



G7/G20
TRACK 2
DIALOGUE



Background Paper

Setting the Tone for Social Aspects of Just Energy Transition

Based on the Intergroup Dialogue Series on Just Energy Transition

Authors :

Ann Phang, Giovanni Maurice Pradipta (Germanwatch),
Julia Novrita (The Habibie Center)

Contributors :

Alexandra Goritz, Petter Lyden (Germanwatch)

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Solar power plant in the middle of the sea village,
Bontang, Indonesia





Background Paper

Setting the Tone for Social Aspects of Just Energy Transition

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Summary

Germanwatch and The Habibie Center, in a series of dialogues with Indonesian civil society organisations (CSOs), explored the question of how to include social justice aspects within the energy transition debate in Indonesia. The discussions also take the lessons learnt from South Africa's Just Energy Transition Partnership (JETP) development process, highlighting the importance of CSO involvement and government transparency in the entire JETP implementation and negotiation approach (Wemanya and Adow, 2022).

This dialogue series focused on the 'Just' element of the energy transition, although the JETP is, first and foremost, a financial scheme. Transitioning the energy system of a region not only comes with financial and technical challenges but also possible legal and social disruptions, such as the future employment of locals affected by the transition and ecological spillovers from the impact of climate change. The transition itself, if done in a truly just manner, could offer solutions to the difficulties faced by the local population, ranging from giving direct access to energy and enabling quality of life improvements to the alleviation of poverty.

Key Messages



Social, ecological and economic justice must have **equal value** in Indonesia's and other countries' energy transition process, **with proper protection of human rights**.



Geographical, regional and cultural differences are important in the energy transition. **One size fits all regulations and solutions are not preferred or compatible** with Indonesia's and the region's diversity.



Binding regulations and laws are essential for accelerating the energy transition itself and the thorough implementation of the just transition.



Collaboration of CSOs from **every facet** of society is crucial for continuous climate change and energy transition processes. CSOs could serve as holders of institutional memory, and implementers, guides and propagators of necessary knowledge to build capacity in the process, both from technical and social, ecological and economic aspects.

Background



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Panoramic view of Jakarta, Indonesia cityscape

Indonesia, the world's largest exporter of thermal coal (IEA, 2022), is the most extensive and populous archipelagic country in Southeast Asia. Having held the 2022 G20 presidency, Indonesia will hold the next Association of Southeast Asian Nation (ASEAN) country presidency in 2023. Domestically and for the region, the results of the next presidential election in 2024 might change the status quo, which could affect the political position of Indonesia on global climate commitments and associated negotiations.

The global economy's dependency on fossil fuels and ongoing geopolitical unrest have affected global food prices and economic stability (Chand and Stilwell, 2022; Cifuentes-Faura, 2022). Hence, the saliency of the energy transformation theme is an urgent socio-political discussion in Indonesia. Moreover, the ambition and the implementation of the Indonesian energy transformation still need to be improved significantly. For example, the renewable energy share in Indonesia is still meagre and lagging, with only 11.5% in the power sector in 2021, with goals to upscale to 34% by 2030 (The White House, 2022). The Indonesian renewable energy sector is dominated by centralised large-scale hydropower and geothermal power (Climate Transparency, 2021; Pribadi, 2022).

The JETP with Indonesia, announced at the G20 Leaders' Summit in 2022, is supposed to support Indonesia's energy transition. The partnership is a financial scheme

supported by the G7 International Partners Group (IPG) with the aim to mobilise US\$20 billion in total: US\$10 billion will come from the IPG, and the other US\$10 billion will come from private investors to advance Indonesia's energy transition over three to five years. The goal is to reduce Indonesia's greenhouse gas (GHG) emissions by capping power sector emissions at 290 megatons of CO₂ in 2030 and bringing Indonesia's net zero emission target forward by ten years to 2030 (The White House, 2022).

The Indonesian JETP declaration follows the announcement of the South African JETP at COP26 in Glasgow and the publication of the Investment Plan in November 2022. Only one month after the announcement with Indonesia, another JETP with Vietnam was announced. Further JETPs with India and Senegal are expected to be announced in 2023.

