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Accelerating Energy Transition in Indonesia: The Crucial Role of Green Constitution and Carbon Tax Policy

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ABSTRACT

The research explores the nexus between taxation laws, climate change control, and energy transition acceleration, focusing on Indonesia's legal framework and international commitments. Highlighting Indonesia's ratification of the Kyoto Protocol and its subsequent policies, including the adoption of carbon taxes, the study underscores the need for effective fund allocation to combat climate change and accelerate the transition to renewable energy sources. Using a normative juridical research approach, the study analyzes legal provisions, literature, and comparative frameworks to elucidate the regulatory landscape. It identifies gaps in the current legal framework concerning carbon tax allocation and calls for establishing clear regulations to ensure transparency, accountability, and efficiency in fund utilization. Drawing upon legal principles such as environmental justice, prevention of environmental damage, and sustainability, the study advocates for a holistic approach to environmental protection and management. It proposes recommendations for formulating government regulations, emphasizing the importance of defining terms, outlining implementation procedures, and instituting mechanisms for monitoring and evaluation. Ultimately, the research underscores the pivotal role of law in addressing climate change and advancing sustainable development. By aligning taxation laws with environmental objectives, Indonesia can harness carbon tax revenues to foster renewable energy development, mitigate climate change impacts, and promote long-term ecological sustainability

INTRODUCTION

As per Article 1 point 18 of Law No. 31/2009 on Meteorology, Climatology, and Geophysics, the challenge of climate change, primarily caused by carbon emissions, necessitates international cooperation. Countries that have ratified the Kyoto Protocol must lower their carbon emissions to combat climate change. In 2004, the Government of Indonesia ratified Law No. 17/2004 on the Ratification of the Kyoto Protocol as a voluntary carbon emission reduction measure. The ratification action taken by the Government of Indonesia shows Indonesia's commitment to realizing environmentally sustainable development.

Developed nations have looked into making money from carbon emissions, with the money made from carbon emissions going directly towards funding carbon emission-related initiatives (earmarks). Earmark tax is a provision that regulates the use of tax proceeds for specific purposes (Ispriyarso, 2018). Overcoming environmental problems due to Greenhouse Gas (GHG) emissions certainly requires a lot of funds, so it requires financial support and one of them is through earmarking (Ramadhani et al., 2022). Earmarking is known as the policy of allocating a certain tax revenue that is used to fund public expenditures or specific purposes (Michael, 2008). In this case, when talking about carbon tax, carbon tax revenue is used to address the impacts and solutions to climate change.

Table 1. Indicated Budget Requirement of 2020-2024 Climate Change Program (Billion Rupiah)

No.	Program	2020	2021	2022	2023	2024
1.	Climate Change Adaptation	3,2	14	16	18	18
2.	Forest and Land Fire Control	182	218	256	290	326
3.	Greenhouse Gas Inventory and Monitoring Reporting Verification	4,25	10	16	17	17
4.	Resource Mobilization for Climate Change	-	-	-	-	-
	Total	206,3	262,6	309,4	343,7	382,5

Source: Kementerian Lingkungan Hidup dan Kehutanan, Bahan Hukum, 2024

At the discussion "Emerging Technologies to Achieve Net Zero Emission in Indonesia 2060," as the Directorate General of Climate Change Control of the Ministry of Environment and Forestry, said that the need for funding for climate change consistently exceeds Rp200 billion every year (Brin.go.id, 2022). In fact, when looking from year to year, there is an increase in funding needs, reaching Rp382.5 billion in the 2023 allocation. This suggests that the need for climate change funding is likely to continue to increase in the future, requiring the government to seek additional sources of funding. In its latest policy, Indonesia set a target of reducing its emissions in 2030 by 31.89% (with its efforts) and 43.20% (with international support) compared to the previous policy.

Regarding the energy sector, the Government of Indonesia has set an emissions reduction goal of 12.5% through national efforts and 15.5% with international support. Emission reduction from this sector is considered a key element in national economic development. In brief, achieving emission reductions through

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energy switching is expected to make a significant contribution to the climate change and sustainable economy agenda (Anwar, 2022). In a carbon tax, a carbon emission fund is a fund collected from sectors that produce carbon emissions (Andriani & Rahmi, 2023).

