

Shaping Green Investment Pathways to Accelerate Sustainable Development Goals (SDGs) Achievement in Indonesia

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Article	Abstract
<p>How to cite: Nurul Hasanah, et al., 'Shaping Green Investment Pathways to Accelerate Sustainable Development Goals (SDGs) Achievement in Indonesia' (2026) Vol. 7 No. 1 Rechtenstudent Journal Sharia Faculty of KH Achmad Siddiq Jember State Islamic University.</p> <p>DOI: 10.35719/rch.v7i1.412</p> <p>Article History: Submitted: 09/01/2026 Reviewed: 14/02/2026 Revised: 11/03/2026 Accepted: 22/003/2026</p> <p>ISSN: 2723-0406 (printed) E-ISSN: 2775-5304 (online)</p>	<p>The transformation toward sustainable development requires the renewal of the investment law system so that it aligns with environmental, social, and economic principles as mandated in the Sustainable Development Goals (SDGs). This study analyzes the direction of green investment law formation in Indonesia through three main focuses: the existing regulatory framework, juridical barriers in its implementation, and the ideal normative model to strengthen the legal resilience of sustainable investment. The results show that green investment regulations remain sectoral and fragmented across various laws, such as the Investment Law, the Environmental Protection Law, and technical policies like the OJK Green Taxonomy. This fragmentation creates legal uncertainty, overlapping authorities, and gaps between technocratic policies and formal legal norms. These obstacles are exacerbated by weak institutional coordination, the absence of a legal definition of green investment, and the lack of binding incentive and supervision mechanisms. This study recommends the establishment of a <i>lex specialis</i> on green investment, strengthening the legal status of the Green Taxonomy, creating an integrated green licensing system, and reinforcing ecological protection obligations as a mechanism for intergenerational justice. Therefore, the formation of a comprehensive and integrated green investment legal framework is necessary to create legal certainty, enhance the attractiveness of sustainable investment, and strengthen Indonesia's commitment to achieving the SDGs.</p> <p>Keywords: <i>Green Investment, Legal Certainty, SDGs.</i></p> <p>Abstrak Transformasi menuju pembangunan berkelanjutan menuntut pembaruan sistem hukum investasi agar selaras dengan prinsip lingkungan, sosial, dan ekonomi sebagaimana diamanatkan dalam Sustainable Development Goals (SDGs). Penelitian ini menganalisis arah pembentukan hukum investasi hijau di Indonesia melalui tiga fokus utama: kerangka pengaturan yang berlaku, hambatan yuridis dalam implementasi, serta model normatif yang ideal untuk memperkuat ketahanan hukum investasi berkelanjutan. Hasil penelitian menunjukkan bahwa pengaturan investasi hijau masih bersifat sektoral dan terfragmentasi dalam berbagai regulasi, seperti Undang-Undang Penanaman Modal, Undang-Undang Lingkungan Hidup, serta kebijakan teknis seperti Taksonomi Hijau OJK. Fragmentasi ini menimbulkan ketidakpastian hukum, tumpang tindih kewenangan, serta kesenjangan antara kebijakan teknokratis dan norma hukum formal. Hambatan tersebut diperparah oleh</p>

lemahnya koordinasi kelembagaan, absennya definisi legal investasi hijau, serta ketiadaan mekanisme insentif dan pengawasan yang mengikat. Penelitian ini merekomendasikan pembentukan *lex specialis* mengenai investasi hijau, penguatan status hukum Taksonomi Hijau, pembentukan sistem perizinan hijau terpadu, dan penegasan kewajiban perlindungan ekologis sebagai mekanisme keadilan antar-generasi. Dengan demikian, pembentukan hukum investasi hijau yang komprehensif dan terintegrasi diperlukan untuk menciptakan kepastian hukum, meningkatkan daya tarik investasi berkelanjutan, serta memperkuat komitmen Indonesia dalam pencapaian SDGs.

Kata Kunci: *Investasi Hijau, Kepastian Hukum, SDGs*

Introduction

In recent years, the direction of global development has undergone a major shift. Development is no longer measured solely by economic growth, but also by a country's ability to maintain a balance between economic progress and environmental sustainability. This shift in perspective stems from the global awareness that excessive exploitation of natural resources without regard for the needs of future generations will have serious consequences for future generations. This idea was then formulated globally through the Sustainable Development Goals (SDGs), adopted by the United Nations (UN) in 2015 as a guide to sustainable development.¹

One of the important pillars in achieving the SDGs is the encouragement of investments that not only pursue economic profits, but also pay attention to social and environmental impacts.² This concept is known as green investment. Through green investment, economic growth is expected to go hand in hand with environmental protection and improved public welfare. Many countries are now competing to adapt their economic regulations and policies to align with these principles.

