



Holding ADB accountable since 1992

POLLUTERS GETTING PAID: The ADB's Energy Transition Mechanism (ETM)



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Polluters Getting Paid: The ADB's Energy Transition Mechanism (ETM)

The Asian Development Bank (ADB) is one of the most important financial institutions in the Asia–Pacific. The 58-year-old development bank is headquartered in the Philippines, and its main shareholders are Japan and the USA, each holding a 15.6% stake.

The consequences of climate change are especially severe in Asia. According to the bank's analysis, "Asia and the Pacific account for more than half of all global carbon emissions (emitted into the atmosphere), (therefore) the key to combating climate change lies in the region's transition to clean energy."¹

At its 2024 annual meeting, ADB will present itself as a regional climate bank and showcase its new coal phase-out instrument for Asia, the so-called *Energy Transition Mechanism* (ETM). The mechanism was first announced at the 2021 UN Climate Conference (COP26), followed by a protracted "work in progress" phase. ADB hails ETM as the most important pillar of the increasingly popular Just Energy Transition Partnerships (ADB's ETM document, last updated April 2023²): "(...) the ETM would be a key delivery mechanism to ensure successful implementation of JETP". The mechanism aims to retire coal-fired power plants 10 to 15 years before their projected lifespan ends. But ADB's claim that this early retirement scheme would "cut 200 million tons of CO₂ emissions per year, the equivalent of taking 61 million cars off the road" is a misleading exaggeration. The opposite is true: **ETM will bolster fossil fuel companies, minimize their losses and motivate them to perpetuate their faulty business model.** This paper shows why.

There are a number of so-called "Coal Retirement Mechanisms" (CRMs). So far, many have failed due to the low bankability of the concept, i.e. unfavorable profitability prognoses made these mechanisms unattractive. ADB, the Inter-American Development Bank (IDB), the Climate Investment Funds (CIF) and a consortium of developed

countries have each proposed "coal phase-out mechanisms" or "Just Energy Transition Partnerships" (JETPs) to help selected countries retire some of their coal-fired power plants. All of these programs are in the draft stage. In Southeast Asia, ADB plans to make the ETM a central element of national energy transition pathways. The COP28 climate conference in Dubai agreed on a gradual phase down using the "Coal Transition Accelerator"³ under the auspices of the EU and the [French president's office](#).⁴ The ETM is also expected to play a central role here.⁵

A wide range of civil society organizations have formulated benchmarks that these mechanisms need to meet. The world urgently needs a regulatory environment that promotes coal retirement, prevents the construction of new coal-fired power plants and precludes coal-to-gas conversion. **ADB's ETM does not provide such preventive measures.** The following principles and guidelines for a genuine climate- and environmentally friendly coal phase-out were published with the participation of Urgewald and submitted to the OECD and the ADB, among others: Ten guiding principles⁶ for financing coal retirement mechanisms (Alliance of CSOs, December 1, 2023).⁷

Massive criticism of the ADB's coal phase-out instrument

In its present form, the ETM compensates players that have no company-level coal phase-out commitment. It diametrically contradicts the "polluters pay" principle, negates liability for environmental and health damages and leaves it up to companies and governments to arbitrarily select compensation recipients. In some cases, these recipients are still developing new coal-fired power plants in other locations. Some of the most environmentally harmful companies, whose business model is based on coal expansion, are thus being rewarded with taxpayer money.

1 <https://www.adb.org/what-we-do/topics/climate-change/overview#clean-energy>

2 <https://www.adb.org/news/features/update-energy-transition-mechanism-april-2023>

3 https://ec.europa.eu/commission/presscorner/detail/en/statement_23_6260

4 <https://www.elysee.fr/admin/upload/default/0001/15/8e84aa8bb061ad20cfbe8df4fdc973a1a604274d.pdf>

5 <https://www.carbontrust.com/de/news-und-insights/news/der-carbon-trust-uebernimmt-eine-zentrale-rolle-in-einer-neuen-initiative-zur-beschleunigung-des-uebergangs-von-kohlekraft-zu-sauberer-energie>. The OECD is expected to set non-binding guidelines here, together with the International Energy Agency (IEA).

6 <https://reclaimfinance.org/site/wp-content/uploads/2023/11/PDF-for-publication-Coal-phaseout-principles-formatted.pdf>

7 Of course, these also apply to the ETM and are part of this paper. More guidelines can be found here:

- Guidelines for selecting just transition projects (Bankwatch , October 10, 2023)

- How To Retire Early . Making Accelerated Coal Phaseout Feasible and Just (Rocky Mountains Institute, Sierra Club, Carbon Tracker, 2020).

Accordingly, local civil society organizations in countries like Indonesia oppose ADB's ETM mechanism:

“We firmly reject the mechanism for the sake of huge greenwashing by major corporations, not for the sake of the climate, environment, and local communities. (...) Large corporations that have been promoting the construction and operation of coal-fired power plants and raising enormous profits are supposed to take reasonable responsibility for the cost to the climate, the environment, and local communities. (...) This ETM framework only sends the wrong message to commercial companies that continue to invest in the coal sector that it is possible to avoid liability or risk of stranded assets in the future.”⁸

The targets of this outrage are those who caused and benefited from the problem: the companies, but also ADB itself. The ADB invested heavily in coal-fired power plants. According to the bank's own report⁹, the energy sector was one of the bank's top investment sectors in the decade 2009–2018, comprising the most financing and a third of all projects. The NGO Forum on ADB, CLEAN, Indus Consortium and CEED¹⁰ (p. 4-5) report that 19% of all energy project funds flowed into fossil projects. However, measured in terms of installed capacity, fossil projects accounted for 50% of the installed capacity of ADB-funded energy projects.

ADB has not approved direct financing for new coal power projects.¹¹ Although coal mining is on the ADB's prohibited investment list, ADB's energy policy does not explicitly exclude aspects of the supply chain other than mining/extraction and thermal power plant associated activities. In addition, indirect coal financing remains possible through financial intermediaries (FIs), transmission and distribution (T&D) support and general financing for utility companies.

ADB revised its energy policy in 2021. The review confirmed it would stop supporting extraction and power projects in the coal and oil sectors. However, the bank continues to support fossil fuel related projects and provides

technical assistance, creating dual standards, which contradicts its claims and the recent announcement of its ETM. Here is the assessment from the NGO analysis of ADB's fossil fuels legacy quoted above (p.8):

The revised policy retains provisions for gas and oil financing, including LNG, cross-border pipelines, co-fired facilities, and diesel-powered projects. If ‘Paris-alignment’ is among the goals of the ADB, then first and foremost, a priority should be to support member countries in averting carbon lock-in and keeping fossil gas in the ground. However, the policy did not include proactive language to restrict ongoing investments in coal projects, nor did it commit to supporting a just transition and coal phase-out in communities where the ADB has financed coal in the past.

It is highly problematic that taxpayer money is being used to save dirty industries from the consequences of their actions. ADB's ETM as a coal phase-out instrument will neither promote the coal phase-out of the compensated companies nor ensure climate protection or a fair transition. Above all, it does not do justice to the bank's responsibility and the magnitude of the problem.

Demands towards ADB for a credible energy transition

1. Financing of the coal industry and coal-related infrastructure must be put on the ADB exclusion list. All finance for coal expansion – including for new, expanded, or refurbished grid-based power plants, captive coal plants, mines, and related infrastructure – must stop immediately.
2. Replacement by sustainable renewables, in particular solar and wind power (and related grid upgrades with energy storage) for power generation lost from decommissioning coal power plants must be made mandatory.
3. In accordance with the “polluters pay” principle, the ADB must live up to its responsibilities and cover the damage it caused.

