



FAIR FINANCE ASIA



Holding ADB accountable since 1992

# THE ASIAN DEVELOPMENT BANK'S ENERGY TRANSITION MECHANISM

Emerging Social,  
Environmental and  
Rights-Based Considerations

DECEMBER 2022

# ABOUT THIS WORKING PAPER

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This joint working paper is intended to generate data-driven evidence, contribute to public debate and invite feedback on sustainable finance policy issues.

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## ABOUT FAIR FINANCE ASIA

Fair Finance Asia (FFA) is a regional network of Asian civil society organizations that are committed to ensuring that the business decisions and funding strategies of financial institutions in the region respect the social and environmental well-being of the communities in which they operate. Civil society coalitions from eight countries within the region are participating in FFA: Cambodia, Japan, India, Indonesia, Pakistan, the Philippines, Thailand and Vietnam.

## ABOUT NGO FORUM ON ADB

NGO Forum on ADB (Forum) is a network of primarily Asian-based civil society organizations that monitor the projects, programs and policies of the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB). In particular, the Forum aims to amplify the calls and demands of civil society organizations and movements in the Asia Pacific in their struggles against ADB- and AIIB-supported projects and policies that threaten people's livelihoods, the environment and their communities.

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## ABBREVIATIONS

<b>ADB</b>	Asian Development Bank
<b>ADB DMCs</b>	ADB Developing Member Countries
<b>B2CS</b>	Beyond 2°C Scenario
<b>CEF</b>	Clean Energy Facility
<b>CEP</b>	PT Cirebon Electric Power (international consortium made up of Marubeni, Indika Energy, Korean Midland Power and Samtan Corporation)
<b>CFPP</b>	Coal-Fired Power Plant
<b>CIF-ACT</b>	Climate Investment Funds' Accelerating Coal Transition Investment Program
<b>CRF</b>	Carbon Reduction Facility
<b>CSO</b>	Civil Society Organization
<b>DFI</b>	Development Finance Institution
<b>ETM</b>	Energy Transition Mechanism
<b>GHG</b>	Greenhouse Gas
<b>GW</b>	Gigawatt
<b>HCPP</b>	High-Carbon Power plant
<b>IEA</b>	International Energy Agency
<b>IFI</b>	International Financial Institution
<b>IP</b>	Investment Plan (drafted by government to receive financing via the CIF-ACT Investment Program)
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>IPP</b>	Independent Power Producer
<b>JETP</b>	Just Energy Transition Partnership
<b>MDB</b>	Multilateral Development Bank
<b>MW</b>	Megawatt
<b>NGO</b>	Non-Governmental Organization
<b>PLN</b>	Perusahaan Listrik Negara (Indonesian state-owned electricity company)
<b>PPA</b>	Power Purchase Agreement
<b>PT SMI</b>	PT Sarana Multi Infrastruktur (Indonesian state-owned infrastructure company)
<b>PV</b>	Photovoltaic System
<b>SDGs</b>	Sustainable Development Goals
<b>SESA</b>	Strategic Environmental and Social Assessment
<b>UNESCAP</b>	United Nations Economic and Social Commission for Asia and the Pacific
<b>UNFCCC COP</b>	United Nations Framework Convention on Climate Change Conference of the Parties
<b>WBG</b>	World Bank Group

## SUMMARY AND HIGHLIGHTS

For decades, social movements across Asia and the Pacific have been calling for the urgent, time-bound phase-out of coal and other fossil fuel industries. This would involve retiring coal power projects, making a transformative shift away from fossil fuel and other extractive energy sources and prioritizing energy, resource, social, economic, environmental and climate justice.<sup>1</sup>

In contrast to the rights-based, justice-oriented solutions proposed by grassroots advocacy groups in the region, the Asian Development Bank (ADB) is advancing plans to work with other financial institutions, governments, corporations and philanthropies to implement the Energy Transition Mechanism (ETM), a top-down financing scheme intended to accelerate the process of retiring coal power from national energy grids and replacing it with other sources of power.

The ETM is expected to be piloted initially in Indonesia and the Philippines and later elsewhere in Asia, including Kazakhstan, Pakistan and Vietnam, but has yet to be trialed at a specific site. However, the ADB's plans for operationalizing this market-oriented model, and the initial closed-door negotiations underway for the first pilot of the ETM in Indonesia, have raised critical questions and concerns among civil society, community and workers' organizations across the region and beyond.<sup>2</sup>

Accordingly, this working paper highlights that, to date, the ADB and partner financiers supporting the ETM, including the World Bank Group (WBG), have yet to:

- Publish a thorough policy analysis demonstrating how, and during what stages, their accountability mechanisms, safeguards, access to information commitments and energy policy provisions will be applied to the decommissioning of coal power projects through the ETM.
- Provide unequivocal assurances of adherence to rights-based frameworks, such as the UN Guiding Principles on Human Rights and ILO Conventions (including ILO Convention 169 on Indigenous Peoples' rights to land and territories), and of the applicability of social and environmental safeguard frameworks, access to information policies, as well as accountability mechanisms when/if grievances arise.
- Clearly align with climate science imperatives by supporting a swift phase-out of coal industries across the region (by 2040 at the latest).
- Publicly commit to ensuring fossil fuel-dependent infrastructure and associated facilities will stay out of investment pipelines.
- Provide credible ways to ensure coal power project operators are not overpaid or commit to disclose information about renegotiated power purchase agreements (PPAs), not only for the purposes of greater public scrutiny and transparency, but also for affected workers and communities to access key information about plans underway that will have a direct impact on their futures.
- Meaningfully acknowledge that social and environmental damage would be exacerbated if it takes 10 to 15 years to retire coal power plants (as proposed under the ETM to ensure market returns for project operators).
- Clarify how shifting investments to piloting unproven and speculative carbon "removal" schemes, carbon-intensive "repurposing" technologies<sup>3</sup> and other false energy and climate solutions<sup>4</sup> will be avoided.
- Unequivocally focus on existing options to rapidly replace coal power capacity with non-resource-intensive renewable energy.
- Require implementing partners (coal power project operators, power and utility companies and other financiers) that continue to expand the global coal fleet to provide time-bound commitments – on a portfolio and project-by-project basis – to hasten the phase-out of all coal power dependent facilities while suspending all plans for new or expanded fossil fuel projects.
- Proactively consider the risk of reprisals and retaliation to community members and civil society organizations (CSOs) working in and around coal power projects targeted for decommissioning and clarify the response mechanisms that would be in place.
- Heed calls from national and local social movements in ETM pilot countries for a faster and transparent phase-out of coal industries in

line with the Paris Agreement, for reparations and restitution for coal-affected communities and for a just energy transition to include broader and more systemic change.

- Provide assurances that existing national debt burdens will not be exacerbated by ETM loan-based modalities.<sup>5</sup>

In addition, this working paper suggests that the ADB and ETM partner institutions, such as the WBG, should specifically take immediate steps to:

- Halt any ongoing investments that support or enable expansion of the coal industry (including via financial intermediary on-lending).
- Conduct a full independent evaluation of their legacy and current coal project investments, with an assessment of how these projects can be urgently retired (or suspended if still in the planning or construction stages) in line with the imperatives of climate science (no later than 2040).

- Provide compensatory reparations and restitution to communities where operating coal power projects received institutional financing.
- Support the clean-up and decommissioning costs of coal-related projects financed, in consultation with governments, workers' associations, communities and allied civil society groups.
- Clarify the protocols that are in place to respond if community members who raise concerns about ongoing or past coal project investments of the ADB or WBG, or about the ETM process, face reprisals.
- Support governments to develop a coal phase-out schedule by 2040, assigning specific closure dates for each coal power unit without overcompensating a dying, highly polluting and unsustainable industry or relying on false short-term solutions. This process should be undertaken in full consultation with workers' associations and civil society groups, and in conjunction with the development of corresponding legislation.

The Asia-Pacific region accounts for three-quarters of the world's current global coal-fired capacity,<sup>6</sup> and hosts an estimated 94% of the world's planned expansion of new coal power projects.<sup>7</sup> Unless urgent action is taken to phase out the current coal fleet and close off the pipeline of new projects, countries across the region will be locked into relying on unsustainable, carbon-intensive energy sources with devastating health<sup>8</sup> and environmental impacts for decades to come.

Heeding the climate imperatives for an ambitious “Beyond 2°C Scenario” or B2CS (i.e. 1.5°C–1.75°C), while putting peoples’ rights to a healthy environment at the center, would require all coal power plants in the region to close by 2040 at the latest.<sup>9</sup> Implementing this shift across the region opens opportunities to envision, plan and collectively create new energy systems that respect the rights of communities, workers and Indigenous Peoples, as well as planetary limits, and that respond to local needs through democratic, publicly accountable and decentralized structures. However, if the transition from coal-based energy systems is conceived in narrow terms – simply shifting to less carbon-intensive sources of energy and adjusting the workforce accordingly – the current systemic social, economic, environmental and resource inequities will remain in place.

For decades, social movements and community groups across Asia and the Pacific have been at the forefront of demanding an end to the development and expansion of coal power projects and mining, in particular calling for multilateral development banks, including the WBG and ADB,<sup>10</sup> to withdraw support for the sector. Despite dealing with repression from authorities and threats to their safety,<sup>11</sup> human rights advocates continue to push for these institutions to be accountable for the damages wrought by their current and past financing of coal projects, and for an end to financing new fossil fuel and other resource-intensive energy infrastructure.

Given that the WBG and regional development banks such as the ADB are now engaging with governments and the private sector to conceptualize models for transitioning away from coal-dependent power systems and economies,<sup>12</sup> it

is becoming increasingly important for community, worker and environmental rights advocates to be prepared to interrogate, analyze and raise critical perspectives about the policy and practical implications of these proposed “coal-to-clean” schemes.

In Asia, national and regional civil society organizations (CSOs) that monitor development finance institutions (DFIs) are increasingly scrutinizing the ADB's plans for an Energy Transition Mechanism (ETM),<sup>13</sup> which is an initiative to blend public- and private-sector investments with a stated aim “to retire coal power assets on an earlier schedule than if they remained with their current owners”<sup>14</sup> that will be piloted in Indonesia, Pakistan, the Philippines and other countries in the region.

This working paper aims to articulate the key overarching risks and concerns about the ETM identified by CSOs and allies in the Asia-Pacific region that have engaged collectively with the responsible ADB staff to date. Thorough discussions with a wider range of civil society actors and sectors were not possible within the scope of this paper but, if undertaken in the future, could produce a more comprehensive, nuanced positioning on the issues at stake. It is hoped that this working paper can serve as a key source of information for those monitoring how the ETM is being operationalized, as well as those living around and working at coal project sites selected for ETM implementation.

## ABOUT THIS WORKING PAPER

To delve into the ADB's ETM scheme, assess the key risks involved and offer recommendations for alternative ways forward, this working paper draws on a wide variety of primary and secondary sources. Since the ETM has yet to be trialed, there are no concrete cases to cite. Instead, information from the ADB's website, presentations from ADB staff, written correspondence in response to inquiries from non-governmental organizations (NGOs) and civil society statements addressed to the ADB, have been used as primary references, supplemented with data and insights culled from online news outlets, peer-reviewed journal

articles, the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), UN agencies, as well as research and analysis produced by independent think tanks.

The working paper is organized into three broad sections. The first section provides background on the ADB as a public multilateral development bank (MDB) that provides financing for infrastructure projects and technical assistance to governments and the private sector. It briefly recalls the legacy

of ADB's support for the coal industry and then outlines relevant policy updates. The subsequent sections provide an overview of the ETM, including initial plans for implementation in Indonesia and Pakistan. The concluding section provides reflections on key concerns related to the ETM as articulated by CSOs that have come together to engage with the ADB on these issues to date, accompanied by an initial set of recommendations for the ADB and other financial institutions involved in the ETM.

