



## **Navigating Conditional Funding: Policy Reforms and Transparency Challenges in Indonesia's JETP Implementation**

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Received: 25 Februari 2026; Accepted: 10 Mei 2026; Published: 18 Mei 2026

DOI:10.15575/jp.v10i1.450

### *Abstrak*

*Indonesia, yang memiliki potensi energi terbarukan yang besar, berada pada fase krusial dalam proses transisi energinya. Melalui skema Just Energy Transition Partnership (JETP), Indonesia memperoleh komitmen pendanaan internasional sebesar 20 miliar dolar AS. Namun, akses terhadap pendanaan tersebut bergantung pada pemenuhan berbagai persyaratan terkait reformasi kebijakan, transparansi, dan kejelasan strategi implementasi. Penelitian ini bertujuan menganalisis hambatan yang dihadapi Indonesia dalam memenuhi persyaratan tersebut serta menelaah keterkaitan antara ekspektasi pembiayaan iklim global dan dinamika sosial-ekonomi serta politik domestik. Penelitian menggunakan pendekatan studi kasus kualitatif dengan analisis dokumen terhadap perjanjian JETP, kebijakan pemerintah, serta laporan organisasi internasional dan lembaga swadaya masyarakat. Hasil penelitian menunjukkan bahwa meskipun terdapat komitmen pemerintah terhadap transisi energi, implementasi reformasi kebijakan seringkali menghadapi resistensi dari kerangka regulasi yang telah ada dan kepentingan sektor energi fosil. Selain itu, tantangan dalam menjaga transparansi pengelolaan proyek dan memperkuat koordinasi antarlembaga masih memengaruhi efektivitas pemanfaatan pendanaan. Temuan ini menunjukkan bahwa keberhasilan pemanfaatan JETP tidak hanya bergantung pada kapasitas penyerapan dana, tetapi juga pada penguatan tata kelola, konsistensi regulasi, dan kerangka implementasi yang transparan.*

**Kata Kunci:** *Pendanaan iklim; Transisi energi; Just Energy Transition Partnership; Reformasi kebijakan; Transparansi*

### *Abstract*

Indonesia, which possesses significant renewable energy potential, is at a critical stage in its energy transition. Through the Just Energy Transition Partnership (JETP), the country has secured an international financing commitment of USD 20 billion. However, access to these funds depends on meeting several requirements related to policy reform, transparency, and clear implementation strategies. This study aims to examine the challenges faced by Indonesia in fulfilling these requirements and to analyze the relationship between global climate finance expectations and Indonesia's domestic socio-economic and political dynamics. This research employs a qualitative case study approach based on document analysis of the JETP agreement, government policies, and reports from international organizations and civil society groups. The findings indicate that although Indonesia demonstrates strong commitment to energy transition, policy reforms frequently encounter resistance from existing

regulatory frameworks and entrenched interests within the fossil fuel sector. In addition, limited transparency in project selection and weak inter-institutional coordination continue to constrain effective fund utilization. These findings suggest that the success of JETP implementation depends not only on financial absorption capacity but also on strengthened governance, regulatory consistency, and transparent implementation frameworks.

**Keywords:** Climate finance, Energy transition, Just Energy Transition Partnership, Policy reforms, Transparency

## **A. Introduction**

The urgency of a global energy transition is reflected in the escalating impacts of climate change, compelling nations to rethink their energy strategies. Central to this transition is the role of international climate finance, which is pivotal in facilitating investments and supporting technological advancements necessary to shift from fossil fuel reliance to sustainable energy sources. Indonesia, as a major emerging economy with significant fossil fuel dependencies, exemplifies the challenges and opportunities presented by this transition. The nation's substantial greenhouse gas emissions, primarily derived from a coal-dominated energy sector, underline the critical need for comprehensive strategies, such as the Just Energy Transition Partnership (JETP), to support effective decarbonization (Pramadhoni & Fadhlia, 2024; Wardhana et al., 2024).

However, a key issue arises from the gap between the ambitious commitments made by international funding mechanisms like the JETP and the inherent challenges these entail for recipient countries. While Indonesia has secured a pledged financial support of \$20 billion, aimed at transitioning to cleaner energy sources, a substantial portion of this commitment is structured as loans or market-rate financing rather than grants. This debt-heavy structure raises serious concerns about the potential for creating a debt trap for the Indonesian government, which could severely constrain future fiscal flexibility and economic sovereignty. This outcome fundamentally contradicts the principle of just transition, as the financial burden disproportionately affects the very communities and future generations who are supposed to benefit from the shift to cleaner energy.

In addition, the policy requirements attached to these financial commitments introduce significant administrative and institutional challenges. Complex regulatory procedures, licensing constraints, and entrenched political interests may slow implementation and reduce policy effectiveness (Banerjee, 2024). As a result, the gap between financial support and implementation capacity becomes a critical barrier to achieving meaningful progress in energy transition.

