



WORKING PAPER

CONFERENCE ON AVIATION AND ALTERNATIVE FUELS

Mexico City, Mexico, 11 to 13 October 2017

Agenda Item 3: Challenges and policy making

**INDONESIA VIEWS ON POLICIES FOR SUPPORTING THE DEVELOPMENT OF
SUSTAINABLE AVIATION FUELS**

(Presented by Indonesia)

SUMMARY

The paper expresses support to the work developed by ICAO up to now on aviation and alternative fuels, and Indonesia's views on the promotion of policies for supporting the development of sustainable aviation fuels.

Action by the Conference is in paragraph 5.

1. INTRODUCTION

1.1 Since the first ICAO Conference on Aviation and Alternative Fuels (CAAF/1) in 2009, ICAO has actively encouraged Member States and industry in the promotion and harmonization of initiatives that encourage the development of sustainable aviation fuels (SAF).

1.2 The 39th Assembly Resolution A39-2 requested Member States to set a coordinated approach in national administrations for policy actions and investment to accelerate the appropriate development, deployment and use of clean and renewable energy sources for aviation, including the use of sustainable aviation fuels, in accordance with their national circumstances.

1.3 Indonesia strongly supports the work developed by ICAO on aviation and alternative fuels, including the technical work currently being undertaken by its Committee on Aviation and Environmental Protection (CAEP) Alternative Fuels Task Force (AFTF).

1.4 Indonesia has issued several policies and approaches for the development of bioenergy at national level. Although they were mainly intended for land transportation, an aviation bio-fuel target was also indicated following ICAO recommendations.

1.5 As such, Indonesia included the use of renewable energy on its State Action Plan for reducing emissions from International Aviation and issued a National Bio-fuel implementation Road-map for air transport with the target of achieving a 2% use in 2018 and 5% in 2025. The state owned Oil

Company (Pertamina) was assigned to undertake the necessary investments to develop sufficient production capacity.

2. POLICY CHALLENGES

2.1 Although ICAO has made important steps to promote SAF, the current policies developed worldwide have not been sufficient to drive its large-scale use.

2.2 Even in countries like Indonesia, where the government has established a dedicated policy, the industry is very reluctant to its implementation due to the lack of similar policies in the neighbour countries or at global level, which can generate a competitive disadvantage for the national stakeholders.

2.3 The national air transport and energy industries would be much more motivated to implement SAF policies if a long term policy framework based on global policy agendas (such as ICAO or UNFCCC) would be established and such policies would be part of global and regional coordinated efforts to tackle international aviation emissions.

2.4 Efforts made by individual countries on policies affecting international aviation are less effective than globally coordinated options, as has been demonstrated with the implementation of a global market-based mechanism for aviation (CORSIA).

2.5 A main policy barrier is that current global alternative fuel growth is fully driven by policies focused in road transport. Indonesia considers that without similar strong policy drivers specifically targeting aviation, the ICAO climate goals would be unachievable in the mid and long terms.

3. POLICY OPTIONS FOR PROMOTING THE DEVELOPMENT OF SUSTAINABLE AVIATION FUELS

3.1 As presented in CAAF/2-WP/11, the CAEP AFTF has initially clustered policy options into four types of support: Volume Linked Support, Subsidy, Assistance for Establishment of Production, and Assistance for R&D.

3.2 Among those options, Indonesia has chosen to establish volume-linked targets in terms of bio-fuel % mix objectives in related time frames. The rationale of this option was to establish a similar approach for road and air transportation modes. In the case of bio-diesel for road transport, the volume-linked approach was combined with a subsidy support of the cost gap to be taken from an “export tax” over Indonesian CPO (Crude Palm Oil).

3.3 While the establishment of biofuel blend mandates and objectives has been the main policy option used worldwide to boost the global alternative fuel industry for road transportation, it has not been the case for the air transport sector. As a result, the industrial scale-up of SAF does not compete on a level-playing field with the growth of alternative fuel for the automotive sector.

3.4 Building upon the work developed by the CAEP AFTF Policies Expert Group, Indonesia’s experts analysed its bioenergy framework using the proposed set of qualitative metrics as a “check-list” instrument for States planning to review or implement SAF policy actions (CAAF/2-WP/11 Appendix B).

3.5 The conclusions of the analysis were the following:

3.5.1 While the development of bio-diesel for land transport is being successful, such policies have not yet been effective in supporting the deployment of SAF.

3.5.2 Despite the inclusion of SAF in the Indonesia bio-fuel policy, the main challenge identified to make it effective is the lack of a clear international policy framework for SAF, which makes the industry hesitate and necessary investments not happen. A stronger policy issued by the international aviation community through ICAO would establish the necessary long-term stable policy framework to encourage the industry to make the required investments.

4. **RECOMMENDATIONS**

4.1 Indonesia considers it necessary that ICAO undertakes a much stronger effort to promote policy action, as done with the market-based mechanism CORSIA.

4.2 Also, the promotion of regulations that put SAF on a level-playing field with the road transport sector is needed. At a minimum, the production of SAF should receive the same incentive as the production of alternative fuel for the road sector. This position does not conflict with important aviation industry stakeholder's aspirations¹.

4.3 While recognizing that each State shall select the policy which is more suitable for its national circumstances, Indonesia proposes to identify the establishment of SAF blending mandates and quantitative objectives for aviation as one of the policy options to be considered and promoted.

5. **ACTION BY THE CAAF2**

5.1 The CAAF/2 is invited to:

- a) agree on the need to promote policies and regulations that put SAF on a level-playing field with the road transport sector; and
- b) agree that, while recognizing that each State shall select the policy which is more suitable for its national circumstances, the establishment of SAF blending mandates for aviation is identified as one of the policy options to be considered and promoted.

— END —

¹ IATA Sustainable Aviation Fuel Roadmap, available at <https://www.iata.org/whatwedo/environment/Documents/safr-1-2015.pdf>