# THE ROLE OF THE ASIAN DEVELOPMENT BANK (ADB) IN THE REGIONAL ENERGY LANDSCAPE

1

The ADB is a MDB headquartered in Manila, the Philippines. It was established in 1966 and is comprised of 68 member countries, 49 from the Asia-Pacific region and 19 from outside the region. Its stated aim is to support the development of a “*prosperous, inclusive, resilient, and sustainable Asia and the Pacific,*” in particular to “*eradicate extreme poverty in the region*”.<sup>15</sup> It provides loans, grants, equity investments, guarantees and technical assistance to developing member countries (DMCs)<sup>16</sup> based on priorities outlined in periodically updated country partnership strategies and regional cooperation strategies.

Focal areas of investment include health, finance, transport, water, energy, education, agriculture, natural resources and rural development sectors, public sector management, as well as industry and trade development. According to the ADB’s most recent annual report, in 2021, the majority of investments flowed to countries in South Asia (39%), Southeast Asia (24%), and Central and West Asia (23%), with a smaller percentage disbursed to the Pacific region (9%).<sup>17</sup> While the bulk of financial resources are directed to public sector entities,<sup>18</sup> private sector investments are also deployed by the ADB,<sup>19</sup> particularly in the areas of infrastructure development, financial and capital markets, agribusiness and, increasingly, in the emerging field of ‘clean’ energy.<sup>20</sup>

Decisions on the general direction of the ADB are made by a resident board of 12 Executive Directors (each of whom also has a designated alternate). The largest capital shares in the bank (and, accordingly, voting powers) are held by Japan and the United States, with China, India, Australia, Korea, Indonesia and Canada also holding large shares relative to other member countries.

For community-based advocates and CSOs that are affected by, monitoring and/or concerned about ADB-financed projects and operations, there are important institutional policies and frameworks<sup>21</sup> to be aware of, including policies related to access to information,<sup>22</sup> the accountability mechanism,<sup>23</sup> independent evaluation,<sup>24</sup> safeguards (in the process of being updated),<sup>25</sup> the energy sector (updated in 2021)<sup>26</sup> and the operational priorities for financing outlined in Strategy 2030.<sup>27</sup>

## 1.1 ENERGY POLICY CHANGES AND IMPLICATIONS FOR ADB PROJECT FINANCING

In 1981, the ADB adopted its first Energy Policy to guide investments in the sector. This policy was updated in 1985, 2009 and, most recently, in 2021. The latest revision was undertaken over the course of 2020 and 2021, during which a review was conducted by the ADB’s independent evaluation unit<sup>28</sup> that recommended a provision be incorporated into the new policy to explicitly end investments in coal.<sup>29</sup> Policy drafts were released for public comment in May and August/September 2021<sup>30</sup> before the final version of the new policy was adopted in October 2021.<sup>31</sup>

Between 2009 and 2021, the ADB continued to provide financing to build coal power projects in the region and provided technical advice on the use of coal power. According to the 2009 Energy Policy, the ADB could support “*coal-based power projects if cleaner technologies are adopted and adequate mitigation equipment and measures are incorporated into the project design*”, “*base-load power plants [using subcritical boiler technology], if found to be justified after due diligence*” and interventions to “*retrofit existing power plants that need to improve efficiency*”<sup>32</sup>. Policy provisions also enabled support for coal mine development for “*captive use by power plants*”<sup>33</sup>, as well as for “*(i) safety in coal mines, (ii) environmentally and socially sound mining practices and efficient use of coal for power generation, (iii) carbon capture and storage (or sequestration) once technologically viable, (iv) coal bed methane extraction and use, (v) coal gasification, (vi) coal scrubbers, (vii) waste coal utilization, and (viii) efficient coal transportation over land and sea*”.<sup>34</sup>

These provisions led to a disbursement of nearly USD 900 million for the planning and construction of the 1,000 megawatt (MW) Mong Duong 1 Thermal Power Project in Vietnam between 2009 and 2017,<sup>35</sup> USD 120 million for the development of the 200 MW Visayas Baseload Power Project<sup>36</sup> and associated facilities in the Philippines between 2009 and 2014, USD 100 million for the development and expansion of the coal mine methane gas supply network in Shanxi, China between 2012 and 2019<sup>37</sup>

and more than USD 690 million for the construction of the 600 MW coal-fired Jamshoro Power Generation Project from 2013 onward.<sup>38</sup> Technical assistance was also provided for Mongolia to expand coal liquefaction technology development in the Ger District from 2014 to 2017 at a cost of USD 350,000,<sup>39</sup> and to support planning for waste coal-powered facilities in Shanxi, China from 2012 to 2015 at a cost of USD 500,000.<sup>40</sup> Although all projects are completed with the exception of the Jamshoro facility, the people and ecosystems surrounding these sites continue to bear the burden of this financing.<sup>41</sup> For example, those living around the Visayas Baseload Coal Power project in Naga City, Cebu, have continued to call for the closure of the project, demanding accountability for the harm and damage to their health, as well as for the clean-up of the surrounding areas.<sup>42</sup>

The ADB's 2021 Energy Policy finally put into writing a commitment to end financing for new coal power projects or mining. The provision reads as follows:

*“ADB will not support coal mining, processing, storage, and transportation, nor any new coal-fired power generation.....ADB confirms its current practice of not financing new coal-based capacity for power and heat. ADB will promote the adoption of cleaner fuel sources and will support emissions reductions that mitigate health and environmental impacts but will not participate in investments to modernize, upgrade, or renovate coal facilities that will extend the life of existing coal-fired power and heating capacity. ADB will support the early retirement of coal-based power plants and the enhancement of power generation dispatch regimes*

*to discourage the use of high-emitting, inefficient coal-fired power plants. It will also assist the decommissioning of coal-fired power plants and site redevelopment for new economic activity, including the removal and secure management of hazardous materials, restoration of soil and water quality, redevelopment of buildings, and upgrades of existing infrastructure”.*<sup>43</sup>

The 2021 Energy Policy also stated:

*“ADB will support DMCs [Developing Member Countries] in undertaking and implementing transparent and inclusive planning and policies for a just transition....Planning for a just transition will be critical in managing this process: the aim is to mitigate negative socioeconomic impacts and increase opportunities associated with the transition; support affected workers and communities; and enhance access to sustainable, inclusive, and resilient livelihoods for all. ADB will work with DMCs to support such planning in a way that involves all stakeholders and affected groups at all stages of the energy transition.”*<sup>44</sup>

Notably, however, the policy did not include proactive language to restrict ongoing investments in coal power projects,<sup>45</sup> nor did it commit to support a just transition and coal phase-out in communities where the ADB has financed coal in the past.<sup>46</sup> Although not explicitly identified as such, the conceptualization and planning of an ETM in the region can be considered a manifestation of the policy to support early retirement of coal power projects alongside a just transition. The ETM is elaborated in more detail in the following section.

# OVERVIEW OF THE ADB'S ENERGY TRANSITION MECHANISM (ETM)

2

In 2021, when the energy policy review process was underway, the ADB allocated technical assistance grant funding to conduct pre-feasibility<sup>47</sup> and feasibility studies<sup>48</sup> of implementing an Energy Transition Mechanism, or ETM, in the Southeast Asian region. The ETM, as proposed by the ADB, is a market-oriented scheme that aims to financially incentivize coal power project operators to decommission or “repurpose”<sup>49</sup> specific coal power projects (“assets”) before their estimated operational end of life, thereby contributing to the effort to reduce the overall dependence of national grids on coal-sourced energy.<sup>50</sup>

An analysis by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) has affirmed that phasing out coal by 2040 is “*the single most important step*” that needs to be taken by governments in every country of the region “*to ensure consistency with the Paris Agreement and SDGs*”.<sup>51</sup> However, the ETM is not modeled to enable a complete coal phase-out by 2040, as governments in pilot countries are not required to commit to meeting this benchmark. The ETM also does not require pilot coal power project operators to adhere to internationally accepted human rights standards, such as binding United Nations treaties or the UN Guiding Principles on Business and Human Rights.<sup>52</sup>

Rather, the ETM model is based on the idea that providing concessional loans to current coal power project operators would provide earlier market returns. This would give them an incentive to adjust to the terms of power purchase agreements (PPAs) and decommission coal power facilities before the end of their operational lifespan. Therefore, as coal power project operators seek to ensure profits are earned before the site is closed, communities would continue to experience a toll on their health, livelihoods and surrounding environment.

In response to initial plans for the ETM publicized by the ADB, more than 60 CSOs from across the region and beyond issued an open letter in the lead-up to the 2021 UN Climate Change Conference in Glasgow (COP26). Addressed to the ADB and prospective ETM sponsors, the letter

outlined critical concerns and key questions about the ETM, including: (i) the risk that it may absolve coal power project operators from internalizing the negative externalities they have created; (ii) a lack of clarity on how ADB safeguards would be applied while the targeted coal power projects are being closed; and (iii) the lack of opportunities for communities, as well as civil society and peoples’ organizations to provide input on the design.<sup>53</sup> These concerns were also highlighted in a press release<sup>54</sup> circulated by CSOs during the ADB’s official launch of the ETM at COP26.<sup>55</sup> At the time, seed money for the ETM was committed by the Japanese government, and indicative support for the pilot stages was provided through a Memorandum of Understanding (MoU) with the Rockefeller Foundation.

Based on pre-feasibility and ongoing feasibility studies by ADB consultants, it has become clear that following the initial piloting of the ETM in Indonesia and the Philippines, versions of the scheme are planned to be rolled out in Pakistan, later in Kazakhstan and potentially in Vietnam in the future. Although the ADB suggests that the ETM may be piloted in more countries, it is unclear how it would be operationalized in different contexts.

In the short term, the ETM is being fast-tracked in Indonesia through planning under the Climate Investment Funds’ Accelerating Coal Transition (CIF-ACT) program, with financing and support from the WBG, ADB and donor country funds. International funds mobilized through the Just Energy Transition Partnership (JETP) for Indonesia are also expected to contribute to the operationalization of the ETM at coal power project sites yet to be announced.<sup>56</sup> According to the ADB, the ETM would be a “*key delivery mechanism to ensure successful implementation of JETP*”.<sup>57</sup>

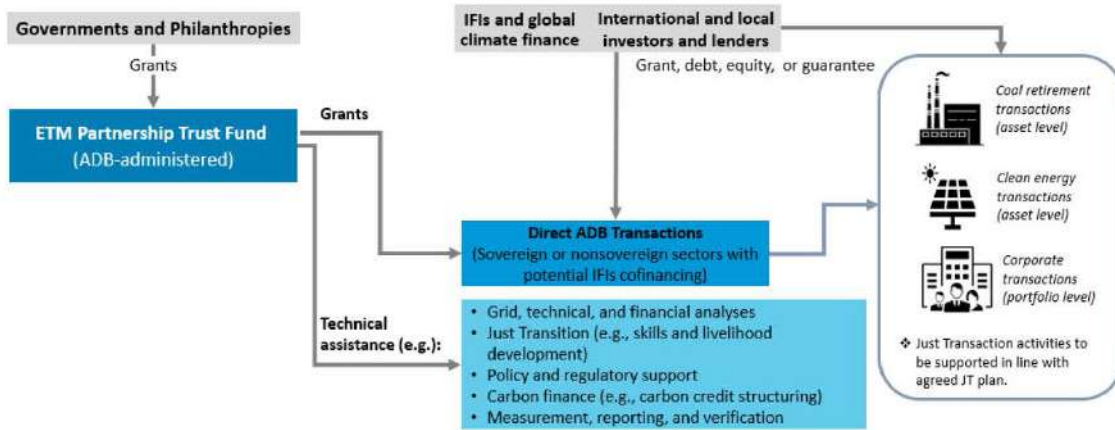
The first proposed financing by the ADB was announced in October 2022 for a loan of USD 600 million to Indonesia’s state-owned electric power distribution company, Perusahaan Listrik Negara (PLN).<sup>58</sup> In the Philippines, it is expected that the ETM will also be operationalized under the CIF-ACT program, but details are yet to be disclosed.

