

NEWSLETTER

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PR 110/2025: NEW REGULATION REINVENTS INDONESIA'S CARBON TRADING REGIME TO DRIVE MARKET CONFIDENCE AND INVESTMENT GROWTH

After several years of limited progress under Indonesia's initial carbon pricing framework, the government of Indonesia has transformed its approach with the issuance of PR 110/2025. The new regulation represents a deliberate policy shift to accelerate market activity and align Indonesia's carbon framework with international standards. PR 110/2025 introduces a number of substantive innovations, such as the potential conduct of direct international carbon trading immediately without waiting for NDC target achievement, recognition of voluntary carbon markets and internationally certified carbon units, and establishment of a dedicated national carbon registry system separated from SRN PPI with its own MRV procedures. These efforts collectively aim to make Indonesia's carbon market more transparent, credible, and investment ready.

Background

Over the past five years, Indonesia's carbon framework has been anchored in Presidential Regulation No. 98 of 2021 on The Implementation of Carbon Pricing for Achieving Nationally Determined Contribution (NDC) Targets and Controlling Greenhouse Gas Emissions in National Development (PR 98/2021), which first introduced the concept of carbon pricing and established the legal foundation for carbon trading. While the regulation showcased a crucial starting point, its implementation was relatively slow. For example, its implementing regulations were issued only a year later, and sectoral regulations have so far extended to just three key sectors and sub sectors: forestry, power generation, and marine and fisheries. Although the launch of the national



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carbon exchange two years later marked an anticipated milestone, record shows that market participation has been subdued. The introduction of international carbon trading earlier this year has done little to change that trajectory, with transaction volumes remaining low.

Against this backdrop, President of the Republic of Indonesia revoked PR 98/2021 by issuing Presidential Regulation No. 110 of 2025 on the Implementation of Carbon Pricing Instruments and National Greenhouse Gas (GHG) Emissions Control (**PR 110/2025**) which signals a renewed push to activate Indonesia's carbon market and sharpen the country's climate response. In this article, we examine the key updates introduced under PR 110/2025 and consider how this new regulatory framework may create greater clarity and opportunity for projects and investments in Indonesia's evolving carbon landscape.

Key Highlights: What is New?

Recognition of Voluntary Carbon Market (VCM)

Article 68 of PR 110/2025 introduces a more structured approach to international carbon trading by establishing two distinct tracks:

- a. **International carbon trading requiring authorization and corresponding adjustment**, which covers:
 - (i) internationally linked GHG Emissions Trading;
 - (ii) GHG Emission Offset that meets the provision of Articles 6.2 and 6.4 of Paris Agreement; and
 - (iii) voluntary GHG Emission Offset used to fulfill other international obligations.

Under PR 110/2025, a recommendation from sectoral ministries is now required for the issuance of authorization by the Minister of Environment (KLH).

- b. **International carbon trading without authorization and corresponding adjustment**, which covers GHG Emission Offsets not used to meet Indonesia's NDC and/or any other international obligations, whether issued under Article 6.4 of Paris Agreement mechanisms or voluntary GHG Emission Offset standards. This new

provision opens up the opportunity for voluntary carbon trading, which is expected to boost carbon trading in Indonesia.

International Carbon Trading May Be Conducted Immediately

Article 58 of PR 110/2025 provides that “carbon trading is carried out without waiting for the achievement of NDC targets.” If interpreted broadly, this provision suggests that international carbon trading, including direct trading, could proceed even before Indonesia’s NDC targets are met. This interpretation could address the hurdle posed by Minister of Environment and Forestry Regulation No. 21 of 2022 on the Procedures for Implementing Carbon Pricing (**MoEF Reg 21/2022**), as the implementing regulation of PR 98/2021, that requires Sub Sectors or sub Sub Sectors NDC targets to be met before international carbon trading could occur.

In any case, PR 110/2025 indicates that international voluntary carbon trading can be conducted immediately because it operates outside the NDC framework and does not require government authorization or corresponding adjustment.

Internationally Certified Carbon Credits are Recognized as Carbon Units under PR 110/2025

PR 110/2025 introduces an expanded and more inclusive definition of *Carbon Units*. Carbon Unit is now defined as the certified result of emission reduction and/or removal issued through either a domestic or international certification scheme, or a GHG Emission Quota, expressed in tons of CO₂e. This broader formulation explicitly accommodates credits issued under internationally recognized standards, an inclusion absent from PR 98/2021.

