

FORESTRY SECTOR CARBON TRADING – CREDIBILITY & GOVERNANCE¹²³⁴⁵

INTRODUCTION

The Ministry of Forestry has issued a new regulation with the stated objective of improving the credibility and governance of carbon trading involving carbon offsets originating in the local forestry sector.

Given its vast forest resources, Indonesia should be a world leader in carbon offset trading. However, tough questions are increasingly being asked, both domestically and internationally, about the development and management of Indonesia's forest resources for carbon offset purposes. Accordingly, the Ministry of Forestry clearly feels compelled to try to do something to improve Indonesia's carbon trading "credentials" in the case of carbon offsets originating in the local forestry sector and otherwise to do more to promote the trading of these offsets.

In this article, the writer will review the main provisions of the new Minister of Forestry regulation, focusing on the issue of whether or not the initiatives introduced by this new regulation are likely to be enough to satisfy the critics of Indonesia's forest management policies and associated carbon offset trading activities.

BACKGROUND

Indonesia's potential as a major player in global carbon markets is very considerable given its huge expanses of tropical forests, peatlands and mangrove areas.

The potential significance of Indonesia's peatlands, in particular, in addressing the problem of greenhouse gas emissions (**GHG Emissions**) is twofold. First, these peatlands offer capacity for large scale GHG Emissions storage. Second, the same peatlands are the subject of annual and deliberately started burn-offs/fires that release enormous quantities of GHG Emissions.

The Government has previously tried to create a suitable regulatory environment for the development of carbon trading focused on the local forestry sector (**FS Carbon Trading**). To that

¹ Bill Sullivan, Senior Foreign Counsel with Christian Teo & Partners and Senior Adviser to Stephenson Harwood.

² Bill Sullivan is the author of "*Mining Law & Regulatory Practice in Indonesia – A Primary Reference Source*" (Wiley, New York & Singapore 2013), the first internationally published, comprehensive book on Indonesia's 2009 Mining Law and its implementing regulations.

³ Copyright in this article belongs to Bill Sullivan and Petromindo.

⁴ This article may not be reproduced for commercial purposes without the prior written consent of both Bill Sullivan and Petromindo.

⁵ An earlier version of this article appeared in the May - June 2026 issue of Coal Metal Asia Magazine.

end, the Minister of Environment & Forestry (**MoEF**) issued Regulation No. 7 of 2023 re Procedures for Carbon Trading in the Forestry Sector (**MoEF Regulation 7/2023**).

MoEF Regulation 7/2023 recognized two distinct FS Carbon Trading categories or mechanisms, being:

- (a) the buying and selling of “surplus” GHG Emissions (**i.e.**, unused “caps”/“quotas” of allowed/permitted GHG Emissions) by individual forestry business actors, which forestry business actors have not exceeded their GHG Emissions caps/quotas, to other forestry business actors which have exceeded their GHG Emissions caps/quotas (**GHG Emissions Trading**); and
- (b) the buying and selling of domestically issued GHG Emissions Offset Certificates (in Bahasa Indonesia, *Sertifikat Pengurangan Emisi Gas Rumah Kaca*) (**SPE GRKs**) in respect of GHG Emissions reduction and absorption efforts in the domestic forestry sector and during a particular period of time (together, **Climate Change Mitigation Action**) for the purpose of the accepted/approved/deemed fulfilment of all or part of Target GHG Emissions in respect of a particular business activity, whether in the forestry sector or in another industry sector/subsector (**GHG Emissions Offset Trading**). However, MoEF Regulation 7/2023 did **not** provide for or allow (i) the issuance of or recognize the use, for GHG Emissions Offset Trading purposes, of GHG Emissions Offset Certificates in respect of **foreign** GHG Emissions reduction and absorption efforts (**Non-SPE GRKs**).

As envisaged by MoEF Regulation 7/2023, domestic/foreign GHG Emissions Trading and GMS Emissions Offset Trading were to be carried out as follows:

GHG Emissions Trading	GHG Emissions Offset Trading
<p>GHG Emissions Trading involved:</p> <ul style="list-style-type: none"> (a) determination and approval of the GHG Emissions Ceiling (i.e., highest permitted GHG Emissions level for the local forestry sector) (in Bahasa Indonesia, <i>Persetujuan Teknis Batas Atas Emisi</i> or PTBAE); (b) determination of individual PTBAE quotas for forestry sector business actors (in Bahasa Indonesia, <i>PTBAE Untuk Pelaku Usaha</i> or PTBAE-PU); (c) stipulation of PTBAE-PU/quotas for peat management in the peat and mangrove management sub-sectors; (d) actual GHG Emissions measurement; 	<p>GHG Emissions Offset Trading involved:</p> <ul style="list-style-type: none"> (a) determination of the local forestry sector GHG Emissions baseline; (b) determination of the local forestry sector GHG Emissions reduction target; (c) preparation of Climate Change Mitigation Action Plan Document (in Bahasa Indonesia, <i>Dokumen Rancangan Aksi Mitigasi Perubahan Iklim</i> or DRAM); (d) DRAM validation;

