STRENGTHENING INDONESIA'S GREEN INVESTMENT LAW: Legal Reconceptualisation toward Net-Zero Emissions under Green Constitution and *Maslahah*

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Received: June 2, 2025; Reviewed: September 17, 2025; Accepted: October 10, 2025; Published: December 31, 2025

Abstract

Indonesia's green investment legal framework continues to exhibit substantive and institutional deficiencies, directly impeding the achievement of Net Zero Emissions targets and the broader national sustainable development agenda. This study employs a normative legal research method, utilising conceptual and statutory approaches, reinforced by doctrinal analysis of Green Constitution principles, the Islamic legal doctrine of maslahah, and Indonesia's green investment and environmental governance policies. The findings reveal that the green investment legal framework has not ensured legal certainty, effective enforcement, or measurable environmental benefits due to regulatory fragmentation, weak integration of Environmental, Social, and Governance principles, and the absence of operationalisation of maslahah as a foundation for public policy; consequently, a reformulation of the legal paradigm is required, emphasising transparency, institutional accountability, and risk-based regulatory approaches to strengthen environmental protection and climate justice, support the achievement of Sustainable Development Goal 13, enhance cross-sectoral green investment instruments, improve inter-institutional coordination, and align *national policies with commitments under the Paris Agreement and the global sustainable development agenda in a consistent, measurable, adaptive, and socio-ecologically just manner. This research helps formulate a more climate-responsive and public welfare-oriented green investment legal model as a foundational framework for sustainable environmental policy-making in Indonesia, with implications for global environmental sustainability.*

Kerangka hukum investasi hijau di Indonesia masih menghadapi berbagai kelemahan substantif dan institusional yang berimplikasi langsung pada terhambatnya pencapaian target Net Zero Emissions dan agenda pembangunan berkelanjutan nasional. Penelitian ini menggunakan metode penelitian hukum normatif dengan pendekatan konseptual dan peraturan perundang-undangan, yang diperkaya melalui analisis doktrinal terhadap prinsip Green Constitution, doktrin maslahah dalam hukum Islam, serta kerangka kebijakan investasi hijau dan tata kelola lingkungan di Indonesia. Hasil penelitian menunjukkan bahwa kerangka hukum investasi hijau yang berlaku belum memberikan kepastian hukum, efektivitas penegakan, maupun manfaat lingkungan yang terukur akibat fragmentasi regulasi, lemahnya integrasi prinsip Environmental, Social, and Governance, serta belum teroperasionalisasinya nilai maslahah sebagai dasar kebijakan publik, sehingga diperlukan reformulasi paradigma hukum yang menekankan transparansi, akuntabilitas kelembagaan, dan pendekatan regulasi berbasis risiko dalam rangka memperkuat perlindungan lingkungan dan keadilan iklim, guna mendukung pencapaian Sustainable Development Goal 13 melalui penguatan instrumen investasi hijau lintas sektor, peningkatan koordinasi antar lembaga, penyelarasan kebijakan nasional dengan komitmen Paris Agreement dan agenda pembangunan berkelanjutan global secara konsisten, terukur, adaptif, dan berkeadilan sosial ekologis nasional berkelanjutan Indonesia. Kontribusi penelitian adalah perumusan model konseptual hukum investasi hijau yang proporsional, responsif terhadap perubahan iklim, berorientasi pada kesejahteraan umum sebagai fondasi kebijakan lingkungan berkelanjutan di Indonesia dan berimplikasi pada keberlanjutan lingkungan global.

Keywords : *green investment law, green constitution, maslahah, net zero emission.*

Introduction

The 2015 Paris Agreement[1] is an international agreement on climate change that aims to limit and lower global average temperatures.[2] This agreement, followed by all countries worldwide, marks a paramount milestone in combating global climate change. Indonesia has ratified the Paris Agreement with Law No. 16 of 2016 concerning the Ratification of the Paris Agreement to the United Nations Framework Convention on Climate Change. The Paris Agreement sets a target to achieve Net-Zero Emissions (NZE)[3] globally by 2050. Indonesia sets NZE as one of the five targets of Visi Indonesia Emas (Golden Indonesia Vision) 2045. The NZE is a crucial target for reducing overall carbon emissions. To move towards the NZE, the Green Constitution[4] provides the necessary legal framework.

Green Investment,[5] the most effective step toward NZE, has direct and significant positive implications for reducing carbon emissions.[6] It is a critical element of sustainable development[7] while serving as an instrument to encourage innovation and project development that contributes to the

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[1] The agreement was adopted by 196 countries and entered into force on November 4, 2016. The main goal of the Paris Agreement is to keep "the increase in global average temperature well below 2°C above pre-industrial levels" and to limit the temperature increase to 1.5 °C above pre-industrial levels. This is done to limit global warming. Greenhouse gas emissions must peak before 2025 and decline by 43% by 2030.

[2] "Paris Agreement," https://unfccc.int/process-and-meetings/the-paris-agreement, accessed May 4, 2024, https://unfccc.int/process-and-meetings/the-paris-agreement.

[3] The Net Zero Emission concept aims to achieve a balance between greenhouse gas emissions produced and emissions that can be absorbed or removed from the atmosphere. It involves increasing efforts to reduce carbon emissions and compensating for remaining emissions through the development of negative carbon technologies.

[4] The Green Constitution perspective places environmental protection as the main principle in the fundamental law or legal framework of a country. It leads to the adoption of policies, regulations, and practices that support the preservation of the natural environment, sustainability, and environmental justice

[5] Green investment includes the allocation of funds to environmentally friendly projects or initiatives, such as renewable energy, sustainable transportation, and energy efficiency. Green investment supports efforts to achieve Net Zero Emissions by reducing carbon emissions and supporting the transition to a more sustainable economy. Green investment is a *socially responsible investment approach* or a sustainable long-term investment model.

[6] Daffa Syabilla et al., "Pengaruh Investasi Hijau Dan Keragaman Dewan Direksi Terhadap Pengungkapan Emisi Karbon," *Konferensi Riset Nasional Ekonomi Manajemen Dan Akuntansi* 2, no. 1 (2021): 1171.

[7] Yuan Lai and Muhammad Tayyab Sohail, "Revealing the Effects of Corporate Governance on Green Investment and Innovation: Do Law and Policy Matter?," *Frontiers in Psychology* 13 (2022): 961122.

achievement of NZE. Governments across countries have adopted economic support mechanisms to encourage private investment, leading many companies to invest in renewable energy production.[8] Governments in several countries are competing to offer incentives to companies to boost investment in renewable energy projects, which, in turn, helps foster clean energy production and reduce dependence on fossil fuels.

A study conducted in Japan in 2019 showed that adding risk diversification and mitigation factors to growth models makes investing in renewable energy highly competitive.[9] By allocating investments to various renewable energy projects and preparing measures to mitigate risks, investments in renewables seem to attract more investors, as risks can be better managed and sustainable growth opportunities identified and properly exploited. The growth model referred to here concerns strategies designed to accelerate the development and adoption of renewable energy, such as tax incentives, subsidies, and other policies that support the use of clean energy.

Green investment has proven to have a significant impact on reducing carbon emissions, as its implementation can stimulate companies, businesses, and communities to adopt more environmentally friendly products and practices.[10] Green investment has begun in several developed and developing countries. Various discussions and research have been conducted concerning tackling climate change in general, as well as green investment in particular.

A Chinese study examines and analyses trends and factors that determine investment in 35 developed and developing countries, showing that the success of green investment is influenced by policy interventions that encourage the use of green energy.[11] Furthermore, research from London reveals the urgency of policy and synergies from coordinated institutions to support private investment in green innovation. Consistent, integrated policy

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[8] Fernando Dias Simões, "Investment Law and Renewable Energy: Green Expectations in Grey Times," *How International Law Works in Times of Crisis*, 2019, 206–20.

[9] Shahzadah Nayyar Jehan and Mirzosaid Sultonov, "Green Investment Policy Initiatives in Japan," *Proceedings of the 15th International Scientific and Practical Conference of the Russian Society for Ecological Economics Strategies and Tools, Stavropol, Russia*, 2019, 9, https://www.researchgate.net/profile/Shahzadah-Jehan/publication/344591150_Green_Investment_Policy_Initiatives_in_Japan/links/5f8292c892851c14bcbe780f/Green-Investment-Policy-Initiatives-in-Japan.pdf.

[10] Bintang Adi Pratama and Amrie Firmansyah, "Pembiayaan Hijau: Akselerasi Pembangunan Berkelanjutan Demi Mencapai Net Zero Emission," *Journal of Law, Administration, and Social Science* 4, no. 1 (2024): 150.

