Summary

Indonesia continues to provide significant support for fossil fuel use through price support (induced transfers) for consumers, at USD 17.7 billion, up 56% relative to the 2014–2016 average.

**BIGGEST RED FLAG** → Government support to fossil fuel use through price support remains very large, at USD 17.7 billion. The government has kept retail fuel and electricity prices at the same level since 2017 (Organisation for Economic Cooperation and Development [OECD], 2018)

**PROGRESS** → Indonesia implemented reforms to reduce its electricity and fuel subsidies between 2014 and 2017 (OECD, 2018). However, more recent progress has been poor, with support to fossil fuel consumption up 56% relative to the 2014–2016 average. State-owned enterprise (SOE) investment has also increased by 11%, mostly for oil and gas production.

See Table 2 in the main report for score descriptions and their relationship to numerical scores. Estimates in the table are in USD ($) and are annual averages based on the following sources:
- For direct transfers and tax expenditure: OECD (2020) data, 2017–2019 averages
- For public finance: Oil Change International data collected from several sources, 2017–2018 averages
- For SOE investment: capex data collected by Overseas Development Institute (2020) from annual reports, 2017–2019 averages
MAIN UNACCOUNTED FOR AND UNQUANTIFIED SUPPORT → In 2019, the government gave various tax incentives for upstream oil and gas contractors in the form of exempt or reduced income tax and a land and building tax, in order to encourage production and exploration (Redaksi CNBC Indonesia, 2019). Many tax incentives are not considered subsidies by the Indonesian government and therefore have not been quantified and reported (OECD, 2018).

COVID-19 GOVERNMENT SUPPORT → Indonesia has committed large sums to prevent the bankruptcy of its energy-producing and consuming SOEs, including PT PLN (electricity utility, USD 3.1 billion), PT Pertamina (oil and gas, USD 2.6 billion), and PT Garuda Indonesia (airline, USD 582 million) (International Institute for Sustainable Development et al., 2020).

TRANSPARENCY & PEER REVIEWS → Indonesia and Italy completed a peer review of their fossil fuel subsidies in 2019. Indonesia does not report and quantify its subsidies regularly, nor does it provide comprehensive transaction-level data on its public finance.

References