GHG Emissions Trading	GHG Emissions Offset Trading
<p>(e) PTBAE-PU Report submission;</p> <p>(f) PTBAE-PU Report verification;</p> <p>(g) Verification Results Report; and</p> <p>(h) implementation of: (1) domestic and/or foreign GHG Emissions Trading by PTBAE-PU holders or (2) storage of the unused/remaining GHG Emission Ceiling and/or unused/surplus GHG Emission quotas/PTBAE-PU.</p>	<p>(e) DRAM Validation Result Report;</p> <p>(f) implementation of Climate Change Mitigation Action and recording of the results of this Climate Change Mitigation Action in a report;</p> <p>(g) verification of the results included in the Climate Change Mitigation Action Report;</p> <p>(h) preparation of Climate Change Mitigation Action Implementation Verification Results Report;</p> <p>(i) formation of and review by the Measurement, Reporting, and Verification (MRV) Team;</p> <p>(j) issuance of SPE GRKs; and</p> <p>(k) implementation of domestic and/or foreign GHG Emissions Offset Trading (as evidenced by SPE GRKs).</p>

Subsequently issued MoEF Decree No. SK.1027/MENLHK/PHL/KUM.1/9/2023 provided for the preparation of a FS Carbon Trading road map (**2023 FS Carbon Trading Road Map**).

The 2023 FS Carbon Trading Road Map was meant to address/provide for various matters, including Climate Change Mitigation Action which would involve the following categories of activities:

- (a) reducing deforestation;
- (b) reducing forest degradation;
- (c) establishing tree plantations;
- (d) promoting sustainable forest management;
- (e) increasing carbon stocks; and
- (f) improving peat water management.

Notwithstanding the existence of the 2023 FS Carbon Trading Road Map, FS Carbon Trading has not generated the level of interest that MoEF clearly envisaged or perhaps, more accurately, hoped would be the case when it issued MoEF Regulation 7/2023.

On 6 April 2026, the Ministry of Forestry (**MoF**) issued Regulation No. 6 of 2026 re Procedures for Carbon Trading Through GHG Emissions **Offsets** in the Forestry Sector (**MoF Regulation 6/2026**).

MoF Regulation 6/2026 replaces MoEF Regulation 7/2023 which has now been revoked.

The “official” reason for the issuance of MoF Regulation 6/2026 is the need to implement various provisions of Presidential Regulation No. 110 of 2025 re Implementation of Carbon Economic Value Instruments and National GHG Emissions Control (**PR 110/2025**). However, industry commentators have suggested that the real reason is growing concern, both domestically and internationally, about the quality of GHG Emissions Offsets generated from Climate Change Mitigation Action in Indonesia’s forestry sector and, accordingly, urgent steps needed to be taken to improve the “credibility” of these GHG Emissions Offsets. The questionable “credibility” of local forestry sector GHG Emissions Offsets stems from concerns about the poor management/inadequate supervision of GHG Emissions Offset projects, which poor management/inadequate supervision has resulted in the recognition of non-compliant GHG Emissions Offsets as well as possible environmental damage and negative impacts on local communities and their traditional livelihoods.

Further to the above, journalists Sugiharto Budiman and Azis Kurmala have highlighted, in several news items, various points made by Government officials (including officials from MoF) as to why it has been necessary to restructure that part of the legal framework for FS Carbon Trading which deals with GHG Emissions Offset Trading, namely:

- (a) “phantom credits” entry must be prevented to ensure that only high-quality, high-integrity forest carbon is traded, something that requires (among other things) the strengthening of the verification mechanism;
- (b) sectoral ministerial regulations are needed to provide legal certainty for the relevant participants;
- (c) Indonesia must develop a high-integrity carbon market swiftly but without compromising market confidence, an outcome which may be achieved, at least in part, through a robust legal and governance framework; and
- (d) carbon pricing, as envisaged by PR 110/2025, must be implemented in each relevant industry sector. Carbon pricing implementation requires sectoral readiness and serves as a crucial factor to lure foreign investment, especially as the international carbon trading market continues to grow (Ecobiz.asia - 27 September 2025 and 27 February 2026 and ANTARA 15 April 2026).

