

Framework for industry's net-zero transition

“Developing financing solutions in emerging and developing economies”

Indonesia country Stakeholder Meeting

OECD, BAPPENAS

6 December 2022, 09:30-15:00 WIB

Ashley Hotel, Jl. KH. Wahid Hasyim No. 73-75. Menteng, Jakarta

Agenda

Background

In September 2022, as part of its Clean Energy Finance and Investment Mobilisation (CEFIM) programme¹, the OECD has released its new “*Framework for industry's net-zero transition*”.² The project is part of the OECD’s “Sustainable Infrastructure Programme in Asia” (SIPA).³ Net-zero transition scenarios suggest that investments in low-carbon technologies in the manufacturing industries of emerging and developing economies will need to increase significantly. Most of the needed technologies are at demonstration phase or early stages of commercialisation, and many of them are capital-intensive. The execution risk and the high costs associated with net-zero transition may slim industrial companies’ profits. Therefore, developing mechanisms to share risks between governments and companies and scaling up finance from both public and private financial sources will be crucial to get low-carbon projects off the ground. This new OECD *Framework* is a step-by-step approach to assist emerging and developing economies in designing solutions for financing and to improve the enabling conditions that can accelerate industry’s transition. The first two countries where this *Framework* will be implemented are Indonesia and Thailand.

Indonesia has committed to become a net-zero economy by 2060 including specific actions to be implemented for decarbonising its industry sector, namely fuel switching, energy efficiency, electrification, hydrogen, biomass, and carbon capture and storage. Indonesia is Southeast Asia’s energy and industry hub with a large production of steel, cement, and fertilisers, and it will require all different measures to put its industry sector on a path aligned with net-zero emissions. The country is also endowed with hundreds of industrial small- and medium-enterprises (SMEs) that are central to its economy and workforce. As the country’s population and economy grow, more materials and products will be needed domestically. Furthermore, Indonesia may also use its strategic position to become a larger exporter of industrial products. During the transition process of Indonesia’s industry, existing assets must be replaced with cleaner ones, and it will be important for new investment decisions to target low-carbon technologies that can enhance the resilience and competitiveness of Indonesia’s industry. In this context, it is critical to improve the enabling conditions for creating a favourable investment environment and to provide financing solutions.

¹ www.oecd.org/cefim

² <https://www.oecd.org/environment/framework-for-industry-s-net-zero-transition-0c5e2bac-en.htm>

³ SIPA encourages Asia’s transition towards cleaner and more resilient energy, transport and industry systems aligned with the Paris Agreement and the Sustainable Development Goals (SDGs). It is part of the International Climate Initiative (IKI) and benefits from financial support of the German Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV).

The *Framework* implementation shall build on and align with existing initiatives driven by the Government of Indonesia, such as:

1. The National Medium-Term Development Plan (RPJMN) 2020-2024, which includes national priority projects, notably in the field of industry and decarbonisation of the energy and industry sectors.
2. The enhanced Nationally Determined Contribution, released in 2022.
3. The Net Zero Emission 2060 analysis prepared by the Ministry of Energy and Mineral Resources, which outlines emission pathways, notably for the energy sector.

The Framework implementation aims to support the progress of Indonesia towards Sustainable Development Goals, particularly Target 9.4: “upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities”.

Scope and objective of the Stakeholder Meeting

The cornerstone of the *Framework* is stakeholder engagement. The three key national stakeholders that are central to its implementation are policy makers, industry actors and financing institutions.

This meeting will officially start the *Framework* implementation in Indonesia, and it will be followed by a series of other meetings. The objective of the meeting will be to convene the national stakeholders for familiarising them with the *Framework*, discuss its benefits for their varying needs and priorities, and agree on the roles and responsibilities during the *Framework* implementation in view of the potential industry sub-sector and technologies that will be covered. Industry decarbonisation is a relatively new topic of concern in Indonesia; therefore, the meeting will be of paramount importance to initiate dialogue among these stakeholders.

