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CASE Insights

Reflecting on Coal Narratives through A Just Energy Transition Lens in East and South Kalimantan

Imprint

In the context of CASE

The regional programme, "Clean, Affordable and Secure Energy for Southeast Asia" (CASE), is jointly implemented by GIZ, and international and local expert organisations in the area of sustainable energy transformation and climate change: Agora Energiewende and New Climate Institute (regional level), the Institute for Essential Services Reform (IESR) in Indonesia, the Institute for Climate and Sustainable Cities (ICSC) in the Philippines, the Energy Research Institute (ERI), and Thailand Development Research Institute (TDRI) in Thailand. These organisations have set the objective of changing the narrative for energy transition. In Indonesia, CASE is anchored to the Ministry of National Development Planning/National Development Planning Agency (Bappenas) – Directorate of Transmission, Electricity and Aerospace, and jointly implemented by the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH and the Institute for Essential Services Reform (IESR).

Programme Contact:

Deni Gumilang
Deni.gumilang@giz.de

Agus P. Tampubolon
agus@iesr.or.id

Indonesia Counterpart:

Coordinator - Directorate of Transmission, Electricity, and Aerospace (TKKA), Ministry of Development Planning/ National Development Agency (Bappenas)

Yusuf Suryanto
yusuf.suryanto@bappenas.go.id

Authors:

Nisita Ramadhani (GIZ)

Editors:

Fadhil Ahmad Qamar (IESR)
fadhil@iesr.or.id

Yudiandra Yuwono (GIZ)
yudiandra.yuwono@giz.de

Tammya A. Purnomo (GIZ)

On behalf of

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5. Wiwin Sriniaty Siahaan - Junior Planner
6. Nararya Berlianti - Junior Planner
7. Thariq Warsahemas - Junior Planner
8. Anggi Maragusman - Junior Planner
9. Heraniawati - Junior Planner
10. Jasmine Chaerani - Junior Planner

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Key Take-Aways

Energy transition which also involving transitioning away from coal consumption will result in economic and employment shocks, even more so in coal-producing regions such as East Kalimantan and South Kalimantan. This condition highlights the need for transitioning in an inclusive manner, taking each region's respective sociocultural perspectives and economic potential into context.

This CASE Insight aim to highlight the frames or narratives on coal and how it may relate to Just Energy Transition in two coal-producing regions in Indonesia, incorporating the findings from a workshop on "How Regional Government in Kalimantan Accelerate Energy Transition through RUED Implementation", which was co-organized between Project CASE and the National Energy Council in August 2023 in Balikpapan. This CASE Insight dissects the issue in three chapters: the narrative of the past and present, the narratives of the future and how to shift towards the just energy transition narratives. Some of the key takeaways are:

1. Despite having contributed significantly to regional income, coal mining's contribution to overall economic development is limited and its employment opportunities are often concentrated in a few areas. On top of that, as the world is transitioning-away from coal, future revenue is projected to plummet, signifying the need for coal-producing region to shift its focus to other revenue generating sector.

2. The economic transformation of coal producing regions implies a growing need for energy, including electricity. Therefore, it is imperative to source this new electricity demand from renewable energy sources to break the loop of coal dependence. The governments of East and South Kalimantan have stated their commitment for this in their latest respective regional energy plan, but there are still room for improvement for a more ambitious target.

3. The policy alignment process between national and regional level should shift from a top-down approach to a more inclusive and two-ways process. This process should include city/regency-level authorities and vulnerable communities to address the specific needs and interests of those most impacted. The discussions organized by Project CASE opened up those much-needed space to voice these needs.

Overview

After Indonesia's coal production boom in the early 2000s, Indonesia rapidly becomes one of the world's top coal producers with a production of almost 836.13 Mt in 2024[1]—third only after China and India[2]. Of this, roughly 25-30% will be used domestically, where the rest will be exported to meet the global coal demand. When compared to other Southeast Asian countries, Indonesia remains not only as the largest coal consumer due to its abundant coal supply and coal-fired power plants, but also the main driver of a strong growth of coal consumption in the region. Despite the surging growth of coal demand and production in recent years, **its demand projection shows a substantial decrease in the upcoming years.**

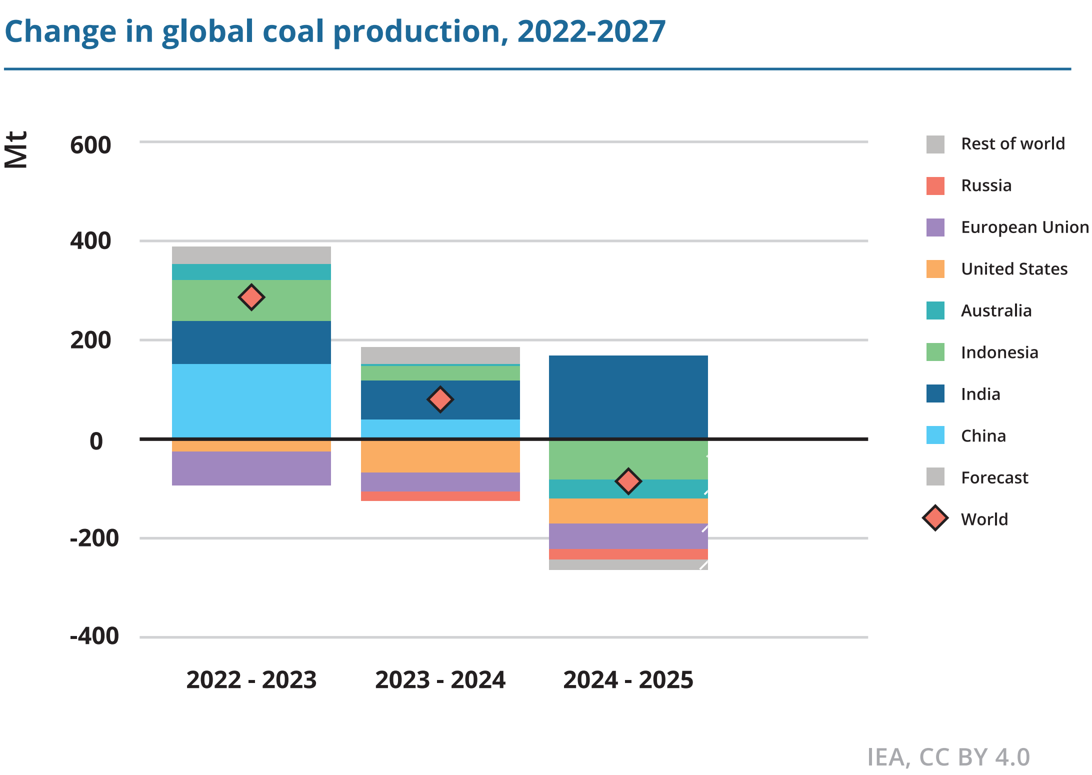

Figure 1 Change in global coal production (2022-2027) (IEA, 2024)

This decline is driven by the urgent need to tackle the climate crisis and the collective action from nations to achieve their net-zero emission targets. As decarbonisation efforts take a whole-economy approach, the demand for coal is also foreseen to decline in other sectors, most notably in the industrial sector. These decarbonization measures, and the resulting decline in coal demand, will intensify as countries strive to realize their announced pledges and net-zero commitments, emphasizing the critical need for economies to transition towards more sustainable energy sources to ensure long-term economic sustainability in the face of shifting global energy demands.

