

PRESS RELEASE

OJK IS READY TO SUPPORT THE IMPLEMENTATION OF CARBON EXCHANGE

Jakarta, 27 September 2022. The Indonesian Financial Services Authority (OJK) continues to prepare the implementation of a carbon exchange to support the Government's carbon pricing initiative to tackle climate change.

“OJK, together with the financial services industry, is ready to support the initiative,” said Mahendra Siregar, Chairman of the OJK Board of Commissioners, at an international seminar titled “Carbon Trading: The Journey to Net Zero” held in Jakarta on Tuesday afternoon as a series of activities to commemorate the 45th anniversary of the Indonesian Capital Market's Reactivation.

According to Mahendra, government-initiated carbon pricing can provide incentives for companies to reduce their carbon emission as well as disincentives for those whose emissions still exceed the permissible limits.

Mahendra also said that as a country with a geographical advantage and the third largest tropical forests in the world, Indonesia could substantially benefit from global carbon emission trading.

“This is where Indonesia can step up and utilize its advantage as a leader to leverage the carbon market initiative in providing alternative financing for the real sector,” explained Mahendra.

Mahendra explained that, with its 125 million hectares of tropical forest area, Indonesia is estimated to be able to absorb 25 billion tons of carbon, apart from peat and mangrove forests, thus an expected revenue of USD565.9 billion would be generated from carbon trading.

To back this opportunity, Mahendra said that a regulatory framework that clearly outlines the authority and operations of a carbon exchange for both domestic and international trade would be eminently required.

“We must also ensure that the primary, secondary, and market infrastructure are not only fit but also complete so they can support the operations of carbon exchange, along with appropriate monitoring mechanism for the carbon market to ensure the alignment with the national targets as prescribed in Indonesia's Nationally Determined Contribution (NDC),” said Mahendra.

OJK hopes that an overarching legal framework related to the organizing authority and the operation of carbon trading, particularly through a carbon exchange, can be issued

immediately to accelerate the achievement of Indonesia's NDC goals and net zero emission target by 2060.

Aside from Mahendra, other speakers at the seminar were the Director General of Climate Change Control of the Indonesian Ministry of Environment and Forestry, Laksmi Dewanti as well as the Executive Director of Abu Dhabi Global Market's Financial Services Regulatory Authority, Simon O'Brien.