Indonesia is not standing still. As a nation with vast natural resource potential, it has begun to direct its investment policies towards more sustainability. The government, together with the Financial Services Authority (OJK), launched the Indonesian Green Taxonomy in 2022 as a guide for the financial sector and the business world in channeling investment into environmentally friendly economic activities.³ This step is a strong signal that national investment policy is shifting toward a green economy paradigm. However, in practice, implementing green investment in Indonesia still faces various challenges. One widely discussed example is the Cirata Floating Solar Power Plant (PLTS) project in West Java.⁴ This project is considered a milestone in Indonesia's clean energy transition, a collaboration between PT PLN Nusantara Power and the United Arab Emirates renewable energy company Masdar. Although the project promotes green energy, its implementation has been hampered by licensing issues and overlapping authority between agencies. These obstacles demonstrate that

¹ Azis, Iwan J. et al. (ed.), *Pembangunan Berkelanjutan: Dimensi Sosial, Ekonomi, dan Lingkungan*, Jakarta: P3DI Setjen DPR RI, Oktober 2015, v-vi

² Pramana dan Dewi, "Perkembangan Kebijakan Investasi Hijau Dalam Peraturan Perundang-Undangan di Indonesia," *Simbur Cahaya*, Vol. 30 No.1 (Juni 2023), 67.

³ OJK, *Taksonomi Hijau Indonesia Edisi 1.0 (2022)*, hlm. 4-5, <https://ojk.go.id/id/berita-dan-kegiatan/publikasi/Documents/Pages/Taksonomi-Hijau-Indonesia-Edisi-1--2022/Taksonomi%20Hijau%20Edisi%201.0%20-%202022.pdf>

⁴ Asirin dkk., "Perencanaan Kemajuan ... Waduk Cirata, Jawa Barat," *Jurnal Wilayah dan Lingkungan* 11, no. 2 (2023): 108–125, <https://ejournal2.undip.ac.id/index.php/jwl/article/view/16907>

while Indonesia's policies are geared toward green investment, there are still gaps in the legal and regulatory landscape that need to be addressed.

From a normative perspective, Indonesia already has several regulations related to investment and the environment. For example, Law Number 25 of 2007 concerning Investment emphasizes the importance of sustainable development principles in investment activities. Law Number 32 of 2009 concerning Environmental Protection and Management, and Law Number 11 of 2020 concerning Job Creation, streamlined investment processes. However, these regulations do not specifically address green investment as a unified, integrated legal policy.

Green investment regulations in Indonesia are currently sectoral and fragmented. Each institution and sector operates with its own policies, without a single, binding umbrella regulation. This situation creates legal challenges for investors seeking to participate in environmentally friendly projects.⁵ However, without legal certainty, green investment struggles to thrive because business actors require legal guarantees for the capital and risks they invest. Given this situation, there is a need for a more focused and comprehensive green investment law. The law should not only regulate investment administration procedures but also serve as an instrument to promote sustainable development in line with the SDGs.⁶ Therefore, this research is crucial to examine how the development of green investment law in Indonesia can strengthen legal resilience while supporting the achievement of sustainable development goals.

This research is relevant because Indonesia currently lacks a specific green legal framework that comprehensively regulates investment. By examining the existing legal basis, identifying legal obstacles, and formulating an ideal legal direction, it is hoped that the results of this research will make a tangible contribution to the development of national investment legal policies that not only foster economic growth but also preserve the environment for future generations.

Research Method

This study employs a normative legal research method, as the entire analysis relies on a review of laws, doctrines, and legal concepts related to green investment and sustainable development. This approach was chosen to identify consistencies, gaps, and the ideal direction for the development of green investment law in Indonesia, based on the prevailing legal framework.

To support the normative nature of the research, this study employs a statutory approach, examining regulations related to investment, environmental protection, renewable energy, and policy instruments such as the Financial Services Authority (OJK) Green Taxonomy. This approach is necessary to identify regulatory fragmentation and assess its compliance with the sustainability principles mandated by the SDGs. Furthermore, this study employs a conceptual approach, drawing on relevant legal theories, such as Gustav Radbruch's theory of legal certainty, Edith Brown Weiss's intergenerational justice, and the concept of sustainable development in Our Common Future. This approach aims to provide a theoretical framework

⁵ Muhammad Al Ghiffary, "Urgensi Pembentukan Peraturan Pelaksana Investasi Berbasis ESG ...," *Causa: Jurnal Hukum dan Kewarganegaraan* 1, no. 1 (2024): 45, <https://ejournal.cahayailmubangsa.institute/index.php/causa/article/view/471>

⁶ Supandi Darmawan & Rani Apriani, "Peranan Hukum Investasi Dikaitkan dengan Hukum Lingkungan Terhadap Pembangunan Berkelanjutan di Indonesia," *Jurnal Kerthasemaya* Vol. 9 No. 8 (2021): 1476-1487, <https://ojs.unud.ac.id/index.php/kerthasemaya/article/download/72197/40016>

for assessing the adequacy of regulations and the direction of green investment law in Indonesia.

