

Fact Sheet


Electrifying Indonesia's Road Transport

Indonesia wants to see 13 million two-wheel electric vehicles (EVs) and 2.2 million electric cars in use by 2030, one of Southeast Asia's most aggressive targets.


Policy on oil demand and the dominance of legacy automakers, with their sluggish electrification plans, can make or break the country's EV ambition.



In **Indonesia**, transport is the single largest final energy-consuming sector, using significant imported oil and accounting for **~25%** of energy emissions.



Five companies command **92%** of the light four-wheeler market, while only two hold **96%** of the two-wheeler market.

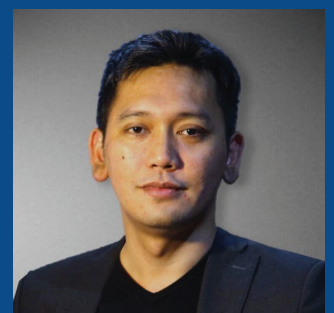


Competition is growing. Four-wheel EV adoption in **Thailand** is forecast to rise fast, while **Vietnam** has been leading two-wheel EV sales by a significant margin.



EV adoption can help curb oil demand growth and lower lifecycle emissions, even in coal-dominated power grids such as Indonesia's. Realizing the country's EV ambition requires attention to both new EV setups and legacy automakers."

Putra Adhiguna, an Energy Analyst at IEEFA



IEEFA: Electrifying Indonesia's Road Transport

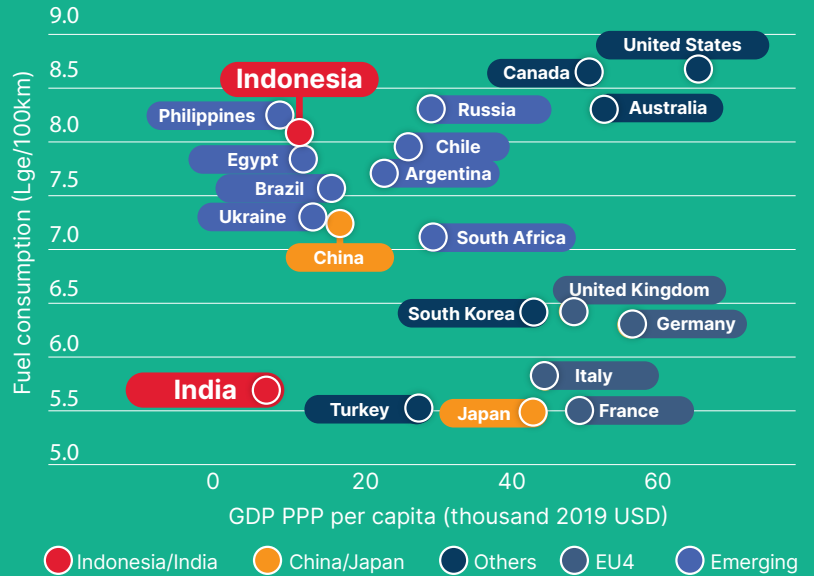
Policy commitments are doubtful

- Indonesia is a laggard in fuel economy, using on average 40% more fuel in light-duty vehicles (LDV) than India
- Past policies have mainly focused on costly biofuel while leaving the auto industry unscathed



Despite the government voicing concerns on oil imports and subsidies, the lack of fuel economy suggests hesitant policy. Plans for progressive vehicle tax based on fuel consumption are commendable, but more action is likely needed."