[11] Luc Eyraud et al., "Green Investment: Trends and Determinants," *Energy Policy* 60 (2013): 852–65.

and investment synergies, and effective communication with relevant parties are crucial to encouraging the transition to NZE.[12]

In the United States, one factor hindering the achievement of NZE is the difficulty of raising sufficient funds to finance the construction and operation of clean technology infrastructure.[13] The U.S. is currently synergising across the federal government, state governments, the private sector, and communities in energy transformation, which requires massive investment as well as policy and business practice transformation.[14] The U.S. itself has set standards for the application of green bonds[15] that must meet a series of aspects, one of which is regulatory.[16]

The green bond policy directly supports environmentally friendly innovation and the development of green spaces. Green bond policy is the main factor driving green innovation and green space[17]. Government-issued green bonds can reduce the risk of green investments[18] compared to private green bonds. The green bond policy in ASEAN is effective in promoting green bond issuance.[19] However, this does not mean that green bond policies are effective in promoting renewable energy and energy efficiency projects in

[12] Nicholas Stern and Anna Valero, "Innovation, Growth and the Transition to Net-Zero Emissions," *Research Policy* 50, no. 9 (2021): 11.

[13] Jesse D. Jenkins et al., "Mission Net-Zero America: The Nation-Building Path to a Prosperous, Net-Zero Emissions Economy," *Joule* 5, no. 11 (2021): 2727.

[14] Nay Htun, "Holistic and Integrated Systemic Policies and Practices for Decarbonization," *Environmental Progress & Sustainable Energy* 42, no. 4 (2023): 7, https://doi.org/10.1002/ep.14102.

[15] Green bonds are one form or type of green investment. Green bonds are financial instruments issued to support projects that pay attention to the environment and climate. Funds generated from the sale of green bonds are allocated to projects such as renewable power generation, energy efficiency projects, sustainable transportation, waste management, and projects that support adaptation to climate change and reduction of greenhouse gas emissions.

[16] Pauline Deschryver and Frederic De Mariz, "What Future for the Green Bond Market? How Can Policymakers, Companies, and Investors Unlock the Potential of the Green Bond Market?," *Journal of Risk and Financial Management* 13, no. 3 (2020): 61.

[17] Chien-Chiang Lee et al., "Towards Net-Zero Emissions: Can Green Bond Policy Promote Green Innovation and Green Space?," *Energy Economics* 121 (2023): 106675.

[18] Green investments are not protected from market fluctuations, and economic risks such as asset values can rise or fall due to macroeconomic factors, policy changes, or unexpected market turmoil.

[19] Joao Paulo Braga et al., "De-Risking of Green Investments through a Green Bond Market–Empirics and a Dynamic Model," *Journal of Economic Dynamics and Control* 131 (2021): 104201.

the ASEAN context.[20] Combining policies that support the increase in renewable energy and investment in green technologies is an essential step to accelerate the advancement of environmental technologies in the ASEAN-6 region toward NZE.[21] The European Union (EU) has stipulated "environmentally sustainable investment" in its legislation. Moreover, the EU ensures that funds allocated are consistent with the environmental protection principles laid out in the European Green Deal (EGD) [22] to achieve a climate-neutral and sustainable economy.[23]

The studies on green investment in several countries above illustrate the effectiveness of green investment regulations and legal policies. Green investment requires an ideal legal framework to achieve goals, which effectively includes clear, definite regulation. The legal framework for green investment is expected to encourage investment in environmentally friendly projects, provide financial incentives to support sustainability initiatives, and provide legal protection for the environment, communities, and investors. The legal framework concerned comprises statutes and implementing regulations, including provisions that can limit or sanction detrimental practices. An ideal legal framework would foster sustainable economic growth and promote effective environmental protection.

In Indonesia, green investment serves as one of the main pillars of a sustainable economy in 2023.[24] Green investment needs to be a priority on

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[20] Dina Azhgaliyeva et al., "Green Bonds for Financing Renewable Energy and Energy Efficiency in South-East Asia: A Review of Policies," *Journal of Sustainable Finance & Investment* 10, no. 2 (2020): 113–40, https://doi.org/10.1080/20430795.2019.1704160.

[21] Arshian Sharif et al., "Demystifying the Links between Green Technology Innovation, Economic Growth, and Environmental Tax in ASEAN-6 Countries: The Dynamic Role of Green Energy and Green Investment," *Gondwana Research* 115 (2023): 98–106.

[22] The European Green Deal (EGD) of 2019 aims to transform the European Union into a climate-neutral economy by reducing carbon emissions by 55% by 2030 towards NZE by 2050. The EGD includes a range of policy measures to tackle climate change, promote sustainable economic growth, improve energy efficiency, and strengthen environmental policies across the European Union.

[23] Alicja Sikora, "European Green Deal – Legal and Financial Challenges of the Climate Change," *ERA Forum* 21, no. 4 (2021): 681–97, https://doi.org/10.1007/s12027-020-00637-3.

[24] Jonson Hasibuan, "Ekonomi Berkelanjutan Di Tahun 2023: Investasi Hijau Dan Transformasi Bisnis," *Circle Archive* 1, no. 2 (2023), http://circle-archive.com/index.php/carc/article/view/41.

the National Legislative Programme (Prolegnas) agenda.[25] The Indonesian government must concretely demonstrate that efforts to attract green investors must be underpinned by an explicit, firm legal basis that guarantees legal certainty and justice, and protects the environment. Indonesia has set an ambitious target to reduce greenhouse gas emissions by 32% from expected emission levels by 2030. The determination of the Enhanced Nationally Determined Contribution (ENDC) [26] is equivalent to 912 million tons of CO2[27]. Like other countries, Indonesia also views green investment as the most effective instrument for realising NZE. The implementation of green investments in Indonesia, through projects and technologies, has proven to reduce greenhouse gas emissions. These include investments in agriculture and mining[28], renewable energy, such as solar, wind, and biomass,[29] sustainable transportation, and energy efficiency, which can significantly reduce carbon emissions.

Green investment regulations are entrusted to the Investment Law and Presidential Regulation on the General Plan of Investment, with Article 33, paragraph (4) of the 1945 Constitution of the Republic of Indonesia as the central legal umbrella. Explicitly, the regulation on green investment has been enacted, although it is yet to be expressly and clearly defined. In addition, its application needs improvements,[30] given that there are no sanctions arrangements and that aspects of government oversight of the implementation of investor obligations are weak. Existing investment

[25] Bintan Rahayu Anisah, "Eksistensi Investasi Hijau Dalam Poros Pembangungan Ekonomi Sebagai Bentuk Manifestasi Perlindungan Atas Lingkungan Hidup," *Padjadjaran Law Review* 8, no. 1 (2020): 132.

[26] An Enhanced Nationally Determined Contribution (ENDC) is an improved commitment proposed by a country to the United Nations (UN) to curb global contributions to climate change. By setting this target, Indonesia aims to make significant contributions to limiting global average temperature rise while reducing the impact of climate change.

[27] *Perkembangan NDC Dan Strategi Jangka Panjang Indonesia Dalam Pengendalian Perubahan Iklim* (n.d.), https://ppid.menlhk.go.id/berita/siaran-pers/5870/%20perkembangan-ndc-dan-strategi-.

[28] Pandu Adi Cakranegara, "Investasi Hijau: Mengintergrasikan Faktor Enviromental, Social Dan Governance Dalam Keputusan Investasi," *Jurnal Akuntansi, Keuangan, Dan Manajemen* 2, no. 2 (2021): 103.

[29] Tomy Rizky Izzalqurny et al., *Transformasi Ekonomi Hijau Di Indonesia* (Eurika Media Aksara, 2023), 25.

[30] Annisa Dinda Soraya, "Kebijakan Investasi Hijau Dalam Perundang-Undangan Indonesia Sebagai Upaya Penurunan Emisi Grk Nasional Menuju E-NDC 2030," *UNES Law Review* 6, no. 2 (2023): 5322.

regulations remain far from the goal of realising green investment in Indonesia.[31] As the gravity of the threat of climate change becomes more evident, new approaches are needed to design and reconceptualise legal frameworks to guide green investment and effectively address the issues that impede its progressive implementation.

The broader discourse on climate-responsive legal reform in developing countries has increasingly acknowledged the critical role of normative and constitutional legal frameworks in promoting green investment. Harahap et al. emphasise the intersection between Islamic finance and the Sustainable Development Goals (SDGs), identifying a persistent gap in the integration of legal and constitutional norms that underpin sustainable investment governance in Muslim-majority jurisdictions.[32] Similarly, Jalili et al. explore the application of Islamic legal maxims, such as *lā ḍarar wa lā ḍirār* and *maslahah,* to guide green investment models within Islamic economic theory. However, their analysis does not extend to the design of constitutional legal structures necessary to institutionalise these principles within national legal systems.[33] In the Indonesian context, A.P. Supriyadi investigates the compatibility of retail green *sukuk* with *maqāṣid al-sharīʿah*, particularly in advancing *maṣlaḥah* (public benefit) and preventing harm. Nonetheless, this study remains limited to financial instruments and does not sufficiently connect green *sukuk* with the constitutional mandates on environmental protection, as enshrined in Articles 28H(1) and 33(4) of the 1945 Constitution.[34]

Several studies on green investment in some countries above illustrate the effectiveness of green investment regulations and legal policies. However, these studies tend to focus on sectoral financial tools or ethical constructs, without developing a comprehensive normative-constitutional model that structurally supports green investment within both national constitutional

[31] Utji Sri Wulan Wuryandari et al., "Weak Investment Law Enforcement in Land and Forest Fire Cases in Indonesia," *Substantive Justice International Journal of Law* 5, no. 2 (2022): 205–15.

