High-Level Summary

Strategic Dialogue on Energy Policy for Fiscal Resilience and Energy Independence

Mandiri Club, Jakarta | 15 June 2026

OVERVIEW

The Energy Transition Policy Development Forum (ETP Forum), led by CPD and IESR and co-hosted by Mandiri Institute, convened a "Strategic Dialogue on Energy Policy for Fiscal Resilience and Energy Independence" on 15 June 2026. The discussion brought together senior Indonesian policymakers, legislators, business leaders, financial institutions, and experts to discuss practical reform opportunities to meet the current moment. The event was generously hosted at the Mandiri Club in Jakarta, was closed-door, and conducted under the Chatham House Rule to facilitate open and candid exchanges. What follows is a high-level summary of the discussions.

KEY DISCUSSION THEMES

The event was designed to bring together a diverse group of senior and influential decision-makers and thought leaders who do not routinely engage in the same policy forum. Discussions began with CPD and IESR about recently released reports, *Redirecting Our Energy* and Preparing Accelerated Energy Transition in Power Sector Through Structural Policy Reform and were followed by the IISD and PYC report on a related topic.

Some key areas of agreement that were discussed include:

Reforming energy subsidies is no longer a question of "why", but "how". Participants broadly agreed that the central question is now how to implement reforms in a manner that is politically feasible, socially acceptable, and administratively effective. Many participants noted that nearly two decades of policy discussions, studies, and reform experiences have already generated sufficient evidence to justify action. These include actions repeatedly advocated for by CPD and IESR, among others, such as shifting from commodity-based subsidies to targeted support, using digital and data-driven delivery systems, and framing subsidy reform as part of a broader agenda for fiscal resilience, energy security, and economic transformation.

Subsidy settings are increasingly unsustainable. Participants highlighted growing concerns regarding rising fiscal pressures from subsidies and compensation payments, distorted price signals and economic inefficiencies, significant skewing of benefits to higher-income groups, reduced fiscal space for productive investment in education, health, infrastructure, and clean energy and finally weak incentives for energy efficiency and domestic energy diversification. There was also recognition that the current system increases fiscal risk and undermines long-term economic resilience.

Reform does not mean removing social protection. One of the strongest areas of agreement was that subsidy reform should not be framed as the withdrawal of government support to those who need it. Participants emphasised the need to shift from subsidising energy commodities to directly supporting eligible citizens. Several argued that vulnerable households could ultimately receive greater benefits under a targeted assistance model compared with the current system.

Indonesia Is better prepared than ever before. Participants observed that Indonesia now possesses many of the enabling conditions that were absent during earlier reform efforts. These include data registries like DTSEN, stronger national social protection systems; higher levels of financial inclusion and use of digital payments and e-wallets, developments in effective biometric identification systems and interoperability among government databases. Participants also recognised that useful lessons learned from the 2017 experience with electricity subsidy reform, ultimately meaning that technical readiness is no longer the primary barrier in this space.

Political economy and public communication are now the main challenges. Drawing on his experience across three presidential administrations and multiple attempts at energy subsidy reform, one senior public servant highlighted that the principal obstacle has rarely been technical feasibility. Rather, the central challenge has been uncertainty among political leaders regarding the electoral consequences of reform. Several emphasised that successful reform will require a compelling narrative and public communication campaign centred on fairness, protection of vulnerable households, and tangible public benefits.

EMERGING AREAS OF CONSENSUS

The discussion revealed several areas of broad convergence:
- Energy subsidy reform is increasingly necessary to strengthen fiscal resilience.
- Subsidies should be better targeted toward people rather than commodities.
- Social protection must remain central to any reform package.
- Existing data systems and digital infrastructure make implementation more feasible than ever before.
- Political leadership and public communication will be decisive determinants of success.
- Reform should contribute not only to fiscal sustainability but also to energy security, economic competitiveness, and energy transition objectives.

Many of these themes align closely with policy recommendations that have been consistently advanced by CPD and the Energy Transition Policy Development Forum, particularly the transition from commodity-based subsidies to people-based support, the integration of social protection objectives into subsidy reform, and the use of digital and data-driven systems to improve targeting and delivery.

NEXT STEPS: BUILDING THE POLITICAL APPETITE FOR REFORM

One of the most important recommendations emerging from the dialogue was the need for further research on the political palatability of energy subsidy reform, particularly its relationship with public approval and political leadership. Therefore a key proposal emerging from the discussion was the need for dedicated research examining:
- The relationship between targeted subsidy reform and public approval;
- Whether better-targeted assistance improves perceptions of fairness and government effectiveness;
- The impact of reform on public trust in government institutions;
- International experiences where difficult economic reforms strengthened political legitimacy;
- Communication approaches that enable political leaders to successfully implement reform while maintaining public support.

Several participants suggested that this may represent the most important remaining evidence gap in Indonesia's reform agenda. Demonstrating that targeted subsidy reform can generate political as well as economic benefits could substantially reduce the perceived risks faced by political leaders. The forum therefore identified political economy analysis as a priority area for future work and stakeholder engagement.

CONCLUSION

The Strategic Dialogue demonstrated that a broad coalition of policymakers, legislators, government officials, financial institutions, and policy experts recognise that Indonesia's current energy subsidy model requires reform. The debate has moved beyond the technical merits of reform. The challenge now lies in sequencing and political strategy so that reforms can be implemented in way that simultaneously strengthens fiscal resilience, protects vulnerable households, improves energy security, supports long-term economic transformation, and brings the public along. Understanding how reform can create rather than lose political capital for reformist politicians may ultimately be the decisive factor enabling Indonesia to move from discussion to implementation. The discussion further suggested that many of the foundational elements required for reform are already in place, and that policy discourse among senior policymakers is increasingly converging on approaches long advanced by CPD, IESR and the Energy Transition Policy Development Forum.

About the ETP Forum
The ETP Forum was established in 2022 and helped coordinate support to Indonesia's *G20 Presidency in 2022 and ASEAN Chairship in 2023.* The Form has become a trusted platform to bring together stakeholders from government, parliament, the financial sector, think tanks, and policy communities for strategic policy dialogue on Indonesia's energy future. The ETP Forum comprises CPD, Climateworks Centre, the Indonesian Research Institute for Decarbonisation, the Institute for Essential Services Reform, the Purnomo Yusgiantoro Centre and the International Institute for Sustainable Development.