Result and Discussion

Legal Regulation of Green Investment in Indonesia: Positive Framework and Normative Coverage

Legal regulations regarding green investment in Indonesia are currently scattered across various sectoral regulations that have not yet been integrated into a comprehensive legal framework. Fundamentally, investment activities are regulated by Law Number 25 of 2007 concerning Investment, which emphasizes the principles of legal certainty, transparency, efficiency, and environmental awareness as the fundamental principles of investment management.⁷ The aspect of environmental sustainability is then strengthened by Law Number 32 of 2009 concerning Environmental Protection and Management, which requires every business activity to maintain the environmental carrying capacity and capacity through instruments such as AMDAL and environmental permits.⁸

In the energy sector, provisions regarding the transition to clean energy are outlined in Law Number 30 of 2007 concerning Energy, which mandates the development of new and renewable energy as part of the national strategy for reducing emissions.⁹ This policy is clarified through the Electricity Law and various derivative regulations governing the development of renewable energy generation. In line with its commitment to climate change control, the government issued Presidential Regulation No. 98 of 2021 concerning the Implementation of Carbon Economic Value, which serves as the basis for the establishment of a national carbon market and emissions trading instruments.¹⁰

On the other hand, the financial sector authorities also play a strategic role through POJK Number 51/POJK.03/2017 concerning Sustainable Finance and the publication of the Indonesian Green Taxonomy, which serves as a guideline for classifying environmentally friendly economic activities in the distribution of financing and investment.¹¹ However, these various norms remain fragmented and stand alone without the support of an umbrella act specifically regulating green investment as a separate investment category. Technical provisions such as Government Regulations (PP), Ministerial Regulations (Permen LHK), and licensing regulations within the Online Single Submission (OSS) system serve primarily administrative purposes and therefore do not provide substantive standards regarding the green criteria that must be met by business actors.

This fragmentation has the potential to lead to overlapping authorities and differing interpretations between agencies, creating uncertainty for investors wishing to participate in environmentally friendly projects. This situation demonstrates the urgency of establishing a more focused and integrated regulatory framework to ensure legal certainty for green investment policies and support the achievement of the Sustainable Development Goals (SDGs).

⁷ Law Number 25 of 2007 on Investment, Article 3 concerning the principles of investment

⁸ Law Number 32 of 2009 on Environmental Protection and Management, particularly Articles 13 and 22 concerning environmental protection instruments

⁹ Law Number 30 of 2007 on Energy, Articles 20–22 concerning the development of new and renewable energy

¹⁰ Presidential Regulation Number 98 of 2021 concerning the Implementation of Carbon Economic Value, Chapter II concerning carbon pricing instruments

¹¹ Otoritas Jasa Keuangan, *POJK Nomor 51/POJK.03/2017 tentang Penerapan Keuangan Berkelanjutan bagi Lembaga Jasa Keuangan*. <https://www.ojk.go.id/id/regulasi/Pages/POJK-Kuangan-Berkelanjutan.aspx>

Based on the inventory of norms outlined above, it can be concluded that the legal framework for green investment in Indonesia still faces several challenges, particularly in terms of legal certainty. Referring to Gustav Radbruch's theory of legal certainty, ideal law should balance the elements of certainty, justice, and expediency.¹² Dalam konteks investasi hijau, unsur kepastian hukum menjadi fundamental karena It serves to provide predictability for business actors and ensure the protection of the public interest. However, the fragmentation of regulations at the national level actually creates ambiguity in their interpretation and implementation.

The diversity of terms such as sustainable finance, environmentally sound activities, and carbon economic value used in various regulations without a unified legal definition creates ambiguity in determining the parameters for categorizing an investment as green.¹³ From a legal certainty perspective, overlapping norms and the lack of regulatory harmonization have the potential to hinder the creation of a stable and transparent investment climate.

For example, the lack of synchronization between the licensing mechanism through the Online Single Submission (OSS) system and the Environmental Impact Analysis (AMDAL) requirements often leads to differing interpretations between agencies, slowing down administrative processes and reducing efficiency.¹⁴ In addition, non-legislative instruments such as the OJK Green Taxonomy and the Sustainable Finance Action Plan have a strategic function in encouraging green financing, but normatively do not yet have binding force because they are still at the administrative level.¹⁵ This situation demonstrates a gap between technocratic policies and formal legal norms that should provide certainty for investors.

