

Implementing Just Transition in Indonesia's Energy Sector: Who Leads, Who Acts, What Must be Done?

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Indonesia is not merely a victim of climate change, it is also a contributor. As the world's largest coal exporter, the country faces a formidable paradox. Ninety percent of coal production comes from just four provinces, nickel smelters are still powered by captive coal-fired power plants, and the JETP commitment of USD 21.4 billion remains suboptimal, with less than 1.5% taking the form of grants. At the same time, Ministerial Regulation ESDM 10/2025 has narrowed the space for public participation in transition decision-making. This is precisely why a clear map of roles has become urgently necessary.

Jalal, Member of the Board of Supervisors at the Institute of Certified Sustainability Practitioners (ICSP) and Co-founder of A+ CSR Indonesia, analysed the challenges of implementing just transition in Indonesia and shared his findings with active ICSP members at the ICSP Monthly Webinar on 23 April 2026, themed 'Just Transition in Indonesia: Concepts, Principles, and Indonesia's Implementation in the Mining, Energy, and Power Sectors.'

In his recommendations, Jalal identified at least seven stakeholders that need to play active roles in implementing just transition, particularly in the mining, energy, and electricity sectors: the national government, provincial governments, utility companies, mining companies, banks and investors, insurance providers, and trade unions and civil society organisations.

RECOMMENDATIONS SUMMARY MATRIX

Stakeholder	Key Recommendations	Instruments / Mechanisms	Urgency
National Government	National JT Framework; Multi-Stakeholder Commission; Closure Bond	Presidential Regulation/Law; Revise RPJPN & Reg 10/2025	HIGH
Provincial Government	Region-specific participatory economic diversification plans	Provincial JT Task Force; Just Transition Fund	HIGH
Utility Companies	Inclusive JT Roadmap; Restructure IPP contracts	ETM/ADB; Company JT Roadmap	HIGH
Mining Companies	Published Corporate JT Plan; Regional training centres	IFC Performance Standards; ILO JT Guidelines	MEDIUM
Banks & Investors	Social risk in credit; Blended finance; JT products	OJK CRMS; Green Sukuk; Co-finance ADB/IFC	HIGH
Insurance	Affordable products for transition communities; Cat bonds	Micro-insurance; Parametric insurance; Cat bonds	MEDIUM
Trade Unions & CSOs	Seats on JT Commission; Monitoring & public scorecard	Advocacy; Litigation; Campaigns; Participatory research	HIGH

Recommendations for the National and Provincial Governments

The most urgent step is to establish a national legal framework, in the form of a Presidential Regulation (Perpres) or Law (Undang-Undang), that defines just transition, sets standards for worker and community protection, and distributes responsibilities across ministries. The national government is urged to revise Ministerial Regulation ESDM 10/2025 and the National Long-Term Development Plan (RPJPN).

Beyond this, Jalal called for the establishment of a Multi-Stakeholder Just Transition Commission involving trade unions, civil society organisations, academics, and the private sector, not just the government and PLN, as is currently the case under ESDM 10/2025. On the matter of JETP, Jalal emphasised that what is needed is not simply more seats at the negotiating table, but a fundamental reform of its decision-making mechanisms.

"It's not about adding seats, that's not the point. What matters is ensuring that the JETP Delivery Unit genuinely has democratic decision-making, with the meaningful involvement of diverse stakeholders," said Jalal.

Equally important is the development of a robust decarbonisation roadmap, one that, among other things, stops classifying captive coal-fired power plants as 'contributors to the green transition.'

The government must also maintain control over corporate accountability. Closure bonds should be mandatory before a mine begins operations, not after it closes. Coal royalties should be directed into a Regional Just Transition Fund, supporting local economic diversification. Community development commitments by coal mining companies must be developed with the participation of local communities and regional governments, ensuring that economic strategies can evolve in line with local needs.

"The community development carried out by coal mining companies must ensure that post-closure employment, including green jobs, is incorporated into the initial community development plan. This means the Annual Work and Budget Plan (RKAB) must also be reported and approved by the Ministry of Energy and Mineral Resources," he explained.

Recommendations for Utility and Mining Companies

The steps recommended for government must be met with a positive response from the corporate sector. Utility companies, particularly those in the electricity sector, are expected to develop Roadmaps, while mining companies should produce Inclusive Just Transition Plans.

These Corporate Just Transition Plans should not only be developed but also publicly verified. They are expected to cover phased workforce transition maps, retraining programmes, land reclamation, and community investment. Mining companies in particular are encouraged to build vocational training centres in coal-producing regions, rather than importing skilled labour from outside the area. Utility companies should prioritise renewable energy expansion.

"What needs to be done is ensuring that nickel, cobalt, and copper mining becomes progressively better, not burdening communities or the environment, but instead delivering greater benefit to society, with environmental restoration as a long-term outcome," Jalal affirmed.

Recommendations for Financial Institutions, Banks, and Investors

National banks, especially state-backed ones, need to design transition credit facilities with measurable social conditions. Credit risk analysis should incorporate a social dimension, and borrowing companies must be able to demonstrate concrete just transition plans, not merely compliance documents. Various facilities can be channelled through Blended Finance products and dedicated instruments for workers and communities in coal-dependent regions.

"We need to look at other potentials such as green sukuk. The OJK's Sustainable Finance Roadmap also needs to specifically address transition financing. And in any case, blended finance is necessary to ensure that just transition efforts have viable financing opportunities," Jalal explained.

On the investment side, social transition risks should be integrated into underwriting processes and investment due diligence. Institutional investors, including pension funds and Taspen, are encouraged to allocate a portion of their portfolios to just transition instruments.

This concern is not unfounded. Of the total JETP commitment of USD 21.4 billion, less than 1.5% takes the form of grants, with the remainder comprising loans and equity. This raises serious concern, as a debt-financed transition risks adding to the country's fiscal burden rather than alleviating it.

Recommendations for the Insurance Sector

A productive convergence of insurance and investment can and should be developed in support of just transition principles in Indonesia. One such instrument is the catastrophe bond, designed to protect vulnerable communities from climate-related disasters. This instrument enables insurance companies to transfer natural disaster risk to capital markets, while investors purchase them in exchange for high returns.

Jalal also recommended expanding the availability of insurance products to reach communities at the intersection of climate risk, such as communities and small and medium enterprises (SMEs) in transition areas that need access to affordable insurance. Harvest and business insurance products for farmers transitioning away from coal value chains are also needed.

Recommendations for Trade Unions and Civil Society Organisations

Trade unions and civil society must continue to demand formal seats at just transition planning tables, at both the national and regional levels, rather than being invited merely for consultation. Civil society organisations should also continue to assert their right to carry out independent monitoring functions and publish public scorecards tracking just transition commitments.

The social dimension is central to the principles of just transition across the mining, energy, and electricity sectors, as well as others. Trade unions and civil society organisations play a vital role in ensuring that this social dimension is genuinely prioritised by all stakeholders, through open and unrestricted rights to active participation.

This article is a summary of the presentation by Jalal (Co-founder, A+ CSR Indonesia; Member of the Board of Supervisors, ICSP) at the ICSP Monthly Webinar titled 'Just Transition in Indonesia: Concepts, Principles, and Implementation in the Mining, Energy, and Power Sectors', held on 23 April 2026.

This article is available in both Bahasa Indonesia and English. The Bahasa Indonesia version is a summary compiled by the ICSP team based on the webinar presentation. The English version is provided to facilitate access for international readers. Neither version was written directly by the author, and some nuances from the original presentation may differ.