The Iran case has thus served as a stress test for how the international community manages high-stakes security crises. The JCPOA demonstrated that even bitter adversaries can be nudged towards compromise when third parties act in concert. Its subsequent unravelling, however, illustrated the fragility of such arrangements in the face of competing domestic politics and interests. What lesson does the Iran case hold for future mediators? The answer is sobering: third parties can open doors, but they cannot hold them open forever.

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Uneven Renewable Energy Progress: The Role of State–Market Alignment in the Philippines and Indonesia

by
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Southeast Asian countries are expanding the use of renewable energy as part of the global agenda to transition to low-carbon energy sources. Yet, progress has been uneven in the last 15 years, with some countries advancing far ahead of others.

The Philippines and Indonesia are a case in point. Both are fossil fuel–dependent countries, highly vulnerable to natural disasters and face rising energy demand from large populations and growing economies. While both countries share the same incentives to accelerate renewable energy expansion for the dual purpose of meeting energy needs and mitigating climate change, their trajectories have differed significantly, with the Philippines outpacing Indonesia much faster. Given that financing and technological hurdles are a common feature in developing countries like the Philippines and Indonesia, the key to the divergent pathways arguably lies in the extent to which the state and the market have aligned around the renewable energy expansion agenda.

The Philippines' Privatised Model

In the Philippines, the energy sector has been led primarily by the private sector since the passage of the Electric Power Industry Reform Act (EPIRA) in 2001. This reform was a reversal from the state-run model of the Marcos era and received widespread support from within the government and society, drawing on the country's long tradition of private sector involvement in electricity generation prior to energy sector nationalisation in the 1970s. Under EPIRA, the relationship between state and market was restructured. The state, through the Department of Energy, assumed the role of regulator and planner, while private companies became the main providers.

The reform, primarily designed to remedy the energy crisis of the 1990s, subsequently became an institutional gateway for renewable energy expansion. The privatisation rules that were originally written to increase the performance of the country's fossil fuel–based energy generation were later applied to renewable energy source development too. Yet, the push for renewable energy was not a product of market competition and efficiency gains that are expected of privatisation reform. Instead, it was driven by the state's long-standing conviction that indigenous renewable energy sources would have a critical role to play in the Philippines' energy security – a position conceived following the global oil crisis of the 1970s that exposed the country's vulnerability to energy import dependence.

Through various incentives and mechanisms introduced under the 2008 Renewable Energy Act, such as the feed-in tariff (FiT), renewable portfolio standard (RPS), and green energy option, privatisation created space for the state and the market to get aligned on the renewable energy expansion agenda. However, significant gaps remained. First, there were long delays in the implementation of the provisions. RPS, for example, was launched only in 2020, 12 years after the law's enactment. Similarly, the green energy option was implemented only in 2021. Such delays generated uncertainty for investors and effectively filtered the market, given that only companies with the means to manage the risks associated with renewable energy expansion could confidently enter the market. In the Philippines, such companies are typically linked to the country's oligarchs. Second, privatisation failed to drive down prices, as would be expected from market competition. On the contrary, electricity prices in the Philippines, which were already among the highest in Asia prior to EPIRA, remained among the highest in Southeast Asia following the passage of the law. Thus, while privatisation provided the platform, renewable energy expansion has yet to perform to its full potential.

Indonesia's State-led Model

On the other hand, in Indonesia, the energy sector is dominated by the state, notably through the state-owned electricity company Perusahaan Listrik Negara (PLN). The state-led model is a legacy of the nationalisation of Dutch electricity companies following Indonesia's independence in 1945 and is reinforced by Article 33 of the 1945 Constitution, which designates the state as the main steward of natural resource utilisation. The long history of the state controlling the energy sector limited the effects of privatisation attempts made in response to the 1997 Asian Financial Crisis. This was evident in strong public opposition and the Constitutional Court's 2004 decision to repeal the 2002 Electricity Law, which would have privatised the energy sector.

While a strong state presence in the energy sector is expected to drive policy and investment towards future-oriented industries like renewable energy, Indonesia has instead demonstrated a leaning towards fossil fuel stickiness. Successive energy plans reflect this pattern, with the most recent one signed in September 2025, revising down the renewable energy target from 23% by 2025 to a lower floor of 19% by 2030, thereby preserving fossil fuel's dominant share in the country's primary energy mix until then. This approach shows continued fossil fuel reliance, driven by rents and energy security considerations, institutionalised since the Soeharto era in the late 1960s.

This trend does not mean that the state is unaware of the benefits of expanding renewable energy sources. On the contrary, its recognition is reflected in the 2007 Energy Law and in the numerous pledges made at the international level. However, in practice, renewable energy sources remain a secondary priority, considering their relatively minor roles in the country's rent generation and energy security goals. In other words, the state's default response to energy-related issues has been to rely on what is familiar and proven to work, namely, fossil fuel use. There is thus little synergy between the state and the market around the renewable energy agenda despite private companies expressing interest in developing renewable energy sources. Consequently, Indonesia's progress has been sluggish and the share of renewable energy sources in the national energy mix has been persistently low despite the country's abundant potential.

The Way Forward

At this juncture, it is evident that although the Philippines' privatised energy sector has facilitated renewable energy expansion, both countries fall short of expectations. In the Philippines, privatisation has not amounted to efficiency, whereas in Indonesia, state-led coordination has not steered the country towards an upgrade to renewable energy sources.

Against this backdrop, both countries could consider focusing on the following three priorities. First, they need to strike a better balance between the state and the market. In the Philippines, this means strengthening state capacity to coordinate and send clear, consistent signals to the market by reducing delays and increasing regulatory efficiencies. In Indonesia, it calls for opening more space for private sector participation to allow the mobilisation of new capital and expertise towards making renewable energy sources more integral to the country's energy security and development priorities. Second, procurement processes must be made more credible. Instruments such as auctions, contracts and permits need to be bankable and transparent, thereby increasing market confidence in the state's commitment to renewable energy expansion. Third, both countries need to consider enacting stronger legal mandates to ensure the durability of their renewable energy development agendas, making it resilient to political cycles and leadership changes.

For Southeast Asia as a whole, the experiences of the Philippines and Indonesia show that renewable energy adoption depends not only on mobilising finance and technology, but, more importantly, on forging an enduring alignment between the state and the market on the agenda.

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