

Talking ASEAN

Untangling the Complexities
of Energy Transition in ASEAN

SPEAKERS



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 The Habibie Center

Discussion Report Talking ASEAN Webinar

on

Untangling the Complexities of
Energy Transition in ASEAN

Jakarta, December 29th 2022



Introduction

On Thursday, 29 December 2022, The Habibie Center (THC) convened the Talking ASEAN Webinar entitled “**Untangling the Complexities of Energy Transition in ASEAN.**” The webinar featured **Philip Gass** (Lead of the Transition Energy Program, International Institute for Sustainable Development), **Beni Suryadi** (Manager of the Power, Fossil Fuel, Alternative Energy and Storage, ASEAN Centre for Energy), **Moekti Handajani Soejachmoen** (Executive Director of Indonesia Research Institute for Decarbonization)–and was moderated by **Herawati** (Researcher of ASEAN Studies Program, THC).

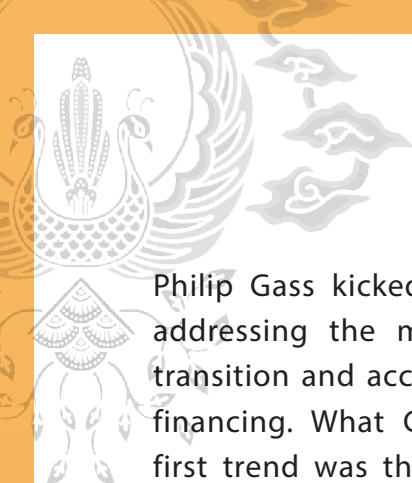
The objectives of this webinar were to: (a) analyze the position of energy transition strategy and its achievement within the energy security and sustainability strategies under the ASEAN cooperation framework; (b) assess the challenges and opportunities in advancing energy transition in Southeast Asia; and (c) analyze the role of private actors and populations at the grassroots level in accelerating the energy transition in ASEAN.

This discussion report summarized the key points of each speaker as well as the following questions and answers session.

PRESENTATION FROM THE PANELIST



Philip Gass
(Lead - Transition Energy Program,
International Institute for Sustainable
Development (IISD))



Philip Gass kicked off the discussion by addressing the major trends in energy transition and access to energy transition financing. What Gass considered as the first trend was the fluctuation of energy prices. The price of energy, particularly those of fossil fuels, would be dominated by price spikes and crashes. This trend was visible in the sudden ups and downs of oil prices and, especially during the Covid-19 pandemic, the price crashed for quite some time as the world had run without major oil demand – for instance, the lockdown led to the decrease in transportation fuel demand. However, the oil price had recently started to re-escalate as the world started to get back to normal and the war in Ukraine broke out. As for the latter, he emphasized that the war had disrupted the energy trade process and was perceived to not only impact Europe, but also the global economy.

With the war in Ukraine did not seem to end shortly and the Covid-19 cases in most countries seemed to keep on declining, Gass could not see the reason to deny the fact that the world would still see the oil price fluctuations. Eventually, the oil price fluctuation might create a lot of stress for the oil producers and consumers and lead to a major risk of fossil fuel subsidies. The possibility of fossil fuel subsidies could distort both the energy market and the transition process. Gass then expressed his concern that the said distortion could

as well lead to the deceleration of energy transition as it might obstruct renewable energy to enter the market.

Gass went on to address another trend, that countries around the world saw energy access as both a social and security issue – including the ASEAN countries. In relation to the price fluctuation trend, the governments would scrutinize the scenario of energy supply disruption and look more at the alternatives of energy supplies, hence them starting to put forward the importance of trustworthy local energy productions – either those which are produced domestically or regionally by countries in the same regional groupings. Moreover, local energy productions were seen as more cost-certain and socially better alternatives. As it would be produced locally, the cost of local energy would not be defined by the global market. By using a social lens, local energy production would provide opportunities for pioneering people-centered energy schemes by creating and transitioning from fossil fuel jobs to renewable energy jobs for the locals.

Gass considered the decreasing price of renewable energy as the ultimate major trend for the energy transition. The price of renewables was expected to continue falling off for both large and small-scale renewable energy. As renewable energy was often produced locally to where it would be used and not necessarily involve any major export-import markets, the price would be getting

cheaper and this alternative would be more attractive. Gass emphasized that the recent increase in carbon prices, tariffs, border carbon adjustments, and pressure for fossil-fuel reforms would raise the opportunities for renewable energy to grow.