Despite the growing attention to international climate finance mechanisms such as the Just Energy Transition Partnership (JETP), existing studies have primarily focused on the financial commitments, institutional arrangements, and technical pathways associated with energy

transition initiatives. For instance, previous research has highlighted the potential role of JETP in accelerating renewable energy investment and supporting decarbonization strategies in emerging economies (Banerjee, 2024; Wardhana et al., 2024). However, relatively limited attention has been given to how the policy conditionalities attached to these climate finance mechanisms interact with domestic governance structures, regulatory frameworks, and political economy dynamics in recipient countries. In the Indonesian context, this interaction is particularly significant because the implementation of energy transition policies is shaped by complex institutional arrangements, entrenched fossil fuel interests, and challenges of inter-agency coordination.

Building on this gap, this study examines the implications of the policy and transparency provisions embedded within the JETP framework in the Indonesian context. In particular, this research investigates how these conditionalities influence domestic political, economic, and institutional dynamics in Indonesia's efforts to implement energy transition policies and to pursue a more equitable and accountable energy transition process (Earsom, 2024; Pramadhoni & Fadhlia, 2024).

This study contributes to the literature by examining the political economy dynamics of climate finance conditionalities in Indonesia's JETP implementation. While existing studies have primarily focused on the financial architecture and technical pathways of energy transition programs, this research analyzes how international climate finance conditionalities interact with domestic regulatory frameworks, institutional coordination, and political interests. By situating JETP within Indonesia's political and institutional context, the study demonstrates how global climate finance initiatives are mediated by domestic governance structures in emerging economies.

Therefore, this study aims to analyze how the policy and transparency conditionalities embedded within the JETP framework influence Indonesia's domestic political, regulatory, and institutional dynamics in implementing energy transition policies. Using a qualitative case study approach, this research focuses on JETP-related initiatives in Indonesia to identify key governance and policy challenges associated with the implementation of international climate finance mechanisms. Through this analysis, the study seeks to generate insights into how climate finance mechanisms can be more effectively aligned with domestic institutional capacities to support a more equitable and sustainable energy transition.

## **B. Research Method**

This study employs a qualitative research design using a case study approach focusing on the implementation of the Just Energy Transition Partnership (JETP) in Indonesia. The qualitative case study design is selected because it allows an in-depth examination of complex policy dynamics, governance structures, and transparency issues associated with international

climate finance within a specific national context. This approach is particularly suitable for exploring how global climate finance initiatives interact with domestic political, economic, and institutional conditions shaping Indonesia's energy transition policies (Jazuli et al., 2024).

The unit of analysis in this research is policy and governance processes related to the implementation of JETP in Indonesia. The data sources consist of relevant policy and institutional documents associated with the JETP framework. These documents include: (1) JETP foundational documents such as the Comprehensive Investment and Policy Plan (CIPP) and working group reports; (2) Indonesian government policy documents, including national regulations, Presidential Regulation No. 112/2022 on renewable energy development, and relevant ministerial decrees; and (3) stakeholder reports such as publications from international organizations, non-governmental organizations, reputable media outlets, and official press releases. These documents were selected based on their relevance to policy reform, transparency mechanisms, and governance aspects of JETP implementation.

Data collection was conducted through systematic document analysis. A document review protocol was used as the research instrument to guide the identification, classification, and interpretation of relevant information contained in the selected documents. The procedure involved collecting relevant documents, organizing them based on thematic relevance, and reviewing their content to identify information related to policy reform, transparency practices, and governance challenges within the JETP framework.

The collected data were analyzed using thematic analysis following the procedures proposed by Braun and Clarke. This approach was employed to identify patterns and themes related to the challenges of policy reform and transparency in Indonesia's JETP implementation. Following Braun and Clarke's analytical framework, the process included several stages: familiarization with the data, generating initial codes, categorizing codes into broader themes, and interpreting the themes to understand key challenges and policy dynamics in Indonesia's JETP implementation (Jazuli et al., 2024; Wardhana et al., 2024). Through this analytical process, the study identifies recurring patterns, institutional constraints, and governance challenges reflected in policy documents and stakeholder reports. This systematic approach ensures that the analysis accurately captures the complex political, economic, and institutional dimensions embedded in the implementation of JETP in Indonesia.

### **C. Results and Discussion**

The implementation of the Just Energy Transition Partnership (JETP) in Indonesia reflects an ongoing process of navigating conditional international climate finance within a complex domestic policy environment. Rather than a linear process of compliance, this navigation involves selective adaptation, institutional coordination, and strategic adjustment as Indonesia seeks to reconcile external funding requirements with domestic political, economic, and

regulatory constraints. In practice, navigating conditional funding is not limited to formal policy adoption, but also encompasses how policies are interpreted, negotiated, and implemented across different institutional settings.

