

## Potential conflicts of interest in Indonesia's energy transition policy

Firdaus Cahyadi<sup>1\*</sup>, Soeryo Adiwibowo<sup>2</sup>, Edy Hartulistiyoso<sup>3</sup>

<sup>1</sup>Department of Natural Resources and Environmental Management Study Program, IPB University

<sup>2</sup>Department of Communication Sciences and Community Development, IPB University, Bogor

<sup>3</sup>Department of Mechanical and Bio-system Engineering, IPB University, Bogor

Jl. Raya Darmaga, Gedung Sekolah Pascasarjana, Kampus IPB Darmaga Bogor 16680 – Jawa Barat, Indonesia.

\*e-mail: [firdaus.cahyadi@gmail.com](mailto:firdaus.cahyadi@gmail.com)

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### ABSTRACT

Energy is of paramount importance to public interest, as underscored by the Indonesian Constitution, which mandates state intervention to safeguard these interests. Nevertheless, Indonesia's energy policy is frequently dominated by specific actors, potentially leading to conflicts of interest that may adversely affect the public. This study reveals that both fossil-based and renewable energy policies are consistently influenced by elites from international financial institutions and national actors with close affiliations with political elites. This research identifies international funding bodies, such as the World Bank and the Asian Development Bank (ADB), as the predominant actors in Indonesia's energy transition policy. In addition to international elites, national elites also exert a significant influence on energy transition policies. Consequently, active participation in the civil society is essential. The predominance of a single actor in the formulation of energy policies can result in inequitable energy policies.

**Keywords:** Asian Development Bank; Energy Policy; Energy Transition; Just Transition; JETP.

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RESEARCH & PUBLISHING



## 1. INTRODUCTION

Energy is a natural resource vital to the public. Therefore, many parties are interested in energy policies in a country, including Indonesia. These stakeholders include domestic stakeholders and multinational institutions. Therefore, the Indonesian Constitution (UUD 1945), specifically Article 33, explicitly states that the state controls all natural resources and important sectors of production for the prosperity of its citizens. Currently, energy policies are facing a new challenge in the form of a climate crisis. Greenhouse gas emissions from fossil-fuel combustion have contributed to the climate crisis. This climate crisis has caused ecological disasters in various countries including Indonesia. [Larsen et al. \(2021\)](#) revealed that in 2019, China was the largest greenhouse gas emitter (27%), followed by the United States (11%), India (6.6%), and the European Union (6.4%). The use of fossil fuels is one of the causes of the increase in GHG emissions. This has led to international pressure for countries to begin energy transitions. Indonesia is one of the countries that remains highly dependent on fossil fuels. Indonesia is the world's largest exporter of coal. The Central Statistics Agency (BPS) Economic Statistics Report revealed that in 2022, Indonesia exported 360 million tons of coal ([BPS, 2024](#)).

This situation has led to international pressure on Indonesia to undertake energy transition. However, developing countries, including Indonesia, require significant funding for energy transitions. Developed countries, which were the first to pollute the atmosphere with GHG emissions, are responsible for helping finance the energy transition in developing countries, including Indonesia. In 2022, at the G20 Summit in Bali, developed countries and Indonesia launched an energy transition funding scheme called the Just Energy Transition Partnership (JETP). On the one hand, this funding scheme can provide momentum for Indonesia to immediately undertake an energy transition and break its dependence on fossil fuels. However, politically, it has opened up international actors to gain a deeper influence on energy transition policies in Indonesia. Geopolitically, according to [Simpson \(2023\)](#), JETP is the response of developed countries in the G-7 to China's Belt and Road Initiative (BRI).

The JETP funding scheme differs from previous funding schemes. One difference is that this scheme incorporates an element of "justice." The inclusion of justice in energy transition funding is expected to change the dominant structure of energy policy formulation in Indonesia. This study is necessary to determine the extent of the dominance of international financial institutions and national elites in energy transition policy in Indonesia, particularly in the JETP funding mechanism.

