MINISTRY OF FINANCE
REPUBLIC OF INDONESIA

FISCAL POLICY AS AN ENABLER OF GREEN INVESTMENT AND SUSTAINABLE GROWTH

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VICE MINISTER OF FINANCE

Jakarta, 30 June 2026

Transmission Pathway of Climate Risk to the National Economy

Climate Change

Physical Risks
- Slow onset
- Rapid onset

Transition Risks
- Adaptation
- Mitigation
- Consumer preferences
- Technological changes
- Green transition policy (CBAM, EU Green Deal)

Sectoral Productivity

Investment & Trade Uncertainty

Financing Needs

Revenue Distribution

Changes in Economic Structure

Macroeconomic Conditions

Fiscal and Monetary Health

Financial Sector Stability

"Climate change has an impact on economic and financial sector stability"

Rp544 T Potential economic losses due to climate change for the 2020-2024 period

-26,8% Potential economic losses for Indonesia in 2070

-9,3% Labor productivity growth in 2035

12,3% State Budget contribution in meeting Indonesia's NDC funding needs

Limited funds→ Mitigation and adaptation actions will be limited

For Indonesia, this is not a choice between growth and climate—it is a choice about the kind of growth we pursue.

1 High Economic Growth

2 Equitable distribution of development benefits

3 Dynamic National Stability

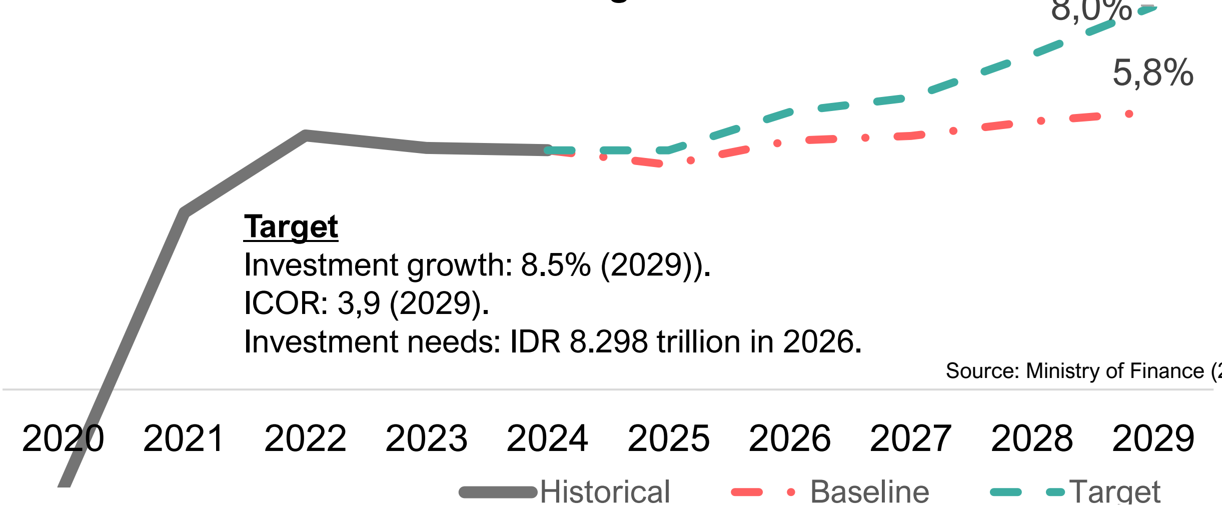
Fiscal — Financial Sector — Climate Investment

State Budget as a Catalyst, Awakening the Role of the Private Sector

The Private Sector as the Main Engine for High Growth

>6% short-term | **>8% long-term**

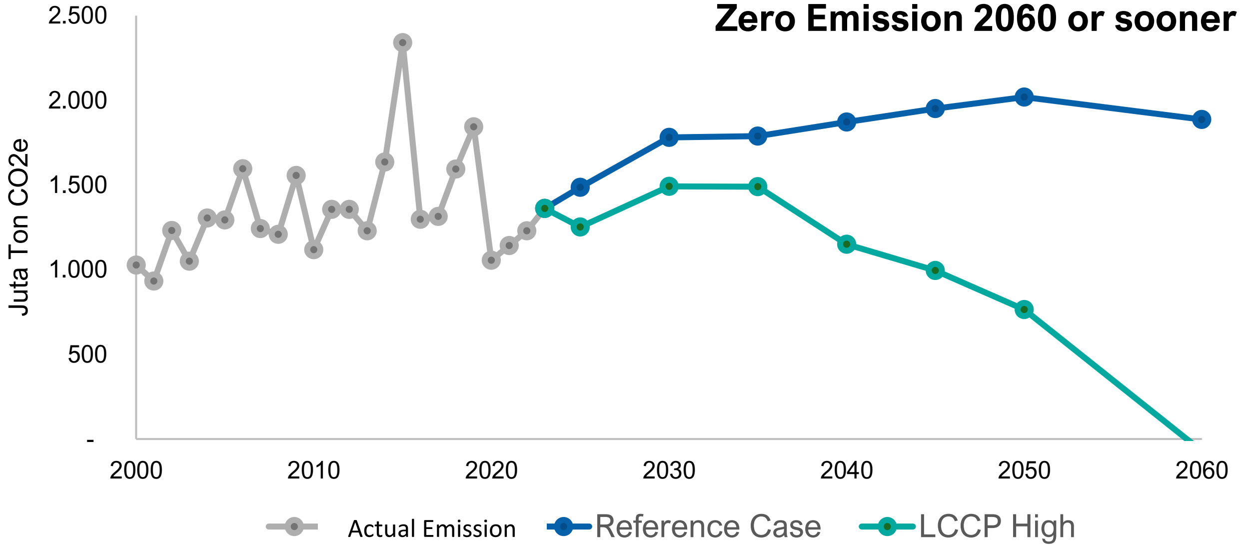
Economic Growth Target 2025-2029



Target
Investment growth: 8.5% (2029)).
ICOR: 3,9 (2029).
Investment needs: IDR 8.298 trillion in 2026.