The conditional funding structure embedded within the JETP framework which is heavily dominated by debt (96-97%), requires Indonesia to undertake substantial policy reforms, institutional realignment, and governance improvements (Ayas et al., 2025). However, the implementation of these conditionalities extends beyond technical execution and instead entailing ongoing negotiation between international expectations and domestic feasibility constraints. This dynamic process ultimately shapes how policies are prioritized, sequenced, and implemented.

Against this backdrop, this section analyzes how such navigation unfolds across four key dimensions (Ayas et al., 2025; Jazuli et al., 2024). First, it outlines Indonesia's energy landscape and its structural dependence on fossil fuels. Second, it explains the nature of JETP conditionalities and the institutional mechanisms through which they are implemented post-reform, including the role of the JETP Secretariat and the development of the Comprehensive Investment and Policy Plan (CIPP). Third, it evaluates the policy reform challenges that arise from these international requirements. Finally, it analyzes transparency and governance issues that influence the effectiveness of JETP implementation in Indonesia.

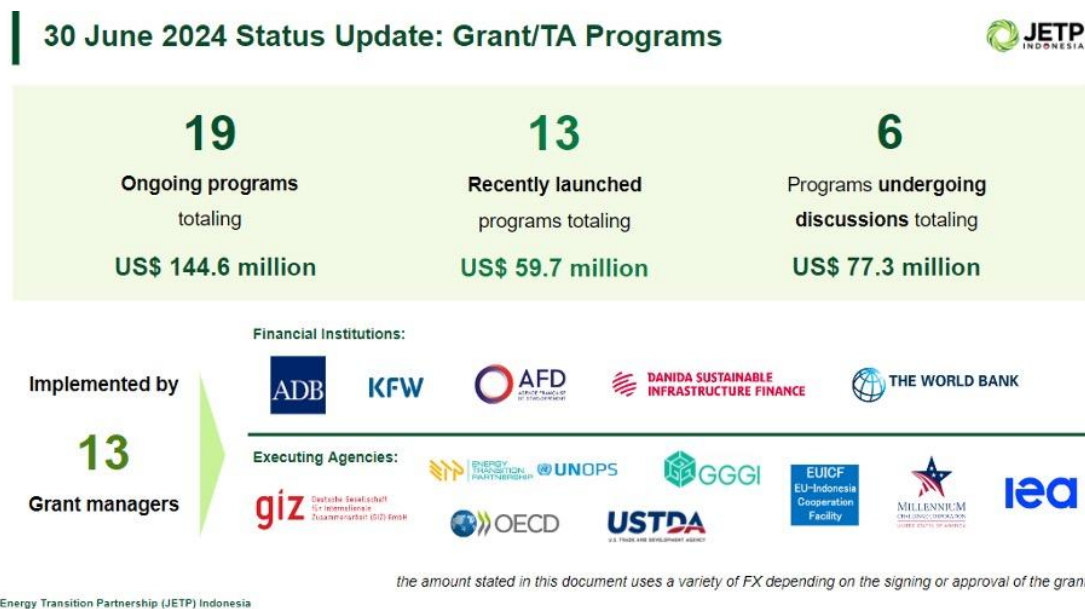
### 1. Indonesia's Energy Landscape

Indonesia's energy landscape is characterized by a substantial reliance on fossil fuels, primarily coal, which constitutes a significant portion of its energy mix. As of 2021, coal accounted for approximately 38.5% of Indonesia's total energy supply, followed by oil (32.8%) and natural gas (17.4%), while renewable energy sources made up around 11.3% (Febriyanti et al., 2023). This heavy dependence on coal is driven by its cost-effectiveness and Indonesia's increasing energy demands, with coal-fired power plants perceived as the most economically viable means to meet the nation's growing electricity needs (Febriyanti et al., 2023; Maharani & Wibowo, 2024). Indonesia's ambitious development plan aims to generate 35,000 MW of new electricity capacity, with 25,000 MW expected to come from coal sources (Maharani & Wibowo, 2024). Despite this reliance, Indonesia possesses a vast renewable energy potential estimated at around 443 gigawatts (GW), encompassing solar, hydro, geothermal, biomass, and wind energy (Adrian et al., 2023). However, the transition toward a cleaner energy mix has faced numerous hurdles, including regulatory constraints, investor apprehensions, and longstanding historical dependencies on the coal sector, complicating efforts to diversify the energy portfolio.

### 2. The Nature of JETP Conditionalities

The Just Energy Transition Partnership (JETP) emerged as a vital international mechanism aimed at addressing the urgent need for a sustainable energy transition in coal-dependent countries like Indonesia. Originating from discussions held at COP26 in 2021, the JETP is an innovative financing framework designed to mobilize both public and private capital to facilitate the transition from fossil fuels to renewable energy sources in emerging markets (Banerjee, 2024). Specifically, for Indonesia, the JETP comprises commitments totaling \$20 billion from a coalition of developed nations including the United Kingdom, Germany, and the United States, intended to expedite the phase-out of coal and promote the integration of renewable energy. The partnership focuses on achieving several targeted outcomes, including reducing carbon emissions, enhancing renewable energy production, and promoting energy efficiency across various sectors (Rahmanitya & Ardiansyah, 2023). This financial initiative seeks to catalyze significant policy reforms and investments in clean energy technologies while ensuring that the transition is just and equitable, considering the socio-economic implications for communities dependent on the fossil fuel industry (Maskun et al., 2023).