COMMENTARY

1. Overview of MoF Regulation 6/2026

MoF Regulation 6/2026 makes a number of significant changes to the previous position in terms of (i) giving an improved/upgraded 2023 FS Carbon Trading Roadmap a central role in ensuring improved development and management of the local forestry sector in

connection with GHG Emissions Offset Trading, (ii) expanding the categories of eligible forestry sector business actors for the purpose of GHG Emissions Offset Trading, (iii) adopting a more restrictive approach to what qualifies as Climate Change Mitigation Action while, at the same time, imposing more onerous obligations on eligible parties in carrying out Climate Change Mitigation Action, (iv) recognizing/allowing the use of Non-SPE GRKs in addition to SPE GRKs and (v) introducing new procedures for foreign GHG Emissions Offset Trading.

Each of the above changes, as well as various other technical aspects of the new GHG Emissions Offset Trading regime, are discussed in greater detail in Part 2 below.

It is important to understand that, whereas now revoked MoF Regulation 7 of 2023 dealt with **both** GMG Emissions Trading **and** GHG Emissions Offset Trading involving the locally forestry sector, MoF Regulation No. 6/2026 **only** deals with GHG Emissions Offset Trading involving the local forestry sector (Article 2 of MoF Regulation 6/2026). However, this does **not** necessarily mean that GHG Emissions Trading, involving excess/surplus PTBAE-PU of local forestry sector business actors, is no longer allowed as GHG Emissions Trading is still recognized by PR 110/2025. Enquiries made with MoF indicate that GHG Emissions Trading, involving excess/surplus PTBAE-PU of local forestry sector business actors, may be the subject of a new regulation to be subsequently issued by another ministry such as the Ministry of Environmental Affairs (**MoEA**). MoF Regulation 6/2026 is also **not** relevant to GHG Emissions Offset Trading involving GHG Emissions Offsets originating from industry sectors other than the locally forestry sector.

MoF Regulation No. 6/2026 came into force on 13 April 2026.

Unfortunately, many of the provisions of MoF Regulation No. 6/2026 are very poorly drafted and hard to understand, particularly in the case of those provisions dealing with **foreign** GHG Emissions Offset Trading. Enquiries made with MoF have not been successful in resolving all the resulting areas of uncertainty and, accordingly, some of the points made below are unavoidably speculative in nature.

2. **Main MoF Regulation 6/2026 Provisions in Detail**

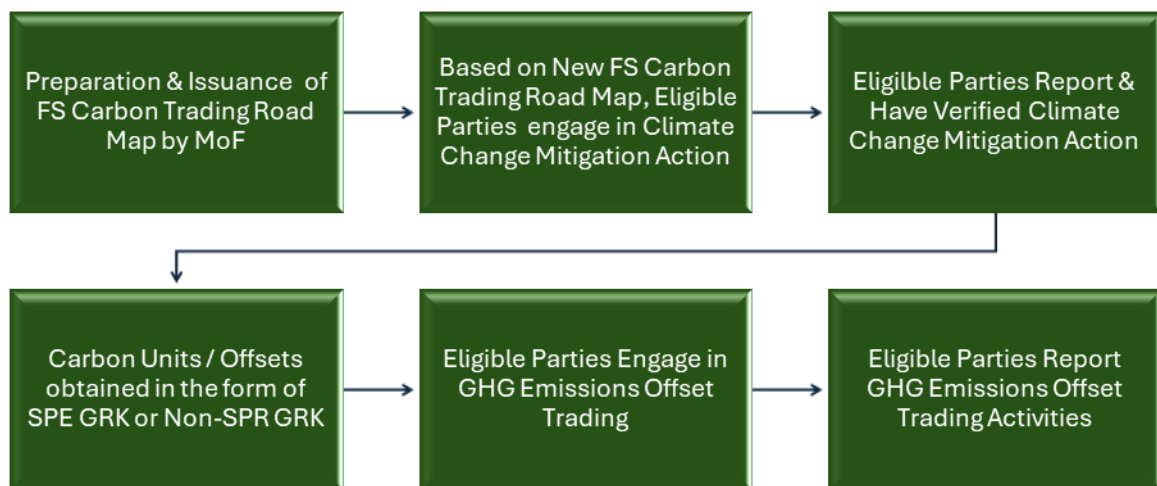
2.1 **New FS Carbon Trading Road Map:** Revisiting the idea behind the 2023 FS Carbon Trading Road Map, MoF Regulation 6/2026 provides for the preparation and issuance by MoF of an improved or upgraded version of the 2023 FS Carbon Trading Road Map, which is to include at least the following additional details:

- (a) GHG Emissions Baseline and/or GHG Emissions absorption;
- (b) GHG Emissions Offset targets;
- (c) GHG Emissions Offset period; and
- (d) performance measurement period (**New FS Carbon Trading Road Map**).