To increase the effectiveness of renewable energy transition funding, a comprehensive systematic allocation of the Energy Transition Fund is needed, including sources of funds, governance, instruments for using funds, and projects that are ready to receive funding (Harris & Ramadhan, 2022). Thus, it is necessary to establish a Regulation on the management and allocation of funds from the carbon tax. The main function of this regulation is to implement Carbon Tax funds in environmental development, in accordance with the provisions in "Article 13 paragraph 12 of Law Number 7 of 2021 concerning Harmonization of Tax Regulations," which stipulates that "revenue from carbon taxes can be allocated for climate change control." The definition of accelerated energy transition, according to the law, is an effort to accelerate the transition from the use of fossil fuels to renewable energy sources. This effort is necessary to reduce greenhouse gas emissions and address climate change. In this context, "climate change control" includes climate change mitigation and adaptation activities. Climate change mitigation refers to activities aimed at reducing greenhouse gas emission levels or increasing the absorption of greenhouse gas emissions in an effort to address the impacts of climate change. Meanwhile, climate change adaptation refers to efforts to increase adaptive capacity to climate change, including climate variability and extreme climate events, so that the negative impacts of climate change can be minimized and its positive potential can be utilized. All of this is in line with Article 38 Paragraph (3) letters a to c in "Government Regulation No. 46/2017 on Environmental Economic Instruments":

a. Encourage the preservation of environmental functions
b. Offer financial support for actions that benefit the environment and natural resources
c. Offer financial incentives for reducing actions that harm the environment and natural resources.

Green Constitutions aim to integrate environmental principles into a country's basic law, providing a strong legal foundation for holistic ecological protection and management (Shalihah & Huroiroh, 2022). This concept has been adopted by several other countries, such as Portugal, Spain, and France, which have affirmed global environmental awareness in their constitutions (Erick & Risman, 2023). The Green Constitution emphasizes the importance of environmental justice, meaning everyone should have the same right to live in a healthy and safe environment (Nurmardiansyah, 2015). The Green Constitution emphasizes the importance of prevention, which means that action must be taken to prevent environmental damage before it occurs (Wibisana, 2016). The Green Constitution emphasizes the importance of sustainability, which means that natural resources should be used in a way that does not damage the environment and maintains the balance of the ecosystem (Jundiani, 2011). Another policy that supports sustainable development with environmental principles is the carbon tax policy. This policy aims to mitigate climate change by reducing carbon emissions and promoting sustainable economic growth (Sari, 2024; Rachmany, 2020). Indonesia has agreed to use a carbon tax policy. Still, it is allegedly causing price increases, leading to a decrease in labor and unemployment and weakening people's purchasing power (Harris & Ramadhan, 2022).

In the process of its establishment, inter-ministerial cooperation is needed to ensure that the Carbon Emissions Management and Energy Transition Acceleration Agency is accountable to the right parties. This funding allocation will have the authority to identify national projects that support the Energy Transition Acceleration, which will then become the focus of the funding allocation. Currently, the subject and allocation of carbon tax is unclear and lack legal legitimacy as mandated by "Article 13 paragraph 12 of Law No. 7 of 2021 on Harmonization of Taxation Regulations" and clarity in the allocation of funds, which is very important for the acceleration of renewable energy. In addition, strict supervision of the use of these funds is needed to prevent Corruption, Collusion, and Nepotism. Hence the need for a regulation that will oversee it. Considering that "Law No. 7 of 2021 on Harmonization of Taxation" has included provisions on carbon tax, its implementation has not yet materialized and has not regulated in detail the procedure for subtracting and allocating funds from carbon tax towards accelerating the energy transition.

METHOD

This research discusses the Taxation Harmonization Act on climate change control on energy transition acceleration and arrangements based on the green constitution. Therefore, researchers chose the type of normative juridical research used in this research in conducting legal research, the normative juridical research approach begins with the analysis of secondary data or literature sources as the basis for investigation. Next, it traces the applicable regulations and literature to the issue under investigation (Soekanto, 2006). The three research techniques used in this study are the statute, conceptual, and comparative approaches (Marzuki, 2017). Using secondary data sources and a literature study methodology, the research sources for this study include primary, secondary, and tertiary legal texts, The legal entity analysis technique is carried out by the analytical descriptive analysis method (Sugiyono, 2017).

