



## **Media Release**

For Immediate Release

### **Indonesian Civil Society supports energy transition finance deal JETP, but calls for an immediate halt to all new coal plants**

*The Indonesian government must immediately stop the construction of 13 GW of coal-fired power plants which are still in the RUPTL and 15 GW of captive coal plants under construction for industrial purposes*

**Bali, Tuesday 15 November 2022** — Indonesia and donor countries under the International Partners Group (IPG) banner have agreed on the Just Energy Transition Partnership (JETP) deal for a value of 20 billion USD. Touted as one of the accomplishments of its G20 Presidency, over the next six months Indonesia and its partners will formulate an investment plan that details which coal-fired power plants (CPPs) will be retired first under the JETP. Therefore, it is crucial to closely monitor the progress of this formulation process as it needs to always be transparent and participatory to prevent the violation of its own principles - especially the “just” part.

The breakdown of the funding includes 10 billion USD from public funding, which comes in the form of soft loans and grants, and another 10 billion USD from private funding coordinated by the Glasgow Financial Alliance for Net Zero (GFANZ). Members of GFANZ include the Bank of America, Citi, Deutsche Bank, HSBC, Macquarie, MUFG, as well as Standard Chartered. JETP will be utilized to accelerate the early retirement of coal-fired power plants in Indonesia as well as increase investment in renewable energy technology and industry.

Indonesian Civil Society Organizations (CSOs) in the #BersihkanIndonesia alliance welcomes this funding scheme as a positive signal to accelerate the energy transition in Indonesia. However, there are critical points that need to be considered regarding the underlying principles of the partnership to ensure that it will not be utilized as a justification for Indonesia to prolong its coal addiction.

Tata Mustasya, Head of the Climate and Energy Campaign from Greenpeace Southeast Asia says that the Indonesian government needs to follow up on its commitments by formulating policies that truly enable a just energy transition process.

"In order to meet the expectations, JETP should be conducted in a transparent, participatory, and accountable manner as well as being supported by bigger regulatory frameworks that places clear and firm disincentives for coal while introducing scalable incentives to renewable energy including institutional reforms - such as reforming the State Utility, PT. Perusahaan Listrik Negara (PLN)." said Tata.

Previously, on the 14th of November 2022, the Indonesian government - through the Ministry of Finance - along with the Asian Development Bank (ADB) and other partners such as donors, research institutions, as well as CSOs launched the Energy Transition Mechanism (ETM) Country Platform to push for a just transition in Indonesia. PT. Sarana Multi Infrastruktur (SMI)



has been appointed as the ETM Country Platform Manager and thus became a focal point of the national ETM activities. One of the first targets of the ETM is to retire the 660-megawatt Cirebon 1 power plant. It is also stated at the G20 Summit that there are two additional plants, namely the 3x350 megawatt Pelabuhan Ratu Plant and the 2x315 megawatt Pacitan Plant that will enter the spin-off phase of assets through blended finance with investors.

### **A Heavy Coal Addict?**

Bersihkan Indonesia highlights the Indonesian government's failure to stop building coal plants as part of its commitment to cut dependency on coal and carry out their early retirement. While the recently issued Presidential Regulation 112/2022 has pushed for the phase-out of coal plants, the same regulation also ensures the continued construction of 13 gigawatts of coal plants already listed in the National Electricity Supply Business Plan (RUPTL) 2021 - 2030. Its main argument for this assurance is that the Power Purchase Agreement (PPA/PJBL) has been granted and construction is already underway. If the same logic is allowed to infiltrate the JETP, then its stated claims of seeking early retirement for coal-fired power plants may become moot.

“JETP in Indonesia is overshadowed by the risk of failure in decarbonizing the electricity grid because the Indonesian government continues to give ambiguous market signals in the energy transition by not setting a clear deadline for new coal power construction while also relentlessly pushing for the expansion of gas - a fossil fuel - into the grid. Both these issues will clearly hinder the development of renewable energy,” said Andri Prasetyo, Program Manager and Researcher of TrendAsia.

Presidential Regulation 112/2022 still allows the building of CFPPs for industrial use. Around 15 gigawatts of CFPPs will be built to power the critical minerals and steel industries in regions across the archipelago. This is clearly not in line with Indonesia's goal to reach net-zero emissions by 2060 or sooner as well as its commitment to the Paris Agreement.

