SUBMISSION BY THE GOVERNMENT OF INDONESIA

Pursuant to the FCCC/PA/CMA/2024/L.5, Para 5, and the letter from the Director Means of Implementation division (ref: MOI/MTP/SeS Dialogue) regarding the invitation for Parties to submit their views on the scope of Article 2, paragraph 1(c) of the Paris Agreement and its complementarity with Article 9 of the Paris Agreement, the Government of the Republic of Indonesia hereby submits its view:

Indonesia views the **carbon market** as the most relevant topic to be discussed in the 2025 workshop. Establishing and growing a carbon market is crucial to improving the emission reduction, solving the capital issues of low-carbon economic development, catalyzing green-technology transfer, and boosting the nation's core competitiveness. Carbon markets can be an essential source of climate finance which mobilize finance to escalate efforts for emission reductions. Furthermore, financing from the carbon market can also be used for projects that create jobs, enhance adaptation and resilience, and directing financial flows into local communities. Carbon market could help address a key issue for vulnerable countries which suffer the most from climate change despite contributing less global emissions. With the right reforms and support, carbon markets could play a larger role in global climate finance.

Indonesia recognizes that several considerations should also be taken into account in this workshop. This is to support the success of the carbon market in supporting climate finance. Below are several points which need to be included in the discussion:

1. The **potential of financing from carbon market** in enhancing climate actions to reduce global emissions.
2. The pivotal role of governments to establish a robust **regulatory framework and supporting infrastructure, in line with Article 6 of the Paris Agreement** to facilitate carbon finance transactions while ensuring that all stakeholders are adequately supported. Additionally, it is essential to assess the need for incentives, enabling environment, and other measures to enhance the sustainability of the

carbon market.

3. The involvement and **role of financial institutions** need to be strengthened in the development of the carbon market. It is necessary to discuss whether existing financial institutions already have a high willingness to participate in the transactions of the carbon market.
4. Innovation in carbon financial products is necessary to support the growth of carbon financing. Financial institutions, businesses, and investors will only become interested in actively participating in the development of carbon financing if **carbon financial instruments are profitable & impactful**.
5. Ensuring **the integrity of carbon credits** is crucial as inadequate verification systems and the risk of double counting can undermine trust and climate benefits.
6. **Interlinkage between carbon markets:** while there are challenges such as fragmented infrastructure and inconsistent standards that limit cross-border trading, there is opportunity if the interlinkage between carbon markets can be made, it can enhance the finance flow of climate finance between the public and private sector in developed and developing countries.
7. **Case study of bilateral carbon trading**, including how financing from carbon trading can be used for more climate action, both mitigation and adaptation

In terms of stakeholders, the dialogue can be enriched by inviting:

- Governments, who have experience in bilateral carbon trading between countries to share their success story, lessons learned, their challenges, and how to tackle those challenges.
- Private sectors, including those who are actively conducting transactions in carbon markets.
- International Carbon standards bodies, for example, Gold Standards and Verra.
- International organizations, MDBs and think tanks.
- Lead Coalitions such as Carbon Pricing Leadership Coalition, and the Coalition of Finance Ministers for Climate Action.

***