Therefore, referring to the legal certainty theory approach, regulations related to green investment need to be directed towards the formation of clear, consistent, and strongly binding norms. This step is crucial so that the principle of sustainability does not remain a policy slogan but gains legal legitimacy that can be effectively enforced. Therefore, harmonization of regulations in the areas of investment, the environment, and energy is an urgent need to create a legal framework for green investment that can provide legal certainty, protect investment interests, and support the achievement of the Sustainable Development Goals (SDGs).¹⁶

The limited legal certainty outlined above has significant implications for the implementation of green investment in Indonesia. Unclear norms and lack of synchronization between regulations leave business actors uncertain about determining the legal compliance requirements. In practice, investors often encounter overlapping environmental provisions and investment regulations, which hinders the licensing process and incurs high transaction costs. For example, the requirement to report environmental performance through the Online Single Submission (OSS) system often does not align with the administrative requirements in the Environmental Impact Analysis (AMDAL) document, prolonging the investment implementation time. This situation demonstrates that the lack of consistent norms not only creates legal uncertainty but also reduces investor interest in investing in sustainable sectors.

Furthermore, legal uncertainty also impacts the effectiveness of government policies in achieving green development targets. Although the government has initiated policies such as the OJK Green Taxonomy and the Sustainable Finance Action Plan (RAKB), these two

¹² Gustav Radbruch, *Legal Philosophy*, terj. Kurt Wilk (New York: Greenwood Press, 1950), 73–75.

¹³ POJK No. 51/POJK.03/2017 on the Implementation of Sustainable Finance

¹⁴ See the regulatory comparison between OSS-RBA in PP No. 5 of 2021 and AMDAL provisions in PP No. 22 of 2021.

¹⁵ Otoritas Jasa Keuangan, *Taksonomi Hijau Indonesia*, 2022; OJK, *Roadmap Keuangan Berkelanjutan Tahap II (2021–2025)*

¹⁶ United Nations, *Transforming Our World: The 2030 Agenda for Sustainable Development*, 2015.

instruments lack sufficient legal force to ensure compliance. As a result, the sustainability of green investments relies more on voluntary commitments from financial institutions and companies, rather than on compelling legal obligations. This has the potential to create implementation imbalances, with only large companies with the financial and technical capacity able to adapt to green principles, while small and medium enterprises lag behind.

From an investment law perspective, this situation demonstrates that Indonesia is still in the transition phase toward a legal system capable of consistently enforcing sustainability principles. Regulatory uncertainty not only hampers green economic growth but also poses risks to the achievement of the Sustainable Development Goals (SDGs), particularly Goal 13 on climate action and Goal 8 on decent work and economic growth. Therefore, concrete steps are needed to establish clear and integrated legal norms so that green investment can be effective, competitive, and support the transformation toward an inclusive, sustainable economy.

Legal Obstacles in the Implementation of Green Investment Policies in Indonesia

Legal barriers remain a major challenge in implementing green investment policies in Indonesia. The first problem lies conceptually, namely the lack of a standard legal definition of "green investment." This lack of a normative definition has led to diverse interpretations among government agencies and business actors, resulting in inconsistent standards for assessing green projects. This situation opens up the opportunity for greenwashing and reduces the legal certainty necessary to ensure the predictability of sustainable investment.¹⁷

Beyond conceptual issues, the complexity of institutional structures also exacerbates inefficient policy implementation. Overlapping authority between the Ministry of Investment/BKPM, the Ministry of Environment and Forestry (KLHK), and other technical ministries leads to lengthy, convoluted licensing processes, and a lack of synchronization between investment and environmental permits. This phenomenon demonstrates the weak application of good governance principles in the implementation of sustainable investment regulations.¹⁸

Another obstacle arises from the lack of legal instruments at the statutory level that provide fiscal or non-fiscal incentives for environmentally friendly investments. Most incentive policies still take the form of ministerial regulations or administrative guidelines, which are legally weak and easily changed by political dynamics. As a result, the attractiveness of green investment decreases because business actors lack the guarantee of long-term regulatory stability.¹⁹

Furthermore, weak oversight and law enforcement mechanisms indicate that existing legal instruments are inadequate to ensure compliance with green principles. The absence of an integrated verification system such as green standard certification or regular monitoring

¹⁷ Aisyah Putri Budiatri, "Green Investment dan Tantangan Regulasi di Indonesia," *Jurnal RechtsVinding*, Vol. 11 No. 2 (2022): 210–212, <https://rechtsvinding.bphn.go.id/view/article/11/2/green-investment>

¹⁸ Nur Kholis dan Muhammad Ridwan, "Tantangan Implementasi Good Environmental Governance dalam Perizinan Lingkungan di Indonesia," *Jurnal Hukum IUS QUIA IUSTUM*, Vol. 27 No. 3 (2020): 423–425, <https://journal.uii.ac.id/IUSTUM/article/view/16050>

