

# Summary Roundtable 1: Australia-Indonesia Energy Transition Policy Dialogue

First meeting:  
6 December 2022  
Jakarta, Canberra and online

## Introduction

*The Australia-Indonesia Energy Transition Policy Dialogue is an informal Track 1.5 forum for collaboration between key actors & experts across government, business and non-government sectors on accelerating the clean energy transition in both countries.*

### A new informal forum for collaboration between two countries

- An open space where invited experts can discuss ideas under the Chatham House Rule, test policy proposals and build collaboration on energy transition issues between Australia and Indonesia.
- Aims to support, accelerate and deepen the impact of formal government discussions by using evidence-based research and analysis with an initial timeline over the coming one to two years.
- Action in this space has already ramped up since the G20 Seminar Series in July, with more partnerships developed and research taking place including into financing the transition away from coal. This dialogue will continue this trajectory.

### Tapping the immense opportunities in a narrow time frame

- As the world's largest coal exporters, Indonesia and Australia are moving to decarbonise their energy systems quickly, sustainably and fairly. Significant commitments have been made by both countries in this space.
- Addressing climate and energy challenges is one of four key focus areas of the Indonesia-Australia Comprehensive Economic Partnership Agreement (IA-CEPA). Australia's new pledge of \$200 million for a climate and infrastructure partnership with Indonesia also supports this aim.
- Maintaining momentum from Indonesia's G20 Presidency is important, including the Bali COMPACT and Bali energy transition roadmap, the Indonesia Energy Transition Country Platform and recent commitment of USD\$20billion for an Indonesia Just Energy Transition Partnership (JETP).
- With the strengthened relationships between Indonesian and Australian actors at government, business and non-government level, there are no shortage of opportunities for closer collaboration.
- In addition to investment opportunities, there are also opportunities to strengthen the policy and regulatory environment to better manage just transition sustainably and equitably.

# Discussion Cluster 1: Infrastructure & Just Energy Transition

*Australia and Indonesia can take advantage of 'low-hanging fruit' and explore opportunities in renewable infrastructure and skills, while ensuring justice & fairness in the transition.*

## Take advantage of 'low-hanging fruit'

- Electric vehicles (EVs) are one example: both Australia and Indonesia are behind globally in the uptake of EVs and have taken recent steps to address this.
- Given the presence of critical minerals including nickel, Indonesia has the potential to become a hub for battery and EV manufacturing, which would supply the Australian market as demand increases.

## Explore other infrastructure opportunities

- Australia has experience repurposing fossil fuel infrastructure for use in renewables supply chains that could yield valuable lessons for Indonesian infrastructure.
- Opportunities exist to collaborate on digitising and greening physical supply chains, especially through port and maritime collaboration.
- Another example is the development of global carbon markets, which Indonesia could participate in.
- Assistance to strengthen grid infrastructure and flexibility in the shift to renewables.

## Ensure a just transition for all

- In both countries coal has been a primary engine of growth for some regions, and the question of how to manage the impacts on those areas remains. Lessons can be learned (both positive and negative) from the Australian experience. It is also important to work with coal companies to tailor plans away from coal.
- Including the voice of poor and marginalised communities in policy development on energy transition is critical to ensure no one is left behind.
- Indonesia has had success converting kerosene to LPG. What lessons can be learned from this to address remaining challenges eg. the usage of biomass for cooking.

## Look at soft infrastructure & skills

- In addition to developing physical infrastructure, there is also a need to improve the 'soft infrastructure' ie regulations and standards, to enable effective planning and management of the transition. Some ideas raised in discussion include existing models like the National Team for the Acceleration of Poverty Reduction/TNP2K and Agency for the Rehabilitation and Reconstruction of Aceh and Nias/BRR.
- To manage the transition well, skills development and training in sectors supporting the transition will be needed in both countries. Australian educational and vocational institutions could help deliver some of this.