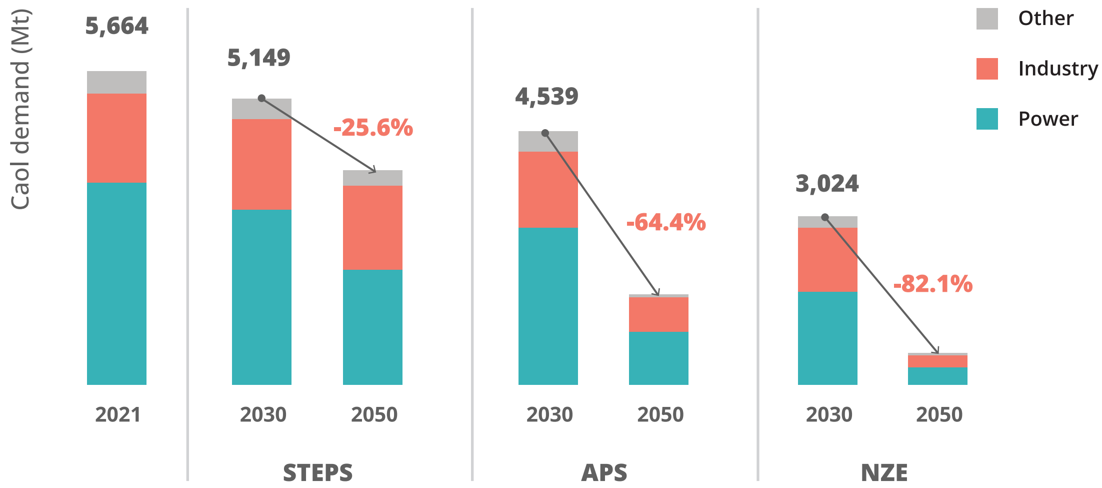

Figure 2 Projected global coal demand by sector (MTons) (IEA, 2022)

IEA (2022) projected that the global coal demand may decline as much as 32-72% in 2050 compared to the coal demand in 2021[3]. This decrease in demand won't manifest uniformly across all regions or maintain a steady rate over the years; rather, it will vary depending on how quickly and comprehensively each area moves away from coal usage. Indonesia exemplifies this variability. Current and forthcoming policies and initiatives in the country are setting it on a path to an increased coal demand of 58 million tonnes (Mt), marking a 57% rise from 2021 levels by the year 2050.This growth (+2% p.a.) may be considered moderate considering its historical growth of 9% p.a. from 2010 to 2021. However, if Indonesia were to enact all its announced ambitions and targets, it is expected to see a significant decline in coal demand by 60% in 2050, highlighting a critical turning point towards its energy transition efforts.

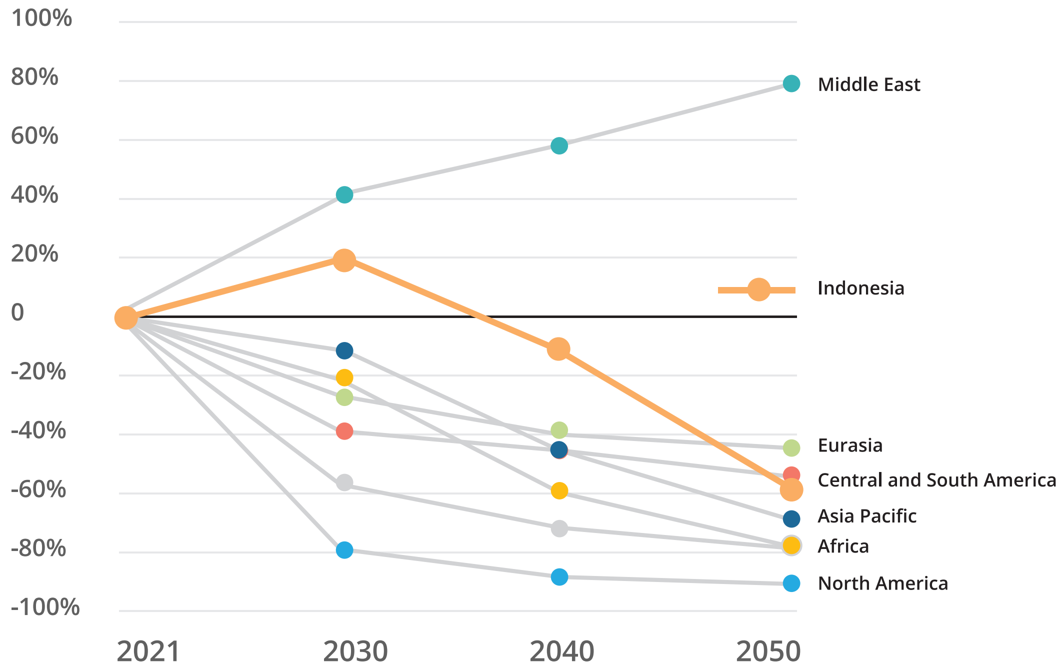

Figure 3 Projected coal demand by region (% change compared to 2021) (IEA, 2022)

As the global shift occurs, demand for Indonesian coal is projected to decline.

On top of the faltering Indonesia's demand for coal shown in the projection above, Figure 4 shows similar condition for the global demand for Indonesian coal. With roughly 70-80% of its coal being exported, Indonesia shall take this declining projection into consideration for the sake of its future economic stability. Continued reliance on the coal commodity to generate export revenues will make Indonesia vulnerable to price fluctuation and disruption in the global coal market. A recent study by IESR (2023) shows that the demand for Indonesian coal will show a decline until 2050 in the current commitment scenario, with a peak by 2030 due to a slight increase in coal demand for its domestic power[4]. However, the inherent inertia of energy systems and economic structures may significantly slow down this shift away from coal. Societal and economic systems resist abrupt changes due to the deep integration of existing fossil fuel infrastructures and vested interests supporting them, indicating that practical challenges in reducing coal dependency could be more pronounced than anticipated[5].

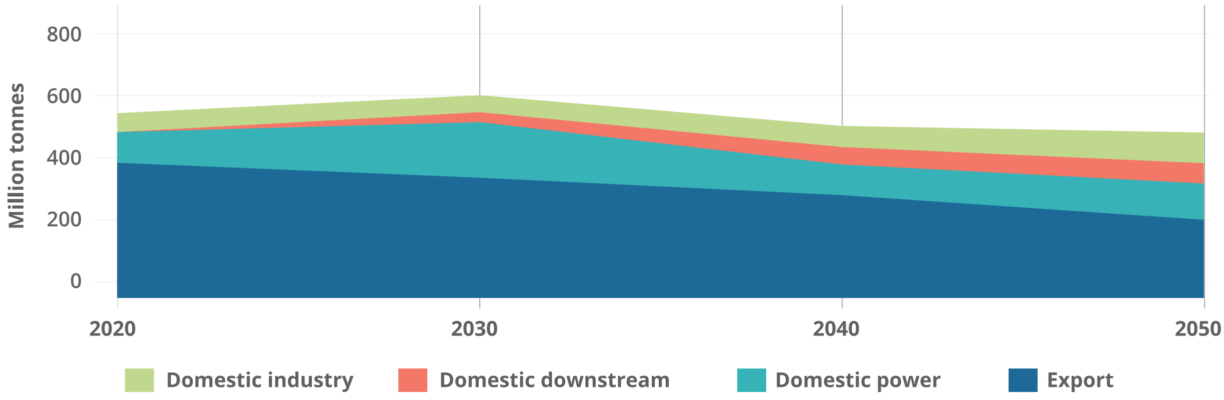

Figure 4 Projected coal demand by region (% change compared to 2021) (IESR, 2023)

Considering the strong role of coal in the current global and national context as well as its projected dwindling, **Indonesia shall start to transform its coal-producing regions during the energy transition to reduce economic and employment shocks in coal-producing regions.** Said transformation shall also be done in an inclusive manner, taking each region's respective sociocultural perspectives and economic potential into context. An emerging concept that intends to mainstream energy justice issues into the energy transition process is commonly termed as "Just Energy Transition".

