



Indonesia Country Study - Phase 2 Approach

Indonesia has initiated a low carbon options study as an opportunity to evaluate and develop strategic options to address climate change mitigation issues without compromising development objectives. In Phase 1, a baseline study of greenhouse gas (GHG) emissions helped to inform the GOI on the current emissions situation and the potential areas for further action. A second phase of the study will help inform the Government of Indonesia (GOI) about the main GHG emissions by source and category of use, estimate the potential costs and benefits associated with alternative development paths, and build consensus toward a national low carbon strategy.



Description of Core Activities

Phase 2 analyses builds on Phase 1 and sector work and seeks to produce several key analytical documents as inputs to an ongoing process of engagement.

- 1. Economic Impact Analysis and Assessment.** These analyses (scenario analyses, policy briefs and a summary report) allows the Government of Indonesia (GOI) to understand the main economic growth and social implications of alternative low carbon development paths.

- 2. Forestry/Land Use.** Analysis will focus on fiscal policy options and opportunity cost implications that will help the GOI understand the range of available policy tools and geographic/sectoral targets for early action in this area – Indonesia's largest source of emissions. This information is intended to complement ongoing REDD program development by focusing on policy and targeting.

- 3. Energy Sector Development Analyses.** Analysis will focus on alternatives (including renewables and technologies) for cleaner power generation, which is the fastest growing source of emissions based on coal use.

- 4. Transport Sector Analysis.** Initial studies focus on fiscal policy options, fuel efficiency, fuel mix, and standards. Later studies will explore broader options in the transport sector, the largest user of oil-based fuels.

- 5. Energy Efficiency Analyses.** This work focuses on identifying energy saving options (technologies, finance innovations, incentives) in the industrial sector, which is currently the largest fossil fuel based emitter.

- 6. Dissemination.** Dissemination activities are needed to engage policy makers and influencers in the discussion about climate change impacts and the financing alternatives for low carbon options. Civil society organizations and think tanks will assist to sponsor public seminars, workshops and events designed to expose the results of the low carbon studies to a larger audience.

- 7. Capacity Building.** The Ministry of Finance initiated a capacity building effort on climate change, carbon markets, and trade/technology in anticipation of the development and deployment of Indonesia's approach to emerging climate finance options, such as

REDD. Expanded efforts of capacity building will include provision of technical assistance, focus group discussions with Indonesian experts, workshops, field visits and study exchanges with other developing countries.

Each of these studies is designed to identify early/ cost effective sectoral actions that can lead to cost effective emissions reductions. The studies also add value to ongoing studies by evaluating financing needs and potential, as well as fiscal policy approaches.

Outputs

The activity will produce scenario analyses, policy briefs, seminars/workshop proceedings and a summary report that will help the GOI to understand the main economic growth and social implications of alternative climate change and development paths and specific alternatives and technologies for lowering carbon in key emitting sectors. Analysis will also contribute to understanding the financing needs and potential for accessing innovative climate finance opportunities that may be available. The products of the work will be disseminated through policy notes, seminars and website.

Collaborations

The LCDO studies are conducted in collaboration with Indonesian institutions (GOI, think tanks and

universities) as part of a process to build consensus toward a national low carbon strategy and action plan, to be developed and elaborated by the Government. Universities, think tanks, and NGOs with good technical skills will be brought into the study in analytical and advisory roles. These groups influence public and government opinions and policies through their research results, direct advice and policy advocacy.

Leadership & Strategy Development

Ensuring leadership and ownership by the GOI, the Ministry of Finance and the National Council on Climate Change (DNPI) will lead an inter-ministerial working group including the key economic, planning and environmental ministries. The Government of Indonesia plans to integrate the results of the study into a strategy for policy making, development planning and investment for the years ahead. This work will also contribute to the GOI's role in international climate framework dialogue by providing empirical analysis of policy alternatives.

- The Ministry of Finance will continue to convene an inter-ministerial working team to guide the low carbon options study.
- The National Council on Climate Change will also collaborate actively and the use results for policy input and development processes at the highest levels.

Low Carbon Development Options for Indonesia is a collaboration between:



Ministry of Finance

Fiscal Policy Office Ministry of Finance

Jalan Dr. Wahidin No.1, 1st Floor
Jakarta, Republik Indonesia
Tel/Fax: +62 21 384 0059 (direct)
Internal: 7004
www.depkeu.go.id

&



BANK DUNIA | THE WORLD BANK

The World Bank

Jakarta Stock Exchange Building Tower II, 12-13th Floor
Jalan Jendral Sudirman Kav. 52-53
Jakarta 12910
Tel: +62-21-52993000
Fax: +62-21-52993111
www.worldbank.org/id