## Discussion Cluster 2: Governance & Financing

*Attracting investment and addressing barriers to financing of the transition are both important, as is creating and supporting the enabling environment for clean energy financing.*

### Attracting investment to Indonesia

- Increasing finance for the energy transition was a big focus of Indonesia's G20 Presidency and has already resulted in significant announcements.
- A practical example of how to further increase investment shared during discussions was the establishment of an Energy Transition Working Group of investors to open up knowledge and increase investor appetite to start investing in energy transition issues.
- On the Indonesia side, investment could start from PLN's business plan (RUPTL), which prioritises clean energy development. There is room for Australia to step into this opportunity.
- Consideration of hurdles that exist for greater investment from Australian companies into Indonesian energy transition projects and what reforms are needed to overcome these was suggested as a worthwhile topic for future dialogues.

### Mitigating risk and optimising return on investment

- There is an urgent need to build confidence for investors that they will receive a return from renewable energy investment. The risk appetite for green finance is quite reasonable and includes Indonesia, but projects need to be economical.
- Multilateral banks have a role to play in underwriting investment if they can work efficiently and accelerate the process.
- Other opportunities exist in the insurance industry to help private finance enter the system, and more thought should be given to the role of state-owned enterprises as well.

### Reforms to fossil fuel subsidies can make a big impact

- Reforming fossil fuel subsidies to level the playing field with renewables will have a significant impact on the transition, and also enable those on lower incomes to afford renewable energy.

## What Next?

*A number of themes for future opportunities between Australia and Indonesia emerged during the first dialogue and will shape future discussion topics.*

### The role of the dialogue and its possible outcomes

- This 1.5-track initiative has a unique proposition to bring stakeholders together informally to bridge gaps in government and non-government conversations, and support development of policy ideas to complement formal processes
- Indonesia and Australia each have made commitments to move away from fossil fuels, and can support each other in this transition process.

#### Identified themes for future dialogues:

- Distributed, renewable energy-based systems;
- Repurposing fossil fuel subsidies for clean energy;
- Skills and capability building in sectors supporting the transition;
- Scaling up carbon and natural capital markets;
- Electrification of hard-to-abate sectors (eg heavy transport and industry);
- Investment support policies and project piloting;
- Repurposing fossil fuel infrastructure for renewables;
- Coal worker and local government transition support;
- Building just transition frameworks ‘along the supply chain’
- Electric vehicle and battery manufacturing.

### Modalities for future discussions

- This first meeting on 6 December was held in hybrid format with in-person attendance in Canberra and Jakarta and online participation on zoom.
- Future dialogues will be held either in hybrid, fully in person or fully online formats, as circumstances allow.
- We will also facilitate smaller meetings on specialist topics to allow for more interaction and discussion between participants.

## The next dialogue in this series will focus on ideas for the \$200 million Australia-Indonesia Climate and Infrastructure Partnership.

Australia's commitment to a \$200 million climate and infrastructure partnership is an important step both in the bilateral relationship and the support to energy transition. Given the small scope relative to overall need, it will be important to leverage this opportunity to maximise its impact.

Next Dialogue:

9 March 2023 (TBC)

### Opportunities for the partnership raised in this dialogue that warrant further discussion:

- Developing transition and financing plans with impacted companies to support transition (e.g. mining and infrastructure), including state-owned enterprises, or for EV supply chain development (e.g. manufacturing and nickel).
- Working on skills development and exchanges, in collaboration with the private sector, to ensure the necessary workforce is in place to support the transition.
- Developing the enabling environment (eg. supporting the 'thinking') for the just energy transition could be a niche for the partnership to make the best use of the money and providing the best policy options.
- Linking climate and trade (eg. supply chains) outcomes by expanding the scope/opportunities beyond Indonesia-Australia to respond the possible impact of the Carbon Border Adjustment Mechanism (CBAM).
- Setting up green technology startups to bridge the technology and knowledge and nourish people-to-people connection and collaboration between two nations
- Using the partnership to leverage additional private sector investment and support implementation of larger agreements like JETP.

## Quotes from Participants

Indonesia and Australia need to find a common interest in the energy transition, while at the same time being ambitious!

The Australia-Indonesia relationship has strengthened this year revolving around energy and climate issues.

Climate finance is the key, and Indonesia cannot stand alone to execute strategies needed to achieve net zero emissions.

Transition is not only about getting to net zero, it's also a huge economic opportunity.

There are a lot of opportunities for economic complementarity that drives the investment.

The challenge is convincing the stakeholders, building the enabling environment.

# Thank you, and we look forward to seeing you the next roundtable.

Please don't hesitate to contact us with feedback, ideas, inquiries, or for support:

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