RESULT AND DISCUSSION

In "Law number 7 of 2021 concerning Harmonization of Tax Regulations," climate change control itself is mentioned in article 13, paragraph 12, with the terminology "revenue from a carbon tax can be allocated for climate change control." The "Law Number 7 of 2021 concerning Harmonization of Tax Regulations" explanation section explains that "climate change control" refers to adaptation and mitigation of climate change, while "climate change mitigation" refers to a set of actions taken to lessen greenhouse gas emissions or increase absorption of greenhouse gas emissions to reduce the effects of climate change.

Renewable energy technologies also open up opportunities for democratization and decentralization in the energy sector. For example, solar energy allows individuals who were previously only consumers of electricity from companies such as PLN to produce their electricity and can even become electricity providers for the PLN grid if the energy produced is not used. This democratization process is expected to continue as the price of solar panels decreases every year. As a result, the power generation model will change from centralized and large to more decentralized, with small-scale power generation systems spread across various locations.

The development of technology and its application in the energy sector is also driving a digital revolution in the electricity industry. For example, the Internet of Things can improve efficiency in the automated management of the power grid. Blockchain technology enables the buying and selling of electricity between households. It facilitates electric cars to sell the energy stored in their batteries to the grid when electricity prices are competitive. These technological changes and advancements bring serious challenges to the conventional business model and electricity supply structure in Indonesia, which is currently centralized and monopolized.

Increased investment in renewable energy is becoming increasingly important for Indonesia, especially in order to fulfill the commitments agreed in the Paris Agreement and formulate strategies to reduce greenhouse gas (GHG) emissions. The energy sector in Indonesia has become a major contributor to GHG emissions, with projected increases in emissions from the energy sector until 2030 (Unfccc.int, 2016). Currently, the state still subsidizes fossil fuels, especially in the provision of fossil fuel-dominated electricity, through PLN at below-market prices. Indonesia's fossil fuel subsidies reached USD 7.7 billion in 2017, and this should be redirected to triple the use of renewable energy in the electricity sector by 2030 (Iesr.or.id, 2019). A carbon tax has great potential in controlling climate change. A carbon tax can encourage businesses to reduce their GHG emissions by:

a. Using more efficient technologies Carbon tax can encourage businesses to use more efficient technologies to reduce energy consumption. More efficient technologies can reduce GHG emissions without reducing production output.
b. Switching to renewable energy: A carbon tax can encourage businesses to switch to renewable energy. Renewable energy does not produce GHG emissions, so it can help reduce GHG emissions.

Green constitutions have great potential in climate change control. A green constitution can encourage governments to take more decisive action to reduce GHG emissions and address the impacts of climate change. Control itself, in the Big Indonesian Dictionary, is the supervision of a task by comparing results and goals regularly and adjusting efforts or activities with the results of supervision, and change itself is where things or circumstances change / transition/exchange. At the same time, the climate is a state of the air that includes temperature, humidity, clouds, rain, and sunlight in an area over a rather long period of approximately 30 years. In short, climate change control is an effort to reduce greenhouse gas (GHG) emissions that cause climate change. Climate change is a change that occurs in the climate of a region over a long period, usually tens or hundreds of years. Climate change can be caused by various factors, one of which is human activity that produces GHGs.

"Various instruments can be taken to achieve the Nationally Determined contribution (NDC) target, including using the economic value of carbon (NEK) instrument consisting of trade and non-trade instruments," according to Law Number 7 of 2021 concerning Harmonisation of Tax Regulations, Article 13, Paragraph 1. One example of a non-trade tool is the carbon price. The purpose of the carbon price is to limit greenhouse gas emissions to help Indonesia meet its NDC. A nationally determined contribution, or NDC, is a pledge made by a country to combat global warming to fulfil the goals of the United Nations Framework Convention on Climate Change's Paris Agreement. "Carbon emissions" refers to emissions equal to carbon dioxide (COze). The following criteria apply to adverse environmental effects:

a. Depletion of natural resources;
b. Environmental pollution; or
c. Damage to the environment.