Source: Ministry of Finance (2025)

Scenario Towards Advanced Indonesia 2045 and Net Zero Emission 2060 or sooner



Source: Second NDC, KLH (2025), processed by the Ministry of Finance

Sources of Climate Finance

Referring to Presidential Regulation No. 158/2024 on the Ministry of Finance

DIREKTORAT JENDERAL STABILITAS DAN PENGEMBANGAN SEKTOR KEUANGAN

SOURCES OF CLIMATE FINANCE

DOMESTIC

APBN
- Tax Facilities
- Central Government Spending
- Local Government Spending (APBD and Village Funds)
- Below-the-line financing (Green Sukuk, SDGs Bond, Blue Bond, Disaster Pooling Fund)

NON-APBN
- Carbon Market
- Private Investment and CSR
- Bank Sustainable Lending
- Capital Market
- Philanthropy
- State-Owned Enterprises

INTERNATIONAL

Bilateral

Government Partnerships (G-to-G)
Private Partnerships (B-to-B)

Multilateral
- Green Climate Fund
- Global Environment Facility
- Adaptation Fund
- Funding for Responding to Loss and Damage
- MDBs
- IFIs

bpdlh
badan pengelola dana lingkungan hidup

Funds under Management: **US$1,74 billion**

SDG Indonesia One

114 Projects
US$ 3,19 Billion *)
Funding Commitment
*) as of Des 2025

INDONESIA eTM COUNTRY PLATFORM

19 Projects
US$ 775 Million*)
Project Value
*) as of Des 2025

KINETIK
Australia Indonesia Partnership for Climate, Renewable Energy and Infrastructure

AU$ 236 million
Funding Allocation

gef: US$102 million

GREEN CLIMATE FUND
- Readiness: US$7,6 million
- Projects: US$605 million

US$9,7 million

IFI

IFIs	Project
FMO	CIO-1
FMO	CIO-2
FMO	&Green Fund
AFD	PEEB Cool
Pegasus Capital	SnFC Equity
Pegasus Capital	Coral Reef
KDB	Industrial Energy Efficiency
MUFG	GGC
MUFG	Project GAIA

MDB

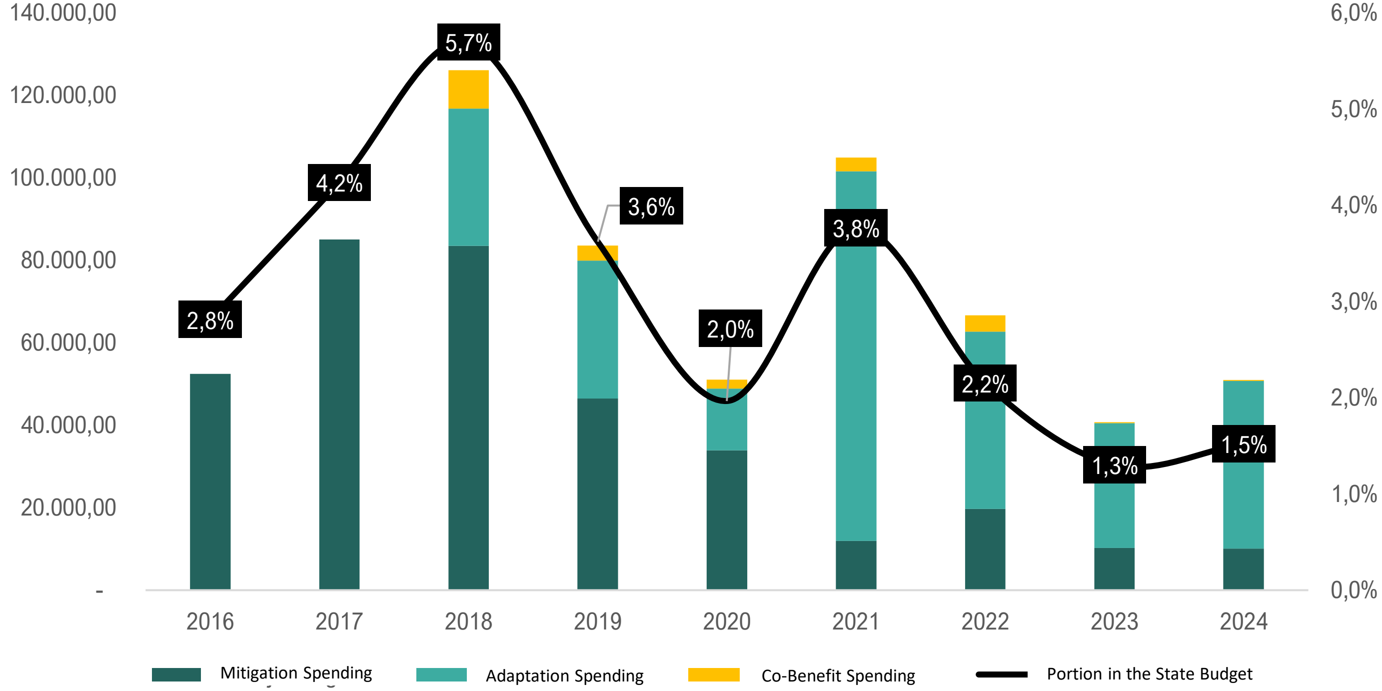
MDBs	Project
ADB	ACGF
World Bank	GREM
ADB	E-Mobility
World Bank	SRMI
IFC	RWI

Others

Institution	Project
GIZ	Land-Based Kalbar
UNDP	REDD+ RBP
IUCN	SnCF TA/Tec. Asst

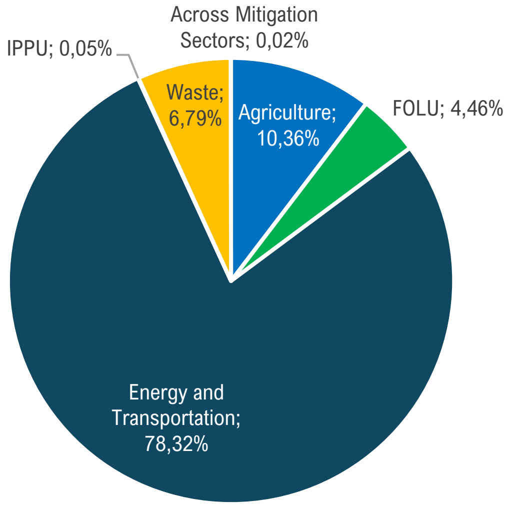
National Climate Budget Tagging

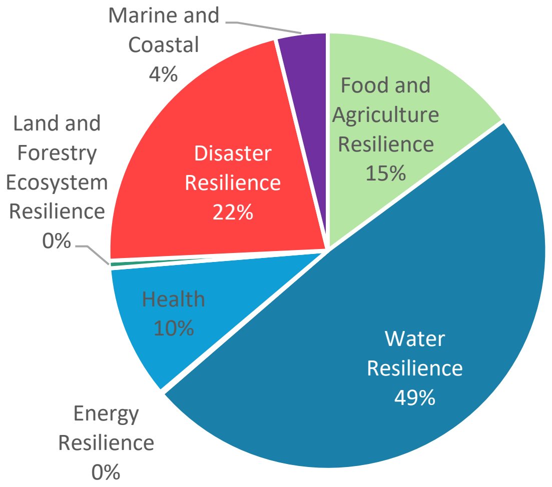
Central Government Spending on Climate Action 2016–2024 (Rp Billion)



