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The Republic of Indonesia has officially launched its Energy Compact, joining a global community of Member States and non-state actors who have made commitments towards Sustainable Development Goal 7 (SDG7) and net-zero goals. This marks a significant milestone in the nation's energy transition trajectory and aligns with the country's Roadmap for Sustainable Development Goals.

Indonesia's overall ambition for sustainable development goes beyond SDG7 and includes cross-cutting indicators such as strengthening economic resilience for equitable growth and climate mitigation, requiring substantial financial investments of up to US \$272 billion by 2030. The Government has already identified US \$5 billion worth of investments to expand renewable energy capacity by 2030.

The Compact commitment is complimented by Indonesia's Joint Energy Transition Plan (JETP), which focuses on community preparation and addressing challenges such as the creation of equitable green jobs. The Government is actively engaging with financial authorities and pushing regulatory efforts to create roadmaps for sustainable finance, utilizing instruments like green bonds and SDG-linked bonds.

Dr. Vivi Yulaswati, Deputy Minister for Natural Resources and Maritime Affairs and Head of SDG Secretariat at the National Development Agency (BAPPENAS), speaking of Indonesia's commitment at COP28 said, "We seek to share achievements and accelerate conversations, considering the green economy as a game-changer. Through the Energy Compacts, Indonesia is focusing on massive development for renewable energy, including floating solar panels, mandatory biomass, and transitioning from diesel to renewable energy power plants."

The UN in Indonesia, under the coordination of the United Nations Resident Coordinator's Office, along with Sustainable Energy for All, recently developed a One UN Strategy through which ten UN agencies will provide policy advice, capacity building, access to finance, knowledge sharing, and technical assistance.

Valerie Julliand, UN Resident Coordinator for Indonesia, commenting on the country's Energy Compact said, "Supporting the Government of Indonesia towards a sustainable energy future has been a key focus area for the UN in Indonesia. We are pleased at the launch of this Energy Compact, which has ambitious targets on renewable energy, grid connectivity and energy conservation, among others. We will also continue to support the government on the Just Energy Transition Partnership."

Energy Compacts are voluntary, trackable commitments launched at the High-Level Dialogue on Energy convened by the UN Secretary-General in September 2021. They are designed to spur action towards SDG7 in line with net-zero goals and were named a High-Impact Initiative for achieving the SDGs by the Secretary-General in 2023.



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Indonesia's Just Energy Transition Partnership (JETP) is a fund of up to US \$20 billion earmarked for investment in clean energy over the next three to five years. Indonesia signed onto the deal with the International Partners Group - led by the US and Japan - at the G20 summit in 2022.

As part of its obligations under this framework, Indonesia released a Comprehensive Investment and Policy Plan (CIPP) that details a roadmap for reaching peak emissions in 2030 and becoming net zero by 2050.

Under the scenario modelled in the CIPP, solar is expected to be the major new source of electricity in Indonesia. It needs to grow rapidly from 0.1% of energy generation in 2022 to 8% by 2030. Geothermal, hydropower and bioenergy also need to grow rapidly. Electricity generated by all forms of renewable energy is expected to increase from 13% in 2022 to 44% in 2030.

To meet these ambitious goals, the private sector will play a leading role in project finance and development. Indonesia and its state-owned electricity utility, PLN, do not have a great track record when it comes to inducing private sector development of renewable energy, especially wind and solar. The CIPP recommends a number of market-oriented reforms to accelerate this process and ensure that this time, things will be different.

One key reform involves the price of coal. Because Indonesia has large coal reserves, the government caps the price at which coal can be sold to domestic power plants, generally at below market rates. As coal is Indonesia's primary source of electricity generation, controlling the price of this fuel input reduces generating costs and helps keep the retail cost of electricity low.

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