Arguably the most important part of the New FS Carbon Trading Roadmap is that dealing with GHG Emissions Offset targets, which targets are to include the designation/setting aside of at least (i) 48.69 million Ha of local forest for Climate Change Mitigation Action in the form of GHG Emissions reduction efforts and (ii) 3.5 million Ha of “critical and/or damaged land” (i.e., degraded land) for Climate Change Mitigation Action in the form of GHG Emissions absorption (i.e., sequestration) efforts (Article 4 of MoF Regulation 6/2026).

Once prepared and issued, the New FS Carbon Trading Roadmap is to be used as the basis for administering the development and promotion of local forestry sector-focused GHG Emissions Offset Trading going forward. Until then, the existing 2023 FS Carbon Trading Road Map will continue to be used (Article 59 of MoF Regulation 6/2026).

The key role, which the New FS Carbon Trading Road Map is expected to have, in connection with local forestry sector-focused Carbon Emissions Offset Trading, may be shown in diagrammatic form as follows:



While the New FS Carbon Trading Road Map is probably a good idea, it is important to understand that, like its predecessor, the New FS Carbon Trading Road Map is just a planning document which makes clear MoF’s aspirational objectives in respect of FS Carbon Trading and how, ideally, these objectives should be achieved. Indonesian ministries/government departments are “big” on “road maps” which are meant to provide tangible evidence of the relevant ministry’s/government department’s commitment to achieving a stated policy objective. However, actual implementation of “road maps” is a very different matter. The hoped for improvement in the credibility of GHG Emissions Offsets, originating from the local forestry sector, will only result from significant progress in the actual implementation and realization of the New FS Carbon Trading Road Map; otherwise, it is just a “book of dreams” that no one will take seriously.

2.2 FS Carbon Trading Eligible Persons: For the first time, MoF Regulation 6/2026 expressly includes MoF and provincial governors as permitted/recognized participants in GHG Emissions Offset Trading. These newly permitted/recognized participants are in addition to previously permitted/recognized “business actors” (Article 5 of MoF Regulation 6/2026).

The categories of “business actors”, which may participate in GHG Emissions Offset Trading, have also been expanded such that relevant categories of “business actors” now comprise:

- (a) indigenous people as holders of indigenous forest status stipulations (*masyarakat hukum adat pemegang penetapan status hutan adat*);
- (b) holders of Business Permits for Utilization of Carbon Environmental Services (**i.e.**, business licenses to utilize carbon environmental services in Nature Conservation Areas and Hunting Park utilization zones/blocks) (**Carbon PB-PJLs**);
- (c) holders of Forestry Utilization Business Licenses (*Perizinan Berusaha Pemanfaatan Hutan - **PBPHs***) and holders of management rights (*pemegang hak pengelolaan*);
- (d) holders of Social Forestry Management Approvals (*Persetujuan Pengelolaan Perhutanan Sosial*), being “social forestry groups” granted approvals/permits to carry out forest utilization as part of village forest management activities, community forest management, community plantation forest management, forestry partnerships in Protected Forest Areas or Production Forest Areas; and
- (e) holders of rights to forest registration (*pemegang registrasi hutan hak*) (together, **Business Actors**).

Holders of Carbon PB-PJLs are a new category of recognized Business Actors.

Business Actors falling within (a), (d) and (e) above may only carry out Climate Change Mitigation Actions when accompanied by **a registered** partner or facilitator. MoF Regulation 6/2026 does not “spell out” what exactly the registration process involves or what are the requirements for a “partner or facilitator”. However, it is most probably the case that, in order to become a “registered partner or facilitator”, a person must have **relevant experience or expertise** in measuring carbon, planning and implementing Climate Change Mitigation Action projects or accessing the carbon market.

The balance of this article will focus exclusively on GHG Emissions Offset Trading by Business Actors.

2.3 Permitted Areas for Climate Change Mitigation Action: MoF Regulation 6/2026 significantly reduces the permitted forest areas in which Climate Change Mitigation Action may be carried out compared to the permitted forest areas for Climate Change Mitigation Action previously allowed by the now revoked MoEF Regulation 7/2023. The differences in permitted forest areas, as between MoF Regulation 6/2026 and MoEF Regulation 7/2023, may be summarized in table form as follows:

Type of Forest Area	MoF Regulation No. 6/2026	MoEF Regulation No.7/2023
Permanent Production Forest Areas, Convertible Production Forest Areas and/or Protected Forest Area utilization blocks that are the subject of business licenses, management approvals or management rights	√	√
Permanent Production Forest Areas, Convertible Production		

