



Low Carbon Development Options

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Climate change is a strategic and development challenge facing Indonesia. Climate change will create threats for Indonesia—sea level rise, changing weather patterns, floods and famines, increased uncertainty—but also opportunities in terms of incentives, financing, efficiency, and competitiveness.

The Government of Indonesia (GOI) recognizes climate change as a key economic development and planning issue. The GOI also acknowledges that early action to address mitigation and adaptation concerns will be strategically and economically beneficial for Indonesia, and the rest of the world.



As one important step for addressing climate change mitigation, Indonesia has embarked on a low carbon options study as an opportunity to evaluate and develop strategic options to address climate change mitigation issues without compromising development objectives.

The Ministry of Finance initiated this program of technical assistance in the lead-up to the Bali Climate Change Conference (UNFCCC COP 13) in December 2007.

In 2008 and 2009, the GOI (led by Finance, but including Environment, Trade, the National Council on Climate Change and other involved agencies) and the World Bank have continued and deepened this program of work (analytical studies and technical assistance) on low carbon development options.

Indonesia has good potential to use the results to:

- Take advantage of alternative energy options (geothermal, hydropower);
- Reduce the emissions intensity of energy sector development;
- Tap existing carbon markets for energy efficiency improvements;
- Develop carbon credits for Reduced Emissions from Deforestation and Degradation (REDD, under negotiation for the post-2012 period);
- Facilitate additional investments and transfer of technology; and
- Tap into innovative sources of global financing that are now emerging.

The GOI is collaborating with the World Bank and other donors to conduct the technical studies needed to inform the low carbon development strategy. The Governments of Netherlands and Australia have also contributed resources and expertise to this effort.

Low Carbon Study in Indonesia

This work aims to support the Government in evaluating policy options for addressing climate change and in preparation of its Medium Term Development Plan (RPJM) by analyzing Low Carbon Development Options. The specific objectives of the work are to support the GOI to:

- Develop a strategy for further lowering the carbon intensity of its development path while maintaining acceptable levels of macro-economic and sectoral growth, thus helping the poor directly through cleaner, more sustainable economic activity.
- Identify opportunities (and potential trade-offs) for climate change mitigation and adaptation through appropriate financial

and economic policy incentives coordinated across key government agencies (e.g., Finance, Environment, Energy, Trade, Forestry).

- Increase awareness and institutional capacity to address climate change through coordinated, empirically-based policy actions aimed at mitigation, adaptation, and financing.

The work under Phase II includes a macro policy options element and four detailed sector analyses covering forestry and land use, power generation, transport and energy efficiency. These activities seek to develop options for how to continue to grow while lowering the carbon footprint, and the implications of alternative approaches on specific sectors and social strata. The work also includes communications and outreach components aimed at building capacity and constituency.

Low-Carbon Country Case Studies

At least five other large developing countries (Mexico, China, India, South Africa and Brazil) are working on Low-Carbon Studies to help identify: the carbon emission-reduction potential, as well as the incremental costs and benefits, of "lower-carbon" growth strategies; the policy support requirements; and projects and programs that contribute to their respective growth and development objectives while lowering increases in greenhouse gas emissions. These country studies are establishing a framework for deepening the analysis of mitigation interventions and costs at the country level, complementing both the global analyses undertaken by Intergovernmental Panel on Climate Change and International Energy Agency and the efforts of individual countries. It is expected that in the course of developing a low carbon strategy, specific interventions – both policies and projects – would be identified and that quick wins could be developed. The World Bank is assisting in the development of these studies.

Low Carbon Development Options for Indonesia is a collaboration between:



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