Indonesia's Lagging LDV Fuel Economy



Source: Adapted from International Energy Agency IEEFA

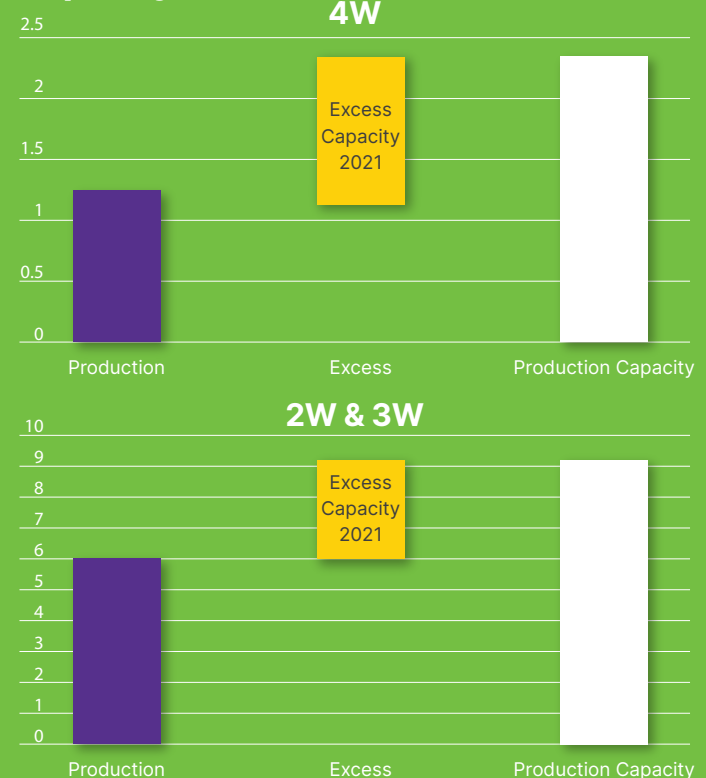
Legacy automakers' market hold needs a relook

- All-electric options remain largely absent from the automakers' plans
- Emphasis is on hybrid EVs instead
- Developed countries' aim to phase out internal combustion engine vehicles may prompt legacy automakers to entrench their ICEVs in emerging markets
- Discourse on low-cost EV is evolving in Japan in response to Chinese EV rivalry



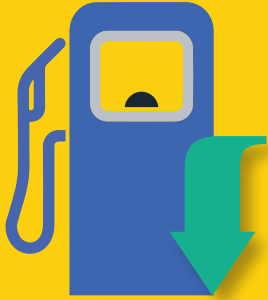
The underused ICEV industry in Indonesia will likely discourage automakers from EVs, but its heavy bet on the ICEV should not get in the way of national interests."

Significant Excess Auto Production Capacity, 2021

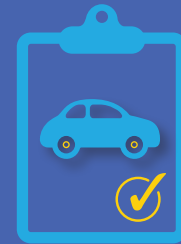


Source: Ministry of Industry, analysis by IEEFA IEEFA

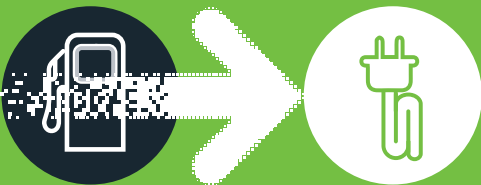
Time to address critical EV policy gaps



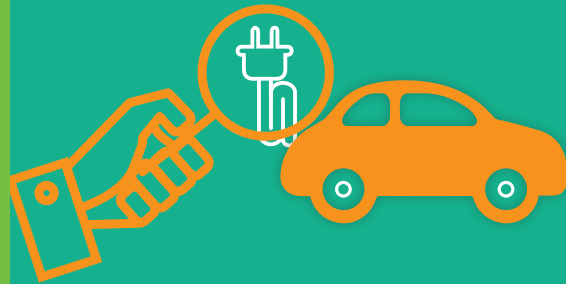
! **Restrain ICEV fuel demand growth via mandated targets and clearer policy commitments**



! **Embed bold fuel economy standard in Nationally Determined Contribution**



! **Support legacy automakers' transition with preferential policies and access to resources**



! **Consider real-world fuel savings and emission reduction benefits in supporting various EV models**



Indonesia needs both the 'push' of EVs and proper 'pull' measures to restrain oil demand and emissions growth from ICEVs. New entrants will grow, but the legacy automakers should not be left unchecked."