



New Indonesian Presidential Regulation No. 110 of 2025 Enacted to Replace Presidential Regulation No. 98 of 2021

Clearer Pathways for Carbon Trading

Legal Update - October 2025

Presidential Regulation No. 110 of 2025

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Following the signing of the Mutual Recognition Agreement (MRA) with international standards, such as Verra, Gold Standard, Plan Vivo, and Global Carbon Council (GCC), the Indonesian Government enacted a long-awaited regulation: *Presidential Regulation No. 110 of 2025 on Implementation of Carbon Pricing Instruments and National Greenhouse Gas Emission Control* (“**PR 110/2025**”).

The PR 110/2025 replaces the previous Presidential Regulation No. 98 of 2021 and underscores the government’s intention to strengthen the integrity, transparency, and interoperability of Indonesia’s carbon market with global systems. It also reflects Indonesia’s growing readiness to participate more actively in international carbon trading and to attract greater private sector engagement in climate mitigation initiatives.

This legal update primarily focuses on the carbon offset mechanism as stipulated under the new PR 110/2025.

Key Takeaways

- Carbon trading may now proceed **without being contingent upon the achievement of Indonesia’s Nationally Determined Contribution (“NDC”) targets**, enabling earlier investment and market participation.
- Acknowledgement of **the use of international standards and Voluntary Carbon Market (“VCM”)**, unlocking immediate opportunities for carbon market players.
- Clear **distinction between credits** subject to Corresponding Adjustment (CA) under **Article 6** and **non-CA VCM** credits.
- **Introduction of a dedicated carbon trading registry** (*Sistem Registri Unit Karbon - “SRUK”*), which will be interoperable with other registry systems, and function as the central platform for all carbon transactions.
- The **steering committee** of Carbon Pricing and Greenhouse Gas (GHG) Emission Control is now chaired by the **Coordinating Minister for Food Affairs**.

1

Clearer Regulation to Boost Early Investment and Participation in Carbon Trading

In contrast to the previous regulation, PR 110/2025 affirms that **carbon trading activities may proceed without waiting for the full achievement of Indonesia’s Determined Contribution (NDC) targets (Article 58 (1))**. This provision sends a positive signal to market participants that carbon trading can commence immediately, encouraging investment and greater participation in emission reduction initiatives.

Next Step:

Despite this positive development, Article 58 (3) of PR 110/2025 still requires the government to establish a National Carbon Trading Roadmap as part of the implementation process. In this context, it is important to ensure that such regulatory requirements do not delay or complicate timely market activation.

Indonesia's Carbon Trading roadmap should remain a dynamic and evolving instrument that can be developed alongside market progress, rather than serving as a prerequisite that must be fully completed beforehand.

This approach allows market activities to proceed while giving the government sufficient flexibility to refine its policy direction in a gradual and adaptive manner. At the same time, the government needs to ensure the acceleration of roadmap development across sectors, prioritizing sectors that demonstrate greater regulatory maturity and readiness (e.g. the Forestry sector).

2

Pathway for Indonesia's Participation in the Voluntary Carbon Market (VCM) and Recognition of International Standards for Domestic and International Carbon Trading

Article 66 of PR 110/2025 formally **recognizes the VCM by allowing offset carbon units to be traded to parties conducting voluntary emission offsetting**. This means that entities or individuals who wish to compensate for their own emissions outside of mandatory compliance schemes are allowed to purchase these offset units. This long-awaited provision provides long-sought legal certainty for market participants and marks a significant milestone in Indonesia's carbon market development.

The formal acknowledgment of the VCM is expected to unlock substantial climate finance for Indonesia's emission reduction and removal initiatives, supporting the country's progress toward its climate targets. The VCM has long played an important role for both domestic and international market actors, particularly through the use of established international standards, such as Verra and Gold Standard.

With this recognition, market participants can now engage in voluntary carbon trading in parallel with domestic mechanisms, thereby broadening Indonesia's access to international buyers and enhancing the country's integration into the global carbon market.

A notable reform under PR 110/2025 is the removal of the Mutual Recognition Agreement ("MRA") mechanism, which previously served as a tailored framework to enable the use of prominent international standards. **The new regulation now formally recognizes and permits the use of standards beyond national or UNFCCC¹-based standards, effectively opening the use of other international standards.** This change establishes two distinct pathways for the issuance of carbon units from carbon projects, namely the **SPE-GRK Carbon Units** and **Non-SPE GRK Carbon Units**.