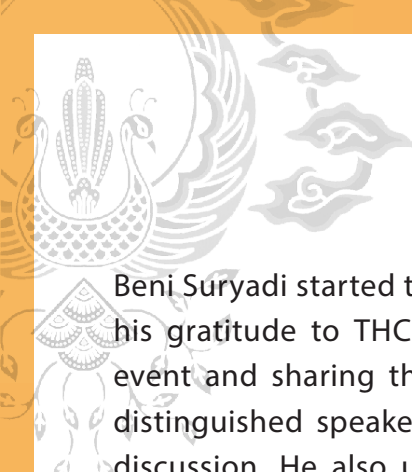
Gass indeed saw ASEAN still being on the way to achieving its target in the energy transition. However, he saw the group would continue the acceleration of renewable energy driven by its decreasing cost as compared with fossil fuels, increasing technology, innovation, and renewable energy capacity on an annual basis. One exemplary case in the ASEAN region given by Gass to prove this was the rapid boost in vehicle electrification. With such rapid acceleration of vehicle electrification in big cities in ASEAN, Gass optimistically foresaw the decrease of oil demand and the increase of climate benefit.

In discussing access to energy transition financing, Gass emphasized the importance of bringing to life the commitment of US\$ 100 billion assistance inked within the Paris Agreement and the new investment through the Just Energy Transition Partnership (JET-P). Gass eventually touched upon the idea behind the JET-P, that would consider the communities and workers in the energy sector who might be affected by the energy transition, and the energy consumers who faced the access restriction due to high energy prices or the absence of local energy alternatives. For ASEAN, Gass then asserted the need to explore regional energy cooperation by constructing a regional approach to JET-P – either through individual countries or on the regional level.

PRESENTATION FROM THE PANELIST



Beni Suryadi
(Professor, The Republic of
Indonesia Defense University))




Beni Suryadi started the remark by expressing his gratitude to THC for inviting him to the event and sharing the stage with other two distinguished speakers at such an important discussion. He also used the opportunity to deliver a slight introduction to the ASEAN Centre for Energy (ACE) prior to moving on to the remark.

Suryadi initially discussed the current state of ASEAN being an economically thriving region and one of the world's largest economies, where energy plays a critical role in driving economic growth. This state led to the high demand for energy in Southeast Asia. Amidst its reliance on energy, ASEAN relies heavily on fossil fuels – as of 2020, fossil fuels dominated the energy mix in the region by up to 83%. However, Suryadi found this fact to be a no-brainer since the region is rich in natural resources, and fossil fuels would be an affordable option for many developing countries.

In parallel with the economic growth in the region and despite the reliance on fossil fuels, Suryadi also emphasized that ASEAN countries need to transform their energy scheme. The ASEAN Sustainable Energy Transition Priorities stipulate a strong need for the ASEAN countries to explore alternative energy features and find the right path that leads toward a net-zero emission economy. Suryadi argued that transition towards the renewables would be important for ASEAN as, during the ASEAN Energy Minister Meeting

in September 2022, the 7th ASEAN Energy Outlook identified that the energy demand in the region was expected to triple by 2050 – under the baseline scenario – and fossil fuels were projected to continue supplying most of the region's energy demand.

Suryadi said that the vision towards renewable energy utilization was one of the strategies under the region's energy blueprint. ASEAN aims to achieve the collective targets of a 23% share of renewable energy in the total primary energy mix for the power sector by 2025 and a 35% share of renewable energy within ASEAN's installed power capacity by 2025. Suryadi was also concerned that there would be skeptical views on achieving those targets by 2025. The skepticism was rooted in the current share of renewable energy reaching only up to 14%, the ongoing global energy crisis, and ASEAN's priority toward post-Covid-19 economic recovery. However, the policies to support the energy transition were put in place. These policies aimed at seizing the possibility of bringing more renewables into the energy mixtures and reducing the portion of energy mixtures from fossil fuels, deploying large-scale renewable energy systems to accommodate a high share of renewable energy in the ASEAN power grid, increasing the investment in renewable energy, and exploring new and emerging energy technologies such as hydrogen and fuel cells.