During the meeting, the OECD will introduce its *Framework*, its objectives, and steps of implementation, and demonstrate examples of possible outcomes that are relevant to the needs of different stakeholders. In addition, the OECD will outline the benefits that the *Framework* can provide to the industry, and it can support climate dialogue in Indonesia in view of its long-term net-zero emission targets by 2060. After this introduction, the OECD will present the first-order findings of its assessment on the current situation of industry decarbonisation in Indonesia which is based on multiple bilateral meetings with various stakeholders and an assessment of the publicly available energy, environment, economic and industry data. Building on these inputs, the meeting’s focus will be to establish dialogue and exchange among the three national stakeholder groups on industry decarbonisation in Indonesia. This dialogue will be critical for outlining the priorities of various industry subsectors and technologies as well as their challenges and opportunities from industry decarbonisation.

The outcomes of the meeting will be the identification of potential Focus Areas for the *Framework*, whether a specific industry sub-sector or a suite of technologies, close knowledge gaps in finalising the current situation analysis of the industry decarbonisation and pave the way forward with a work and time plan and clear roles set for stakeholders for implementing the *Framework*.

Agenda

TIME (WIB)	
09:30-09:40	Welcome and opening remarks <i>BAPPENAS</i>
09:40-10:00	General introduction to the <i>Framework</i> <i>Deger Saygin, Industry Programme Lead, OECD</i>
10:00-10:30	Presentation of first-order findings of background research and stakeholder consultations <i>Deger Saygin, Industry Programme Lead, OECD</i> <i>Q&A with audience</i>
10:30-10:50	Tea/coffee break
10:50-12:00	Session 1: Government perspective on industry <u>Presentation by:</u> <ul style="list-style-type: none"> <i>Directorate of Energy Conservation, Ministry of Energy and Mineral Resources (ESDM)</i> Discussion points with audience: <ul style="list-style-type: none"> What are the current industry sector- and technology-specific decarbonisation targets and plans? Have progress towards realising them been observed, and how are they monitored? What are the key regulatory, legal, and financing instruments available for decarbonising industry? What are the challenges and success stories in their implementation? Are there any available financial regulations and targets for the financing institutions related to industry decarbonisation? How are they being implemented? What are the key priority sectors from the perspective of Indonesia's net-zero transition target?
	Session 2: Industry sector perspective and developments on industry decarbonisation <u>Presentation by:</u> <ul style="list-style-type: none"> <i>Fertiliser industry association (APPI)</i> Discussion points with audience: <ul style="list-style-type: none"> Are there sector and company level plans, roadmaps, targets for decarbonisation and what are their characteristics? What is the progress of different industry sub-sectors and companies towards decarbonisation? What are the key opportunities and challenges seen by industry actors for decarbonisation? What are the success stories and bottlenecks in investing in low-carbon technologies in the industry sector? What are the main issues and the needs of the industry actors for decarbonisation?

12:00-13:00	Lunch
13:00-14:30	<p>Session 3: Financing institutions perspective and development on industry decarbonisation</p> <p><u>Possible speakers:</u></p> <ul style="list-style-type: none"> • CIMB Niaga • French Development Agency (AFD) • International Finance Corporation (IFC) • World Bank <p>Discussion points with audience:</p> <ul style="list-style-type: none"> • What is the current financing situation of low-carbon investments in the manufacturing industry? • Which type of low-carbon projects majority of the financing goes to? What are the financing conditions for different types of low-carbon investments? What is the share of international and domestic sources of finance? • Are there specific financing instruments, products offered by commercial banks for low-carbon investments in industry? • What are the main success stories, bottlenecks and risks in financing low-carbon projects in the industry sector?
14:30-15:00	<p>Summary, wrap up and next steps</p> <p><u>Moderation:</u> BAPPENAS, OECD</p> <ul style="list-style-type: none"> • Summary of discussion points across the three sessions • Priority sector and technologies and decision on the Focus Area • Stakeholder roles, timeline, and work plan for implementation