# PROPOSED IMPLEMENTATION PLANS FOR THE ETM

This section outlines how the ADB is proposing to set up the ETM. However, the models and diagrams are notably generic as implementation is expected to be different in Indonesia, Pakistan, the Philippines and other pilot countries based on negotiated outcomes with government authorities and selected independent

coal power project operators in each country. The following figures provide an overview of the components envisioned to be addressed through the ETM (Figure 1) along with changes to the scope of the funding mechanism announced in October 2022 (Figure 2), including the ETM Partnership Trust Fund (ETMPTF).

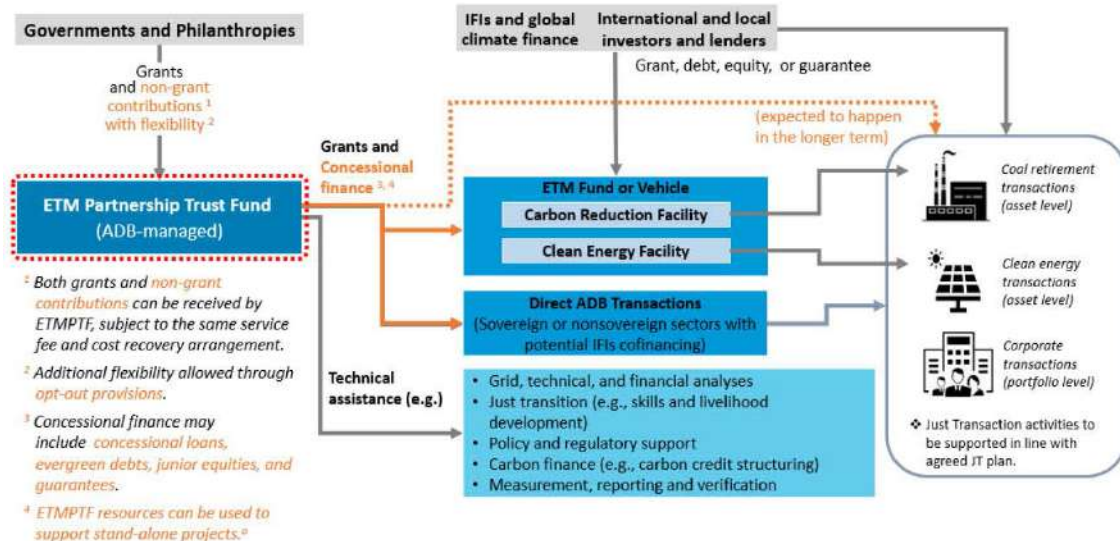
**FIGURE 1: Current scope of the ETMPTF**



Source: ADB (2022, October), “Major Change in Trust Fund: Energy Transition Mechanism Partnership Trust Fund under the Clean Energy Financing Partnership Facility”. Accessed online.

\*All figures are copied from ADB materials. Any grammatical errors are attributable to the original source.

**FIGURE 2: Proposed expanded scope of the ETMPTF**



Source: ADB (2022, October), “Major Change in Trust Fund: Energy Transition Mechanism Partnership Trust Fund under the Clean Energy Financing Partnership Facility”. Accessed online.

Note: <sup>a</sup> These stand-alone projects may be without any financing by ADB or with cofinancing by third-party financiers.

\*All figures are copied from ADB materials. Any grammatical errors are attributable to the original source.

### 3.1 PROPOSED FINANCING ARCHITECTURE

The ADB intends to establish an ETM Partnership Trust Fund (ETMPTF)<sup>59</sup> with blended financing from donor governments and philanthropies. It would channel financing through the ETMPTF to:

- Provide technical assistance to partner governments or utilities operationalizing the ETM. For example, to conduct technical, financial and grid analyses, provide policy and regulatory advice, support the development of carbon credit schemes and help design reskilling and livelihood development plans for retrenched workers.
- Provide direct ADB transactions, potentially in cooperation with other IFIs, to support the initiation of coal retirement and the development of clean energy projects.
- Partner with IFIs and philanthropies to dispense grants and concessional financing to utility companies and coal-fired power plant (CFPP) operators via a Carbon Reduction Facility (CRF) and a Clean Energy Facility (CEF). As per Figure 2, in the future, grants and concessional financing may be provided directly to utility companies and coal power project operators, bypassing the CRF and CEF.<sup>60</sup>

In October 2022, the ADB Board of Directors approved changes to the ETMPTF to “expand the

ETMPTF’s scope, use of funds, and implementation arrangements” (Figures 1 and 2). Adjustments include the clarification that grant and non-grant resources (i.e. loans at concessional or market-priced rates) may be used to “provide debt, equity, guarantees, and other risk transfer products”, that stand-alone projects may be financed via the fund without the ADB’s involvement and that the fund will “accommodate financing partners who may wish to opt out of specified countries and decline the application of their contribution to such countries”<sup>61</sup>

### 3.2 PROPOSED MODELS FOR OPERATIONALIZING THE ETM<sup>62</sup>

The ADB is proposing to focus primarily on two options for coal retirement that are suitable in different contexts – the “portfolio model” and the “synthetic model” – although in some circumstances the “acquisition model” may be explored (Figure 3).

Under the **portfolio model**, the ETM CRF would provide a corporate loan to a utility company on the condition that it commits to retire coal power projects (evaluated based on the number of gigawatts [GW]/projects/percentage of coal fleet retired) within an agreed timeframe and shift sourcing to non-coal-dependent energy facilities. Financing from the ETM would be intended to enable the utility to retire or repurpose coal power projects over time and invest in grid upgrades and renewable energy facilities.

**FIGURE 3: Transaction models to accelerate retirement/repurposing of CFPPs**

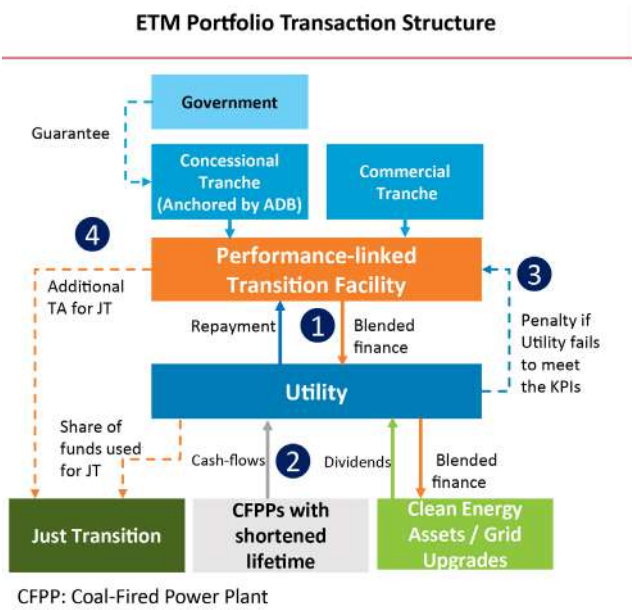
01 Acquisition Model <sup>1</sup> (SPV Level)	02 Synthetic Model (SPV Level)	03 Portfolio Model (Corporate Level)
ETM acquires share capital in CFPP	ETM invests senior/junior debt and/or other mezzanine capital to the CFPP	ETM provides funding to the corporate sponsor with CFPPs and greenfield clean energy projects
ETM to take role as owner and operator of the coal plant	Equity ownership and operational responsibility kept with the current asset owner	Sponsor guarantees greenfield clean energy projects will be built and coal plants retired ahead of schedule
ETM agrees an early termination date with the utility and operates the plant until that date and then closes it or repurposes	Investment conditional on early termination being contractually agreed with owner and utility and appropriate security being provided	Incentives (such as penalty interest) can be used to ensure that the transition occurs
Most suitable for <b>IPP plants with international bankable PPA</b>	Most suitable for <b>IPP plants with international bankable PPA</b>	Most suitable for <b>Utilities with a portfolio of plants</b>
<p><b>While multiple transaction options exist, ETM will seek commitments from:</b></p> <ul style="list-style-type: none"> <li>• <b>current project investors not to develop any new coal; and</b></li> <li>• <b>host country commitment to energy transition as a pre-condition for any deal.</b></li> </ul>		

Source: ADB ADB (2022, July 27), “The Energy Transition Mechanism Program for Southeast Asia Update”.

<sup>1</sup>Acquisition model to be used only in exceptional scenarios.

\*All figures are copied from ADB materials. Any grammatical errors are attributable to the original source.

**FIGURE 4: ETM portfolio transaction structure**



CFPP: Coal-Fired Power Plant

Source: ADB (2022, July 27), "The Energy Transition Mechanism Program for Southeast Asia Update".

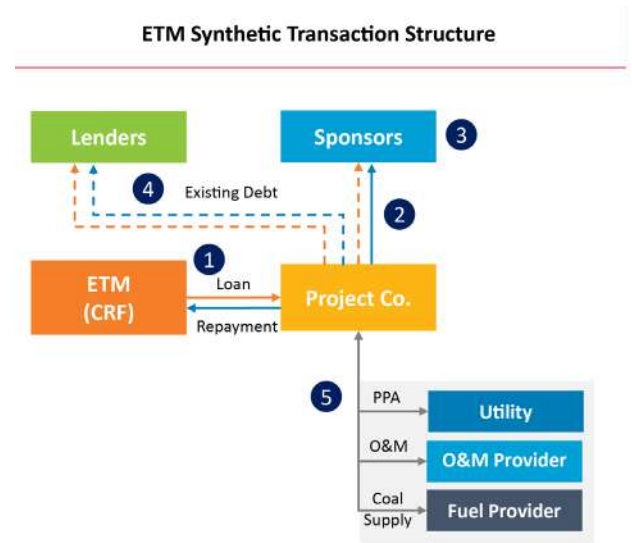
\*All figures are copied from ADB materials. Any grammatical errors are attributable to the original source.

- 1 ETM to provide a corporate loan facility to Utility. KPIs could include items such as:
  - Individual coal plant shutdown (identified CFPP(s) to close)
  - Overall GW of coal plants closure by a certain date (Utility choose CFPP(s) to close)
  - CO2 reduction achievement - Utility and ADB/Financiers to agree a mechanism for calculating current emissions baseline and achieved CO2 reductions vis-à-vis this baseline
- 2 Utility uses cash receipt to shut CFPPs over time and use funding for renewable energy and grid upgrade projects
- 3 Utility to pay penalty for not meeting KPIs which may include
  - Penalty interest – level of concessionality of the loan would be reduced if KPIs are not met by applying a penalty interest (potentially cumulative since the inception of the loan)
  - Default – inappropriate use of funds or failure to meet KPIs could provide financiers the right to withhold future drawdowns and/or immediate repayment
- 4 Additional concessional capital/TA could be provided to help fund Just Transition (JT) activities

In contrast, the **synthetic model** is considered suitable by the ADB for coal power projects operated by independent power producers (IPPs) (a private ownership structure). The ETM CRF would provide a loan to the IPPs that contractually negotiate early retirement with the national utility company by adjusting the PPA. The coal power project operator would retain full ownership and responsibility for the project, committing to repay the debt to the CRF

as a percentage earned from continuing operations over an estimated 10 to 15 years. In the interim, the financing from the CRF would help the operator repay any outstanding loans and provide project proponents with a special dividend to compensate for economic losses incurred by the decision to shorten the operational lifespan. The coal project operator would also be encouraged to invest profits in shares of renewable/clean energy projects.