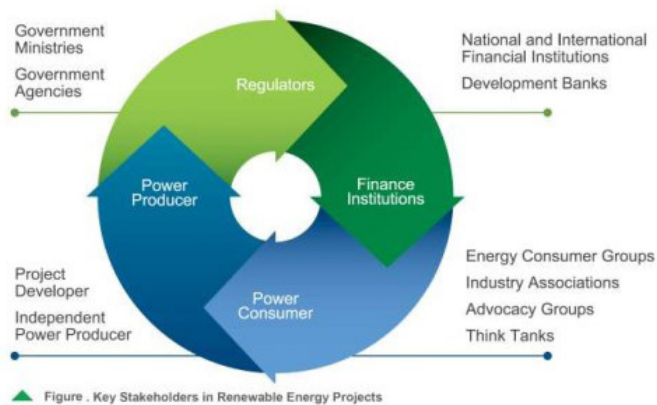
Amidst the skepticism towards the achievement of ASEAN renewable energy targets, Suryadi expressed a sense of optimism for ASEAN. Despite the Covid-19 pandemic situation, ASEAN managed to deliver a groundbreaking performance in the power sector. Suryadi elaborated that approximately 22 gigawatts of capacity in 2020, with about 82% of the said newly-added capacity coming from renewables. Suryadi added that this groundbreaking achievement was due to the skyrocketing solar panel installment in Vietnam and that renewables would contribute up to more than 60% of the upcoming installed capacity for the next three years. Suryadi believed that this would boost the renewable energy share within the installed capacity by 37.9% in 2025 – around 2.6% higher than its original target. This development took place within two years since the original plan has been enhanced mainly by the fact that many countries have advanced their energy plan and announced their net-zero target after the COP-26 and COP-27, and the JET-P deals agreed in two ASEAN countries, Indonesia and Vietnam.

Suryadi used the opportunity to explain about the cross-border electricity mechanism under the ASEAN Power Grid Initiative. ASEAN Power Grid Initiative is an initiative that aims to enhance interconnectivity and energy security, and sustainability through the new and existing electricity interconnection. As he asserted that the ASEAN Power Grid Initiative would be a prospective mechanism to harness

renewable energy potential in the region, the initiative would provide an opportunity for ASEAN to tap into low carbon and renewable energy sources and contribute toward the economic development by allowing maximum utilization of renewable energy in one ASEAN country to fulfill the demand in another ASEAN country. A recent example of the utilization of the ASEAN Power Grid Initiative is the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project (LTMS-PIP). The LTMS-PIP has enabled the import of up to 100 megawatts of renewable hydropower from Lao PDR to Singapore using the existing interconnection.

Suryadi then discussed the main drivers of renewable energy penetration in Southeast Asia. He asserted that the boost for renewable energy in this region was mainly stimulated by the global energy trends, based on the report titled “Impact Analysis and Review on the Governance of Renewable Energy Financing Scheme in ASEAN” that was written by the ASEAN Centre for Energy. Among the roots of the gradual shift from carbon-intensive to clean energy systems in the region was the fluctuating global oil and natural gas market which increased the competitiveness of renewable energy prices. Apart from the fluctuating fossil-based energy market, the decrease in the renewable energy technology price and the push to comply with the sustainable development goals have also helped to stimulate the boost for renewable energy in the region. Other factors include

Improving Governance: Best Derisking Tools!



The associated risks and challenges of financing RE are best tackled by systematically integrating policy and financial tools.

Policymakers can address these risks by:

- Reducing risk (policy de-risking),
- Transferring risk (financial de-risking),
- Compensating for risk (direct incentives).

Experience across the globe shows that investing in de-risking (risk reduction or risk transfer) is more cost-effective when measured against providing direct financial incentives, such as paying premium prices.

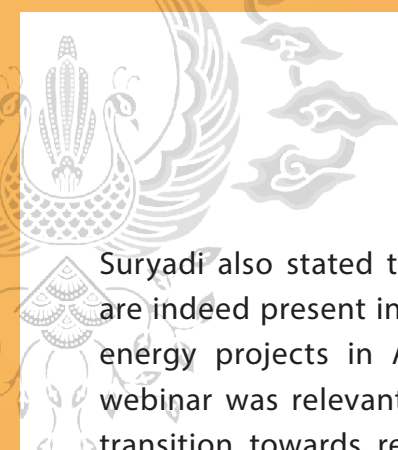
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access to finance and the emergence of digital technology. Both have had a part in revolutionizing the power sector in Southeast Asia.