8 Following the ADB's announcement of an ETM community ‘stakeholder discussion’ in the vicinity of the Cirebon 1 Coal-Fired Power Project, this position statement was released by WALHI West Java, WALHI National and two local community organizations, RAPEL & KARBON, in Bahasa Indonesia: <https://foejapan.org/id/issue/20240228/16377/>, translated into English here: <https://foejapan.org/en/issue/20240228/16374/>, February 28, 2024.

9 <https://www.adb.org/documents/adb-annual-report-2018>

10 ADB and AIIB Fossil Fuel and Gas Legacy in Asia, https://www.forum-adb.org/_files/ugd/898604_3face2c605da4e109a4d2698b-1cd9811.pdf?index=true

11 Although ADB has not directly invested in coal projects since 2013, there is still the Jamshoro project in Pakistan which continues to receive disbursements (updated on the PDS as inclusive of April 2024).

ETM definition

ETM was first promoted at the UN climate conference COP26 in Glasgow 2021. The very first countries which signaled participation because of their coal exit plans were Indonesia and the Philippines. Later Vietnam, Pakistan and Kazakhstan joined. These five countries are also described as “pilot countries”, but it remains unclear on which criteria this selection was made, as negotiations happened behind closed doors. The ETM was initiated by ADB, but it comprises a group of partner financiers including the Germany’s Bank of Reconstruction (KfW), and the International Climate Institute (IKI). Formal bilateral partners pledging funds are also Japan and New Zealand.¹² The AIIB is invited by the Indonesia to participate in the ETM in Indonesia¹³.

The ETM sponsors huge fossil companies first and foremost. Without clear decarbonization criteria, it singles out power plants chosen by the respective governments and industries to receive compensation for stopping their harmful operations earlier than originally planned.

According to the definition of the bank¹⁴, “The Energy Transition Mechanism (ETM) is a program that utilizes concessional and commercial capital from various public and private sources to incentivize the early retirement or repurposing of coal-fired power plants and other carbon-intensive power generation (e.g., heavy fuel oil) while also unleashing new investments in clean energy, grid modernization, and energy storage. ADB’s work on ETM promotes a just energy transition, protecting the livelihoods of any workers and communities affected by the transition.” It is described¹⁵ as “a collaborative initiative developed in partnership with developing member countries (DMCs) that will leverage a market-based approach to accelerate the transition from fossil fuels to clean energy. Public and private investments — from governments, multilateral banks, private sector investors, philanthropies, and long-term investors — will fill country-specific ETM funds to retire coal power assets on an earlier schedule than if they remained with their current owners.”

The main difference to the German coal exit, for example, is that the ETM applies a market-based tool in a non-market environment where companies ‘voluntarily’ participate. The chosen companies will receive a compensation of an average between 1 and 1.8 million USD/MW¹⁶ for refurbishing the coal-fired power plants or closing them ahead of their maturity. The aim is to close power plants 10 to 15 years earlier than planned.

Coal Exit Plans of Companies Worldwide

Urgewald published the latest update of the “Global Coal Exit List” (GCEL) together with over 40 NGO partners in October 2023. The GCEL provides detailed information on more than 1,400 companies operating across the coal value chain. It is the world’s most comprehensive public database on the coal industry.

“The overall picture that our data delivers is bleak,” says Heffa Schücking, director of Urgewald. “Out of the 1,433 companies on the GCEL, only 71 companies have an-

nounced coal exit dates. Meanwhile, 577 companies are still developing new coal assets. Without forceful action by governments, the finance industry and regulators, the chapter of coal won’t be closed.”

Interventions by public finance institutions must help create framework conditions that end coal expansion and lead to a rapid phase-out of all thermal coal assets. From this perspective, we will examine the companies that have been selected for the ETM so far.

12 <https://www.adb.org/news/japan-announces-25-million-adb-led-energy-transition-mechanism-southeast-asia>; <https://www.adb.org/news/new-zealand-commits-25-million-adb-energy-transition-mechanism>

13 https://www.aiib.org/en/about-aiib/governance/board-governors/.content/index/_download/Gov2023-025-Summary-of-Proceedings-of-the-Eighth-Annual-Meeting-of-the-AIIB-Board-of-Governors-2023.pdf

14 <https://www.adb.org/sites/default/files/event/906146/files/etm-seasia-and-ino-jeffries-adb-5-oct-2023-rev.pdf>

15 <https://www.adb.org/news/features/energy-transition-mechanism-explainer-support-climate-action-southeast-asia>

16 The Asian Development Bank’s Energy Transition Mechanism, p. 23.

Companies behind ADB-Identified ETM Projects in the Pilot Phase

In this section, we will focus on Indonesia and the Philippines as these were the first target countries of ADB's ETM. At the time of writing this briefing, only one coal plant in **Indonesia** had been selected for the ETM: the 660 MW Cirebon 1. For Indonesia, the revised CIF ACT investment plan¹⁷ provides further details, suggesting that a sovereign (not private sector) financial intermediary loan of 200 million USD from the ADB and CIF will be provided to the Indonesian state-owned company PT SMI (funneled through the Indonesian government) to support the transition of coal fired power projects, including potentially

Pelabuhan Ratu CFPP and Pacitan CFPP, not via ADB's ETM **but rather a separate country platform.**¹⁸

For the **Philippines**, a draft investment plan has been published by ADB, World Bank Group and Philippines Department of Energy under the CIF's Accelerating Coal Transition (ACT) program¹⁹, for **Vietnam**, we have a pre-feasibility study from 2021 and the JETP Resource Mobilization Plan (RMP)²⁰ of Dec. 2023.²¹ In **Pakistan** a pre-feasibility study was started in October 2022 and in **Kazakhstan** the feasibility study is still in progress.

Summary: ETM and partnerships implementation

Country	ETM Phase/ Partnerships	Highlights
Indonesia	Phase 1: FS Phase 2: Pilot transactions	<ul style="list-style-type: none"> Ongoing country SESA, Just Transition framework development, and stakeholder engagement Support for the Indonesia ETM Country Platform Ongoing studies (captive power analysis, power system analysis, generation planning) MOU for precedent transaction (Cirebon-1) signed in Nov. 22; Ongoing due diligence
	Partnerships	<ul style="list-style-type: none"> CIF-ACT Investment Plan approved in June 2023 (\$500M concessional funding to leverage \$4.5B+ of MDB and other cofinancing and Government of Indonesia investment) Institutional support for JETP Secretariat (via Technical Assistance)
Philippines	Phase 1: FS	<ul style="list-style-type: none"> Feasibility study and power system analysis report drafted Ongoing studies on transaction opportunities/pipeline
	Partnerships	<ul style="list-style-type: none"> CIF-ACT Investment Plan draft completed; final version for submission Nov. 2023
Viet Nam	Phase 0: Pre-FS	<ul style="list-style-type: none"> Ongoing discussions with the Gov. of Viet Nam for a MOU and a feasibility study
	Partnerships	<ul style="list-style-type: none"> JETP announced in Dec. 2022; Donor engagement.
Kazakhstan	Phase 0: Pre-FS	<ul style="list-style-type: none"> Pre-Feasibility Study ongoing.
Pakistan	Phase 0: Pre-FS	<ul style="list-style-type: none"> Pre-Feasibility Study completed and ready for sharing with the Government.