### **Where in the World is the Just Aspect?**

Grita Anindarini, Researcher and Program Director of the Indonesian Center for Environmental Law (ICEL) stated that the Indonesian government needs to review all of their energy regulations and policies to ensure that the “just” aspect of the energy transition is met. This aspect should include accountability, transparency, and public participation - all the principles listed in the “Values and Principles of a Fair and Sustainable Energy Transition in Indonesia” launched by Bersihkan Indonesia last month.

“Indonesia needs to prepare the mechanism for a just energy transition and regulations that accommodate the principles of environmental and social justice. The word “just” in “just energy transition” does not mean only to pay attention to the environmental outcomes of the energy transition, but also to pay attention to human rights issues in its implementation. Accountability, transparency, and public participation are also a prerequisite to a just energy transition which - unfortunately - we have not seen much of so far,” said Grita.

In response to the coal plant retirement plans, Grita adds that the mechanism of legal and environmental responsibility for the coal plants that will be retired needs to be clarified. “Most, if not all, coal-fired power plants operating so far have a net negative impact on the community



as well as on the environment - especially in regards to its pollution. How can the government ensure that the funding scheme (JETP) does not eliminate the obligation of coal plant owners to carry out environmental restoration and conflict resolution, especially with affected communities?" said Grita.

### **Funding Polemics that Leads to Debt Burden**

JETP is an approach formulated by the IPG - which consists of G7 countries and other developed countries such as Denmark and Norway. The US and Japan lead the negotiation for the Indonesian JETP - both are countries with major interests in the Indonesian energy sector and a history of funding Indonesia's addiction to oil, gas, and coal.

"JETP tends to be described as a "saviour initiative" - with fast-moving capital offering supposedly transformative opportunities and approaches to support partner countries in transitioning away from coal. However, I am concerned that JETP may fail to support the most critical elements of a just transition if they only issue debt and do not provide a sufficient share of grants or soft financing for developing countries," said Andri Prasetyo from TrendAsia.

Andri highlights how US Special Climate Envoy and initiator of the Indonesian JETP John Kerry and his effort to include carbon finance as part of the funding scheme for the energy transition, especially for Indonesia. Private funding will also complicate the energy transition effort needed because it is less attractive and tends to include false solutions that are not transformative enough for Indonesia's energy system and economy. It may also include excessive support for electric car-based technology, battery, hydrogen and carbon, capture, and storage/carbon, capture, utilization, and storage (CCS/CCUS).

"Climate funding like JETP should come in the form of grants and concessional funding, not commercial funding that pushes our government towards debt. This program will also need enormous funds so that it could give a strong signal to the donors and investors that it could really support energy transition out of the shadows of fossil energy," adds Tata Mustasya from Greenpeace Southeast Asia.

Before the official announcement regarding JETP, on Monday (14/11), the Indonesian government - through the Ministry of Finance - along with the ADB and other partners such as donor agencies, research organizations, as well as civil society launched the Energy Transition Mechanism (ETM) Country Platform - a scheme to support the acceleration of the energy transition. The Cirebon-1 power plant, with a capacity of 660 megawatts, will be the first target for early retirement under the ETM scheme.

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*#BersihkanIndonesia is the largest Civil Society Organizations (CSOs) movement in Indonesia, active in pushing a just energy transition. It is supported by over 45 CSOs nationally, including people from organizations mentioned in this media release.*

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**Note for Editor:**

During the Partnership for Global Infrastructure and Investment (PGII) event at the G20 Summit on 15 November 2022, President Joko Widodo of Indonesia and leaders of the International Partners Group (IPG) of like-minded countries, co-led by the United States and Japan, as well as Canada, Denmark, the European Union, France, Germany, Italy, Norway, and the United Kingdom issued a Joint Statement to launch the Just Energy Transition Partnership (JETP) developed with Indonesia during its G20 Presidency. This landmark partnership pursues an ambitious target - a just power sector transition in Indonesia which supports a trajectory consistent with keeping the 1.5 °C global warming limit within reach.

Indonesia will work, with support from international partners, to develop a comprehensive investment plan to achieve significant new targets and policies to reduce GHG emissions and support impacted communities by:

- Peaking total power sector emissions by 2030, shifting its projected emissions peak forward.
- Capping power sector emissions at 290 megatons of CO<sub>2</sub> in 2030, down from the baseline value of 357 MT CO<sub>2</sub>.
- Establishing a goal to reach net zero emissions in the power sector by 2050, bringing forward Indonesia's net zero power sector emissions target by ten years.
- Accelerating the deployment of renewable energy so that renewable energy generation comprises at least 34 percent of all power generation by 2030, which would roughly double the total renewables deployment over the course of this decade compared to current plans.

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