



Project Summary Information

Date of Document Preparation/Updated: 05/21/26	
Project Name	Affordable and Sustainable Energy Transition Program, Subprogram 2
Project Number	P001048
AIIB member	Indonesia
Sector/Subsector	Energy
Alignment with AIIB's thematic priorities	Green infrastructure; Technology-enabled Infrastructure
Status of Financing	Under Preparation
Objective	To support the Government of Indonesia in achieving its greenhouse gas emission reduction of 31.89% unconditionally, and conditional reduction target up to 43.20% of the business-as-usual scenario by 2030 (Enhanced Nationally Determined Contribution, 2022); and net-zero emission in the electricity subsector by 2050 through various policy measures to accelerate energy transition in the country.
Project Description	<p>Project Scope. The Affordable and Sustainable Energy Transition (ASET) Program aims at addressing key policy, institutional, and financial constraints to Indonesia's climate and energy transition agenda. The Program targets two reform areas: 1) establish policies and regulatory framework for clean energy transition; and 2) strengthen sector governance and financial sustainability. Together, these reform areas target structural barriers that have historically slowed decarbonization of the energy sector and limited the mobilization of private and public climate finance.</p> <p>Reform Area 1: Establish Policies and Regulatory Frameworks for Clean Energy Transition. This pillar focuses on strengthening the policy and regulatory foundations needed to accelerate Indonesia's clean energy transition and unlock climate aligned investment at scale. Reforms address structural barriers affecting renewable energy deployment, grid flexibility, energy efficiency, electric mobility, industrial decarbonization pathways, and regional clean power cooperation. Key measures include improving the bankability of renewable energy procurement, enabling accelerated coal transition and system flexibility, strengthening mandatory energy conservation and EV ecosystem policies, and establishing frameworks for sustainable industrial zones and cross-border clean electricity trade. By clarifying market rules, reducing regulatory uncertainty, and prioritizing domestic electricity needs while enabling regional cooperation, this pillar supports the integration</p>

	<p>of clean energy with industrial development. Collectively, these reforms send clearer investment signals, strengthen private sector participation, and advance decarbonization of both the power and demand sectors.</p> <p>Reform Area 2: Strengthen Sector Governance and Financial Sustainability. This pillar focuses on enhancing governance, data integrity, and financial sustainability to ensure that energy transition reforms are credible, durable, and fiscally sound. Reforms include strengthening carbon market governance and emissions data systems, improving transparency in critical minerals revenue management, institutionalizing just transition and gender mainstreaming within key SOEs, and improving electricity subsidy targeting through integrated social and economic data platforms. Together, these measures improve accountability, reduce fiscal and operational risks, and strengthen the financial position of implementing entities such as PLN. By reinforcing institutional capacity, social inclusion, and fiscal efficiency, this pillar supports a clean energy transition that is economically sustainable, socially responsible, and aligned with Indonesia’s broader green growth and climate resilience objectives.</p>
Expected Results	<p>Expected results include power-sector emissions peaking by 2030 within an absolute cap; a rising share of renewable electricity generation; sustained improvements in economy-wide energy efficiency; a significant increase in annual on-grid electricity investment; improved targeting and fiscal efficiency of electricity subsidies; and strengthened risk management, sustainability reporting, and gender practices across key energy sector SOEs.</p>
Environmental and Social Category	<p>The Asian Development Bank (ADB), as the lead co-financier, has categorized the Program as Category C for Environment, Involuntary Resettlement, and Indigenous Peoples safeguards in line with the ADB Safeguard Policy Statement (SPS).</p>
Environmental and Social Information	<p>Applicable Policy and Categorization. The Program will be co-financed by ADB. To ensure a harmonized approach to addressing the environmental and social (ES) risks and impacts of the Program, as permitted under Asian Infrastructure Investment Bank’s (AIIB) Environmental and Social Policy (ESP), the ADB’s Safeguards Policy Statement (SPS) will apply to the Program in lieu of AIIB’s ESP. Based on environmental and social (ES) assessments carried out by ADB, following its SPS requirements, ADB categorized the Program as C for Environment, Involuntary Resettlement, and Indigenous Peoples considering that activities are confined to policy and institutional reforms across government units.</p> <p>Environmental and Social Instruments. The Program supports Indonesia’s climate and institutional transition agenda through policy actions that focus on establishing policies and regulatory frameworks for clean energy transition and strengthening sector governance and financial sustainability. The analysis of the likely ES impacts of the Program is largely informed by the project team’s discussions with co-financiers, including the analytical work led by the ADB, as summarized in the draft ES analysis matrix that has been prepared for specific prior actions (PAs). Overall, the draft ES matrix indicates that the PAs are likely to have positive ES benefits by strengthening planning and governance for the energy transition,</p>

