

# ADB Energy Transition Financing in Indonesia Through the JETP & ETM

May 2023



# ADB's Holistic 4P Approach Anchoring Energy Transition Support

## People

**Supporting just transition, protecting livelihoods and affordable electricity**

- Just transition assessments, financing, and technical assistance
- Environmental and social safeguards

## Policy

**Supporting policies and regulations to accelerate energy transition**

- Climate change policy programs
- Energy sector reform programs
- Sector analyses and advisory

## Power

**Promoting scalable, market-based model for reducing emissions from power plants**

- Coal retirement and repurposing
- Investments in clean energy, storage, or grid

## Partnership

**Based on solid partnership with national and international stakeholders**

- Governments
- International financial institutions and global climate finance
- Commercial lenders and investors
- Private sector
- Nongovernment organizations and civil society organizations
- Philanthropies

# ADB's Energy Transition Mechanism:

## Increasing momentum from Glasgow COP26 to Bali G20 and Egypt COP27



Philippine Finance Secretary Carlos G. Dominguez, Indonesian Finance Minister Sri Mulyani Indrawati, and ADB President Masatsugu Asakawa during the ETM Launch at UN Climate Change COP26, Glasgow on 3 Nov. 2021.



Pres. Asakawa, Indonesia's Finance Minister Indrawati, World Bank Managing Director of Operations van Trotsenburg, and Islamic Development Bank Pres. Dr. Al Jasser launching the Indonesia ETM Country Platform on 14 Nov. 2022 in Bali.



ADB Team is joined by Germany's Anna Lührmann, Deputy Foreign Minister and State Minister, representatives from Kazakhstan and Viet Nam, and speakers from Bezos Earth Fund, Climate Policy Initiative, Glasgow Financial Alliance for Net Zero, Institute for Climate and Sustainable Cities, and Sustainable Energy for All during COP27 in Sharm El-Sheikh on 17 Nov. 2022.

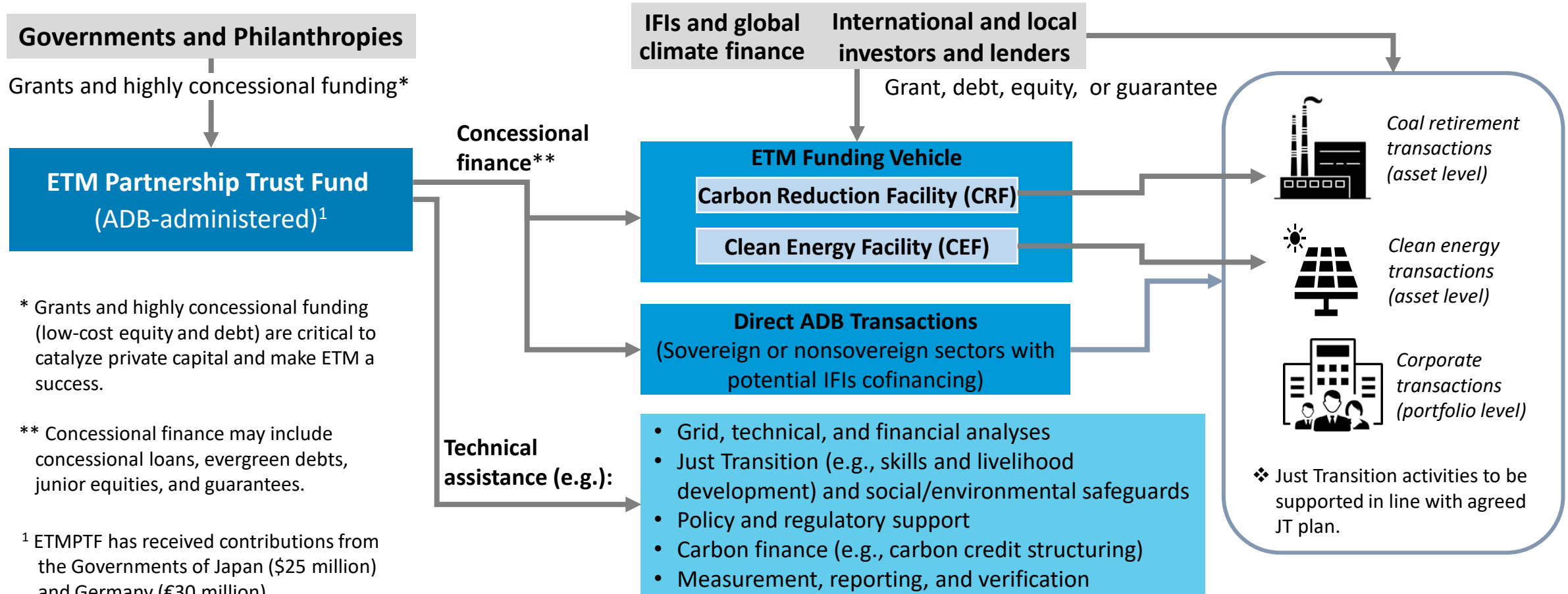
- Indonesia and the Philippines joined as key partners to launch the pilot study for ETM in Southeast Asia.
- Japan's Ministry of Finance announced a \$25 million grant, the first seed financing for ETM.
- The partnership was endorsed by senior cabinet-level officials from Denmark, the UK, and the US, as well as leading global financial institutions and philanthropies.
- MOU was signed with Rockefeller Foundation, including to accelerate the transition to clean energy.

