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Stepping up to the Challenges for Green Recovery: Indonesia-EU Green Deal

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Stepping up to the Challenges for Green Recovery: Indonesia and EU

by Linda Yanti Sulistiawati¹

1. Introduction

In its external dimension, the European Green Deal can connect to various developments in Indonesia that range from its climate and disaster resilience programmes (as adaptation) as well as its ambitions to lower emissions (as mitigation), even if Indonesia's target to develop a zero-net carbon economy is less ambitious. Opportunities for the development of a joint green partnership lie in a convergence of Green Deal instruments and objectives with Indonesia's national development plan. In this context, the sustainable management and protection of peatland, marine and coastal zones, and forests, not least in view of Indonesia's palm oil production, are important areas of cooperation. The Green Deal is also set to constitute a new point of orientation in the development of the Indonesia-EU Comprehensive Economic Partnership Agreement. At the same time, the public in Indonesia does not show a clear understanding of the urgency regarding the protection of climate and the global sustainability agenda as COVID-19 and recovery from the pandemic dominate the public discourse. Against this background, the EU needs to take into account influences and alternative cooperation opportunities for Indonesia in the region, in particular with China.

2. Indonesia's perspective on "Greening"

A. Relevance of "Green Issues" in Public Discourse in Indonesia amid the COVID-19 Pandemic

The COVID-19 pandemic is an unprecedented event that prevented travel activities and caught people off-guard. The pandemic is a game-changer in various aspects of economic and social life, but it is not yet clear whether it has lasting effects in reducing emissions. Experts on climate change claim that COVID-19 is pushing climate change off the front page. However, there are similarities.² Both challenges create shifting issues and a sense of urgency, whereas the impacts of COVID are limited in comparison to the devastating effects of climate change. According to the Intergovernmental Panel on Climate Change (IPCC) Report "Global Warming 1.5 degree C" between 2030 and 2052 the global warming is likely to increase by 1.5 degrees which would lead to severe impacts such as sea level rise, increase of ocean acidity, endangering biodiversity and ecosystem, including species loss and extinction.³ The impacts of climate

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² Linda Yanti Sulistiawati and David K Linnan, "Covid-19 offers preview of impact of environmental threats", accessed 28 December 2020, <https://www.straitstimes.com/singapore/environment/covid-19-offers-preview-of-impact-of-environmental-threats>

³ *Ibid*

change would also increase further climate-related risk with implications for human livelihood and economic growth. Despite the pandemic, greenhouse gas emissions have remained stubbornly high. Daily global carbon dioxide emissions fell by as much as 17% in early April. But as the world economy started to recover, emissions bounced back, according to the UN, with 2020 likely experiencing only a 4-7% decline in carbon dioxide relative to 2019.⁴

For Indonesia, the pandemic has affected economic growth in the second quarter of 2020, falling to minus 5.3%⁵, taking the country to the brink of a recession. Both COVID-19 and climate change require short-term and long-term investments. This is a challenging issue not only for the Indonesian government. With COVID-19, early investments in pandemic control and prevention would have paid off, similar to the difference between mitigation versus adaptation strategies in climate change. Both present different choices for economies because limited resources force us to make difficult calculations, as seen in the following points.

Firstly, the narrative of climate change and COVID-19 are similar. Both are related to events that require and cause changes in knowledge, attitudes, and threats in our daily life. The perception of the threats, however, is different in Indonesia. Climate change impacts are pictured as something which will happen in the future or near future, and yet COVID-19 is pictured as urgent and deadly. For climate change impacts, people underestimate the implications too long, because the implied changes are massive and far-reaching. Beyond that, implications resulting from a transformation to a climate-friendly economy are profound and long-lasting and thus less easily accepted.