CIF ACT = Climate Investment Funds – Accelerating Coal Transition; FS = feasibility study; JETP = Just Energy Transition Partnership; MOU = Memorandum of Understanding; SESA = strategic environmental and social assessment.

Source: <https://www.adb.org/sites/default/files/event/906146/files/etm-seasia-and-ino-jeffries-ADB-5-oct-2023-rev.pdf>, p. 20.

17 https://cif.org/sites/cif_enc/files/2024-01/act_indonesia_investment_plan_revised.pdf

18 *Ibid.*, p. 111.

19 The CIF-ACT Investment Plan for the Philippines, which was drafted by ADB and WBG consultants/staff in partnership with the Philippine Dept of Energy. https://www.doe.gov.ph/sites/default/files/pdf/announcements/%5BDisclosure%20version_19Sep2023%5D%20Philippines_CIF%20ACT%20IP_Stakeholder%20Feedback.pdf

20 https://climate.ec.europa.eu/system/files/2023-12/RMP_Viet%20Nam_Eng_%28Final%20to%20publication%29.pdf

21 The Philippines CIF ACT Investment Plan focuses on repurposing coal projects, support for private sector RE and policy loans to the government for making regulatory changes to liberalize further the regulatory regime for RE. There is a clear breakdown of where financing will come from in terms of the ADB, IFC, World Bank, CIF and private sector. The Vietnam JETP RMP is broader (with a major focus on gas, hydropower, hydrogen) and was put forward by the Vietnamese government, backed by UNDP. As we understand it, there was little ADB involvement in the drafting.

The following table shows the ETM pilot-phase power plants we identified along with their operating companies²²:

country	power plant	companies
Indonesia	Cirebon-1	Marubeni Corp Korea Electric Power Corp (KEPCO) PT Indika Energy Tbk ST International Co Ltd
	Pelabuhan Ratu CFPP (under discussion)	
Philippines	Mindanao Plant	Formerly STEAG (Germany), now majority owned by Aboitiz Power Corp under a Build-Operate-Transfer concession until 2031
Vietnam	No power plants have been identified for ETM yet (as of December 2023) Earmarked for Vietnam under JETP: 15.5 billion USD ²³	
Pakistan	No power plants have been identified for ETM yet (as of December 2023)	
Kazakhstan	Pre-feasibility study, the presentation from Carbon Trust shows preliminary results	

Indonesia: Taxpayer money for coal companies

The Indonesian government commissioned the state-owned energy company PLN to select the ETM beneficiaries. The investment plan is intended to “ensure the long-term financial sustainability of PT Perusahaan Listrik Negara (PLN) and the corresponding subsidiaries”.

According to the Indonesian government’s investment plan²⁴ (p. 261), the following power plants were selected for the ETM:

- 660 MW Cirebon Unit 1 (Kanci Kulon, Astanajapura , Cirebon, West Java, launched in 2012, estimated early retirement in 2035)

A second power plant is under consideration:

- 1,050 MW Pelabuhan Ratu CFPP (Pelabuhan Ratu, Sukabumi, West Java, launched in 2013, estimated early retirement in 2037²⁵, 225 km from Cirebon).

NO	Name	System	Natural Retirement	Est. Early Retirement	Capacity (MW)	Est. Investment Needs (US\$Mn)	
1	PLTU Pelabuhan Ratu	Java-Madura-Bali		2045	2037	1050	830
2	PLTU Cirebon-1	Java-Madura-Bali		2042	2035	660	300
Total						1,710	1,130

Source: https://jetp-id.org/storage/official-jetp-cipp-2023-vshare_f_en-1700532655.pdf, p. 261

22 Sources for ETM Indonesia: <https://www.adb.org/sites/default/files/event/906146/files/14-40-pramudya-etm-indonesia-eng-rev.pdf> P.16, Comprehensive investment Plan 2023 (Published November 21, 2023, p. 150: https://jetp-id.org/storage/official-jetp-cipp-2023-vshare_f_en-1700532655.pdf), ADB JETP Secretariat , p. 14: <https://www.adb.org/sites/default/files/event/906146/files/14-40-edo-mahendra-etm-indonesia-eng-rev.pdf> . For the Philippines: Coal Transition Investment Plan https://d2qx68gt0006nn.cloudfront.net/sites/cif_enc/files/meeting-documents/agenda_item.b-philippines_act_investment_plan.pdf ; for Vietnam, p. 143: https://climate.ec.europa.eu/system/files/2023-12/RMP_Viet%20Nam_Eng_%28Final%20to%20publication%29.pdf); for Pakistan, p. 15: <https://ieefa.org/sites/default/files/2023-10/IEEFA%20Report%20-%20Pakistan%20ETM%20Report%20Oct2023.pdf> ;for Pakistan, the focus has shifted to technical assistance (TA) for RE in partnership with GEAPP, see: <https://www.adb.org/projects/57089-001/main>; for Kazakhstan: <https://www.adb.org/sites/default/files/event/906146/files/17-00-bekzhan-george-adb-pre-fs-etm-rev.pdf>; <https://www.adb.org/projects/56314-001/main>; <https://www.adb.org/news/adb-study-identify-energy-transition-opportunities-kazakhstan>

23 <https://southeastasiaglobe.com/development-banks-jetp-commitments/>

24 https://jetp-id.org/storage/official-jetp-cipp-2023-vshare_f_en-1700532655.pdf

25 https://www.gem.wiki/Pelabuhan_Ratu_power_station

According to our analysis, the plan to compensate Cirebon-1 and the companies behind it is completely unreasonable. This choice does not lead to the desired reduction term of 10–15 years, nor will the compensation go to progressive companies with coal exit plans. On the contrary: companies are being rewarded that are particularly regressive in their climate policies, are embroiled in corruption scandals and are trampling human rights.

Early shutdown

The ADB first explained in a press release²⁶ that with the help of the ETM, the Cirebon 1 power plant would be closed down “seven years earlier”, but has since backtracked, with the consideration that Cirebon 1 will operate as a thermal coal plant until 2035, after which time it may be repurposed to run on other, yet to be defined) fuels. Cirebon 1 started operations in 2012 and uses “supercritical” technology developed in the 1960s.²⁷

How climate-friendly are the companies involved in Cirebon 1?

Cirebon 1 was developed by Cirebon Electric Power (CEP)²⁸, which is a joint venture between the following companies:

1. the Japanese Marubeni Corporation (32.5%),
2. the South Korean KEPCO and its subsidiary Korea Midland Power Co (KOMIPO, 27.5%),
3. the Indonesian PT Indika Energy (20%).
4. the South Korean ST International (formerly Samtan Co Ltd²⁹) (20%).

1. Marubeni Corporation

The Japanese company Marubeni is the largest shareholder in Cirebon 1 with 32.5%. It also holds a 35% equity share in the new 1000 MW Cirebon Unit 2 project, developed by the special purpose vehicle PT Cirebon Energi Prasarana. Cirebon 2 went into operation at the end of 2023 and stands only 1,500 meters away from Cirebon 1.

Marubeni owns coal-fired power plants in the Philippines, Japan, Indonesia and Vietnam. There is no information or indication that this company will move towards a more climate-friendly business model and its **coal phase-out date is set for 2050** – 20 years too late³⁰ to be aligned with a 1.5°C target. There is also no Just Transition Plan. It is unclear how Marubeni plans to exit coal, but there is a high probability that the company may simply sell off coal assets, as some of its power plants have only come online in the last few years.

