

Final Market Readiness Proposal

Country: **Indonesia**

Introduction: MRP Focus

- **Core Technical and Institutional Readiness Components in Power and Industry Sectors:**
 - Emission profile and baseline setting
 - MRV system development and piloting in electricity generation and cement production

- **Planning for a Market-based Instrument:**
 - Technical assessment and policy consultation on market instrument
 - Piloting the selected instrument

Introduction: MRP Objective

- ◆ ***The Objectives:*** To understand and determine the type and scope of appropriate market-based instruments; to prepare supporting draft regulation as needed; to design and establish market infrastructures; to build required capacity of participating institutions and individuals.
- ◆ ***The Long Term Goal:*** The establishment of new market mechanisms or market based instruments to scale-up mitigation actions in Indonesia based on country-specific conditions and international carbon market situations.

Process of Revising MRP

- ◆ Consultations with other ministries after PA6
- ◆ Changes in MRP text to update its context, better formulation of focus and objectives, as well as to address PA6 questions
- ◆ Incorporate timeline, list of activities and budget
- ◆ Presentation of final MRP to relevant ministries as the result of MRP preparation works

Update on Context

- ◆ Joint Crediting Mechanism (JCM) between Indonesia and Japan was established in August 26, 2013.
- ◆ The new development will not affect PMR Implementation Phase much. However, JCM experiences may provide knowledge and awareness to support Implementation Phase.

General feedback from PA6

Feedback

1. Some of the figures in Indonesia MRP presentation should be incorporated to the final proposal (figures in the slide number 40).
2. Need some clarifications on PMR institutional arrangements.
3. Nusantara Carbon Scheme and other new initiatives should be described clearer.
4. Need to consider the time framing on the proposed schedule.

Follow Up

1. Done.
2. Done.
3. Done. We put a text box to describe the NCS.
4. Done. We already consult with the ministries involved.

Specific feedback from PA6

Feedback

1. Elaborate as much as possible the direction it expects to go in terms of emission trading, crediting, a combination of the two or something entirely new.
2. Include discussion on demand and how it is expected to develop, and more details on bilateral relationship with Japan.

Follow Up

1. Done. A text box of MBI is already incorporated to the proposal.
2. Done. We put the latest progress of JCM and its demand.

MRV and data issues feedback from PA6

Feedback

1. Express clarity on the work on MRV for NAMAs by BAPPENAS or other ministries.
2. On data: explain emission data from industries already obtained and explain how mitigation potential (sectoral) is determined.
3. On data collection: it is important that the reporting entities understand the purpose of the data collection

Follow Up

1. Responses on MRV are found on paragraphs: 114,116, Table 9, Table 10, paragraphs 124.
2. There is no further detail data yet from the Ministry of Industries.
3. It's explained on the institutional tracks of the MRV development.

Sector choices & baselines feedback from PA6

Feedback

1. More discussion on the selection process of narrowing the choice from 11 to 3.
2. Explain how this top down target is with respect to bottom up activities that are being carried out.
3. More information on the planned cap: what kind of cap is it, will it cover individual emission?
4. Explain whether there is lesson learnt or possible synergy to be contributed to the success of this PMR activities.

Follow Up

1. It's explained in para. 64, 65, and 66
2. It's explained in para. 70
3. It's explained in para. 72
4. It's explained in MBI Text Box