Paragraph 3 of the Harmonisation of Taxation Regulations Act also mentions "paying attention to the Development of New and Renewable Energy," elucidating how the combination of sectoral technical policies, carbon trading, and tax policies, such as phase-out of coal, biodiversity enhancement, and development of new and renewable energy, will help achieve the NZE 2060 target while maintaining the principle of a just and affordable transition for the community and ensuring certainty in the business climate." The emission reduction target in the energy, transportation, and forestry sectors has reached 97% of the total emission reduction target in the Nationally Determined Contribution (NDC), making it a top priority in efforts to reduce greenhouse gas emissions. In addition to these two sectors, the transformation of national industry towards clean energy and the implementation of a carbon tax will lead Indonesia towards the vision of a Golden Indonesia in 2045 and the achievement of Net Zero Emission (NZE) by 2060 at the latest. Reflecting on "Law No. 16/2016 on the Ratification of the Paris Agreement," Indonesia's strategy for Net Zero Emission is:

a. Improved energy efficiency in the Industrial, transportation, and residential sectors.
b. The utilization of renewable energy, such as solar energy, wind energy, and water energy, does not produce greenhouse gas emissions by increasing the capacity of solar, wind, and water power plants, which will support the development of renewable energy technology.
c. Forest rehabilitation and restoration by planting trees on critical land and rehabilitation on peatland
d. It is controlling forest and land fires by increasing law enforcement against people who are not responsible for forest and land fires and optimizing efforts to prevent forest and land fires that occur.
e. Community education and awareness The community needs to understand the importance of climate change control and play an active role in climate change control efforts by conducting socialization on climate change control and providing information on climate change control.

The Nationally determined contribution strategy in Indonesia is outlined in the National Action Plan for Greenhouse Gas Emission Reduction (RAN-GRK) that the government has established. RAN-GRK is a document that contains action plans and targets for reducing greenhouse gas emissions in Indonesia. In the Harmonization of Tax Regulations law, it is not explicitly written about the acceleration of the energy transition. Still, it can be interpreted that the acceleration of the energy transition is one of the forms and manifestations of climate change control, which in Article 13 Paragraph 12 has mandated that funds from carbon taxes can be allocated for climate change control and acceleration of the energy transition, one of which and should be the main focus in order to reduce the greenhouse gas effect and accelerate the early retirement of PLTU and all dirty energy which is one of the biggest contributors to the greenhouse gas effect.

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Allocating Carbon Tax Funds in the Energy Transition in Sweden and Finland

Sweden and Finland are two Nordic countries that have a strong commitment to reducing greenhouse gas emissions. Both countries have implemented carbon taxes since the 1990s and carbon taxes have been an important instrument in their efforts to achieve climate goals. Article 12 of the Swedish Act on Energy Tax (Om skatt på energy) governs how funds raised from the carbon tax are allocated in Sweden. It specifies that at least 50% of the funds raised will go towards financing renewable energy projects, a maximum of 25% will go towards compensating households and businesses that the carbon tax has negatively impacted, and a maximum of 25% will go towards research and development on energy-saving, energy-efficient, and renewable energy technologies. The Swedish Government allocates funding in Sweden through the Ministry of Environment, which manages payments for carbon emissions in several ways. The government sets rules and policies to apply monies designated for carbon emissions. The government selects projects that meet the requirements to be eligible for grants related to carbon emissions. Regarding funding, the government gives funds for carbon emissions to projects that qualify and keeps an eye on and assesses how carbon emission funds are used.

Sweden and Finland are two Nordic countries that have a strong commitment to reducing greenhouse gas emissions. Both countries have implemented carbon taxes since the 1990s and carbon taxes have been an important instrument in their efforts to achieve climate goals. Sweden's allocation of funds from the carbon tax is regulated in Article 12 of the Swedish Act on Energy Tax (Om skatt på energy), which states that funds from the carbon tax are earmarked with the provisions of at least 50% for investment in renewable energy, at most 25% for compensation to households and businesses negatively affected by the carbon tax, at most 25% for research and development in renewable energy, energy efficiency, and energy saving. Responsibility for the allocation of funds in Sweden is delegated to the Swedish Government through the Ministry of Environment, which has several tasks and responsibilities related to the management of carbon emission funds, including Establishing regulations and guidelines, the Government establishes regulations and guidelines on the use of carbon emission funds, Determining eligible projects, the Government determines projects that are eligible to receive carbon emission funds, Distributing funds, the Government distributes carbon emission funds to eligible projects and Monitoring and evaluating, the Government monitors and evaluates the use of carbon emission funds.