Accordingly, this CASE Insights aims to highlight the frames or narratives on coal and how it may relate to Just Energy Transition in two coal-producing regions in Indonesia, incorporating the findings from a workshop on **"How Regional Government in Kalimantan Accelerate Energy Transition through RUED Implementation"**, co-organised by CASE Indonesia and the National Energy Council, held on 1-2 August 2023. These findings serve as general insights and shall need to be enriched with further qualitative analyses.

What is Just Energy Transition?

To date, there is no official definition of Just Energy Transition that is formally agreed either globally or nationally in Indonesia. For this CASE Insights, however, Just Energy Transition is referred to as a transition of the energy system from one that is fossil fuel reliant towards a sustainable energy system through an inclusive decision-making process which prioritises an equitable distribution of costs and benefits.

Four central tenets of climate and energy justice that are commonly found in literatures[6] will be highlighted, namely:

1. **Distributive Justice,** to ensure equitable distribution of energy transition outcomes, benefits, and costs among affected actors and generations.
2. **Procedural Justice,** to guarantee fair and inclusive decision-making processes, which includes access to information, unbiased decision-making, meaningful participation, and legal redress.
3. **Recognitive Justice,** to acknowledge diverse perspectives stemming from social, cultural, ethnical, racial, and gender distinctions and giving equal political rights to individuals[7,8],
4. **Restorative Justice,** to address past damages, to account for currently perpetrated crimes, and to prevent future harm.

Diverse Perspectives as a Lever for Accelerating Energy Transition

In determining energy transition pathways, it's customary to assess technical and economic feasibility. However, the process often overlooks a crucial step: thorough stakeholder engagement to identify the narratives held by each stakeholder. Recognizing and reflecting on these varying narratives is crucial to the energy transition process. This inclusive approach ensures that transitions are inclusive, enhances social acceptance for the deployment of clean energy technologies, and prevents disproportionate negative impacts on affected communities, thereby aligning with broader sustainability goals that emphasize the balance between environmental integrity, economic stability, and social equity. The following section will describe and categorize the narratives often found in the energy transition discourse, specifically focusing on the impacts of the transition on coal-producing regions.

Among all coal-producing provinces in Indonesia, this CASE Insight focuses on East Kalimantan and South Kalimantan, which are two of the biggest coal-producing regions, contributing approximately 206 million tonnes and 148 million tonnes in 2020, respectively. These figures represent roughly 37% and 26% of Indonesia's coal production in the same year. Understanding the unique challenges and opportunities in these regions requires a nuanced approach that considers the local socioeconomic context and the potential environmental impacts of transitioning away from coal. This nuanced approach seeks to engage with the diverse stakeholder narratives, aiming for a transition strategy that is both environmentally sustainable and socially equitable.

Narratives of The Past and The Present

In mitigating risks experienced while transforming these coal regions, a strong focus shall be put on potential losses in economic and sociocultural values. Preparing East and South Kalimantan as Indonesia's two largest coal mining regions shift towards cleaner energy also requires the understanding of the current local socio-cultural context. By exploring the narratives of the past, historical factors that may affect the narratives of the present are expected to be better understood. This is particularly crucial because **it can aid policymakers in uncovering how path dependency may exert an influence on transformations in the respective social system**. These include the regional economic growth from the mining sector contribution to the narrative of security and wealth, as well as regional socio-condition in which it covers the narrative of social acceptance due to conflicts and displacement, and narrative of social disparities.

Coal Legacy

Coal legacy mainly covers the idea of cultural identity of a region. However, unlike the long-developed coal mining industry in countries like Germany and Poland (see Box 2), there is lacking evidence that shows a strong coal-related community identity in Indonesia due to its relatively recent development in the 1990s to early 2000s. Nonetheless, Indonesia's coal legacy is evident within its political and policy landscape, where—to some extent—it may exert influence on future decision-making processes. At the national setting, several major coal companies are dominated by individuals which are found to be or to have a strong connection with influential actors in Indonesia including politicians and parliament members. The coal industry possesses power through its pivotal role as a key economic activity, enabling it to generate substantial income for the nations as well as regions and stakeholders it served, thus solidifying its influence and significance. This closely mirrors global patterns where political lobbying by fossil fuel interests, including coal, can significantly sway policy directions. Such lobbying is a manifestation of vested interests that seek to maintain advantageous positions despite clear evidence of the need for decarbonization to meet climate goals[9]. This dynamic underscores the entanglement of coal's legacy with the political fabric of Indonesia, illuminating the complex interplay between economic interests and political power that challenges the transition to cleaner energy sources.

Consequently, this condition would mean that Indonesia puts a heavy weight on coal for development—not only in terms of economic production, but also in its political settings. A strong connection between coal and local political setting were seen from the way coal businesses involve the bureaucrats and politicians as major key players[10]. Consequently, the political economy stimulates a sustained coal deployment and influence the energy decision-making process of not only the province, but also of the central government[11], making coal legacy an on-going narrative in Indonesia.

Coal Legacy in Other Countries

The first documented coal mining activities in Poland date back to the 14th century in Lower Silesia. The first few mining schools were established in the 1780s, which made miners and families develop a strong sense of pride and heritage tied to the coal industry. A study conducted in the city of Rybnik, Poland, found that Silesian communities nurture a sense of nostalgia with regards to coal—where Silesian working class would often work in a mine or in a large-scale factory and reminisce about the mining culture that would accompany the long hours of working in an underground coal mine. The coal region then developed its mining activity for over five centuries, until its closure in 2016. Although the closure of this coal mining area resulted in a huge decrease in employment levels, there are still approximately 100,000 workers currently working in the industry that made Silesia a concentrated area for coal-related workforce. The geographical concentration has a significant impact on Poland's electoral politics, with most elected candidates in the Parliament being from hard-coal districts in Lower Silesia. This concentration not only influenced local election outcomes, but also threatened the stability of the national government in 2015, until the mines were closed.

Meanwhile, coal mining in Germany dates back to the 17th century and became significant during the Industrial Revolution to power the nation’s growth and support it in the World War. The Ruhr Valley in Germany was home to numerous coal mines, mills, and fossil-dependent industries that helped produce machines for German military endeavours in the first and second World Wars. Its steel and hard coal peaked in the 1950s, especially driven by post-war reconstruction and the cold war. However, it has since gone through decades-long evolution to a knowledge-based economy due to international competition and technological advances. Arora and Schroeder (2022) explore how the first phase of the transition dealt with changing the region's denialism mindset and setting the economic motivation for such a transformation. The second phase started around the mid-1980s with an incremental structural change and an increasing inclusivity approach.