The interplay between Indonesia's entrenched reliance on coal, its considerable renewable potential, and the strategic impetus presented by the JETP encapsulates the complexities inherent in pursuing a just energy transition. Understanding these dynamics is crucial for addressing the challenges and barriers associated with effective implementation, as Indonesia navigates the dual pressures of rapid economic development and climate commitments.



**Figure 1. JETP Grant Mapping**  
Source: (JETP Indonesia, 2024)

The JETP Secretariat has identified 19 programs with ongoing activities with a value of US\$ 144.6 million managed/implemented by the World Bank, United Nations Office for Project

Services Energy Transition Partnership (UNOPS ETP), Organisation for Economic Co-operation and Development (OECD), International Energy Agency (IEA), Agence Française de Développement (AFD), Asian Development Bank (ADB), Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) and Millennium Challenge Corporation (MCC) (JETP Indonesia, 2024). Several of these initiatives were originally part of pre-existing development cooperation programs in the energy sector but have since been incorporated into the broader JETP framework. The JETP program introduces conditionalities aimed at steering Indonesia's energy transition towards a more sustainable future. The fulfillment of these conditions requires substantial regulatory reforms and strategic planning. Two key components are particularly significant: the requirement to develop a Comprehensive Investment and Policy Plan (CIPP) and the implementation of transparent project procurement mechanisms.

At the heart of the JETP's criteria lies the need for a Comprehensive Investment and Policy Plan (CIPP). This plan serves as a blueprint for Indonesia's energy transition, outlining specific goals, strategies, and financial mechanisms necessary to phase out fossil fuels, particularly coal, while simultaneously enhancing the role of renewable energy sources in the national energy mix (JETP Indonesia, 2023). The CIPP must detail how Indonesia intends to decarbonize the energy sector, manage the socio-economic implications of the transition, and ensure that significant investments are directed towards sustainable energy projects (Jazuli et al., 2024). The development of the CIPP represents a significant undertaking requiring contributions from multiple sectors, including government entities, private stakeholders, and civil society. The CIPP must encompass measurable targets, timelines, and assessments that align with Indonesia's climate commitments under the Paris Agreement. It also necessitates transparency in reporting mechanisms, as stakeholders demand accountability in how funds are utilized and the outcomes achieved (Hersaputri et al., 2024). The CIPP is vital not only for financial mobilization but also for facilitating stakeholder engagement and ensuring public support for the transition.

In addition to the CIPP, the JETP imposes strict regulations regarding project procurement related to funded energy projects. These procurement regulations are designed to promote transparency, competition, and accountability in managing funds provided under the partnership. Specific conditions include adherence to processes that allow for open and competitive bidding. By enforcing such regulations, the JETP aims to mitigate corruption risks and ensure that funds are allocated effectively to initiatives that meet the stipulated energy transition objectives (Hersaputri et al., 2024; Jazuli et al., 2024). Moreover, project procurement guidelines require recipients to demonstrate not only technical viability but also social equity considerations. Projects must undergo rigorous evaluations, ensuring that their implementation takes into account local community needs and environmental impacts. For instance, priority may be granted to initiatives promoting access to energy for underserved communities or

generating local employment opportunities (Jazuli et al., 2024). These measures aim to foster a just transition that benefits all segments of Indonesia’s population while ensuring that those adversely affected by the coal phase-out receive adequate support and opportunities for a sustainable livelihood.

Beyond CIPP requirements and procurement regulations, JETP conditionalities emphasize alignment with broader national policies governing climate change and energy management. Recipients of JETP funding are expected to coordinate their initiatives with Indonesia’s long-term energy strategy and adhere to principles of sustainability. This integration requires establishing mechanisms to monitor implementation progress and evaluate outcomes against stated objectives, ensuring that the partnership meets its commitments while effectively contributing to the energy transition targets. Furthermore, the JETP conditionalities encourage fostering local capacity and building institutional frameworks capable of managing the transition. This includes investing in human resources and enhancing local institutions’ capabilities to support project development, execution, and monitoring. The sustainability of the energy transition relies heavily on strengthening governance structures and ensuring appropriate regulatory frameworks are in place to support renewable energy development while phasing out coal power (Hersaputri et al., 2024).