¹ United Nations Framework Convention on Climate Change

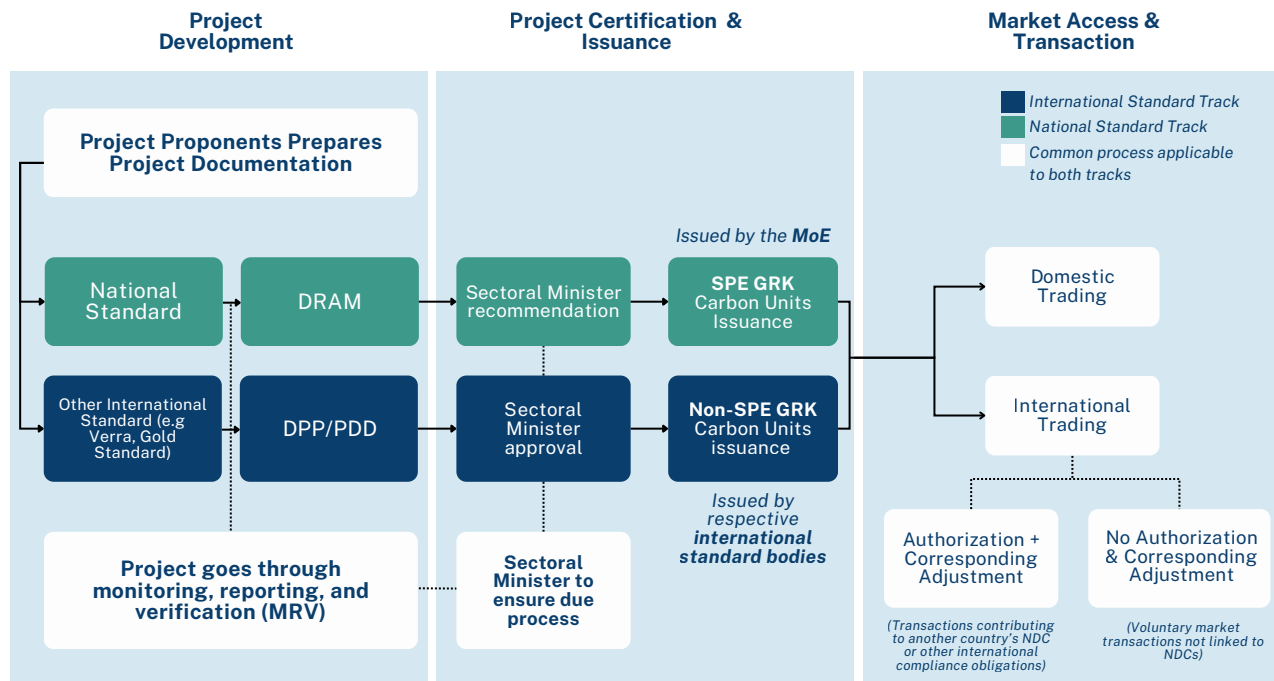


Figure 1. Simplified Carbon Project Process and Market Access Framework under PR 110/2025.

Figure 1 illustrates the simplified process and market pathways for carbon projects under PR 110/2025, divided into two tracks. It shows how projects can be developed by project proponent using either national or other international standards, leading to different documentation requirements (DRAM for national standards, and DPP/PDD² for international ones), before undergoing monitoring, reporting, and verification (MRV), where independent validation and verification bodies (VBB) are involved. Following project verification, the Sectoral Minister³ may issue a recommendation or approval.

Within the national standard track, the recommendation serves as the basis for the Minister of Environment (“MoE”) to issue certified carbon units in the form of SPE GRK. On the other hand, the international standard track requires approval from the Sectoral Minister for the issuance of carbon units in the form of non-SPE GRK (Article 65 (6)). These units can be traded by project proponents to buyers domestically or internationally.

For international trades, two pathways exist: (i) those requiring MoE Authorization and a Corresponding Adjustment to Indonesia’s NDC accounting, following recommendation from the Sectoral Minister; and (ii) those not requiring MoE Authorization or a Corresponding Adjustment, typically for voluntary offsetting purposes (see below).