Public attitudes to climate change and COVID-19 differ, despite certain similar aspects and consequences for the population. Similar to COVID-19, climate change impacts will take place without mercy, causing natural disaster and displacement, massive deaths, or even losing entire nations due to sea-level rise. This, however, is hard to visualize for most people⁶. The media, in particular social media, plays an important role in Indonesia advocating both challenges, COVID-19 and climate change. The accountable use of social media tools can help during a pandemic to quickly spread new important information, sharing diagnostic, treatment and follow-up protocols, comparing different approaches from other parts of the world to adapt them to our setting and available resources. In Indonesia, social media has been substantially used to introduce and spread information on the virus, but at the same time have also been spreading fake information and propaganda of conspiracy theories about the pandemic. With a view to climate change, social media in Indonesia has been useful to introduce climate change as an environmental issue, but not

⁴ https://library.wmo.int/doc_num.php?explnum_id=10361

⁵ <https://www.bps.go.id/pressrelease/2020/08/05/1737/-ekonomi-indonesia-triwulan-ii-2020-turun-5-32-persen.html>

⁶ Linda Yanti Sulistiawati and David K Linnan, "COVID-19 versus Climate Change Impacts: Lesson Learned during the Pandemic", accessed 29 December 2020, <https://theimpactlawyers.com/articles/covid-19-versus-climate-change-impacts-lesson-learned-during-the-pandemic>

yet being utilized as an advocacy tool for climate change impacts. Secondly, the pandemic and climate change share similarities with regard to the effects on the fossil fuel industry in Indonesia. The latter has an insurmountable problem if climate change is targeted via ambitious emission reduction objectives, which imply a rapid shift away from fossil fuel and towards renewable. In the COVID-19 time, we could see how oil prices plummeted all over the world, causing major economic disruptions and high losses for oil-producing countries, including Indonesia. Prior to Covid-19, when faced with maturing fields, strict regulations and a growing national oil company as the dominant competitor (PT Pertamina), many international oil and gas companies were exiting Indonesia⁷. Covid-19 and low oil prices may accelerate this. As a result, production targets for oil and gas are likely to be missed, and the Indonesian Crude Price dropped as low as \$34billion in April, compared with a national budget assumption of \$63billion⁸. This development comes with far-reaching implications for the economic situation of Indonesia and the state budget.

In view of the climate protection goals, the planned Indonesian carbon tax⁹ foresees to initiate a low carbon development and increasing state revenues at the same time. While exerting significant pressure on the national coal industry, the carbon tax is hoped to provide the capital to start renewable and clean energy development as well as green building. Therefore, the government plays an important role in encouraging this culture while creating effective, efficient, and transparent tax collection method.

As noted by Ruiu, M.L. et.al (2020), we need to understand the reasons behind the recognition of the COVID 19 as a pandemic that requires global efforts, whereas efforts to tackle climate change still lack such urgency. However, there are lessons drawn in Indonesia from the pandemic for the issue of climate change. Ahmad Arief¹⁰, for instance, argues that the pandemic should be able to awaken policymakers to be more environmentally friendly, including to reduce the rate of increasing global emissions. He links this argument to the fact that measures to reduce catastrophic climate change are also intertwined with efforts to prevent future pandemics. To illustrate, preventing deforestation and forest encroachment, which are important causes of climate change, also contributes to the protection of biodiversity. It can also slow down or stop animal migration and prevent wildlife capture, which increase the risk of spreading zoonoses, as it was the case in the Covid-19 outbreak. The connection between climate change and Covid-19 was also

⁷ <https://energyeconomicgrowth.org/sites/eeg.opml.co.uk/files/2020-07/COVID%20oil%20and%20gas%20impacts%20.pdf>

⁸ Id.

⁹ <https://www.argusmedia.com/es/news/2222571-indonesia-pushes-ahead-with-carbon-tax-scheme>

¹⁰ See here for his opinion on Kompas 2 January 2021, last viewed: 9 September 2021.

<https://www.kompas.id/baca/ilmu-pengetahuan-teknologi/2021/01/02/pelajaran-dari-pandemi-untuk-perubahan-iklim/>

established by other media¹¹. The argument here was that both threats have in common that the severe damage caused by them can be overcome if communities commit to taking decisive and early action.

