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# Coal Finance & Green Taxonomy: Does it reflect the climate risks?

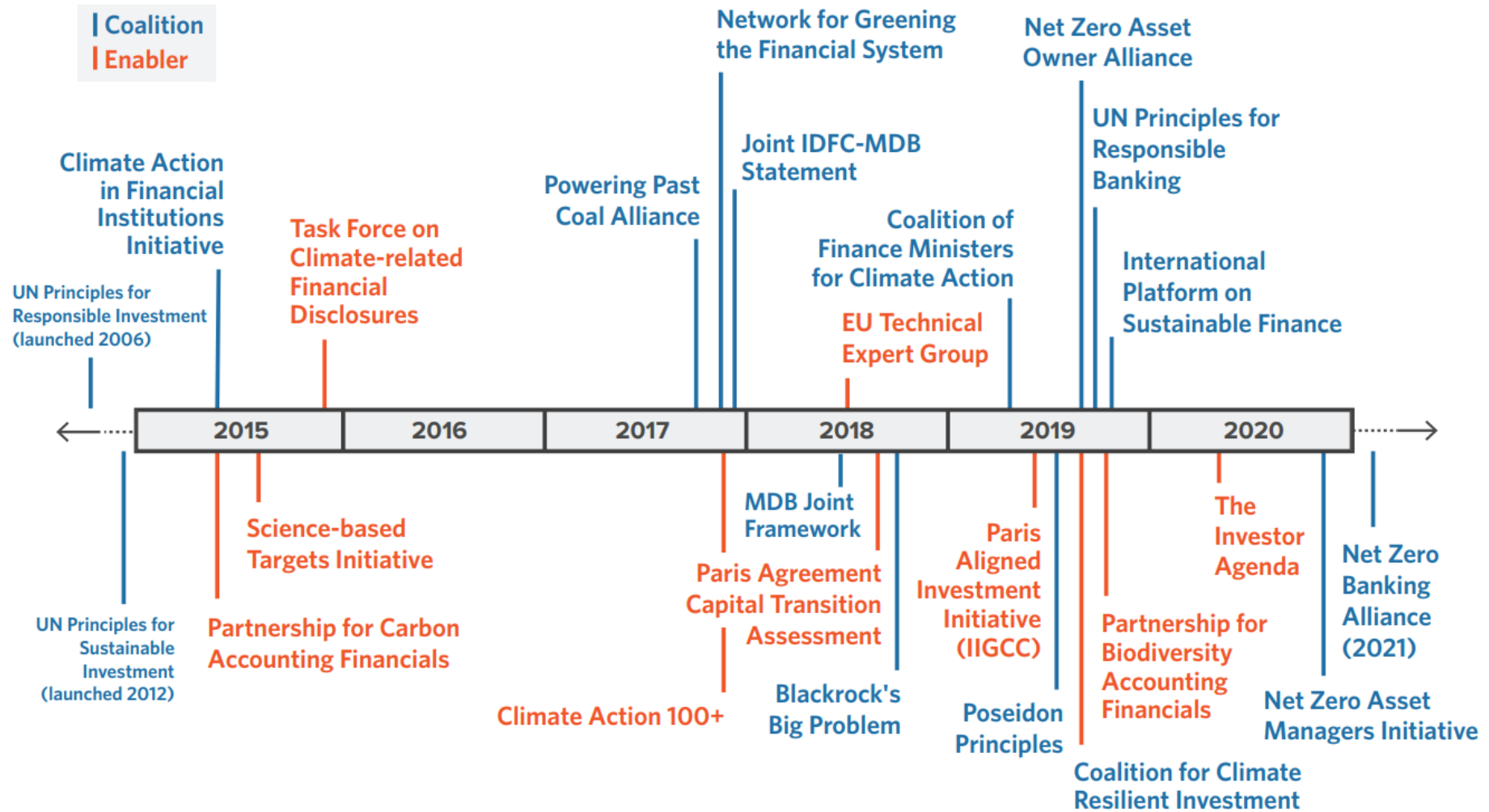
**Tiza Mafira**

**Associate Director, CPI Indonesia**

**August 26<sup>TH</sup>, 2021**

# Sustainable finance initiatives continue to rise

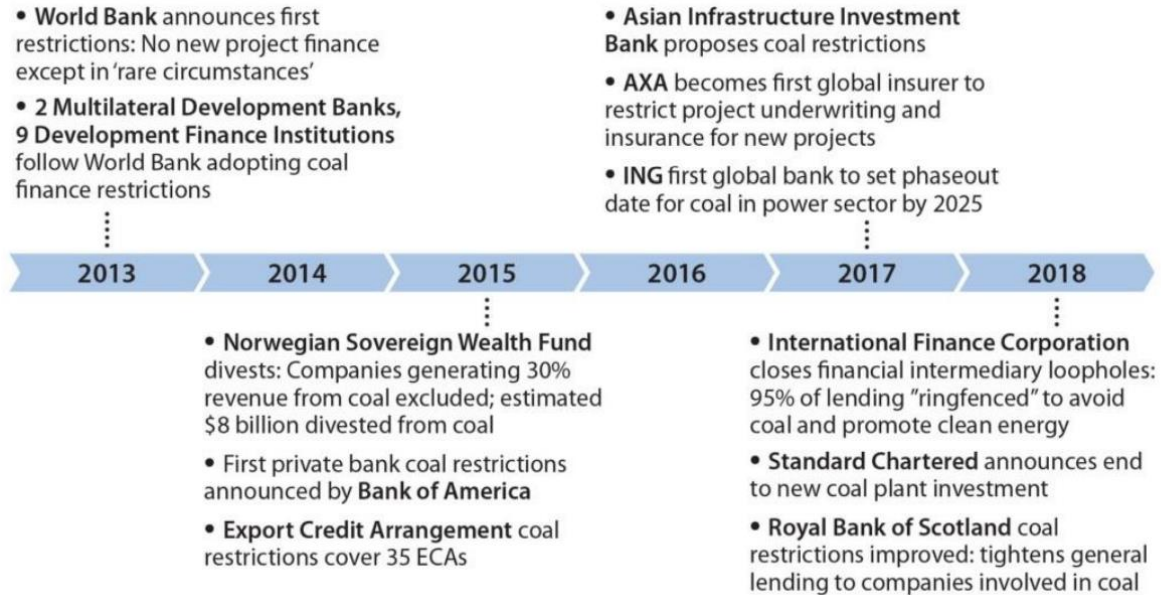
Sustainability coalitions and initiatives in the financial sector, by year of launch



# Financial Institutions continue to exit Coal Finance...

## Over 100 Major Financial Institutions Now Have Coal Finance Restrictions

To date, over 100 globally significant financial institutions including public development banks, national development finance institutions, export credit agencies, private banks and insurance companies have developed formal thermal coal mining and/or coal-fired power plant exclusion policies.

