



Embassy  
of the Federal Republic of Germany  
Jakarta



## Priority area Climate Change and Energy (status: February 2016)

### 1) Strategic goals

Indonesia is one of the biggest emitters of greenhouse gases in the world and is also itself feeling the economic and social impacts of climate change more and more. Challenges are posed by inadequate infrastructure, continuing uncoordinated urbanization, increasing deforestation and loss of biodiversity, and the accelerated expansion of an energy supply that is based on fossil fuels. Inadequate institutional capacities, widespread corruption and a lack of coherent strategies make it very difficult to achieve climate-friendly social and economic development. By setting itself ambitious climate goals, the Indonesian government has sent a strong signal that it plans to pursue a climate-friendly and sustainable development policy. By 2020, emissions are to be reduced by 26% – or 41% with international support – based on a “business as usual” scenario, and the share of renewable energies in the electricity mix is to be increased to about 18% by 2018.

As one of the largest donors in the field of climate protection, Germany is supporting Indonesia in its international responsibilities for climate protection and its efforts to structurally anchor the climate-friendly development path it has embarked upon. Due to its special role in global terms, Indonesia is one of five global development partners of the BMZ and also one of the focus countries in the BMUB's International Initiative for Climate Protection. Together with “Sustainable Economic Development for Inclusive Growth” and “Good Governance and Global Networks”, “Climate Change and Energy” is a priority area of German-Indonesian development cooperation.

### 2) Approaches within the priority area

Within the priority area of “Climate Change and Energy”, Germany and Indonesia have agreed on certain thematic fields which address the key obstacles to sustainable economic and social development in Indonesia and are concerned with protecting global public goods: (i) improving basic conditions and infrastructure, especially within the energy sector and in urban centers; (ii) protecting biodiversity and sustainable management of natural resources; and (iii) strengthening staff, regulatory and financial administration and implementation capacities for mainstreaming climate protection. In addition, other cross-cutting topics are being served through advisory services.

Cooperation in this context focuses especially on measures in those sectors with the highest levels of climate-damaging emissions in Indonesia: deforestation / changes in land use, energy, urban infrastructure (waste, urban mobility) and industry.

The priority area comprises three programs: “Energy”, “Infrastructure” and “Forest/Biodiversity”. “Climate policy” is treated as a cross-cutting topic underpinned by concrete measures. Central fields of action are:

Energy: Central starting-points are (i) increasing efficiency in terms of energy supply and energy use, (ii) developing and managing grid infrastructure, (iii) tapping into the immense potential of renewable energies, within the context of both grid-based supplies (esp. hydropower, geothermal energy) and off-

grid, rural electrification (incl. solar, small hydropower, biomass and geothermal energy), and (iv) designing regulatory frameworks as well as planning, financing and technical implementation.

*Infrastructure:* Shaping climate-friendly urbanization and sustainable traffic concepts, including through better infrastructure for handling sewage and waste, and more efficient traffic infrastructure, and designing measures to foster development strategies and technologies with less detrimental impact on the climate and the environment, especially for urban transport.

*Forest / Biodiversity:* The implementation of strategies for the protection of forests and sustainable forest management. Establishing poverty-oriented and innovative incentive systems and financing mechanisms (“Ecosystem Restoration Concessions”) for avoided deforestation and forest degradation. Strengthening reform processes and national and decentralized capacities for the sustainable and conflict-sensitive use of forest resources and also for the protection of biodiversity, including through the strengthening of decentralized Forest Management Units.

*Climate policy:* Is treated as a cross-cutting topic. The focus is on fleshing out Indonesian climate policy and on the anchoring, financing, implementation and monitoring of concrete mitigation measures at the national government level, province level and municipality level in climate-relevant sectors (incl. waste, industry, transport, energy, land use, etc.). Concrete approaches are, amongst others, plans for climate measures in provinces and cities and the development of nationally appropriate mitigation actions (NAMAs) with the involvement of the private sector and financing institutions. This support for the Indonesian government is to help it make use of international climate funding and implement those funds effectively. In addition, regional projects in the ASEAN area are also being supported. Currently six projects are being implemented within the thematic area “Climate Change and Environment”.

*Cooperation instruments:* In terms of Financial Cooperation, which is implemented through KfW Entwicklungsbank, low interest loans and attractive promotional loans not involving budget funds and grants (nature protection projects) are being provided for the investment financing. In addition, grant funding is being provided for investment preparation (usually feasibility studies) as well as accompanying training measures. Important instruments under Technical Cooperation, which are provided by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), are policy advice and capacity-building measures through long-term experts and integrated experts (CIM) and also development workers. South/South cooperation is meant to support the integration of lessons learned from other countries.

In addition to the above, as part of the International Climate Protection Initiative, other implementing organizations (multilateral organizations, NGOs, research and consulting organizations) are actively engaged in projects in Indonesia.

### **3) Financial contributions**

Since 2007, Germany has committed 1,998 million euros<sup>1</sup> for the priority area “Climate Change and Energy”, with 1,487 million euros for the energy program, 325 million euros for the infrastructure program, 150 million euros for the forestry program and 36 million euros for the cross-cutting topic climate policy. A total of 128 million euros has been provided for the priority area under Technical Cooperation and 1,870 million euros under Financial Cooperation.

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<sup>1</sup> Without SBF