B. Achievements of the National Midterm Development Plan (RPJMN) 2015-2019

In President Joko Widodo's first term (2015-2019), Indonesia has decided on a National Midterm Development Plan (RPJMN) that put the increase of climate and disaster resilience as well as the development of a low carbon economy on the agenda. The government succeeded to increase the convergence of climate change adaptation and disaster risk reduction through joint/integrated (?) programmes. It also increased Indonesia's participation in international negotiation and cooperation, such as the completion of negotiations over the Regional Comprehensive Economic Partnership (RCEP) and acceleration of negotiations on the "Indo-Pacific" as an Indonesian cooperation initiative to be adopted by the group¹². As a result, Indonesia's Disaster Risk Index has been successfully reduced by 23,97% in 2018 in comparison to 2013¹³.

Beyond that, in 2017, the Indonesian government recognized the domestic and international importance of its tropical landscape and the people in it by committing voluntarily to at least 26% reduction in greenhouse gas emissions by 2020. Indonesia also developed a strategy for land use and forestry emissions, extended a moratorium on new clearing of primary forests and peat lands from 2 to 4 years (2013-2015), in 2019 the President announced a permanent ban on forest and peatlands in Indonesia, and increasingly recognized the rights of forest communities and indigenous peoples. The Ministry of Environment and Forestry Indonesia, claims that in 2020, Indonesia managed to halt the forest fire rates to 75%¹⁴. The deforestation rate of 2019 of 462500 hectares is pushed down to 115500 hectares in 2020¹⁵.

C. Current Greening Policies in Indonesia 2020-2024

Continuing the previous RPJMN, the Indonesian government has developed a National Midterm Development Plan for the years from 2020 to 2024 that includes a green agenda. The new plan specifically addresses environmental issues and the impact of climate change as the foundation for the implementation of a green growth and green recovery agenda. The policy direction for national priorities related to the environment and climate change consists of (1) improving the environmental quality, (2) enhancing disaster and climate resilience, and (3) developing a low-carbon economy.

¹¹ Ibid.

¹² <https://www.thejakartapost.com/academia/2019/07/01/rcep-and-indo-pacific-initiatives-play-second-fiddle.html>

¹³ <http://dibi.bnpb.go.id/>

¹⁴ <https://www.voaindonesia.com/a/klhk-klaim-angka-deforestasi-ri-turun-75-pada-2020-/5801221.html>

¹⁵ Ibid.

With regard to the improvement of environmental quality, the current development plan puts emphasis on the prevention of pollution and damages to natural resources on the basis of increased monitoring of fresh water, sea water, and air quality, the provision of (more accurate) information on weather, climate, biodiversity and ecosystem conservation, and the prevention of land and forest fires as well as the loss of biodiversity. At the same time, the plan includes activities to rehabilitate and restore degraded natural resources and environment, such as peatland, forests, previous mining areas, marine and coastal areas, as well as habitats of endangered species. Protection and rehabilitation plans are accompanied by an agenda to strengthen institutions and law enforcement for Natural Resources and the Environment (NRE).

The enhancement of disaster and climate resilience continues to play a key role in Indonesia's development plan, too. This area is of particular importance for Indonesia because Indonesia is an archipelagic country made up of around 17.000 islands and sits on the Pacific "Ring of Fire". Planned measures range from better data, information and disaster literacy, over the improvement of facilities for disaster management, spatial planning and disaster prevention, to strengthening national emergency response and recovery and reconstruction facilities. Of particular relevance is the improvement of climate resilience through the implementation of the climate change adaptation plan for priority sectors including in the marine and coastal areas, the water sector, the agricultural sector, and the health sector.

With a view to the reduction of greenhouse gas emission, the National Development Plan focuses on the reduction of the deforestation rate and parallel reforestation, the expansion of renewable energy to replace fossil fuels, an increase of energy efficiency as well as higher agriculture productivity and efficiency. Large-scale plantation agriculture is an important driver of deforestation in Indonesia.¹⁶ Beyond that, waste management for both households and industrial waste belongs to Indonesia's key policy areas.