[32] Burhanudin Harahap et al., "Islamic Law, Islamic Finance, and Sustainable Development Goals: A Systematic Literature Review," *Sustainability* 15, no. 8 (2023): 8, https://doi.org/10.3390/su15086626.

[33] Ismail Jalili et al., "Role of Qawā'id Fiqhiyyah in Promoting Green Investment within Islamic Economics: Theoretical and Practical Frameworks," *Journal of Islamic Thought and Civilization* 15, no. 1 (2025): 1, https://doi.org/10.32350/jitc.151.12.

[34] Aditya Prastian Supriyadi et al., *Green Sukuk in Indonesia: Unraveling Legal Frameworks for Sustainable Islamic Bonds | El-Mashlahah*, January 2, 2024, https://e-journal.iain-palangkaraya.ac.id/index.php/maslahah/article/view/7372.

frameworks and Islamic legal principles. This research, therefore, seeks to address that gap by offering a legal reconceptualisation that places green investment within an integrative normative foundation: the Indonesian Green Constitution as the supreme legal source for realising ecological justice, and the principle of *maslahah* in Islamic law as a substantive ethical-normative framework. This integrative approach aims to develop a more coherent, inclusive, and constitutionally grounded legal model for green investment, thereby reinforcing Indonesia's just, sustainable, and adaptive transition toward NZE.

Research Methods

This study employs a normative legal research method to formulate rules, principles, and doctrines that address legal problems in the reconceptualisation of green investment law through the perspectives of the Green Constitution and *maslahah*. The analysis applies a statutory and conceptual approach, complemented by a comparative approach to place Indonesia's framework within the context of global practices, particularly those of the European Union, Japan, China, and the United States. Such triangulation provides comprehensive reasoning to identify legal gaps and consider international innovations relevant to Indonesia's NZE commitment. The data consist of primary legal materials, including the 1945 Constitution, Law No. 16 of 2016 on the Paris Agreement, Law No. 32 of 2009 concerning Environmental Protection and Management, and related government regulations. Secondary materials include academic books, journal articles, and prior studies on green investment, constitutional environmental law, ESG integration, and *maslahah*. Tertiary materials comprise dictionaries, legal encyclopaedias, and online databases that support conceptual clarity.

The materials were examined using content analysis, which integrates legal and conceptual exploration to help build a systematic and dynamic understanding of Indonesia's green investment law. To ensure analytical rigour, this study adopted the qualitative framework of Miles and Huberman[35], which proceeds through three iterative stages: data reduction, by coding and categorising relevant constitutional provisions, statutory regulations, and scholarly literature while eliminating extraneous information; data display, by arranging the reduced data into matrices and conceptual maps to reveal the relationship between legal norms, institutional practices, and doctrinal interpretations; and concluding and conclusion verification, by interpreting

[35] Miles, Matthew B.; Huberman, A. Michael; Saldana, Johnny. Qualitative Data Analysis: A Methods Sourcebook, 2014

the displayed data to construct normative arguments, followed by iterative cross-checking against the sources, international best practices, and the Islamic legal principle of *maslahah* to ensure validity. This structured approach is intended to establish methodological transparency and provide a coherent foundation for reconceptualising Indonesia's green investment law in line with constitutional mandates and ecological justice.

Discussion

Toward Net Zero Emissions: Aligning Legal Reform, ESG Integration, and Green Investment for Climate Justice

The global discourse on green investment reform must be supported by an ideal legal framework to optimise a low-carbon economy that should effectively address climate change.[36] In this context, the realisation of green investment not only serves as an essential pillar of a sustainable economy but also plays a vital role in reducing pollution and greenhouse gas emissions, and in improving energy efficiency, thereby contributing to environmental restoration.[37] For example, the issuance of Green Bonds by the World Bank of nearly USD 290 billion shows the global commitment to financing green projects as a concrete measure to confront the threat of climate change.[38] However, the success of green investment practices depends on straightforward guidelines that allow for implementation with predictability. These guidelines should be accommodated by a sustainable finance legal framework that holistically integrates green investment objectives into legal, investment, and environmental frameworks.[39] EU regulations emphasise Environmental, Social, and Governance (ESG) factors as critical indicators to

[36] Martin Dietrich Brauch, *Reforming International Investment Law for Climate Change Goals*, 2020, https://doi.org/10.7916/d8-300v-7h63.

[37] Chen Liu and Serena Shuo Wu, "Green Finance, Sustainability Disclosure and Economic Implications," *Fulbright Review of Economics and Policy* 3, no. 1 (2023): 1–24, https://doi.org/10.1108/FREP-03-2022-0021.

[38] Giuseppe Cortellini and Ida Claudia Panetta, "Green Bond: A Systematic Literature Review for Future Research Agendas," *Journal of Risk and Financial Management* 14, no. 12 (2021): 12, https://doi.org/10.3390/jrfm14120589.

[39] Lorenzo Cotula, "International Investment Law and Climate Change: Reframing the ISDS Reform Agenda," *The Journal of World Investment & Trade* 24, no. 4–5 (September 25, 2023): 766–791, https://doi.org/10.1163/22119000-12340310.

encourage companies to invest responsibly and sustainably.[40] Globally, realising green investment will accelerate NZE by integrating profit-minded and ecological economic paradigms to address future climate change problems.[41]

The success of mitigating climate change depends mainly on countries worldwide's level of commitment to implementing actions to curtail greenhouse gas emissions.[42] As a strategic step, alleviating climate change through green investment is a profitable option that contributes to improving social welfare. N.H. affirmed that green investment allows for new economic potential that is not only profit-oriented but also plays a role in mitigating climate change to prevent more significant economic and environmental losses in the time to come.[43] Moreover, the green investment of the contemporary era is no longer an economic need, but it is now urgent and protective. The integration of green investment transformation into the legal framework aims to replace the extractive economy paradigm, which relies on fossil energy sources as the primary driver of climate change.[44] In this context, the Intergovernmental Panel on Climate Change (IPCC) urges countries to respond to the increasing impact of global warming by 1.5°C through investment policies through green finance to slow down the acceleration of climate change.[45]

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[40] Dirk A Zetzsche et al., "The EU Sustainable Finance Framework in Light of International Standards," *Journal of International Economic Law* 25, no. 4 (2022): 659–79, https://doi.org/10.1093/jiel/jgac043.

[41] Volker Brühl, "Green Finance in Europe – Strategy, Regulation and Instruments" 2021, no. 6 (2021): 323–330.

[42] Valérie Masson-Delmotte et al., "Climate Change 2021: The Physical Science Basis," *Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change* 2, no. 1 (2021): 2391.

[43] Nicholas Herbert Stern and Great Britain Treasury, *The Economics of Climate Change: The Stern Review* (Cambridge University Press, 2007).

[44] Xiaodong Wang, "Legal and Policy Frameworks for Renewable Energy to Mitigate Climate Change," *Sustainable Development Law & Policy* 07 (winter 2007): 17–20.

[45] The IPPC report summary related to the follow-up of global warming as the cause of change recommends various green finance policies consisting of Carbon Pricing and Emissions Trading Systems, Renewable Energy Incentives, Green Finance and Investment Regulations, Energy Efficiency Standards, and Sustainable Land Use and Forestry Practices., see Valérie Masson-Delmotte et al., "An IPCC Special Report on the Impacts of Global Warming of 1.5°C above Pre-Industrial Levels and Related Global Greenhouse Gas Emission Pathways, in the Context of Strengthening the Global Response to the Threat of Climate Change, Sustainable Development, and Efforts to Eradicate Poverty," *Intergovernmental Panel on Climate Change*, 2019.