## 2. METHODOLOGY

This study was conducted in Jakarta in 2024. The data collected included primary and secondary data. Primary data were collected through in-depth interviews with several participants. The interviews were conducted using a pre-designed question guide. Interviews were conducted using a snowball technique, in which informants' answers served as a basis for exploring subsequent research questions. This was done in such a way that a comprehensive set of answers was obtained step-by-step. The interviews were completed using writing materials and recording devices. Primary data collection was conducted through in-depth interviews with informants, as shown in Table 1.

**Table 1 Characteristics of informants**

Actor	Role	Key Informant
Government of Indonesia	They have the authority as policy makers for energy transition.	Ministry of Environment, JETP Secretariat
Civil society organizations	They have the ability to influence energy transition policies.	Walhi, Celios, 350.org Indonesia, Trend Asia

Five of the informants were civil society activists. Three were from government agencies (the Ministry of Environment and JETP Secretariat). The informant from the Ministry of Energy and Mineral Resources did not provide time for interviews with the researchers.

### 3. RESULT AND DISCUSSION

#### 3.1. The Dominance of International Financial Institutions

Before the push for energy transition in Indonesia emerged, international financial institutions also played a role in energy policy. Their role is mediated by foreign debt. The influence of multinational institutions on energy policy has become evident since the New Order era. [Dian Yanuardy et al. \(2022\)](#) note that during the New Order era, Indonesia's fossil-based energy policy also involved multinational institutions such as the World Bank. At that time, the World Bank actively provided loans to Indonesia to change regulations and build coal-fired power plants (PLTU). The influence of multinational institutions is also evident in renewable energy policies. For example, the Asian Development Bank (ADB) began its involvement in the development of geothermal power plants (PLTP) in Indonesia in 1995 through a Technical Assistant (TA). The project was valued at USD 310,000. The primary objective of this TA was to identify barriers to exploiting Indonesia's geothermal potential ([ADB, 1995](#)). The transition from fossil fuels to renewable energy has not yet changed the dominant actor structure in policymaking. In the JETP funding scheme, the World Bank and the Asian Development Bank (ADB) still dominate policy formulation.

The influence of multinational institutions is evident in the JETP's funding scheme. Within the JETP funding scheme, several dominant actors influenced the direction and funding priorities of energy transition projects. Based on interviews with several informants, the dominant multinational actors are the World Bank and Asian Development Bank (ADB). Their dominance was also confirmed by their membership in the working group that developed the JETP Comprehensive Investment and Policy Plan (CIPP). However, the JETP Secretariat disputes the ADB and World Bank's dominance in JETP policymaking. The JETP Secretariat acknowledges receiving institutional support from ADB. The dominance of international financial institutions is also evident in the composition of funding, which is largely external. [CIPP JETP \(2023\)](#) plans to mobilize US\$21.6 billion in funding. In this data, external debt represents US\$21.3 billion. Only 0.37%, or US \$ 295 million, was granted funding.

According to [Chowdhury and Jomo \(2022\)](#), the JETP funding scheme also includes actors from financial institutions, not only development finance institutions such as the World Bank, ADB, and Kreditanstalt für Wiederaufbau (KfW), but also commercial banking institutions that are members of the Glasgow Financial Alliance for Net Zero (GFANZ). The energy financing disbursed by international financial institutions often has unfair consequences. This neglect of equity is due to the focus on financing solely on large-scale energy projects ([Anantharajah & Setyowati 2022](#)). The focus on large-scale renewable energy funding is also evident in the JETP funding scheme. In [CIPP \(2023\)](#), the JETP funding scheme also focuses on financing large-scale renewable energy projects, namely, hydroelectric power plants and geothermal power plants. Large-scale renewable energy development has the potential to cause ecological impacts and is prone to conflicts with local communities. Large-scale energy projects, such as geothermal power plants in Indonesia, have led to conflicts with the surrounding communities ([BBC News, 2024](#)) (see Table 2).

