



## Focus Group Discussion II (FGD): Implementation and technical design elements of ETS schemes

14 December 2021 • 8:00-10:30 Central European Time / 14:00-16:30 West Indonesia Time

### Background

The [OECD Clean Energy Finance and Investment Mobilisation Programme \(CEFIM\)](#), along with the International Energy Agency, are assisting the Indonesian Government's efforts to develop a domestic ETS through a series of technical FGDs. Building on international experience and OECD/IEA work, these FGDs will make deep-dives into a variety of critical aspects of the development of effective ETS scheme, relevant to the Indonesian context. These events will be taking place in Q4 2021-H1 2022.

### Objective

As a key driver of energy-related emissions, decarbonising Indonesia's power system will be determinant to achieve the country's climate objectives. Indeed, under its recently updated nationally determined contribution (NDC), Indonesia aims to reduce its greenhouse gas (GHG) emissions by 29% (or 41% with international support) by 2030. In its recently submitted Long-Term Low-Emission Development Strategy, Indonesia has stated it will explore moving towards net-zero emissions 2060. As the country's second largest greenhouse gas emitter, the energy (and power) sector is to make a major contribution towards these emission reduction targets.

Given the size of the challenge, Indonesia has been taking key steps to promote a clean energy transition. Most notably, Indonesia implemented a coal moratorium for new plants starting in 2022 and is planning for a massive increase of low-carbon power generation until 2060. In total, this transition away from coal could require around USD 1.165 trillion<sup>1</sup>.

To support these measures, Indonesia is now looking to set a carbon price for the power and industry sectors in the form a domestic ETS, with a view to helping stimulate and drive investment towards low-carbon energy sources. As an initial step, Indonesia ran a voluntary emissions trading trial in the power sector from March to August 2021. The results of the pilot will be used to inform the mandatory ETS.

In light of these issues, this second FGD will discuss how other ETS schemes have addressed some early challenges in the design and implementation phase such as determining the emissions cap, how the price will be determined and evolve, and the options of recycling the revenues raised from the scheme. During the discussion, country experts will share their experience designing and implementing such schemes as well as highlight lessons learned that could also be useful in the Indonesian context. In this second FGD, the discussion will also touch upon extending the ETS to the industry sector and the new challenges such an expansion might bring. An open dialogue, convening representatives from government institutions, development partners and other relevant stakeholders, will be organised towards the end of the event to inform and identify priority areas for ETS development in Indonesia.

### Participants:

Coordinating Ministries for Economies Affairs as well as Maritimes and Investment Affairs; BAPPENAS; Ministry of Energy and Mineral Resources (MEMR); Ministry of Finance; Ministry of Industry (Mol); Ministry of Environment and Forestry (MoEF); Financial Services Authority (OJK); Universities and think tanks; private developers and business associations; and development partners.

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<sup>1</sup> <https://www.thejakartapost.com/paper/2021/08/01/indonesia-sets-net-zero-emissions-goal-ahead-of-cop26.html>



Preliminary agenda*	
Time	Items
<b>Moderator: ECC, IEA</b>	
<b>10 minutes</b>	<b>Welcome remarks</b> Bayu Nugroho, ST, MBA, Environmental Protection Coordinator, Directorate General of Electricity, MEMR.
<b>50 minutes:</b>	<b>Implementation of an ETS: from technical design to monitoring</b> Moderated by Sara Moarif, Head of the Environment and Climate Change unit, IEA
<b>Panel 35 minutes</b>	<b>Panel discussion</b>
<b>Q&amp;A session 15 minutes</b>	<ul style="list-style-type: none"> <li>• <u>Kieran McNamara, Senior Analyst, IEA,</u> <b>ETS implementation: determining the cap, price setting, scope and allowance distribution</b> <ul style="list-style-type: none"> <li>○ <i>What is the system designed for and expected to do? It is essential for the design of an emissions trading system to match local circumstances to generate the most effective carbon price signals. This presentation points to experience from key ETS design decision points, from determining the emissions cap, the sectoral scope to allowance distribution, how to determine the carbon price and the expected outcomes (climate target, competition...)</i></li> </ul> </li> <li>• <u>Stefano De Clara, Head of Secretariat, International Carbon Action Partnership,</u> <b>Revenue generation and use</b> <ul style="list-style-type: none"> <li>○ <i>ETS schemes can be a significant source of public revenues, which could be used to fund or finance climate-related activities or supportive measures that can offset the cost burden on the most vulnerable consumers and firms. We will discuss how ETS revenues can be utilised to best foster investments in clean technologies, energy efficiency and renewables supports.</i></li> </ul> </li> <li>• <u>Peter Vis, Senior Research Associate, European University Institute,</u> <b>Experience from the EU ETS: the context of the Green recovery</b> <ul style="list-style-type: none"> <li>○ <i>Present how the ETS plays a role achieving the EU climate target, how EU intends to extend their scope and change their allowance distribution, and how EU will use the revenue earned from the ETS to finance the EU Recovery and Resilience Plan.</i></li> </ul> </li> </ul> <p><b>Q&amp;A session</b></p>
<b>50 minutes:</b>	<b>Implementation of an ETS: how to stimulate industry participation based on experience in other markets</b> Moderated by Kieran McNamara, Senior Analyst, IEA
<b>Panel 35 minutes</b>	<b>Panel discussion</b>
<b>Q&amp;A session 15 minutes</b>	<ul style="list-style-type: none"> <li>• <u>Marta Roslaniec, Chief Expert in Strategy, Analysis and Auction Unit, KobiZE, Poland,</u> <b>The impact of an ETS in a system dominated by coal-fired power;</b> <ul style="list-style-type: none"> <li>○ <i>This presentation will focus on the experience of Poland, with a large domestic coal industry as well as a power system dominated by coal, and how it transitioned from a pilot to full ETS, as well as moving from national allocation plans to EU-wide allocation plans.</i></li> </ul> </li> <li>• <u>Danial Sturge, Practice Manager – Carbon Policy, Catapult, United Kingdom,</u> <b>Development of the UK ETS</b> <ul style="list-style-type: none"> <li>○ <i>Previously, the United Kingdom was part of the EU ETS. Since leaving the European Union, the UK has put in place its own ETS. This presentation will focus on the factors the government consulted on and decided when designing/implementing the UK ETS.</i></li> </ul> </li> </ul> <p><b>Q&amp;A session</b></p>
<b>40 minutes</b>	<b>Open discussion</b> <i>Reaction to presentations and identification of priority areas for ETS development in Indonesia.</i> Moderated by Hakimul Batih, Indonesia CEFIM Programme Local Co-ordinator, OECD
	<b>Possible reaction from discussants:</b>



	<ul style="list-style-type: none"><li>• DG of Electricity, MEMR</li><li>• BAPPENAS/MoEF/MoI</li><li>• PLN</li><li>• Coal and RE IPPs</li></ul>
5mn	<b>Closing remarks</b> Cecilia Tam, CEFIM Programme Team Leader, OECD

**Connection details:**

Meeting ID : 922 0699 8808

Password : M\*g@P+YF5k

<https://meetoe.cd1.zoom.us/j/92206998808?pwd=QjFQU2NhTnRZMxRjZE02cC81NFJMdz09>

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