¹⁹ Rizal Malik, "Kepastian Hukum dalam Pemberian Insentif bagi Investasi Berkelanjutan," *Jurnal Legislasi Indonesia*, Vol. 19 No. 1 (2022): 78–80, <https://ejournal.peraturan.go.id/index.php/jli/article/view/910>

renders sanctions for environmental violations ineffective and non-deterrent.²⁰ Issues of land rights and local community participation also pose significant obstacles, particularly in renewable energy projects such as geothermal and hydropower plants. Land conflicts, overlapping customary territories, and minimal public consultation highlight the gap between constitutional recognition of indigenous peoples' rights and their implementation on the ground.²¹ This situation not only delays project implementation but also undermines Indonesia's credibility as a green investment destination. Thus, the legal barriers to green investment in Indonesia stem from the lack of an integrated, consistent, and sustainability-oriented legal system. Without reforming the regulatory structure, simplifying licensing, and strengthening incentive mechanisms and law enforcement, efforts to make green investment a primary driver of achieving the Sustainable Development Goals (SDGs) will be less than optimal.

The legal barriers identified in the implementation of green investment in Indonesia demonstrate that the problem lies not merely in the technical aspects of regulation, but rather in the weak normative foundations for ensuring legal certainty and intergenerational justice. Referring to Gustav Radbruch's theory of legal certainty, ideal law should provide clear norms so that legal subjects clearly understand their rights and obligations.²² However, in the context of green investment, the absence of clear legal definitions, overlapping authority between agencies, and the lack of binding incentive instruments demonstrate that prevailing norms do not provide material certainty for investors. This situation hinders business actors' ability to predict legal risks, calculate compliance costs, and assess long-term investment viability. This uncertainty contributes to increasing the regulatory discount rate, ultimately reducing interest in sustainable investment in Indonesia.²³

From the perspective of intergenerational justice put forward by Edith Brown Weiss, weak environmental regulations and ineffective law enforcement reflect the state's failure to guarantee the environmental rights of future generations.²⁴ Many green investment policies tend to focus on short-term economic growth without considering long-term ecological implications. Indigenous land conflicts, overlapping areas, and ecosystem degradation due to weak oversight of renewable energy projects demonstrate that the principle of intergenerational equity has not been adequately implemented. This indicates that the sustainability being pursued is not based on intertemporal protection, namely balancing the interests of current and future generations.²⁵

²⁰ Fitriani dan Ahmad Surya, "Pengawasan Lingkungan dan Efektivitas Penegakan Hukum dalam Investasi Hijau," *Jurnal Hukum Lingkungan Indonesia*, Vol. 8 No. 1 (2021): 55–57, <https://jhli.icel.or.id/index.php/jhli/article/view/384>

²¹ Yance Arizona, "Hak Masyarakat Adat dan Konflik Sumber Daya Alam," dalam *Pluralisme Hukum dan Pengakuan Hak Masyarakat Adat di Indonesia* (Jakarta: Epistema Institute, 2019), 88–92, <https://epistema.or.id/publikasi/pluralisme-hukum-buku>

²² Gustav Radbruch, *Legal Philosophy*, terj. Kurt Wilk (Massachusetts: Harvard University Press, 1950), 73–75.

²³ Rizal Malik, "Kepastian Hukum dalam Kebijakan Investasi Berkelanjutan di Indonesia," *Jurnal Legislasi Indonesia*, Vol. 19 No. 1 (2022): 82–84. Link: <https://ejurnal.peraturan.go.id/index.php/jli/article/view/910>

²⁴ Edith Brown Weiss, *In Fairness to Future Generations: International Law, Common Patrimony, and Intergenerational Equity* (Tokyo: United Nations University Press, 1989), hlm. 40–48. Link resmi UNU Press: <https://archive.unu.edu/unupress/unupbooks/uu25fe/uu25fe00.htm>

²⁵ Siti Sundari Rangkuti, "Keadilan Antar Generasi dalam Pengelolaan Lingkungan Hidup," *Jurnal Hukum Lingkungan Indonesia*, Vol. 7 No. 2 (2020): 150–152. Link: <https://jhli.icel.or.id/index.php/jhli/article/view/359>

When viewed through a sustainable development approach, these legal barriers indicate that the legal system has not fully internalized sustainability values into investment policies. Regulatory inconsistencies and weak legal certainty result in environmental externalities not being reflected in investment decisions, thus discouraging the market from choosing low-emission economic activities.²⁶ Thus, green investment legal reform is needed not only to increase normative certainty but also to ensure that legal instruments balance economic interests, environmental sustainability, and social justice. Therefore, the direction of future legal development must be proactive in upholding the principle of intergenerational justice as a prerequisite for substantially achieving the Sustainable Development Goals (SDGs).²⁷

The legal obstacles described above become even more apparent when linked to the structural and institutional dimensions of green investment implementation in Indonesia. Dissonance between regulations not only creates normative confusion but also directly impacts the effectiveness of policy implementation on the ground. Overlapping institutional structures indicate that intersectoral coordination remains sectoral and not yet aligned with the principles of integrated governance.²⁸ In the context of green investment, this weak coordination results in slow, inefficient licensing and oversight processes, and is prone to inter-agency conflicts of authority. Thus, legal obstacles do not exist in isolation but are closely related to institutional issues that hinder the implementation of sustainability principles in national investment policy.