**Table 2 JETP Working Group, adapted from CIPP JETP (2023)**

No	Working Group	Goal	Group Leader	Member
1	Technical	Consolidating the energy transition roadmap for Indonesia's electricity sector	IEA <sup>1</sup>	Rocky Mountain Institute, World Bank, IESR and Danish Energy Agency
2	Funding	Identify financing needs, requirements and modalities	ADB	GFANZ, Climate Policy Initiative, KfW, AFD, and JICA
3	Policy	Analyze policy requirements and provide recommendations to support the decarbonization of the electricity sector.	World Bank	MENTARI, USAID, ADB, and IEA

<sup>1</sup> International Energy Agency

No	Working Group	Goal	Group Leader	Member
4	Just transition	Developing a just transition framework as a guide for implementation	UNDP	ADB, ILO, WB, GIZ, and ICEL <sup>2</sup>

### 3.2. Domination of The National Elite

Based on in-depth interviews with informants, the dominant national actor was the Coordinating Ministry for Maritime Affairs and Investment (Kemenkomarves). These statements were confirmed by the composition of the government-formed Energy Transition Task Force. Within the Energy Transition Task Force, Kemenko Marves served as the director and the implementation team. According to informants from energy-expert circles, Kemenko Marves's dominance in energy transition policy indicates that economic interests are stronger than environmental interests (GHG emission mitigation). According to them, energy transition issues must balance economic, ecological, and social interests.

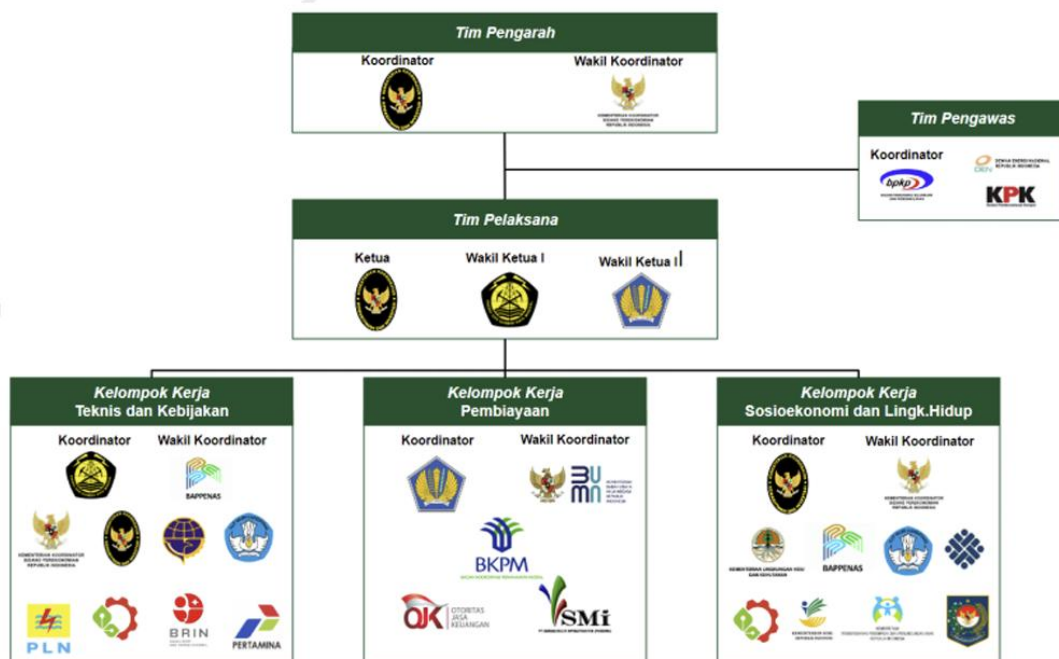


Figure 1. Composition of the Energy Transition Task Force. Source: CIPP JETP. 2023