	<p>promoting renewable energy and energy efficiency, and supporting emissions reduction through carbon market and coal transition measures. The ES matrix will be timely disclosed by the Bank in an appropriate manner.</p> <p>Environmental and Social Aspects. Potential ES risks are expected to be indirect and associated with implementation of policy actions. These include waste and hazardous materials management, land and soil contamination, occupational and community health and safety, pressures on natural resources, and potential risks of emissions leakages or displacement effects associated with carbon markets. These risks are expected to be managed through the Government of Indonesia’s existing environmental regulatory and permitting systems and strengthened institutional and SOE’s ES management frameworks supported by this program and subsequent program. Also, PAs associated with coal-phase down and industrial decarbonization may carry potential near-term transition risks, which are addressed through mitigation measures embedded in the Program design and Indonesia’s national legal and social protection framework. In addition, the Program is classified by ADB as “effective gender mainstreaming.” The Program is consistent with Indonesia’s national gender policy commitments, including those embedded in the CIPP, which identifies gender equality and women’s empowerment as foundation principals of the just energy transition.</p> <p>Program Grievance Redress Mechanism (GRM) and Monitoring Arrangement. Individuals and communities who believe they are adversely affected by the Program may submit complaints to the GRMs established by responsible government authorities and the appropriate local/national grievance mechanisms. The information about the GRMs to be used will be timely disclosed in an appropriate manner. Under the Program, the Coordinating Ministry for Economic Affairs (CMEA) will serve as the implementing agency and primary coordinator reporting to AIIB on progress against the Policy and Results Matrix. More details on monitoring and reporting arrangement will be discussed and determined with CMEA during program appraisal.</p>
Cost and Financing Plan	The Government of Indonesia has requested AIIB’s support through policy-based financing for the ASET Subprogram 2 and 3, each in the amount of USD 150mm. Co-financiers ADB, KfW, AFD, and JICA have indicated financing of USD 500mm, EUR 270mm, EUR 150mm, and USD 150mm for the Subprogram 2, which add up to a total USD 1,300mm including AIIB’s portion. The same amount is indicated for Subprogram 3.
Borrower/Investee Company/Counter party/Guaranteed entity	Republic of Indonesia
Guarantor	Not Applicable

Implementing Entity/Sponsor	Coordinating Ministry for Economic Affairs (CMEA)			
Estimated date of loan closing (SBF)/Estimated date of last disbursement (NSBF)/ Estimated Date of first disbursement (Fund)	December/2027			
Contact Points:	AiIB	ADB	Borrower	CMEA
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Date of Concept Decision	May 21, 2026			
Estimated Date of Appraisal Decision	June/July 2026			
Estimated Date of Financing Approval	August/September 2026			

Independent Accountability Mechanism	For this program, AIIB has agreed to the application of ADB's SPS and to rely on ADB's Independent Accountability Mechanism. Consequently, in accordance with AIIB's Policy on Project affected People's Mechanism (PPM), submissions to the PPM under this program will not be eligible for consideration by the PPM. Information on ADB's Accountability Mechanism is available at https://www.adb.org/who-we-are/accountability-mechanism .
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