**FIGURE 5: ETM synthetic transaction structure**



- 1 ETM invests in debt-like instrument into the project company and receives repayment based on sculpted cash flow (% of CFADS) over the investment horizon
- 2 Proceeds from ETM investment are paid to existing shareholders as a special dividend as a form of equity return. Existing shareholders continue to receive equity dividends (but at a lower level than without CRF)
- 3 Existing shareholders remain as 100% common shareholders until the end of the shortened PPA tenure
- 4 Transaction to be structured for existing financing arrangement to remain (e.g. pari-pasu with CRF) or fully exit
- 5 Shortening of PPA tenure to be contractually agreed with the Utility; major project agreements (O&M, Fuel) to remain as is but with shorter tenor

Source: ADB (2022, July 27), "The Energy Transition Mechanism Program for Southeast Asia Update".

\*All figures are copied from ADB materials. Any grammatical errors are attributable to the original source.

For IPP coal projects, especially when international companies are involved, the ADB may consider a third option: the **acquisition model**. Under this model, the ADB would acquire a majority share in the project, taking control as the owner and operator of the project to negotiate an early retirement date with the utility company. At the termination date, the plant would be retired or repurposed.

In all cases, the ADB would seek commitments from the country government to transition away from coal power reliance and from the project investors to not develop new coal assets. This commitment would not extend to projects already in the planning or development phases. For example, Indonesia's extensive pipeline of planned projects (estimated at more than 20 GW)<sup>63</sup> would remain intact while ongoing developments, such as ADB's own financed 600 MW unit of the Jamshoro Coal Power Plant in Pakistan, are not subject to suspension.

### 3.3 PRIORITIZING COAL POWER PROJECTS

For coal power projects where the ETM scheme would initially be trialed, ADB scoping studies<sup>64</sup> suggest that a project should be prioritized based on:

- Impact on grid stability (ideally low);
- Utilization (should be under 80%);
- Age range (should be 5 to 25 years);
- Potential for replacement by renewable energy or repurposing;
- Potential for renegotiating the PPA;
- Greenhouse gas (GHG) emissions (estimated reduction if taken offline); and
- Community health and just transition impacts.

However, the ADB has been clear that the governments of countries implementing the ETM would be in charge of selecting projects to advance first, which means the methodology used to select projects may be completely different. For example, in Indonesia, a shortlist of nine candidate projects for retirement has been put forward by the government and PLN in the CIF-ACT Investment Plan (IP), five of which have been operating for 25 to 37 years and are closer to retirement<sup>65</sup> than projects proposed by the ADB.

### 3.4 INDICATIVE TIMELINES

At the time of writing, the ADB was conducting a Southeast Asia regional feasibility study; a national feasibility study for Indonesia was also underway, along with a pre-feasibility study in Pakistan. By the end of 2022, their intention was to develop a “*pipeline of power plant retirement deals*”<sup>66</sup> and to have secured sufficient funding commitments to begin piloting the initiative at coal project sites from late 2023 onward.<sup>67</sup>

Both Indonesia and the Philippines are in the process of finalizing investment plans for the CIF-ACT Investment Program<sup>68</sup>. Through the planned CIF-ACT program in Indonesia, WBG and ADB funds are proposed to provide direct transactions to the operator of an IPP coal power project to incentivize early retirement or to the PLN to support retirement of the coal fleet, investment in clean energy options and the development of renewable energy battery production chains. WBG financing is also intended to be used, in part, to support the closing and repurposing of coal mines. In the Philippines, a country IP for CIF-ACT has not been made public, so it is currently unclear how the scheme will be proceeding.

### 3.5 UNRESOLVED QUESTIONS ABOUT THE ADB'S SAFEGUARD POLICY STATEMENT AND ACCOUNTABILITY MECHANISM

In October 2022, the ADB clarified that coal power project sites targeted for early retirement/repurposing through the ETM “*will be subject to [an] independent environmental and social audit to assess the level of compliance with applicable laws, standards, and procedures under which the facility*” and project operating companies would be expected to “*address any noncompliance in a manner acceptable to the ADB and commensurate with the project's risks and impacts if (i) such noncompliance is likely to have material adverse risks and impacts on people or the environment during the remaining operational life of the facility; and (ii) the noncompliance can be addressed, taking into account the costs and benefits of the various alternatives*”.<sup>69</sup> Critically, the ADB also suggested that although their “*safeguard requirements will apply within each project's area of influence*,” this “*does not include impacts that might occur without the project or independently of the project, or legacy issues*”.<sup>70</sup>

In practice, the limitations outlined above raise several questions about the extent to which workers and communities at the coal project sites selected for ETM piloting will be able to hold the ADB accountable if safeguard standards are violated.<sup>71</sup> For instance, in the first application of the ETM model in Indonesia at the Cirebon 1 coal fired power project,<sup>72</sup> the ADB suggested that it could be retired by 2037, ahead of an estimated technical lifespan of 40 years. Will environmental and social safeguard standards be applied in the interim years before the project is closed? Will the surrounding communities and affected workers be able to file grievances under the ADB's Accountability Mechanism? It remains to be seen.

# REGIONAL AND NATIONAL STRATEGIC ENVIRONMENTAL AND SOCIAL ASSESSMENT PROCEDURES FOR THE ETM

## 4

As part of the development of the ETM, the ADB has conducted a regional strategic environmental and social assessment (SESA) and is proceeding with national studies for Indonesia and the Philippines to identify the “positive” and “negative” impacts of *“key environmental and socio-economic issues likely to arise when implementing the ETM”*,<sup>73</sup> as well as stakeholders that should be involved or consulted, including government ministries, the private sector, public services and civil society. Social and environmental considerations are evaluated in terms of meeting the Sustainable Development Goals (SDGs) rather than accepted rights-based international frameworks, such as binding UN human rights treaties and the UN Guiding Principles on Business and Human Rights.<sup>74</sup>

Specifically, the ADB is considering the SESA framework to evaluate risks, opportunities and impacts associated with: (i) retiring and repurposing CFPPs and associated coal mines, and (ii) developing non-fossil fuel-based energy options, including hydropower, wind, solar, bioenergy, geothermal and tidal power projects.

Environmental issues highlighted by the ADB for the SESA include impacts on air quality, water and land use, GHG emissions, solid waste created/ to be cleaned up, as well as worker health and safety. In terms of social issues, the main areas of concern identified by ADB consultants are economic impacts (local, national and, more broadly, regional), employment and livelihood adjustments, food security, public services, human rights, migration, community cohesion and gender and vulnerability.

The regional SESA considers impacts through a generic lens of social, political and economic dynamics. For example, there is no contextualization of the shrinking civic space in all countries where the scheme is being piloted, which poses serious challenges to the proposed community and local CSO engagement processes. Furthermore, the SESA fails to identify unpaid caregiving as work, lacking consideration for

the regenerative social work that is undertaken primarily, but not exclusively, by women. In contrast, the SESA framing equates a shift towards a non-coal-based economy with opportunities for women to have more training and income-generating opportunities in the renewable energy sector.<sup>75</sup> Notably, the studies do not consider the social and environmental risks leading up to the retiring or repurposing of coal power projects (up to 10 to 15 years of ETM implementation). Nor do the studies evaluate reparations and restitution for communities for the past harms of coal operations. Instead, the assessments consider the risks and opportunities at the time of project closure and the development of new centralized, medium or large-scale renewable energy systems.

At the time of writing, the national scoping report for Indonesia was underway. A draft is expected to be released in mid-2023 and open for public comment before a final report is published later in 2023.<sup>76</sup> According to a presentation by ADB staff and consultants at a SESA scoping workshop for the ETM in Indonesia in October 2022, it is expected that while two CFPPs will be retired and one coal mine repurposed or closed before 2030, the development of replacement renewable energy projects and planning for grid expansion and interconnections would get underway. It is also expected that the development of battery industry value chains would be explored. Meanwhile, mid-term considerations (up until 2060) would include scaling up the retirement of coal-fired power plants and coal mines, repurposing some of the sites and building replacement renewable energy projects.<sup>77</sup>

Once the national SESA report in Indonesia is finalized, environmental and social audits of the CFPPs selected to be retired under the ETM would be conducted (mid-2023 onward), and capacity building/technical assistance support would be provided to the PLN to develop and implement a safeguard action plan. Part of the process of the SESA report is convening a national multi-stakeholder steering committee to provide input.<sup>78</sup> It remains to be seen whether, or how, this process

will provide an open space for critical voices from civil society and community groups to be heard and taken into account. However, it is already concerning that the terms and conditions for the early retirement (or repurposing) of the first coal power project to receive support via the ETM in Indonesia are being discussed behind closed doors without the involvement of community groups and workers, who have not been fully informed or given the opportunity to provide their perspectives and insights or to intervene in the process in any meaningful way (see Section 6: Country-level Implications).

If the ETM process was fully consultative, information would need to be disseminated in

local languages, and discussions with CSOs would need to be held in communities around the coal project sites being considered for early closure/repurposing. These discussions would need to be held in places perceived as safe spaces to speak out without fear of retaliation, as well as in urban centers. Discussions would also need to be held with independent workers' associations at local, provincial/state and national levels. Their priorities and perspectives should not only inform negotiations for the retirement of coal projects, but also the design and planning of new renewable energy projects, so as to ensure community consent for developing facilities defined as 'clean' energy options.

# QUESTIONS ABOUT ADB'S PLANS FOR A JUST TRANSITION

The ADB has suggested that developing just transition plans are an integral component of the ETM. As they explain on their website:

*“Transitioning from coal to cleaner energy will have many benefits but it may also introduce negative socioeconomic impacts to regions and countries.... Integrating just transition as part of ETM ensures that the negative socioeconomic impacts are minimized through implementation of different policies and programs.”<sup>79</sup>*

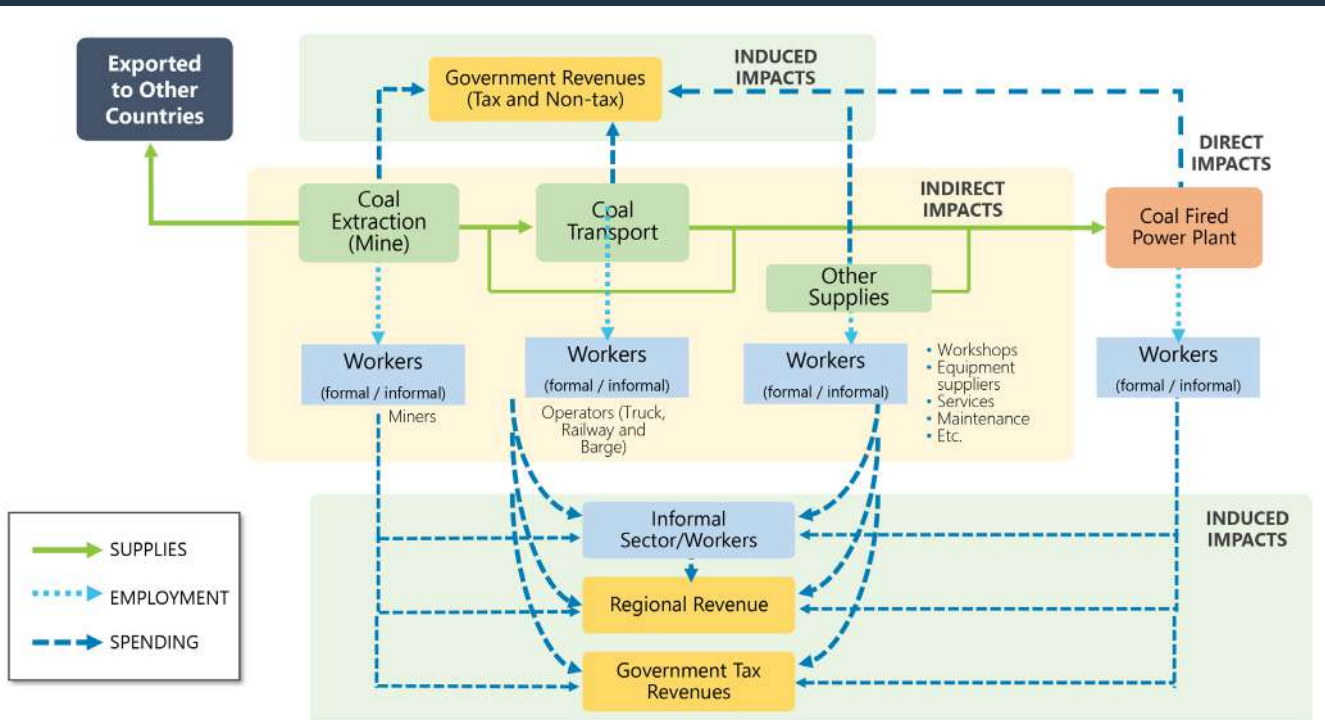
During an online engagement with CSOs, ADB staff specifically suggested that their support for a just transition is being undertaken *“in the service of net zero”* to help drive growth and sustainable development *“so that countries capitalize on opportunities and address the challenges for transition.”<sup>80</sup>*