Marubeni also owns interests in various metallurgical coal mines in Australia, including a 33.3% interest in the Lake Vermont Mine.³¹ The coal mine owners plan to extend the mine’s life to 2063. In addition, Marubeni has a 12% stake alongside Glencore and Sumitomo in the “Hail Creek” coal mine, a “methane super emitter”³² responsible for 20% of Australia’s methane emissions from coal mining, despite producing only 1% of the country’s coal.

The company has also been involved in numerous scandals. Its Vietnamese Nghi Son 2³³ power plant was approved without prior consultation with affected local communities. Fishermen were notified at short notice that they were being evacuated from the places³⁴ they had occupied for generations and were deprived of their income. The Nghi Son 2 power plant emits twice as much³⁵ CO₂ per unit of electricity as the average power plant in Vietnam.

2. Korea Electric Power Corporation (KEPCO)

KEPCO participates with 27.5% in Cirebon 1 (PT Cirebon Electric Power)³⁶, and with 10% in Cirebon 2 (PT Cirebon Energi Prasarana).³⁷

With 36.5 GW of installed coal capacity, KEPCO owns one of the largest coal plant fleets in the world. The company’s business model is largely based on fossil fuels, with less than 2% of its energy generation coming from renew-

26 3.12.2023, New Agreement aims to retire Indonesia 660-MW Coal Plant Almost 7 Years Early, <https://www.adb.org/news/new-agreement-aims-retire-indonesia-660-mw-coal-plant-almost-7-years-early>

27 The Cirebon 1 power plant contains technology classified by GEM as “supercritical”: coal-fired power plants use pulverized coal combustion, in which the coal is ground into talcum powder and then burned to heat water into high-pressure steam that powers an electricity generator. The difference between subcritical, supercritical and ultra-supercritical versions of pulverized coal combustion technology has to do with the steam pressure in the boiler. Cirebon 1 uses a high pressure boiler with an efficiency between 37 and 40%

28 https://www.gem.wiki/Cirebon_power_station

29 <http://www.sticorp.co.kr/company/overview>

30 <https://www.iea.org/reports/phasing-out-unabated-coal-current-status-and-three-case-studies/executive-summary>

31 <https://www.marubeni.com/oceania/metals/>

32 <https://www.afr.com/markets/commodities/these-australian-coal-mines-are-methane-super-emitters-20211130-p59d9i>

33 https://www.gem.wiki/Nghi_Son_power_station

34 https://www.banktrack.org/project/nghi_son_2_coal_power_plant

35 Ibid.

36 AR 2022 P.93 (<https://dart.fss.or.kr/dsaf001/main.do?rcpNo=20230328000733>)

37 Business Report 2023 1H P.59 https://home.kepcoco.kr/kepcoco/cmmn/documentViewer.do?fn=BBS_202312080825327310&rs=/kepcoco/synap/doc



Cirebon is a fishing village in Indonesia whose residents are engaged in fishing, salt farming and agriculture. Since the Cirebon coal-fired power plant was built, their lives have changed. As pollutants from the coal power plant contaminated the water and killed many marine creatures, fishers lost their livelihood. Air pollutants caused a spike in lung and heart disease. © Ulet Ifansasti / Greenpeace (2.5.2019)

able sources.³⁸ 34% of the company's revenue is generated through the sale of coal-based electricity, and 40% of KEPCO's installed capacity consists of coal-fired power plants.

KEPCO is also still **expanding its coal plant fleet**: the company is developing three **new coal-fired power plants** in Indonesia, Vietnam and Korea.³⁹ This means that KEPCO will be responsible for **bringing another 6.3 GW of new coal-fired power capacity online** within the next couple of years.

KEPCO also has significant interests in Indonesian coal mining companies. Most notably, it owns a 20% share in Indonesia's fourth-largest coal producer, PT Bayan Resources Tbk – a company that is still planning to develop new coal mines.

The company says **it will completely exit the coal value chain by 2050**.⁴⁰ Like Marubeni, this coal exit comes 20 years too late and is not compatible with the 1.5°C target. According to its plans, KEPCO will decrease its installed coal-fired capacity from 32.6 GW today to 19.4 GW in 2035.⁴¹ In 2030, when the company should phase out coal in order to be Paris-aligned, KEPCO will still operate 23 GW of coal-fired capacity in South Korea. In other words, **70% of KEPCO's current coal-fired capacity will still be in operation**.

The goal of the ETM is the early retirement of coal power plants. **But KEPCO is currently still expanding its coal investments**. And the company's coal phase-out plans are based on **either selling off assets or converting coal plants to run on fossil gas**. All of KEPCO's coal-fired power plants slated for retirement by 2036 will be replaced with

38 AR 2022 P.48 (https://home.kepco.co.kr/kepco/cmmn/documentViewer.po?fn=BBS_202304281148118920&rs=/kepco/synap/doc)

39 Anin (Gangneung) Unit 2: South Korea 1040MW (302MW prorated), Vung Ang 2: Vietnam 1200MW (480MW prorated), Banten Suralaya power station (Jawa 9 & 10): Indonesia 2000MW (300MW prorated), Cirebon 2: Indonesia 1000MW (100MW prorated), (Adaro Aluminum Smelter: Indonesia 1100MW (16.5MW prorated)).

40 https://home.kepco.co.kr/kepco/EN/B/htmlView/ENBJHP001_03.do?menuCd=EN02080701

41 IP 2023 Q3 P.6 https://home.kepco.co.kr/kepco/cmmn/documentViewer.po?fn=BBS_202312200333496711&rs=/kepco/synap/doc

new LNG capacity.⁴² It comes as no surprise, that with over 17 GW in the pipeline, KEPCO is the world's largest gas-fired power developer. As of today, renewables account for less than 2% of the company's installed power capacity. In addition, KEPCO invests only a negligible amount in renewable energies: for 2024, the company plans to spend 21.5% of its capital expenditure for the development of coal and LNG. For renewables, KEPCO has earmarked a mere 4%.⁴³

In addition, KEPCO is plagued by allegations of corruption, protests over environmental degradation and pending litigation.⁴⁴ The Bandung Regional Court has ruled that the environmental permit for Cirebon 2 (1,000 MW) was issued illegally.⁴⁵ The former regent of Cirebon was indicted by the Indonesian Corruption Eradication Commission (KPK) on March 14, 2023 for accepting bribes in connection with the Cirebon 2 project. In response to this development, four Japanese non-governmental organizations submitted [a letter](#) to the Japanese Ministry of Finance and the state-owned Japan Bank for International Cooperation (JBIC) on March 28, 2023. Residents affected by the Cirebon 2 power plant have rejected the compensation offered as inadequate.⁴⁶ For many years, local and international organizations have been protesting against the commissioning of Cirebon 2. The controversial coal plant has only recently begun operations

3. PT Indika Energy Tbk

The Indonesian company Indika Energy owns 20% of Cirebon 1⁴⁷ and 6.25% of Cirebon 2.⁴⁸

Indika Energy owns Indonesia's third-largest coal mine, through its subsidiary PT Kideco Jaya Agung. The Pasir coal mine produced 34.8 Mt of thermal coal in 2022, making Indika Energy one of Indonesia's largest coal mining companies.⁴⁹ In December 2022, the company received approval to expand mining at Pasir until 2033⁵⁰, although the initial mining contract was expiring in March 2023. This approval can be extended by another 10 years.