Among the key drivers of renewable energy penetration in ASEAN was access to renewable energy financing. In this regard, Suryadi touched upon the challenges and risks of renewable energy financing. Aside from macroeconomic barriers, Suryadi mentioned three main areas which represented the challenges and risks. The first area of challenge was the regulatory area. Suryadi saw that the limitations and uncertainties in the energy market have challenged renewable energy financing. Other challenges could come from the permits, environmental risks, political risks, and grid transmission.

Other areas of challenges would be technical and labor aspects and access to finance. In technical and labor aspects, Suryadi highlighted unskilled potential labor and low management capability as significant barriers to renewable energy financing. Another factor which could potentially hinder renewable energy financing was hardware development. In the area of financing access, the main challenges included the scarcity of investment and capital on renewable energy, debt and equity, and the limitation and track record of investors in renewable energy.



Suryadi also stated that, as the complexities are indeed present in a number of renewable energy projects in ASEAN, the title of the webinar was relevant to the current state of transition towards renewable energy in the region. He explained that, as the onset of the projects would usually be of high risk in nature, such as the feasibility studies, power purchase agreement negotiation, and land acquisition, the lenders would usually get involved as the projects progress as the equity is injected and expanded and the risks lessen. Yet, the project initiation phase to the operation and maintenance phase also usually saw the risk of ineffectiveness of several instruments and policy teams. Moreover, the force majeure provision would also be a determining factor in the bankability of the projects. Lenders would usually find the project unbankable if the risks were shifted away from the government to the lenders.

Suryadi believed that systemic integration of policy and financial tools would be the best way to tackle the challenges and risks of renewable energy financing. Policymakers could address the risks through policy and financial de-risking, as well as by providing direct incentives. Talking from renewable energy financing experiences from around the world, the former is more cost-effective compared to the latter. Suryadi also added that, in order to unpack the complexities, collaboration between stakeholders would be important to find a balance between their varying motives and interests.

In order to scale up the renewable energy development in the region, Suryadi proposed seven recommendations. These recommendations included speeding up regional connectivity, developing decentralized energy and floating solar PV systems, investing in grid improvement and energy storage systems, stimulating diversity in renewable energy technologies, learning from global experiences to stimulate renewable energy investment, and attracting private investors through an investment-friendly company and licensing process.



PRESENTATION FROM THE PANELIST



Moekti Handajani Soejachmoen
(Executive Director, Indonesia
Research Institute for
Decarbonization (IRID))




Moekti Handajani Soejachmoen gave her remark on the role of the society for renewable energy transition in ASEAN. Soejachmoen started her remark by expressing the importance of having a discussion on the issue of energy, especially on the renewable energy issue, by considering the essential role that energy plays in everyone's life. She also expressed gratitude to THC for inviting her to discuss the issue and introducing the work of the Indonesia Research Institute for Decarbonization.

Soejachmoen mentioned the importance of the energy transition. Nowadays, many development schemes and human activities are fueled by fossil fuels and the carbon dioxide that the fossil fuels emit could stimulate climate change. The presence of the Paris Agreement played an important role in pushing the transition to clean energy to take place. The Paris Agreement had also provided a common agreement between countries to slow down the global temperature increase well below 1.5 degrees. Although seeing the target to be an ambitious one, Soejachmoen saw the effort as a necessity considering the irreversible impact the world would suffer should the countries do less.

Apart from the presence of the Paris Agreement that brought countries together to lessen the carbon emission and slow down global temperature increase, Soejachmoen perceived the geopolitical situation as the important root of energy security. The current

geopolitical situation had impacted the scarcity of fossil-based resources and people would have less access to the resources, and she argued that the world should not rely on fossil fuels as the only energy resource and transition to renewable energy. Soejachmoen also saw that the energy transition could benefit the labor sector. By echoing Suryadi's concern on the labor aspect being one of the barriers in the transition towards renewable energy, she observed the energy transition as the reason to prepare the labor for the green economy scheme – especially in ASEAN.