A concrete example is the Cirata Floating Solar Power Plant (PLTS) project. Although the project represents a significant milestone in the clean energy transition, its implementation has been delayed due to inconsistencies between spatial planning permits, environmental technical requirements, and the division of authority between the central and regional governments.²⁹ Repeated revisions to permit documents demonstrate the absence of an integrated regulatory framework capable of balancing economic, ecological, and administrative aspects. This situation reinforces previous analyses that legal obstacles are rooted in the absence of a systematic legal coordination mechanism oriented toward long-term sustainability.

From a theoretical perspective, these structural weaknesses contradict the principle of the rule of law, which requires legal norms to provide definite, consistent, and operationalized direction by implementing institutions. In the context of Douglass North's legal institutional theory, institutions should function as rules of the game, reducing transaction costs and increasing the predictability of economic behavior.³⁰ However, weak institutional coordination in green investment in Indonesia actually increases legal compliance costs and increases administrative uncertainty. As a result, several renewable energy projects have lost momentum,

²⁶ H. Tri Widodo, "Harmonisasi Regulasi dan Pembangunan Berkelanjutan," *Jurnal RechtsVinding*, Vol. 11 No. 2 (2022): 230–233.

Link: <https://rechtsvinding.bphn.go.id/view/issue/11-2>

²⁷ Yunus Wahid, *Hukum Lingkungan dan Pembangunan Berkelanjutan* (Jakarta: Kencana, 2019), hlm. 112–118. Link Google Books: <https://books.google.com/books?id=f0>

²⁸ Riant Nugroho, *Kebijakan Publik: Formulasi, Implementasi, dan Evaluasi*, (Jakarta: Elex Media Komputindo, 2017), hlm. 210–212.

Link Google Books: <https://books.google.com/books?id=7Q>

²⁹ A. Rachman & M. Fathurrahman, "Tantangan Implementasi Energi Terbarukan di Indonesia: Studi Kasus PLTS Terapung Cirata," *Jurnal Energi dan Kebijakan*, Vol. 6 No. 2 (2023): 115–118. Link jurnal: <https://journal.unrika.ac.id/index.php/jurnal-energi>

³⁰ Douglass C. North, *Institutions, Institutional Change and Economic Performance*, (Cambridge: Cambridge University Press, 1990), hlm. 3–5 dan 27–30.

Link: <https://doi.org/10.1017/CBO9780511808678>

and investors have become reluctant to invest due to procedures perceived as inefficient and lacking sustainability guarantees. Thus, it can be concluded that structural and institutional barriers are a continuation of substantive legal barriers. They reinforce each other and create a cycle of uncertainty that hinders the transformation towards a green economy. Therefore, green investment legal reform cannot stop at regulatory updates but must be accompanied by institutional restructuring that makes sustainability principles the primary orientation of national investment governance.³¹

The Ideal Direction for Legal Formation to Strengthen Sustainable Investment in Indonesia

The development of an ideal legal framework for sustainable investment must be directed at creating a legal system that not only provides certainty for investors but also ensures a balance between economic, social, and environmental interests. This is increasingly important considering that previous findings indicate that legal and institutional barriers remain major obstacles to the implementation of green investment policies in Indonesia. Therefore, the direction of ideal legal development must begin with restructuring the normative and institutional foundations to align with the principles of sustainability as mandated by the Sustainable Development Goals (SDGs). The legal reform process must also be comprehensive, integrated, and adaptive to the dynamics of sustainable development, avoiding the sectoral approach that has historically been a major issue.³²

Conceptually, there are at least four fundamental principles that must form the basis for developing green investment law. First, the principle of legal certainty and clarity (*rechtssicherheit*), as formulated by Gustav Radbruch, which emphasizes that the law must provide certainty of norms so that legal subjects can clearly understand their rights and obligations.³³ The absence of a legal definition of "green investment" indicates that the Indonesian legal system does not yet meet this certainty requirement. Within the context of norm theory, Hans Kelsen also emphasized the importance of a hierarchically structured and consistent legal order; the current overlapping green regulations can be interpreted as an irregularity in the normative structure (*Normenordnung*) that undermines the effectiveness of legal certainty.³⁴

Second, the concrete principle of sustainability as emphasized in the Brundtland Report, which requires development to be carried out without compromising the ability of future generations to meet their own needs.³⁵ Within this framework, green investment regulations need not simply state the principle of sustainability declaratively; they also need to include measurable indicators of socio-environmental impacts so they can be operationalized effectively.