This orientation toward green investment aligns with Sustainable Development Goal (SDG) 13: Climate Action, which calls for urgent action to combat climate change and its impacts through legal, financial, and institutional reforms. Specifically, Target 13.2 emphasises the integration of climate measures into national legal and policy frameworks. This objective is increasingly pressing in the context of rising global emissions and climate-induced economic losses. As highlighted by the United Nations,[46] progress toward SDG 13 remains insufficient, especially in countries lacking coherent legal mechanisms to facilitate green finance and low-emission investment planning. Embedding green investment into national regulatory systems can direct economies away from fossil dependency and toward low-carbon, innovation-driven development. In this regard, Stern and Valero[47] stress that legal support for green investment is essential not only to meet climate targets but also to catalyse innovation and sustainable growth. Similarly, Zhang and Wei[48] demonstrate that the alignment between resource efficiency, cultural-economic sectors, and legal green frameworks significantly enhances the performance of green economic transitions. Furthermore, the need for legal reconceptualisation in investment law to better accommodate climate imperatives is affirmed by Cotula,[49] who critiques the rigidity of existing legal regimes in supporting transformative climate action. These studies collectively reinforce the notion that Indonesia's legal transformation in favour of green investment is not merely a domestic priority but a concrete contribution to the global realisation of SDG 13 and the commitments under the Paris Agreement.

While the global discourse highlights transparency, ESG integration, and legal reform as central pillars for promoting green investment, these instruments remain insufficient without a deeper normative foundation that binds actors to act responsibly. In this regard, the principle of good faith offers an essential framework to complement the existing regulatory approach. The principle of good faith serves as a normative bridge that can address the

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46 United Nations Department of Economic and Social Affairs, *The Sustainable Development Goals Report 2023: Special Edition*, The Sustainable Development Goals Report (United Nations, 2023), https://doi.org/10.18356/9789210024914.

47 Nicholas Stern and Anna Valero, "Innovation, Growth and the Transition to Net-Zero Emissions," *Research Policy* 50, no. 9 (2021): 104293, https://doi.org/10.1016/j.respol.2021.104293.

48 Ming Zhang and Xuejiao Wei, "Resource Efficiency, Cultural Industry, and Green Economic Growth: A Synergistic Approach," *Resources Policy* 90 (March 2024): 104769, https://doi.org/10.1016/j.resourpol.2024.104769.

49 Cotula, "International Investment Law and Climate Change."

philosophical, juridical, and sociological dimensions of Indonesia's green investment law. Philosophically, good faith reorients investment activities toward an ethic of responsibility that transcends mere profit motives by embedding ecological justice and intergenerational equity into regulatory contracts—reflecting what is often referred to as a 'duty of honest performance' or 'organisational principle' underlying contractual obligations.[50] Juridically, its internalisation ensures that investors, regulators, and state actors uphold transparency, fair dealing, and compliance with ESG standards, thereby mitigating the risks of greenwashing and weak enforcement mechanisms, particularly within the framework of international investment law and arbitration.[51] Sociologically, good faith fosters trust and social legitimacy by aligning investment practices with community welfare and enabling public participation, transforming green investment into a relational, cooperative endeavour rather than a purely transactional one.[52] In this sense, the good faith principle strengthens the constitutional and *maslahah*-based foundations of Indonesia's green investment law, while simultaneously operationalising them into enforceable standards of conduct, offering a holistic solution to the multi-dimensional challenges of achieving NZE.

The principle of good faith is not merely compliant with regulations; it demonstrates a manifestation of commitment to sustainability and ecological justice. In practice, the good faith of entrepreneurs and investors is realised through adherence to Environmental Impact Assessments (AMDAL), which serve as concrete instruments for ensuring ecological justice.[53] Conversely, the absence of good faith results in adverse consequences, in which, socially, it may trigger conflicts with local communities, undermine social legitimacy, and damage corporate reputation both domestically and in global markets. Ecologically, profit-driven investment practices that disregard sustainability

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[50] Bois Francois Du, "Developing Good Faith: Equality, Autonomy and Fidelity to the Bargain," *Constitutional Court Review* 12, no. 1 (2022): 223–259, https://doi.org/10.2989/CCR.2022.0009.

[51] Sanja Djajić, *Good Faith in International Investment Law and Policy* (2020), https://doi.org/10.1007/978-981-13-5744-2_115-1.

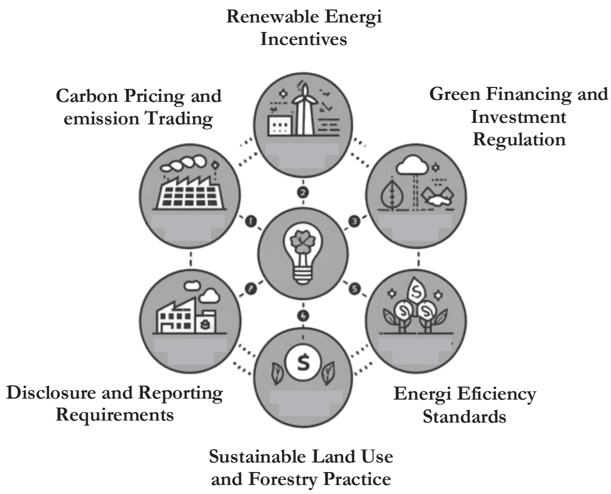
[52] *Cooperation as Philosophical Foundation of Good Faith in International Business-Contracting – A View Through the Prism of Transnational Law | Oxford University Comparative Law Forum*, July 27, 2017, https://ouclf.law.ox.ac.uk/cooperation-as-philosophical-foundation-of-good-faith-in-international-business-contracting-a-view-through-the-prism-of-transnational-law/.

[53] Ali Rahmat Kurniawan et al., "A Qualitative Content Analysis of Environmental Impact Assessment in Indonesia: A Case Study of Nickel Smelter Processing," *Impact Assessment and Project Appraisal* 38, no. 3 (2020): 194–204, https://doi.org/10.1080/14615517.2019.1672452.

principles exacerbate environmental degradation, accelerate ecosystem collapse, and threaten future generations. Juridically, business actors and investors face the risk of administrative sanctions, civil liability, and even criminal prosecution for non-compliance with statutory obligations. Economically, neglecting the principle of good faith creates hidden costs associated with environmental restoration, reduces competitiveness, and exposes businesses to market rejection in jurisdictions that strictly enforce sustainability standards, thereby lowering stock value.[54] At the international level, persistent violations may foster perceptions that Indonesia is not serious about honouring its commitments under the Paris Agreement and the SDGs.[55] Finally, from an ethical and human rights perspective, investments and business operations devoid of good faith risk violating communities' fundamental right to a healthy environment. Thus, the neglect of good faith not only entails legal liabilities but also engenders systemic risks that may destabilise national development and undermine Indonesia's integrity in the global arena.

Figure 1.1.

Six main policies to respond to global warming in overcoming climate change



Sources: Personal processed data based on IPPC report (2024)

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54 Fan Xia et al., "Does Non-Compliance Pay? Environmental Violations and Share Prices in China," *Corporate Social Responsibility and Environmental Management* 31, no. 3 (2024): 1886–904, https://doi.org/10.1002/csr.2672.

55 Lavanya Rajamani, "Interpreting the Paris Agreement in Its Normative Environment," *Current Legal Problems* 77, no. 1 (2024): 167–200, https://doi.org/10.1093/clp/cuae011.

In response to the global issue of climate change, Indonesia has taken significant steps by increasing its commitments in accordance with the Paris Agreement. Based on the Enhanced Nationally Determined Contribution (ENDC) report submitted to the United Nations Framework Convention on Climate Change in 2022, Indonesia is committed to increasing its emission reduction target from 29% to 31.89%. To achieve this ambitious goal, Indonesia is adopting a partnership-based green investment networking strategy to accelerate NZE efforts to eradicate climate change.[56] The three main sectors to be optimised to overcome climate change in Indonesia include (1) optimisation of the transition of new and renewable energy to realise decarbonisation due to the use of coal energy,[57] (2) optimisation of green finance to fund NZE projects in the sector, energy transformation, agriculture, forestry, and sustainable land use with an investment target of USD 285 billion,[58] (3) optimisation of the development of the renewable energy sector by utilising solar, water, wind, and other sectors that have an impact on accelerating towards NZE to overcome climate change.[59]

To realise its NZE ambition, Indonesia has taken strategic steps by developing various legal policies. Some of the legal products issued are listed below.

Table 1.1

List of Primary Legal Products Relevant to Climate Change Alleviation Programmes in Indonesia

No.	Types of Legal Products	Information
1.	Law No.16 of 2016	Legal products that legitimise the Paris Agreement to demonstrate Indonesia's

[56] IISD's SDG Knowledge Hub, *Indonesia's LEDS Identifies Partnerships as Key to Achieve Paris Agreement | News | SDG Knowledge Hub | IISD*, n.d., accessed April 7, 2024, http://sdg.iisd.org/news/indonesias-leds-identifies-partnerships-as-key-to-achieve-paris-agreement/.

[57] "An Energy Sector Roadmap to Net Zero Emissions in Indonesia – Analysis," IEA, September 2, 2022, https://www.iea.org/reports/an-energy-sector-roadmap-to-net-zero-emissions-in-indonesia.

