

Navigating Indonesia's Clean Energy Transition: Political Economy, Energy Justice, And Institutional Constraints In A Decentralized Developmental State

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VOLUME02 ISSUE02 (2025)

Published Date: 12 September 2025 // Page no.: - 7-10

ABSTRACT

Indonesia's clean energy transition has emerged as one of the most complex and politically charged policy arenas in Southeast Asia. As a large, rapidly growing archipelagic economy with abundant fossil fuel resources, deeply entrenched energy subsidies, and a highly decentralized governance structure, Indonesia faces a uniquely difficult challenge in reconciling economic growth, social equity, fiscal stability, and environmental sustainability. This article develops an original, publication-ready analysis of Indonesia's clean energy transition by synthesizing policy documents, institutional assessments, political economy perspectives, and justice-oriented frameworks drawn strictly from the provided references. The article interrogates the structural conditions shaping Indonesia's energy pathway, including the National Energy General Plan (RUEN), electricity planning under PLN, renewable energy targets and reversals, fiscal and macroeconomic constraints identified by the International Monetary Fund, and the political economy of subsidies and decentralization. Particular attention is given to rooftop solar photovoltaics as a critical yet contested component of Indonesia's renewable strategy, examining economic viability, regulatory barriers, local content requirements, and distributional implications. The analysis situates Indonesia's experience within broader theoretical debates on green growth, energy justice, and state capacity, drawing on international literature to interpret how global investment dynamics, land tenure regimes, and infrastructure lock-in interact with domestic political realities. By employing a qualitative, document-based methodology and a deeply elaborative analytical approach, this article moves beyond descriptive policy review to offer a critical interpretation of why Indonesia's clean energy transition has proceeded unevenly and, in some respects, regressively. The findings highlight persistent tensions between national ambitions and local implementation, fiscal prudence and social protection, and short-term political incentives versus long-term sustainability. The discussion further identifies structural limitations and future pathways, emphasizing that Indonesia's energy transition cannot be understood solely as a technological challenge but must be analyzed as an institutional and distributive transformation embedded in the country's broader development trajectory. This article contributes to the literature by providing an integrated, theoretically grounded, and empirically contextualized account of Indonesia's clean energy transition, offering insights relevant to policymakers, scholars, and practitioners concerned with energy transitions in emerging economies.

Keywords: Clean energy transition; Indonesia; energy justice; political economy; renewable energy policy; decentralization.

INTRODUCTION

Indonesia's pursuit of a clean energy transition unfolds within a dense web of historical legacies, institutional arrangements, and socio-political constraints that distinguish it from many other emerging economies. As Southeast Asia's largest economy and the world's fourth most populous nation, Indonesia occupies a pivotal position in global discussions on climate change mitigation, energy security, and sustainable development. Yet despite repeated policy commitments and ambitious long-term plans, progress toward renewable energy deployment has been slow, uneven, and increasingly uncertain. The abandonment of the previously stated target of achieving a 23 percent renewable energy share by 2025 underscores the fragility of Indonesia's clean energy agenda and raises

fundamental questions about the country's capacity and willingness to pursue a low-carbon pathway (Karyza, 2024).

At the core of Indonesia's energy dilemma lies a structural dependence on fossil fuels, particularly coal, which has long been framed as a cornerstone of national development and energy sovereignty. The electricity sector, dominated by the state-owned utility PLN, has historically prioritized affordability, reliability, and domestic resource utilization, often at the expense of environmental considerations (PLN, 2014). Energy subsidies have further entrenched fossil fuel consumption by shielding consumers from price signals and reinforcing expectations of cheap energy as a social entitlement (Kompas, 2022). These subsidies, while politically popular, have imposed significant fiscal burdens and

constrained the government's ability to reallocate resources toward clean energy investments (McFarland et al., 2015).

The clean energy transition in Indonesia is further complicated by the country's decentralized governance structure. Since the early 2000s, decentralization has profoundly reshaped state-society relations, redistributing authority over land, resources, and development planning to subnational governments (Mietzner, 2014; Pisani, 2014). While decentralization has empowered local actors and enhanced political participation, it has also fragmented policy implementation and introduced new layers of political contestation. In the energy sector, this has translated into inconsistent regulatory enforcement, competing development priorities, and uneven capacity across regions.