The majority of the company's revenue is generated through coal mining and trading and in 2022, its coal share of revenue was 88.4%. In 2020, Indika Energy announced that it would aim for 50% non-coal revenue by 2025. Indika Energy is one of very few coal mining companies in Indonesia to announce that it will reduce its coal exposure. Since this announcement was made, Indika Energy's coal revenue has, however, increased each year.

As part of its non-coal revenue target, Indika Energy has undertaken a "green diversification" by moving into non-coal segments (gold and bauxite mining and nickel trading/expansion of renewable energy division/digital trading ICT). But taken together, these three segments only accounted for 0.6% of the company's total revenue in 2022⁵¹, a far cry from a new business model. Furthermore, Indika also divested from a coal mining subsidiary in September 2023 and a coal mining company in July 2022. While Indika claims decarbonization through these sales, divesting coal assets does not lead to any real-world emission reductions.

Indika cites the use of electric buses and solar panels at its coal mining sites as measures to reduce greenhouse gas emissions. Although it set a Net Zero target for 2050, there are no real plans to shut down coal trading and mining. Instead, the company helped bring Cirebon 2 online.

4. ST International Co Ltd

The South Korean company owns 20% of both Cirebon 1 and Cirebon 2. The company provides guarantees for both power plants. ST International also has interests in coal mines and is heavily exposed to coal, with 67% of its revenue being generated through coal sales. We can therefore assume that compensation from the ETM will in no way dissuade the company from prolonging its coal-based business. ST International has no coal exit plans.

42 Detailed information on this can be obtained from Urgewald.

43 IP 2023 Q3 P.22 https://home.kepco.co.kr/kepco/cmmn/documentViewer.po?fn=BBS_202312200333496711&rs=/kepco/synap/doc

44 Detailed information on this can be obtained from Urgewald.

45 <https://www.walhi.or.id/court-orders-government-to-revoke-cirebon-coal-power-plant-permit-jbic-should-respect-indonesian-law-and-drop-financing-plans>

46 <https://foejapan.org/en/issue/20230329/12090/>

47 FS 2023 Q3 P.109 <https://www.indikaenergy.co.id/wp-content/uploads/2023/11/30-Sep-2023-Financial-Statements.pdf>

48 FS 2023 Q3 P.109 <https://www.indikaenergy.co.id/wp-content/uploads/2023/11/30-Sep-2023-Financial-Statements.pdf>

49 Even though Kideco Jaya Agung is the third-largest coal mining company in the country, on a parent company level, five companies produced more coal than PT Indika Energy Tbk.

50 <https://www.indikaenergy.co.id/wp-content/uploads/2023/11/Company-Results-Presentation-9M-2023.pdf>

51 AR 2022 P.509 (<https://www.indikaenergy.co.id/wp-content/uploads/2023/03/2022-Annual-Report.pdf>)

Conclusion: ETM in Indonesia rewards coal developers

Our main question is: Why should public money be used to compensate the stranded coal plants of private companies that are still developing new coal assets? And why is there no compensation for local communities whose health and livelihoods were wrecked by Cirebon 1 and will now also be impacted by Cirebon 2?

The selection of Cirebon 1 as a power plant for ADB's ETM is a clear signal from the bank to coal companies

that they can double down on coal. Two of the plant's four owners have no coal phase-out plans at all, and the other two have made completely unacceptable phase-out announcements for 2050. All four companies are simultaneously the owners of the new coal-fired power plant Cirebon 2. Regardless of ADB's explicit requirement not to build any new coal-fired power plants, KEPCO is doing just that. Marubeni, Indika and ST International are also continuing to expand their activities in the coal industry. And none of these companies have Just Transition Plans.

Transaction models to accelerate retirement/repurposing of coal-fired power plants (CFPPs)

Acquisition Model ¹ (SPV Level)	Synthetic Model (SPV Level)	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 plant owner – contracts with an operator	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 IPP plants with international bankable PPA	Most suitable for IPP plants with international bankable PPA	Most suitable for Utilities with a portfolio of plants
<p>While multiple transaction options exist, ETM will seek commitments from:</p> <ul style="list-style-type: none"> • current project investors not to develop any new coal; and • host country commitment to energy transition as a pre-condition for any deal. 		

¹ Acquisition Model to be utilized only in exceptional scenarios.

Source: <https://www.adb.org/sites/default/files/event/906146/files/etm-seasia-and-ino-jeffries-adb-5-oct-2023-rev.pdf>

The above diagram proposes three different financing models for the ETM:

(a) ADB's acquisition of majority shares in the coal-fired power plant (and thus taking control as owner/operator and negotiating the closure with the energy supply company); (b) lending via debt capital (whereby "senior" signifies the cheapest form of debt, while "junior" is slightly more expensive) or expensive interim financing (mezzanine capital); and (c) the provision of funds for companies (business loans) that then convert coal-fired power plants into non-coal-dependent plants or close them down. The synthetic and portfolio models are preferred. In the synthetic model, the external owners would contractually negotiate an early retirement with the national energy utili-

ties and arrange a loan with ADB by adjusting the energy prices (PPA). The operator of the coal-fired power project would retain full ownership and responsibility for the project and would agree to repay the debt as a percentage of revenue from ongoing operations over an estimated period of 10 to 15 years. Meanwhile, ADB and its Carbon Reduction Facility (CRF) established for this purpose would assist the operator in repaying outstanding loans and pay a **special dividend to project stakeholders to offset the economic losses** caused by the decision to shorten the operational period. The operator of the coal project would also be **encouraged** (a very soft formulation) to invest the profits in shares in renewable and clean energy projects.⁵²

52 For more details, see FFA and NGO Forum on ADB (December 2022). The Asian Development Bank's Energy Transition Mechanism: Emerging Social, Environmental and Rights-Based Considerations, p. 13.

According to an ADB press release⁵³ following the agreement with Indonesian partners, it was predicted in 2022 “that ADB would provide an early retirement facility in the form of *senior debt*, on the condition that the tenor [tenure] of the power purchase agreement between CEP and PLN [Indonesia’s state owned power company] will be shortened.”⁵⁴ According to ADB, the required capital through the ADB would be USD 250-300 million.⁵⁵ ADB will also receive a total of €30 million (2022-47) from the International Climate Initiative (IKI) of the German government specifically for the ETM for Cirebon 1.⁵⁶ The rationale related to compensating the companies involved comes from the Cirebon 1 Environmental and Social Compliance Audit as follows:

“Under the ETM, ADB would provide a financing package to CEP where the use-of-proceeds (...) would be used for: (a) Refinancing existing debt(s); and (b) A one-off special dividend distribution to the sponsors to compensate them for lost revenue of the final years of the PPA lifetime, swap unwinding costs, prepayment fees, and other expenses arising concerning the refinancing.”⁵⁷

It is incomprehensible why the *same* parent companies that recently participated in the expansion of the *same* coal-fired power station should receive taxpayer-funded financial support and compensation for a power plant which will run most likely until 2035.

As explained in the ETM definition box, the stated intention of the mechanism is to facilitate the closure or repurposing of coal fired power plants. For Cirebon 1, a real closure is unlikely. None of the owners of Cirebon Unit 1 are willing to do this. The conversion into a biomass power plant was rejected due to the amount of forest it would re-

quire. Negotiations are currently underway as to whether it can be converted into a waste incineration plant (WTE) that can be operated entirely with bioenergy/ammonia or hydrogen using imported plastic.⁵⁸ These plans already led to protests in May 2023.⁵⁹

There have also been protests since the opening of Cirebon Unit 1. The coal-fired power plant has destroyed the livelihoods of 3,000 farmers and fishing communities in the villages of Kanci and five other coastal towns.⁶⁰ Residents of the villages in the immediate vicinity of the power plant are suffering from the fly ash that engulfs the residential areas.⁶¹ As described above, the expansion of the power plant by Cirebon 2 drew a new wave of civil protest.