PROPORTION OF CUMULATIVE ACTIONS (2016-2024)

PROPORTION PER SECTOR (2016-2024)





AVERAGE CLIMATE SPENDING PER YEAR IN THE STATE BUDGET (2018-2024)

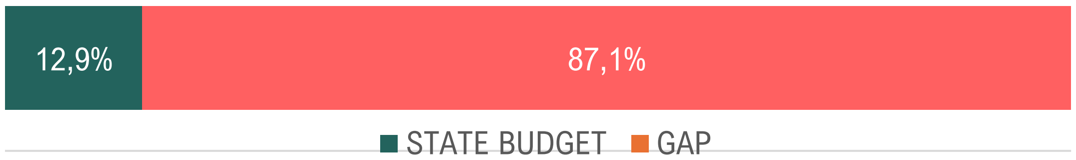
IDR 73.5 Trillion (USD 4.4 billion*)

*1 USD = 16.859,2 IDR

3% of the state budget

Mitigation Funding Gap

(Only mitigation actions for 2018–2024 and compared to the need for mitigation financing in the 3rd Biennial Update Report/ BUR)



Tax Facilities to Stimulate Green Industry

Green project incentives have shown a positive trend over the years

Tax Holiday
PMK 69/2024

0% PPnBM for EVs
PP 74 of 2021

Tax Allowance
PP 78/2019

Vocational Income Tax Super Deduction for EV
PMK 128/2019

Import Duty Exemption
PMK 176 Th 2009 jo PMK 188 of 2015
PMK 66 of 2016
PMK 26/ 2022

Super Deduction R&D Income Tax for EVs
PMK 153/2020

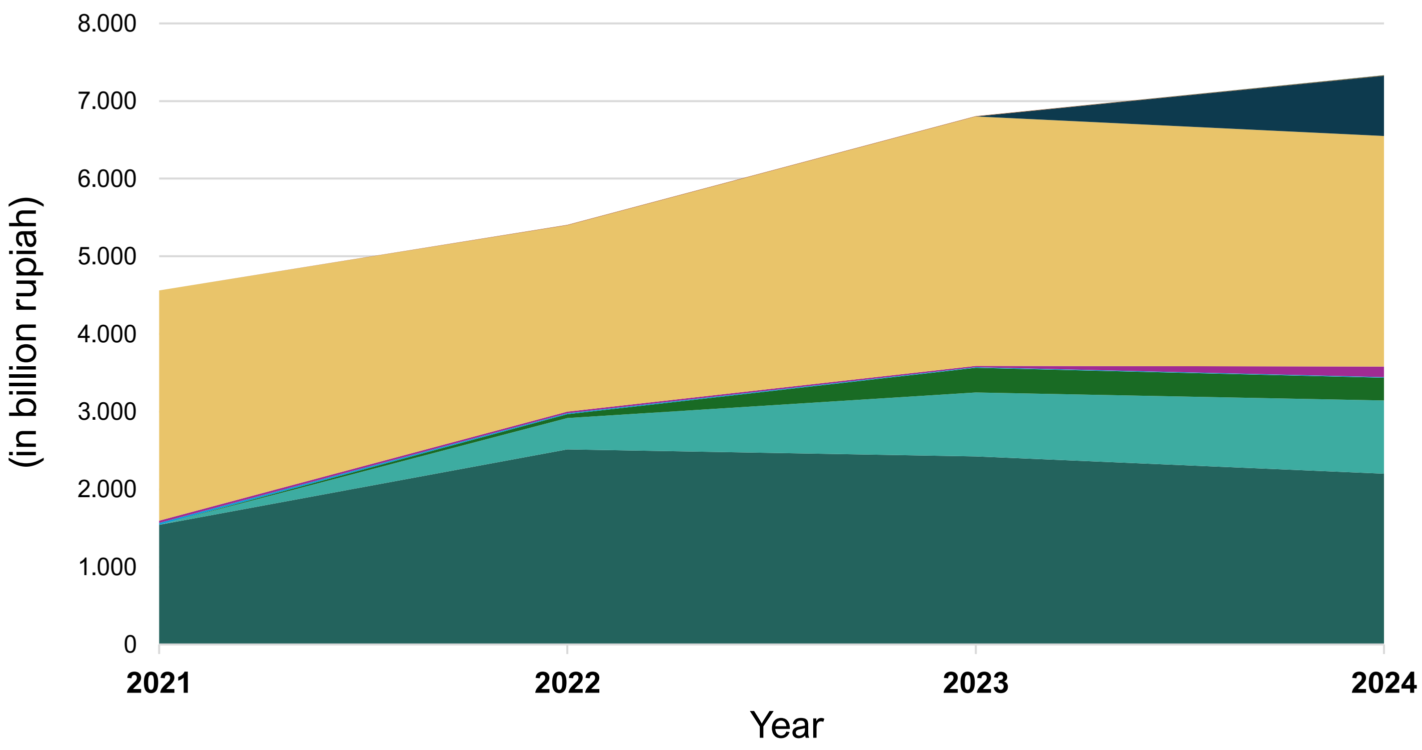
VAT Borne by the Government & exempt
PP 49/2022
PMK 38/2023

Regional Tax Incentives (PKB) for EVs
Permendagri 6 of 2023

Special Economic Zone Tax Facility for SEZ
PP 40 of 2021 –
PMK 33 of 2021

Electric Motorcycles purchase subsidy
MoI Regulation 21/ 2023

Estimated Tax Expenditures to Accelerate Sustainable Projects



Description:
- Property tax (PBB) reduction for geothermal
- Tax holiday for RE
- Government-borne VAT for EV
- Government-borne income tax (PPh DTP) for geothermal projects
- Import Duty Exemption for goods used in Geothermal Activities
- Tax allowance for RE
- Lower Value Adedd Tax (VAT) for hybrid vehicles
- Zero percent luxury tax on EV
- Zero percent luxury tax base for LCGC vehicles