Electoral promises on the provision of electricity and fuel supplies at an affordable price also hinders the process of shifting Indonesia's heavily entrenched policy support for fossil fuels. The utilisation of coal as a commodity for electricity generation, for example, is maintained with a price cap mechanism like the domestic market obligation (DMO). The DMO, or a price ceiling of USD 70 per ton of coal, is coupled with a floor quantity to be supplied domestically of 25% of the total coal production to keep low electricity tariffs, absorb the shocks that may come with coal price volatility, and ensure continued domestic availability of coal supply. However, this policy is often disadvantageous for coal businesses and represents a leeway for the state-owned electricity company to consume coal at a fraction of the global coal price. This is due to the fact that DMO would result in larger losses to coal businesses during a period of high global coal prices, as it creates a larger gap between the potential revenues generated from exports and the actual selling price within the country. The electricity state-owned enterprise, PT PLN, would also use the price cap as a reference price to guide their investments[12]—making coal-fired power plants preferable to invest in—leading to carbon lock-in. These often-unseen policy supports strengthen the narrative that coal remains to be the cheapest source of energy and inherently create an uneven playing field for renewable energy development. These often-unseen policy supports strengthen the narrative that coal remains to be the cheapest source of energy and inherently create an uneven playing field for renewable energy development[13].

The coal legacy narratives in Indonesia provide us with an opportunity to improve on two key principles—procedural and distributive—as the energy planning process shall be guaranteed to be free from impartial considerations during decision-making and that the distribution of costs and benefits are equitable. To this end, the government shall ensure that the public and all relevant stakeholders are, in general, better off due to the price support for coal while considering appropriate social and environmental impact assessments and the cost of externalities.

Economic Growth and Employment Opportunities

Understanding the state of East Kalimantan region that is heavily driven on coal, the scenario of coal mine closures should also consider the aspect of economic security and workers well-being during the energy transition process. According to a recent study by IESR the impact of coal mine closures can result in a significant fall in East Kalimantan's gross regional domestic product (GRDP) by 60%, as well as a reduction in employment. Considering a vast downturn in the economic and employment[14] sector as repercussions of coal mine closures, the **local government stressed out the importance of preparing and strengthening the workforce, equipped with the understanding of ecological sustainability in facing the transformation taken in coal-producing regions**

Mining and Quarrying Sector Contribution	Muara Enim Regency		Paser Regency	
	Value	Rank (relative to all sectors)	Value	Rank (relative to all sectors)
Output Multiplier	1.4	11 of 17	1.38	13 of 17
Income Multiplier	0.29	16 of 17	0.19	15 of 17
Labor Multiplier	0.0002	9 0f 9	0.0004	9 0f 9
Labor compensation (%)	18.84		20.72	
Gross Business Surplus (%)	80.9		77.18	

Figure 5 Multiplier Effect for Muara Enim & Paser Regency (IESR, 2023)

Although the narrative of economic growth and employment opportunity in the coal industry has become the prominent headline, the reality may speak differently. In a case study done by IESR in the Paser Regency, a coal region in East Kalimantan, **the multiplier effect for income, output, and labor were found to be quite minor** in comparison to the other economic sectors in the region[15]. Furthermore, the wholesale, retail, accommodation, and food and beverage industries continue to dominate employment in East Kalimantan in 2024, accounting for around 19.4% of total employment. Meanwhile, the mining and quarrying sector ranks third with around 8.5%[16]. This disparity in employment underscores the inequality inherent in the fossil economy, with the majority of benefits accruing to a limited few, mainly those with direct ties to coal mining. Furthermore, these figures may not fully capture the employment landscape, as there likely exists a significant number of informal workers within the coal sector whose contributions and challenges go unrecorded, potentially exacerbating the economic inequities. While the study by IESR did not explicitly assess the impact in coal -producing region of South Kalimantan, the study did include a coal-producing region in South Sumatra to describe the trend. Thus, similar condition in South Kalimantan can be assumed.

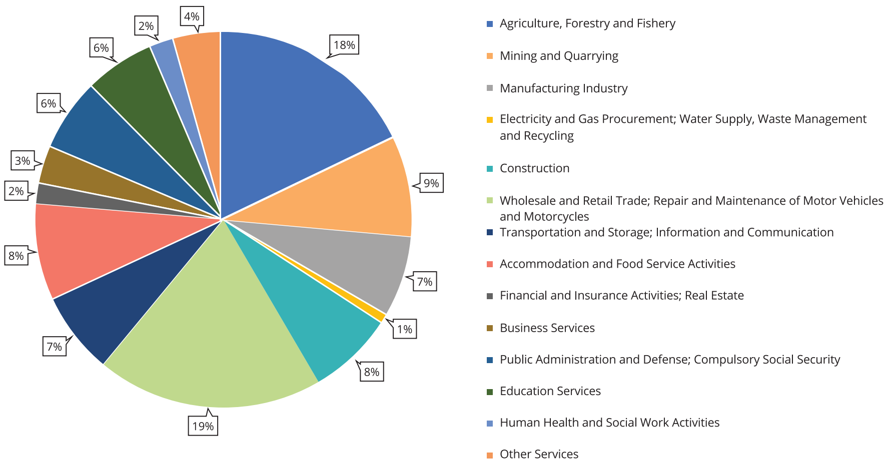

Figure 6 Share of workers in East Kalimantan (BPS Kalimantan Timur, 2022)

Moreover, even though the mining sector contributes to the largest proportion of East Kalimantan's Gross Regional Domestic Product (GRDP), the sector does not show a strong growth. Of East Kalimantan's GRDP at IDR 570.8 Trilion, about half is coming from the mining and quarrying sector. However, the mining and quarrying sector ranked between 11-16th out of 17 economic sectors in the region in terms of economic growth calculated by constant GRDP between 2020 and 2024. Compared to the mining sector, other sectors that still have a considerable contribution in terms of economic output to East Kalimantan's GRDP—such as construction and trade— **were found to have a higher percentage of economic growth, indicating their potential to be developed for the region's growth.** Moreover, the share of GRDP from mining and quarrying sector in East Kalimantan's GRDP has been constantly declining over the past 10 years, down by 4.5% in 2024.

Similarly in South Kalimantan, the highest GRDP contribution in 2015-2024 came from the Mining and Quarrying sector, which also experienced a constant decline in its GRDP share. In the second and third place were the Processing Industries, and then Agriculture, Forestry, and Fisheries. The three of them contributed more than half of South Kalimantan total GRDP, showing their significant importance in the province's employment. However, the economic growth of the province showed higher increase in the service-oriented activities, possibly due the previous three activities which may also drive services in other sectors, such as insurance.

Although new jobs will emerge due to the energy transition, job losses and job creations do not necessarily happen at the same time and at the same place, which should be anticipated. Additionally, jobs that are created may require a new set of skills either due to the lack of trainings of the employees in the same sector (i.e., mining or power generation) or due to the necessary adjustment to shift to a new sector (e.g., tourism or construction). It is thus crucial to provide the employees-in-transition with adequate training and ensure that the transformation will yield a better outcome, whether financially or mentally.

Successfully shifting to other economic sectors may entail immediate income loss for former coal mining workers. According to the 2022 National Workforce Survey, the average net monthly wage for formal workers in the mining sector is IDR 5.1 million.