Soejachmoen then connected the importance of energy transition to how every stakeholder should be aware of their roles in making the energy transition happen – including communities. Soejachmoen saw five important stakeholders in the energy transition process – government, private sectors, academics, and civil society organizations (CSOs) which represent communities. While the government would have to be responsible for shaping the policy to support the energy transition, other stakeholders such as academics and CSOs would have to be responsible as well to advocate the necessity of energy transition to the government and private sectors and mainstream the energy transition advocacy to every layer in the society.



Aside from being a watchdog for the energy transition process, academics and CSOs should assist the government in shaping and constructing a more decentralized energy scheme, such as by enhancing local-based energy resources.

Soejachmoen also highlighted the JET-P as a mega financing deal for the transition to renewable energy. However, with what Suryadi has mentioned in his remark about ASEAN's regional initiative, she viewed that non-state actors could have a prospective role in shaping local and regional initiatives aside from relying solely on political-economic schemes, such as JET-P, in the energy transition process. In shaping local and regional-level initiatives in ASEAN, non-state actors could help the government work together to create an energy transition-friendly ecosystem in the region.



QUESTION AND ANSWER SESSION

Questions

Farah (Jakarta):

Gass' remark potentially leads to an optimistic outlook for the energy transition in ASEAN. However, the cooperation model in ASEAN is typically hampered by institutional, developmental, and economic gaps. By noting the linkage between energy, security, and how sensitive the strategic issues can be in ASEAN, to what extent does this apply to the energy transition?

Responses

Philip Gass (Lead of the Transition Energy Program, International Institute for Sustainable Development):

Gass first noted that there are different levels of development and economic gaps between one country to another and that all countries have their own national interest in the region. However, Gass saw that a regional group like ASEAN could potentially be a great platform to bridge some of the gaps and work together towards achieving the goal of transition to clean energy. What would be important was that the group had a better understanding of the issue of energy diplomacy – which could be achieved by increasing discussion with good intentions in mind.

Gass, by noting the gaps and development level, was aware that the energy transition process in ASEAN could run at a different pace depending on the countries. Some countries might be having a more rapid pace, while others might run at a slower pace. However, as all are moving towards a common direction, he believed in the importance of sharing the lessons and assisting one another with capacity building thus ASEAN countries can bridge towards a more regional approach rather than a collection of national approaches.

Beni Suryadi (Manager of the Power, Fossil Fuel, Alternative Energy and Storage, ASEAN Centre for Energy):

Suryadi answered the question by making an analogy of the difficulty of walking with ten companions than walking with fewer companions, which he then compared the analogy to the situation in ASEAN. He emphasized that the ten ASEAN countries have varying levels of economic development and resource ownership. As for the latter, Suryadi took an example of ASEAN countries which have an abundance of natural resources, like Indonesia and Laos, and the countries which have less to no natural resources yet very high gross domestic product like Singapore.

Suryadi, by noting the difference in resources and development, argued that ASEAN had tried to move collectively towards the energy transition. He argued that the collective commitment is rooted in the fact that no ASEAN countries are categorized as isolated countries. Therefore, it

would be impossible for one country to stand by itself. He then took the example of Singapore importing the electricity generated from hydropower in Lao PDR and went through Thailand and Malaysia and to make this cooperation come to life, where the significant steps were laying the ground and discussing to lead for collaboration between these four countries. Through the example given, Suryadi ended his answer by emphasizing that each ASEAN country would take time to do what they can do to best to assist each other and institutionalize it. Thus, it would be possible for the group to go in a common direction amidst different paces each country would go through at the end.

Moekti Handajani Soejachmoen (Executive Director of Indonesia Research Institute for Decarbonization):

Soejachmoen emphasized that political will and good intent to fix the system were the important elements for ASEAN and Indonesia. As for ASEAN, political will would be important to settle the concerns on the difference in the electricity market in the region in order to be able to walk together towards the transition to clean energy. She then took an example from the case of Indonesia's National Electricity Company (PLN), being the sole country platform for energy transition, while some units are still owned by the independent power producers, which would still need to be tackled in order to create a more effective system for the future implementation of JET-P. Learning from the case of Indonesia, another concern that Soejachmoen brought to the table was the need to open the electricity market and create a more progressive system therefore no party should create the burden for themselves, as she mentioned the government being burdened on the electricity subsidies and compensations.

