

Climate change

Rich nations offer Indonesia \$20bn to wean it off coal

Shift to renewable power is hailed by John Kerry as 'groundbreaking'



Indonesia relies heavily on coal and is one of the world's biggest carbon emitters © REUTERS

Aime Williams in Washington and **Mercedes Ruehl** in Bali 6 HOURS AGO

Wealthy nations led by the US and Japan have offered Indonesia a \$20bn package to help pay for the coal-dependent country's shift to renewable energy as world leaders attempt to lure developing economies away from fossil fuels.

The deal, which includes \$10bn in public funding and a further \$10bn from private sector investors, was unveiled during the G20 meetings in Bali on Tuesday following more than a year of negotiations between leaders.

As part of the agreement, Indonesia has pledged to cap power sector emissions at 290 megatons of CO₂ annually by 2030, and to generate about a third of its power from [renewable sources](#) by 2030. Indonesia is a coal-producing nation and one of the world's biggest carbon emitters.

Its new commitment to reach peak emissions by 2030 is seven years earlier than under previous pledges, and includes on-grid, off-grid and captive power systems in the calculation. The country agreed that its power sector would achieve net zero by 2050.

The “[Just Energy Transition Partnership](#)” offers a mix of concessional finance, grants and loans from the US, Japan, Canada, the UK and several European countries, including the EU and Norway.

The deal is the second in what is seen as a series for emerging nations to be given incentives to stop using the dirtiest fossil fuels. The first was an \$8.5bn deal with South Africa, and talks are under way with Vietnam.

The deal is a victory for [Joko Widodo](#), Indonesia's president, who is in his second and final term. South-east Asia's largest economy possesses huge quantities of clean energy, including hydro and geothermal powers, and Jokowi, as he is known in the country, has been eager for multinational companies to provide financing and technology to tap into that potential.

Arsjad Rasjid, chair of the Indonesian Chamber of Commerce and Industry, said the investment was a landmark moment.

"More countries and organisations are beginning to understand the need for an energy transition and the dilemma developing countries are facing," he said.

But Indonesia's environmental record has still been criticised. Land use change, which includes deforestation and forest fires, accounts for a large part of greenhouse gas emissions while the country is reliant on dirty coal-fired power as energy for its growing number of nickel-processing plants.

Private sector contributions were expected from lenders and investors making up the Glasgow Financial Alliance for Net Zero, a coalition of more than 500 financial institutions, including Citibank, Deutsche Bank, HSBC and Standard Chartered, a US official said.

John Kerry, the US climate envoy, said the deal was "groundbreaking" and that all partners were "proud". "We've built a platform for co-operation that can truly transform Indonesia's power sector from coal to renewables and support significant economic growth," said Kerry.

The two sides have agreed to deliver a plan within three to six months for investments, financing and technical support to meet the reduction in emissions. A state department official said US diplomats were "eager" to begin "rolling up sleeves" and "going from political declaration starting gun to actual investment as quickly as we can".

Climate Capital





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