This figure is higher than the average across all sectors, which stands at IDR 3.9 million. Consequently, this transition could also reduce income tax revenue for East Kalimantan, a vital source of provincial income, especially given that Law Number 1 of 2022 on Financial Relations between the Central Government and Regional Governments stipulates 20% of income tax is returned to subnational governments.

Wealth and Parity

The mining sector has a significant contribution to East Kalimantan's GRDP. It is one of the region's leading sources of income, emphasizing the narrative of wealth and economic security. This sets the stage for understanding the financial incentives that guide government policy regarding the coal industry.

Coal mining companies, like other profit-oriented businesses, are required to compensate for their operations through rent and royalties. According to the Ministry of Energy and Mineral Resources, revenues from coal and mineral mining industry royalties and mining product sales reached 140.5 trillion rupiahs in 2024[17]. This revenue provides a strong incentive for the central and coal-producing region governments to sustain the sector's profitability[18]. The coal sector made an annual contribution of approximately USD 2.17 billion, constituting 1.5-2% of the national revenue from 2015 to 2018[19]. By November 2024, the coal and mineral mining sector contribute to 3.5% of state revenue[20]. This contribution is expected to increase by 1.5-3% with the enactment of the latest regulation updates on state revenue from coal mining in April 2025[21]. Moreover, in East Kalimantan specifically, mining activities consisting not only of coal but also quarrying, account for up to 46% of the local government's revenue. This underscores the region's heavy reliance on mining as a key source of income[21]. The recent adjustments in profit-sharing mechanisms further highlight the importance of this revenue stream.

With the most recent adjustments of the profit-sharing mechanism for coal and mineral resources between the national and subnational governments, the **provincial government's revenue share from rents increased substantially from 16% to 30%[23]**. Production royalty profit-sharing now includes jurisdictions previously not acknowledged, such as neighbouring districts and cities, to account for negative externalities. Understanding these adjustments provides insight into how the coal industry's revenue is allocated and the extent to which it impacts different levels of government.

The economic significance of the mining sector, underscored by the substantial revenue it generates and the recent adjustments in profit-sharing mechanisms, demonstrates why transitioning to cleaner energy is a complex issue for East Kalimantan. The strong financial incentives from coal mining could pose challenges to shifting towards sustainable energy sources, as it requires balancing economic security with environmental sustainability. In light of this, it's crucial to analyze how these revenues can enhance the well-being of the region's residents.

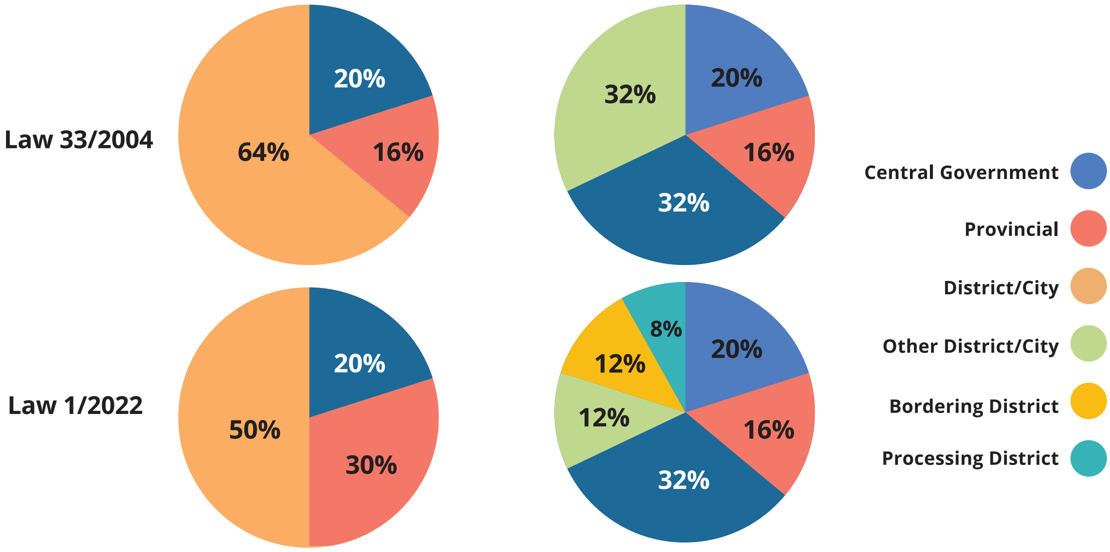

Figure 7 Distribution of coal revenue sharing comparison between Law 33/2004 and Law 1/2022

Given the significant contribution of the coal industry to the subnational government, a closer look should be taken at the flow of these revenues and how they can elevate the well-being of the region's residents. The primary allocation of public funds in coal-producing regions is mostly directed towards operational expenses, including remuneration for government personnel, procurement of goods and services, and the provision of grants[24]. This situation underscores the significance of mining royalties as a substantial contributor to government income, wherein any reduction in the budgets of local governments will exert the most significant influence on the overall functioning of government operations.

During a discussion held in early August 2023, the regional government of South Kalimantan emphasized that social conditions are still marked by disparities between regions, particularly in terms of infrastructure. These disparities, especially concerning infrastructure accessibility, remain a key issue in South Kalimantan. The challenge of fulfilling basic needs, coupled with a lack of understanding about sustainability within the community, pushes discussions on renewables and the energy transition further down the priority list. This highlights the complexities involved in balancing immediate needs with long-term sustainability goals.

These disparities extend to electrification across Kalimantan, where most large cities are fully electrified through the national power company, but remote villages often lack access to electricity. According to East Kalimantan's Regional Energy Plan, some remote areas need to generate their own electricity using diesel generators. These generators play a pivotal role in daily economic activities, ranging from mining to farming, as well as during cultural celebrations, providing essential power for lighting and other festivities. This further emphasizes the complexities and challenges in ensuring equitable energy distribution and underscores the need for tailored strategies that address both immediate and long-term energy needs.

The provision of electricity using diesel generators may offer a temporary fix to the lack of electricity supply in remote villages, but it comes with several challenges. Fuel for these generators originates outside these areas, and inadequate transportation infrastructure exacerbates the issue. Transporting the fuel is particularly difficult during the rainy season when floods make roads impassable. During the dry season, fuel-transporting boats can't sail to villages accessible only by rivers due to low water levels. Additionally, maintaining these generators is a challenge because spare parts are available only in larger cities, necessitating long and difficult journeys to conduct repairs.

These interconnected challenges lead to inefficiencies across energy supply distribution, conversion processes, and adherence to end-use fuel economy standards. These persistent difficulties underscore the growing need to develop decentralized renewable energy to enhance village independence and increase efficiency in acquiring energy. Shifting to renewable energy sources can reduce reliance on external fuel sources and overcome the logistical difficulties of supplying diesel generators.

Beyond energy supply issues, disparities in public health also arise from coal mining activities. Local communities near coal mines have faced polluted water and air, resulting in acute respiratory infections being the most common illness for years. Coal mining releases sulfur oxides, nitric oxides, and toxic metals like arsenic and lead into the water supply, causing significant environmental pollution. Although coal mining companies provide compensation and corporate social responsibility (CSR) programs to address these issues, there are no measures to directly mitigate the health risks to local people, leaving them in hazardous living conditions.

These challenges all that stems from the coal legacy, current economic structure, wealth and parity issues, necessitate a deeper examination of future policy narratives from central and regional governments, as well as understanding the hopes and aspirations of other stakeholders. For this, an examination on the narrative of the future will provide a key on shaping the transformation.