[58] "Climate-Aligned Investments in Indonesia's Financial Sector," CPI, accessed April 7, 2024, https://www.climatepolicyinitiative.org/publication/climate-aligned-investments-in-indonesias-financial-sector/.

[59] Leonardo Garrido et al., *Zeroing In on Zero Emissions: Increasing Climate Ambition for Indonesia*, October 15, 2021, https://www.wri.org/insights/zero-emissions-increasing-climate-ambition-indonesia.

		commitment to tackling climate change internationally
2.	Government Regulation No. 79 of 2014	A technical legal product containing directions for the development and optimisation of new and renewable energy in Indonesia
3.	Government Regulation No. 57 of 2016	Technical legal products as the basis for Peatland Ecosystem Protection and Management policies to reduce emissions from peatland degradation
4.	Presidential Regulation No. 61 of 2011	Legal products as the policy basis of the national action plan to reduce greenhouse gas emissions
5	Presidential Regulation No. 55 of 2019	About Battery Electric Vehicle Programme Acceleration for Road Transport

Source : Author's Processed Data (2024).

The existence of primary legal products and other legal products that support climate change alleviation programmes has been suboptimal in the field. It occurred due to an inconsistency in the original plan, leading to persistent deforestation and the loss of 11% of the primary forest area in 2021.[60] In addition, 70% of forest destruction from coal mining increased greenhouse gas emissions and reduced Indonesia's forest area to around 93.8 million hectares.[61] Another obstacle is the need for optimal renewable energy transformation rules, given that, to date, coal has been the central pillar of Indonesia's energy security.[62] It happens because existing legal products could be improved to serve as green investment performance standards, helping accelerate green, sustainable programmes to mitigate climate change.[63] The Climate Action Tracker assesses Indonesia's climate policy target as "critically

[60] "Kehilangan Hutan Tetap Tinggi Di Tahun 2021 | Global Forest Watch Blog," accessed April 7, 2024, https://www.globalforestwatch.org/blog/id/insights/data-kehilangan-tutupan-pohon-global-2021/.

[61] "Indonesia Kehilangan 270 Ribu Hektar Lahan Hutan Primer pada 2020 | Databoks," accessed April 7, 2024, https://databoks.katadata.co.id/datapublish/2021/11/04/indonesia-kehilangan-270-ribu-hektar-lahan-hutan-primer-pada-2020.

[62] "Kesiapan Regulasi Indonesia untuk Memenuhi Komitmennya dalam COP21," LK2 FHUI, accessed April 7, 2024, https://lk2fhui.law.ui.ac.id/portfolio/kesiapan-regulasi-indonesia-untuk-memenuhi-komitmennya-dalam-cop21/.

[63] Wang, "Legal and Policy Frameworks for Renewable Energy to Mitigate Climate Change."

insufficient" due to the priority given to the planned expansion of coal power plants in 2022, which is not in line with the global temperature limit of 1.5°C as stipulated in the Paris Agreement.[64]

The existing problems in regulating green investment law in Indonesia, which seem to exacerbate the threat of climate change, require a new approach to reconceptualising the law. Indonesia's need to reconceptualise the law is even more urgent if analysed using three simple benchmarks from S. Sebastian's research.[65] The country needs these benchmarks to regulate effective green investment to surmount climate change. The **first** is transparency and disclosure. Mark S. Bergman asserts that transparency in green investment legal arrangements is a crucial element that cannot be separated from sustainable development goals. Laws that promote transparency play a vital role in guiding investors to consistently consider environmental, social, and governance (ESG) factors when making accurate green investment decisions.[66] Overlooking this element will leave room for irrelevant greenwashing conducted by investors to overcome the threat of climate change.[67] Conversely, transparency encourages investors to apply moral discipline independently in economic activities that support environmental sustainability.[68]

The internalisation of the principle of transparency in legal and policy settings in Indonesia is essential to increasing the accountability of green investment. Along with the commitment, the sustainable finance roadmap and green taxonomy aim to increase capacity and coordination within the financial

[64] "Indonesia," accessed April 7, 2024, https://climateactiontracker.org/countries/indonesia/.

[65] 3 (three) simple benchmarks that countries need to regulate green investment to overcome climate change consisting of : (1) Transparency and Disclosure, (2) Risk Management dan, (3) Integration of ESG Criteria Sebastian Steuer and Tobias H Tröger, "The Role of Disclosure in Green Finance," *Journal of Financial Regulation* 8, no. 1 (2022): 1–50, https://doi.org/10.1093/jfr/fjac001.

[66] Ariel Deckelbaum et al., "ESG Disclosures: Frameworks and Standards Developed by Intergovernmental and Non-Governmental Organizations," *The Harvard Law School Forum on Corporate Governance*, September 21, 2020, https://corpgov.law.harvard.edu/2020/09/21/esg-disclosures-frameworks-and-standards-developed-by-intergovernmental-and-non-governmental-organizations/.

[67] Danny Busch, "EU Sustainable Finance Disclosure Regulation," *Capital Markets Law Journal* 18, no. 3 (2023): 303–28, https://doi.org/10.1093/cmlj/kmad005.

[68] Green Skills Academy, "Green Finance: Investors Need Transparency," *LSE Business Review*, May 28, 2020, https://blogs.lse.ac.uk/businessreview/2020/05/28/green-finance-investors-need-transparency/.

sector towards NZE.[69] To ensure the plan goes as expected, ESG-based regulations with transparency insight are needed as concrete guidelines for green investors in Indonesia.[70] Transparency International underscores that such regulations are essential to ensure open management and financing, budget accountability, and the flow of funds as an effective joint oversight tool to prevent corruption in the green investment sector.[71] According to the World Bank, optimising transparency in regulations is essential for building trust among stakeholders (government investors and the public), which can be used to track the progressivity of green investment contributions.[72] A high level of transparency will attract more investment from the private and international sectors, while accelerating the achievement of the target of reducing greenhouse gas emissions by 29% by 2030.[73]

The second is risk management. Internalisation of risk management principles in green investment law in Indonesia is also crucial to accelerating efforts to address climate change-related issues. According to M. Demuzere's research, green investment arrangements with risk-management insights reduce physical risks from extreme weather events and natural disasters. So, policy realisation can affect ecosystem protection and secure assets and investments from damage caused by climate change.[74] Risk management principles are also essential to maintaining green investment resilience to financial risks arising from the transition to a low-carbon economy. Internalising these principles can help manage risk by supporting green technology innovation and ensuring that economies run in line with global

[69] "ESG 2023 - Indonesia | Global Practice Guides | Chambers and Partners," accessed April 9, 2024, https://practiceguides.chambers.com/practice-guides/esg-2023/indonesia.

[70] "ESG in Indonesia: Access to Finance 2023," *Oxford Business Group*, n.d.

[71] "Climate Crisis - Our Priorities," Transparency.Org, December 11, 2020, https://www.transparency.org/en/our-priorities/climate-crisis.

[72] "World Bank Group Report Proposes Policies, Investments to Enable Indonesia to Achieve Its Development and Climate Goals," Text/HTML, World Bank, accessed April 9, 2024, https://www.worldbank.org/en/news/press-release/2023/05/03/world-bank-group-report-proposes-policies-investments-to-enable-indonesia-to-achieve-its-development-and-climate-goals.

[73] Hanny Chrysolite et al., *Evaluating Indonesia's Progress on Its Climate Commitments*, October 4, 2017, https://www.wri.org/insights/evaluating-indonesias-progress-its-climate-commitments.

[74] M. Demuzere et al., "Mitigating and Adapting to Climate Change: Multi-Functional and Multi-Scale Assessment of Green Urban Infrastructure," *Journal of Environmental Management* 146 (December 15, 2014): 107–115, https://doi.org/10.1016/j.jenvman.2014.07.025.

climate goals.[75] Legal solid guidance in risk management will help increase healthy business competition, where green investors are given equal standing. Additionally, it encourages companies to continuously innovate and develop new ideas to maintain resilient profitability while still adhering to the principles of a competitive green economy.[76] Given the urgency of risk management, the internalisation of these principles into Indonesia's green investment law will guide investors to improve security, mitigate risks, and ensure companies operate transparently in a healthy economic environment to contribute to tackling climate change.

The third is integration of ESG criteria. The ESG integration cannot be done unilaterally. Finding the ideal integration criteria requires a collaborative approach, including legislation, regulation, technical policy support, and investment with transparency, accountability, and environmental response to encourage sustainable development.[77] The OECD report explains the urgency of integrating these three criteria to affect the targeted practical implications of climate change action.[78] The ESG integration builds an investment paradigm that embeds Socially Responsible Investing (SRI) obligations to support environmentally sound investments and social impact through transparent and accountable governance.[79] The integration of ESG provides accurate business consideration of environmental insights and contributes to improving optimal performance and addressing climate change.[80]

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[75] European Central Bank, "Implications of the Transition to a Low-Carbon Economy for the Euro Area Financial System," European Central Bank, November 21, 2019, https://www.ecb.europa.eu/press/key/date/2019/html/ecb.sp191121_1~af63c4de7d.en.html.