Next Step:

Sectoral ministries should issue **implementing guidelines clarifying the procedures for recognition, validation, and reporting of non-SPE GRK units produced by carbon projects using international standards** (e.g. Verra, Gold Standard, Plan Vivo). Sectoral ministries could enable early operationalization of VCM access by establishing a transitional recognition pathway for projects already registered in the pipeline under Verra, Gold Standard, or similar standards.

²Dokumen Perencanaan Proyek or Project Design Document

³The Sectoral Minister, referred to in PR 110/2025 as the ‘Relevant Minister’, is the minister responsible for administering government affairs within the relevant NDC Sector and Sub-Sector, as well as the implementation of carbon pricing instruments.

3

Distinction Between Corresponding Adjustment (CA) vs Non-CA Mechanisms and Their Implications for Indonesia's NDC Accounting

As mentioned previously, particularly with regard to the international trading pathway, **the regulation distinguishes between transaction mechanisms that require a Corresponding Adjustment (CA) and those that do not (Article 68)**. This distinction is critical for how carbon projects are developed, traded, and counted toward national and international climate goals.

For market players, CA credits typically sell at higher prices, as they can be used for compliance purposes under international markets, but require additional government Authorization to ensure NDC accounting and monitoring. In contrast, non-CA credits (i.e., those sold on the VCM) do not require any Authorization, since the mitigation actions contribute to Indonesia's NDC, but are generally sold at lower prices.

Enabling both schemes allows Indonesia to attract international finance while maintaining transparency and integrity in how climate mitigation actions are counted.

CAs apply when carbon units are authorized to be transferred internationally under Article 6 of Paris Agreement (“**PA**”) mechanism, either as Internationally Transferred Mitigation Outcomes (“**ITMO**”) under Article 6.2. PA or as Emission Reduction (“**ER**”) under Article 6.4. of PA, which may also become ITMOs when authorized by parties and would need to be deducted from Indonesia's NDC balance to avoid double-counting. Non-CA transactions, on the other hand, apply to carbon units that stay within Indonesia's NDC accounting or are used voluntarily by companies under VCM and therefore do not require Authorization for international transfer.

Article 68 of PR 110/2025 outlines this distinction as follows:

No	Category	Mechanism
1	Authorization and CA	Internationally linked GHG emission trading
		GHG Offset trading that meets the provisions of Article 6.2 and 6.4 of the Paris Agreement (ITMO and 6.4ER)
		Voluntary GHG offset trading to fulfill other international obligations
2	Non-Authorization and Non-CA	GHG Emission Offset trading not used for NDC Achievement
		GHG Emission Offset trading not used for other international obligations

Table 1. CA and Non-CA Mechanism under PR 110/2025.

This clarity is essential as it opens opportunities for market participants to choose the scheme most aligned with their needs and strategies, while also strengthening Indonesia's credibility in the international carbon market.

Next Step:

While Article 68 provides a clearer structure for CA and Non-CA mechanisms, several terminology and legal definition issues remain. The phrase “voluntary offset trading to fulfill international obligations” appears inconsistent, as activities undertaken to meet an obligation would not typically be considered voluntary. The government should clarify what this term is intended to cover, for instance whether it includes programs such as international aviation (CORSIA⁴), which is transitioning from its pilot phase to a mandatory phase. Similarly, while the phrase “GHG emission offset trading not used for NDC achievement” is open to interpretation, it should be understood that such activities should contribute to Indonesia’s NDC.

4

New Carbon Registry

The PR 110/2025 introduces a new system called the *Sistem Registri Unit (SRUK)*, which serves as a platform for providing and managing data and information related to carbon units, alongside the *Sistem Registri Nasional Pengendalian Perubahan Iklim (SRN-PPI)*, which now only operates as a system for providing and managing data and information at the NDC level.

SRUK should be one of the most urgent implementation priorities for Indonesia’s carbon market.

Article 59 (1) stipulates that all carbon trading transactions must be recorded in the SRUK, and registration in SRUK is required for issuance of SPE GRK certificate (Article 88 (3)).

Next Step:

To function effectively, **SRUK should be capable of registering projects before carbon units issuance, recording and tracking all transactions, as well as interfacing with both international registries and the SRN-PPI for NDC accounting.** Without a functioning registry, it would be difficult for carbon trading to operate, regardless of other favorable aspects of PR 110/2025.