Narratives of The Future

The following section of this CASE Insights presents the narratives of the future as the **policy narratives** of the central and regional governments, **as well as the hopes and aspirations for transformations of the other stakeholders.**

Assessing regional vision from its energy policy narratives

Local governments have the responsibility in implementing the regional energy development planning policies as an embodiment of transitioning to cleaner energy and meeting national climate targets. In doing so, they should have been given authority and participation in all phases of policy making processes, including design level, to ensure that policy implementation can work to achieve the targets. Thus, local governments can ensure that (i) **policy content and (ii) the context** in which the policy is established and executed are aligned with the needs, resources, and socio-cultural as well as local economic conditions.

The Regional Energy Plan (RUED) is a subnational government regulation that establishes the energy management plan in the provincial level, which serves as an elaboration and technical implementation of the National Energy Plan (RUEN). East Kalimantan and South Kalimantan released their RUED in 2019 and 2020, respectively. Both of these regional energy plans are useful for the preparation of other regional development planning documents, like the regional electricity plan (RUKD), the general plan for electricity supply (RUPTL), as well as the regional development plan (RPJMD). These regional development documents would then guide the region in forecasting its regional income and expenditure. In general, **the two provinces intend to maximize their renewable energy potential and control the production and use of fossil energy in their respective RUED.**

The following section will discuss the main narratives and targets put forth by the provincial government in their RUEDs.

East Kalimantan's Regional Energy Plan [25]

As the largest coal-producing region in Indonesia, the mining sector accounted for almost half of East Kalimantan's revenue, of about 46%. However, the government of East Kalimantan underlined that currently energy resources, especially coal, are currently being treated mainly as a commodity for the country's foreign exchange. This is indicated by the percentage of its coal exports to the national production (79% in 2015). That said, the government of East Kalimantan is pushing for f**urther control and management of coal production, specifically to halt coal exports thus coal can be used for national development, including by the East Kalimantan province itself.**

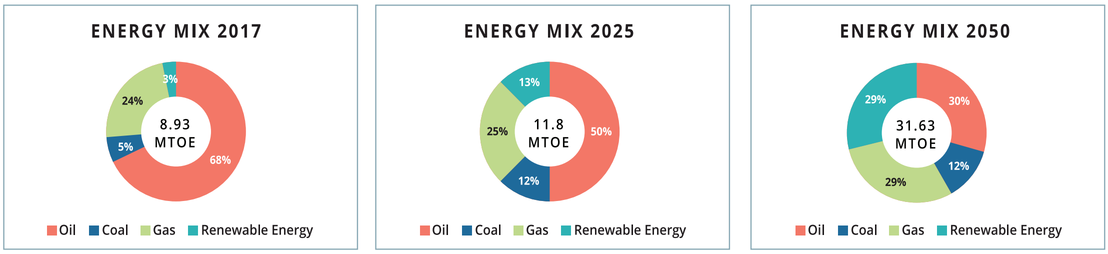

Figure 8 East Kalimantan's Energy Mix Projection up to 2050

Source: Regional Regulation No.8 Year 2019

The expanded utilisation of coal for regional development is foreseen on the energy supply projection in East Kalimantan RUED, where the share of coal will grow from 5% in 2015 to 12% in 2050. On the other hand, the projected share of coal demand in the region's energy mix would be lower than that of oil and gas. As shown in Figure 8, coal demand accounts for around 12% of the energy mix in 2050, or less than half of the share of gas and about a third of oil. It is important to note that, even though the share of oil in the energy mix significantly decreased by 38%, oil will still contribute the most to the region's energy mix in 2050. This may be partly due to the reduction of fuel oil and its shift to biodiesel, as mandated by the Ministerial Regulation of the Energy and Mineral Resources Number 12 of 2015 on the Provision, Utilization, and the Trading System for Biofuels as Other Fuels.

As a coal-producing region, East Kalimantan is prioritizing the acceleration of economic transformation. Leveraging its significant potential in manufacturing industries such as rubber, agriculture, fishery, and more, it aims to provide sustainable economic support for transitioning away from the dominance of mining and quarrying activities. In realizing this agenda, the needs of energy demand will significantly be increasing.

Increasing energy demand should be prepared alongside renewable energy development. Regulations and mechanisms that facilitate the penetration and growth of renewable energy are essential, especially when East Kalimantan envisioned biodiesel as a low-emission energy alternative in East Kalimantan.

Achieving an optimal electrification ratio is a critical objective, aligned with the goals set by the National Energy Policy (KEN) to increase kWh per capita. Thus, necessitating the achievement of targeted electrification ratios. As of 2022, East Kalimantan has achieved an electrification ratio of 95%. This progress highlights the existence of unmet energy demand targets that must be addressed within the framework of future energy scenarios. This situation underscores the essential need for continued strategic planning and investment to improve electricity access and respond to the region's evolving energy requirements.

South Kalimantan's Regional Energy Plan [27]

Similar to East Kalimantan, the Province of South Kalimantan's energy mix will be mostly dominated by fossil fuel until 2050. However, a stark difference lies in the share of oil and coal. South Kalimantan foresees a major shift from the share of oil in its energy mix (-62% from 2017 to 2050) to coal (+41% from 2017 to 2050) as illustrated in Figure 2. The rise of coal would mean that it will generate energy as much as 12.03 Mtoe in 2050 that will be utilised to power the development of industrial and business centres in the province[28].

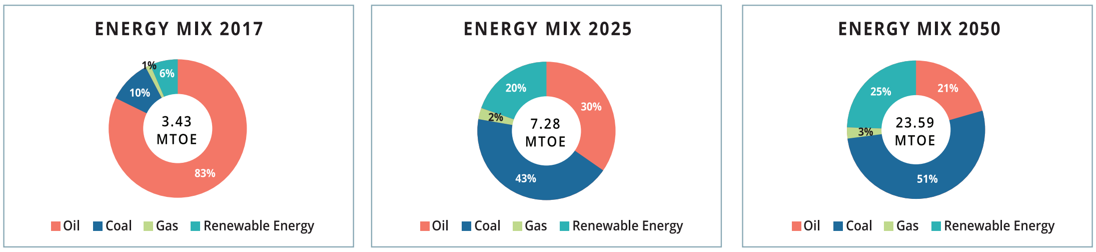

Figure 9 South Kalimantan's Energy Mix Projection up to 2050 (Provincial Regulation No. 1 of 2020, 2020)

However, South Kalimantan also notes that, assuming no new proven coal reserves and coal production stays consistent, **the province's coal reserves would be depleted by 2038**. It is thus considered crucial for South Kalimantan to control coal production and conduct proper coal resource management measures in such a way that would provide the region with ample resources to fuel its economic development. This would mean adjusting coal exports and domestic use so it can still be utilised by the region at least until 2050.

The narrative that coal shall remain the backbone for its economic growth remains to be one of the reasons that hinder the accelerated deployment and utilisation of renewable energy. In 2022, South Kalimantan's renewable energy share accounts for 10.43% of the energy mix, or half of its target of 20% in 2025. In the long run, renewables are also projected to rise, with an additional share of 19% in the span of 3 decades. With the current condition and the coal-heavy narrative, South Kalimantan would need to devise an innovative strategy to help it reach its renewable energy target.