Following these policy commitments, Indonesia has begun to operationalize JETP conditional funding through several institutional mechanisms. These include the establishment of the JETP Secretariat and the development of the Comprehensive Investment and Policy Plan (CIPP) as the central implementation instrument. The CIPP translates policy commitments into concrete programs by identifying priority projects, regulatory adjustments, and financing pathways. Implementation involves coordination among key ministries, international partners, and financial institutions to ensure compliance with transparency standards and policy conditionalities. However, the effectiveness of this post-reform implementation remains constrained by limited institutional capacity, regulatory fragmentation, and coordination challenges across government agencies.

**Table 1.** Indonesia JETP Financing Scheme

Country	Indonesia	
Composition of JETP’s Financing Share	Types of JETP Financing Options	Percentage
	Grant/Technical Assistance	3%
	Debts	97%
	Concession Loan	60%
	Equity/Investment	3%
	MDB Guarantee	17%
	Non-Concessional Loan	14%
	Other/to be defined	3%

	Debts consist of concession loan, equity/investment, MDB guarantee, Non-concessional loan and others
International Support	Energy Transition Mechanism: debts (21.96%) and grants (0.17%)
	United States: debts (17.30%) and grants (0.58%)
	Germany: debts (12.84%) and grants (1.45%)
	European Union: debts (9.44%) and grants (0.26%)
	Canada: debts (0.70%) and grants (0.09%)
	Denmark: debts (1.38%) and grant (0.02%)
	Other debts are given by Norway (2.16%), Italy (2.34%), Japan (14.70%) and United Kingdom (9.95%)

Source: (Aksi Ekologi dan Emansipasi Rakyat (AEER), n.d.; Batrisyia & Pradnyaswari, 2024)

The predominance of debt-based instruments (constituting approximately 97% of the total commitment) raises fundamental questions regarding the ‘just’ nature of the JETP framework. From a political-economic perspective, this lopsided financing structure risks shifting the fiscal burden of global climate mitigation onto the domestic economy of a developing nation. This creates an intergenerational equity paradox: while the transition aims to secure a sustainable environment for future citizens, the accompanying sovereign and non-sovereign debt may constrain the fiscal space of future Indonesian governments to fund essential social protections. Consequently, the ‘just’ in JETP must be re-evaluated not merely as a technical transition of energy sources, but as a distributive justice issue where the cost of decarbonization does not exacerbate the debt vulnerability of the Global South.

Although the JETP has been operational for nearly two years, its implementation progress remains limited. This raises questions about the effectiveness of the JETP framework in supporting energy transition in ASEAN under its current design. These limitations stem from the fact that the conditionalities tied to the JETP introduce both significant opportunities and challenges. While the structured framework outlined by the JETP has the potential to drive innovative reforms and attract funding for renewable energy projects, meeting these requirements poses considerable administrative and logistical challenges. Complex bureaucratic requirements and the need for inter-agency coordination can create barriers to rapid implementation, potentially delaying the transition process further (Hersaputri et al., 2024; Sambodo et al., 2022).

Overall, the nature of JETP conditionalities, particularly the requirement for a Comprehensive Investment and Policy Plan and stringent project procurement regulations, establishes a critical foundation for Indonesia’s energy transition. However, their effectiveness ultimately depends on the country’s ability to align these international requirements with domestic governance structures, institutional capacity, and stakeholder engagement to ensure a sustainable and equitable transition.

### 3. Policy Reforms and Institutional Challenges

The primary funding structure of JETP focuses more on debt than on grants. Repayment of debt and the consequences of payment defaults on total debt management and national income economics and public finance must all be examined. The sheer scale of the debt component, particularly if loans are not concessional, introduces a non-trivial risk of fiscal distress. Defaulting on such large-scale energy transition loans could significantly impact Indonesia's credit rating, increase the cost of future sovereign borrowing, and necessitate painful public finance adjustments, diverting resources away from essential social programs. This financial risk amplifies the pressure on policymakers to comply rapidly with conditionalities, potentially leading to poorly managed, rushed policy reforms.

Supporting state-owned companies to access official development assistance (ODA) requires risk analysis. Long-term financing is available from commercial and private financial institutions and is out of reach for 70% of the bonds issued. These bonds have terms of 3 to 5 years, while 8% have terms beyond 10 years, for example, funding large-scale hydropower (Batrisyia & Pradnyaswari, 2024). The financing available to JETP puts the financing alternatives for other delayed energy projects, which will take more than a decade to complete, out of reach.

In the majority of the ASEAN countries, the energy sector is regulated, and profit margins for SOEs is capped to offer competitively low prices for energy. The energy which has been affordable and sourced from coal will be lost if ASEAN countries do not change their approach, and the levelized costs of energy (LCOE) for renewables is more than that of coal. As a result, developing countries will still have to subsidize their energy to low-income groups, which is a challenge.

Indonesia's energy transition, fueled by the Just Energy Transition Partnership (JETP), faces significant policy reform challenges that complicate the pathway toward reducing reliance on coal and integrating renewable energy sources. Three major barriers stand out: legislative and regulatory hurdles, vested interests in the coal sector, and difficulties in inter-ministerial coordination.