Reflecting the highly decentralized political system of Indonesia, the central government, through the Minister of Finance, Sri Mulyani Indrawati, has called on the local governments to contribute to the financing of climate change management. On the end of the central government's state budget, the average expenditure of ministries and agencies related to climate change reached Rp. 307.84 trillion in 2018-2020, with 88.1 per cent of for green infrastructure.¹⁷ However, the central government is slowly decreasing the state budget for climate change management to push for local governments' support. The Ministry of

¹⁶ Kemen G Austin, Amanda Schwantes, Yaofeng Gu and Prasad S Kasibhatla, "What causes deforestation in Indonesia?", *Environ. Res. Lett.* 14 024007, accessed 10 April 2021, <https://iopscience.iop.org/article/10.1088/1748-9326/aaf6db>

¹⁷ <https://www.cnbcindonesia.com/news/20210330132332-4-233958/atasi-perubahan-iklim-pemerintah-habiskan-dana-rp-307-t>

Finance stated that in 2018 climate change management allocated budget is Rp.132.47 trillion, 2019 is Rp.97.66 trillion, and 2020 is Rp. 77.1 trillion¹⁸.

3. Key structural elements of the relationship with Indonesia with the EU with relevance to the Green Deal: Ongoing EU-Indonesia Cooperation with relevance for EU Green Deal

In view of potential fields of cooperation and convergence of policies between Indonesia and the EU, climate protection plays an important role. Indonesia plans to revamp its Nationally Determined Contribution (NDC) goals to UNFCCC with 29% from business-as-usual (BAU) level and up to 41% with international support. The European Union and its member states are working together with Indonesia to achieve these climate change goals, in particular through funding instruments that support activities in the environmental sector. They include the initiative on Forest Law Enforcement, Governance, and Trade (FLEGHT), the Forest Carbon Partnership Facility (FCPF), the Facility on reducing emissions from deforestation and forest degradation (REDD), as well as studies of the Copernicus Remote Sensing for Peatlands.¹⁹ These negotiations include technical cooperation and policy dialogues on three of the main drivers of greenhouse gas emissions from deforestation and land degradation, namely forestry, palm oil production, and the draining of peatlands, which increases fire risks.

The EU is also negotiating a Comprehensive Economic Partnership Agreement (CEPA) with Indonesia since 2016, with the objective to facilitate and create new market access, increase trade between the EU and Indonesia as well as to expand direct investment. Indonesia is the sixth country in the ASEAN region to start negotiations for a bilateral free trade agreement (FTA) with the EU, after Singapore (2010), Malaysia (2010), Vietnam (2012), Thailand (2013) and the Philippines (2015). For Indonesia, this is an important dialogue to maintain trade relations and economic development partnering EU.

On the regional level, the EU has launched two initiatives through its cooperation with ASEAN that directly benefit Indonesia. These initiatives focus on the sustainable management of peatlands and combating transboundary haze pollution as well as the conservation of biodiversity.

EU is supporting ASEAN endeavors combating transboundary haze pollution and peatland fires, with the launched of the civil society component of the EUR 24 million programme to support Sustainable Use of Peatland and Haze Mitigation in ASEAN (SUPA). The overall programme is funded with EUR 20 million contributions from the EU and EUR 4 million from the German Government²⁰. This is implemented through collective actions and enhanced cooperation that improves sustainable peatland management, mitigates the impacts of climate change, manages the risk of wildfires and reduces trans-boundary regional

¹⁸ Ibid.

¹⁹ Blue Book 2018 Indonesia-EU Development Cooperation

²⁰ <https://asean.org/eu-support-sustainable-use-peatland-haze-mitigation-asean/>

haze. The initiative also supports and sustains local livelihoods while contributing to global environmental management²¹.

The ASEAN Centre for Biodiversity in collaboration with the European Union is implementing the project “Biodiversity Conservation and Management of Protected Areas in ASEAN (BCAMP).” The project contributes to global sustainability by ensuring ASEAN’s rich biological diversity is conserved and sustainably managed toward enhancing social, economic, and environmental well-being. EU supported the establishment of the Centre and provided funds through a Financing Agreement between EU and ASEAN. The Centre is directly under the auspices of the ASEAN and governed by a board comprising of senior representatives of each AMS and the ASEAN Secretariat²².