Below-the-Line Financing through Sustainable Government Securities

The government not only finances the green sector, but also greens the financial system

DIREKTORAT JENDERAL STABILITAS DAN PENGEMBANGAN SEKTOR KEUANGAN

Global Green Sukuk

USD 7,7 billion

2018	**USD 1.25 billion** Coupon: 3,75% Tenor: 5 years
2019	**USD 750 million** Coupon: 3,9% Tenor: 5.5 years
2020	**USD 750 million** Coupon: 2,3% Tenor: 5 years
2021	**USD 750 million** Coupon: 3,55% Tenor: 30 years
2022	**USD 1.5 billion** Coupon: 4,7% Tenor: 10 years
2023	**USD 1 billion** Coupon: 5,6% Tenor: 10 years
2024	**USD 600 million** Coupon: 5,5% Tenor: 30 years
2025	**USD 1.1 billion** Coupon: 5,2% Tenor: 10 years

Retail Green Sukuk

Rp 55,91 trillions

2019	**Rp 1.46 trillions** Yield: 6,75% Tenor: 2 years
2020	**Rp 5.42 trillions** Yield: 5,5% Tenor: 2 years
2021	**Rp 5 trillions** Yield: 4,8% Tenor: 2 years
2022	**Rp 10 trillions** Yield: 6,15% Tenor: 2 years
2023	**Rp 3,3 trillions** Yield: 6,4% Tenor: 4 years **Rp 5,5 trillions** Yield: 6,5% Tenor: 4 years
2024	**Rp 5,07 trillions** Yield: 6,55% Tenor: 4 years **Rp 4,84 trillions** Yield: 6,5% Tenor: 4 years
2025	**IDR 3,99 trillions** Yield: 6,6% Tenor: 4 years **IDR 3,99 trillions** Yield: 6,6% Tenor: 4 years
2026	**IDR 7,31 trillions** Yield: 6,25% Tenor: 4 years

Allocation of Green Sukuk Funds per Sector (2018-2024)

Waste to Energy and Waste Management	2.58%	IDR 4.39 trillions (USD 297.87 M)
Sustainable Water and Wastewater Management	43.25%	IDR 72.9 trillions (USD 4.98 B)
Resilience to Climate Change	25.96%	IDR 44.3 trillions (USD 2.99 B)
Sustainable Transport	21.61%	IDR 35.9 trillions (USD 2.49 B)
Sustainable Management of Natural Resources on Land	0.1%	IDR 176.18 billion (USD 11.9 M)
Green Building	0.16%	IDR 274.7 billion (USD 18.87 M)
Renewable Energy	3.59%	IDR 5.96 trillions (USD 414.3 M)
Energy Efficiency	2.75%	IDR 4.64 trillions (USD 317.1 M)

Source: Green Sukuk Allocation and Impact Report 2025

Blue Bond

JPY 55,9 billion

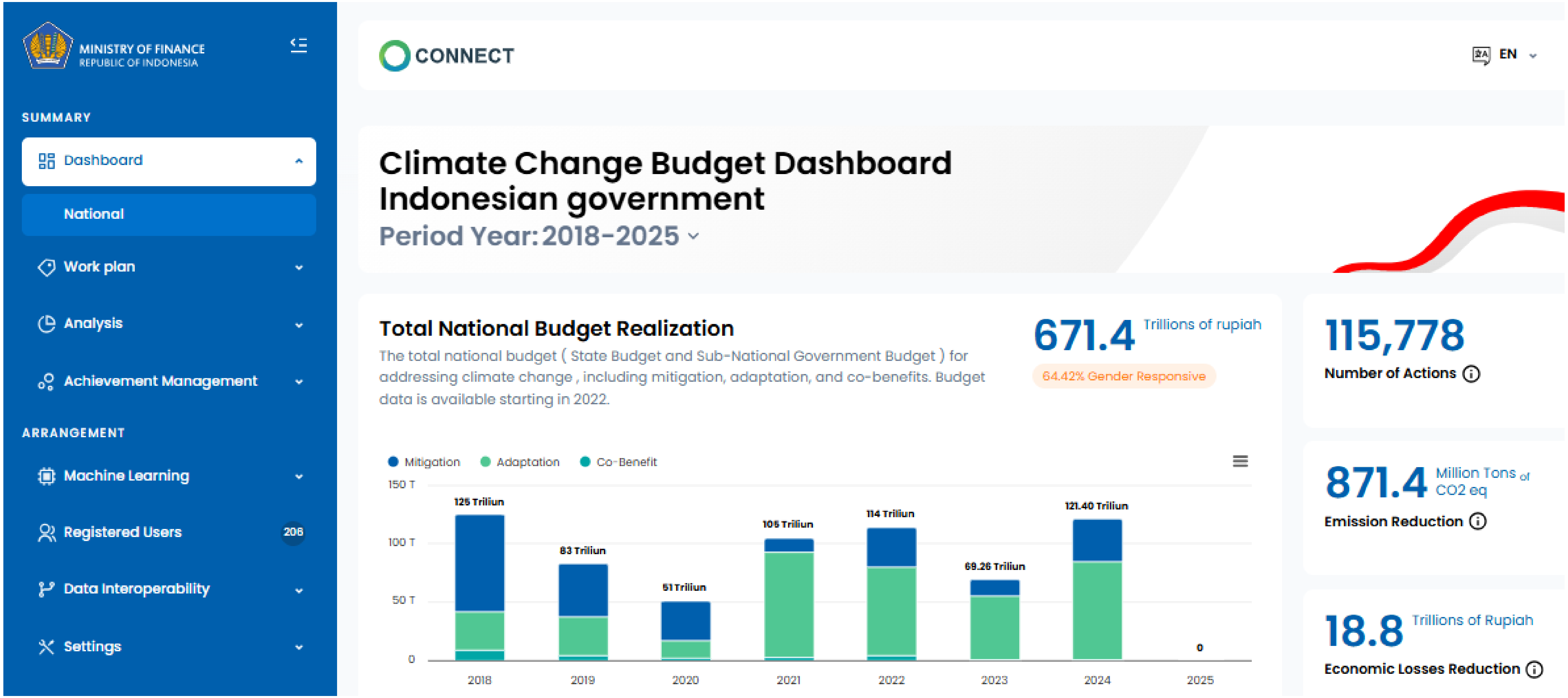
2023	**JPY 14,7 billion** Coupon: 1,2% Tenor: 7 years **JPY 6 billion** Coupon: 1,43% Tenor: 10 years
2024	**JPY 2 billion** Coupon: 1,57% Tenor: 7 years **JPY 6,8 billion** Coupon: 1,91% Tenor: 10 years **JPY 16,2 billion** Coupon: 2,55% Tenor: 20 years
2025	**JPY 3,7 billion** Coupon: 3,26% Tenor: 20 years
2026	**JPY 4,5 billion** Coupon: 2,89% Tenor: 7 years **JPY 2,0 billion** Coupon: 3,23% Tenor: 10 years