[76] Andewi Rokhmawati, "The Nexus among Green Investment, Foreign Ownership, Export, Greenhouse Gas Emissions, and Competitiveness," *Energy Strategy Reviews* 37 (September 2021): 100679, https://doi.org/10.1016/j.esr.2021.100679.

[77] Alaa Aldowaish et al., "Environmental, Social, and Governance Integration into the Business Model: Literature Review and Research Agenda," *Sustainability* 14, no. 5 (2022): 5, https://doi.org/10.3390/su14052959.

[78] OECD, *Investment Governance and the Integration of Environmental, Social and Governance Factors*, 2017.

[79] Albert Tsang et al., "Environmental, Social, and Governance (ESG) Disclosure: A Literature Review," *The British Accounting Review* 55, no. 1 (2023): 101149, https://doi.org/10.1016/j.bar.2022.101149.

[80] Anrafel De Souza Barbosa et al., "Integration of Environmental, Social, and Governance (ESG) Criteria: Their Impacts on Corporate Sustainability Performance," *Humanities and Social Sciences Communications* 10, no. 1 (2023): 410, https://doi.org/10.1057/s41599-023-01919-0.

The integration of ESG into green investment law arrangements in Indonesia is essential to create a proportionate legal order that helps address climate change. In 2022, President Joko Widodo launched the Green Taxonomy to encourage investors to support regulatory compliance related to ESG. In addition, during Indonesia's G20 Presidency, the Minister of Finance launched an ESG framework and manual. Despite the taxonomy and framework guidelines, ESG implementation guidelines still need to be developed,[81] because existing policies lack comprehensive mechanisms and strict ESG monitoring and assessment instruments. Meanwhile, these instruments can affect unsubstantial ESG labelling.[82] To enable investors to realise ESG integration, several provisions must be regulated, such as (1) Environmental insight criteria that include waste and pollution mitigation and optimisation of environmentally friendly energy; (2) social criteria that include management of corporate relations with stakeholders that focus on social welfare;[83] (3) governance criteria that include idealistic Good Corporate Governance to ensure linear green investment with climate change alleviation accountability and transparency.[84]

Reconceptualisation of Green Investment Toward Net-Zero Emissions (NZE): Integrating Constitutional Ecology and *Maslahah* Principles for Sustainable Development

The urgency of a sustainable green investment climate paradigm in the context of life at the national and state levels today is significant. It is not only about the discourse on sustainable spirit for the current generation but also for future generations, with a primary focus on economic activities that

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[81] PricewaterhouseCoopers, "Indonesia's Green Taxonomy Prompts Focus on ESG Value Creation," PwC, accessed April 9, 2024, https://www.pwc.com/id/en/pwc-publications/services-publications/legal-publications/indonesia-s-green-taxonomy-prompts-focus-on-esg-value-creation.html.

[82] Lee Kok Leong, "Indonesia Launches ESG Framework for Green, Sustainable Investment," Maritime Fairtrade, November 12, 2022, https://maritimefairtrade.org/indonesia-launches-esg-framework-for-green-sustainable-investment/.

[83] Xiaokai Meng and Ghulam Muhammad Shaikh, "Evaluating Environmental, Social, and Governance Criteria and Green Finance Investment Strategies Using Fuzzy AHP and Fuzzy WASPAS," *Sustainability* 15, no. 8 (2023): 8, https://doi.org/10.3390/su15086786.

[84] Alessio Baratta et al., "The Impact of ESG Practices in Industry with a Focus on Carbon Emissions: Insights and Future Perspectives," *Sustainability* 15, no. 8 (2023): 8, https://doi.org/10.3390/su15086685.

produce products and create job opportunities. Policymakers must undoubtedly be responsive to capturing the momentum of investment and the green economy, while supporting the welfare of the community at large in an equitable way, without overlooking ecological and environmental sustainability, grounded in the principle of significant benefit.

Net-zero-based green investment is oriented toward maintaining a balance between improving people's welfare and supporting the national economy. Therefore, macro and micro development carried out by the government should adopt the principles of investment and a sustainable green economy. Sustainable development principally carries three main pillars: economic, environmental,[85] and social. Economic sustainability emphasises growth without harming the economy's capital base, while environmental sustainability includes a stable climate and biodiversity. Furthermore, social sustainability ensures fair access to basic needs and protects vulnerable groups, thereby ensuring that the shift toward green investment does not produce social inequality. The need to integrate all three dimensions of the principle is inevitable, but in reality, it is emphasised more on reconciliation than on integration.

The concept of green investment-based economic development principles focuses on the following considerations. The green economy must create prosperity for all communities, promote equality across generations, and sustain, restore, and invest in activities based on natural resources that support sustainable levels of consumption and production. All of these must be supported by a strong, integrated, and accountable system. Economic policies and practices should ideally consider sustainable social, political, cultural,[86] and ecological criteria. Economic policies[87] and practices govern how sustainable development pathways shape employment, education, and well-being. Creating a sustainable future for the environment requires the commitment of all elements, both society and all stakeholders, to jointly realise greener production and consumption work, environmentally friendly

[85] Shaozhen Han et al., "Differentiated Environmental Regulations and Corporate Environmental Responsibility: The Moderating Role of Institutional Environment," *Journal of Cleaner Production* 313 (September 2021): 127870, https://doi.org/10.1016/j.jclepro.2021.127870.

[86] Zhang and Wei, "Resource Efficiency, Cultural Industry, and Green Economic Growth."

[87] Wenguang Tang et al., "Green Innovation and Resource Efficiency to Meet Net-Zero Emission," *Resources Policy* 86 (October 2023): 104231, https://doi.org/10.1016/j.resourpol.2023.104231.

technology, renewable energy[88], transportation, agriculture, waste management, wastewater supply, and sanitation that are more ecologically green, within the framework of disease prevention and maintaining the health and sustainability of ecosystems gradually.[89]

Environmental management and investment are basically problematic. Human actions often cause these problems, although it is commonly known that proper treatment helps preserve the environment. Natural resources and energy can make a substantial contribution only to countries that can unite, utilise, protect, and integrate all existing sectors for the benefit of economic growth, the investment climate, social welfare, and a healthy, exotic natural environment.

God created the universe with all its contents, including humans. Theologically, in scripture, the universe is designed in a balanced, mutually beneficial way, with each element connected to its nature, environment, and others.[90] The universe, in the context of law, must also be viewed as having equal rights and given the status of a subject of law, as well as the environment. Between the universe and the environment, humans are seen as equal subjects of law and fundamental rights.[91] Humans are the most perfect component of the environment. Among other components, humans bear the responsibility to maintain the harmony and balance of the entire ecosystem, both natural and artificial.

Humans, as caliphs[92], are granted the authority to always utilise, manage, and care for the earth in ecological nuances, including land, ocean, and air quality. In reality, some of them are destructive, overexploiting nature's potential, while others are constructive, demonstrating collective consensus and good faith in the sustainable use of nature by obeying norms as guidance. In today's contemporary era, technological sophistication and disruption, as well as consensus or collective agreement, are codified as legal norms. H.L.A

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[88] Indah Dwi Qurbani and Ilham Dwi Rafiqi, "Prospective Green Constitution in New and Renewable Energy Regulation," *Legality : Jurnal Ilmiah Hukum* 30, no. 1 (2022): 1, https://doi.org/10.22219/ljih.v30i1.18289.

[89] Srinivasan, *Asia's Economies Face Weakening Growth, Rising Inflation Pressures*, 2022, hlm. 34.

[90] Nasib Ar-Rifa'i, *Ringkasan Tafsir Ibnu Katsir jilid III* (Jakarta:Gema Insani Press, 2000), hlm. 333.

[91] K. Hardjasoemantri, *Hukum Tata Lingkungan*, Yogyakarta: Gadjah Mada University Press, hlm. 65.

[92] Abdul Wahhab Khallaf and Noer Iskander Al-Barsany, *Kaidah Kaidah Hukum Islam* (Rajawali, 1989), 94.

Hart[93] explained the concept of legal norms as laws and regulations formulated by officials authorised to regulate society, and he explained sanctions imposed on violators. In the context of juridical and constitutive norms, the state has regulated through existing legal products, including Law No. 32 of 2009 concerning Environmental Protection and Management.[94]

International awareness of protecting the natural environment encourages and strengthens the development of collective responsibility and awareness at the national level, including in Indonesia, through commitments to protecting and conserving nature. National awareness and responsibility take into account random programmes and the upgrading of environmental legal norms from the level of statutes to the Constitution. This shift is often referred to as the constitutionalisation of Environmental Law, or, popularly, the green constitution. The green constitution is part of the nation's objectives, as stipulated in the Preamble to the 1945 Constitution of the Republic of Indonesia (The 1945 Constitution).

