

Indonesia: The Signing of the Mutual Recognition Agreement for Bilateral Carbon Trading between Indonesia and Japan - a Breath of Fresh Air

Introduction

After months of negotiations, Indonesia and Japan signed a mutual recognition agreement for bilateral carbon trading on 18 October (**MRA**). The MRA, which came into effect on 28 October, is expected to support Indonesia and Japan to meet their climate change mitigation efforts, and also to draw investors into the carbon sector for both countries.

Overview

Through its press release, the Indonesian Ministry of Environment and Forestry highlighted that the MRA represents one of the first bilateral cooperation schemes between nations within the framework of Article 6.2 of the Paris Agreement (which provides that any nations pursuing voluntary cooperation with other nations must apply robust accounting to ensure the avoidance of double counting).

Under the MRA, Indonesian carbon credits will be recognized as equivalent to Japanese carbon credits. Mitigation action projects carried out in Indonesia and funded from Japan are required to comply with the Indonesian national environmental regulations and to apply the Indonesian carbon certification system. The carbon credits generated by approved projects will then be allocated to each country based on agreement between Indonesia and Japan.

Forecasting the Future

The mutual recognition scheme will make it easier to develop carbon projects and trade carbon credits between Indonesia and Japan. Given these advantages, we anticipate growing interest from Japanese investors in the Indonesian carbon sector. We also expect international investors to consider investing through Japan or in cooperation with Japanese sponsors, with a view to benefitting from this mutual recognition mechanism.

Contact Us



Norman Bissett

Foreign Legal Consultant

norman.bissett@hhplawfirm.com



Nadia Soraya

Partner

nadia.soraya@hhplawfirm.com



Tesalonika Barus

Senior Associate

tesalonika.barus@hhplawfirm.com



Rahadiyan Prasetya

Associate

rahadiyan.prasetya@hhplawfirm.com

© 2024 HHP Law Firm. All rights reserved. This may qualify as "Attorney Advertising" requiring notice in some jurisdictions. Prior results do not guarantee a similar outcome.