Accordingly, the ADB has identified key stakeholders in just transition planning, including informal and formal workers, as well as supplier, equipment and maintenance services in the coal supply chain, including coal mining, transport and power projects.<sup>81</sup>

At the power plant level, the ADB suggests identifying:

- Actions to be taken to mitigate the “material impacts” of early retirement;
- Legal requirements to support affected workers;
- Entities that will be responsible for the support systems that need to be put in place;
- Where funding can come from; and
- Appropriate monitoring and evaluation (M&E) methodologies.

**FIGURE 6: Stakeholder and value chain mapping**



Scope of sectors included in considerations for a just transition under the ETM, according to the ADB.

Source: ADB (2022, August 18), “Just Transition in the Energy Transition Mechanism”, PowerPoint presentation.

\*All figures are copied from ADB materials. Any grammatical errors are attributable to the original source.

Beyond the project level, the ADB will also aim to provide technical assistance to support the identification of financial resources to contribute to national transition plans, including “*economic diversification to greener sectors*”, “*crowding in private sector investment*”, “*strengthening social protection opportunities*”, “*developing “reskilling and upskilling” programs for workers, supporting “women’s access to green jobs and non-traditional sectors*”, and facilitating “*social dialogue and stakeholder engagement*”<sup>82</sup>

Across the Asia-Pacific region and beyond, there are ongoing civil society discussions on conceptualizing inclusive, sustainable, rights-based and transformative

just energy transitions. For example, many CSOs have been adamant that false solutions to the energy and climate crisis (ranging from the installation of waste-to-energy projects, large hydropower dams, carbon capture and utilization infrastructure and biomass, hydrogen or ammonia co-firing technologies, to carbon and biodiversity offset schemes), have no place in a just transition, and that there must be a break with extractive, resource-intensive economies in favor of sustainable, care-based systems that prioritize community-led solutions for democratizing energy and resources.<sup>83</sup> Such comprehensive considerations of transformative, multi-faceted just(ice) transitions stand in stark contrast to the use of the just transition terminology advanced by the ADB.

### Key components of just energy transitions: A perspective from Fair Finance Asia and Oxfam International

While the scope and defining components of a just energy transition in Asia continue to be debated among CSOs and their networks, some, such as Fair Finance Asia (FFA), are taking steps to identify key aspects that are relevant in the context of the ETM. For example, in the 2021 FFA study, “A Future Without Coal: Banking on Asia’s Just Energy Transition”, a just energy transition is defined as abiding by nine principles:

1. No financing for new coal projects for electricity generation and phasing out existing coal-based power generation;
2. Development of a time-bound transition away from other fossil fuels for electricity generation;
3. Active investment in renewable energy generation;
4. Long-term planning and strategies to mitigate the adverse environmental and social impacts of renewables;
5. Respect for land rights and Free, Prior and Informed Consent (FPIC), and clear policies for community participation, gender sensitivity and consultation with CSOs in large energy projects;
6. Protection of the rights of workers and mainstreaming of Human Rights Due Diligence (HRDD) during the energy transition;
7. Safeguarding the health, livelihoods, culture and heritage of communities impacted by the continued use of fossil fuels;
8. Active and meaningful engagement and participation of women in the energy transition; and
9. Investments in access to electricity for all.<sup>84</sup>

In addition, in December 2022, the Oxfam International Secretariat launched a report, “Towards a Just Energy Transition: Implications for Communities in Lower- and Middle-Income Countries”, which identifies four justice principles and associated rights that must be considered for a transition to be “just”. These include:

- **Recognition-based justice** – which requires that the rights, concerns of, and injustices experienced by, affected marginalized economic and social groups are recognized and addressed.
- **Procedural justice** – which requires that affected people have a meaningful say in the design and implementation of transition policies and projects, including the right to Free and Prior Informed Consent, to freedom of association, to organize and to protest, among others.
- **Distributional justice** – which requires a fair distribution of the responsibilities, costs and benefits of climate/energy action across different economic and social groups and protects the right to life, right to land, decent work, a healthy and clean environment and health and safety, among others.
- **Remedial justice** – which requires that people and communities negatively affected by the energy transition are fairly compensated. These issues are critical to workers, communities and all people that are affected by the climate crisis and energy transition, but are often neglected or ignored.<sup>85</sup>

# COUNTRY-LEVEL IMPLICATIONS

## 6

The ETM is still in the planning stages, but it is most advanced in Indonesia where the first pilot project targeted for retiring/repurposing coal power has already been announced. In the Philippines, there is no publicly available information on the progress of discussions between the ADB, government authorities and industry players. Initial discussions about the ETM have begun with authorities in Vietnam, but no details have been disclosed on the status of plans for feasibility studies. In Pakistan, initial information about the pre-feasibility studies getting underway has been disclosed by the ADB.<sup>86</sup> The following section outlines salient points of the ETM roll out in Indonesia and the status of the ETM in Pakistan.

### INDONESIA

In early October 2022, the ADB published basic project data<sup>87</sup> and an Initial Poverty and Social Assessment<sup>88</sup> for its first proposed ETM loan of USD 600 million to Indonesia's national power company, PLN. It is intended to fulfill the first part of Component 1 of the Indonesian government's Country Investment Plan<sup>89</sup> for the CIF-ACT program. Combined with an expected USD 50 million from the CIF and USD 300 million from the German Development Bank (KfW), the focus of financing will be to (i) increase electricity supply from renewable energy sources (site and power source unknown); (ii) pilot the retirement of +/-1 GW of "old and inefficient coal-fired power plants"; (iii) replace diesel power plants (sites unknown); and (iv) strengthen PLN institutional capacity to "manage a just energy transition". However, at the time of writing, this loan has yet to be formally approved by the ADB's Board of Directors.

Additional financing from the ADB is expected to follow, as outlined in the CIF-ACT Investment Plan, including:<sup>90</sup>

- A financial intermediary loan of USD 150 million to PLN, which in turn will re-loan the funds to the state-owned entity tasked with implementing the ETM at the national level, PT Sarana Multi Infrastruktur (PT SMI). Three separate facilities are envisioned to be on-lent to PT SMI to (i) support the accelerated retirement of its CFPPs via the mobilization of commercial co-financing, stakeholder engagement processes and the development of a "just transition framework"; (ii) provide a "standby facility for renewable energy projects" to scale-up investments in renewable energy through bonds; and (iii) direct commercial loans for the development of renewable energy and storage infrastructure projects.
  - A private sector loan of USD 250 million to support the early retirement of an identified IPP coal project.<sup>91</sup>
  - A public sector loan of USD 140 million to support research and development, including the launch of Centers of Excellence in Energy Transition to conduct research on energy storage technologies and photovoltaic (PV) cell development, as well as to support skills programs for retrenched workers from coal power projects.<sup>92</sup>
  - A private sector loan of USD 150 million to support the development of a national battery industry value chain (mining, refining, processing, manufacturing, application and recycling) for energy storage and electric mobility. This includes, but is not limited to, investments in battery manufacturing plants, nickel smelters, as well as public utility electric vehicles and charging infrastructure.<sup>93</sup>
- To operationalize the ETM plans in Indonesia via the CIF-ACT program, the WBG is expected to contribute substantial resources in the form of public and private sector loans, including:
- A loan of USD 400 million to retire and repurpose<sup>94</sup> two or three PLN-operated coal power units along with planning for the labour force to transition to alternative worksites.
  - A loan of USD 415 million to close and repurpose a coal mine in either Sumatra or East Kalimantan with corresponding just transition measures.
  - Private sector financing of USD 140 million for a "dispatchable renewables program" for investments in land-based, rooftop and floating solar PV developments, as well as other energy projects that may include waste-to-energy plants.<sup>95</sup>

**FIGURE 7: CIF-ACT Investment Plan (proposed)**

		MDB Sector	ACT	MDB	Other / Private	GoI	Total	Pillars		
Component 1: Accelerated Retirement of Coal Plants								Governance	People & Communities	Infrastructure
1.1	PLN RBL (targeting early retirement of 1 GW)	ADB Public	50	600	300	TBD	950	✓	✓	✓
1.2	PT SMI ETMCP - Facility 1 (PLN Sustainability-Linked Loan)	ADB Public	50 (grant)	50	150	250	451		✓	✓
1.3	IPP CFPP early retirement	ADB Private	50	250	0	0	300			✓
Component 2: Governance, Just Transition and Repurposing										
2.1	PLN/MEMR Energy Transition P4R	WB Public	30 (grant)	400	0	TBD	435	✓		
2.2	Just Transition and Repurposing Investment Project (Phase 1 & 2)	WB Public	180 (grant)	415	0	TBD	600		✓	✓
2.3	PRIME STeP	ADB Public	9 (grant)	140	0	TBD	149		✓	
Component 3: Scaling Up Renewable Energy										
3.1	Accelerating Storage Deployment in Power and Transport	ADB Private	50	150	300	0	500			✓
3.2	Dispatchable Renewables Program	IFC Private	70	140	350	0	560			✓
3.3	PT SMI ETMCP - Facilities 2 & 3 (Standby Facility & RE Loans)	ADB Public	100	100	350		550		✓	✓
<b>TOTAL</b>			<b>600</b>	<b>2245</b>	<b>1350</b>	<b>TBD</b>	<b>4445</b>			

Note: CFPP = Coal-fired Power Plant, ETMCP = Energy Transition Mechanism Country Platform, IPP = Independent Power Producer, P4R = Program for Results, RBL = Results Based Loan, PRIME STeP = Skills Development and Center of Excellence on Energy Transition Program, RE = Renewable Energy

Source: Excerpt from the CIF-ACT Indonesia Country Investment Plan (2022, October). [Accessed online.](#)

\*All figures are copied from ADB materials. Any grammatical errors are attributable to the original source.