4. Joint Interest Indonesia-EU in relation to Green Deal

Both Indonesia and EU have common goals in terms of climate change and sustainability goals. They are parties to the Paris Agreement and committed to enhance – and accelerate – their cooperation in the field of environment, natural resources, forest legality, and circular economy.²³ Indonesia and EU acknowledge that connectivity can play a decisive role in the advancement of decarbonization, environmental protection, digitalization, fair competition, investment, promotion, and innovation.²⁴ When it comes to advancing the Indonesia’s and the global climate protection agenda, there are different roles that the EU can possibly play:

Nurturing big alliances. With China launching a net-zero goal for 2060 and Joe Biden winning the White House, the EU now has two partners who match the bloc’s own long-term ambition to develop a carbon-neutral economy by 2050. Indonesia has indicated during the Leaders Summit on Climate (April 2021) that the NDC will not be upgraded and that the net zero goal will not be achieved before 2070. With the support from EU, however, there is a big opportunity for Indonesia to shift both stands to better and more ambitious goals.

Commanding climate’s top table. From an Indonesian perspective the EU’s traditional place in climate diplomacy has been that of a big sister to a coalition of mostly small, developing countries that pledge to rapidly cut emissions. Even though the in-group / out-group strategy has a patchy record. But it did prove effective when the U.S. joined the club during the Paris climate talks in 2015 and last-minute concessions were gained from big emerging economies. This momentum would also be commendable if

²¹ Ibid.

²² <https://asean.chm-cbd.net/projects/biodiversity-conservation-and-management-protected-areas-asean-bcamp#>

²³ Joint Press Release Indonesia and The European Union advance their broad bilateral agenda, Jakarta, 4 February 2020

²⁴ Ibid

EU can invite big developing country emitter such as Indonesia to strive for better ambition, in terms of NDC and NZE (Net Zero Emission).

Putting the green in global finance. The Green Deal focuses on a regulation that has been winding its way through the EU institutions since 2018. This sustainable finance taxonomy will allow the European Commission to define what financial activities can be classified as “green.”²⁵ Recently there is a complaint launched to a Dutch bank ING for financing controversial Indonesian coal plants²⁶. EU can be more selective in financing environmentally risky projects, and more robust in financing green projects in Indonesia. This in turn would also inspire business partners to focus on green activities rather than the black and grey ones.

Taxing carbon at the border. The goal is to persuade top emitters like China and the U.S. to adopt comparable climate measures to those of the EU²⁷. However, tackling these marginal imports wouldn't give the measure the teeth it needs to be a serious incentive for the world's largest economies to take the climate-friendly path the EU has promised to implement for itself²⁸. Instead of making the carbon taxing as an obligation, EU can frame the carbon taxing as an ‘incentive’ to allure developing countries (including Indonesia) in doing business with EU. The incentive can take form as a reduced fee of tariff or trade if the product has less carbon counts, or if the product came from an environmentally sourced raw material.

5. Conclusion

Climate change and COVID-19 are both urgent, dangerous, and unprecedented challenges for nations in the world. Developing countries, including Indonesia, are having very hard time in combating these challenges. Both challenges need to be faced with urgency and calculated solutions, high ambitions for climate protection or swift containment for the virus spread.

Aside from the awareness and continuing efforts to combat the dire consequences of both climate change and COVID-19, Indonesia needs to realize that it can benefit from the strong support from its developing partners. This is where EU with its green deal facilitation and support can play an important role. Joint partnership between Indonesia-EU has been done for good prominent years, and inserting green deal initiatives, such as green finance, carbon taxing in the border, do not have to start from scratch.

²⁵ <https://www.politico.eu/article/european-green-deal-policy-guide-exporting-climate-change-trade-cop26-methane/>.

²⁶ <https://www.eco-business.com/news/dutch-bank-ing-draws-complaint-for-financing-controversial-indonesian-coal-plants/?sw-login=true>

²⁷ <https://www.politico.eu/article/european-green-deal-policy-guide-exporting-climate-change-trade-cop26-methane/>.

²⁸ Ibid.

Assisting Indonesia, a key player in ASEAN and Asia will in turn benefitting EU in her influence in the region.

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