This recognition is further reinforced through the introduction of the term ‘non-SPE GRK carbon unit,’ issued by an international standard with an approval from sectoral ministries.

The recognition of non-SPE GRK carbon unit also results in the recognition of: (i) internationally accredited independent validation and verification agencies and (ii) project design document (*dokumen*

perencanaan proyek/DPP) that meets the international standard for the issuance of non-SPE GRK carbon unit. PR 110/2025 further stipulates the procedures to be followed for the issuance of non-SPE GRK carbon units. However, further clarification is required as to whether business entities are only obligated to complete these procedures under PR 110/2025, or if they must also undertake separate processes with the independent validation and verification bodies to secure the issuance of the non-SPE GRK carbon units.

However, interestingly mutual recognition is absent from PR 110/2025 – a requirement for international certification that was previously regulated in PR 98/2021. KLH has also entered into several mutual recognition arrangements with international carbon standard bodies, such as Gold Standard, Joint Crediting Mechanism, and Verra. Further clarification is needed on whether mutual recognition is still required for future issuance of non-SPE GRK carbon unit.

Refinement of Emissions Trading Framework and Clarification on Carbon Tax

PR 110/2025 retains the core architecture of Indonesia's emission trading system but introduces significant refinements to its terminology and administrative structure. Similar to PR 98/2021, essentially emission trading is conducted to ensure the GHG emission cap is not exceeded by purchasing GHG Emission Quota and/or purchasing GHG Emission Offset.

Several key changes of emission trading from PR 98/2021:

- a. The emission cap technical approval for Sub Sectors or sub Sub Sectors is no longer regulated in PR 110/2025 and is presumably replaced by Carbon Allocation established by sectoral ministries.
- b. The emission cap technical approval issued for each business actor is also replaced by GHG Emission Quota, which is established by sectoral ministries based on the Carbon Allocation. The GHG Emission Quota will be the Carbon Units traded in emission trading.
- c. PR 110/2025 clearly states that SPE GRK cannot be issued from residual GHG Emission Quotas – contrary to MoEF Reg 21/2022 as

the implementing regulation of PR 98/2021 that permits such conversion to SPE-GRK. This clarification means that GHG Emission Quotas are tradable only among GHG Emission Quota holders.

In addition to the above, PR 110/2025 states that business actors exceeding their assigned GHG Emission Quotas will now be subject to a carbon tax, in accordance with the applicable fiscal regulations. This provision indicates the government's intention to move forward with the implementation of the carbon tax regime, which has been planned for this year but has thus far shown limited progress.

*The Introduction of Carbon Unit Registry System (Sistem Registri Unit Karbon/**SRUK**)*

PR 110/2025 introduces the SRUK as the system for the provision and management of data and information related to Carbon Units at the level of carbon pricing instrument implementation. Article 65 (8) of PR 110/2025 specifies that SRUK uses a decentralized network in which all data and transactions are transparent, traceable, real time, permanent, and interoperable with other registries. Every Carbon Unit and carbon trading is now recorded in SRUK – no longer SRN PPI (Climate Change Control National Registry System) as previously regulated in PR 98/2021.

Meanwhile, SRN PPI serves as an NDC-level platform for managing data and information on mitigation and adaptation actions and resources across Indonesia.

Further clarification will be needed on whether SRUK will operate under SRN PPI integrated website or remain as a standalone platform. The creation of SRUK infrastructures – if not developed immediately – could hinder the SPE-GRK issuance and carbon trading currently conducted in SRN PPI.

Greater Clarity on NDC Provisions

PR 110/2025 brings much-needed clarity to how Indonesia's carbon targets are planned and aligned with its NDC. This regulation explicitly links Carbon Allocation to the NDC framework. PR 110/2025 provides that NDC is prepared and established based on the Carbon Allocation.

The Carbon Allocation is also prepared by considering Reserve Carbon, which is similar to buffer that is required by MoEF Reg 21/2022 to be set aside for issued SPE-GRK. However, there are no further clarifications on Reserve Carbon, leaving uncertainty on whether the buffer obligation under MoEF Reg 21/2022 is still valid or not.

