

CLIENT ALERT: INDONESIA'S CARBON TRADING TRANSFORMATION UNDER PRESIDENTIAL REGULATION 110/2025

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Practice Area: Environmental Law & Carbon Markets

Jurisdiction: Indonesia

EXECUTIVE SUMMARY

Indonesia has implemented a comprehensive transformation of its carbon trading framework through **Presidential Regulation No. 110 of 2025** concerning the Implementation of Carbon Economic Value Instruments and National Greenhouse Gas Emission Control. This regulation introduces the **Carbon Unit Registry System (SRUK)** as the successor to the previous **National Climate Change Control Registry System (SRN-PPI)**, establishing Indonesia as a leading carbon market jurisdiction in Southeast Asia.

The regulation became fully operational in 2025, coinciding with the launch of international carbon trading on 20 January 2025 through **IDXCarbon**, Indonesia's official carbon exchange licensed by the **Financial Services Authority (OJK)**. With transaction volumes exceeding 3.6 million tons CO₂e as of October 2025, Indonesia's carbon market demonstrates significant liquidity and international recognition.

KEY REGULATORY DEVELOPMENTS

1. Introduction of Carbon Unit Registry System (SRUK)

Presidential Regulation 110/2025 establishes the **Carbon Unit Registry System (SRUK)** as a system for providing and managing data and information related to Carbon Units at the national level. This represents a fundamental shift from the previous **SRN-PPI** system, focusing specifically on carbon unit management rather than broader climate change control.

SRUK functions as a centralized registry for all carbon unit data and transactions, providing enhanced transparency and integrity for Indonesia's carbon ecosystem. The government targeted completion of **SRUK** construction by **March 2026**, demonstrating commitment to accelerating national carbon trading infrastructure.

2. Mandatory Registration Requirements

Article 59 of Presidential Regulation 110/2025 establishes that all carbon trading activities must be recorded in **SRUK**. Additionally, Carbon Trading may be recorded in the Carbon Exchange, creating a dual-track system that provides flexibility in trading mechanisms while maintaining centralized oversight.

This mandatory registration requirement ensures comprehensive tracking of carbon units from issuance through retirement, supporting both domestic compliance and international reporting obligations under the **Paris Agreement**.

3. Enhanced International Trading Framework

The regulation strengthens Indonesia's position in international carbon markets through implementation of **Mutual Recognition Agreements (MRA)** and integration with global carbon trading platforms. The launch of international carbon trading on 20 January 2025 marked a milestone in implementing **Carbon Economic Value (NEK)** instruments, including *emissions trading, results-based payments, and international carbon market mechanisms*.

MARKET IMPLICATIONS

1. Increased Market Liquidity

IDXCarbon has demonstrated significant growth with total transaction volumes reaching 1,599,326 tons CO₂e by 11 July 2025, expanding to over 3.6 million tons CO₂e by October 2025. This growth trajectory indicates robust market confidence in Indonesia's carbon trading infrastructure.

The **Carbon Positive Awards 2025** recognition for **IDXCarbon** confirms international acknowledgment of Indonesia's carbon market development, positioning the country as a regional leader in carbon trading.

2. Expanded Investment Opportunities

Presidential Regulation 110/2025 provides legal certainty for large-scale carbon project development across forestry, renewable energy, and green industry sectors. The regulation's direct operability without requiring derivative regulations eliminates regulatory uncertainty that previously hindered investment decisions.

3. Compliance Cost Considerations

While the enhanced framework provides greater market access and transparency, businesses should anticipate increased compliance costs related to:

- (a) Enhanced monitoring, reporting, and verification requirements;
- (b) Mandatory registration in **SRUK** for all carbon trading activities;
- (c) Strengthened safeguard mechanisms requiring independent auditing; and
- (d) Technology adaptation for integration with centralized registry systems.

OPERATIONAL CHANGES

1. Registry System Transition

Organizations currently registered under **SRN-PPI** must transition to **SRUK** by the system's completion in March 2026. This transition requires:

- (a) Data migration from existing registry systems;

- (b) Compliance with enhanced transparency requirements;
- (c) Integration with **IDXCarbon** trading platform; and
- (d) Adoption of strengthened verification protocols.

2. Enhanced Transparency Requirements

SRUK incorporates *visualization features for action, emission, resource, and carbon unit data with enhanced transparency*, requiring organizations to provide more detailed reporting on carbon activities. This enhanced transparency supports international market confidence while requiring additional administrative capacity.

3. Safeguard Implementation

The regulation mandates implementation of comprehensive safeguard mechanisms to prevent fraud and manipulation in carbon trading. Organizations must establish:

- (a) Multi-layered verification systems;
- (b) Independent audit procedures;
- (c) Real-time transaction monitoring; and
- (d) Compliance with international integrity standards.

STRATEGIC RECOMMENDATIONS

1. Immediate Actions

Organizations engaged in carbon trading should:

- (a) Assess current registry compliance status and prepare for **SRUK** transition;
- (b) Evaluate integration requirements with **IDXCarbon** platform;
- (c) Review existing carbon projects for compliance with enhanced verification standards; and
- (d) Develop capacity building programs for staff involved in carbon trading activities.

2. Medium-Term Planning

Consider strategic positioning for:

- (a) International market access through **MRA** frameworks;
- (b) Portfolio expansion in forestry, renewable energy, and green industry sectors;
- (c) Technology investments for automated compliance and reporting systems; and

- (d) Partnership development with verified carbon project developers.

3. Risk Management

Implement comprehensive risk management frameworks addressing:

- (a) Regulatory compliance risks under enhanced oversight mechanisms;
- (b) Market volatility risks in expanding international carbon markets;
- (c) Technology risks related to registry system integration; and
- (d) Reputational risks associated with carbon market participation.

CONCLUSION

Presidential Regulation 110/2025 represents a transformative development in Indonesia's carbon market framework, establishing the country as a leading jurisdiction for carbon trading in Southeast Asia. The introduction of **SRUK** and enhanced international trading capabilities creates significant opportunities for market participants while requiring careful attention to compliance and operational requirements.

Organizations should proactively engage with the new regulatory framework to capitalize on expanded market opportunities while ensuring full compliance with enhanced transparency and safeguard requirements. The regulation's direct operability provides immediate legal certainty for carbon trading activities, supporting accelerated market development and international integration.

For further information or assistance with carbon trading compliance and strategy development, please contact our Emissions and Carbon Trading practice group.

This alert is for informational purposes only and does not constitute legal advice. Organizations should consult with qualified legal counsel regarding specific compliance requirements and strategic planning under Presidential Regulation 110/2025.

Further Information and Assistance

For more detailed advice or assistance, please contact our team of Indonesian qualified counsels or our Of-Counsel, Bintang Hidayanto and Associate Partner, Rafildo Faza, at the following details:



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