Although ETM financing will not be used to develop fossil gas-related infrastructure, the CIF-ACT Indonesia Country Investment Plan confirms that the ADB is expected to provide technical advice on fossil gas facilities in the future, and that ADB's private sector operations will continue to support such project developments in the country.<sup>96</sup>

Notably, under the CIF-ACT Investment Plan, accelerating the retirement of coal power plants – even with the support of the ADB and WBG – would leave ultra-supercritical coal power plants<sup>97</sup> operational until 2056. In contrast, according to the Carbon Tracker Initiative, a least-cost coal phase-out pathway in Indonesia that is consistent with the aims of the Paris Agreement and does not rely on carbon capture schemes would require phasing out 50% of the country's coal capacity by 2031 and the remainder by 2040, at the latest.<sup>98</sup>

The ADB made only one announcement about the ETM in Indonesia at the G20 Summit in Bali in November 2022, suggesting they would “jointly explore the early retirement of the first coal-fired power plant owned by an independent power producer (IPP) under ADB's Energy Transition

Mechanism,” the 660 MW Cirebon 1 coal power project in West Java, operated by a subsidiary of Jakarta-based Cirebon Power, Cirebon Electric Power (CEP).<sup>99</sup> According to the press release announcing the agreement, “it is anticipated that ADB would provide an early retirement facility in the form of senior debt, on the condition that the tenor of the power purchase agreement between CEP and PLN [Indonesia's state owned power company] will be shortened.”<sup>100</sup> The ADB also suggested that “the transaction will determine when the plant will be retired, and this will be negotiated,” while asserting that if “this power plant were to permanently terminate operations in 2037, for example, that would reduce its operating life [estimated at 40 years] by at least 15 years.”<sup>101</sup> According to the ADB website, it is expected that the required funds will amount to approximately USD 250–300 million, as per the amount allocated in the CIF-ACT Investment Plan enumerated above.<sup>102</sup>

As the project operator of Cirebon 1, CEP is made up of an international consortium of four separate corporate entities, Japan's Marubeni Corporation, South Korea's Korean Midland Power Company and

Samtan Company, along with the Indonesian power company PT Indika Energy, with financing from several international sources, including Japan's Bank of International Cooperation (JBIC), Sumitomo Mitsui Banking Corporation, Mizuho Financial Group and MUFG Bank, as well as the Export-Import Bank of Korea and ING Group.<sup>103</sup>

Since the plant began operating in 2012, communities have been raising concerns about the devastating impacts on their health and livelihoods, including a major rise in severe chronic respiratory illnesses,<sup>104</sup> the loss of coastal fisheries and contamination of surrounding land and coastal areas.<sup>105</sup> At the time of writing, a 1,000 MW expansion of the Cirebon power plant, Cirebon 2 (which is being developed by PT Cirebon Energi Prasarana, a subsidiary of the same parent company as Cirebon 1), is set to begin commercial operations. Therefore, while the terms of the ETM are being negotiated for the Cirebon 1 site, Cirebon 2 will begin generating power and exacerbate the social and environmental harms in the area. In response to the expansion of the Cirebon coal power complex, residents in the surrounding area have consistently called on financiers and project proponents to suspend its development specifically because of the impacts on their livelihoods, health and surrounding land and coastal areas.<sup>106</sup>

As the ETM-related negotiations for the Cirebon 1 Project site proceed between the ADB, CEP, PLN and the Indonesian Investment Authority, it remains unclear whether the coal power unit will, in fact, be 'repurposed' to enable business as usual. Notably, simultaneous to the ADB's announcement in November 2022 that Cirebon 1 would be the first site to pilot the ETM, Tokyo-based Marubeni Corporation, as the largest shareholder of CEP, published the following statement:

*"If the four companies [i.e. Marubeni, Korean Midland Power, Samtan and Indika Energy] can agree on terms and conditions such as the financing terms and conditions and measures to mitigate the potential impact due to the early retirement of the plant (such as the arrangement of an alternative power source), the Cirebon 1 Coal-Fired Power Plant is expected to be the pilot project to aim for the early retirement of the coal-fired power plant by applying this ETM."<sup>107</sup>*

As revealed in an analysis published by Fair Finance Guide Japan, such public statements indicate that the CEP project consortium may be exploring options to extend the life of Cirebon 1 by relying on co-firing technologies (i.e. with biomass, ammonia or hydrogen as alternative power sources), which

would exacerbate the livelihood and health impacts on people living in the area, wreak further havoc on surrounding ecologies and result in continued heavy GHG emissions.<sup>108</sup> Critical questions remain on how or whether the ADB will intervene to apply its safeguards under these circumstances, and whether local communities and workers will be able to file grievances through the channels available under the ADB's Accountability Mechanism.

## PAKISTAN

Notably, the ADB continues to support the development of Pakistan's coal fleet through ongoing financing of the 600 MW coal-powered unit at the Jamshoro Power Project in Sindh Province. Although an ETM pre-feasibility study is moving forward with financing from the ADB, little information is currently available on the ADB website about the process of the ETM roll out in Pakistan. The ADB has, however, released materials suggesting that focus of the ETM is expected to be on early retirement of CFPPs and/or high-carbon power plants (HCPPs),<sup>109</sup> as well as options for scaling up renewable energy sources.<sup>110</sup> In terms of specific projects that would be retired or repurposed under the ETM in Pakistan, according to the ADB, *"relevant governing authorities will eventually determine which assets would be prioritized for early retirement, subject to available funding and ensuring energy security through the timely installation of renewable replacement capacity"*<sup>111</sup>

As the Institute for Energy and Financial Analysis (IEEFA) has suggested, aiming to retire coal-based power assets would come with many complications in Pakistan, especially given that the average operational age of coal projects is about four years (i.e. the facilities are relatively young and generally seen as profitable assets by equity investors, for example). In addition, new coal projects are expected to be built to replace several oil and diesel projects that are planned to be retired soon. Since there is little transparency about PPAs between IPP project operators and public power generation companies, if the terms are renegotiated for early plant retirement (whether coal, diesel or oil), IEEFA research indicates there is a significant risk that the burden of price increases would fall on the general population. Also, as the IEEFA asserted: *"Care must be taken to ensure that ADB's role is additional, and the government doesn't consider this a bail-out package for these already retiring assets."*<sup>112</sup>

In a written response to questions from the Pakistan-based Alliance for Climate Justice and Clean Energy about how the ADB will ensure ETM

operationalization will be transparent and include meaningful engagement with CSOs, the ADB's Central and West Asia Regional Director for the Energy Sector stated that the *"details for CSO/NGO engagement will be discussed and agreed among relevant stakeholders during the TA's inception stage"*<sup>113</sup> Meanwhile, in response to concerns that retired coal power projects may be replaced by fossil gas, the ADB has suggested that although ETM financing would not be used directly to support such facilities: *"ADB may still consider supporting mid- and downstream gas projects in ADB developing member countries (DMCs), including Pakistan"*<sup>114</sup>

Notably, the technical assistance grant allocated to support plans for the ETM in Pakistan to date, *"Preparing Sustainable Energy Projects"* (Project 53058-001; TA 9756-PAK),<sup>115</sup> has different components. This includes a study posted online in July 2022, *"Update Techno Economic Feasibility Study"*, which provides recommendations for storing and expanding the use of fossil gas and for ramping up the development of associated infrastructure. The study also considers liquefied natural gas (LNG) options for the purpose of energy security.<sup>116</sup> As a result, while ADB's technical assistance grant on *"Preparing Sustainable Energy Systems"* (TA 9756-PAK) is providing financing for studies that recommend options to expand infrastructure for

fossil fuel use and storage in the country, it is simultaneously being used to finance the feasibility study of the ETM in Pakistan. Specifically, the ETM pre-feasibility study<sup>117</sup> is expected to:

- Explore options for the possible phasing out of Pakistan's coal, diesel and furnace oil power projects and replacement with renewable energy sources;
- Develop screening criteria to select potential pilot projects for retirement/repurposing;
- Consider ways to incentivize project investors and owners to *"replace returns from their existing CFPP and/or HCPP assets with returns on capital reinvested in cleaner renewable energy assets"*,<sup>118</sup>
- Review the expected impacts on workers, communities and regions in Pakistan, as well as options for a just transition in affected areas; and
- Develop an overarching timeline for operationalizing the ETM.

The completion of this first planning step would be expected to lead to a full feasibility study, but no information on this has yet been publicly disclosed on the ADB's website.

# CONCLUSIONS: EMERGING RISKS AND CONCERNS ABOUT THE ETM

7

There are a number of social, economic, environmental and climate risks related to the practical application of the ETM. Most of these issues have the potential to exacerbate socio-economic, resource, energy and climate injustices, and are embedded in, not peripheral to, the ETM model. As a result, local, national and regional CSOs are increasingly concerned that the ETM is flawed by design and will be harmful for communities, ecosystems, national economies and the climate.

Critically, civil society, community and workers' have noted rights groups are that the ADB's plans for ETM operationalization have yet to unequivocally:

- **Provide assurances of adherence to rights-based frameworks**, such as the UN Guiding Principles on Business and Human Rights and ILO Conventions (including ILO Convention 169 on Indigenous Peoples' rights to land and territories), as well as the applicability of their own social and environmental safeguards (at the coal project site and surrounding affected communities), access to information policies and accountability mechanism when/if grievances arise.
    - To date, the ADB has yet to provide a thorough policy analysis demonstrating how its Accountability Mechanism, safeguards, access to information commitments and energy policy provisions will be applied to the decommissioning of coal power projects through the ETM.
  - **Clearly align with climate science imperatives** by supporting countries to achieve a swift phase-out of coal (by 2040 at the latest) in line with the recommendations of the IPCC to keep planetary heating as close to 1.5°C as possible.<sup>119</sup>
  - **Ensure fossil fuel-dependent infrastructure and associated facilities stay out of the investment pipeline.**
    - Although ETM-related financing is not expected to flow directly *into supporting any fossil gas projects* as replacement power for coal power plants targeted for decommissioning, the ADB has provided technical assistance and direct financing for LNG power projects and transmission and distribution infrastructure across the region, including where the ETM will be piloted (Indonesia, Pakistan, the Philippines and Vietnam). If not accompanied by strict commitments to end the expansion of other fossil fuel-related projects, shifting away from coal power could become an excuse to promote the expansion of gas infrastructure in the name of energy security in times of transition.
- **Provide credible methodologies to ensure coal power project operators are not overpaid, and meaningfully acknowledge that social and environmental damage would be exacerbated if it takes 10 to 15 years to decommission CFPPs (as proposed under the ETM model to ensure market returns for project operators).**
    - The ETM model does not rely on any payment caps to coal power project operators to accelerate retirement, nor does it require the terms of retirement to be disclosed (i.e. there is no transparency in renegotiated PPAs). For example, the ADB will be negotiating with coal operators through non-disclosure agreements on the terms of early retirement and is also proposing to provide loans to utility companies to incentivize early retirement of coal projects, with references to the book value<sup>120</sup> of these projects. Given the absence of transparent and disclosed processes, there is no possibility for workers' unions, community groups or broader civil society to review agreements. Compensation to coal project operators could therefore be paid at a highly inflated rate and based entirely on voluntary agreements with the asset owners. Importantly, the long-term PPAs granted to coal project operators mean that the book values of USD million/MW do not align with project market values, effectively granting operators greater negotiating power.<sup>121</sup>
    - The initial proposal for the ETM model estimated compensation at USD 1 million–1.8 million/MW for coal power project owners to retire early.<sup>122</sup> Similarly, recent analysis

by Transition Zero recommended that to accelerate retirement, Indonesia's coal power projects should be compensated at a rate of USD 1.2 million/MW.<sup>123</sup> In contrast, Germany's coal auction caps on thermal plant retirement are set at approximately USD 151,000/MW, declining to USD 86,000 by 2026. Even at this much lower rate, Ember analysts have warned that Germany must "reassess its strategy to avoid wasting millions of euros funding loss-making plants and delaying their closure."<sup>124</sup>

- **Focus on existing options to rapidly and reliably replace coal power capacity with non-resource-intensive renewable energy sources, as there is no reason to delay the transition.**

