



Indonesia's Updated Carbon Trading Rules for Investors and Businesses

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Carbon trading is a key policy instrument for Indonesia to meet its Nationally Determined Contribution (“**NDC**”) under the Paris Agreement. The system allows businesses that emit greenhouse gases (“**GHG**”) below a prescribed limit to sell their excess carbon units to those exceeding their emission limits. Through this market-based mechanism, Indonesia aims to balance economic growth with climate change mitigation goals.

To provide greater clarity, the government has issued Presidential Regulation No. 110 of 2025 on the Implementation of Carbon Economic Value Instruments and National Greenhouse Gas Emission Control (“**PR 110/2025**”), replacing Presidential Regulation No. 98 of 2021.

A. Carbon Trading Framework Overview

Carbon trading forms part of Indonesia's broader Carbon Economic Value (*Nilai Ekonomi Karbon* – “**NEK**”) system, which assigns an economic value to each unit of GHG emissions. Under PR 110/2025, carbon trading can proceed without waiting for Indonesia's NDC targets. Trading occurs through two main channels:

- a) a carbon exchange (*bursa karbon*); or
- b) direct transactions between parties.

As the downstream system of carbon trading, the carbon exchange (currently implemented by IDX Carbon) records carbon unit ownership and transfers. IDX Carbon is directly connected to the national recording systems, i.e., SRN-PPI and SRUK (as defined below).

B. Key Regulatory Developments

Carbon trading recordation

Previously, carbon ownership transfers in Indonesia were recorded through National Registry System for Climate Change Control (*Sistem Registri Nasional Pengendalian Perubahan Iklim*

– “**SRN-PPI**”). PR 110/2025 now introduces the Carbon Unit Registry System (*Sistem Registri Unit Karbon* – “**SRUK**”), a centralized platform for managing carbon unit data under the NEK framework. All carbon trading activities must be registered in the SRUK and may also be recorded on the carbon exchange. The SRN-PPI now serves as a reporting system only for climate change mitigation and adaptation actions, rather than as a trading registry.

Different requirements for domestic and foreign carbon trading

PR 110/2025 continues to distinguish between domestic and foreign carbon trading, with clearer and more structured rules for each, especially for foreign trades.

a. Domestic Carbon Trading includes:

- 1. GHG emission trading:** buying and selling emission quotas to comply with the allowable GHG emissions limit; and
- 2. GHG emission offset trading:** emission reductions by a business or activity to offset emissions elsewhere.

The Relevant Ministry (i.e., the ministry responsible for the sector of the business actor under the NDC and NEK framework) will determine the entities subject to mandatory GHG emission trading (“**Entities**”), which must keep emissions within set limits by:

- a) implementing climate change mitigation actions;
- b) purchasing GHG emission quotas from other Entities; and/or
- c) purchasing GHG emission offsets.

Entities exceeding their emission cap must pay carbon tax.

Besides mandatory carbon trading above, GR 110/2025 now recognizes voluntarily carbon trading, where business actors not categorized as Entities may also sell carbon units generated from mitigation actions through GHG emission offset trading. To obtain GHG emission offset carbon units, they must submit a climate change mitigation action design or program to the Relevant Ministry for recordation, obtain validation by an independent entity, implement the recorded mitigation action, obtain independent verification of the results, and submit the verification report to the Relevant Ministry.

The Relevant Ministry is responsible for: (i) confirming that the above stages are met; and (ii) recommending issuance of the GHG Emission Reduction Certificate (*Sertifikat Pengurangan Emisi Gas Rumah Kaca* – “**SPE GRK**”). The SPE GRK units are then issued by the Minister of Environment. Non-SPE GRK units (international-standard units) may be issued by

international standards organizations after completing the stages and obtaining approval from the Relevant Ministry. All units must be recorded in the SRUK.

b. Foreign Carbon Trading includes:

1. Transactions requiring authorization and corresponding adjustment

These transactions require authorization from the Minister for the Environment, based on the recommendation of the Relevant Ministry, and must include a corresponding adjustment in NDC accounting to avoid double counting when carbon units are transferred abroad. This category includes: (i) international-linked GHG emission trading; (ii) GHG emission offset trading under Paris Agreement; and (iii) voluntary GHG offset trading for other international compliance purposes.

2. Transactions not requiring authorization or corresponding adjustment

These transactions cover voluntary GHG emission offset trading not used for the above purposes.

In conclusion, PR 110/2025 moves Indonesia from a pilot framework to an operational carbon trading system. By introducing the SRUK, recognizing the voluntary carbon market, and establishing a clear framework for cross-border trading, this regulation provides broader and more flexible opportunities for business actors to participate in the carbon market.

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