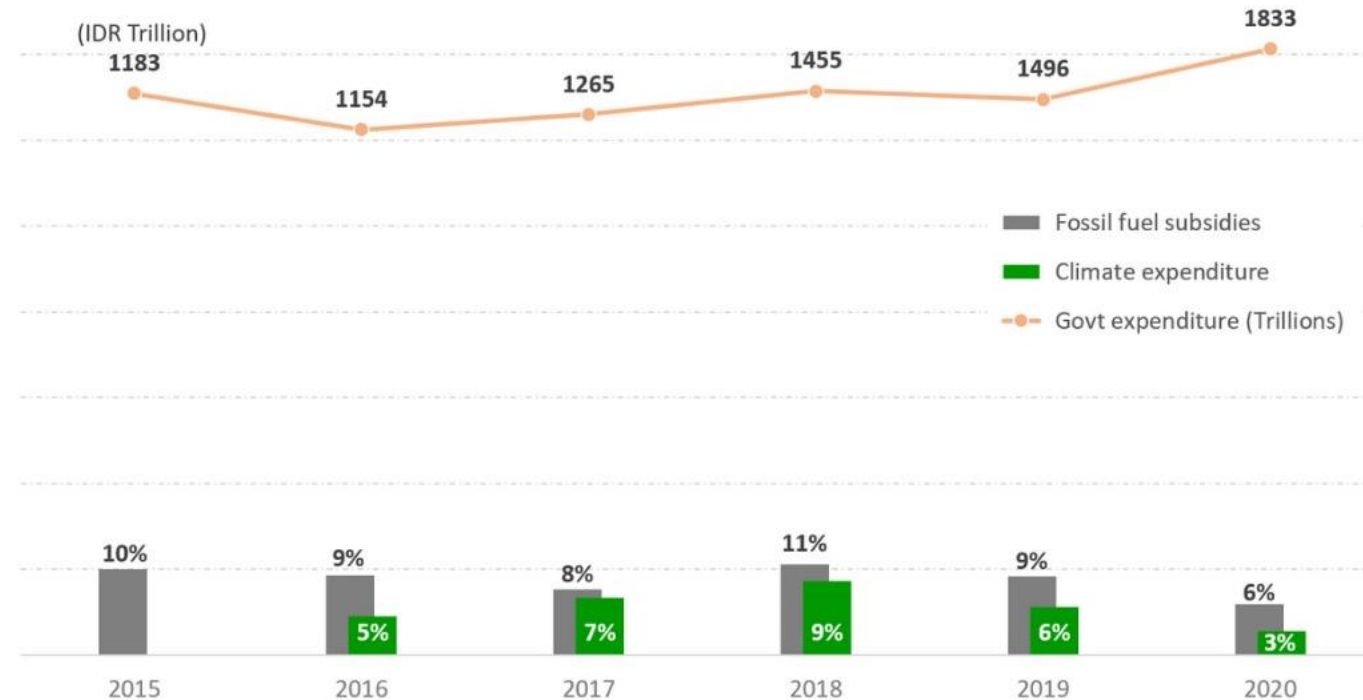


Global Financial Institutions >US\$10bn AUM	Total
Multilateral Development Banks (MDB)	7
Export Credit Agencies (ECA)	35
Development Finance Institutions (DFI)	9
Insurers / Reinsurers	20
Global Banks (Private)	34

... but in Indonesia support remains

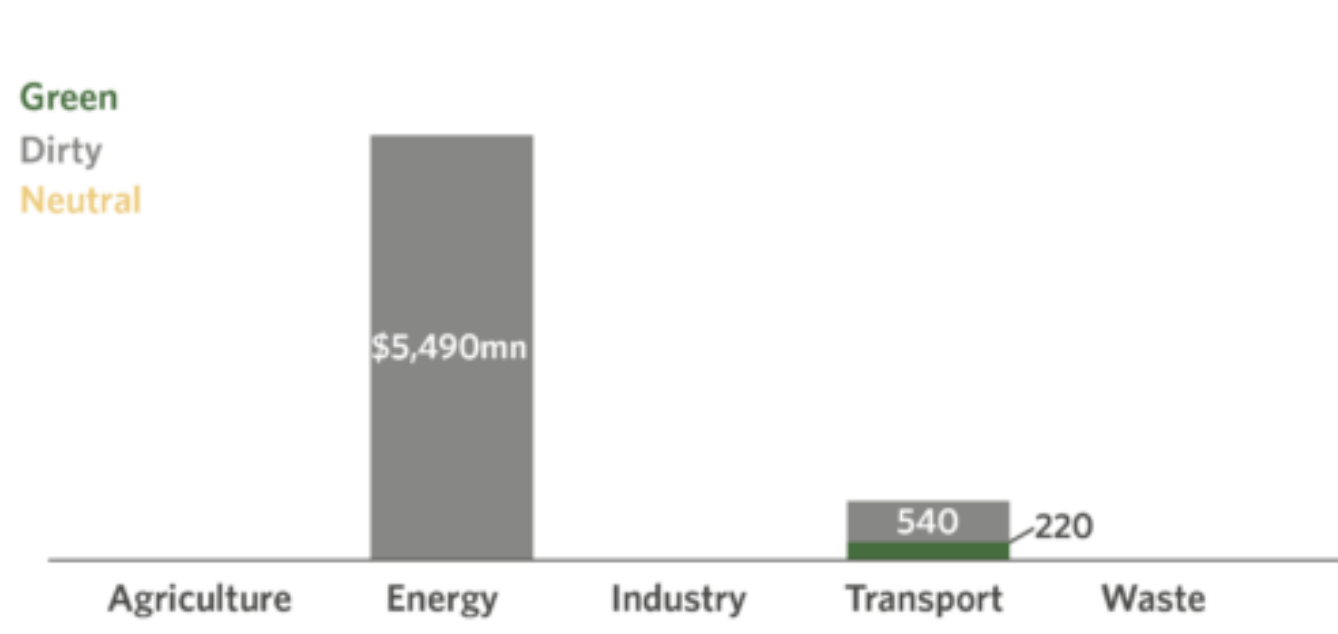
# State budget (APBN): CBT still below fossil fuel subsidies

Climate Expenditure vs Fossil Fuel Subsidies in Indonesia



Despite the subsidy reform of 2015, fossil fuel subsidies remain at **9%** of the total state budget on average since 2015. By contrast, spending for climate action is **6%** of the total state budget on average since 2016.