The region recognizes the diminishing reserves of coal, yet its Regional Medium-Term Development Plan (RPJMD) continues to emphasize the potential of coal, viewing it as the area's main commodity. In response to this reality, there is an added focus on the adoption of clean coal technology across several strategic locations. However, there should be more instruments and assessment upon this measure as it also requires more treatment. This dual focus of coal as the main commodity and realization of coal depletion raises questions about the clarity of the long-term strategy and may imply a diminished sense of urgency in transitioning towards more sustainable energy sources and technologies.

Long-term vision for the region: Transformation towards Indonesia Emas 2045 Vision

Indonesia's national development planning predominantly originates from the central government, mainly coordinated and harmonised by the Ministry of National Development Plan (Bappenas), outlining broad objectives and strategies. The long-term national development plan (RPJPN) is conceived every 20 years, with its medium-term plan (RPJMN) developed every 5 years. The government is currently developing its 2025-2045 RPJPN, with a vision of 'Indonesia Emas 2045: ***Negara Nusantara Berdaulat, Maju, dan Berkelanjutan*** [29]**.**

In May 2023, Bappenas held several public consultations on RPJPN's preliminary draft to align the vision, mission, and strategies for the long-term plan. Aside from the 2045 vision, it also outlines the objectives of the nation's long-term development, which are green economic growth as well as just and equitable development. Moreover, the final draft of the RPJPN mentioned the need for a just energy transition. To enable just energy transition, it was noted **that the creation of new expertise and job opportunities as well as its enabling ecosystems and incentives** shall be ensured, **especially for regions reliant on fossil fuel production**[30]**.**

On top of defining the national development directives, Bappenas, through the final draft of the RPJPN, has identified sectoral and regional development corridors. Though a provincial growth vision is absent, the final draft of the RPJPN included several development agendas that are broken down regionally. Kalimantan Island is envisioned to become a manufacturing industry and energy estate. A key facet of this transformation is the development of the electricity subsector within the energy sector, which will be attained through ensuring the quality, sustainability, affordability, and accessibility of electricity. The strategy to do so is by developing a combination of isolated mini-grids for remote areas, smart grids, integrated electricity and industry systems, and interconnected electricity grids that connects different sides of Kalimantan island, as well as deploying new and renewable energy sources. By elaborating this strategy, the central government sends a signal to the regional government the imperative for regions to not only develop its electricity subsector, but also to incorporate the just energy transition principles into each regions' development plan.

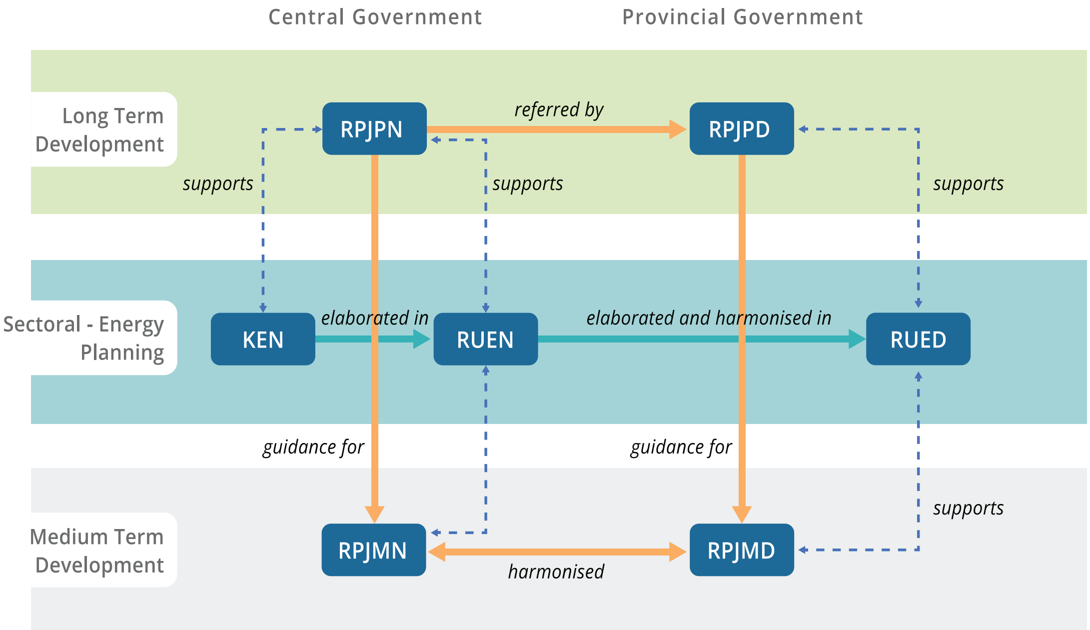

Figure 10 Indonesia energy policy arrangement (Bappenas, 2023)

While planning is mostly top down, policies/regulations that enable further control of local development planning, especially in the energy sector, by the local authorities are starting to become more institutionalized. One of the enabling policies is the Presidential Regulation number 11 of 2023 on Additional Concurrent Government Affairs in the Energy and Mineral Resources Sector in the Sub Sector of New Renewable Energy. One of the aims of this regulation is to expand subnational authorities in the management, utilization, monitoring, and supervision of renewable energy (most notably biomass and biogas) and energy conservation. Although this is a step forward, the Presidential Regulation has yet to acknowledge the role and authorities of the regency- and city-level government.

Moreover, reflecting on the current energy policy making processes, the authority of the subnational government to develop its development plan is limited to the provincial government while regency- and city-level governments are often opted out in the process. Strengthening this notion, a representative of the regency-level development agency in the Paser Regency advocated for a deeper focus to be put on the viewpoints of local-level stakeholders during the discussion on RUED in early August 2023. Their hopes are to increase their legitimacy as joint decision makers and not only become a mere recipient toward its detrimental repercussions as they are the most likely to experience the impacts of the energy sector transformation.

“Please treat us as a subject, not a mere object of the energy transition.”

Rusdian Nor, Sekretaris Bappedalitbang Kabupaten Paser

Other than subnational governments in the district/regency-level, an inclusive decision making should also encompass the identification and active participation of vulnerable communities, sector, and region in policy planning is necessary. Examples of these marginal people that potentially receive more burdens are including, but not limited to, PAP/PAH (Projects Affected People/Projects Affected Households), disability, women and children, the elderly, and indigenous people. Not to mention, most of the people that experience double or layered vulnerabilities, including those who are identified as climate-vulnerable communities living in small islands or in rural areas, are less likely to have benefitted from secure electricity and adequate basic infrastructure in the past[31.] By recognizing vulnerabilities experienced by these communities and its impact, policymakers can acknowledge their needs of social protection, which can prevent social disparities being neglected from policy development.

Shifting the narrative: 'Just Energy Transition' with a sense of climate urgency

As covered before, just energy transition can be defined as the process of shifting from fossil fuels to renewable energy in a way that is fair and inclusive for all stakeholders by applying the principles of procedural, distributive, and recognitive justice, which focus on ensuring fair decision-making, equal opportunities, and respect for diversity. Since its inception, the just energy transition narrative has been fairly centred to transitioning coal workers and providing compensation to those who are affected. Measures to this transition may include capacity building, upskilling, and reskilling of the workers and the communities affected by the transition to prepare human resources for green jobs and reduce the risk of unemployment and poverty. Moreover, the government can implement social protection measures for individuals and small enterprises, such as the newly introduced unemployment insurance (JKP—Jaminan Kehilangan Pekerjaan) and the subsidized credit programs *(KUR — Kredit Usaha Rakyat and KUBE — Kelompok Usaha Bersama)*. These measures can help cushion the income losses and facilitate the access to start small-scale businesses, especially for the people who are directly or indirectly affected by the early retirement of coal-fired power plants (CFPPs).