CONNECT DASHBOARD

The Ministry of Finance's digital initiative to strengthen climate finance through data transparency and cross-sector collaboration → https://connect.kemenkeu.go.id/

CONNECT Dashboard provide the total national budget (**State Budget and Sub-National Government Budget**) for addressing climate change , including mitigation, adaptation, and co-benefits (**including gender responsive budget**) that impacts to:

a. The potential of emission reduction
b. The potential of Economic Losses Reduction



DIREKTORAT JENDERAL STABILITAS DAN PENGEMBANGAN SEKTOR KEUANGAN

CONNECT DASHBOARD

Using Machine Learning-Based Autotagging

CONNECT Dashboard Equipped with Supervised Learning

a. The focus of the learning is on climate change issues.
b. The model is trained on a dataset that has been labeled as climate change mitigation and adaptation actions.
c. Each data sample in the dataset already has a known answer or output.
d. The model can learn the relationship between inputs and outputs so that it can make predictions for new, unlabeled data.

Machine Learning in CONNECT

BEFORE

01 The data processing process is manual and takes quite a long time.

02 The lack of capacity of the PIC in line ministries dan sub-national institutions on climate knowledge impacts the accuracy of tagging results.

03 The quantity and quality of CBT data are inconsistently marked.

04 Difficulty in collecting tagging data from multiple stakeholders, both in national and sub-national level.

AFTER

01 Automation of data processing makes the process much faster with greater data coverage.

02 The tagging process becomes easier, more accurate.

03 There are good climate change action data standards to ensure the quality and quantity of data.

04 The autotagging process creates comprehensive coverage for all Ministries/Institutions, Provinces and Districts/Cities

SYSTEM INTEROPERABILITY

The Ministry of Finance is working on the connectivity of data between the Ministry of Environment and the Ministry of National Development Planning

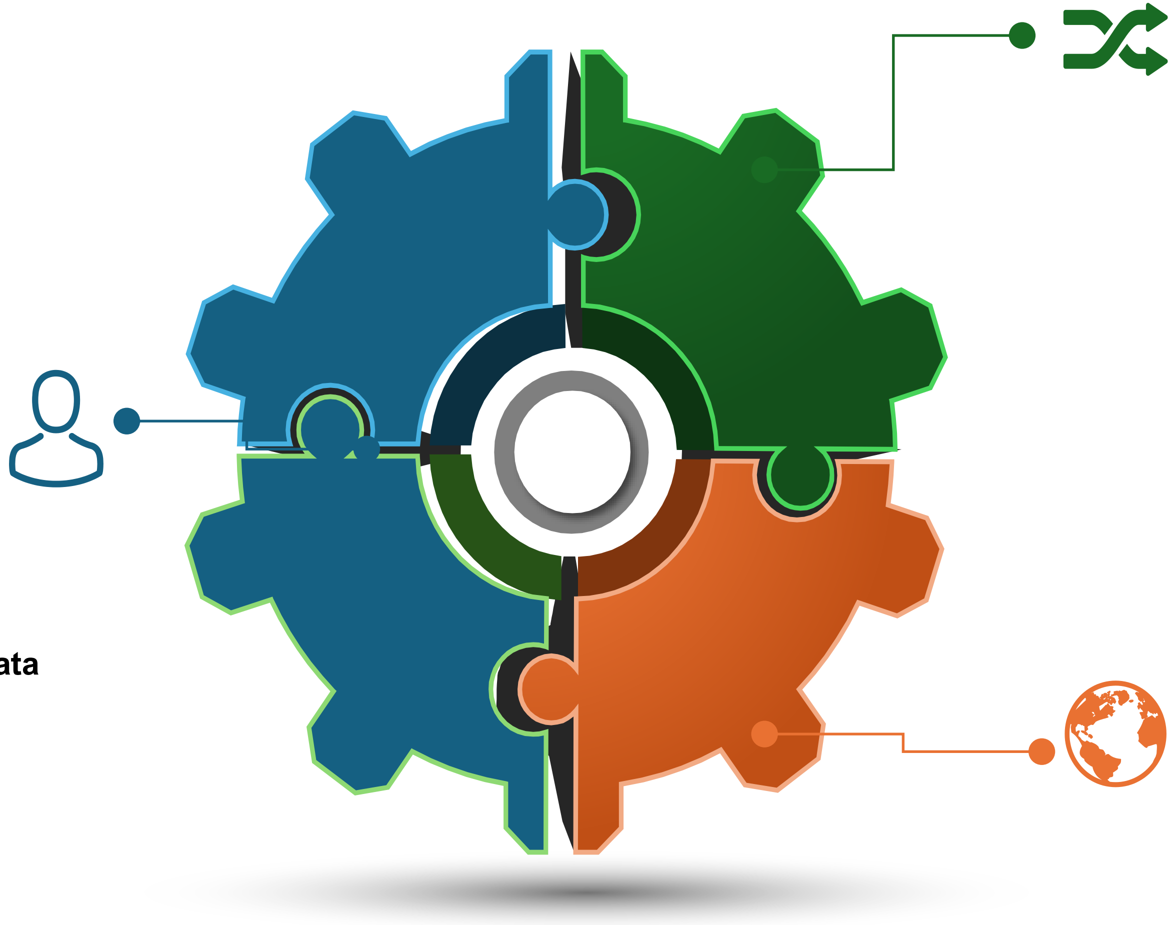
The connectivity of data between the CONNECT, SRN and AKSARA systems will be easier to access, analyze and share, thus accelerating the process of cooperation and synergy in calculating budget values and their impacts (reducing GHG emissions and reducing economic losses).

CONNECT
Collaboration for New Environmental and Economic Transformation

Ministry of Finance

CBT in CONNECT system is a mechanism from **the Ministry of Finance** to identify and track budget expenditures related to climate change in the national and regional budget.