From the above comparison, Sweden and Finland have legitimized the carbon tax and enacted it for almost 30 years. In allocating funds from the carbon tax itself, the concerns of Finland and Sweden are almost similar, namely allocating funds from the carbon tax as an acceleration of their energy transition in their respective countries. Both countries divide the focus into three fairly explicit regulations, namely, renewable energy, Intensive Development, and Research in renewable energy.

Philosophical, Sociological and Juridical Foundations of Carbon Tax Subject and Allocation Arrangements

The philosophical basis for the drafting of the Government Regulation on the allocation of carbon tax funds is that the values of Pancasila are the main foundation in the formation of law in Indonesia. Pancasila, as the state philosophy, becomes the main source of legal norms, which are then elaborated in various regulations and become the fundamental foundation for the state. The purpose of the state based on Pancasila, as explained in the Preamble of the 1945 Constitution, is to improve the welfare of the nation and to promote world order based on independence, lasting peace and social justice. From this philosophical perspective, the state has the responsibility to organize the government as a whole, including through sustainable development, in order to achieve people's welfare and protect all citizens from threats and disturbances both from within and outside the country. This means that the state must protect the community in all aspects of interest in order to achieve prosperity.

The value of the objectives contained in the Fourth paragraph of the Preamble of the 1945 Constitution of the Republic of Indonesia is the main and basic foundation for state administrators in the formulation and stipulation of regulations and or government policies so that the value and nature of the goals of public welfare, justice and order in nation-building efforts are not distorted. In this case, it is linear with the essence of the value of Article 28H paragraph (1) of the 1945 Constitution of the Republic of Indonesia, which prioritizes the principle of sustainability; the definition of a good and healthy environment can be interpreted as an environment that is free from pollution and damage. A good and healthy environment is important to ensure human health and safety. This explains that the Government is fully responsible as the mandate of the community in terms of sustainable development and protecting the environment in order to conduct periodic evaluations in the process.

The philosophical basis for the urgency of regulating the management of carbon tax fund allocation towards accelerating the energy transition based on the Green Constitution is Pancasila as the foundation of the Indonesian state mandates that Indonesia is a state based on the values of divinity, humanity, unity, populism, and social justice. These values must be implemented in every state policy, including in the carbon tax fund allocation management policy. In the context of the energy transition, the management of carbon tax fund allocation must be directed to realize the values of Pancasila from the aspect of the second principle, namely fair and civilized humanity, where the allocation of funds from carbon tax must be distributed fairly and equitably so that it can be enjoyed by all levels of society in Indonesia. In the third principle, namely the unity of Indonesia, the allocation of funds from the carbon tax must be used to strengthen solidarity and cooperation between regions in sustainable energy development, both from the government and private sectors. The mandate of the fourth principle, namely the people led by wisdom in the deliberation of representatives, where the allocation of funds from the carbon tax must be determined through a process of deliberation and consensus so that all stakeholders can accept it and it is not detrimental to the people. The last principle is social justice for all Indonesian people, where the allocation of funds from the carbon tax should be used for social inequality and the welfare of the Indonesian people in using sustainable clean energy access.

The idea of a Green Constitution that prioritizes ecological democracy in a country's constitution reflects environmental sovereignty by incorporating Green Constitutional Principles into the country's constitution. This is a significant basis to support the development of human rights in the context of the development process (Atmadja & Gede, 2006). In the context of energy transition, the Green Constitution can be the basis for strengthening the management of carbon tax fund allocation. The allocation of carbon tax funds should be directed to support sustainable and environmentally friendly energy development.

The threat of climate change has real and damaging effects on water, habitat, forest, health, agriculture and coastal conditions (Ppid.menlhk.go.id, 2016). Climate change will result in a decrease in both water quality and quantity. Extreme temperature increases will reduce the chlorine content of water, potentially increasing the number of harmful microorganisms in it. The effects of climate change will also affect habitats and lead to species extinction. Rising temperatures, rising sea levels, flooding and storms will significantly alter the condition of habitats that were originally home to a variety of species. These changes will damage habitats and threaten the survival of organisms that depend on them, as well as disrupt ecosystems and food chains. Climate change will also impact the quality and quantity of forests and increase greenhouse gas emissions due to deforestation.