As shown in Figure 1, the dominance of economic interests under the Coordinating Ministry for Maritime Affairs and Investment (Kemenkomarves) was also confirmed by an informant from the Ministry of Environment and Forestry (KLHK). The informant lamented the dominance of the Kemenkomarves and the pull of economic interest in the energy transition in Indonesia. According to the informant, the strong pull of economic interests has caused KLHK to function as a fire extinguisher for any issues arising in the field related to energy transition. In 2024, President Prabowo Subianto's cabinet composition abolished the Kemenkomarves (Ramadhanty Nabila, 2024). Despite its dissolution, the pull of economic interest on energy transition remains strong. Aryasuta (2024) revealed that the pull of economic interests in the energy transition was still strongly evident in the speech of the Head of the Indonesian Delegation at COP 29, who happened to be President Prabowo Subianto's younger brother.

### 3.3. Potential Conflicts of Interest Between Global and National Elites

<sup>2</sup> Indonesian Center for Environmental Law

Climate finance based on market mechanisms often benefits only the national and global economic elites (Sovacool et al., 2019). These profits stem from conflicts of interest in energy transition policies. The presence of certain actors in energy transition policymaking within JETP raises several potential conflicts of interest. These conflicts of interest are evident, for example, in the determination of plans for the early retirement of coal-fired power plants (PLTU) and the development of renewable energy. For example, the early retirement of the ADB-funded Cirebon-1 coal-fired power plant is closely linked to the interests of a consortium consisting of Japan's Marubeni Corporation and two South Korean companies, Korean Midland Power (KOMIPO) and Samtan Corporation. Japan and the United States are ADB's two largest shareholders of the ADB, accounting for 14.2% of the total issued capital and holding 11.7% of voting rights (ADB, 2010).

In 2023, the PLN, PT Cirebon Electric Power (CEP), and Indonesia Investment Authority (INA) signed a non-binding framework agreement for the early retirement of the Cirebon 1 coal-fired power plant (PLTU). The roadmap for Indonesia's energy transition emerged only in 2025. In April 2025, Minister of Energy and Mineral Resources (ESDM) Regulation Number 10 of 2025 concerning the Roadmap for Energy Transition in the Electricity Sector was issued. Normally, agreements regarding the early retirement of coal-fired power plants (PLTUs) follow the existing roadmap. Article 12 of the Minister of ESDM Regulation 10/2025 states that the implementation of early retirement of the PLTU must be preceded by a study. Early retirement studies must be carried out within a maximum of six months from the date of assignment from the Minister of Energy and Mineral Resources. In other words, the agreement for early retirement of the Cirebon PLTU was made without any prior study.

Concerns about conflicts of interest in the early retirement of the Cirebon 1 coal-fired power plant were raised by Celios, an Indonesian think tank, in 2022. Celios Director Bhima Yudhistira once warned against prematurely retiring coal-fired power plants that are preferred by the lending country<sup>3</sup>. Meanwhile, the dominance of the Coordinating Ministry for Maritime Affairs and Investment in the JETP energy transition policy also poses a potential conflict of interest. This conflict of interest can hamper the energy transition agenda. According to JATAM (2024), the founder of TBS Energi Utama, Luhut Binsar Pandjaitan, was then Minister of Maritime Affairs and Investment. The company operates in coal mining, coal-fired power plants, and renewable energy sectors.

After Joko Widodo (Jokowi) stepped down as President of Indonesia, Luhut Binsar Pandjaitan remained within the circle of power of the new Indonesian President, Prabowo Subianto. President Prabowo Subianto appointed the Chairman of the National Economic Council. According to the Indonesia Corruption Watch (2024), players in the large-scale renewable energy business are businessmen who previously operated in the extractive sector and are close to the Prabowo-Gibran administration. According to JATAM (2024), Prabowo Subianto has a track record of the extractive industry related to fossil fuels. Prabowo Subianto was once the sole shareholder of PT Nusantara Energy. The company operates in the coal sector, holding a 4,793-hectare concession in Berau, East Kalimantan. This track record raises concerns regarding future energy transition agendas.