Benefits for CBT
- **Obtaining Emission Reduction data and reducing economic losses**
- **Can perform cost curve analysis (Budget/Tonnes Emissions)**



Ministry of National Development Planning

AKSARA

The National Low Carbon Action Planning-Monitoring Application (AKSARA) managed by **Ministry of National Development Planning** is a transparent, accurate, complete, consistent and integrated platform for recording low carbon and

Benefits for AKSARA
- **Obtaining budget and actions data from Ministries/Agencies and Regions**
- **Analysis of emission reduction and reduction of economic losses becomes more massive in all Ministries, Provinces and Regencies/Cities**

Ministry of Environment

The National Registry System (SRN) is a platform managed by **the Ministry of Environment** to record and monitor climate change mitigation actions carried out in Indonesia.

Benefits for SRN
- **Obtaining budget and actions data from Ministries/Agencies and Regions**
- **Simplifying the process of analyzing and reporting BUR, BTR, and National Communication**

Policy Harmony for a Sustainable Future

Fiscal, Microprudential, Macroprudential, and Monetary Synergy for Climate Mitigation and Adaptation

Maintaining the stability of the financial sector against climate change risks

Climate Change Risk

- Physical Risk
- Transition Risk

Risk Transmission to the Economy

- Macro
- Micro
- Sectoral
- Spacial
- Household
- Feedback effects
- Governance
- Feedback effects
- Business Entity
- Feedback effects

Fiscal Risk and Financial Sector Stability

Fiscal Risk

- Government Guarantees
- Financial Sector Guarantees
- Reconstruction of Vital Infrastructure
- Compensation Payments (Sectoral and Labor)

Financial Sector Stability

- Non-Performing Loan (NPL)
- Capital Adequacy Ratio (CAR)
- Liquidity Risk

A mix of fiscal, monetary, macroprudential, and microprudential policies is required to achieve sustainable development while also anticipating climate risks that could disrupt financial sector stability.

OJK OTORITAS JASA KEUANGAN

Ministry of Finance

- Tax incentives for renewable energy (RE) investments and the EV ecosystem
- Expenditures for climate change mitigation and adaptation (climate budget tagging)
- Sustainable Government Securities Framework (Global Green Sukuk, Green Retail Sukuk, SDG Bond, Blue Bond)
- ESG Manual for Public–Private Partnership (PPP) Projects
- Disaster Pooling Fund
- ETM-Country Platform

Financial Services Authority

- Indonesia Sustainable Finance Taxonomy
- Implementation of sustainable finance for Financial Service Institutions (LJK), issuers, and public companies
- Climate Stress Testing
- Policies on Issuance and Requirements for Environmentally Friendly Debt Securities (Green Bonds)
- Issuance and Requirements for Sustainability-Based Debt Securities and Sukuk
- Requirements and Procedures for Carbon Trading Licensing through the Carbon Exchange

BANK INDONESIA

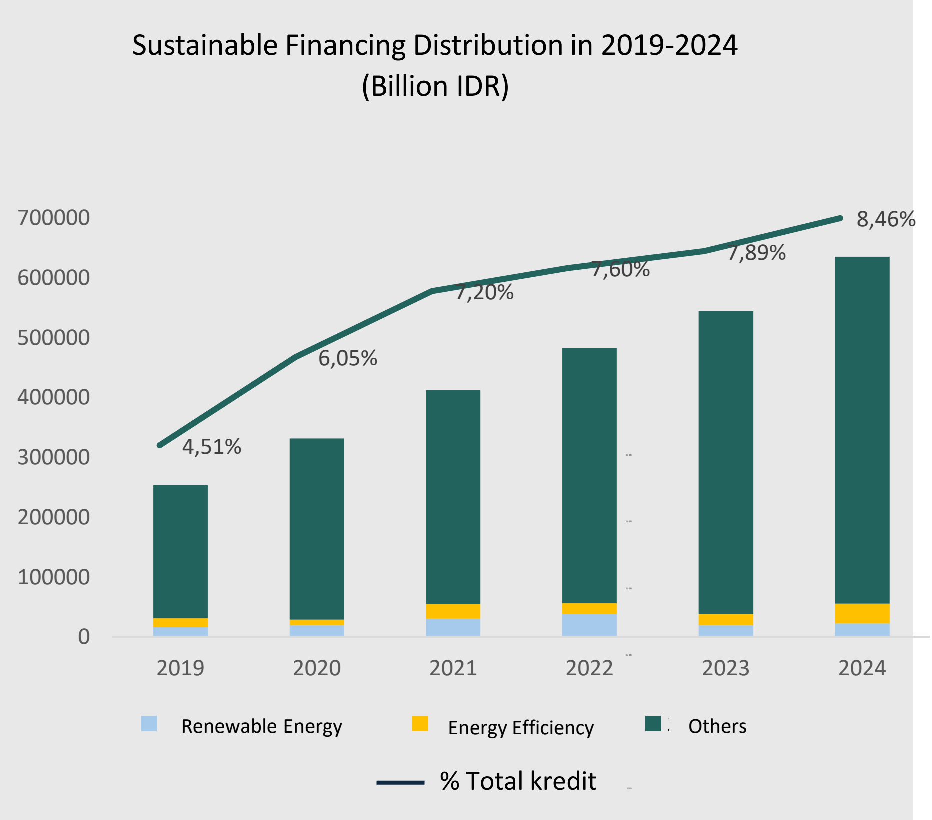
- LTV Incentives for Green Housing Ownership Financing (PPR) and Down Payments for Green Vehicle Ownership Financing (PKB)
- Relaxation of the Macroprudential Incentive Financing Ratio (RPIM) requirements for banks
- Green Calculator
- Green Foreign Exchange Reserves