Extreme weather, such as extreme droughts, can cause forest fires, reducing the ability of forests to produce oxygen and absorb carbon dioxide. The impact will also be felt in the health sector, where the spread of diseases such as malaria, cholera and dengue fever may increase due to changes in rainfall and temperature patterns. In the context of agriculture, climate change may reduce the size of agricultural areas and their productivity due to the possibility of long droughts that reduce water availability. Flooding due to heavy rainfall may also damage agricultural areas. On the coastal side, rising sea levels due to melting polar ice caps could threaten coastal areas and small islands with the risk of partial submergence. The threats outlined above are real problems, especially in Indonesia. They are the focus of improvements emphasized by the government, carried out both through the Ministry of Environment and the Ministry of National Development Planning (PPN)/*Bappenas*.

The government, through the Ministry of Environment, established Guidelines for the Preparation of Climate Change Adaptation Actions in 2016. This guideline includes five important steps, namely, identification of specific target areas or sectors affected by climate change, analysis of climate vulnerability and risk, development of adaptation action options, prioritization of adaptation actions, and integration of adaptation actions into development policies. In the three years since the enactment of the guidelines, the Ministry of Environment has made visible achievements in the implementation of the Paris Agreement and the achievement of the National Contribution Target (NDC) in the 2018 Climate Festival. The progress achieved includes the preparation of policy instruments, implementation of climate change adaptation and mitigation activities to the field level, such as government regulations, information systems, registration systems, methods of assessing and measuring greenhouse gas emissions, and the development of climate village programs.

Governments have built solid infrastructure in the form of systems, regulations and policies to deal with the threat of climate change. However, attention is now focused on the role of individuals in influencing real impacts through their behavior. Solving climate change problems is closely linked to human behavior. This behavior is a key factor in assessing how effective and successful a rule, technology or system is in addressing climate change. The inability of individuals to adapt to technologies, systems or rules that have been previously built to deal with the threat of climate change can make the regulatory infrastructure ineffective. Human behavior is an important response in determining the potential to have a major impact in dealing with the threat of climate change (Clayton et al., 2015).

In 2021, the government showed its consistency in controlling climate change by issuing Law Number 7 of 2021 concerning the Harmonization of Tax Regulations. With the birth of this law, the carbon tax has legitimacy in Indonesia. The purpose of the carbon tax itself was to reduce the amount of carbon emissions that carbon goods themselves produced. The enactment of the law hopes to make Indonesia a country that contributes to the suppression of emissions in the world. In Article 13, paragraph 12 in "Law number 7 of 2021 concerning Harmonization of Tax Regulations," climate change control itself is mentioned in Article 13, paragraph 12 with the terminology "revenue from a carbon tax can be allocated for climate change control."

The "Law Number 7 of 2021 concerning Harmonization of Tax Regulations" explanation section explains that "climate change control" refers to adaptation and mitigation of climate change, while "climate change mitigation" refers to a set of actions taken to lessen greenhouse gas emissions or increase absorption of greenhouse gas emissions to reduce the effects of climate change. The acceleration of the energy transition should be specifically mentioned in the Harmonization of Tax Regulations statute. Still, it can be interpreted that the acceleration of the energy transition is one of the forms and manifestations of climate change control, which in Article 13, paragraph 12 has mandated that funds from carbon taxes can be allocated for the purposes of controlling climate change and accelerating the energy transition, one of which and should be the main focus in order to reduce the greenhouse gas effect and accelerate the early retirement of PLTU and all dirty energy which is one of the biggest contributors to the greenhouse gas effect.

The Law requires a carbon tax to be allocated and used as finance for climate change control (Article 13 Paragraph 12). Other technical regulations, such as Government Regulations, further enforce these requirements. Thus, the regulation on the subject and allocation of funds from a carbon tax can be used to accelerate the energy transition in Indonesia. Thus, the concept of environment and the principle of sustainable development have gained a high level of recognition within the framework of state understanding in France. Nonetheless, in this French perspective, environment-related rights are still considered part of recent developments in relation to human rights. These include the basic human right to a healthy environment and the human right of future generations to a healthy environment.