Type of Forest Area	MoF Regulation No. 6/2026	MoEF Regulation No.7/2023
Forest Areas and Protected Forest Area utilization blocks that are not the subject of PBPH, Social Forestry Management Approvals or management rights	N/A	√
Nature Conservation Areas (KPAs) and Hunting Park utilization zones/blocks that are not the subject of management rights, business permits or cooperation agreements	√	N/A
Other Protected Forest Area blocks	N/A	√
Peat and mangrove areas within designated Forest Areas	N/A	√
Peat and mangrove areas outside of designated Forest Areas	N/A	√
Conservation Forest Areas	N/A	√
Customary Forest Areas (<i>hutan adat</i>)	√	√
Private Forest Areas (<i>hutan hak</i>)	√	√
State Forests that are not designated Forest Areas	√	√

Given the supposed potential of Indonesia’s peatlands, it might seem surprising that (for the time being at least) peatlands (as well as mangrove areas) are “off-limits” to Climate Change Mitigation Action as part of the development of GHG Emissions Offset projects. However, the explanation for these exclusions is almost certainly that Indonesia’s peatlands and mangrove areas are unique ecological zones that are particularly easily damaged as a result of insensitive and non-compliant Climate Change Mitigation Action. Accordingly, in excluding Indonesia’s peatlands and mangrove areas from activities supposedly intended to be Climate Change Mitigation Action, MoF is probably hoping to address the concerns of participants/potential participants in GHG Emissions Offset Trading that Indonesia’s peatlands and mangrove areas are being irretrievably damaged as part of the development of poorly conceived and non-compliant GHG Emissions Offset projects. In other words, the “credibility” of Indonesia’s GHG Emissions Offset projects may be improved by reducing their geographic scope.

- 2.4 **Obligations of Participants in FS Carbon Trading:** MoF Regulation 6/2026 imposes significant new obligations on Business Actors (but, interestingly, **not** on MoF or Provincial Governors if they undertake GHG Emissions Offset Trading). More particularly, Business Actors are specifically obliged to:

“apply the principles of social, environmental and governance protection to prevent negative impacts on the environment, indigenous peoples, local communities and vulnerable groups around the carbon project area [ESG Principles].”

The relevant ESG Principles, as they relate to GHG Emissions Offset Trading, include:

- (a) legal compliance and consistency with the National Forestry Program;
- (b) transparency and effectiveness of forest governance;
- (c) [protection of/respect for] the rights of indigenous peoples and local communities;
- (d) effective participation of [all interested] parties;

- (e) consistency with the conservation of natural forests and biodiversity;
- (f) taking of action to address “adverse/counter-risks”; and
- (g) taking of action to reduce GHG Emissions “transfer”.

Business Actors must submit regular reports to MoF, being (i) an ESG Principles Report, (ii) a Risk Management System Report and (iii) an GHG Emissions Offset Trading Activities Report (Articles 27, 28 and 29 of MoF Regulation 6/2026).

Requiring the (i) application of ESG Principles in connection with GHG Emissions Offset Trading and (ii) submission of ESG Principles Reports, evidencing compliance with/fulfillment of ESG Principles, is a very obvious attempt to improve the “credibility” of Indonesia’s GHG Emissions Offset Trading activities and where these activities are focused on the local forestry sector. The same may be said of the inclusion of “[protection of/respect for] the rights of indigenous peoples and local communities” as a relevant ESG Principle. While certainly not a bad thing, the effectiveness of these initiatives is entirely dependent upon and subject to there being rigorous enforcement of the application of/compliance with the ESG Principles. At the very least, this means (i) careful vetting of ESG Principles Reports and (ii) independent inspection of GHG Emissions Offset projects on a regular basis to ensure that what is included in the submitted ESG Principles Reports reflects the reality of what is actually happening “on the ground”. Regrettably, neither of these things has been a reliable feature of the previous management of Indonesia’s forest areas which have been characterized by rampant and largely unchecked exploitation over long periods. That said, the Government has recently moved to assert much greater control over the development/exploitation/use of forest areas and has evidenced a new-found willingness to suspend the business operations and cancel the business licenses of companies/individuals found to be doing the wrong thing in forest areas. However, participants/potential participants in GHG Emissions Offset Trading are likely to take a lot of convincing that this apparent change in the Government’s approach/attitude, to managing the country’s forest areas, is “for real” and not just a case of replacing one group of “bad actors” with another group of “bad actors”, which latter group of “bad actors” merely happens to be more closely aligned with the current centers of power than are the earlier group of “bad actors”.

2.5 New Carbon Unit Registry System: MoF Regulation 6/2026 introduces a new system called the “Carbon Units Registry System” (SRUK). The previous system was known as “SRN PPI”. Although not entirely clear, it is probably the case that MoF intends to transition from SRN PPI to SRUK for the purpose of issuing/obtaining/registering SPE GRKs and Non-SPE GRKs. However, it appears that SRN PPI will continue to be the applicable system (at least for the time being) for the registration of Climate Change Mitigation Action implementation efforts/results (Article 87(1) of PR 110/2025).