The implementation of JETP is further complicated by horizontal institutional fragmentation, particularly the divergent priorities between the Ministry of Energy and Mineral Resources (ESDM), which focuses on technical infrastructure, and the Ministry of Finance, which must manage the fiscal risks of early coal retirement. This institutional silo effect is compounded by the regulatory overlap between central government mandates and regional autonomy laws, which often grant local authorities significant influence over land use and mining permits. Without a centralized, cross-ministerial task force empowered with high-level political backing, the conditional nature of JETP funding acts as a double-edged sword:

demanding rapid reform while the bureaucratic machinery remains tethered to a fragmented regulatory tradition.

### *Legislative and Regulatory Barriers*

One of the most pressing challenges is the existing legislative and regulatory framework, which often favors fossil fuel-based energy production over renewable projects. Current laws governing energy pricing and access to the grid create substantial obstacles for new renewable energy initiatives. For instance, the pricing regulations often prioritize coal, keeping its market price low while offering limited incentives for renewable energy (Sambodo et al., 2022). The lack of a clear, stable pricing mechanism for renewables discourages investors, who see higher risks and less favorable returns in comparison to coal investments. Moreover, grid access remains a critical issue. Existing regulations often impose stringent technical requirements that renewable energy projects must meet to connect to the national grid. These requirements can be burdensome, delay project implementation, and, in many cases, result in prohibitive costs for developers of renewable energy projects (Kalpikajati & Hermawan, 2022). Thus, while there is a recognized need for reforms to support renewable energy development, the cumbersome legislative framework slows progress, placing Indonesia at a disadvantage in meeting its climate objectives.

### *Vested Interests in the Coal Sector*

Compounding these regulatory challenges are the powerful vested interests entrenched in the coal sector, resisting rapid shifts away from fossil fuels. The coal industry in Indonesia is not only a significant contributor to the economy but is also deeply intertwined with political dynamics. Major coal companies, bolstered by their financial influence and relationships with political figures, often lobby against legislative changes that threaten their profitability (Ordonez et al., 2021; Toumbourou et al., 2020). These interests are frequently channeled through specific institutional actors, such as powerful political factions within the national legislature (DPR) and certain business-linked regional governments, making policy consensus difficult. Furthermore, PT Perusahaan Listrik Negara (PLN), as the state-owned monopoly and primary buyer of coal-generated electricity, represents a key institutional actor with established procurement frameworks and long-term Power Purchase Agreements (PPAs) that create significant financial disincentives to prematurely shut down coal plants. These entities maintain a status quo that favors coal utilization, influencing policymakers and public perception about the socio-economic benefits derived from the coal industry. The coal sector purports to be a vital engine for job creation, government revenue, and energy security, a narrative that complicates calls for reform. This already generates resistance to climate action, as many

stakeholders fear economic repercussions. Such pushback reflects the broader trend observed in similar contexts where established energy sectors resist transition initiatives, thereby creating inertia against adopting more sustainable energy practices (Antwi-Agyei et al., 2017; Brutschin et al., 2022).

The resilience of the coal sector in Indonesia is not merely a matter of economic output but is deeply rooted in ‘regulatory capture’, where the boundaries between political elites and the coal industry are often blurred. This creates a systemic resistance to the aggressive decommissioning timelines proposed by international partners. To understand the slow pace of reform, one must view the energy transition through the lens of a domestic carbon-lock in. The transition requires not only replacing technology but also dismantling the patronage networks that have historically relied on coal as a primary source of political and economic rent. Thus, the success of JETP is contingent upon a managed retreat strategy that offers viable economic pivots for these vested interests without compromising the overall integrity of the decarbonization goals.

#### *Inter-Ministerial Coordination Difficulties*

Effective implementation of the JETP is further hampered by challenges in inter-ministerial coordination among various government bodies, including the Ministry of Finance (which managed debt and fiscal stability), Ministry of Energy and Mineral Resources (ESDM, which manages energy policy), and the Ministry of State-Owned Enterprises (SOEs, which oversees PLN). These entities often operate under overlapping mandates and occasionally conflicting objectives, resulting in a lack of coherent policy strategy regarding energy transition. For example, the Ministry of Finance’s primary goal of fiscal conservatism may clash with ESDM’s mandate to implement expensive renewable energy projects. The intricate bureaucracy that accompanies multiple ministries can lead to delays in decision-making, insufficient sharing of critical information, and diverging priorities that stall progress on renewable energy projects. Efforts to streamline this multi-agency coordination have been met with limited success, indicating a persistent need for stronger institutional frameworks aimed at promoting collaboration among ministries.

