

### Forests and ecosystems, including marine resources:

- key to Indonesia's economy and to the livelihoods of millions
- Land use change for agricultural plantations
- Forest and peatland fires, with high contributions on greenhouse gas emissions and biodiversity.
- Forest governance and timber trade : the only country with a functioning FLEGT licensing system.

## GEOPOLITICAL CONTEXT AND RELEVANT SDGs



### Strategic partner for EU's external action objectives and policies - Green Deal and Global Gateway:

- 2022 G20 presidency
- 2023 ASEAN chairmanship
- Just Energy Transition Partnership (JETP) with international partners incl. EU
- Signatory of Leaders' Declaration on Forest and Land Use at COP 26 in 2021 (with EU and other partners)

Potential impacts / synergies with new EU Green Deal policies (Circular Economy Action Plan, Sustainable Finance, Deforestation)

1st ASEAN country to have concluded a Partnership and Cooperation Agreement (PCA) with the EU (in force since 2014)

Synergies with the EU-ASEAN Green TEI