Questions

Dito Adisuryo (Jakarta):

Amidst the crisis, some strategists say that the Asia-Pacific, especially ASEAN, becomes less impacted and can offer more resilient growth compared to other regions. In terms of clean energy investment and projects, to what extent do you respond to this optimism, and what ASEAN should prepare especially for Indonesia's Chairmanship 2023?

Responses

Beni Suryadi (Manager of the Power, Fossil Fuel, Alternative Energy and Storage, ASEAN Centre for Energy):

Suryadi brought up two important points. First, amidst the potential deepening of the crisis in

2023, the Asia-Pacific, especially ASEAN, might be less impacted by it. For instance, ASEAN has not encountered any sight of energy shortage despite the – quote-unquote – acceptable increase of energy prices present in this region. This could be attributable to, bearing in mind ASEAN being largely dependent on fossil fuels, the supply that comes from ASEAN countries' domestic production. However, this situation does not automatically reflect ASEAN as immune from the potential impact of the crisis. Should ASEAN continue to treat its fossil fuels dependence on a business-as-usual basis, this would bring the region to a bigger impact.

Secondly, Suryadi perceived that optimism might embark on the achievement of the clean energy project in ASEAN. As he has touched upon the 82% of 22 gigawatts of energy production in the newly-installed capacity being from renewables, Suryadi argued that ASEAN should be able to adapt in such a fast-changing environment and welcome the investments to enhance the green energy production in the region. On that basis, Suryadi also touched upon the ability of ASEAN to gain the trust of the investors. Yet, ASEAN still needs to work on achieving its aspirational goal of achieving a 23% share of renewable energy of the total primary energy mix for the power sector by 2025. Therefore, Indonesia, within its ASEAN Chairmanship next year, needs to accelerate the national and regional commitment, start the energy infrastructure development, and aspire to achieve the goal as the cornerstone of its chairmanship.

Moekti Handajani Soejachmoen (Executive Director of Indonesia Research Institute for Decarbonization):

Soejachmoen added that, within its ASEAN Chairmanship in 2023, Indonesia could establish a dialogue platform. As she saw Indonesia as being exceptional in facilitating dialogues in the region, they could establish a forum where the ASEAN countries can share their own experiences on energy transition. She took an example of how Vietnam, as they managed to exhibit incremental success in carrying out energy transition despite the emerging energy transition problems the country has faced lately, can share its know-how.

On establishing a platform, Soejachmoen viewed The Habibie Center as a capable body to create a space, especially from the non-governmental perspective, for the civil society stakeholders to meet and discuss the implementation of the energy transition scheme. She further explained how Indonesia Research Institute for Decarbonization (IRID) is supporting a dialogue session on energy transition partnership among the stakeholders in Vietnam, Indonesia, and the Philippines up until the end of 2023. The dialogue session that IRID is supporting aims to become an exchange platform for the stakeholders in the said countries on the lessons learned in the energy transition process.

Philip Gass (Lead of the Transition Energy Program, International Institute for Sustainable Development):

Gass reminded us that ASEAN Chairmanship is an opportunity for Indonesia to work as the President of G-20 this year. He argued the possibility to continue what Indonesia had achieved as the G-20 lead in its ASEAN chairmanship based on what he saw as similarities in membership diversity in both groups. Gass noted Indonesia's ability to guide the G-20 through a very tumultuous year to a positive outcome on energy policy and cooperation despite the fluctuating energy price and ongoing global conflict as a remarkable beginning for continuing energy transition legacy in ASEAN. He explained that, for example, Indonesia could build an instrument, such as by forming a working group on climate and energy policy composed of non-governmental organizations to support the government to come to a positive outcome.

In terms of the impact of the global crisis, Gass echoed what Suryadi mentioned earlier on the less impact that ASEAN has encountered. For instance, he noted that other regions were heavily and directly impacted by the changes in natural gas flows while ASEAN was not going through that circumstance. However, as the energy price is increasing everywhere and the world would continue to see it fluctuating, there would be no better time to accelerate the energy transition except now, as there might be a lower impact that ASEAN would encounter. To support this preposition, Gass added that, as some countries have started to accelerate their shift to renewables these past few years, the world would see a more reduced market for the fossil-based sources export – coal, oil, and natural gas – after 2030.