2.6 Recognition and Use of Non-SPE GRKs as well as SPE GRKs: In a potentially important expansion of GHG Emissions Offset Trading, MoF Regulation 6/2026 allows (subject to various conditions) the use of both (i) domestic GHG Emissions Offsets as evidenced by SPE GRKs and (ii) foreign GHG Emissions Offsets as evidenced by Non-SPE GRKs (Articles 11 to 24 of MoF Regulation 6/2026).

The following table summarizes the main differences between SPE GRKs and Non-SPE GRKs for the purposes of MoF Regulation 6/2026:

Aspect	SPE GRKs	Non-SPE GRKs
Issuing Party	MoEA with Recommendation from MoF	International standards agency with prior approval from MoF
Validity Period of Recommendation/ Approval	Not specified	6 months, during which the relevant international standards agency is to be notified of the approval to issue Non-SPE GRKs

The process of obtaining SPE GRKs and Non-SPE GRKs is similar. More particularly, Business Actors must apply to MoF to obtain the following:

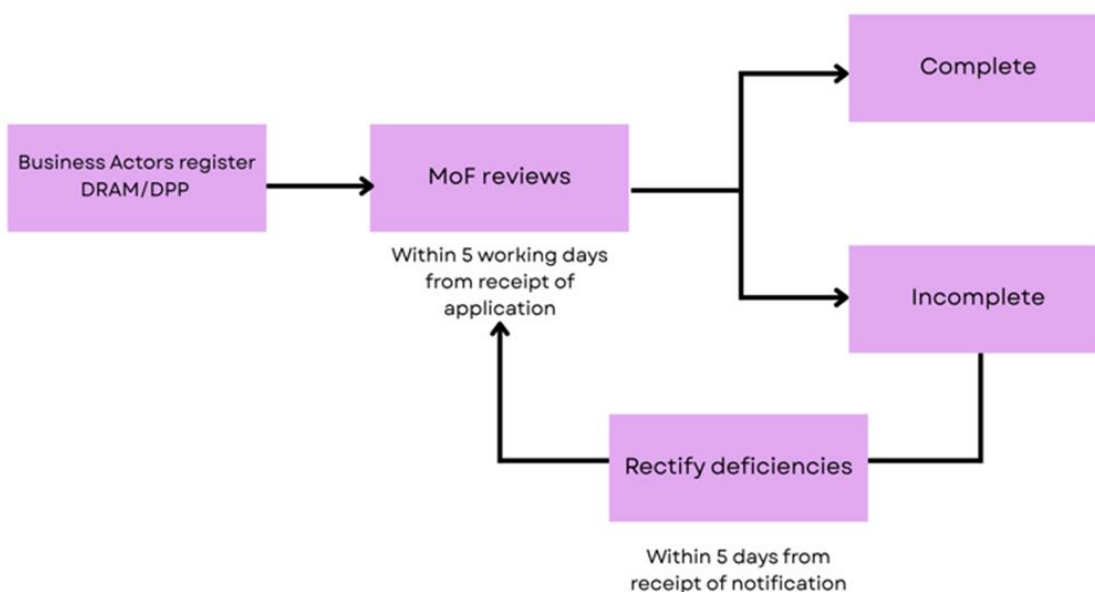
- (a) registration of DRAM (for SPE GRKs) or Project Planning Document (**DPP**) (for Non-SPE GRKs); and
- (b) recommendation to issue SPE GRKs (**SPR GRK Recommendation**) or approval to issue Non-SPE GRKs (**Non-SPE GRK Approval**).

Applications for SPE GRK Recommendations are handled through SRUK. However, it is presently unclear whether or not applications for Non-SPE GRK Approvals are also handled through SRUK.