Summary of Building Block 1

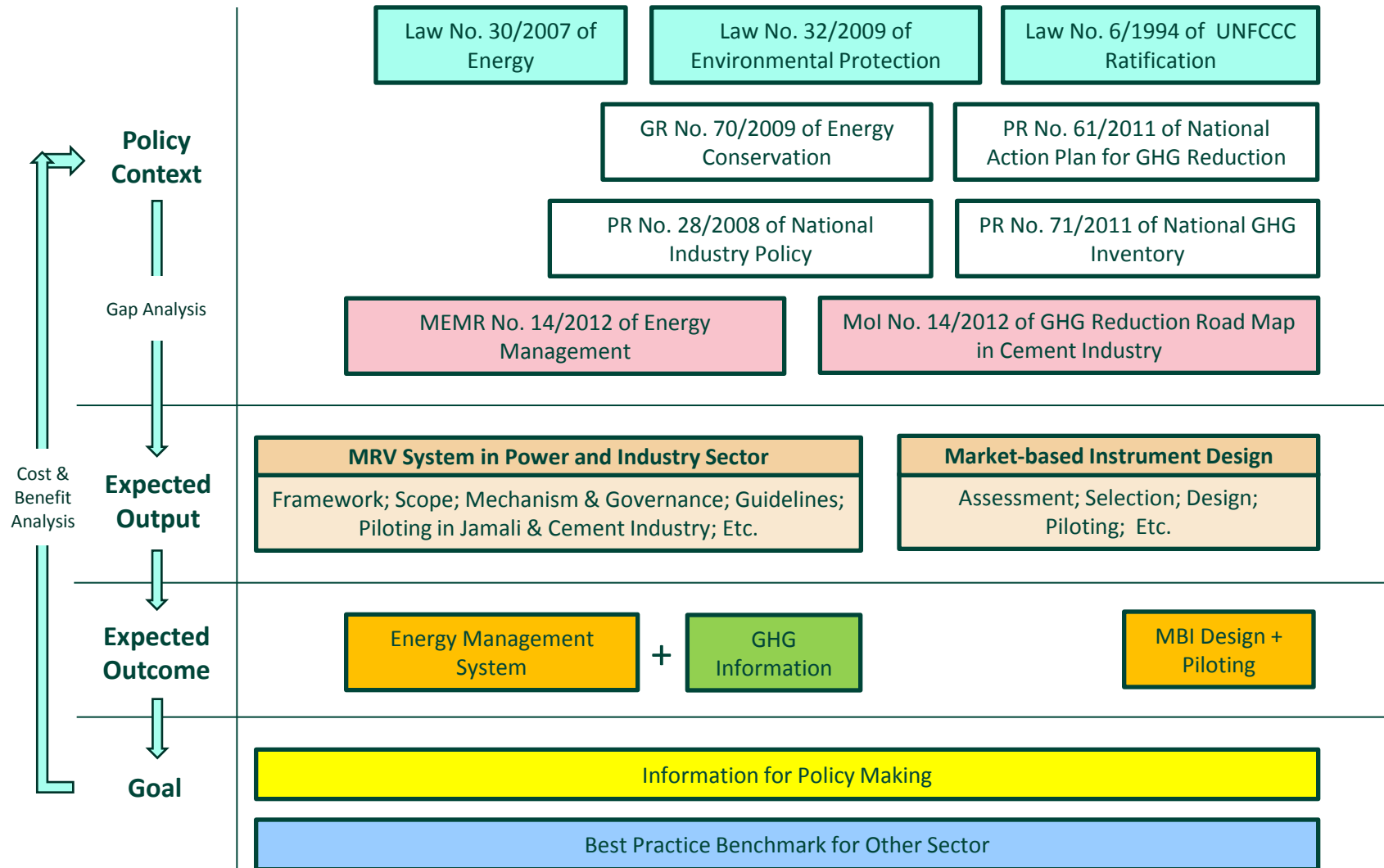
- ◆ Provide climate change policy context in Indonesia.
- ◆ Total GHG emission in 2020 is estimated to reach 2.95 GtCO₂. Forestry and peat will remain as major emissions sources until then, however, energy related emissions will have the highest growth rate.
- ◆ Indonesia is committed to reduce GHG emissions by 26% below BAU level in 2020 by its own resources. With international support, further emission reduction could achieve 41%.
- ◆ An indicative list of activities to achieve the target is available (RAN-GRK).
- ◆ Market-based instruments can be a promising tool to cost-effectively abate GHG emissions to support achievement of unilateral GHG emissions reduction target, or even beyond that.

Summary of Building Block 2

- ◆ Provide the process of target areas selection for PMR Implementation Phase
- ◆ The process involved considerations such as:
 - Existing policies
 - Emissions reduction potential
 - Replicability
 - Technology availability
 - Investment effectiveness
 - Stakeholder supports
 - Issues in MRV
 - Market sustainability
- ◆ The selection process resulted two target areas for priority sectors in PMR Implementation Phase: **electricity generation** and **energy-intensive industries**

Summary of Building Block 2 (ctd.)

- ◆ The selection process provides logical framework for the MRP as summarized below:



Summary of Building Block 3

- ◆ Describe the existing works and further works necessary to develop a robust and reliable database useful for future target setting.
- ◆ All activities to support this shall be participatory, transparent, reliable and encourage consensus among stakeholders.

Activities	Budget	
	Needed (USD)	Requested (USD)
A. Profiling Emissions in Power & Industry Sectors		
– A comprehensive carbon abatement cost curve in the two target areas.	700,000	300,000
– A calculated / reviewed / estimated sectoral baseline emission of the target areas	250,000	100,000
Total	950,000	400,000

Summary of Building Block 3 (ctd.)

- ◆ Describe the activities to be conducted in order to develop a working MRV system within power and industry sectors.
- ◆ MRV system development works will be divided into Governance Track and Piloting Track.
- ◆ Governance Track will deal with policy support development, institutional framework development, relevant guidelines development, data management, etc. to ensure the MRV system is workable dan sustainable. The development works will build upon the existing practice to the farthest extent as possible and appropriate.
- ◆ Piloting Track will focus on fine tuning the MRV system taking into account the participants circumstances.
- ◆ All activities shall be participatory, transparent, reliable and encourage consensus among stakeholders.