Civil society's view on the Just Energy Transition

Globally, the power sector produces 25% of GHG emissions and is second after the transportation sector as the top contributor to GHG emissions (US EPA, 2015). Therefore, a clean energy transition is one of the pathways to mitigate climate change. As a coal producer, exporter and user, Indonesia faces enormous challenges in developing and transitioning towards a clean and renewable energy system.

The time dimension planned for the Indonesian total energy transformation is particularly long and filled with uncertainties. Indonesia aims to phase out coal-fired power plants and introduce new and renewable clean energy forms into the energy mix to reduce carbon emissions (Indonesian Government, 2021). Simultaneously, Indonesia must accelerate this process to become 1.5°C aligned. Furthermore, there is still involvement of fossil energy, such as gasified coal, in the definition of new energy as stated in the draft law for new and renewable energy (DPR RI, 2021).

Large transitions in systems and infrastructure will affect the livelihoods of many. Along with the direct effects of the energy transition to reduce emissions and distribute high-quality energy to everyone, there is also a socioeconomic impact, affecting the labour force, socially vulnerable people, and often unseen members of society like indigenous groups, women and children. As an illustration, if the coal mines in Indonesia were to be shut down, this would lead to a projected decrease of US\$11 billion in income along the value chain of coal production (ILO, 2022). The transition process has to include the tenets of distributional, recognition, procedural, participatory and ecological justice to reach an overall end justice that is also restorative and regenerative (Jenkins et al., 2016). The energy transition must be democratic and distributed, both in consumption and production.



Solar panel aerial view, Sulawesi, Indonesia

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Social equity is obtainable when the transition process includes access, affordability and the public's perception of energy and consumption (Lauranti and Djahhari, 2018). It is also necessary to investigate the side effects of the energy transition on employment, market access and ecological impact to balance the socio-political dynamics of Indonesia. A sustainable energy transition in developing countries must involve vulnerable regional stakeholders, thus eliminating barriers like a conflict of interest between the actors, opposition and inconsistent regulations (Sekarintias et al., 2023).

The policy and regulatory framework of JETP must be appropriately connected and based on well-researched scientific data to achieve justice in the transition process. Institutional reform is also needed to ensure democratic distribution, production and energy consumption. Moreover, pushes towards green financing, proper instruments and mechanisms based on an appropriate interpretation of justice are necessary for international investments and interests. These reforms are also needed to protect the existing players in the energy system and connect the labour forces.

Even countries like Germany, with a high renewable energy portion in their energy mix at 41.1% (UBA, 2022), encounter the familiar difficulties of balancing and reducing negative social impacts while accelerating and advancing its energy transition process. The experiences of Germany and other similar countries in cooperation and communication between the governments and CSOs could serve as an example for Indonesia.

During a series of discussions with Germanwatch and Indonesian CSOs, the need for more collaboration on climate resilience agendas and inclusion of the social impact of the energy transition were identified. In addition to the key messages, here are the suggestions from the discussions to be considered in the future as we work towards an excellent just energy transition process:

■ Provide transparency and clarity:

The present design and investment plan of the Indonesian JETP does not elaborate on the financing details. Even the recently launched Energy Transition Mechanism (ETM) platform, another financial platform loosely connected to JETP, has identifiable actors but the principles for building this platform remain unclear. There is a noticeable lack of accountability, transparency and participation of the labour force directly or indirectly linked to the coal mine closure. There is also ambiguous precedence on the laws that protect against financial losses from the transition process. Likewise, fair pricing of climate externalities must be included in calculating energy prices and other commodities.

■ Include human rights issues:

During the discussion, it was noted that the energy transition process in Indonesia does not address the human rights point written out in the United Nations Framework Convention on Climate Change's Sustainable Development Goals. There is no informed consent on the justice element in the transition away from coal and other fossil fuel sources. We recommend that the transition to regenerative energy should be just, democratic and distributive. It should also include a focus on gender and marginalised communities. These factors should be reflected in the planning and implementation of the financing instruments.