#### **4. CONCLUSION**

The findings of this study indicate that economic interest dominates environmental interest. This strong economic pull is reflected in the dominant actors in the CIPP JETP policy formulation. The dominant foreign actors are the World Bank and Asian Development Bank (ADB). Both international financial institutions were frequently involved in Indonesian energy policy during the New Order era. During the New Order era, for example, the World Bank actively provided loans for the construction of coal-fired power plants (PLTU), which under the JETP scheme would have been retired. Meanwhile, the ADB actively influenced geothermal policy. The dominance of these two international financial institutions conveys the message that they do not want to lose influence in Indonesia's energy transition policy.

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<sup>3</sup> Wawancara informan dari Celios, 14 Agustus 2024

The dominant domestic actor is the Coordinating Ministry for Maritime Affairs and Investment (Kemenkomarves). This dominance is evident in the structure of the energy transition task force. The dominance of international financial institutions (ADB and World Bank) and the Coordinating Ministry for Maritime Affairs and Investment indicates that the direction of the energy transition policy in JETP is large-scale. The direction of the energy transition policy is reflected not only in the government discourse but also in the JETP renewable energy funding priority program. Large-scale energy transition policies often benefit only local and/or international elites.

In conclusion, the energy transition policy under the JETP scheme has significant potential for conflicts of interest between elites, both global (international financial institutions and donor countries) and national elites. This potential conflict of interest can also delay or even derail the energy transition agenda. Furthermore, it can render energy merely a commodity traded for the benefit of individuals and interest groups. Consequently, the public interest is neglected. The space for energy transition policies needs to be expanded to allow for greater public participation in energy transition policymaking. This increase in public participation will counterbalance the dominance of global and national actors in energy transition policy.

#### **Ethical approval**

Not Applicable.

#### **Informed consent statement**

Not Applicable.

#### **Authors' Contributions**

Conceptualization, S.A, E.H. and F.C.; methodology, S.A, E.H. and F.C.; validation, S.A, E.H. and F.C.; formal analysis, S.A, E.H. and F.C.; resources, F.C.; writing—original draft preparation, F.C.; writing—review and editing, S.A, E.H. and F.C.; translation support, F.C.

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The authors declare no conflicts of interest.

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#### **Note on Contributors.**

##### **Firdaus Cahyadi**

<https://orcid.org/0009-0006-1334-1527>

Firdaus Cahyadi is a graduate student in the Natural Resources and Environmental Management Program at IPB University. In addition to his studies, he works as a Program Officer for Natural Resources and Environmental Management at the TIFA Foundation. He wrote extensively on environmental issues and climate justice for the KOMPAS daily newspaper, China Global South, and eco-business.

##### **Soeryo Adiwibowo**

Soeryo Adiwibowo is a Lecturer at the Faculty of Human Ecology (FEMA), IPB University. He obtained his bachelor's degree from the Department of Agricultural Socioeconomics, Faculty of Agriculture, IPB; his Master of Science from the Graduate Program in Natural Resources and Environmental Management Study Program, Postgraduate School of IPB; and his Doctorate der Agrarwissenschaften (Dr. agr.) software (University of Kassel, Germany). His academic and research interests include human ecology, political ecology, natural resources, environmental management, and ecological modernization.

**Edy Hartulistiyoso**

<https://orcid.org/0000-0002-5837-1555>

Edy Hartulistiyoso is a lecturer at the Department of Mechanical and Biosystem Engineering, IPB University, Bogor. He specializes in Renewable Energy engineering. His research focuses on renewable energy conversion engineering, energy management, thermal processes, and agricultural product-processing engineering.

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