Despite being confronted with these problems for many years, ADB wants to compensate the companies involved in both power plant units. Three opinions and reports on Cirebon 1 were published in February 2024: Preliminary Poverty and Social Analysis⁶² (the ETM for Cirebon 1 only lists benefits for the population, among other things because it is assumed that the plant will continue to generate electricity from energy sources other than coal); Environmental and Social Compliance Audit Report⁶³ (report of on-site visits, ESIA 2010 and assessment of the current facility against the Equator Principles and IFC Performance Standards, which erroneously finds very few risks of non-compliance); and the Preliminary Just Transition Assessment⁶⁴ (Consequences of the closure for those working directly in the power plant, 465 full-time employees, but also for the informal sector around the power plant; there are still no clear compensation measures for the people affected).

As mentioned above, the complete repurposing of the power station will most likely be delayed until 2035. This

53 14. Nov. 2022, <https://www.adb.org/news/adb-and-indonesia-partners-sign-landmark-mou-early-retirement-plan-first-coal-power-plant>

54 FFA and NGO Forum on ADB (December 2022). The Asian Development Bank’s Energy Transition Mechanism: Emerging Social, Environmental and Rights-Based Considerations, p. 20.

55 FFA and NGO Forum on ADB (December 2022). The Asian Development Bank’s Energy Transition Mechanism: Emerging Social, Environmental and Rights-Based Considerations, p. 20.

56 <https://www.international-climate-initiative.com/projekt/energy-transition-mechanism-partnership-trust-fund-etmptf-22-i-515-idn-m-jetp-idn/>

57 Environmental and Social Compliance Audit Report (Febr. 2024): <https://www.adb.org/sites/default/files/project-documents/56294/56294-001-escar-en.pdf>

58 CIIP (Investment Plan Indonesia), P. 51: “After 2040, an increasing number of fossil-fuel based power plants (coal and gas) are retired and retrofitted to fully run on bioenergy or ammonia, for coal power, and hydrogen for gas power. (...) The retirement and replacement of significant fossil fuel based capacity in the 2040s will require careful long-term planning and procurement to meet decarbonization objectives in a way that ensures system adequacy and reliability.”

59 https://www.banktrack.org/article/activists_visit_japan_to_call_for_action_on_cirebon_coal_plant; <https://foejapan.org/en/is-sue/20221114/10291/>

60 <https://www.eco-business.com/news/indonesias-cirebon-1-coal-power-project-highlights-gaps-in-adbs-coal-to-clean-etm-scheme/>

61 <https://magz.tempo.co/read/environment/38000/protest-against-faba-coal-waste-management>

62 <https://www.adb.org/sites/default/files/project-documents/56294/56294-001-ipsa-en.pdf>

63 <https://www.adb.org/sites/default/files/project-documents/56294/56294-001-escar-en.pdf>

64 <https://www.adb.org/sites/default/files/project-documents/56294/56294-001-dpta-en.pdf>



Despite all damages and harm done to the local communities, KEPCO invested in a second CFPP, Cirebon 2. © Ulet Ifansasti / Greenpeace (01/05/2019)

would mean that greenhouse gases will continue to be produced on a business-as-usual basis for over a decade before the conversion takes place.

In 2024, regional discussions with stakeholders and affected communities will begin. In a position paper dated February 24, 2024, the affected communities made their demands unmistakably clear:

“(...) 1. Cirebon 1 must be decommissioned as early as possible. In addition, considering the severe impact that the construction and operation of Cirebon 1 has already had on local residents in terms of their means of livelihood, such as salt pans and fishing grounds, as well as their health, it is crucial that Cirebon 1 be retired as promptly as possible and that remedial measures (...) It is also apparent that there is no justification for further prolonging the operation of Cirebon 1, given the chronic oversupply of electricity in the Java-Bali power grid ; 2. No repurposing: Repurposing Cirebon 1 with technologies that will extend the life of the coal-fired

power plant will only prolong the plant’s impact on local residents and the environment, as well as the impact on the climate. A framework for a just energy transition must prioritize local communities, the environment, and the climate, rather than one that preserves the profits of large corporations. (...) 3: It is clear to all that it is not justified to start operation of Cirebon Unit 2 (1,000 MW. Cirebon 2), which has higher total greenhouse gas emissions compared to Cirebon 1 (660 MW), while there are discussions to achieve the early retirement of Cirebon 1 due to the urgency of dealing with the climate crisis. A consistent approach to the climate crisis must be implemented at every coal-fired power plant, and Cirebon 2, which is adjacent to Cirebon 1, is no exception. In addition, with the bribery case involving Cirebon 2 becoming widely known, Cirebon 2 must stop its operation, (...). 4: Large corporations that have been promoting the construction and operation of coal-fired power plants and raising enormous profits are supposed to take reasonable responsibility for the cost to the climate, the environment, and local communities.”⁶⁵

65 <https://foejapan.org/id/issue/20240228/16377/>, translated into English here: <https://foejapan.org/en/issue/20240228/16374/>, February 28, 2024.

Philippines: Taxpayer money for coal companies

There is little information available about plans for ETM piloting in the Philippines. In 2021, a feasibility study⁶⁶ was published on behalf of ADB to serve as the basis for developing an investment plan for the Philippines under the CIF-ACT (the coal transition program of the Climate Investment Fund⁶⁷). Environmental and social impact

studies were carried out between January and July 2023 (Strategic Environmental and Social Assessment, SESA), which, according to a detailed investment plan⁶⁸, are aligned with the best international practices specified by the OECD.

It was only with the publication of the investment plan⁶⁹ on November 8, 2023 that it became clear that **Mindanao** would be selected for the ETM.

Unit name	Status	Capacity (MW)	Fuel(s)	Start year
Unit 1	operating	116	coal-bituminous	2006
Unit 2	operating	116	coal-bituminous	2006

A special feature of the Philippines' energy market is that all coal-fired power plants except one – the Mindanao hard coal power plant – are privately operated. The so-called coal moratorium has been in place in the Philippines since 2020 to prevent the construction of new coal-fired power plants and promote the expansion of renewable energies in the country. The Philippine government is aiming for 50% renewables in the energy mix by 2050 (whereby wind and solar only take up a small part). In 2022, according to the Philippines' Department of Energy, coal, gas and oil accounted for 60%, 16% and 2% in the electricity mix respectively.⁷⁰ In the Philippines it is already **cheaper to develop new renewable energy plants** than new coal projects, and Carbon Tracker modeling shows that **in eight to nine years it will be costlier to keep the country's coal fleet running** than to develop new wind or solar projects.⁷¹

According to the CIF-ACT Investment Plan (2023, p. 38), Mindanao CFPP would have a remaining operational life of 15-20 years (that would mean until 2038/ 2043). Although the Mindanao coal-fired power plant is currently owned and operated by the Aboitiz Power Corporation, the plant was developed under a build–operate–transfer (BOT) scheme and will only belong to the company until

2031. After this time, ownership of the system will pass on to PSALM (a state-owned energy service provider).

Today, the Philippines are heavily dependent on coal.⁷² In a detailed commentary from November 2023 on the proposed investment plan, the Philippine NGO CEED together with the NGO Forum on ADB⁷³ argued:

