

Indonesia: Launching of Carbon Trading on IDX Carbon

"Indonesia's carbon market is projected to become a IDR 3,000 trillion industry" – President Joko Widodo

In brief

Following the issuance of a carbon exchange license to the Indonesia Stock Exchange (IDX) by the Financial Services Authority (Otoritas Jasa Keuangan or OJK) on 18 September 2023, the IDX finally launched its first carbon trading today, 26 September 2023 ([link](#)). The launch of carbon trading on the IDX takes Indonesia one step further towards fulfilling the country's commitment to achieve an unconditional emission reduction target of 31.89% in 2030. As mandated by OJK Rule No. 14 of 2023 on Carbon Trading on Carbon Exchange, IDX has issued several regulations to administer the implementation of carbon trading, among others: (i) IDX Decree No. KEP-00296/BEI/09-2023 on Regulation of Carbon Units Trading on Carbon Exchange ("**Decree on Carbon Trading**") and (ii) IDX Decree No. KEP-00297/BEI/09-2023 on Regulation on Carbon Exchange Users ("**Decree on Carbon Exchange Users**").

In this alert, we highlight some provisions with respect to the trading of carbon units on the IDX and the general qualifications of carbon exchange users under these decrees.

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Highlight: Introduction to Trading of Carbon Units on the IDX

Highlight: General Requirements on Carbon Exchange Users

Highlight: Introduction to Trading of Carbon Units on the IDX

- Carbon unit trading on the IDX can only be conducted by and between carbon exchange users.
- The unit trading volume is a multiple of one lot or one tonne of carbon dioxide equivalent (CO₂e).
- The trading hours are Monday to Friday (except for public holidays or days deemed as public holidays by the IDX), from 9.00 – 15.00 Jakarta time.
- There are four types of markets on carbon exchange, namely (i) auction markets, (ii) regular markets, (iii) negotiated markets and (iv) non-regular markets. A lot of aspects of trading (e.g., the subject and the object of trading) will vary depending on the types of markets on which trading takes place.
- Auction Markets

Object	Seller	Buyer	Remarks
Technical Emissions Ceiling Approvals for Business Actors or Persetujuan Teknis Batas Atas Emisi Pelaku Usaha (" PTBAE-PU ")	Relevant Government Ministry	Emission trading business actor (as explained further in Highlights: General Requirements on Carbon Exchange Users below)	<ul style="list-style-type: none"> The minimum price is IDR 1 per carbon unit. The relevant government ministry (for PTBAE-PU) or the project owner (for SPE-GRK) submit a request to the IDX (including the auction details, i.e., volume and price range) to create an auction session.
Greenhouse Gas Emissions Reduction Certification or Sertifikat Pengurangan Emisi Gas Rumah Kaca (" SPE-GRK ")	Project owner (as explained further in Highlights: General Requirements on Carbon Exchange Users below) or other carbon exchange users appointed by the project owner	Emission trading business actor and/or non-emission trading business actor (as explained further in Highlights: General Requirements on Carbon Exchange Users below)	<ul style="list-style-type: none"> The buyer submits its purchase request (including the volume it wants to purchase and the price range). The trading on the auction markets will become binding based on the determination of: (i) the final price by

Object	Seller	Buyer	Remarks
			the relevant government ministry (for PTBAE-PU) or the project owner (for SPE-GRK) and (ii) the winner of the auction by IDX.

- Regular Markets

Object	Seller	Buyer	Remarks
PTBAE-PU	Emission trading business actor	Emission trading business actor	<ul style="list-style-type: none"> The minimum price is IDR 200 per carbon unit. The seller and the buyer submit their sale offer or purchase request by considering IDX requirements on unit trading volume, price fraction and auto rejection. The sale offer and the purchase request can be submitted in two forms: (i) limited order (based on the price and volume limits determined by the party that submits the offer/request) and (ii) market order (based on the volume limits determined by the party that submits the offer/request). IDX will match the sale offer and the purchase request (either wholly or partially). The trading on regular markets will become binding once the sale offer and the purchase request are matched.
SPE-GRK	Emission trading business actor and/or non-emission trading business actor	Emission trading business actor and/or non-emission trading business actor	

- Negotiated Markets

Object	Seller	Buyer	Remarks
PTBAE-PU	Emission trading business actor	Emission trading business actor	<ul style="list-style-type: none"> The minimum price is IDR 1 per carbon unit. The seller and the buyer negotiate the deal (including the price) outside the carbon exchange. The seller and the buyer then input the result of this negotiation on the carbon exchange. The trading on negotiated markets will become binding based on confirmation from the seller and the buyer.
SPE-GRK	Emission trading business actor and/or non-emission trading business actor	Emission trading business actor and/or non-emission trading business actor	

- Non-Regular Markets

Object	Seller	Buyer	Remarks
SPE-GRK	Project owner or other carbon exchange users appointed by the project owner	Emission trading business actor and/or non-emission trading business actor	<ul style="list-style-type: none"> The minimum price is IDR 1 per carbon unit. The seller submits its sale offer (including the volume and price) on the IDX. The buyer submits its purchase request (in response to the sale offer) by including its preferred price (i.e., either the same price as the sale offer, or a different price). The trading on non-regular markets will become binding based on the seller's acceptance of the purchase request.

Highlight: General Requirements on Carbon Exchange Users

- The Decree on Carbon Exchange Users recognizes the following legal entities as carbon exchange users:
 - Emission trader business actors, which are business entities that conduct business and/or activity in certain sectors that receive a PTBAE-PU allocation
 - Non-emission trader business actors, which are business entities that conduct business and/or activity in certain sectors that do NOT receive a PTBAE-PU allocation
 - Project owners, which are business entities that conduct the first sale or the party that has the right to conduct the first sale of SPE-GRK on the carbon exchange. Project owners must register SPE-GRK in accordance with the prevailing rules.
 - Other parties approved by OJK
- Carbon exchange users can be Indonesian legal entities or foreign legal entities.
- Requirements to become carbon exchange users:
 - General requirements:
 - Have officers who are responsible for the use of the facilities provided by the IDX
 - Attend training on carbon exchange held by the IDX
 - Have an email address with the company's domain
 - Have at least two persons representing the carbon exchange user that have attended training on carbon exchange held by IDX (and these two persons must be registered with the IDX)
 - Have a bank account that is connected to BI-FAST and BI-RTGS systems
 - Have annual financial statements for at least the last financial year
 - Additional requirements applicable to Indonesian legal entities:
 - Have company's articles of association
 - Have a taxpayer registration number (Nomor Pokok Wajib Pajak or NPWP) and a business identification number (Nomor Induk Berusaha or NIB)
 - Additional requirement applicable to foreign legal entities: have a legal entity identifier that is registered with the Regulatory Oversight Committee (ROC)
- Legal entities that intend to become carbon exchange users must submit an application letter to IDX for obtaining IDX approval, by using prescribed forms that are provided in the Decree on Carbon Exchange Users.

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