Summary of Building Block 3 (ctd.)

Activities	Budget	
	Needed (USD)	Requested (USD)
B. MRV System Development (Governance Track)		
– Rules and regulations on MRV	450,000	250,000
– Institutional set up for MRV	600,000	300,000
– Capacity building and awareness raising activities	1,000,000	250,000
Total	2,050,000	800,000
C. MRV System Development (Piloting Track)		
– Map of MRV activities at the installation level in Indonesia	200,000	100,000
– Monitoring protocols	500,000	200,000
– Data management system at the installation level	600,000	250,000
– GHG emission data and review on MRV system at installation level and at aggregated data management level	400,000	100,000
Total	1,700,000	650,000

Summary of Building Block 4

- ◆ Describe the activities to comprehensively assess, prioritize, select, design and test market-based instrument in appropriate sector
- ◆ All activities shall be participatory, transparent, reliable and encourage consensus among stakeholders.

Activities	Budget	
	Needed (USD)	Requested (USD)
D. Framework for Market-Based Instrument		
– A comprehensive assessment report on MBI options for Indonesia	450,000	250,000
– A design of selected market-based instrument for selected sector	300,000	200,000
– Draft policy(ies) required for the establishment and implementation of MBI	450,000	250,000
– Piloting the market-based instrument in the selected sector	650,000	300,000
Total	1,850,000	1,000,000

FIN

Summary of Building Block 5

- ◆ Define the organization structure of Implementation Phase, which consists Steering Committee, Project Implementation Unit(s), and Expert Group(s).
- ◆ Describe the activities to integrate all works in Implementation Phase and appropriately communicate the progress and results to relevant stakeholders.
- ◆ DNPI will be the PIU for organization, communication and stakeholder engagement.

Activities	Budget	
	Needed (USD)	Requested (USD)
E. Organization, Communication, Consultation and Engagement		
– PMR implementation reports	100,000	50,000
– Stakeholder consultations and capacity building reports	300,000	100,000
Total	400,000	150,000

Implementation Phase Schedule

PMR Activities	Year-1	Year-2	Year-3	Year-4
Profiling Emissions				
A comprehensive carbon abatement cost curve in the two target areas.	██████████			
A calculated / reviewed / estimated sectoral baseline emission of the target areas	██████████			
MRV System Development (Gov't Track)				
Rules and regulations on MRV		██████████		
Institutional set up for MRV		██████████		
Capacity building and awareness raising activities		████████████████████████████████████████		
MRV System Development (Piloting Track)				
Map of MRV activities at the installation level in Indonesia		██████████		
Monitoring protocols			██████████	
Data management system at the installation level			██████████	
GHG emission data and review on MRV system at installation level and at aggregated data management level				██████████
Framework for MBI				
A comprehensive assessment report on MBI options for Indonesia	████████████████████████████████████████			
A design of selected market-based instrument for selected sector		████████████████████████████████████████		
Draft policy(ies) required for the establishment and implementation of MBI			████████████████████████████████████████	
Piloting the market-based instrument in the selected sector				████████████████████████████████████████████████████████████

Process of developing Indonesia PMR budget

- ◆ Interministerial meetings was conducted to discuss the proposal budget.
- ◆ Three ministries, the Ministry of Finance, the Ministry of Industry, and the Ministry of Energy and Mineral Resources , calculated their budget needs based on activities proposed in the draft MRP and actual conditions.
- ◆ The MRP preparation consultant combine all of the budget needs and discuss it among ministries.
- ◆ We comes up with the “minimal amount” needs of the previous budget proposed.

Recapitulation of Proposed Budget

Activities	Budget	
	Needed (USD)	Requested (USD)
Profiling Emissions in Power & Industry Sectors	950,000	400,000
MRV System Development (Governance Track)	2,050,000	800,000
MRV System Development (Piloting Track)	1,700,000	650,000
Framework for Market-Based Instrument	1,850,000	1,000,000
Organization, Communication, Consultation and Engagement	400,000	150,000
Total	6,950,000	3,000,000

Conclusion

- Indonesia MRP proposes works on (a) core technical and institutional readiness components in power and industry sectors and (b) planning for a market-based instrument (MBI). It will be completed in 4 years after project start.
- These works will enhance understanding of market-based instruments, support the implementation of existing climate-related policies, and contribute to the decision making process of MBI implementation.
- Out of total estimated cost of USD 6,950,000, Indonesia request the PA for USD 3,000,000 funding.

Shukran ! Terimakasih !