- The Government of Indonesia launches the Indonesia ETM Country Platform alongside key partners—ADB, Islamic Development Bank and World Bank.
- Signing of a MOU on the landmark precedent ETM transaction in Indonesia between ADB, PT Perusahaan Listrik Negara, Cirebon Electric Power, and Indonesia Investment Authority.
- Signing of MOU between ADB and PT Sarana Multi Infrastruktur, Indonesia ETM Country Platform Manager.

- Germany's Ministry of Foreign Affairs announced its €30 million contribution to the ETM Partnership Trust Fund.
- Government representatives from Indonesia, Kazakhstan and Viet Nam provided updates on country-level ETM implementation.

# The ETM Program Overview

- Accelerate the retirement or repurposing of coal-fired power plants using public and private finance through refinancing, acquisition, or sustainability-linked corporate loans
- Scale up investment in clean energy and energy storage
- Aim to achieve just and affordable transition, addressing impacts of coal retirement on people and communities



\* Grants and highly concessional funding (low-cost equity and debt) are critical to catalyze private capital and make ETM a success.

\*\* Concessional finance may include concessional loans, evergreen debts, junior equities, and guarantees.

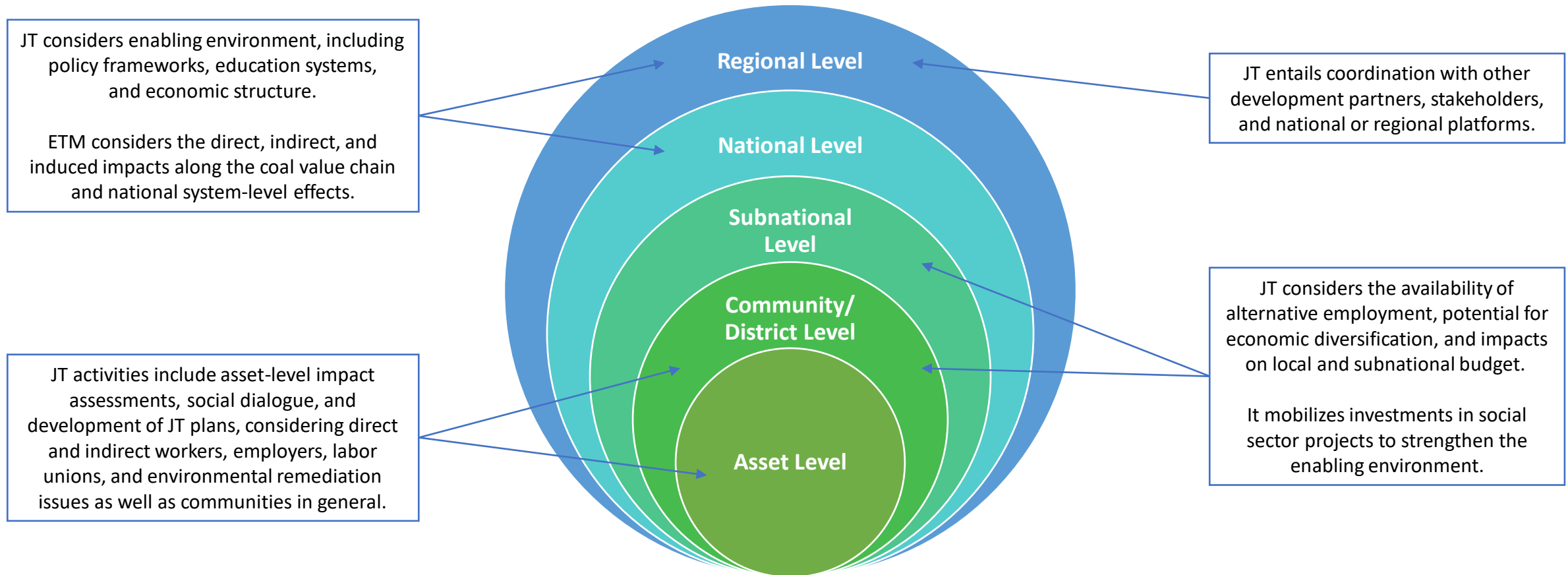
<sup>1</sup> ETMPTF has received contributions from the Governments of Japan (\$25 million) and Germany (€30 million).

# Environmental, Social, and Governance

ADB's commitment to Safeguards and Just Transition are critical parts of ETM work

## Comprehensive Approach to Just Transition under the ETM

Just Transition (JT) activities extend beyond the scope and implementation timeframe of ETM



Together with ADB's social and environmental safeguards, Just Transition provides support for workers, communities, and regions impacted by the intervention of the ETM and associated projects, while preserving the environment.

# Just Energy Transition Partnership (JETP)

An umbrella initiative for international support for a just energy transition