- According to Carbon Tracker Initiative, in 2022, 7% of Indonesia's coal capacity is more expensive to operate than new wind or solar power, but this will rise to 100% by 2027. This means that *"under current regulations 7% of coal capacity in Indonesia could be shut down and replaced with new renewables at a saving today"* and 100% within five years.<sup>125</sup> This contrasts with the Indonesian government's CIF-ACT Investment Plan to power down coal by 2056. Meanwhile, in Pakistan and Vietnam, Carbon Tracker estimates it already costs more to keep current coal operations running than to develop new solar or wind projects.<sup>126</sup> In the Philippines, while it is cheaper to develop new renewable energy facilities than new coal projects, Carbon Tracker modeling suggests that within eight to nine years, it will be more expensive to keep the country's coal fleet running than to develop new wind or solar projects.<sup>127</sup>

- **Require the implementing partners of ETM projects (coal project operators, utility companies and other financiers) that remain involved in expanding the global coal fleet to provide time-bound commitments – on a portfolio and project-by-project basis – to hasten the retirement of these facilities and suspend all plans for new and expanded projects.**

- While the ETM will partner with governments, power and utility companies and other financiers to retire operational projects, this may be overshadowed by the sheer number of projects still in the permitting, planning and construction stages (e.g. in Indonesia, 7.26 GW of coal power projects are still in the planning and permitting stages and 18.7 GW in the construction stages, while in Pakistan,

close to 10 GW of coal projects are in the planning, permitting and construction stages as of July 2022<sup>128</sup>). Although the ADB will seek commitments from pilot countries to avoid additional new projects from being added to the pipeline, no measures are being taken to withdraw projects already in the pre-permitting, permitting and planned stages or to suspend the development of coal power units under construction. By continuing to build out coal fleets, the actors involved are effectively defying climate science imperatives and positioning themselves to undermine the few remaining opportunities to avoid catastrophic temperature rise.

- **Avoid shifting investments into piloting unproven and speculative carbon "removal" schemes, carbon-intensive "repurposing" technologies along with other false energy and climate solutions.<sup>129</sup>**

- The lack of clarity on the definition of clean energy options and parameters for repurposing projects risks incentivizing the development of false solutions, including waste-to-energy incinerators, facilities to burn woody biomass,<sup>130</sup> projects that replace coal with ammonia/hydrogen, pumped hydropower, carbon capture and storage infrastructure or battery plants and nickel smelting. These projects would, in turn, exacerbate the unsustainable use of local water and land resources and lead to violations of local residents' access to land, water and livelihoods. However, if these projects are financed through blended mechanisms or financial intermediary modalities, it is not clear how or whether compliance with the ADB's safeguard standards will be strictly applied. Nor is it clear how affected communities will know whether ADB financing is involved so they can raise grievances when/if they arise through the ADB's independent Accountability Mechanism.

- **Proactively consider the risks of reprisals and retaliation to community members and CSOs working in and around coal power projects targeted for retirement.**
- The ADB has yet to clarify how it would respond to cases of reprisals and retaliation for community members who raise questions or concerns about coal power projects operating under accelerated retirement timelines.

- **Heed calls by national and local social movements in ETM pilot countries for faster and transparent phase-out** of coal power sector, for reparations and restitution for coal-affected communities and for the just transition to include broader, more systemic changes.
- **Avoid increasing national debt burdens by prioritizing grants instead of loans.** Otherwise, loans to national utility companies to retire projects and build/invest in clean energy infrastructure may create additional financial burdens,<sup>131</sup> compounding high levels of foreign debt.<sup>132</sup>

Where the ADB and WBG have specifically been involved in bolstering the coal sector, such as in Indonesia, Pakistan, the Philippines and Vietnam, but also more broadly across the region, they should:

- Halt any ongoing investments that support or enable expansion of the coal industry (including via financial intermediary on-lending).
- Provide compensatory reparations and restitution to communities where coal power projects received institutional support.
- Support the clean-up and decommissioning costs of the fossil fuel projects they have financed, in consultation with governments, workers' associations, communities and allied CSOs.
- Undertake a full independent evaluation of their legacy and current coal project investments, with an assessment of how these projects can be urgently retired (or suspended if still in the planning or construction stages) in line with the imperatives of climate science (no later than 2040). Clarify the protocols in place to respond if community members who raise concerns about current or past ADB/WBG coal project investments, or the ETM process, face reprisals.
- Support governments to develop a coal phase-out schedule by 2040, assigning specific closure dates for each coal power unit without overcompensating a dying and highly polluting industry or relying on false short-term solutions. This process should be undertaken in full consultation with workers' associations and civil society, and in conjunction with the development of corresponding legislation.

- 1 For a range of advocacy efforts across the region related to coal, see, for example: EnvJustice (2022, November), EJ Atlas Coal Map. [Accessed online.](#)
- 2 See, for example: NGO Forum on ADB (2021, November 2), “More than 60 Asian CSOs call on ADB to clarify details of its coal retirement mechanism proposal”. Accessed online. Also see: WALHI and Friends of the Earth Japan (2022, November 14), “Climate, Environment and Social Conditions Require a Further Earlier Closure of Cirebon Coal Plant Unit 1 and a Halt to the Commencement of Operation in Cirebon Unit 2”. [Accessed online.](#)
- 3 Repurposing in this context typically refers to options for retrofitting coal projects to be co-fired with biomass, ammonia or hydrogen. See, for example, the recent statement published on FoE Japan (2022, November 1), “Indonesian CSOs Submit a Petition to the Japanese Government: ‘No more prolonging the lifespan of fossil fuel and destroying the environment and livelihoods in Indonesia in the name of a ‘Just Energy Transition’”. Accessed online. Also see the feature in Mongabay News: Giseburt, A. (2022, August 29), “Biomass cofiring loopholes put coal on open-ended life support in Asia”, online: [Accessed online.](#)
- 4 See, for example: NGO Forum on ADB (2022, June 17), “Beyond ACEF 2022: Challenging the ADB to Stop Financing False Climate and Energy Solutions”, online: <https://www.forum-adb.org/post/beyond-acef-2022-challenging-the-adb-to-stop-financing-false-climate-and-energy-solutions>. (17 June 2022) Accessed online. See also: Friends of the Earth International (2022, October 27), “COP27 briefing: What’s at stake regarding false solutions?”. Accessed online. Also, Asia Pacific Forum on Women, Law and Development (2022, November), “What are False Solutions?”. [Accessed online.](#)
- 5 See, for example: Roy, C. (2022, November), “Climate finance in Asia: Assessing the state of climate finance in one of the world’s most climate vulnerable regions”, Oxfam International. [Accessed online.](#)
- 6 IEA (November 2022), Coal in Net Zero Transitions: Strategies for rapid, secure and people-centred change, World Energy Outlook 2022 Special Report on Coal Transition. [Accessed online.](#)
- 7 UNESCAP (2021, February), Coal Phase Out and Energy Transition Pathways for Asia and the Pacific. [Accessed online.](#)
- 8 The grim reality of the impacts of coal on communities is well documented. For instance, one peer-reviewed study estimated that coal pollution from currently operating power plants in Southeast Asia results in approximately 20,000 excess premature deaths every year, which are expected to rise by 2030 to 70,000 per year (assuming planned and under-construction coal power plants in the region become operational). The emissions of sulfur oxides, nitrogen oxides and other noxious particulate matter are also leading causes of lung cancers, ischemic heart diseases, chronic obstructive pulmonary disease, as well as other chronic cardiovascular and respiratory diseases in the region. See: Koplitz, S. et al. (2017, January), “Burden of Disease from Rising Coal-Fired Power Plant Emissions in Southeast Asia”, Environ. Sci. Technol., 51, 3, pp. 1467-1476. [Accessed online.](#)
- 9 See, for example: Carbon Tracker (2021, June), Do Not Revive Coal: Planned Asia coal plants a threat to Paris. [Accessed online.](#)
- 10 See, for example: ADB Go Fossil Free website (updated 2021, June/July). Accessed online. Also see: Urgewald (2021, August), “The World Bank Drives Billions into Fossil Fuel Investments”. [Accessed online.](#)
- 11 See, for example: “Threats and Murders of Environmental Activists Fighting Coal In The Philippines” (Section 5) in Philippine Movement for Climate Justice, Re: Complaint concerning IFC investments in and financing to RCBC (2017). [Accessed online.](#)
- 12 See, for example: World Bank (2022), Just Transition for All: The World Bank Group’s Support to Countries Transitioning Away from Coal. Accessed online.
- 13 See, for example: NGO Forum on ADB (2021, November), “Towards a swift and just end to coal: A statement of civil society and communities in Asia-Pacific urging the Asian Development Bank not to gamble with our climate plight with a premature coal buy-out scheme”. Accessed online.
- 14 See: ADB Energy Transition Mechanism website (2022, November).
- 15 ADB (2018), Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific. [Accessed online.](#)
- 16 ADB (2022), “Where We Work”. [Accessed online.](#)
- 17 ADB (April 2022), ADB Annual Report 2021. [Accessed online.](#)
- 18 See: ADB (2022), “Public Sector (Sovereign) Financing”. [Accessed online.](#)
- 19 See: ADB (2022), “Private Sector (Non-Sovereign) Financing”. [Accessed online.](#) Note that some private sector financing is via financial intermediary facilities and, therefore, not traceable as direct investments in the development of specific projects (See: “[What are the areas currently covered by ADB’s private sector?](#)”).
- 20 See, for example: ADB (2021, November 5), “Private Sector’s Role in Combating Climate Change in Asia and the Pacific”. [Accessed online.](#) Note that this field is not simply confined to renewable energy developments, such as wind and solar projects. It may also include renewable energy battery developments, the piloting of facilities powered by blue/green/turquoise hydrogen, or investments in carbon capture and storage technologies, among others.
- 21 See: ADB (2022, November), *Operations Manual*. [Accessed online.](#)
- 22 See: ADB Access to Information website (2022). [Accessed online.](#)
- 23 See: ADB Accountability Mechanism website (2022). [Accessed online.](#)

