

The Ministry of Investment/BKPM (Investment Coordinating Board) published the Study of the Indonesian Government's Efforts to Encourage Global Investment and the Green Economy on September 2023 which highlights all the initiatives made by the Indonesian Government to support global investment and green economy.

There are several aspects highlighted in this report with the details as follow:

1. Development of Green Economy Implementation in Indonesia

Indonesia has 2 (two) national policy directions that are driving its transition towards a green economy and investment. To achieve this transition, the Indonesian government has launched a *National Green Economic Growth Roadmap* that outlines policies, planning, and investment strategies. The roadmap identifies **4 (four) categories** of sectors that could become priority sectors for achieving green economic growth such as the energy and extractive sectors, manufacturing, connectivity, and renewable natural resources.

2. Indonesia's Potential and Challenges in Improving Investment to Achieve Green Economy

a. Potential

Indonesia's Nationally Determined Contribution (NDC) has announced that there are 2 (two) sectors of the government's priorities. First is the forestry sector as the main area for reducing Greenhouse Gas (GHG) emissions due to the forest's ability to absorb carbon.

The second priority is the energy sector, which can create clean or low-emission energy in the future through the use of New Renewable Energy (NRE). Indonesia's forests have a large carbon absorption capacity, making them a significant asset for carbon trading. This is supported by the existence of regulations for carbon trading arrangements, institutions for organizing carbon trading, and the initiation of a national carbon trading scheme. On the other hand, Indonesia's abundant New Renewable Energy sources make it a significant capital for future clean energy.

b. Challenges

There are several challenges faced by the government in achieving a green economy in Indonesia. For instance, during the implementation of the Carbon Economic Value (NEK), the government expressed that Indonesia faces difficulties due to the limited human resource capacity and determining the price of carbon credits.

As well as in implementing the New Renewable Energy, the challenges faced are regulatory inconsistencies, low bankability, low selling prices, and unattractive incentives.

3. Strategies to Increase Investment and Achieving Green Economy

a. Domestic Strategies

According to the government's report, the Indonesia's domestic strategy can be divided into 2 (two) categories: General Strategies and Specific Strategies.

- The general strategies aim to establish a green economy by developing policy and regulatory designs, reforming the institutions, synchronizing the green economy roadmap with the NDC and investment roadmap, as well as synchronizing support systems for NDC and investment financing.
- While, the specific strategies aim to increase green investment by optimizing the implementation of Carbon Economic Value and accelerating the use of New Renewable Energy.

b. Overseas Strategies

The Indonesia's overseas strategies are divided into 2 (two) aspects, namely *expanding bilateral and multilateral cooperation to accelerate the green economic transition and optimizing the role of government representatives for 'Green Branding'*.

Therefore, strong and synchronized regulations, institutions, road maps, and supporting systems can be fully documented as material to expand bilateral and multilateral cooperation, as well as to support the promotion of Indonesia. These strategies will help to portray Indonesia as a country that is making significant progress in achieving targets for reducing GHG emissions and creating a green economy.

Reference:

- A Study of the Indonesian Government's Efforts to Encourage Global Investment and the Green Economy (<https://www.bkpm.go.id/id/info/artikel/book/kajian-upaya-pemerintah-indonesia-dalam-mendorong-investasi-global-dan-ekonomi-hijau>)

If you require the copy of this regulation, please do not hesitate to contact research@ibai.or.id

Thank you for your attention and we hope this information would be valuable to you.