■ Be ecologically responsible:

A 'Just' Energy Transition must emphasise one of the aspects that the energy transition process is trying to achieve in the first place: the protection of the ecosystem. The energy transition will reduce carbon emissions, but it will still require resources and land-use change that could potentially damage local biodiversity and the wider ecosystem. It is important to note that utilising the local ecology and biodiversity is the only form of livelihood for some of the most vulnerable groups in Indonesia. Therefore, the Just Energy Transition process must guarantee the preservation of the local ecology and biodiversity.

■ Include clear governance:

We observed the lack of a proper inter-ministerial governance structure to guide the JETP work. There needs to be a clear definition for writing policies and financing deals. Currently, there is a lack of details, parameters, and indices to account for the economic and social costs of the transition. At the same time, future funding plans should consider Indonesia's and other regions' geographical differences and problems. We expect better methodology and mechanisms in various funding platforms towards energy transition, such as ETM-ADB Energy Transition Mechanism-Asian Development Bank, JETP, and PLN-Energy Transition MechanismTM. We know that there is a fine balance between limiting government involvement whilst receiving financing access. Additionally, the four elements of justice important to the energy transition and decarbonization decarbonisation process –, which are recognition, procedural, distribution and restorative, – need to be appropriately applied to the governance and regulation-making process.

■ Don't discount the future:

The future belongs to young people. Thus, they need to be involved in deciding the fate of their country and the ecosystem. There are already examples of engagement activities, such as the student movement on 37 campuses in Indonesia. In other areas, students have joined an organisation called Renewable Energy Society to express their ambition for a renewable energy transition. Among other things, the youths demand transgenerational justice in the nation's development process. Hence, they seek inclusion in future national development planning with a more active role. Young people are fighting for their own wisdom-building, a collection of quantitative knowledge and qualitative experiences. They seek guidance from the generations before concerning energy literacy and how to move forward in their activities.

■ Include CSOs in the planning and implementation process:

CSOs can create synergies between organisations and major societal groups to generate content and build evidence from critical mass. We also note with trepidation that there is no independent body for renewable energy development and implementation in Indonesia; there are also no social contracts. We recommend that the independent body includes the participation of CSOs, government members and stakeholders such as businesses, think tanks, trade unions and experts. Due to the different timescales in the various departments needed for such a transition, this regulatory body will be the backbone to expedite, evaluate and implement the acceleration of renewables and achieve Indonesia's net-zero emissions goals.

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Conclusion



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Wayang Windu geothermal power plant, West Java, Indonesia

Energy transition is a complex process but central to reducing carbon emissions. Yet, this sizeable transformative process is often discussed as a technological revolution without considering its impact on vulnerable social groups.

Germanwatch, together with The Habibie Center and other CSOs in Germany and Indonesia, consider that the 'Just' part of the energy transition must be thoroughly analysed, implemented and internalised in all further efforts towards the decentralised renewable power system in Indonesia, as well as in other parts of the world. Both organisations strongly recommend that CSOs in other countries initiate discussions on the topic of the Just Energy Transition to promote transparency, inclusion of rights, proper governance, and effective implementation and development of the transition process.

The Indonesian government and the IPG can showcase JETP and set an example that they are capable of mobilising financial power to mitigate climate change. We encourage CSOs to closely follow this process, together with other countries implementing JETP and planning for similar programmes, so the partnership could be a good starting point for the global movement in Just Energy Transition as part of reaching the 1.5-degree target.

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Participating NGOs :





G7 | G20 Track 2 Dialogue

Germanwatch e.V.

Office Bonn

Kaiserstr. 201

D-53113 Bonn

Phone: +49 (0)228 60 4920

Website: www.germanwatch.org

Office Berlin

Stresemannstr. 72

D-10963 Berlin

Phone: +49 (0)30 5771 3280

E-mail: info@germanwatch.org

The Habibie Center

JL Kemang Selatan No. 98

Jakarta 12560

Phone +62 21 7817211

E-mail: thc@habibiecenter.or.id

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