Questions

Apichai Sunchindah (Jakarta/Bangkok):

The question was addressed to Beni Suryadi: "According to ACE projections, which year will fossil fuel consumption in ASEAN be expected to peak and would current ASEAN efforts on energy transition be a bit too little and too late?"

Responses

Beni Suryadi (Manager of the Power, Fossil Fuel, Alternative Energy and Storage, ASEAN Centre for Energy):

Suryadi initially took a reference from the projection model in the 7th ASEAN Energy Outlook. Reflecting on the time when the report was being developed, he noted that ACE had not included the latest net-zero commitment by the ASEAN countries. Suryadi then added that from the existing

scenario that ACE modeled, including the business-as-usual, implemented policies, and the collective commitment from the ASEAN countries, the utilization of fossil fuels will still increase up to 2050. Based on the model used in developing the report, Suryadi took note of the necessity to further incorporate and assess the latest development in ASEAN – the net-zero commitments – when developing a scenario in the future.

However, despite the said projection, Suryadi saw that the penetration of renewable energy would be able to decrease the growth of fossil fuel utilization, particularly in the power sector. ACE has projected that, if ASEAN countries would be able to push and implement their national policy as well as its shared commitment by 2050, there would still be a hope for around 60% of the total generated power in the region to be coming from renewable energy. To correlate the response on whether the ASEAN efforts were too little and too late, Suryadi argued that, although it needs to step up its A-game to achieve the target, ASEAN had made a quite significant effort and continuously tries to enhance and to carry it out faster.

Questions

Hans Sukanto (Medan):

What do you think is going to happen to Indonesia's economy, especially in the coal-export sector, when other countries start transitioning to renewable energy?

Responses

Moekti Handajani Soejachmoen (Executive Director of Indonesia Research Institute for Decarbonization):

Responding to the question, Soejachmoen recalled a similar situation occurred between 2016 and 2017 when the demand for coal was decreasing and consequently, several small-sized coal companies had to cease operation in Kalimantan. Although she saw the possibility of a similar situation reoccurring, yet that would be unlikely these days as the coal price is increasing. As Soejachmoen took an example of what has happened in Europe, where the supply of clean energy is rather difficult and is paired with the increasing energy demand due to the winter season, there would be some sorts of challenges for renewable energy to develop and coal demand increased.

Soejachmoen also added that there are two important points on coal utilization based on the ongoing conversations. First, the energy transition is going to the pathway of utilizing hydrogen as the energy source. Secondly, aside from power sources, coal is also used for feedstock. Therefore, there would still be a market for Indonesia's coal export although the world has started to shift to

renewable energy. Yet, Soejachmoen observed that the coal actors should consider shifting the business to renewable energy as they are currently faced with tariff competitiveness. Hence, she emphasized that the shift is not only necessary for the energy transition but also for the business benefit.

Philip Gass (Lead of the Transition Energy Program, International Institute for Sustainable Development):

Gass responded by pointing out the short, medium, and long-term impacts for the coal-export sector. The short-term impact of the energy transition to coal export would not be as huge and severe. However, he argued that the ongoing conversation sees that energy transition would evolve in a medium to a long time frame – between 30 to 50 years.

Knowing that the energy transition would take some time, Indonesia needs to be cognizant in its decision-making process on the economic aspect, especially those which are related to coal production and export. Gass argued that, rather than on the current economic condition, Indonesia should base the decision-making process on the condition that the country expects it to happen. As the world witnesses a rapid transition from fossil-based energy to cleaner energy, Gass believed that the shift to renewables bears extra weight to any investment decision. Aside from that, decisions should also be based on the social aspect, such as jobs and communities affected by the energy transition.

Beni Suryadi (Manager of the Power, Fossil Fuel, Alternative Energy and Storage, ASEAN Centre for Energy):

Suryadi responded to the question by initially giving out the fact that electricity consumption in Indonesia reached up to 1,000 kilowatt/hours per capita compared to the world consumption at 1,500 to 2,000 kilowatt/hours per capita, with the more advanced economies' electricity consumption ranges at the higher number. As Indonesia's economy continues to grow larger, Suryadi argued that the country's need for energy would also continuously rise. He saw that a worldwide energy transition, which might impact the decrease of Indonesian coal export, could eventually lead to the opportunity for Indonesia to maximize its coal utilization on the national level to help boost economic development.

