

 Early Warning System

ADB-56368-003

Supporting Affordable and Sustainable Energy Transition Policy  
Reforms



### Quick Facts

Countries	Indonesia
Financial Institutions	Asian Development Bank (ADB)
Status	Approved
Bank Risk Rating	U
Voting Date	2025-08-26
Borrower	Government of Indonesia
Sectors	Energy, Law and Government, Technical Cooperation
Investment Type(s)	Advisory Services
Investment Amount (USD)	\$ 1.00 million



### Project Description

As stated by the ADB, the proposed TA will involve the preparation of policy advice and capacity development to support Indonesia's clean energy transition and contribute to the design and implementation of policy actions for subprograms 2 and 3 of the Affordable and Sustainable Energy Transition (ASET) Policy-Based Loan (PBL) Program. ADB approved the programmatic approach and a PBL for subprogram 1 on 19 September 2024. The TA will build on foundational assistance initiated during subprogram 1 regarding Indonesia's clean energy transition and energy sector governance and financial sustainability, and tackle evolving themes stemming from planned captive power policy actions, including critical minerals and private sector downstreaming efforts in the clean energy technology supply chain, industrial decarbonization, and carbon market development.

The TA has been developed to support Indonesia's clean energy transition and contribute to design and implementation of the ASET PBL Program and its policy actions. Utilizing a programmatic approach, the ASET PBL Program will support the Government of Indonesia in achieving its enhanced Nationally Determined Contribution (NDC), 2022, and its power subsector's net-zero emission target by 2050 through various policy measures to accelerate energy transition in the country, lower barriers to the adoption of clean energy technologies, and increase the utilization of clean energy generation for sustainable growth.

The program is a milestone intervention in Indonesia's shift of focus from securing energy supply to a transition to clean energy for sustainable growth. It will focus on (i) establishing policies and regulatory frameworks for clean energy transition, and (ii) strengthening sector governance and financial sustainability. The program was originally a programmatic approach PBL designed with two subprograms. However, the original program design anticipated the possible need for a third subprogram that was to be determined during subprogram 2 preparation. As the policies and priorities of the new government in Indonesia since 2025 are becoming clearer, the program will be expanded to include subprogram 3.

While the potential for clean energy in Indonesia remains high, adoption of clean energy remains low (e.g. 14.58% of electricity generation). This is largely due to the limited enabling environment for clean energy deployment. Subprogram 1 took foundational steps towards more ambitious targets, leveraging the momentum created by Indonesia's climate and international energy transition commitments made in 2022. ADB's TA for the Energy Transition Mechanism, Just Energy Transition Partnership (JETP), Comprehensive Investment and Policy Plan 2023, and subprogram 3 of the Sustainable and Inclusive Energy Program supported the policy actions in subprogram 1.

Beyond prospective actions for subprogram 2 in the board paper of subprogram 1, some of which have already made significant progress, the new administration which assumed office in October 2024 has underscored the importance of linking clean energy ambitions to a future where Indonesia leverages its natural resources to drive economic growth and environmental sustainability. This shift has highlighted the importance of developing the clean energy transition in a manner that connects it to the critical mineral endowment of Indonesia, the national priority to develop downstream industries and promote private sector industrial development. At the same time, the grid-level decarbonization goals need to be achieved primarily by the state electricity utility company, PLN, within the framework of the government's other priority of local content promotion. Effective policy development in this field will also support the government in managing emerging issues such as captive power generation which is purpose-built to support the minerals processing industry. Of the indicative policy actions for Subprogram 2, action 2.3 on policies for captive power plants will be the basis to develop these policy actions. The energy transition analysis and due diligence support from the TA will help advance progressive policy actions for subprograms 2 and 3, demonstrating and reflecting progress on existing priorities and the newly emerging themes as subprograms 2 and 3 are finalized.

Given the critical role of sustainable energy sector developments in green industrial growth, the TA is aligned with the proposed ADB strategic priorities of advancing economic competitiveness and enhancing resilience and sustainability in the



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### Investment Description

- Asian Development Bank (ADB)



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### Contact Information

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### Bank Documents

- [Technical Assistance Report](#)



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### Other Related Projects

- ADB-56368-001 Affordable and Sustainable Energy Transition Program, Subprogram 1