JETP was announced for South Africa at COP26

JETP was announced for Indonesia (November 2022) and for Viet Nam (December 2022)

JETPs aim to help reduce emissions in the energy sector and accelerate coal phase-out with support from the International Partners Group (IPG), which consists of G7+ countries

## Indonesia JETP (I-JETP)

- Indonesia and the International Partners Group (IPG) announced to mobilize an initial \$20 billion in public and private financing over a 3–5-year period.
- Launched on 15 November 2022 at the G20 Leaders' Summit in Bali, Indonesia. IPG co-leads for Indonesia are the Governments of Japan and the United States.
- JETP Secretariat launched on 16 February 2023, hosted by Indonesia's Ministry of Energy and Mineral Resources.
- Aims to support Indonesia's just energy transition through an accelerated deployment of renewable energy and a phase down of on-grid and off-grid coal-fired electricity generation.

# Joint Targets of Indonesia JETP announced in November 2022

- Peaking power sector emissions by 2030 at an absolute value of no more than 290 MT CO<sub>2</sub> (down from a 2030 baseline value of 357 MT CO<sub>2</sub>)
- Achieving net zero emissions in the power sector by 2050 including with the accelerated retirement of coal plants conditional on international support
- Accelerating the deployment of renewable energy so that renewable energy comprises at least 34% of all power generation by 2030
- Accelerating, with International Partners Group support, the early retirement of coal fired power plants as prioritized and identified by the Indonesian Government in the comprehensive Investment and Policy Plan as a necessary element to achieve the above targets
- Mobilization of \$20 billion in public and private financing support over a 3-5 year period

## ADB Support

- ADB to provide institutional support and implementation capacity to the JETP Secretariat through a technical assistance.
- Secretariat and Working Groups are established
- Comprehensive Investment and Policy Plan is expected

**Thank you!**