Achieving policy coherence is critical for a successful energy transition, as it allows for more integrated planning, resource allocation, and strategic alignment with national climate goals (Hersaputri et al., 2024). However, the fragmented nature of governance in Indonesia makes it difficult to pursue a unified energy policy that effectively considers both economic and environmental dimensions. These coordination challenges shape how Indonesia navigates JETP conditionalities in practice, as fragmented authority and competing institutional priorities necessitate continuous negotiation, institutional coordination, and strategic adjustment in policy implementation.

Taken together, these fiscal pressures, regulatory constraints, entrenched sectoral interests, and coordination challenges illustrate that Indonesia's approach to JETP conditionalities is characterized by incrementalism and strategic compromise. Instead of fully adopting externally driven reform timelines, policymakers tend to prioritize gradual adjustments that maintain energy security and economic stability. In this sense, navigating conditional funding involves balancing compliance with domestic constraints, where reforms are selectively implemented, delayed, or recalibrated in response to institutional resistance and political-economic considerations. While overcoming these challenges remains important for maximizing the opportunities offered by the JETP, Indonesia's experience demonstrates that policy reform is not a linear process of compliance, but a negotiated and adaptive process shaped by domestic institutional realities.

#### 4. Transparency and Governance Issues in Indonesia's JETP Implementation

Despite the ambitious objectives of the JETP, several governance and transparency challenges continue to affect its implementation in Indonesia. Many proposed projects require substantial financial resources and long implementation timelines, particularly those related to grid expansion and large-scale renewable energy infrastructure. Without effective monitoring and evaluation mechanisms, these projects risk delays or failure to achieve intended outcomes. Current monitoring frameworks remain insufficiently detailed, particularly in terms of baseline indicators and performance measurement, while weak oversight structures may slow the overall momentum of the energy transition and increase financial risks associated with long-term debt financing.

In addition, several unresolved issues continue to affect the operationalization of the JETP mechanism. Many proposed projects require significant capital investment and long-term financial commitments, particularly in the case of grid expansion, suggesting that a phased implementation approach aligned with renewable energy uptake would be more effective. However, national-level monitoring and evaluation systems remain insufficiently developed. In particular, existing monitoring frameworks lack clear baseline indicators and do not adequately define business-as-usual (BAU) scenarios, which are essential for measuring progress. Weak monitoring capacity may delay implementation, reduce policy effectiveness, and increase financial risks, especially within a debt-dominated financing structure interest (Batrisyia & Pradnyaswari, 2024). Ensuring policy coherence, both domestically and within the ASEAN context, and aligning fiscal planning frameworks with JETP financial obligations are therefore critical to maintaining investor confidence and sustaining the energy transition.

The success of the Just Energy Transition Partnership (JETP) in Indonesia thus hinges significantly on transparency and governance, particularly in areas such as procurement processes, fund allocation and management, and public engagement. Addressing these

transparency challenges is essential to ensure effective implementation of the partnership while fostering investor confidence and broader societal support.

#### *Procurement Process*

A primary concern in the JETP's implementation is the lack of transparency in the procurement process for selecting projects and partners. The opaque nature of these processes can deter foreign investors from participating, as they often perceive a high risk of corruption and favoritism. Without clear guidelines and transparent criteria for project selection, potential investors may be reluctant to commit resources to projects that lack scrutiny. This is particularly pertinent in Indonesia, where historically, procurement decisions have sometimes favored established players in the fossil fuel industry, leading to perceptions of bias and reducing trust in the system (Septriani, 2023).

To enhance transparency, it is crucial for the Indonesian government to revise procurement policies related to JETP projects. Implementing standardized procedures that allow for competitive bidding and public scrutiny is essential to demonstrate accountability and attract international funding. Introducing independent oversight mechanisms can further enhance trust among stakeholders and uphold the integrity of project selection processes (Ernawati et al., 2021). Moreover, increasing public access to procurement information can help build confidence in the integrity of these projects, thereby enhancing investor interest.

#### *Fund Allocation and Management*

Another critical area affecting the JETP's effectiveness is the challenge of creating a transparent framework for fund allocation and management. Ensuring that JETP funds are distributed effectively and justly requires overcoming significant hurdles, including bureaucratic inefficiencies and potential mismanagement. The current fund management structure may result in a lack of clarity regarding how funds are allocated to specific projects, which in turn can lead to misuse or inefficient use of resources.

To address these challenges, it is vital to develop a comprehensive governance framework that outlines clear processes for fund allocation, disbursement, and oversight. This framework should delineate the roles and responsibilities of various governmental bodies involved in fund management, ensuring a coordinated approach that minimizes the risk of misappropriation. Additionally, establishing performance metrics and regular audits can enhance accountability, facilitating continuous monitoring of fund utilization and project outcomes (Ernawati et al., 2021). Achieving transparency in fund management will not only ensure that resources are utilized effectively but also bolster public trust and support for the initiatives under the JETP.