“(...) the Philippine government is aggressively promoting the fossil gas and liquified natural gas (LNG) industries, which in turn has encouraged private companies to propose at least 35 gas-fired power plants with a total capacity of 39 GW and 12 LNG terminals.”⁷⁴

As they explain, the investment plan does not obligate participating coal plant owners to phase out operations, instead enabling a simple shift in fuel sources:

“Worse still, the draft consistently states “retirement or repurposing” of the chosen coal plants, with no assurance that they would not be repurposed for fossil gas use, hydrogen, or ammonia—all of which are false solutions that exist largely as the final lifelines of the fossil fuel industry.”⁷⁵

66 https://twitter.com/intent/post?url=http%3A%2F%2Fwww.adb.org%2F%2Fnews%2Ffeatures%2Fupdate-energy-transition-mechanism-april-2023&text=%22In%20the%20Philippines%2C%20ADB%20concluded%20a%20pre-feasibility%20study%20in%202021%20and%20is%20still%20engaged%20with%20a%20full%20feasibility%20study.%22&via=ADB_HQ

67 CIF was founded in 2008 by 9 countries and 6 Multilateral Development Banks (MDBs). CIF provides financing for the climate transition and is the only institution in the world to implement exclusively through MDBs.

68 Climate Investment fund: https://d2qx68gt0006nn.cloudfront.net/sites/cif_enc/files/meeting-documents/ctf_tfc.31.rev01_philippines_act_ip_rev1.pdf

69 https://d2qx68gt0006nn.cloudfront.net/sites/cif_enc/files/meeting-documents/agenda_item.b-philippines_act_investment_plan.pdf

70 https://www.doe.gov.ph/sites/default/files/pdf/energy_statistics/01_Summary%20of%202022%20Power%20Statistics.pdf

71 FFA and NGO Forum on ADB (December 2022). The Asian Development Bank's Energy Transition Mechanism: Emerging Social, Environmental and Rights-Based Considerations, p. 24.

72 <https://www.doe.gov.ph/energy-statistics/philippine-power-statistics>

73 See Annex after p. 137, at: https://d2qx68gt0006nn.cloudfront.net/sites/cif_enc/files/meeting-documents/ctf_tfc.31.rev01_philippines_act_ip_rev1.pdf

74 Ibid., p. 1

75 Ibid., p. 1.



Cirebon, Indonesia- Children play on field with a coal plant visible in the background. Greenpeace activists and members of the community in Waruduwur Village called on their governments to quit coal power and begin the switch to clean renewable energy during the closing of the regional anti-coal workshops hosted by Greenpeace and attended by community leaders from Indonesia, China, India, The Philippines and Thailand. © 2010, Henri Ismail / Greenpeace (05/07/2010)

It is concerning that the ETM program and the government's decarbonization program keep the option open for the private sector to "switch from coal to alternative fuels, green hydrogen or biomass" and other fuel sources. The demand of a broad coalition of regional and international CSOs is:

"Coal power facilities need to be fully decommissioned, with no extension of operations through such arrangements. Any such 'repurposing' would serve to undermine people's rights to a healthy environment, land, water, food and a dignified life. Simply switching to other, resource-intensive fuel sources is not a logical, practical, sustainable or economically sound solution to meet the public's energy needs; nor can this in any way be described as part of a 'just transition'. We will therefore continue to reject any 'fuel transition' considerations, including those that would rely on substitute fuels or fuels made from other waste materials, biomass or hydrogen. Furthermore, any pursuit of technol-

*ogies that tend to increase rather than reduce dependence on fossil gas is a step backwards."*⁷⁶

As in Indonesia, local groups in the Philippines demand that those responsible for the massive environmental pollution and health problems in the immediate vicinity of the power plant take responsibility for the damage. Specifically, the following is required:

"...allocating anticipatory funds to address future calls for redress and justice for those whose health, lives, and livelihood rights have been irreversibly damaged by coal projects slated for closing or who have been subject to violence as community rights defenders in their efforts to speak truth to power". (Ibid., p. 8)

Since the profits of state-owned coal-fired power plants are low, it is argued that only an interlinking of private and public ones appears "worthwhile" from the government's perspective (CIF-ACT Philippines⁷⁷). The investment plan⁷⁸

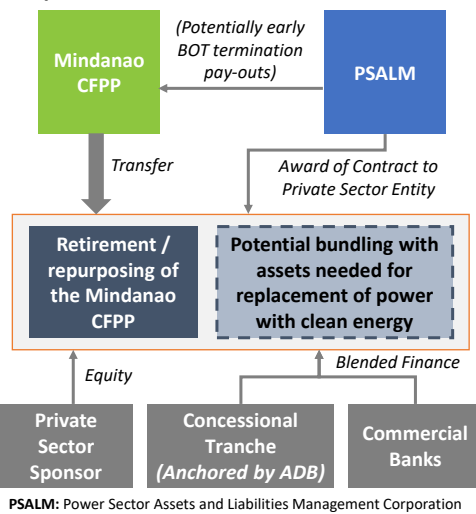
76 See Annex after p. 137, at: https://d2qx68gt0006nn.cloudfront.net/sites/cif_enc/files/meeting-documents/ctf_tfc.31.rev01_philippines_act_ip._rev1.pdf

77 https://d2qx68gt0006nn.cloudfront.net/sites/cif_enc/files/meeting-documents/ctf_tfc.31.rev01_philippines_act_ip._rev1.pdf, p. 2.

78 https://d2qx68gt0006nn.cloudfront.net/sites/cif_enc/files/meeting-documents/agenda_item.b-philippines_act_investment_plan.pdf, (p. 34)

Component 1.1 (ADB) – Early Retirement of Mindanao CFPP

Proposed Structure:



Problem Statement:

- Only remaining **GOP-owned CFPP** in the Philippines.
- Contracted under a **BOT concession until 2031**, after which the asset will transfer to PSALM. The asset will still have a remaining operational life of 15-20 years (assuming a useful life of 40-45 years)
- PSALM is also the offtaker for the power of the CFPP and has the option to pre-terminate the BOT as early as 2026, for an agreed termination pay-outs.

Proposed Transformation:

- Under the ADB's energy transition mechanism (ETM) structure, the GOP is exploring options for:
 - **Retirement / repurposing of Mindanao CFPP**; and
 - **Potential bundling** with assets needed for the **replacement of power with clean energy** for promoting energy transition in the Philippines
- ADB financing (co-financed by CIF ACT) will provide concessional and commercial funds as "stapled" financing to potential bidders to maximize the impact

from November 2023 therefore envisages interlinking the state and private coal-fired power plants for the ETM:

The detailed position papers issued by the NGO community provide ample evidence refuting the claim that coal-fired power plants in the Philippines have "sound and bankable" power supply contracts (PSAs). A court investigation found that the contracts were not subject to a competitive selection process and that as many as 120 contracts were therefore invalid. Renewable energy is not only the cleaner, but also the cheaper alternative, yet large private electricity companies in the Philippines are still failing to transition. The estimated potential for RE is 800 GW, based on all competitive renewable energy zones in the Philippines. This is the result of a Study on Competitive Renewable Energy Zones, done by the Department of Energy of the Philippines, USAID and National Renewable energy Laboratory⁷⁹.

Similarly to Cirebon 1 in Indonesia, the companies involved in the Mindanao coal plant are not fulfilling the requirement to no longer invest in coal power and have no coal phase-out plan.