The constitution has accommodated the concept and paradigm of a green constitution, placing ecological sovereignty as an object the state must protect. In Indonesian legal terminology, the green constitution and environmental sovereignty (ecocracy) are reflected in the idea of power and human rights, as well as the idea of economic democracy[95] as stated in the provisions of Article 28 H, paragraph (1) and Article 33, paragraph (4) of the 1945 Constitution.[96] The formulation of these norms is closely related to the concept of sustainable development, which is based on environmentally sound economic development. In principle, the green constitution is to constitutionalise environmental legal norms by elevating environmental protection norms to the constitutional level. Thus, the urgency of the spirit and principles of sustainable development, which are environmentally sound and protect the environment, has a strong foothold in laws and regulations. In other words, the Green Constitution's principle is to protect the

[93] Herbert Lionel Adolphus Hart and Leslie Green, *The Concept of Law* (Oxford University Press, 2012).

[94] Moh Fadli et al., *Hukum dan Kebijakan Lingkungan* (Universitas Brawijaya Press, 2016), 63.

[95] Jimly Asshiddiqie, "Gagasan Kedaulatan Rakyat Dalam Konstitusi Dan Pelaksanaannya Di Indonesia: Pergeseran Keseimbangan Antara Individualisme Dan Kolektivisme Dalam Kebijakan Demokrasi Politik Dan Demokrasi Ekonomi Selama Tiga Masa Demokrasi, 1945-1980-An," *(No Title)*, 1994, 32, https://cir.nii.ac.jp/crid/1130282273364509184.

[96] See Article 33, paragraph (4) of the 1945 Constitution of the Republic of Indonesia, "The national economy is organised based on economic democracy with the principles of togetherness, efficiency, justice, sustainability, environmental insight, independence, and by maintaining a balance of progress and national economic unity.

environment. The reality of implementing the green constitution serves as the foundation for Indonesia's sustainable development process.

The principle of good faith in the implementation of green investment policies in Indonesia can be assessed by examining the coherence between investors' normative commitments and verifiable, transparent sustainability practices.[97] The characteristics of good faith are reflected in investors' compliance with environmental standards, fulfilment of social obligations, and disclosure of information on the impacts of investment activities. Within the context of investment law, the objective standard of good faith may be observed in the extent to which business actors interpret regulations not merely as administrative burdens, but rather as both moral and legal instruments to safeguard the ecosystem and promote public welfare.[98] This is consistent with the principle of international due diligence (OECD Guidelines for Multinational Enterprises, 2011), which underscores that compliance can only be regarded as being in good faith if it is accompanied by active, consistent, and legally auditable efforts. Normatively, this principle is also derived from Article 33, paragraph (4) of the 1945 Constitution, which emphasises sustainable development, as well as Article 15 letter (b) of Law No. 25 of 2007 concerning Investment, which obligates investors to conduct social responsibilities and preserve the environment.

The parameters of good faith may further be measured through compliance and accountability mechanisms as articulated in sustainability reports, environmental audits, and community participation in investment decision-making processes. Law No. 32 of 2009 concerning Environmental Protection and Management, as reinforced by Law No. 11 of 2020 concerning Job Creation, stipulates that all investments must conduct an Environmental Impact Assessment (AMDAL) as a prerequisite for business licensing (Articles 22–37 of the Environmental Protection and Management Law in conjunction with Article 37 of the Job Creation Law). This requirement constitutes a concrete indicator of good faith, as only investors acting in genuine good faith would refrain from manipulating AMDAL documents or fulfilling such obligations merely as a formality. Furthermore, the implementation of the principle of good faith in green investment aligns with

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[97] Sheila Noor Baity, "Green Bonds Investors Protection Against The Risk Of Greenwashing Based On Pojk Number 60 Of 2017," *Journal Of Private And Commercial Law*, December 30, 2024, 187–213, Https://Doi.Org/10.20885/Jpcol.Vol1.Iss2.Art3.

[98] Ratu Silfa Addiba Nursahla Et Al., "Legal Aspects Of The Central Bank's Green Finance Instruments In Indonesia: An Overview," *Journal Of Central Banking Law And Institutions* 2, No. 1 (2023): 123–52, Https://Doi.Org/10.21098/Jcli.V2i1.38.

Indonesia's commitments under the Paris Agreement and the Sustainable Development Goals (SDGs), particularly Goal 13 (climate action) and Goal 15 (life on land). Thus, the measurement of good faith extends beyond mere formal compliance with regulations, encompassing the investment contribution to ecological justice and intergenerational ethics in sustainable development.

The principle of sustainable development is to meet the needs of the present without sacrificing the fulfilment of the needs of future generations.[99] The green constitution[100] is a response to public concerns regarding the decline in environmental functions, considering that, in principle, environmental problems have been diverse and complex over time, particularly in the context of unpredictable climate change. Therefore, balance and sustainability are essential and must be maintained by citizens worldwide.

Sustainable development[101] requires the production and distribution of goods and services between people without harming Indonesia's resources and natural environment. The production and distribution process with this mechanism is often recognised as a green economy,[102] which will give rise to a green investment climate and, in a more substantive framework, has encouraged the birth of green contracts. A green economy and green investment climate are oriented towards the following two missions: to improve welfare and social equality and reduce the risk of environmental damage, and to achieve an economy that produces low or zero carbon dioxide emissions for a cleaner environment, protected natural resources, and social justice.[103] In its application, the concept of green investment and green

[99] Jimly Asshiddiqie, *Green Constitution: Nuansa Hijau Undang-Undang Dasar 1945*, (Jakarta: Sinar Grafika, 2010), hlm. 7.

[100] Maret Priyanta, "Penerapan Konsep Konstitusi Hijau (Green Constitution) Di Indonesia Sebagai Tanggung Jawab Negara Dalam Perlindungan Dan Pengelolaan Lingkungan Hidup," *Jurnal Konstitusi* 7, no. 4 (2010): 116, 4, https://doi.org/10.31078/jk746.

[101] Julian Nugroho, "Ulasan Buku: 90 Tahun Prof. Emil Salim Pembangunan Berkelanjutan: Menuju Indonesia Tinggal Landas 2045," *Syntax Literate; Jurnal Ilmiah Indonesia* 6, no. 2 (2021): 853–871.

[102] Seyed Meysam Khoshnava et al., "Aligning the Criteria of Green Economy (GE) and Sustainable Development Goals (SDGs) to Implement Sustainable Development," *Sustainability* 11, no. 17 (2019): 17, https://doi.org/10.3390/su11174615.

[103] The United Nations Environment Programme (UNEP) report entitled *Towards a Green Economy: Pathways to Sustainable Development and Poverty Eradication – Asynthesis for Policy Makers*, also see Mohamad Nur Yasin, "Perbandingan GreenKonstitusi, GreenEkonomi, Dan Hukum Ekonomi Syariah Di Indonesia," *Asy-Syir'ah: Jurnal Ilmu Syari'ah Dan Hukum* 50, no. 1 (2016): 1, https://doi.org/10.14421/ajish.v50i1.166.

economy is centred on improving the economic sector, with primary emphasis on environmental sustainability in achieving development.

The sustainability of economic and environmental development is necessary to support human life and other living things, and it is an essential element of the concept of sustainable development. The Green constitution emphasises aspects of sustainable development that are environmentally sound within the context of political and policy currents. Empirically, green constitutional recognition remains limited in scope, as evidenced by the provisions stipulated under Article 44 of the Environmental Protection and Management Law of 2009. Economic development, investment climate, and environment are sustainable so long as natural resources are neither underexploited nor overexploited, and economic activity is not reduced for short-term benefits, as this can leave severe problems in the future.

At the implementation level, values, rules, and behaviour patterns should be aligned. There has been an imbalance between economic activities and the environment, where economic development tends to lead to the exploitation of resources, causing environmental damage each year, as widely felt by the community.[104] In Indonesia, there has been poor implementation of green investment and green economy policies. This is evident in the high extraction rate, which has caused damage, especially to forest cover.[105] Between 2001 and 2019, the total forest cover reached 27.7 hectares, primarily due to land-use transitions or conversions to monoculture plantations and mining for primary commodities.[106]

On the one hand, President Joko Widodo expressed his commitment, conveying to the media that Indonesia will build a green industrial area in North Kalimantan. The green industrial park will be the largest in the world and will harness green energy to power the industry. He further said, "We are also transforming to a green economy; these green products have added value

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[104] Muhammad Rayhan Ali Ferdiansyah Et Al., "Penerapan Green Economy: Seberapa Hijau Ekonomi Indonesia Ditinjau Dari Pertumbuhan Ekonomi, Populasi, Dan Energi Terbarukan Tahun 1990-2020," *Jurnal Ilmiah Penalaran Dan Penelitian Mahasiswa* 7, No. 1 (May 31, 2023): 135–58.

