

# Indonesia launches international carbon exchange

AFP- Indonesia opened its carbon exchange to international buyers on Monday, aiming to raise funds to help meet ambitious domestic climate goals.

The move opens the way for foreign investors to enter a market launched in September 2023 for domestic players.

Carbon credits are generated by activities that avoid or reduce emissions of carbon dioxide – a potent greenhouse gas.

They can be purchased by companies seeking to “offset” or cancel out some of their own emissions, either to comply with regulations or bolster their “green” credentials.

Indonesia is one of the world’s biggest polluters and is heavily reliant on coal to fuel its growing economy.

It has made little progress on a multi-billion-dollar investment plan agreed with the United States and European nations in 2022 to wean its power grid off coal.

New President Prabowo Subianto last year brought forward the country’s timeline for carbon neutrality by a decade to 2050, and pledged to close hundreds of coal and fossil-fuel power plants by 2040.

The government says it wants to build over 75 gigawatts of renewable energy capacity by 2040 but so far has laid out little detail on how it hopes to achieve that.

It hopes that funds raised by carbon credits sales on the exchange will finance some of the green transition.

The launch is an “important milestone in our collective journey towards a sustainable future”, Environment Minister Hanif Faisol Nurofiq said.

The move comes after new guidelines on country-level trade in carbon credits were agreed at COP29 last year.

But carbon credits have come under fire in recent years over revelations of shoddy accounting and even outright fraud in projects.

Hanif said the government would guarantee every credit issued on the exchange, with scrutiny to ensure emissions could not be double counted.

Some experts expressed skepticism about the exchange however, noting the domestic market had attracted relatively little interest.

“If domestic demand was high, we wouldn’t need to open it to foreign entities,” Fabby Tumiwa, executive director of the Institute for Essential Services Reform, told AFP.

He said the domestic exchange had not been designed to align with Indonesia’s emissions reduction strategy and he had concerns about the “additionality” of projects on the market.

Carbon credit programmes must show that emission reductions or avoidance would not have happened without the credits, and are “additional”.

This often requires trying to prove a counterfactual – what would have happened in the absence of the carbon credits – and has been a key problem for the sector.

Fabby warned it was not immediately clear if the credits available on the exchange were compatible with standards set by other countries.

Still, at least nine transactions took place at the start of Monday trade, accounting for more than 41,000 tons of carbon dioxide equivalent, according to a board at the stock exchange.

AFP