

EXECUTIVE SUMMARY

Indonesia's rapid economic growth since the late 1990s has set it on track to become one of the world's largest economies by 2040. While this growth has lifted millions out of poverty and positioned Indonesia to achieve high-income status by 2045, much of it has been driven by mining, manufacturing and other emissions-intensive industries. Indonesia now faces a complex challenge; tackling climate change and adapting to a global economy swiftly shifting away from fossil fuels—without losing sight of its development goals.

Climate change poses significant risks to Indonesia, with increased flooding, cyclones, and extreme heat already affecting lives and livelihoods across the archipelago. Critical sectors like agriculture, forestry, and fisheries are particularly at risk, and the World Bank estimates these climate impacts could cost Indonesia up to 7% of its GDP by 2100.

Decarbonisation is essential—not only to protect the environment, but to safeguard Indonesia's long-term economic competitiveness. As the world's largest exporter of thermal coal, Indonesia urgently needs to diversify its economy as demand for fossil fuels declines.

Recognising this, the government has set ambitious climate targets—including cutting emissions by 31.89% unconditionally by 2030, and 42.20% with international support, phasing out coal-fired power by 2040, and reaching net-zero by 2060. Achieving these goals could transform Indonesia into a global leader in renewable energy and green technology, unlocking huge economic opportunities.

But success will depend on more than just hitting emissions targets. A just transition must focus on people—not just creating new jobs for fossil fuel workers, but supporting all households, workers and regions affected, from those displaced by critical mineral mining to farmers and fishermen dealing with the effects of deforestation and pollution.

This report outlines three core principles to guide a just transition in Indonesia:

1. Enable those affected by the transition to have a voice and access to choices;
2. Ensure those who face vulnerability are not made worse off;
3. Ensure the benefits and costs of the transition are shared equitably.

This framework will support the whole-of-society approach needed to ensure the transition is fair, inclusive and effective. Economic transformation must be matched by strong protections for vulnerable groups and a fair distribution of benefits. Giving communities a meaningful voice in transition planning will be critical to building public trust, maintaining social cohesion, and ensuring lasting, inclusive growth.

Indonesia should now set out a clear national vision for a just and effective energy transition—supported by detailed policy roadmaps to guide decisions, robust coordination across government, and genuine engagement with all stakeholders. A national coordinating body is needed to steer these efforts and ensure they are progressing in the right direction. International partners also have a role to play, particularly in supporting the development of community consultation plans and workforce assessments.

Indonesia has the resources, ambition, and global relevance to lead. Done right, the energy transition can lift living standards, strengthen the economy, and show the world what a fair, inclusive shift to net zero can look like.