### *Public and Stakeholder Engagement*

Engaging civil society and local communities in the planning and implementation of JETP-related projects is crucial for fostering a sense of ownership and ensuring that the initiatives align with the community's needs. However, participation from these key stakeholders has often been limited, primarily due to systemic barriers that inhibit their involvement in decision-making processes (Yosiana & Handayani, 2024). Notably, the lack of transparent communication channels between government agencies and local communities creates a disconnect, resulting in projects that may not fully address local concerns or maximize social benefits. To enhance engagement, the Indonesian government must prioritize establishing participatory mechanisms that allow for meaningful public input throughout the project lifecycle. This could include public consultations, workshops, and feedback sessions that enable communities to voice their opinions and contribute to shaping the project outcomes. Furthermore, educational initiatives that raise awareness about the JETP and its objectives can empower local communities to advocate for their interests and participate actively in the transition process.

Implementing a collaborative governance model involving multiple stakeholders (government, private sector, civil society, and local communities) can support more inclusive decision-making and improve project relevance and sustainability. By fostering a culture of transparency and collaboration, Indonesia can better navigate the challenges associated with the JETP, ultimately enhancing the effectiveness of its energy transition efforts (Nadila et al., 2024).

Addressing transparency and governance issues is essential for the successful implementation of the JETP in Indonesia. The procurement process must be made more transparent to build investor confidence, while robust frameworks for fund allocation and management are needed to ensure just and effective utilization of financial resources. Additionally, engaging civil society and local communities through inclusive decision-making processes will enhance the legitimacy and effectiveness of JETP initiatives. As Indonesia strives to shift towards a sustainable energy future, prioritizing these governance challenges will play a crucial role in achieving the ambitious goals set forth by the JETP.

At the core of the findings is the paradoxical nature of the \$20 billion financing commitment. While presented as a global partnership, it was revealed that approximately 97% of the funding is structured as debt, with grants making up a negligible 3% of the total. This financial architecture suggests that the 'just' element of the transition is compromised, as it risks burdening the Indonesian economy with significant debt while shifting the fiscal responsibility of climate mitigation from developed nations to a developing one. The research emphasizes that this debt-heavy approach creates a 'debt trap' potential, where the costs of decarbonization

could ultimately hinder the country's long-term fiscal stability and its ability to fund social protections for those most affected by the energy shift.

Beyond financing, the research identifies profound institutional and political-economic barriers that stall progress. A major finding is the presence of 'institutional silos' and regulatory fragmentation, particularly between ministries focused on technical energy infrastructure and those managing fiscal risk. This lack of coordination is exacerbated by the deep-seated influence of coal-related vested interests, which the study frames through the lens of regulatory capture. These powerful domestic actors, entrenched in the political economy of the coal industry, create a carbon-lock in that resists rapid policy reform. Consequently, the research concludes that Indonesia's ability to navigate JETP depends not just on technical compliance with international funding conditions, but on the government's capacity to navigate complex domestic patronage networks and reform the bureaucratic machinery to allow for a truly equitable energy transition.

#### **D. Conclusion**

This study examined how Indonesia navigates the implementation of the Just Energy Transition Partnership (JETP), with particular attention to policy reform and governance dynamics. The findings indicate that navigating conditional climate finance is not a linear process of compliance, but an adaptive and negotiated process shaped by domestic political, regulatory, and institutional conditions. Indonesia's heavy reliance on coal, combined with regulatory frameworks that historically favor fossil fuel industries, creates structural constraints that alongside entrenched sectoral interests and coordination challenges, necessitate incremental policy change rather than rapid transformation.

The analysis demonstrates that Indonesia's approach to JETP conditionalities is characterized by selective adaptation, institutional coordination, and strategic adjustment. Rather than fully adopting externally driven reform timelines, policymakers tend to recalibrate policies in response to fiscal pressures, energy security concerns, and entrenched sectoral interests. In this context, conditional funding is navigated through ongoing negotiation between international expectations and domestic feasibility, where implementation is shaped by competing institutional mandates, governance limitations, and transparency challenges that influence policy credibility and effectiveness.

Overall, this study highlights that the effectiveness of international climate finance mechanisms such as the JETP depends not only on financial commitments, but also on the capacity of recipient states to strategically manage and internalize external conditionalities. Indonesia's experience underscores that navigating such arrangements involves balancing compliance with domestic constraints through incremental reform pathways, negotiated policy processes, and continuous institutional adjustment. This emphasizes the importance of adaptive

governance in ensuring that global decarbonization initiatives can be effectively implemented within complex domestic political economies.

This study is limited by its reliance on document-based analysis, which may not fully capture the perspectives of policymakers, industry actors, and affected communities. Future research could incorporate interviews or mixed-method approaches to provide a more comprehensive understanding of stakeholder dynamics and policy implementation processes.

### **Acknowledgements**

The authors would like to express their sincere gratitude for the valuable feedback and discussion received during the 17th OISAA (Overseas Indonesian Students' Association Alliance) International Symposium 2025, where this article was presented as an oral presentation. This research was not funded by any institution. Thus, authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

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