## Fiscal Stimulus (PEN) dominated by support to dirty sectors

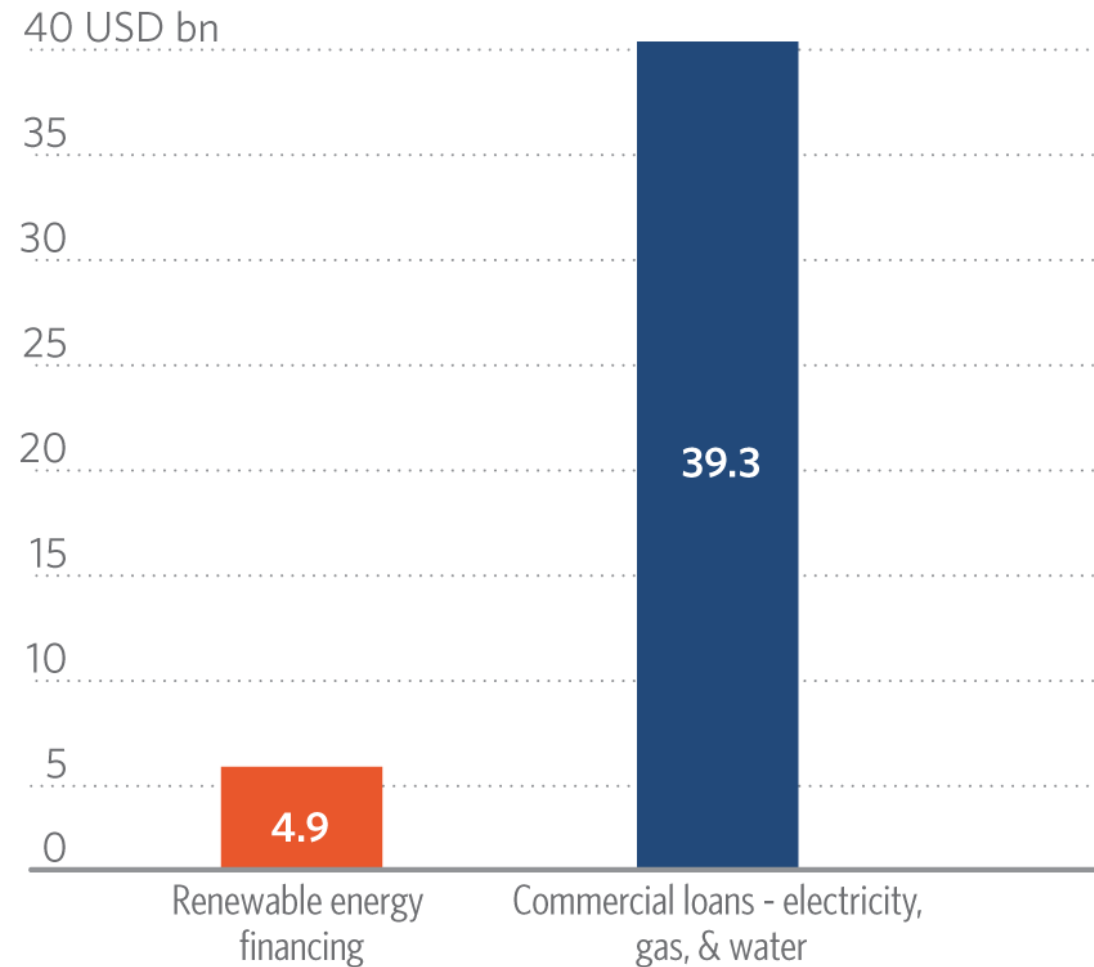


Allocations related to energy transition represent only 0.9% of the total PEN budget.

Source: CPI, 2021

## Private finance: loans to RE still below loans to conventional utilities

Loans from Indonesian banks to RE vs conventional utilities (2018-2019)



Source: CPI, 2020

# Investing more in green: which green?

Overview of green finance standards in Indonesia

## Public sector

## Financial institutions

### Reference

Perpres 61/2011 on RAN-GRK; Ministry of Environment and Forestry Guideline for Climate Change Mitigation Actions;

OJK (Financial Services Authority) Sustainable Finance Roadmap (2014) and SF Framework (POJK 51/2017)

### Purpose

To provide a reference for Ministries / Agencies in determining development activities in NDC sectors that contributes to climate change mitigation that has direct and indirect impacts on greenhouse gas emission reduction.

