

The implementation of market based mechanism in Indonesia: a JCM case

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Market Based Mechanism



Mechanism which utilizes market, price and other economic variables to provide incentives for emitters to reduce or eliminate negative externalities.



Benefit of Market-based Mechanism



Provide financial support for climate change mitigation action

Facilitate the diffusion of advance low-carbon technology

Enabling higher ambition in climate change mitigation

Accelerate technology transfer and capacity building in low-carbon technology and mitigation action



Market Based Mechanism (MBM) experiences in Indonesia

CDM

- Total of 121 registered projects
- 2% of total global CDM registered project

VCS

- Total of 12 registered projects
- Project registered included forestry project

JCM

- Total of 28 projects covering sectors in forestry, energy efficiency, and renewable energy (in 3 years of its development)

Gold Standard

- Total of 19 projects in energy efficiency, renewable energy, forestry, waste handling and disposal

Plan Vivo

- Total of 6 projects in the forestry and ecosystem sector

Gold Standard and Plan Vivo has lower degree of assurance compare to other schemes³

Other Indonesia's involvement in market based mechanism initiatives

PMR

- Indonesia is one of the first countries who join this initiative in 2010.
- Still in preparation stage.
- Coordinating Ministry of Economic Affairs is the focal point

APCMR

- Indonesia is actively involved in Asia Pacific Carbon Market Roundtable initiated by New Zealand.
- The roundtable is intended to seek the possibilities of regional market based.

Carbon Market Platform

- The newest international initiative on market based mechanism dialogue initiated by the G7 countries.
- A high level dialogue and discussion intended to create common understanding in the MBM implementation.

Ministrial Declaration on Carbon Market

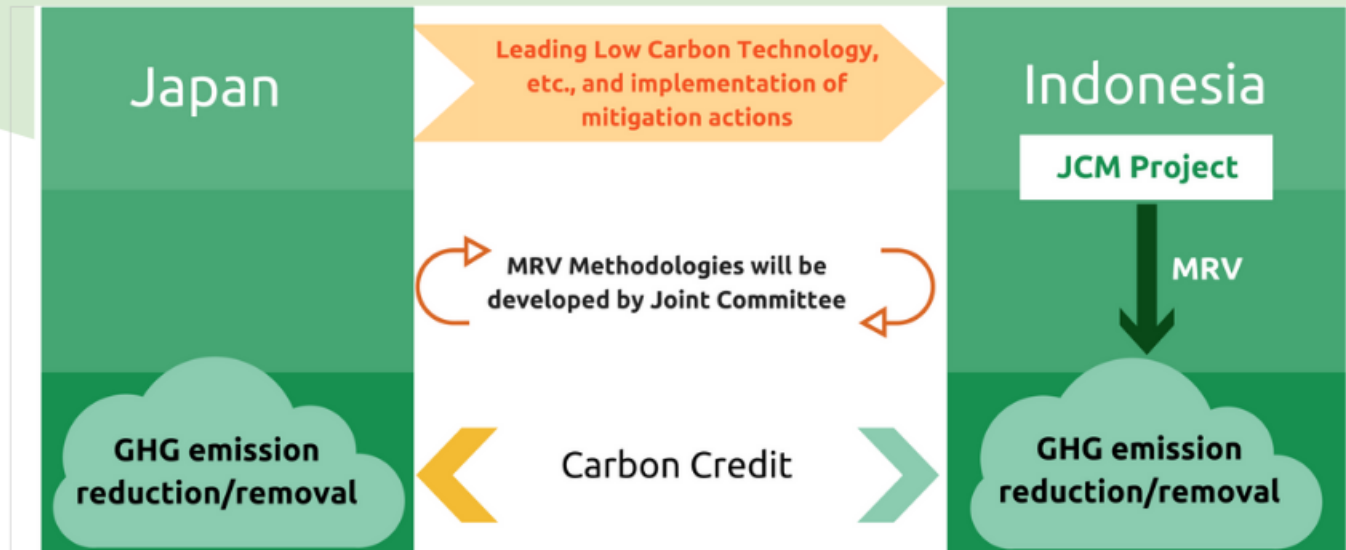
- The declaration was made to support the Paris Agreement implementation.
- Support a strong role for carbon markets to enhance the ambition and facilitate the delivery of mitigation under the Paris Agreement.
- Committed to environmental integrity, transparency and the avoidance of double counting when market mechanisms are used



JCM (Joint Crediting Mechanism)

JCM is a G-to-G scheme which encourages private sector organizations to invest in low carbon development activities in Indonesia through incentive from the government of Japan. JCM scheme has been proven to support the Government of Indonesia's effort to reduce its carbon emission and to implement low carbon development

JCM Basic Concept





Legal basis of JCM:

Bilateral Cooperation Document on the JCM for the Low Carbon Growth Partnership between the Republic of Indonesia and Japan

Para 3

Both sides, in order to promote investment and deployment of low carbon technologies, products, systems, services and infrastructures to achieve low carbon growth in Indonesia, establish a Joint Crediting Mechanism (hereinafter referred to as the “JCM”) and implement it in accordance with the relevant domestic laws and regulations in force in respective countries.

Para 13

This partnership covers the period from the signing of this document until the operationalization of a new international framework under the convention. Both sides consider possible extension of this partnership and reach a conclusion before its termination, taking into account, inter alia, the progress of negotiations under the convention.

**Local
Government**

**State-
owned
Companies**

**Private
Sector**

University

JCM Stakeholders in Indonesia

1. Coordinating Ministry for Economic Affairs
2. Ministry of National Development Planning
3. Ministry of Environment & Forestry
4. Ministry of Foreign Affairs
5. Ministry of Finance
6. Ministry of Energy and Mineral Resources
7. Ministry of Industry



JCM Financing in Indonesia

(Based on July 2016 data)

Subsidy and grant
from Government of
Japan for JCM
scheme in Indonesia

Grant for
Feasibility
Studies
**± US\$
10 million**

Subsidy for
implementation of
low carbon
development
projects
**≥ US\$
37 million**

The subsidy
has
mobilized fund ...

low carbon
investment from
private sectors &
Indonesian State-
owned company
**≥ US\$
113 million**

so...

Current total
JCM project
investment in
Indonesia
**± US\$
150 million**



*Calculation based on estimation

JCM Project Implementation in Indonesia



Types of implemented projects



Thank you



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