The energy transition is a complex process that requires significant investment. This process can have social, economic and environmental impacts. Therefore, the management of carbon tax fund allocation must be directed to ensure equal rights and opportunities for all communities, especially vulnerable communities. The allocation of carbon tax funds must be distributed fairly and equitably so that the entire community can enjoy it. The funds can be used to support programs that can improve people's welfare, such as social assistance programs, human resource development programs, and infrastructure development programs. The energy transition is an effort to reduce greenhouse gas emissions and preserve the environment.

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Therefore, the management of carbon tax fund allocation should be directed to support sustainable and environmentally friendly energy development.

Carbon tax funds can be used to support the development of renewable energy, such as solar energy, wind energy, and water energy. The funds can also be used to support environmental conservation programs, such as tree planting programs and waste management programs. The energy transition is a process that requires support from the entire community. Therefore, the management of carbon tax fund allocation should involve community participation. Communities should be involved in the planning, implementation and evaluation process of carbon tax fund allocation management. This is important to ensure that the allocation of funds is in line with the needs and aspirations of the community.

Karbon Regulatory Direction and Scope of Content of PP (Peraturan Pemerintah/Government regulations) Subject and Allocation of Carbon Tax Funds

The definition and general terms clearly state that the purpose of the carbon price is to control greenhouse gas emissions to help Indonesia reach its NDC. To fulfil the objectives of the Paris Agreement to the United Nations Framework Convention on Climate Change, a country must make a nationally determined contribution, or NDC, to combating global climate change. Numerous carbon-emitting and carbon-containing products, adaptation to and mitigation of climate change, and so on. To ensure legal certainty, allocating funds for climate change control obtained from carbon taxes and their management must be made explicit.

The scope of which consists of organizing procedures, institutions, monitoring and evaluation, community participation, guidance and funding; and steering committee. In cases when the carbon tax allocation is managed by Carbon Trading, Carbon Levy, and other mechanisms in line with the advancement of research and technology as decided by the Minister. The subject of carbon tax funds can be allocated through mechanisms: at least 55% for accelerating the energy transition, at least 25% for the development of sustainable public transportation, 10% for people from vulnerable groups to climate change and 10% for research and development in renewable energy, other mechanisms in accordance with the development of science and technology determined by the Minister.

The government created the Carbon Emission Management and Acceleration of Clean Energy Transition Agency, or BPEKPTB, to plan, track, and report on the allocation of carbon tax funds. The Minister will be in charge of and accountable to BPEKPTB. Activities to mitigate climate change are monitored and evaluated on a national and provincial level, engaging pertinent stakeholders from many existing sectors. The community is given equal and broad opportunities to engage in managing the distribution of funds from the carbon tax during its implementation. Individuals, clubs, businesses, professional associations, and other community organizations can all participate in the community while adhering to openness and collaboration ideals.

The implementation of activities for the subject and allocation of carbon tax funds is charged to the Carbon Tax and does not conflict with laws and regulations. In the subject and allocation of carbon tax funds within the national scope, the Agency shall guide the carbon tax fund allocation organizer other than the Agency. A steering committee may also be established for the optimization of carbon tax allocation towards the acceleration of energy transition, where the steering committee has the task of providing direction related to policies on the subject and allocation of carbon tax funds to achieve NDC and control GHG emissions for development. The steering committee may work with local governments, relevant parties, ministries or non-ministerial government bodies to fulfil its responsibilities.

CONCLUSION

Law No. 31/2009 on Meteorology, Climatology and Geophysics provides a clear definition of climate change due to human activities and natural variations. Government regulations such as No 21 of 2008 and No 79 of 2014 support mitigation efforts, adaptation and national energy policy. A carbon price encourages the adoption of renewable energy sources and energy efficiency, which speeds up the energy transition. Progressive law emphasizes environmental protection and community rights with strict law enforcement against environmental violations. Law No. 7 of 2021 on Harmonization of Tax Regulations allows the allocation of funds from carbon tax for climate change control. The allocation of funds from carbon taxes in Sweden and Finland focuses on renewable energy development, compensation, and renewable energy research. Material recommendations in the preparation of the Government Regulation on the Subject and Allocation of Carbon Tax Funds include confirmation of definitions, implementation procedures, monitoring and evaluation, and sustainable development.

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