[105] Ana Lesdiana And Alexandra Hukom, "Penerapan Green Economy Dalam Mengembangkan Pendidikan, Pariwisata Serta Rekreasi Untuk Mewujudkan Pembangunan Yang Berwawasan Lingkungan Di Kota Yogyakarta," *Sibatik Journal: Jurnal Ilmiah Bidang Sosial, Ekonomi, Budaya, Teknologi, Dan Pendidikan* 2, no. 4 (March 30, 2023): 1219–26, https://doi.org/10.54443/sibatik.v2i4.780.

[106] M. Firmansyah, "Konsep Turunan Green Economy Dan Penerapannya: Sebuah Analisis Literatur," *Ecoplan* 5, no. 2 (2022): 141–49.

because they will be in demand by the global market, and they are environmentally friendly."[107]

The reality of green investment programmes in Indonesia, however, has been, is, and will be ongoing. These programmes are run explicitly by the institution, agency, or other stakeholders. Indonesia's National Development Planning Agency (BAPENNAS), for example, has developed four main programmes related to sustainable green investment, including energy, sustainable landscapes, Special Economic Zones (SEZs), and preparation for Green Climate Fund (GCF).[108] The realisation of the above programme is feasible if visualised in the chart below.

Figure 1.2.
Key Sustainable Green Investment Programs

Source: Processed from BAPENNAS RI 2024

The four programmes in the realm of implementation still encounter conditions that allow potential irregularities in the field. In preventing possible irregularities and damage, cross-sectoral ministries should be able to integrate and synchronise every policy design[109] carried out through regulatory products and coordination of functions of both the central and local governments based on community participation and resource utilisation effectively, efficiently, fairly and sustainably, based on development partners oriented to aspects of benefit. It is in line with the principle of Islam as a

[107] https://www.kompas.com/ accessed 15 May 2024.
[108] Penerapan investasi hijau di Indonesia, see "Investasi Hijau Dan Kontribusinya Untuk Ekonomi," ALAMI Sharia, September 27, 2022, https://alamisharia.co.id/blogs/ekonomi-syariah/investasi-hijau/.
[109] Luthfi J. Kurniawan and Mustafa Lutfi, *Hukum Dan Kebijakan Publik: Perihal Negara, Masyarakat Sipil, Dan Kearifan Lokal Dalam Perspektif Politik Kesejahteraan* (Setara Press, 2017), 56.

religion that the majority of Indonesians embrace.[110] This principle highlights an approach to the environment that regulates human relations with the Creator, with other humans as social beings, and with other creatures in a balanced manner, including maintenance, prioritising safety and benefit.[111]

The principle of benefit in Islamic law underscores the maintenance of the purpose of Sharia (shari'a), but it can also refer to an act that carries good value (benefit). *Maslahah* comes from the word *shalaha* with the addition of *alif'* at the beginning, which means "good", the antonym of the word "wrong" or "damaged". It is *masdar* with the meaning of the word *shalaha*, i.e., benefit or detachment from damage.[112] The Arabic definition of *maslahah* is actions that encourage human goodness in the general sense, referring to everything that benefits man, whether by attracting or producing profits and benefits, or by rejecting harm.[113] Meanwhile, the term *maslahah* means bringing all forms of benefit and rejecting all destructive possibilities. So, anything that confers benefit should be called *maslahah.* The implementation of the concepts and principles of *maslahah* in green investment law and the green economy, as well as in economic sector activities, has a broad scope. The principle of *maslahah* is a vital reference and benchmark in the field of economics and investment towards NZE. In other words, as long as the orientation of the green investment law policy remains consistent, while contributing to positive changes in its implementation and aligning with the principle of *maslahah,* it can sustainably protect the environment.

Therefore, the urgency of a *maslahah*-based future reformulation and reconceptualisation design is necessary for sustainable development, as it can provide a useful solution for countries that have not found the right formulation to overcome problems related to NZE zones. The design is presented in the following chart.

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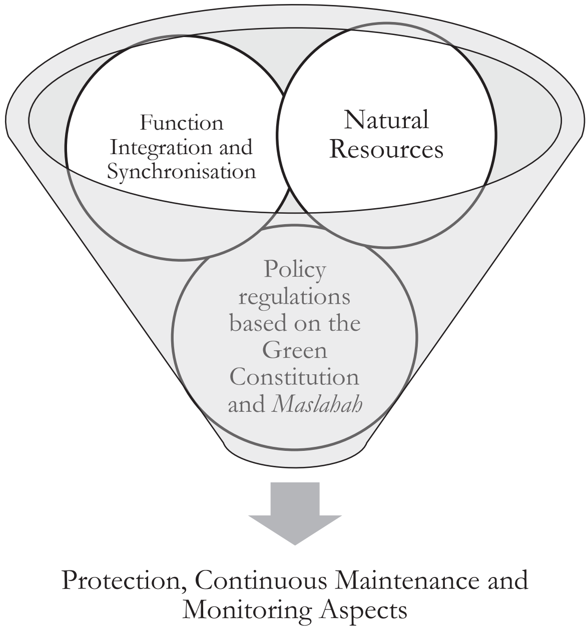
[110] Anip Dwi Saputro, "Membangun Ekonomi Islam Dengan Melestarikan Lingkungan," *Ikonomika : Jurnal Ekonomi Dan Bisnis Islam* 1, No. 1 (April 8, 2017): 14–26, Https://Doi.Org/10.24042/Febi.V1i1.139.

[111] Asy-Syatibi. (1997). Al-muwafaqat fi Usul asy-Syar' iah, Beirut: Daral-Kutub al-Ilmiyyah.

[112] Khairu Umam, at, al; *Ushul Fiqih I,* Cet. I ,Bandung: CV. Pustaka Setia, 1998, hlm. 54.

[113] Amir Syarifudin, *Usul Fikih Jilid 2*, Jakarta: Kencana, 2014, hlm. 77.

Figure 1.3.
The Design to Reconceptualises the Legal Policy Paradigm of *Maslahah*-Based Sustainable Green Investment



Source: Author's Creations 2024

In addition, there is a need to provide solutions by developing green investment planning and budgeting strategies within a comprehensive, participatory, and benefit-based framework for sustainable development to reduce inequalities in the community while minimising and mitigating the risk of environmental damage in Indonesia. This mitigation involves conserving natural resources to the greatest extent possible for economic and ecological growth that sustains life and achieves a prosperous, dignified, just, and civilised society.

Conclusion

This study has explored the urgency of reformulating Indonesia's green investment law by integrating constitutional environmental mandates (Green Constitution) and Islamic legal ethics (*maslahah*) to strengthen the country's legal readiness to achieve Net-Zero Emissions (NZE). As the analysis has shown, the current legal framework still lacks adequate clarity, enforceability, and normative coherence to promote sustainable green investments congruous with climate justice and environmental protection. This legal gap directly intersects with Sustainable Development Goal (SDG) 13: Climate Action, which emphasises the need for firm legal and policy measures to combat climate change and its impacts. Nonetheless, the findings of this study are limited by its normative and conceptual approach, which does not empirically measure the performance of Indonesia's green investment instruments in advancing SDG 13 targets, nor does it provide sectoral or institutional impact assessments. The integration of *maslahah* as an ethical-legal basis remains theoretical and has not yet been operationalised through statutory or regulatory mechanisms. Therefore, future research should focus on empirically validating the legal principles proposed herein—especially their alignment with SDG 13 indicators. Interdisciplinary studies combining legal analysis with environmental economics and climate governance are needed to evaluate the actual contribution of green investment law to climate resilience. Further, comparative studies of how other jurisdictions, particularly Muslim-majority countries, integrate constitutional and Islamic legal norms for climate action can offer deeper insights. These directions will be instrumental in formulating a comprehensive and actionable legal framework to support Indonesia's climate commitments under the Paris Agreement and the broader 2030 Agenda for Sustainable Development.

Future research is recommended to undertake an empirical and interdisciplinary examination of the effectiveness of Indonesia's green investment law in advancing Sustainable Development Goal (SDG) 13 on Climate Action, by operationalising the principles of the Green Constitution and maslahah into measurable policy and legal indicators. Such a study should integrate legal analysis with environmental economics and climate governance approaches to assess the extent to which green investment instruments—at the regulatory, institutional, and sectoral levels—make tangible contributions to emissions reduction, climate resilience, and environmental justice. Furthermore, the research should incorporate comparative analyses of Muslim-majority jurisdictions that have successfully integrated constitutional environmental norms and Islamic legal principles into climate policy, with the aim of formulating an applicable, context-sensitive, and enforceable model for reformulating green investment law. This approach would support Indonesia's commitments under the Paris Agreement and the broader 2030 Agenda for Sustainable Development.

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