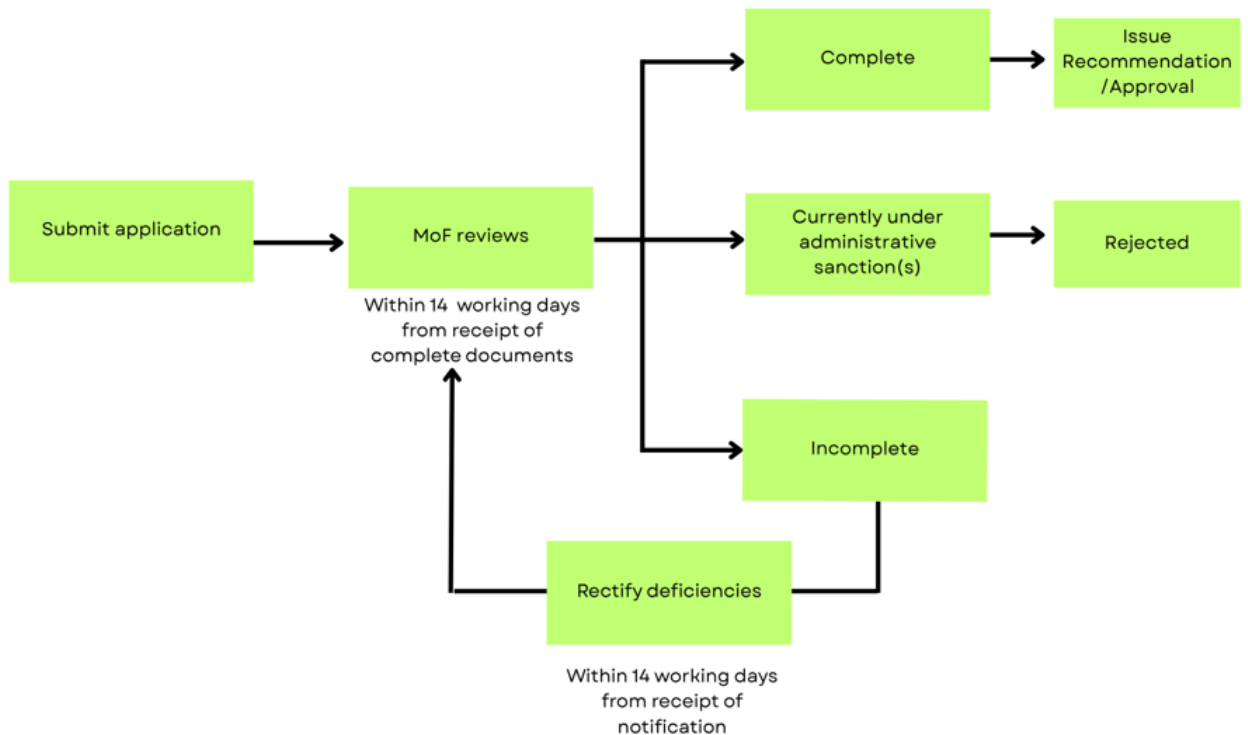
Business Actors must submit various documents and go through several procedural steps in order to obtain SPE GRKs and Non-SPE GRKs pursuant to MoF Regulation 6/2026.

The application process for SPE GRKs and Non-SPE GRKs may be summarized in flow-chart form as follows:

(a) **Registration of DRAM/DPP**



(b) **Application to obtain SPE GRK Recommendation / Non-SPE GRK Approval**



2.7 **Foreign GHG Emissions Offset Trading:** MoF Regulation 6/2026 provides for and introduces a new compliance regime for **foreign** GHG Emissions Offset Trading, in those situations where foreign GHG Emissions Offset Trading is allowed by Article 68(1)(a) of PR 110/2025, being:

- (a) GHG Emissions Offset Trading which is “*linked internationally*”;
- (b) GHG Emissions Offset Trading which complies with Articles 6.2 and 6.4 of the Paris Agreement entered into pursuant to the United Nations Framework Convention on Climate Change and ratified by Indonesia (**Paris Agreement**); and
- (c) “*voluntary*” GHG Emissions Offset Trading undertaken to “*comply with other international obligations*” [of the buyer] (together, **Certain Categories of Foreign GHG Emissions Offset Trading**).

Neither PR 110/2025 nor MoF Regulation 6/2026 provides any explanation of just what is meant by the expressions “*linked internationally*”, “*voluntary*” or “*comply with other international obligations*”.

