Abstract

Banks are expected to integrate net-zero transition as significant players in the financial landscape. Scope 3 category 15, or financed emissions, represents most financial institutions' GHG emissions inventory. Due to stringent climate-reporting regulations, Indonesian banks are increasingly focusing on reducing financed emissions by measuring and setting targets to manage the exposures on their portfolios. This study used a case study observational approach and stakeholder theory, examining PT Bank Rakyat Indonesia's (BRI) operations and portfolio to understand its alignment with the Glasgow Financial Alliance for Net Zero (GFANZ) and identifying the prospects and obstacles key stakeholders face. It identifies BRI, the relevant stakeholders' roles, and how far they have come in the integration.

BRI is actively implementing and enhancing its internal sustainable finance roadmap and exhibits its dedication to the national commitment to attaining net zero emissions by 2060 through establishing emission reduction targets for 2030 and 2050. However, BRI lacks a comprehensive decarbonization plan, with insufficient information on staged implementation and the breadth of activities covered by interim targets. Some of Indonesia's key climate issues (e.g., palm oil and coal mining) are integrated into the overall transition plan, but minimal specific disclosures on the range of measures and future developments.

Government agencies, the central bank, and the multilateral development bank are considered definitive stakeholders because they participate in international and national accords and programs with power, legitimacy, and urgency. The enabling institutions and R&D organizations are dominant stakeholders with normative power and pragmatic legitimacy in facilitating collaboration, enforcing standards, and devising mechanisms to promote the transition to net zero.

Minimal banking rules, structures, and standards exist for the net-zero transition, and effective incentives that meet banking requirements still need to be created. Recommendations include developing sector-specific regulations and establishing clear financing goals, with rewards and penalties to ensure effective regulation.