To provide guideline for financial institutions, capital market, and listed corporations to implement sustainable finance principle

### Use of green finance standards

Climate Budget tagging, consisting of 17 ministries/ government institutions (2020)

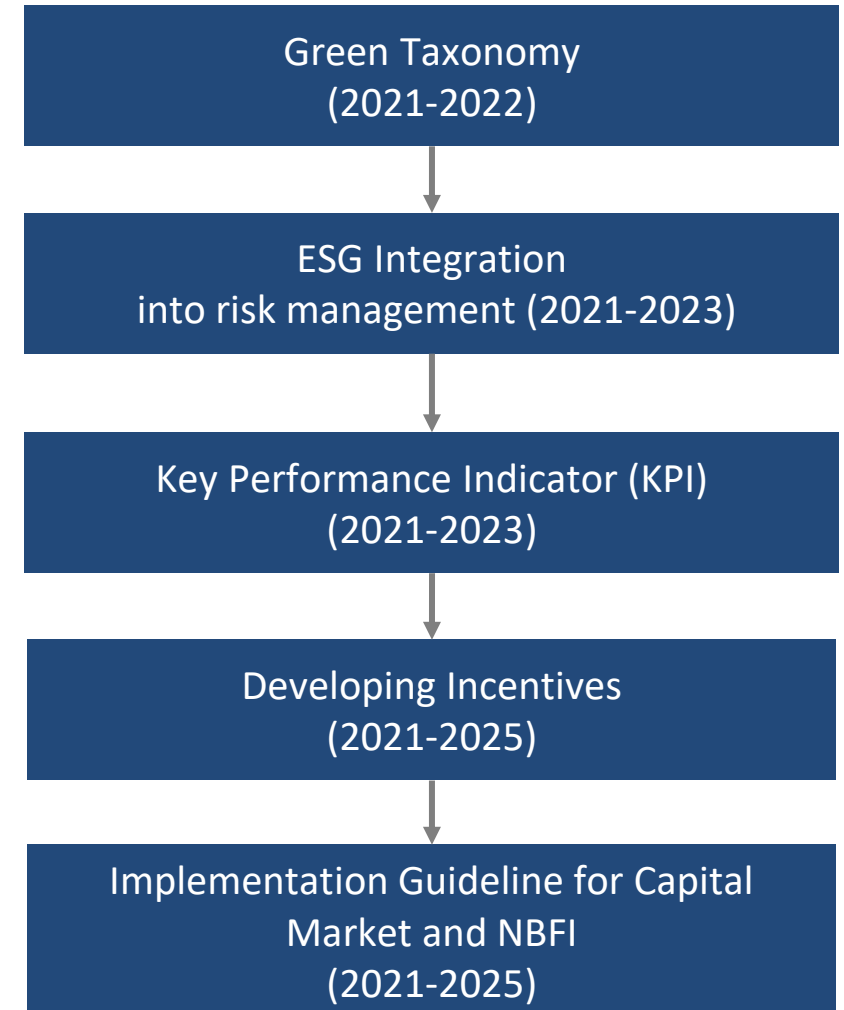
Development of sustainable finance action plan and sustainability report for the financial institutions, capital market, and listed corporations

# Green Taxonomy one of OJK's priorities under Sustainable Finance Roadmap Phase II\*

## Current Sustainable Business Activities Category

1. Renewable Energy
2. Energy Efficiency
3. Pollution Prevention and Control
4. Sustainable Natural Resources and Land Use
5. Terrestrial and Aquatic Biodiversity Conservation
6. Sustainable Transportation
7. Sustainable Water and Wastewater Management
8. Climate Change Adaptation
9. Eco-efficient Products
10. Green Buildings
11. Other Environmentally Friendly Business Activities
12. Micro, Small and Medium Enterprises

## Policies to be Developed



\*Other priorities of SFR II include: strengthening market infrastructure, product innovation, coordination with government agencies



## While OJK generally follows benchmarking, public sector green finance taxonomy still supports fossil fuel/ fossil fuel derivatives

	<u>Mitigation Sector</u>	<u>Mitigation Activities</u>	<u>Benchmarking</u>	<u>Presidential Guidelines</u>
1	Transportation	Traffic control system	Not Available	Included
2	Transportation	Navigation system	Not Available	Included
3	Land Transport	New hybrid fleet	Excluded	Included
4	Land Transport	New fossil fuel fleet	Excluded	Included
5	Aviation	Supporting Infrastructure	Excluded	Included
6	Aviation	New Aircraft fleet	Excluded	Included
7	Energy	Clean Coal Technology	Excluded	Included
8	Energy	Gas network Infrastructure	Excluded	Included
9	Energy	Gas Refill Station	Excluded	Included
10	Energy	Co-Firing Gas	Excluded	Included

## Ideally, a taxonomy should clearly differentiate:



**Dirty**  
Discouraged  
Disincentivized

**Transition**  
Short term with Phase out date  
Hedging transition impact

**Green**  
Encouraged  
Incentivized

✓ Transparent  
✓ Internalized Metrics



## Framework for Sustainable Finance Integrity

A contribution to guiding action across the financial system  
Consultation Draft

May 2021



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# Thank You

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