

STATEMENT OF MUTUAL ASPIRATION TOWARDS NET ZERO AND ENERGY TRANSITION

We, the undersigned, are associations doing business in Indonesia and we are committed in helping Indonesia achieve its net-zero target by 2060 or sooner through various climate mitigation and adaptation measures, including renewable energy development. We pledge to play an active part in advising our members, which account to 2,027 companies across Indonesia, to start decarbonizing their operations, both in their own facilities and supply chain partners. We acknowledge that the trend of low-carbon development is increasing and the ease of obtaining low-carbon infrastructures and services will be an important factor to evaluate future investment opportunities.

We also believe that Indonesia needs to boost its energy transition immediately, both from the supply and demand side. As energy fuels the industry's operation, switching to clean energy can significantly abate emissions and therefore remains as one of the most prioritized decarbonization strategies. Sectoral-wise, the commercial and industrial (C&I) sector constitutes 43% of total energy consumption, comprising heat and electricity, making it the biggest energy consumer in Indonesia. The momentum is here, with the energy demand gradually bouncing back again to the pre-pandemic level, and the economy is expected to rise again in the next couple of years. We believe that we need to handle this rebound wisely, to avoid facing the same carbon lock-in challenges that we have faced before.

Recently we are seeing more nation-wide decarbonization opportunities initiated by the government, whether as an emission abatement strategy (such as carbon tax, commercialization of the State Electricity Company's Renewable Energy Certificate, and the Presidential Regulation on Renewable Energy Provision), emission neutralization strategy (such as rehabilitating 630,000 hectares of mangrove by 2024), or general supporting instrument (such as Financial Services Authority's Green Taxonomy and Green Economy Index). We, the commercial and industrial sector, as the key player shaping Indonesia's emission profile, want to transform these opportunities into real actions that will help us fulfill our objectives, to help the country achieve its climate target as a way to actualize the spirit of *gotong royong membangun bangsa*.

Therefore, we recommend the following interventions to accelerate the C&I sector's decarbonization:

1. New System & Regulation Establishment for Commercial and Industrial Sector to Support National Emission Reduction Target

Clear concept and mechanism on how to build and further expand Indonesian industry's capacity to decarbonize/reach net-zero and achieve emission reduction in line with the NDC, through:

- a. Ministry of Industry to develop and fund sector-specific net zero decarbonization guidelines and research for industries with respect to Indonesia's context
- b. Government of Indonesia to establish the national climate change control registry system in reaching the NDC target for industry
- c. Ministry of Industry to release derivative rules of Presidential Regulation No. 98/2021 to operationalize the carbon credit mechanism by determining the sub-sector carbon cap,

establishing the carbon market, and following with a clear scheme for incentive and disincentive.

2. Enforcement of the Current Regulation on Renewable Energy Deployment

Robust enforcement and clearing of disputes regarding the implementation of pro renewable energy-mainstreaming regulation in Indonesia, through:

- a. Ministry of Energy and Mineral Resources to enforce the Energy and Mineral Resources Ministerial Regulation No. 26/2021 (on Rooftop Solar), especially on:
 - Providing flexibility of rooftop solar energy installation
 - Permission to export 100% of excess energy supply from individual rooftop solar panels
- b. Ministry of Energy and Mineral Resources to enforce the Energy and Mineral Resources Ministerial Regulation No. 1/2015, especially by developing and implementing more specific regulations and technical guidelines, including determining the toll fee for power wheeling scheme.

3. Diversify Renewable Energy Procurement Models

By tapping into the growing demand for renewable energy certificates, the State Electricity Company should accelerate the realization of the green tariff scheme as a new corporate renewable energy procurement model. This scheme will allow companies to access renewable energy that is sourced from recent and new power generations, and will eventually boost more renewable energy development in Indonesia.

Finally, the government should pursue **active involvement of association and industrial players to enhance transparency** in the policy and program formulation concerning the net-zero strategy and/or roadmap, including all the products stated above.

We establish this Statement of Mutual Aspiration based on our confidence that our voluntary, innovative, and collective efforts will enable Indonesia's private and public sectors to jointly achieve our shared climate objectives and catalyze the transformation of Indonesia's energy sector to support smart, clean, sustainable, and secure economic growth.