Separate but Integrated MRV Systems for Mitigation and Adaptation Climate Actions and MRV for Carbon Pricing

Both PR 98/2021 and PR 110/2025 stipulate that Measurement, Reporting, and Verification (**MRV**) for climate change mitigation actions, climate change adaptation actions, and carbon pricing must be carried out in an integrated manner. However, PR 110/2025 introduces a key procedural distinction by separating the regulatory authority and implementation responsibilities for each MRV type.

Under PR 110/2025, the MRV for Climate Change Mitigation Actions and Climate Change Adaptation Actions remain under the authority of the KLH. Validation and verification are conducted by KLH and recorded in SRN PPI.

Meanwhile, the MRV for the implementation of Carbon Pricing instrument is delegated to the relevant sectoral ministers. The validation and verification are conducted by independent validation and verification bodies which will be reported to sectoral ministries and recorded in SRUK.

Enhanced Role of The Steering Committee

PR 110/2025 introduces a significant functional expansion of the Steering Committee that oversees the implementation of Indonesia's carbon pricing instruments and GHG emission control. Compared with PR 98/2021, the new regulation both broadens the committee's composition and enhances its coordinating and decision-making roles across multiple aspects of carbon governance. For instance, the Steering Committee is now expressly required to coordinate or be consulted in, among others: (i) the preparation of Carbon Allocation, (ii) national carbon trading roadmap, (iii) procedures for non-authorized international carbon trading, (iv) procedures for carbon trading registration, (v) MRV

guidelines for carbon pricing instruments, and (vi) the formulation of multi-sector and cross-sector carbon trading rules.

Additionally, the committee now leads national monitoring and evaluation of certain aspects, including carbon pricing implementation. Following this evaluation, relevant ministers must submit a joint report to the President through the Steering Committee at least once per year.

Institutionally, PR 110/2025 also broadens the committee's composition to encompass a wider range of coordinating ministries and sectoral agencies. A key addition is the inclusion of the Financial Services Authority (OJK), whose participation is expected to strengthen integration among the SRN PPI, SRUK, and the carbon exchange platform.

Introducing New Sectors and Sub Sectors: Oil and Gas & Blue Carbon Management

PR 110/2025 broadens the scope of Indonesia's carbon pricing framework by introducing: (i) marine and fisheries as a new Sector; and (ii) oil and gas as well as blue carbon management as new sub Sectors.

The addition of the oil and gas sub Sector provides more certainty on carbon trading from carbon capture, utilization, and storage (CCUS) and carbon capture and storage (CCS) initiatives. Meanwhile, the recognition of blue carbon management aligns with growing global and national attention to marine-based climate solutions. This also corresponds with the recent issuance of Minister of Marine Affairs and Fisheries Regulation No. 1 of 2025 on The Procedures for Implementing Carbon Pricing in the Marine Sector, which establishes detailed procedures for implementing carbon pricing in the marine sector, including valuation and MRV mechanisms for coastal and marine carbon ecosystems.

PR 110/2025 is Less Restrictive

PR 98/2021 initially imposed administrative sanctions on: (i) business actors that do not register and report its mitigation and adaptation actions, carbon pricing, and climate change resources to SRN PPI and (ii) business actors that conduct GHG emission offset and do not record its

mitigation actions, conduct mitigation actions, and/or GHG Emission Offset mechanisms and procedures. These sanctions are removed in PR 110/2025.

Furthermore, the transitional provisions of PR 110/2025 provides: (i) business actors holding Carbon Units but yet to conduct trading or results-based payments must align with the new implementation procedures within one year; and (iii) pre-existing international carbon agreements approved by the Government of Indonesia remain recognized but must be harmonized with PR 110/2025 within the same one-year adjustment period.

PR 98/2021 previously required business actors conducting carbon trading or result-based payment prior to PR 98/2021 issuance to comply with PR 98/2021, otherwise such business actors must share the benefits yielded from new carbon trading transactions. This form of obligation is also not regulated in PR 110/2025.

Closing

Through the issuance of PR 110/2025, the government advances Indonesia's carbon market and national emissions management framework. In the near term, stakeholders should anticipate a series of implementing ministerial regulations that will operationalize many of the framework's still-open provisions. Key areas to watch include, but are not limited to, (i) the possibility of conducting direct international carbon trading without waiting for the achievement of NDC target Sub Sectors or sub Sub Sectors; (ii) procedures on authorized and non-authorized carbon trading; (iii) procedures on non-SPE GRK carbon units; (iv) multi-sector carbon trading; (v) transition from SRN PPI to SRUK; and (vi) alignment of existing regulations.

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