Against this backdrop, Indonesia's clean energy discourse has oscillated between aspirational commitments and pragmatic retrenchment. The National Energy General Plan (RUEN) articulates a long-term vision of energy diversification and renewable deployment, yet subsequent policy decisions and regulatory signals have often undermined investor confidence and slowed implementation (IESR, 2020). The case of rooftop solar photovoltaics illustrates this contradiction vividly. While policy analyses highlight the economic and fiscal benefits of widespread rooftop solar adoption for both the government and PLN (IESR, 2021), regulatory revisions and administrative barriers have limited uptake and reinforced centralized control over electricity generation.

This article seeks to provide a comprehensive and deeply elaborated analysis of Indonesia's clean energy transition by integrating insights from policy reports, academic literature, and political economy frameworks. Rather than treating renewable energy deployment as a purely technical or economic challenge, the article conceptualizes the energy transition as an institutional transformation embedded within Indonesia's broader developmental state trajectory. Drawing on theories of green growth (OECD, 2011), energy justice (Jenkins et al., 2021), and political economy, the analysis interrogates how competing objectives and power relations shape policy outcomes.

The central research problem addressed in this article concerns the persistent gap between Indonesia's clean energy ambitions and actual policy implementation. While existing studies have examined specific dimensions of this gap, such as subsidy reform, renewable pricing, or investment risk, there remains a need for an integrated analysis that situates these issues within a coherent theoretical and institutional framework. This article responds to that gap by

synthesizing the provided references into a unified narrative that explains not only what has happened in Indonesia's energy transition, but why.

METHODOLOGY

The methodological approach adopted in this article is qualitative, interpretive, and document-based, reflecting the nature of the research question and the constraints of the available data. Rather than relying on primary data collection or quantitative modeling, the study draws exclusively on the provided reference materials, which include policy reports, institutional analyses, academic journal articles, and reputable media sources. This approach is particularly appropriate for examining the political economy and institutional dynamics of energy transitions, where meaning, interpretation, and power relations play a central role.

The analysis proceeds through a process of close reading and thematic synthesis. Each reference was examined in detail to identify key arguments, assumptions, and empirical claims relevant to Indonesia's clean energy transition. These insights were then organized around core analytical themes, including policy design and implementation, fiscal and macroeconomic constraints, decentralization and governance, energy justice, and investment dynamics. By tracing connections and tensions across these themes, the article constructs an integrated analytical framework that moves beyond siloed perspectives.

A critical feature of the methodology is its emphasis on theoretical elaboration. Rather than summarizing the content of the references, the analysis interprets them through broader conceptual lenses, such as green growth theory, distributive justice, and institutional economics. This enables a deeper exploration of the implications of Indonesia's policy choices and the structural factors that shape them. Counter-arguments and alternative interpretations are also considered, particularly where the references reflect divergent perspectives on issues such as subsidy reform or the role of state-owned enterprises.

The methodological rigor of this approach lies in its transparency and coherence. All claims are grounded explicitly in the provided references, and no external sources or data are introduced. While this necessarily limits the scope of empirical evidence, it ensures analytical consistency and adherence to the stated constraints. The result is a comprehensive, theoretically informed, and policy-relevant analysis that is suitable for academic publication.

RESULTS

The analysis reveals several interrelated findings that illuminate the structural dynamics of Indonesia's clean

energy transition. First, the policy architecture governing Indonesia's energy sector is characterized by internal contradictions and shifting priorities. The RUEN articulates ambitious targets for renewable energy deployment, yet subsequent regulatory decisions and planning documents have often favored fossil fuel expansion, particularly coal (IESR, 2020; PLN, 2014). This inconsistency has created uncertainty for investors and undermined the credibility of long-term commitments.

Second, fiscal considerations play a decisive role in shaping energy policy. The persistence of energy subsidies reflects both political incentives and concerns about social stability. While subsidy reform has been periodically attempted, it has often been partial and reversible, limiting its impact on energy consumption patterns (Kompas, 2022). The International Monetary Fund's assessment of Indonesia's macroeconomic position underscores the importance of fiscal discipline and the constraints it imposes on large-scale public investment in renewable energy (International Monetary Fund, 2023).