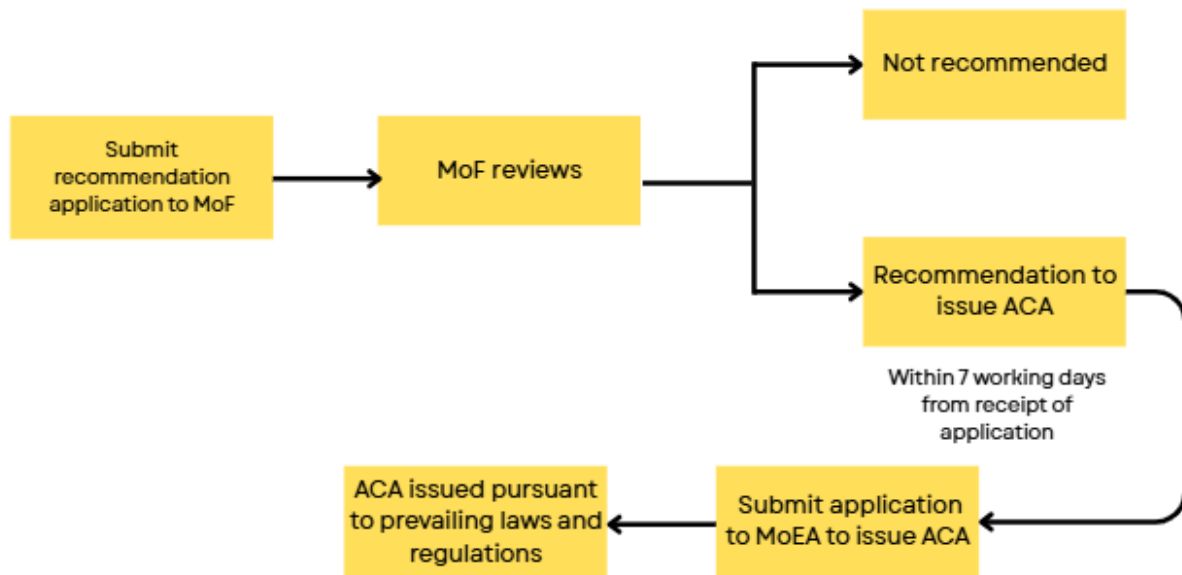
Business Actors, proposing to enter into transactions falling within any of the Certain Categories of Foreign GHG Emissions Offset Trading, require prior “*Authorization and Corresponding Adjustment*” (**ACA**).

Relevant Business Actors must submit an application to MoF for an ACA recommendation (**ACA Recommendation**), which application must be accompanied by a document evidencing “*intended cooperation*” in respect of GHG Emissions Offset Trading (**ACA Recommendation Application**).

MoF will assess each ACA Recommendation Application having regard to (i) the number of GHG Emissions Offsets to be traded and (ii) Indonesia’s need to achieve/comply with its Nationally Determined Contribution (NDC) (i.e., Indonesia’s Paris Agreement commitment to address the problem of climate change through achieving an agreed percentage reduction in its GHG Emissions).

In the event that the ACA Recommendation is issued, it will be accompanied by details of the proposed number of “Carbon Units for Corresponding Adjustment”. This refers to accounting adjustments for GHG Emissions Offsets in respect of Indonesia’s NDC so as to avoid double-counting/recording after transferring GHG Emissions Offsets abroad (Article 1(20) of MoF Regulation 6/2026).

Following the issuance of the ACA Recommendation, the relevant Business Actor must then submit the ACA Recommendation to MoEA who will grant/issue the ACA.



SUMMARY & CONCLUSIONS

The “credibility” of GHG Emissions Offset Trading has become a critical issue for the Government as it seeks to ensure the better realization of the local forestry sector’s potential as a source of in-demand GHG Emissions Offsets.

The changes to the management of GHG Emissions Offset Trading, as introduced by MoF Regulation 6/2026, may be readily accepted as a good faith attempt by the Government to improve domestic and international perceptions of the management of Indonesian forest areas and their utilization for GHG Emissions Offset projects.

At the moment, however, MoF Regulation 6/2026 amounts to no more than “printed words on a page”. Domestic and international perceptions, of the management of Indonesian forest areas and their utilization for GHG Emissions Offset projects, are only likely to improve if and when there is tangible evidence that Business Actors are carrying out Climate Change Mitigation Action and otherwise developing GHG Emissions Offset projects in compliance with the ESG Principles,

which compliance is being carefully monitored and strictly enforced. This could take a long time to achieve in practice.

This article was written by Bill Sullivan, Senior Foreign Counsel with Christian Teo & Partners and Senior Adviser to Stephenson Harwood. Christian Teo & Partners is a Jakarta based, Indonesian law firm and a leader in Indonesian energy, infrastructure and mining law and regulatory practice. Christian Teo & Partners operates in close association with international law firm Stephenson Harwood which has ten offices across Asia, Europe, and the Middle East: Al Khobar, Athens, Dubai, Hong Kong, London, Paris, Riyadh, Seoul, Shanghai and Singapore

Get in touch



Bill Sullivan

T: +62 21 5020 2789

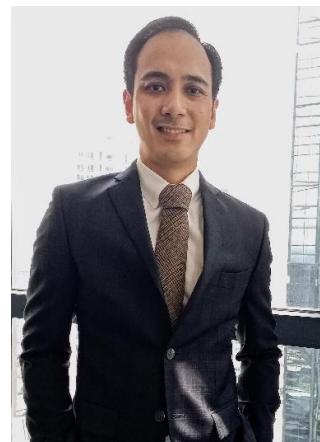
E: bsullivan@cteolaw.com



Christian Teo

T: +62 21 5020 2789

E: cteolaw.com



Claudius Novabianto

T: +62 21 5020 2789

E: cnbianto@cteolaw.com