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Indonesia: Carbon Trading Series – Registration of Carbon Units on IDX Carbon

In brief

Simultaneously with the issuance of Indonesia Stock Exchange (IDX) Decree on Regulation of Carbon Units Trading on the Carbon Exchange and IDX Decree on Regulation on Carbon Exchange Users, the IDX also issued (i) IDX Decree No. KEP-00295/BEI/09-2023 on Regulation for Registration of Carbon Units on Carbon Exchange Organizer ("**Decree on Carbon Units Registration**") and (ii) IDX Circular Letter No. SE-00014/BEI/09-2023 on Standardization of Grouping of Carbon Units ("**Letter on Carbon Units Grouping**"). As a continuation of our previous client alert on launching of carbon trading on IDX Carbon (link), in this alert we highlight the key provisions on the types of carbon units that can be traded on the IDX and the registration process of carbon units on the IDX.

Contents

Highlight: Types of carbon units

- The carbon units that can be registered and traded on the IDX are: (i) Technical Emissions Ceiling Approvals for Business Actors or Persetujuan Teknis Batas Atas Emisi Pelaku Usaha ("**PTBAE-PU**") and (ii) Greenhouse Gas Emissions Reduction Certification or Sertifikat Pengurangan Emisi Gas Rumah Kaca ("**SPE-GRK**").

- The IDX may facilitate the trading of foreign carbon units that are or are not listed in the National Registry System for Climate Change or Sistem Registri Nasional Pengendalian Perubahan Iklim ("**SRN PPI**"). Foreign carbon units must obtain a registration certificate of carbon units from OJK.

- Carbon exchange users must ensure that the carbon units registered on the IDX are not (i) traded and transferred outside the IDX and (ii) surrendered and retired outside the trading procedures of the IDX.

- Carbon units that are traded on the IDX must fulfill at least one of the following:

    i.   Be listed in the SRN PPI or in the carbon units registry system run by the relevant government ministry connected to the SRN PPI.

    ii. Be registered, validated and verified by an international registration system provider, and fulfill the requirements to be traded on international carbon exchanges and other requirements set out by OJK.

- Carbon unit registration can be requested by: (i) carbon exchange users, (ii) prospective carbon exchange users (who are in the process of applying to register as carbon exchange users on the IDX) and (iii) the relevant government ministry.

- The IDX has the discretion to approve or reject carbon unit registration requests.

- Under the Letter on Carbon Units Grouping, the IDX has categorized four types of SPE-GRK that are traded on the IDX, namely:

    i.   Indonesia Nature Based Solution (IDNBS), for carbon units included in the agriculture, forestry and land-used ("**AFOLU**") sector or included in agriculture and forestry sectors based on Minister of Environment and Forestry Regulation No. 21 of 2022 on Procedure for Implementation of Carbon Pricing ("**MOEF Regulation No. 21/2022**").

ii. Indonesia Nature Based Solution International Standard (IDNBSI), for carbon units (a) included in the AFOLU sector or included in the agriculture and forestry sectors based on MOEF Regulation No. 21 and (b) certified by SRN PPI and/or by an institution having accreditation from an international registration system provider.

iii. Indonesia Technology Based Solution (IDTBS) for carbon units included in sectors other than the AFOLU sector or included in the energy, waste, as well as industrial process and product usage sectors based on MOEF Regulation No. 21/2022.

iv. Indonesia Technology Based Solution International Standard (IDTBSI) for carbon units (a) included in sectors other than the AFOLU sector or included in energy, waste, as well as industrial process and product usage sectors based on MOEF Regulation No. 21/2022 and (b) certified by SRN PPI and/or by an institution having accreditation from an international registration system provider.

Highlight: Procedure of Listing, Deduction, and Usage of Carbon Units

PTBAE-PU

Pre-Registration	Registration	Deduction
• The relevant government ministry may choose to sell PTBAE-PU in auction markets. • The relevant government ministry submits a registration application of PTBAE-PU to IDX by providing the relevant information (e.g., list of business actors and ownership, price, effective date, and expiry date of PTBAE-PU). • IDX inputs PTBAE-PU serial in the carbon exchange. • IDX announces PTBAE-PU registered in the carbon exchange to the public at the latest two trading days after a registration application is received by the IDX.	• The emission trading business actor submits a registration request to IDX based on the business actor's sector or sub-sector, and submits proof of registration of PTBAE-PU in SRN-PPI or the carbon unit registry system run by the relevant government ministry connected to SRN-PPI. • IDX will add the PTBAE-PU to the carbon exchange user's account at the latest two trading days after the registration application is received by IDX.	• The emission trading business actor submits a request to deduct PTBAE-PU. • IDX deducts PTBAE-PU from the carbon exchange user's account at the latest two trading days after the deduction request is received by IDX.

SPE-GRK

Registration	Additional Registration	Deduction	Usage (Retirement)
• The project owner submits a registration application of SPE-GRK to IDX. • The project owner may choose to sell the carbon units through auction markets or non-regular markets before the units are traded in the regular markets. • IDX approves or rejects the registration application at the latest five trading days after the complete submission of documents and information. • IDX then adds SPE-GRK to the carbon exchange user's account at the latest two trading days after the registration application approval.	• The project owner submits an application to IDX to register additional SPE-GRK, by providing proof of registration of SPE-GRK in SRN PPI or another carbon unit registration system run by the relevant government ministry connected to SRN-PPI. • IDX adds SPE-GRK to the carbon exchange user's account at the latest five trading days after the complete submission of the application.	• The project owner submits an application to deduct SPE-GRK, by providing proof of registration of SPE-GRK from SRN PPI or another carbon unit registration system run by the relevant government ministry connected to SRN-PPI. • IDX deducts SPE-GRK from the carbon exchange user's account at the latest two trading days after the application is received.	• The carbon exchange user submits an application for the retirement (penggunaan) of SPE-GRK to IDX. • IDX conveys the application to SRN PPI at the latest two trading days after the application for the retirement is received by IDX. • If the retirement application is approved by SRN PPI, SRN PPI will provide the serial number of the retired SPE-GRK to the IDX. • IDX then conveys the serial number provided by SRN PPI to the relevant carbon exchange user.

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Registration	Additional Registration	Deduction	Usage (Retirement)
• If the SPE-GRK traded in the auction markets are not completely sold out, the SPE-GRK will then be traded in the regular markets.			

Carbon units may be closed if: (i) they have expired, (ii) there is a request from the relevant government ministry, or (iii) there is a request from the project owner.

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