³¹ Yuliana Primawardani, "Governance dan Investasi Berkelanjutan di Indonesia: Analisis Hambatan Kelembagaan," *Jurnal RechtsVinding*, Vol. 12 No. 1 (2023): 45–47. Link: <https://rechtsvinding.bphn.go.id/jurnal>

³² Maria Farida Indrati, *Ilmu Perundang-Undangan: Jenis, Fungsi, dan Materi Muatan* (Yogyakarta: Kanisius, 2007), 112. <https://opac.perpusnas.go.id/DetailOpac.aspx?id=364410>

³³ Gustav Radbruch, *Einführung in die Rechtswissenschaft* (Stuttgart: K.F. Koehler Verlag, 1952), 103–104. <https://archive.org/details/einfuehrung-in-die-rechtswissenschaft>

³⁴ Hans Kelsen, *Pure Theory of Law*, 2nd ed. (Berkeley: University of California Press, 1967), 193–198. <https://archive.org/details/puretheoryoflaw00kels>

³⁵ World Commission on Environment and Development (WCED), *Our Common Future* (Oxford: Oxford University Press, 1987), 43. <https://sustainabledevelopment.un.org/content/documents/5987our-common-future.pdf>

Third, the principle of intergenerational equity, as developed by Edith Brown Weiss, states that each generation has an obligation to maintain environmental quality, preserve resource options, and ensure equal access for future generations.³⁶ The current weakness of environmental verification and protection systems in green projects indicates that these principles have not been internalized within the national investment legal framework.

Fourth, the principle of transparency and accountability, which requires a public verification mechanism and community participation in the licensing and oversight processes for green investments. This principle aligns with the character of modern environmental law, as explained by Philippe Sands, which places public participation as a fundamental element of good environmental governance.³⁷

An ideal normative model for the development of green investment law needs to be designed to address the normative vacuum and regulatory disparity that have hampered the effectiveness of sustainability policies. The creation of a *lex specialis* on green investment is urgently needed because it provides a uniform definition, eligibility criteria, incentive mechanisms, and verification governance at a national level. The existence of *lex specialis* allows the law to function not only as an administrative instrument but also as a means of social engineering that directs economic activity toward sustainable development.³⁸

Strengthening the legal status of the Green Taxonomy from a technical tool to a binding regulation is also necessary to ensure consistency of sustainability standards across sectors. Codifying the taxonomy into government regulations will prevent multiple interpretations and create stable guidelines for businesses.³⁹ In addition, the implementation of one-stop green permitting can speed up administrative processes, reduce transaction costs, and increase legal predictability without compromising the principle of environmental prudence.⁴⁰

In addition to the regulatory framework, fiscal and non-fiscal incentives need to be clearly standardized, such as tax breaks, exemptions from green technology import duties, and low-risk financing facilities. To maintain investment integrity, mandatory oversight mechanisms include ESG reporting, independent verification, and sanctions against greenwashing practices. Finally, the ideal green investment law must ensure protection for the public, especially local communities affected by the project. Public consultation mechanisms, access to remediation, and prompt and fair dispute resolution must be integral to the regulatory design.⁴¹ Thus, green investment law not only enhances economic competitiveness but also builds investment governance that is inclusive, transparent, and oriented towards long-term sustainability.

Implementing green investment law requires an approach that is not only conceptual, but also operational and measurable. The essential first step is the development of a definition,

³⁶ Edith Brown Weiss, *In Fairness to Future Generations* (New York: United Nations University Press, 1989), 38–41.

³⁷ Philippe Sands, *Principles of International Environmental Law*, 3rd ed. (Cambridge: Cambridge University Press, 2012), 190–195. <https://doi.org/10.1017/CBO9781139019842>

³⁸ Muhamad Adhi Pramana & Yetty Komalasari Dewi, “Perkembangan Kebijakan *Green Investment* dalam Peraturan Perundang-Undangan di Indonesia,” *Sinbur Cahaya: Jurnal Hukum* 30, no. 1 (2023): 68. <https://doi.org/10.28946/sc.v30i1.2833>

³⁹ Lya Kartika Sari, “Kerangka Hukum untuk Pengembangan Hidrogen Hijau di Indonesia: Analisis Regulasi dan Kebijakan Fiskal,” *Jurnal Privat Law* 9, no. 2 (2024): 45. <https://jurnal.uns.ac.id/privatlaw/article/view/99630>

⁴⁰ Rizal Arifin, “Reformasi Perizinan Berbasis Lingkungan dalam Mendukung Investasi Hijau,” *Administrative Law & Governance Journal* 5, no. 2 (2022): 211–212. <https://ejournal2.undip.ac.id/index.php/alj/article/view/14623>

⁴¹ Ajeng Aditya Listyani, “Green Investment as a Guarantee to Protect the Indigenous People’s Rights,” *Unifikasi: Jurnal Ilmu Hukum* 11, no. 1 (2024): 32–33. <https://journal.fhukum.uniku.ac.id/unifikasi/article/view/764>

principles, and criteria for green investment that have institutional legitimacy. Harmonization of this concept must be carried out by a multi-stakeholder technical committee involving the Ministry of Environment and Forestry, the Ministry of Investment, the Financial Services Authority, and the Ministry of Finance. The involvement of these various actors represents a form of collaborative environmental governance, a model of environmental governance that emphasizes inter-institutional coordination to simultaneously achieve ecological and economic goals.⁴² In the Indonesian context, this approach is crucial given the regulatory complexity and overlapping authorities that have historically hindered the implementation of sustainable investment policies.