- 24 See: ADB Independent Evaluation Department website (2022). [Accessed online.](#)
- 25 See: ADB (2009, June), “Safeguard Policy Statement”. [Accessed online.](#)
- 26 See: ADB (2021, September), Energy Policy: Supporting Low-Carbon Transition in Asia and the Pacific. [Accessed online.](#)
- 27 See: ADB (2018, July). *Strategy 2030: Achieving a Prosperous, Inclusive, Resilient, and Sustainable Asia and the Pacific*. [Accessed online.](#) Relevant areas highlighted for future financing include a focus on support for climate change adaptation and mitigation measures, environmental sustainability and increased support to the private sector.
- 28 See: ADB Independent Evaluation Department (2020, August), “Sector-wide Evaluation: ADB Energy Policy and Program, 2009-2019”. [Accessed online.](#)
- 29 See: ADB (2020, August 31), “Independent Evaluation Recommends ADB Formally Withdraw from Financing New Coal-Fired Energy Projects”. [Accessed online.](#)
- 30 A critical review of ADB’s draft energy policy was submitted to the ADB by the NGO Forum on ADB along with more than 70 CSOs from across the Asia region and beyond. See: NGO Forum on ADB(31 August 2021), “Critique of the ADB’s 2021 Energy Policy Working Paper”. [Accessed online.](#)
- 31 See: ADB Energy Policy Review website (2021, October). [Accessed online.](#)
- 32 ADB (2009, June), Energy Policy 2009 (para 33). [Accessed online.](#)
- 33 Ibid. para 39.
- 34 Ibid. para 40.
- 35 ADB (2017, December), “Project 39595-033 | Viet Nam: Mong Duong 1 Thermal Power Project - Tranche 2”. [Accessed online.](#)
- 36 ADB (2017, November), “Project 43906-014 | Philippines: Visayas Base-Load Power Project”. [Accessed online.](#)
- 37 ADB (2019, October), “Project 44013-013 | China, People’s Republic of: Shanxi Energy Efficiency and Environment Improvement Project”. [Accessed online.](#)
- 38 ADB (2022, July), “Project 47094-001 | Pakistan: Jamshoro Power Generation Project”. [Accessed online.](#)
- 39 ADB (2017, May), “Project 48029-001| Mongolia: Coal to Cleaner Fuel Conversion for Heating in Ger District and Power Generation”. [Accessed online.](#)
- 40 ADB (2015, February), “Project 42074-012 | China, People’s Republic of: Recycling Waste Coal for Power Generation”. [Accessed online.](#)
- 41 See, for example: NGO Forum on ADB (2017, July), “A Visual Testimony of Asian Development Bank’s 50 Years of Destruction” (especially pp. 93-98). [Accessed online.](#); Indus Consortium (2022, October), “ADB Funded Jamshoro Coal & Gas Power Plant Deteriorates Socio-Environmental Conditions of Surroundings”. Video. ([Accessed online.](#)
- 42 See, for example: Licas News (2020, September 18), “ADB accountability on Philippine coal woes sought”. [Accessed online.](#)
- 43 See: ADB (September 2021), *Energy Policy: Supporting Low-Carbon Transition in Asia and the Pacific*. (para 75) [Accessed online.](#)
- 44 Ibid. para 82.
- 45 At the time of writing, for example, the ADB still has an active direct investment in the coal power sector in Pakistan, through its support for a 600 MW unit at the Jamshoro Coal Power Project, including site development, operational and maintenance support and on-the-job training for workers. Notably, at this site, contracts for construction were signed only in 2018 and, as such, the ADB has set the indicative date for closing its investment in the project in 2027. See: ADB (2022, July), “Project 47094-001 | Pakistan: Jamshoro Power Generation Project”. [Accessed online.](#)
- 46 For a critical review of the ADB’s 2021 Energy Policy, see: NGO Forum on ADB (2021, October), “Letter to ADB Board of Directors regarding upcoming vote on the ADB’s 2021 Energy Policy”. [Accessed online.](#) Also see: Fair Finance Asia (2021, September 1), “Fair Finance Asia’s Response And Feedback On ADB’s Draft Energy Policy”. [Accessed online.](#)
- 47 See: ADB (2021, February), “Project 55024-001: “Opportunities to Accelerate Coal to Clean Power Transition in Selected Southeast Asian Developing Member Countries”. [Accessed online.](#)
- 48 See: ADB (2021, July), “Project 55124-001: “Regional: Accelerating the Clean Energy Transition in Southeast Asia”. [Accessed online.](#)
- 49 In this context, the exact meaning of “repurposing” is vague. It may entail retrofitting the project to be fired by woody biomass or blue hydrogen (sourced from fossil gas) or using the same land as a site for solar panels/wind turbines.
- 50 For a comprehensive overview of different coal transition models emerging in different country and regional contexts, see, for example: Calhoun, K., et al. (2021, November), “Landscape of existing financial mechanisms for the coal transition” in *Financing the Coal Transition: Pragmatic Solutions to Accelerate an Equitable, Clean Energy Future*. RMI. [Accessed online.](#)
- 51 See, for example: UNESCAP (2021, February), Coal Phase Out and Energy Transition Pathways for Asia and the Pacific. [Accessed online.](#) Also reiterated in a statement by UN Secretary-General António Guterres in the lead up to the 26th UN Climate Conference of the Parties (COP) in 2021, posted online.
- 52 See: UN OHCHR (2011), *Guiding Principles on Business and Human Rights*. [Accessed online.](#)
- 53 See: NGO Forum on ADB (2021, November 1), “Towards a swift and just end to coal: A statement of civil society and communities in Asia-Pacific urging the Asian Development Bank not to gamble with our climate plight with a premature coal buy-out scheme”. [Accessed online.](#)
- 54 NGO Forum on ADB (2021, November 2), “More than 60 Asian CSOs call on ADB to clarify details of its coal retirement mechanism proposal”. [Accessed online.](#)
- 55 ADB (2021, November 3), “ADB, Indonesia, the Philippines Launch Partnership to Set Up Energy Transition Mechanism”. [Accessed online.](#)
- 56 In this regard, a publication released in December 2022 by Fair Finance Asia in collaboration with the Stockholm Environment Institute, *Financing the Just Energy Transition in Asia: Actions by Key Actors to Address*, affirms that in the process of transitioning from reliance on coal power projects, comprehensive long-term planning and policy measures are needed at the national level to “mitigate the adverse environmental and social impacts of [expansion of the] renewables” sector, ensure Indigenous Peoples’ rights to give or withhold consent for the use of lands, territories and resources are respected, protect the rights of workers and communities affected by the transition and make space for the “active and meaningful engagement and participation of women”. [Accessed online.](#)

- 57 See: ADB (2022, November 14), "Q&A: ADB, Indonesia Partners Sign MOU to Explore First Coal Utility Retirement under ETM". [Accessed online.](#)
- 58 See: ADB (2022, October), "Project 56140-001| Indonesia: Accelerating Indonesia's Clean Energy Transition Program – Phase 1". [Accessed online.](#)
- 59 For more details, see: ADB (2022, October), "Energy Transition Mechanism Partnership Trust Fund: What is the fund?". [Accessed online.](#)
- 60 ADB (October 2021), "Regional: Opportunities to Accelerate Coal to Clean Power Transition in Selected Southeast Asian Developing Member Countries: Technical Assistance Consultant's Report| Project 55024-001". [Accessed online.](#)
- 61 ADB (2022, October), "Major Change in Trust Fund: Energy Transition Mechanism Partnership Trust Fund under the Clean Energy Financing Partnership Facility". [Accessed online.](#)
- 62 Ibid.
- 63 Carbon Tracker Initiative (2022, August), "Country Profiles – Power and Utilities: Indonesia". [Accessed online.](#)
- 64 See: ADB (2021, October), "Project 55024-001| Opportunities to Accelerate Coal to Clean Power Transition in Selected Southeast Asian Developing Member Countries", Technical Assistance Consultant's Report. [Accessed online.](#)
- 65 Technical lifespan of a coal project is assumed to be 40 to 50 years.
- 66 ADB (2022, July 27), "The Energy Transition Mechanism Program for Southeast Asia Update", PowerPoint presentation.
- 67 ADB (2022, June 17), "Energy Transition Mechanism (ETM): Paving the Way toward Coal Phase Out in Indonesia", ACEF 2022 PowerPoint presentation. [Accessed online.](#)
- 68 See: Climate Investment Funds (2022, October), "Accelerating Coal Transition: From Coal to Clean". [Accessed online.](#)
- 69 ADB (2022, October), "Major Change in Trust Fund: Energy Transition Mechanism Partnership Trust Fund under the Clean Energy Financing Partnership Facility". [Accessed online.](#)
- 70 Ibid.
- 71 For instance, ADB's safeguards include the polluter pays principle, the precautionary principle, pollution prevention/minimization of polluting emissions and discharges, as well as health and safety provisions for communities and workers. See: ADB Safeguard Policy Statement (June 2009). [Accessed online.](#)
- 72 ADB (14 November 2022), "ADB and Indonesia Partners Sign Landmark MOU on Early Retirement Plan for First Coal Power Plant Under Energy Transition Mechanism". Press release. [Accessed online.](#)
- 73 ADB (2022, July), "Accelerating the Clean Energy Transition in Southeast Asia: Regional Scoping Report for Strategic Environmental and Social Assessment Applied to the Energy Transition Mechanism in Southeast Asia". [Accessed online.](#)
- 74 See: UN OHCHR (2011), "UN Guiding Principles on Business and Human Rights". [Accessed online.](#)
- 75 ADB (2022, July), "Accelerating the Clean Energy Transition in Southeast Asia: Regional Scoping Report for Strategic Environmental and Social Assessment Applied to the Energy Transition Mechanism in Southeast Asia" *Environmental and Social Assessment Applied to the Energy Transition Mechanism in Southeast Asia*, pp. 19, 22, 26, 33, 36, 39, 42, 44, 47, 52, 54, 61 and 67. [Accessed online.](#)
- 76 ADB (2022, October 4), "Energy Transition Mechanism (ETM) In Indonesia: Strategic Environmental and Social Assessment Scoping Workshop". PowerPoint presentation.
- 77 See: ADB and World Bank Group (2022, October 3), "ADB/WBG Climate Investment Funds Accelerating Coal Transition Investment Plan: 1st Public Consultation on the IP". PowerPoint presentation.
- 78 ADB (2022, July 27), "The Energy Transition Mechanism Program for Southeast Asia Update". PowerPoint presentation.
- 79 See: ADB (2022, July), "Why ADB's Energy Transition Mechanism is Prioritizing Safeguards and a Just Transition". [Accessed online.](#)
- 80 Ibid.
- 81 ADB (2022, August 18), "Just Transition in the Energy Transition Mechanism". PowerPoint presentation.
- 82 Ibid.
- 83 See, for example, the open statement issued by more than 35 organizations across the region during the ADB's flagship Annual Asia Clean Energy Forum, "Beyond ACEF 2022: Challenging the ADB to Stop Financing False Climate and Energy Solutions" (2022, June 17). [Accessed online.](#)
- 84 Fair Finance Asia (2021, November), "A Future Without Coal: Banking on Asia's Just Energy Transition". [Accessed online.](#)
- 85 Oxfam International (2022, December), "Towards a Just Energy Transition: Implications for communities in lower- and middle-income countries". [Accessed online.](#)
- 86 ADB (2022, July), "Preparing Sustainable Energy Projects – Opportunities to Accelerate the Transition from Coal-Fired and/or High Carbon Power Generation to Clean Power Generation in Pakistan – Senior Expert on Energy Policy and Markets| Project 53058-001" (Tender). [Accessed online.](#)
- 87 ADB (2022, October), "Project 56140-001 | Indonesia: Accelerating Indonesia's Clean Energy Transition Program – Phase 1". [Accessed online.](#)
- 88 ADB (2022, October), "Project 56140-001 | Indonesia: Accelerating Indonesia's Clean Energy Transition Program – Phase 1", Initial Poverty and Social Assessment. [Accessed online.](#)
- 89 See: CIF-Accelerating Coal Transition (ACT) (2022, October), "Indonesia Country Investment Plan". [Accessed online.](#)
- 90 Ibid.
- 91 Although specific financial commitments have yet to be published on the ADB website, the first IPP project to be piloted for retirement under the ETM was identified as the Cirebon 1 coal-fired power plant during the G20 Summit in Bali. See: ADB (2022, November 14), "ADB and Indonesia Partners Sign Landmark MOU on Early Retirement Plan for First Coal Power Plant Under Energy Transition Mechanism". [Accessed online.](#)

- 92 ADB and World Bank Group (2022, October 3), “ADB/WBG Climate Investment Funds Accelerating Coal Transition Investment Plan: 1st Public Consultation on the Investment Plan”. PowerPoint presentation.
- 93 See: CIF-Accelerating Coal Transition (ACT) (2022, October), “Indonesia Country Investment Plan”, p. 33. [Accessed online.](#)
- 94 While power plant repurposing is proposed by the World Bank to include options for the development of biomass/waste-to-energy, solar PV sites, pumped hydropower and battery storage, the closure of coal mines may include the installation of a solar PV site, “community and worker education programs on energy transition”, and converting lands into “destinations for tourism, education and other commercial activity” (See: CIF-ACT Investment Plan, p. 33).
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