



NEW ZEALAND
FOREIGN AFFAIRS & TRADE
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Indonesia Green Economy

MARKET INTELLIGENCE REPORT

Summary

- The green economy is one of six strategies of Indonesia's economic transformation to achieve its Golden Indonesia 2045 Vision, when Indonesia aspires to be a developed, prosperous, sovereign and sustainable archipelagic nation. Indonesia's green economy transformation emphasises a low carbon economy and circular economy, blue economy, and energy transition.
- Indonesia has incorporated green economy practices centred on low carbon development and climate resilience into its National Long-Term Development Plan for 2025-2045

Report

We report on one of the six strategies of Indonesia's economic transformation to achieve its Golden Indonesia 2045 Vision (celebrating 100 years of Indonesian Independence when it aspires to be a developed, prosperous, sovereign and sustainable archipelagic nation) – the green economy.

For Indonesia to become a high-income country and escape the middle-income trap in 2045, a sustainable economic growth of more than 7 percent per year is required. To achieve this goal, Indonesia needs a structural change, such as that which could be brought about by a green economy transformation.

What is Green Economy?

Indonesia's green economy concept was adopted from the United Nations Environment Programme's green economy definition of an economic development model to support sustainable development with a focus on investment, capital, infrastructure, employment and skills to achieve social welfare and environmental sustainability.

Indonesia's green economy transformation emphasises a low carbon economy and circular economy, blue economy, and energy transition. The green economy sectors in Indonesia can be grouped into five clusters:

- energy and extractives (oil and gas, mining, and renewable power generation sectors);
- manufacturing (production and processing industries, clean technologies, and waste recycling sectors);
- connectivity (telecommunications, land and sea transport, infrastructure, and construction sectors);
- renewable natural resources (forestry, agriculture, land use activities, marine activities, and fisheries sectors); and
- emerging natural capital markets (carbon market, ecotourism, biotechnology, and finance sectors).

1. The blue economy in Indonesia consists of eleven sectors, namely capture fisheries; aquaculture; fish and seafood processing; marine biotechnology; energy and mineral resources; coastal and marine tourism; sea transportation; coastal forestry; small island resources; maritime manufacturing and services; and nonconventional resources (an emerging sector including ocean energy, hydrate gas, deep sea mining, deep sea fishing,

offshore aquaculture and development of ocean space). So far, only 35 percent of Indonesia's blue economic potential has been realised, contributing to 12 percent of the country's GDP. The [Blue Economy Roadmap](#) outlines Indonesia's plan for the realisation of a sustainable maritime economy from 2023 to 2045.

A study conducted by Indonesia's National Development Planning Agency (Bappenas) indicates that efforts to transition to a green economy could provide various benefits for Indonesia, including:

- average GDP growth of 6.1–6.5 percent per year until 2050;
- 2021–2060;
- up to 68 percent reduction in emissions intensity by 2045 before reaching zero by 2060;
- the creation of 1.8 million environmentally friendly jobs by 2030 across the energy, electric vehicle, land restoration, and waste sectors; and
- higher Gross National Income (GNP) by 2045 of up to 25–34 percent, or the equivalent of US\$13,890–14,975 per capita.

Indonesia's green economy practices are centred on low carbon development and climate resilience policies, which have become the “backbone” of the green economy and efforts to achieve net-zero emissions. Both policies have been integrated into Indonesia's national medium-term development plan for 2020–2024 and the National Long-Term Development Plan for 2025–2045, making emissions reduction a concrete target for sustainable development.

In addition, the Indonesian Government, through Bappenas and the Global Green Growth Institute jointly implement the ‘Green Growth Programme Indonesia’, involving a number of national and sub-national governments. This programme has become a reference in Indonesia for green growth planning, investment and performance monitoring. The three priority sectors of this programme are sustainable energy, sustainable landscapes and sustainable infrastructure in Special Economic Zones.

How “Green” is Indonesia's Economy

In August 2022, Bappenas, Indonesia's focal agency for the United Nations Partnership for Action on Green Economy (PAGE), launched the Green Economy Index (GEI) as a tool to measure the progress of the green economy in Indonesia. The index builds on PAGE's Green Economy Progress Index methodology.

There are fifteen multidimensional indicators used in the GEI to measure the performance of the green economy, classified into three pillars - environmental, social, and economic. The diagram below shows the indicators under each of the pillars:



Overall, Indonesia’s GEI has shown a positive trend with the composite score increasing from 47.2% in 2011 to 59.17% in 2020, indicating that Indonesia is progressing towards a green economy. Four indicators identified as the main contributors to this result and having a very good score (exceeding 75) were forest cover, managed waste, industrial sector labour productivity, and life expectancy.

Way forward

Bappenas is targeting the green economy index in 2045 to reach 90.65%, with the share of new and renewable energy in the primary energy mix reaching 70%.

In the National Long-Term Plan for 2025–2045, Indonesia’s green economy transformation priority application efforts include:

- increasing energy efficiency and accelerating the transition to clean and renewable energy;
- developing smart grids including interconnection networks within islands (island grid) and between islands (national grid);
- developing energy storage system technology such as batteries;
- developing environmentally friendly transportation;
- implementing a circular economy;

- managing forests and agricultural land and their derivative products in a sustainable manner;
- strengthening the implementation of fiscal and non-fiscal incentives to encourage green products through developing green financing and implementing carbon pricing to support investment; and
- applying green economy principles in every sector.

Indonesia will need to make the necessary preparations to support the transformation, including increasing human resources, developing and adopting clean technology, developing infrastructure in rural areas, and expanding the supporting ecosystem through policies and regulations that support the green economy in various sectors.

President-elect Prabowo Subianto's Administration has expressed its commitment to continue to improve low-carbon development through the green (and blue) economy as a strategy to strengthen the nation's independence and to increase sustainable economic growth and energy security. With Indonesia's aim to become the centre of the world's green economy and carbon trading, a Climate Change Control and Carbon Trading Management Agency will be formed and tasked to oversee sustainable climate change control and realise carbon sovereignty by utilising blockchain technology.

With President-elect Prabowo Subianto's aim of achieving 8 percent economic growth within five years, New Zealand businesses may wish to look for mutually beneficial green growth opportunities as Indonesia continues to implement its green economic transformation towards Golden Indonesia 2045.

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