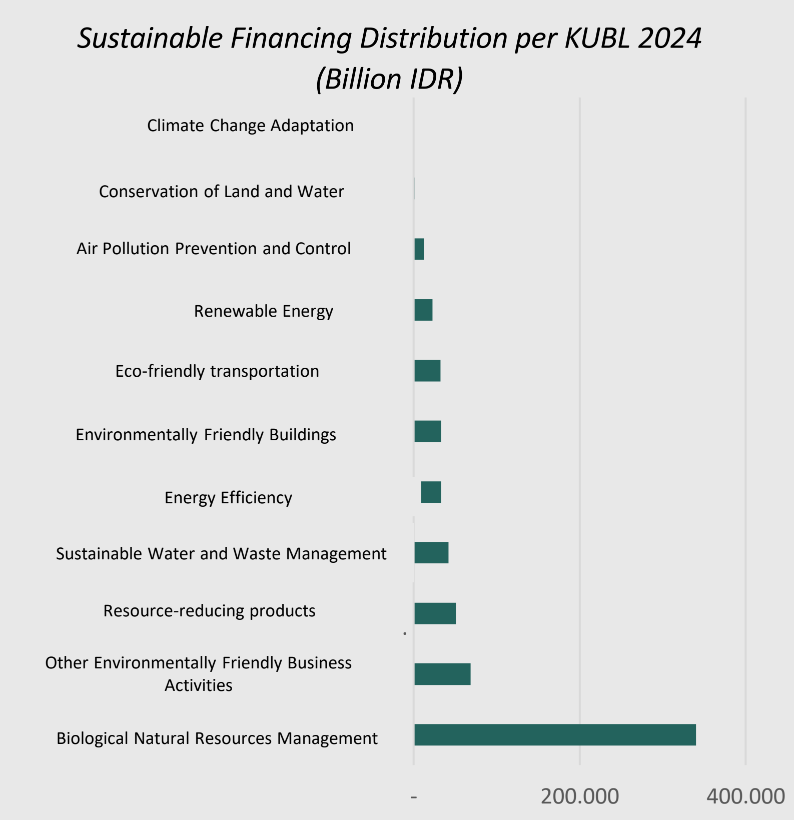
Development of Bank Sustainable Lending

Sustainable financing distribution shows a positive trend

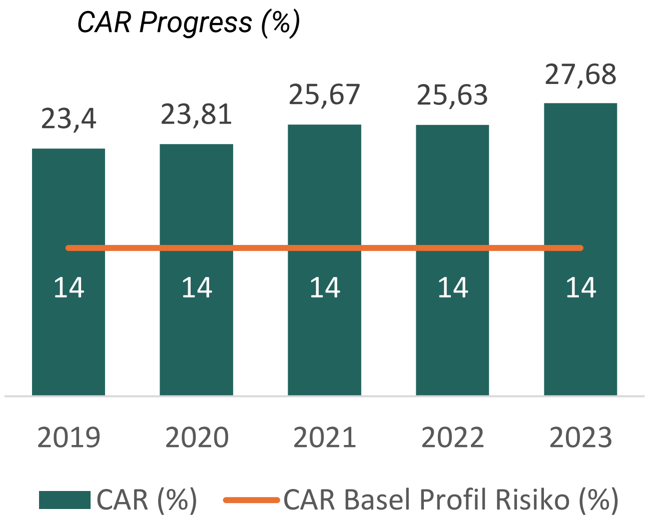
The financial sector has significant capacity to support decarbonization, with 675+ institutions—**representing 40% of global assets**—committed to sustainability.

Based on sustainable financing distribution data in banks' Sustainability Reports using Sustainable Business Activity Categories (KUBL) under OJK Regulation No. 18/2023, sustainable financing reached **8.46% of total loans disbursed in 2024**.





This increase was accompanied by banking capital that remained solid (above minimum capital requirements), with CAR at an adequate level of 25.63% in 2022 and increasing to 27.65% in 2023.



DIREKTORAT JENDERAL
STABILITAS DAN PENGEMBANGAN
SEKTOR KEUANGAN

Thank You

Highlight SDG Indonesia One

Green Projects Dominate SDG Indonesia One Implementation

DIREKTORAT JENDERAL STABILITAS DAN PENGEMBANGAN SEKTOR KEUANGAN

SDG Indonesia One

Achievements Highlight

53% of Support Channeled to Renewable Energy Programs

51% Agreed Partner Support Has Been Disbursed to the Project Level

6,5x Multiplier Effect from every $1 of SIO fund towards the project cost

7 AFFORDABLE AND CLEAN ENERGY | 8 DECENT WORK AND ECONOMIC GROWTH | 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE | 11 SUSTAINABLE CITIES AND COMMUNITIES | 13 CLIMATE ACTION

39 Mitra

International Organization, **Multilateral** Organization, **Bilateral** Organization, **Development** Bank, **Commercial** Bank, **Government**, **Corporation**, **Philanthropy**

Mobilisasi Dana*

$3.19 billion commitment

$821 million agreement

$431 million realization

Realization of agreement

Agreement's realization to commitment

Program Ongoing

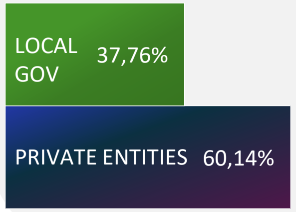
- Renewable Energy
- Waste Management
- Social Infrastructure
- Water and Sanitation

Blended Finance Projects

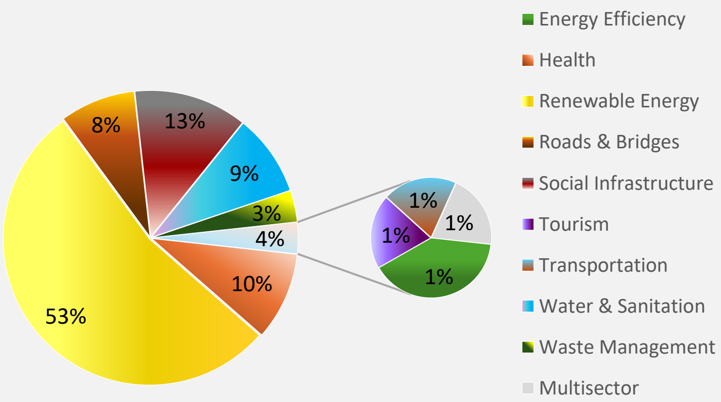
Σ114 Projects

Blended finance melalui platform SDG Indonesia One

Beneficiaries:

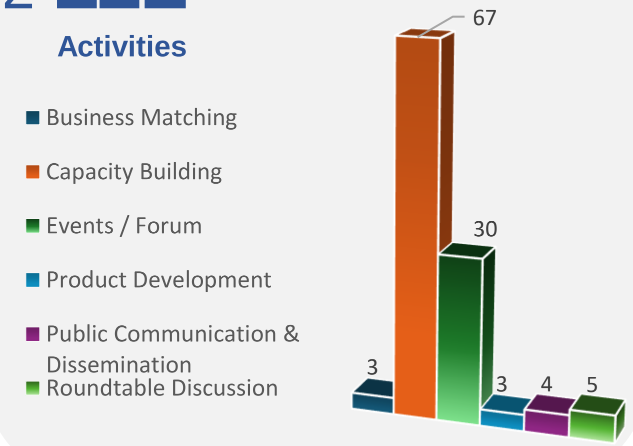


Total support according to the sectors:



Ecosystem Enabler Activities

Σ 112 Activities



*) Assumption: currency as per 31 December 2025: USD/IDR = 16.782

Energy Transition Mechanism (ETM) Country Platform

ADB and WBG provided USD 500 million in funding, which can be increased to USD 5.1 billion, to be channeled through blended finance schemes through the **Climate Investment Fund – Accelerated Coal Transition (CIF-ACT) program**

Since PT Sarana Multi Infrastruktur was appointed as ETM Country Platform Manager on November 14, 2022, **various energy transition projects have been implemented**.