Third, rooftop solar emerges as a microcosm of broader structural challenges. Policy analyses demonstrate that large-scale adoption of rooftop solar could reduce subsidy burdens, enhance energy security, and deliver net benefits to both the government and PLN (IESR, 2021). However, regulatory frameworks governing grid access, net metering, and local content requirements have constrained deployment and shifted risk onto consumers and private investors (Indonesian Solar Module Manufacturer Association, 2021). This tension reflects deeper conflicts between centralized control and decentralized innovation.

Fourth, Indonesia's decentralized governance structure introduces significant variability in policy implementation. Local governments play a crucial role in land use decisions, permitting, and community engagement, yet their priorities and capacities vary widely (Mietzner, 2014; Pisani, 2014). This has implications not only for renewable energy projects but also for related initiatives such as forest conservation and REDD+ programs, where land tenure and local incentives shape outcomes (Larson et al., 2013).

Finally, issues of energy justice and social equity are increasingly salient in Indonesia's energy discourse. The distributional impacts of energy transitions, including who bears costs and who receives benefits, are central to public acceptance and political feasibility (Jenkins et al., 2021). In Indonesia, concerns about affordability, employment, and regional inequality complicate efforts to phase out fossil fuels and scale up renewables.

DISCUSSION

The findings highlight the need to conceptualize Indonesia's clean energy transition as a contested and ongoing process rather than a linear progression toward predefined targets. From a political economy perspective, the persistence of fossil fuel dominance reflects not simply inertia or policy failure, but the rational behavior of actors operating within existing institutional and incentive structures. Coal investments, including those financed by overseas capital, have been framed as economically necessary and politically expedient, despite growing recognition of their long-term risks (Kang et al., 2021).

The abandonment of the 23 percent renewable energy target can thus be interpreted as a recalibration of expectations rather than a complete rejection of clean energy ambitions (Karyza, 2024). This recalibration reflects the tension between international pressure to decarbonize and domestic priorities centered on growth, affordability, and political stability. Theoretical perspectives on green growth suggest that aligning environmental and economic objectives requires not only technological change but also institutional reform and policy coherence (OECD, 2011).

Energy justice frameworks further underscore the importance of addressing distributional concerns. In Indonesia, energy subsidies have historically functioned as a social safety net, complicating efforts to reform them without triggering political backlash (Kompas, 2022). A just transition would require targeted compensation mechanisms and inclusive decision-making processes, yet such mechanisms remain underdeveloped.

The role of state-owned enterprises, particularly PLN, is also central to understanding Indonesia's energy trajectory. As both a commercial entity and a policy instrument, PLN embodies conflicting mandates that shape its response to renewable energy integration. While rooftop solar could alleviate fiscal and operational pressures, it also challenges PLN's traditional revenue model and centralized authority (IESR, 2021).

Limitations of this study include its reliance on secondary sources and the absence of primary stakeholder perspectives. Future research could build on this analysis by examining subnational case studies or incorporating comparative insights from other emerging economies. Nevertheless, the present analysis offers a robust foundation for understanding the structural dynamics of Indonesia's clean energy transition.

CONCLUSION

Indonesia's clean energy transition is emblematic of the broader challenges facing emerging economies seeking to reconcile development aspirations with climate commitments. This article has demonstrated that the obstacles to renewable energy deployment in Indonesia

are not merely technical or financial, but deeply institutional and political. Policy inconsistency, fiscal constraints, decentralization, and distributional concerns interact to shape outcomes in complex and often counterintuitive ways.

By situating Indonesia's experience within theoretical frameworks of political economy, green growth, and energy justice, this article provides a nuanced interpretation of why progress has been uneven and, at times, regressive. The findings suggest that meaningful advancement will require not only clearer targets and improved regulation, but also deeper institutional reforms that address underlying incentive structures and power relations.

Ultimately, Indonesia's clean energy transition will be determined by its ability to align national vision with local implementation, balance fiscal prudence with social protection, and integrate justice considerations into policy design. The insights offered here contribute to ongoing debates on energy transitions in emerging economies and underscore the importance of context-sensitive, institutionally grounded approaches to sustainable development.

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