Emphasizing citizen involvement and underrepresented voices in the governance aspects of the transition should be done in a meaningful way using different channels, by prioritizing collaborative co-creation with regional agents and by empowering community initiatives. Participation can make the transition more impactful in the long term, if it is included early and facilitated throughout the planning stages. Participation can also have different levels of engagement, from consultation and co-production to ownership and influence in program design. One example is the creation of Latrobe Valley Authority that was covered in previous CASE Insights on Australia's coal phase out[32]. This mechanism can help generate new and decent job opportunities that are aligned with sustainable development and cover the supply chain of renewable energy. It can also help anticipate and mitigate the impacts of job losses and job creation, which may not happen simultaneously, by focusing on potential economic diversification as early as possible.

However, while it is important to ensure the socioeconomic impact of energy transition is minimised, just energy transition shall encompass other aspects by deploying a broader view and by accommodating the needs and interests of the marginal and vulnerable communities. This can be done by enhancing the accessibility and affordability of renewable energy, especially in remote areas where geographical location and lack of infrastructure pose significant barriers to fulfil their basic needs. One strategy to achieve this is to foster community-based renewable energy initiatives, such as the communal solar panel project in East Kalimantan[33]. Another aspect that should be addressed is the public health issues caused by the emissions from fossil fuels, such as respiratory and pulmonary diseases, disproportionately experienced by the surrounding communities. While national health insurance (BPJS) has been provided by the government, it should be noted that prolonging the issue might burden the country's budget on health. On top of that, as outlined in both East and South Kalimantan Regional Energy Planning, there are projections for the continued escalation of coal production.

While ensuring justice whilst making swift and tangible actions to address the climate crisis are often seen as contending arguments, the notions of justice and swiftness can actually go together. The sense of urgency incorporated in policymaking processes may create a momentum to address intergenerational injustices. In the failure of such actions, ‘placebo policies’—or policies that often overlook the benefits for climate-vulnerable communities and neglect the deeper causes of the climate crisis—may be adopted instead[34] and further perpetuate injustices in the long run. Accordingly, Indonesia’s civil society organisations voiced their concern over investing in ‘false solutions in energy transition’ that prolong the use of fossil fuels; such as co-firing, coal down-streaming, and carbon capture and storage that can hinder a just and ambitious energy transition[35]. This is corroborated through the findings from SEI’s study on key actors framing towards coal transition, which mainly refer to technological development related to coal such as coal derivatives thus keeping coal relevant in the development strategy for the nation[36].

As elaborated before, distributive justice can be achieved by creating a level playing field for renewable energy development, but this may be difficult if the coal legacy narrative persists in the energy transition discourse. This legacy also explains the reluctance of subnational governments or non-state actors to adopt renewable energy, due to the lack of clarity on their roles in the subnational and national energy planning process. However, by recognizing the potential damages to the environment and public health due to sustained coal use, the local government can change its narrative so that regional development shall be built upon sustainability and resilience. Moreover, by acknowledging the depletion of coal reserves, the regional development can actively participate in the transition towards renewable energy, thus overcoming the coal narratives and embracing renewable energy.

Conclusion

After uncovering some narratives that revolve around coal as a commodity for energy generation and revenue stream in Indonesia, it is clear that one of the main opportunities of a just transition is the recognition and inclusion of the energy- and non-energy actors and their values and narratives. These narratives should be central and included in government planning documents (both central and regional) to facilitate budgeting of social programs as an action to mitigate energy transition risks, while keeping the principles of just transition and the sense of climate urgency in mind.

One of the main challenges of a just transition, however, is the structural changes that it entails, such as rearrangements of energy governance, including strengthening subnational government roles and how society is involved in the process. These changes redistribute power, resources and risks among different actors, and may face resistance from those who have vested interests in the fossil fuel industry. Therefore, a just transition cannot be reduced to a safeguard checklist but needs to be seen as a participatory process that involves workers, industry and governments in a two-way dialogue.

One of the ways to ensure effective collaboration between these parties is by bringing the issue closer to the impacted site—meaning as local as possible. Thus, the acknowledgement, involvement, empowerment, and authority of local governments for renewable energy planning should be reinforced, especially for the district/city governments that have yet to reap the benefits of the current energy systems. There are already regulations that increase the authority of local governments in budgeting for renewable energy (Presidential Regulation No. 11/2023), but they need to be implemented and enforced effectively. This can help ensure the accessibility and affordability of renewable energy for all, especially in remote and rural areas.

When energy transition policies and programs are designed without considering justice, sustainability interventions often fail to provide benefits to society, while some interventions may increase the burden on vulnerable groups. By shifting the narratives in the energy transition discourse, and especially within policymaking, a just energy transition will not only be possible to mitigate climate change risks, but also ensure the equitable and well-being of Indonesia's citizens.

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About CASE

The programme "Clean, Affordable and Secure Energy for Southeast Asia" (CASE) is a regional project focuses on the four largest countries of the region in terms of population: Indonesia, Vietnam, Thailand, and the Philippines. CASE is implemented by the Deutsche Gesellschaft fur Internationale Zusammenarbeit (GIZ) GmbH and international and local expert organisations in the area of sustainable energy transformation and climate change: Agora Energiewende and NewClimate Institute (regional level), the Institute for Essential Services Reform (IESR) in Indonesia, the Institute for Climate and Sustainable Cities (ICSC) in the Philippines, the Energy Research Institute (ERI), and Thailand Development Research Institute (TDRI) in Thailand. The four countries represent nearly three-quarters of total power generation in Southeast Asia, and account for about 72% of the region's GDP and for 82% of its population. The energy development of these countries will therefore have a major impact on the ability of the region to meet both development and sustainability goals as well as globally to meet the goal of the Paris Agreement.

Funded by the German Federal Ministry for Economic Affairs and Climate Action (BMWK), CASE aims to support a narrative change in the region's power sector towards an evidence-based energy transition, in the pursuit of the Paris Agreement goals. The programme makes use of available research initiatives while generating new evidence grounded in local realities that can influence economic managers, power sector decision makers, industry leaders and electricity consumers to support early, speedy, and responsive strategic reforms in the power sector. To reach this objective, the programme applies a joint fact-finding approach involving expert analysis and dialogue to work towards consensus by converging areas of disagreement.

In Indonesia, CASE is working closely with the Ministry of National Development Planning / National Development Planning Agency (Kementerian PPN/Bappenas) - Directorate of Transmission, Electricity and Aerospace (TKKA) as the political partner. Furthermore, CASE is an aligned programme of the Energy Transition Partnership (ETP), an alliance of international donors, philanthropies, and partner governments established to accelerate energy transition and to support sustainable development goals in Southeast Asia.

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About Bappenas

The Directorate of Transmission, Electricity and Aerospace under the Ministry of National Development Planning (Bappenas) has the task of coordinating, formulating and implementing policies, as well as monitoring, evaluating, and controlling national development plans in the fields of transmission, electricity, aerospace, and space. The Directorate is CASE Political Partner in Indonesia.

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