19 Projects

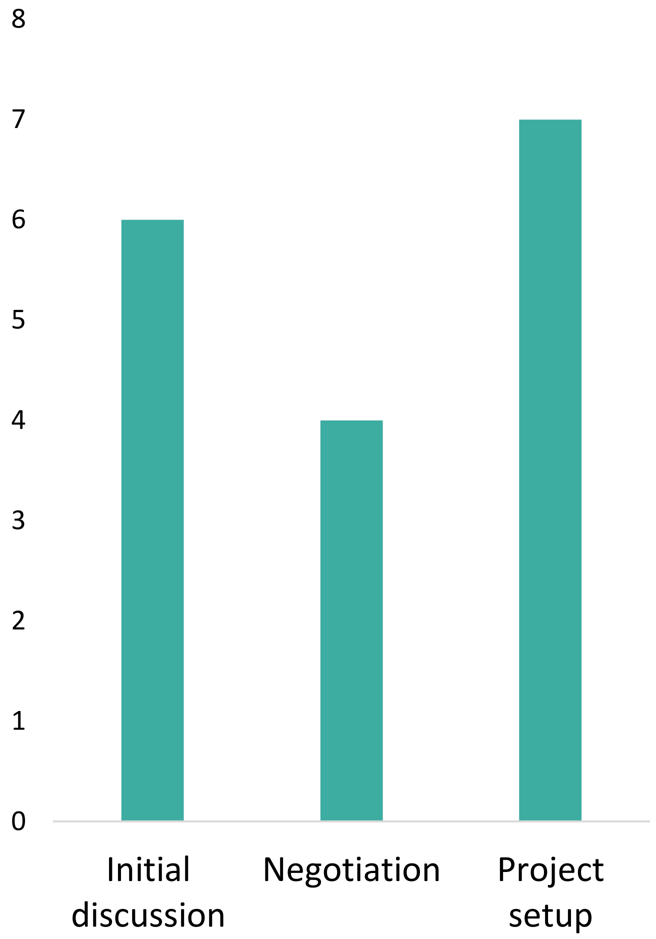
3,4 Emission Reduction (Million tonsCO2e/Year)

775 Project Value (USD Million)

526 Funding Commitment (USD Million)

229 Co-financing (USD Million)

Project Pipeline Status



Key Concepts of ETM Country Platform

Strengthen collaboration between governments, the private sector, and international partners to expand the scope and effectiveness of financing schemes.

Innovation and policy synchronization to encourage low-carbon development. In the ETM scheme, if needed, the government can provide fiscal support in the form of **guarantees, PPP, and government investment**.

Increased technical and institutional capacity (e.g. training, technical assistance) to ensure inclusive access and accountable management of funds.

Although USD 21.4 billion has been committed to Indonesia's JETP, additional financing is still needed

DIREKTORAT JENDERAL STABILITAS DAN PENGEMBANGAN SEKTOR KEUANGAN

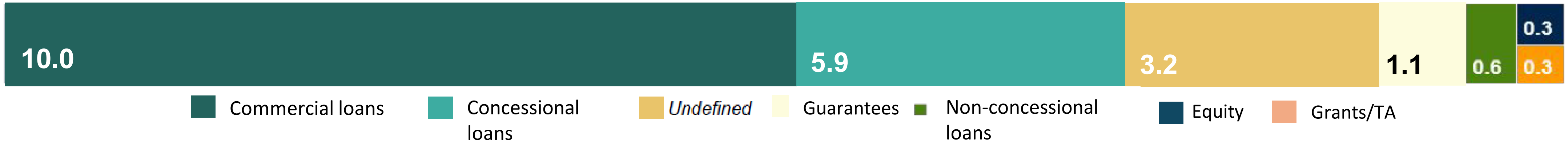
Total Commitment

- USD 11.4 billion — From the International Partners Group
- USD 10 billion — From GFANZ

Financial Commitment from IPG

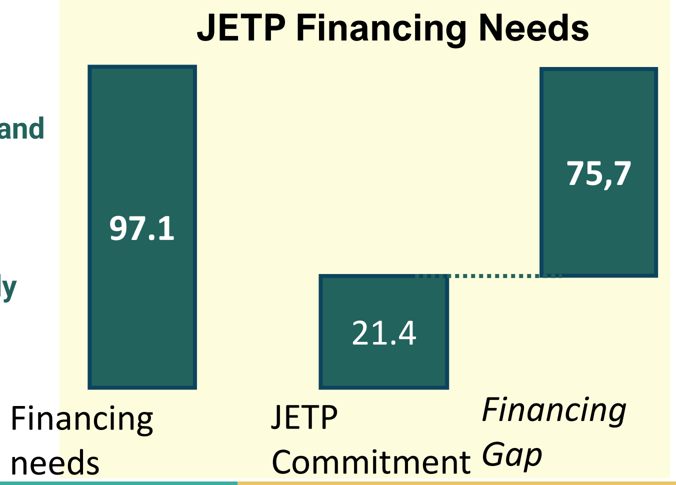
Canada	Denmark	EU	France	Germany	Italy	Japan	Norway	UK	USA	ETM (CIF-ACT & MDB)
59,25	211,9	1.132,5	543,5	1.702,0	270,3	3.493,5	250,0	1.181,1	~~2,066.7~~	2.559,0

Financing Pledge



JETP Investment Focus Areas & Financing Needs)*

- **Promoting energy efficiency and electrification implementation**
- **Power transmission and distribution networks**
- **Coal plant retirement and managed phase-out**
- **Acceleration of dispatchable renewable energy**
- **Acceleration of Variable Renewable Energy (VRE)**
- **Renewable energy supply chain**



Notes: *) financing needs between 2023 and 2030, reported on JETP CIPP 2023