Aboitiz Equity Ventures Inc

The Philippine Aboitiz Power Corporation is the energy division of Aboitiz Equity Ventures, Inc. and the largest coal plant operator in the Philippines. The parent company is highly diversified and operates in the banking sector, financial services, food sector, data science and artificial intelligence.

Aboitiz Power is also the majority owner of Steag State Power – the company owning and operating the 200 MW Mindanao coal-fired power plant. Formerly a subsidiary of German STEAG GmbH, Aboitiz bought STEAG's shares in the plant and is the majority owner with 85% as of February 2024.

Aboitiz has no plans to phase out coal. Despite Aboitiz's announcement that it will not undertake any new coal projects, they have increased their stake in the Mindanao power plant.⁸⁰ Aboitiz's coal share in electricity generation is 67%.

79 <https://www.nrel.gov/docs/fy20osti/76235.pdf>

80 AR 2022 P.155 (<https://abotizcom-uploads.s3.ap-southeast-1.amazonaws.com/wp-content/uploads/2023/04/05094314/2022-Aboitiz-Integrated-Report.pdf>)

Conclusion and Demands

Our study of the proposed ADB ETM early retirement mechanism shows:

- All five companies involved in the two pilot countries (KEPCO, Indika, Marubeni, ST International Co Ltd and Aboitiz Power Corp) are climate laggards when it comes to their coal exit policies.
- None of the companies, which would receive ETM earmarked taxpayer money for the early retirement or repurposing of coal fired plants, have just transition plans.
- All companies involved in the Indonesian pilot case are developing new coal-fired power plants or continue to expand their activities in the coal industry.
- The ETM provides an incentive to build new coal power plants as companies can expect future compensation.

ADB claims⁸¹ that countries participating in ETM will be able to reach more ambitious emissions targets compared to their current commitments. The ETM as designed at the moment does not live up to this promise: it maintains the pilot countries' dependence on companies without coal exit plans and it does not prevent those companies from expanding their coal operations. Also, the current ETM fails to fulfill its promise that speeding up the retirement of coal-fired electricity will double or even triple access to clean energy

because there is no obligation to convert to renewable energy sources such as wind and solar.

Based on the findings in this paper and in accordance with the ten guiding principles⁸² NGOs have formulated for coal retirement, we urgently ask ADB, the International Climate Institute (IKI), the World Bank and all other involved institutions to refrain from disbursing taxpayer money for ETM. Together with our co-publisher we call for:

1. Financing of the coal industry and coal-related infrastructure must be added to the ADB exclusion list. All finance, including indirect finance through financial intermediaries, for coal expansion or refurbished grid-based power plants, captive coal plants, mines, and related infrastructure, must stop immediately. An ideal screening method for the ADB would be to

assess all financial flows, including trade finance, and companies' eligibility for ETM with the Global Coal Exit List (<http://www.gcel.org>). The GCEL provides comprehensive data on companies' coal-related business and identifies which companies are still developing new coal assets.

2. There is an immediate disclosure of all ETM-related studies carried out under the auspices of the ADB and/or partner institutions in respective countries and with appropriate translations into national languages as soon as they are completed. Broad, inclusive engagement with civil society, trade unions and communities on the resulting studies and meaningful involvement in steering any subsequent decision-making processes (applicable regardless of whether to operating coal projects or new proposed sites for renewable energy development) should follow.
3. Decommissioning should not be subject to the whim of corporations still involved in the industry, neither to private sector financiers or IFIs. Instead, civil society, community groups and trade unions among others need to have the space to meaningfully co-develop comprehensive national energy transition programs that mandate and regulate the coal phase out at the pace and scale aligned with a 1.5°C pathway. In the meantime, it is incumbent upon the ADB to also shift its own policy lending and revise its energy policy to focus on decentralized renewable energy to meet the needs of communities.
4. Criteria for transition needs to be mandatory and verified. Therefore, there needs to be tight conditions, i.e., no compensation for coal developers, and a verification and screening processes must be put in place.
5. In all cases, if ETM piloting proceeds, all shareholding companies involved in a given site must have a Paris-aligned company-level coal phase-out plan, and/or not be involved in coal expansion. Similarly, the corollary should apply, i.e. that if any shareholding companies do not have a Paris-aligned compa-

81 <https://www.adb.org/news/features/energy-transition-mechanism-explainer-support-climate-action-southeast-asia>

82 <https://reclaimfinance.org/site/wp-content/uploads/2023/11/PDF-for-publication-Coal-phaseout-principles-formatted.pdf>

ny-level coal phase-out plan, and/or are involved in coal expansion, this should render them ineligible. If the ETM proceeds, it should only do so if there is a credible plan and commitment with adequate financial resources to address outstanding grievances of affected communities, provide reparations for harms and damages caused by operations and remediate all negative environmental impacts (soil, ground and surface water, coastlines, and so on.).

6. ADB should not be involved in providing any support, including technical assistance, for instances where replacement of coal with gas, biomass or ammonia, Waste-to-Energy/Refuse Derived Fuel (WTE/RDF), or co-firing with hydrogen are being considered.
7. A phase-out of coal-fired plants in line with a 1.5°C emissions compliant pathway would mean replacement by sustainable renewables, in particular solar and wind power (and related grid upgrades with energy storage) for power generation lost from decommissioning coal power plants.
8. The ETM must not be used to circumvent previous climate protection commitments: ETM is a blended finance facility that will place additional burdens on countries and should not be declared part of the JETP to fulfill the Global North's pledge to mobilize 100 USD million annually for climate finance.

9. In accordance with the "polluters pay" principle, ADB must live up to its responsibility by addressing the damage caused by coal-fired power plants it financed (also in cooperation with the WBG) in the past, including but not limited to addressing outstanding grievances, providing compensatory reparations and restitution for the harms, losses and damages, supporting decommissioning costs and full remediation of environmental harms, in consultation with governments, workers' associations, communities and allied CSOs.

In addition, ADB should undertake a full independent evaluation of its legacy and current fossil fuel project investments, with an assessment of how these projects can be rapidly retired (or suspended if still in the planning or construction stages) in line with the imperatives of climate science and no later than 2040.

Finally, it is incumbent upon ADB to 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

Abbreviations

ACT	Accelerating Coal Transition
ADB	Asian Development Bank
BOT	Build–Operate–Transfer
CEED	Center for Energy, Ecology & Development
CEP	Cirebon Electric Power
CFPP	Coal-fired Power Plants
CIF	Climate Investment Funds
CIF-ACT	Coal Transition Program of the Climate Investment Fund
CLEEN	Coastal Livelihood and Environmental Action Network
CRF	Carbon Reduction Facility
CRMs	Coal Retirement Mechanisms
DMCs	Developing Member Countries
ETM	Energy Transition Mechanism
FIs	Financial Intermediaries
FS	Feasibility Study
GCEL	Global Coal Exit List
IDB	Inter-American Development Bank
IKI	International Climate Institute, International Climate Initiative
JBIC	Japan Bank for International Cooperation
JETPs	Just Energy Transition Partnerships
KEPCO	Korea Electric Power Corp
KfW	Germany’s Bank of Reconstruction
KPK	Indonesian Corruption Eradication Commission
LNG	Liquefied Natural Gas
MOU	Memorandum of Understanding
MW	Megawatt
PLN	Perusahaan Listrik Negara
PSAs	Power Supply Contracts
RMP	Resource Mobilization Plan
SESA	Strategic Environmental and Social Assessment
T&D	Transmission and Distribution
WTE	Waste Incineration Plant
WTE/RDF	Waste-to-Energy/Refuse Derived Fuel



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