Once a conceptual understanding is reached, the next step in implementation is to strengthen the legal status of the Indonesian Green Taxonomy. Currently, the taxonomy remains a technical guideline and is not yet legally binding. To become a national standard capable of guiding financial institutions, businesses, and local governments, its status must be elevated to a Government Regulation or Presidential Regulation. This strengthening of norms aligns with Schoenmaker and Schramade's view that taxonomy-based regulation is a crucial instrument for consistently directing capital allocation to green sectors and avoiding greenwashing practices.⁴³ Binding regulations not only provide legal certainty but also increase accountability in the financial sector in supporting the energy transition and a low-carbon economy.

The next step is to reform the licensing system by establishing an integrated green permitting system that brings together environmental impact assessments, investment feasibility verification, and business permit issuance processes under one roof. Digitizing licensing is a crucial tool for increasing transparency, reducing transaction costs, and minimizing the potential for abuse of authority. Esty, in her study on environmental regulatory reform, emphasized that regulatory efficiency can only be achieved if administrative processes are fundamentally redesigned to minimize bureaucratic complexity and strengthen accountability. A single-door green licensing system in Indonesia will address the current fragmentation between environmental permits, business permits, and supervisory instruments.

Beyond licensing, implementing green investment policies requires a comprehensive capacity-building and outreach program for local governments and technical officials. This is because disparities in understanding between the central and regional governments often lead to inconsistent environmental policy implementation. Local governments also play a strategic role in the oversight function because they are the actors closest to the project location. Therefore, capacity building is not only administrative but also technical, including the ability to understand green taxonomies, ESG standards, and ecological impact assessment methodologies.

The final stage in implementing the green investment law is the implementation of a monitoring and evaluation (M&E) system based on clear, measurable, and auditable sustainability indicators. This mechanism must link investment performance to SDG indicators, particularly those related to clean energy, climate action, and sustainable industrialization. UNEP emphasizes that an integrated M&E framework is a key prerequisite for ensuring that

⁴² Eric B. Kennedy, "Collaborative Governance for Environmental Policy," *Public Administration Review* 78, no. 3 (2018): 432–441.

<https://www.jstor.org/stable/26601602>

⁴³ Dirk Schoenmaker & Willem Schramade, *Principles of Sustainable Finance* (Oxford University Press, 2019), 89–93. <https://global.oup.com/academic/product/principles-of-sustainable-finance-9780198826606>

development policies truly generate tangible ecological and social impacts, rather than simply fulfilling administrative requirements. Regular evaluations are also needed to identify policy gaps, refine taxonomic standards, and ensure that economic benefits are not achieved at the expense of long-term sustainability.

Conclusion

The current legal framework for green investment in Indonesia lacks a comprehensive and integrated framework. Existing regulations are scattered across various sectoral laws, such as Law No. 25 of 2007 concerning Investment and Law No. 32 of 2009 concerning Environmental Protection and Management, which do not explicitly address the principles of sustainable investment. Although the government has initiated policies such as the Indonesian Green Taxonomy and sustainable finance instruments, both instruments are primarily administrative in nature and lack binding regulatory force. This situation means that the direction of green investment implementation does not fully support the achievement of the SDGs, particularly in the areas of clean energy, natural resource management, and carbon emission reduction.

Legal obstacles to implementing green investment primarily lie in overlapping regulations between agencies, weak law enforcement, and the lack of clear legal incentives for green investors. Differences in interpretation between central and regional institutions regarding sustainability standards create uncertainty in the licensing process and project implementation. Furthermore, the lack of an integrated oversight mechanism makes green policies more declarative than applicable. These obstacles demonstrate that Indonesia's investment legal system is still dominated by a short-term economic paradigm without a balanced consideration of environmental and social sustainability.

The ideal legal framework for strengthening green investment needs to be directed toward the creation of comprehensive regulations that integrate Environmental, Social, and Governance (ESG) principles into the national investment legal system. These regulations must include guarantees of legal certainty, fiscal and non-fiscal incentive mechanisms, and cross-sectoral institutional governance aligned with the SDGs agenda. The creation of an umbrella act on sustainable investment can be a strategic step to ensure that all investment activities are aligned with the principles of social justice, environmental preservation, and economic prosperity. Thus, the direction of Indonesia's investment law development will strengthen the legal foundation for competitive and sustainable green economic growth..

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