However, with many external and private financing schemes have started to tighten the application of new investment and the environmental, social, and corporate governance mechanisms, Suryadi reminded us that the scenario of maximizing coal consumption for the national economy could potentially limit Indonesia from accessing external financing schemes. Aside from the consideration of the potential barrier to accessing external financing schemes, he also argued that maximizing domestic use of coal as an energy source could not be an indefinite solution due to the limited coal availability in the future. Therefore, he offered an ultimate way for Indonesia to explore the

opportunities to build national capacity to manufacture green technology.

Questions

Daniel Sidabutar, Jakarta:

What are your views regarding the role of global companies in developing ASEAN countries' renewable sector? Especially in the investment and ownership of power plants or transfer technology. Is it really contributing?

Responses

Philip Gass (Lead of the Transition Energy Program, International Institute for Sustainable Development):

Gass first reminded the global commitment through JET-P as stipulated within the Paris Agreement. However, he then argued that a single JET-P commitment would not be adequate to transform to cleaner energy thus financing and investment from private companies are significantly important for ASEAN countries. The difference between the two financing schemes, however, is that the private companies invest where they see a good investment environment.

Gass encouraged the governments of ASEAN countries to create an environment that attracts the right type of clean energy investment, which might include giving attention to subsidy reform, public support for private sector investment, and regulations to allow companies to easily invest in clean energy. On the other hand, ASEAN countries also need to be cognizant of the fossil-fuel side. Gass suggested that they need to work with these private companies to ensure that the transition is smooth, to ensure that the government and people in the country are not left with stranded assets and abrupt unemployment.

Gass eventually drew a line between the different perspectives of government and private companies on investing in clean energy. While private companies tend to focus on gaining profit, the government tends to see more on improving livelihoods and investing socially in its people. However, Gass reiterated that this difference does not prevent both parties from ultimately coming to one shared goal where the role of private companies comes in in coordination with the type of goals under the Paris Agreement and energy transition strategies and policies the government holds onto.

Beni Suryadi (Manager of the Power, Fossil Fuel, Alternative Energy and Storage, ASEAN Centre for Energy):

Suryadi echoed what Gass has argued on the necessity of a good environment for investment. He then added by providing an example of the case of investments in Indonesia and Vietnam. For example, Indonesia enforces a restriction on the technology transfer requirement between foreign companies to the local parties. This requirement has somehow caused difficulties for foreign companies to invest and set up their technology. On the other hand, Vietnam does not put significant weight on technology transfer as part of investment requirements. Instead of putting technology transfer as a part of the requirements, Vietnam opted to enhance its environment to be more attractive to potential investors. However, the transfer of technology still happened naturally between the foreign companies and the Vietnamese parties as the companies undergo operations in the country.

Suryadi also argued the importance of balancing the flow of global investment and building domestic capabilities in ASEAN countries. Balancing between these two elements is important for ASEAN to not only become a market but also be able to set its own rhythm in transitioning to clean energy. In order to build domestic capabilities, Suryadi suggested that ASEAN should develop its framework to enhance regional capacity on technology and financing schemes.



ABOUT ASEAN STUDIES PROGRAM

The ASEAN Studies Program was established on February 24, 2010, to become a center of excellence on ASEAN related issues, which can assist in the development of the ASEAN Community by 2015. The Habibie Center through its ASEAN Studies Program, alongside other institutions working towards the same goal, hopes to contribute to the realization of a more people-oriented ASEAN that puts a high value on democracy and human rights.

The objective of the ASEAN Studies Program is not merely only to conduct research and discussion within academic and government circles, but also to strengthen public awareness by forming a strong network of civil society in the region that will be able to help spread the ASEAN message. With the establishment of ASEAN Studies Program, The Habibie Center aims to play its part within our capabilities to the ASEAN regional development.

ABOUT TALKING ASEAN

Talking ASEAN is a monthly public dialogue held at The Habibie Center in Jakarta. Covering a wide array of issues related to ASEAN, Talking ASEAN addresses topics of: Economic Integration, Socio-cultural, & Democracy, human rights and regional peace, among others. Featuring local and visiting experts, Talking ASEAN is one of a series of twelve dialogues regularly held each month and open to a target audience consisting of ASEAN officials, foreign ambassadors & diplomats, academics, university students, businesses, and the media.

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