Given the central role of SRUK in carbon trading, the government must ensure the readiness of this new system and its ability to integrate with other systems. Until SRUK is fully developed and operational, the SPE-GRK carbon units issuance may face operational constraints, making its readiness the critical path item for implementation. However, **for non-SPE GRK carbon units, it is advisable to use established international registry systems, with the option to later synchronize or link the data with SRUK once system integration becomes possible.**

5

Revised Governance Framework for Carbon Pricing Implementation

Article 96 of the new regulation introduces **institutional clarity by designating the Coordinating Minister for Food Affairs as the new Chair of the Steering Committee**, replacing the now dissolved Coordinating Ministry for Maritime and Investment Affairs. Moreover, the steering committee now has two vice-chairs, namely the Coordinating Minister for Economic Affairs and the Coordinating Minister for Infrastructure and Regional Development. This new structure is expected to strengthen inter-ministerial coordination and prevent potential gaps in authority in managing the carbon market.

There has also been an adjustment to the role of the MoE within the Steering Committee. Previously responsible for both the NDC substance and the implementation of Carbon Economic Value (carbon pricing) instruments, the Ministry will now focus solely on overseeing NDC substance. The implementation of carbon pricing instruments will instead be coordinated by the respective ministers of each sector.

⁴ Carbon Offsetting and Reduction Scheme for International Aviation.

Next Step:

This shift in authority could enable a more tailored and technically informed approach to implementing carbon pricing across different sectors. At the same time, **strong coordination among ministries will be essential to keep policies aligned and ensure consistent implementation on the ground.** Equally important, the steering committee should establish a clear pathway and timeline that reflect the regulatory and institutional readiness of each sector.

Implications for Carbon Market Players

This section identifies the key implications of PR 110/2025 for carbon market players, including project developers/project proponents, buyers, and investors.

No	Key Provisions under PR 110/2025	Project Developers/ Projects Proponents	Buyers	Investors
1	Carbon trading permitted ahead of NDC fulfillment	Proceed with marketing and sales without waiting for NDC achievement	Have a greater supply option and more competitive price	Face reduced regulatory risk for early-stage projects
2	Acknowledgement of international standards and VCM	Apply international standards, such as Verra, Gold Standards, and Plan Vivo, making the credits more attractive for buyers.	Have access to carbon credits that align with global benchmarks	Broader access to international buyers and earlier potential return on investment.
3	Clear distinction between CA and Non-CA credits	Position projects strategically for either Article 6 or VCM markets	Provide greater clarity for compliance or voluntary use	Obtain better clarity on credit value and associated risks
4	SRUK establishment	Anticipate new registration and reporting procedures once SRUK is operational	Expect a standardized and transparent system for credit tracking and verification	Have a better understanding on transaction readiness through SRUK monitoring
5	Clarity on the chair of steering committee	Improved policy coordination and enhancing confidence among all carbon market participants.		

These implications highlight how PR 110/2025 is shaping the operational landscape for carbon market participants, pending more detailed technical guidelines under implementing regulations.

What This Means for Market Participants

Indonesia's carbon market is now open for business. Project developers can begin operations without waiting for national climate targets to be met. International buyers gain access to one of Asia-Pacific's largest carbon credit supply sources through recognized pathways. Investors benefit from enhanced regulatory clarity and reduced policy risk.

The implementation phase begins now. Within the next 12 months, the government will issue critical enabling regulations, including:

- Updated ministerial regulations aligning existing frameworks with the new regulation, such as the Minister of Environment and Forestry Regulation No. 21 of 2022 on Procedures for the Application of Carbon Economic Value and Minister of Environment and Forestry Regulation No. 7 of 2023 on Procedures for Carbon Trading in the Forestry Sector;
- The National Carbon Trading Roadmap, setting clear market development milestones; and
- SRUK (Carbon Unit Registry System) implementing guidelines, enabling transaction recording and credit tracking.

Key dates to watch: All implementing regulations must be issued by October 2026 (Article 102). The timely issuance and revision of these implementing regulations will be essential to reinforcing clarity and certainty in Indonesia's carbon trading framework

Conclusion

The PR 110/2025 introduces important legal clarifications and operational flexibilities for carbon trading in Indonesia. It aims to enhance market certainty, facilitate alignment with global standards, and support early participation in carbon markets. Despite some areas for clarification, such as buffer stocks that may hinder implementation and some overlapping or unclear terminology, **PR 110/2025 marks a significant way forward strengthening Indonesia's carbon market framework.**

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