



MINISTER OF FINANCE
OF THE REPUBLIC OF INDONESIA

Number : S-389/MK.010/2023

15 Mei 2023

Ms. Mafalda Duarte

Head

Climate Investment Fund

Washington D.C.

Subject: Indonesia CIF Accelerating Coal Transition (ACT) Investment Plan (IP) Revision - Endorsement Request

Dear Ms. Mafalda Duarte,

On behalf of the Republic of Indonesia, the Ministry of Finance (MoF) is pleased to submit this CIF ACT IP Revision for consideration for endorsement of the CIF Trust Fund Committee (TFC). This Revised IP, updated by the Government of Indonesia (GoI) in collaboration with the Asian Development Bank (ADB) and the World Bank Group (WBG), is a revised business plan that has been developed in response to comments made by TFC members on the floor and in writing.¹ For a summary of key points and how they have been addressed, please see the guidance below:

	IP Revision to:	Response
(i)	Ensure alignment with the scope of the ACT Program;	The IP has refocused to address (i) coal phase out and (ii) just transition and repurposing. Please see revised Financing Table in the executive summary and Paragraphs 10-14.
(ii)	Provide a fuller discussion of how captive coal power generation affects overall power sector emissions;	Captive Power addressed in paragraphs 5-6, 18, 20 and Appendix 1, the Captive Power Landscape Assessment.
(iii)	Provide adjustments to emissions targets for consistency with those determined by the Government of Indonesia in other fora;	Please see paragraph 3 for revised targets.
(iv)	Elaborate synergies between MDB interventions; and	Please see Paragraph 13.
(v)	An updated results matrix.	Please see explanation of results matrix assumptions and revision of IRF in Appendix 2

This IP (as laid out in Table 1) proposes a project pipeline that represents staged investments in Indonesia's energy transition. Component 1, to be implemented 2023-2025, will financially and technically structure the early retirement of state-owned and privately-owned CFPP assets. Component 2 will focus on the dismantling, remediation and repurposing of PLN-owned CFPPs, looking at various replacement technologies such as battery storage, solar photovoltaic (PV), and other technologies that can provide ancillary services. Specific assets considered for repurposing

¹ For all written comments received, please see comments matrix in Appendix 4, pages 91-101.



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under Component 2 could include, but may not be limited to, the assets targeted for early retirement under Component 1. Component 2 will also include repurposing activities of closed mine sites and the requisite reskilling of the relevant workforce and community-driven economic diversification projects.

Through US\$500 million in CIF-ACT funding, together with US\$2.0 billion in MDB cofinancing and US\$1.3 billion in other cofinancing, the IP aims to achieve the following:

- **Governance:** The adoption or amendment of up to 4 policies, regulations, standards, or codes (i.e., may include updated PLN environmental and social management system for early retirement, MoF dispensation with respect to PLN asset early retirement, MoF regulation establishing scope and mandate of ETMCP), 1 accelerated CFPP retirement road map (e.g., Early Retirement Roadmap), and 1 National Just Transition Framework, including policies and regulations that are explicitly inclusive of gender and other social exclusion factors and/or the gaps/barriers faced by specific social groups and targeted actions to address those gaps.²
- **People:** Up to 1,140 (i.e., 89% of) employees of CFPPs/coal mines retired through IP projects with access to sustained income and up to 2,300 direct beneficiaries of social plans and economic regeneration activities, to be disaggregated by gender, and reflecting other social characteristics (age, disability status, formal vs. informal workers etc.) as well as documented information about the quality of the jobs (income, skilled/ non-skilled positions) whenever relevant and possible.³
- **Infrastructure:** Avoided greenhouse gas emissions of up to 65 million tons carbon dioxide equivalent (CO₂e) through the accelerated retirement of up to 3 GW of CFPP generation capacity, as well as up to 40 million tons of coal diversion, up to 150 hectares (ha) of mine area reclaimed, reforested or restored, and an increase of up to 300 megawatts (MW) of installed RE and 90 MW of energy storage capacity.⁴

The IP's outcomes will be pursued through the deployment of results-based loans, project loans, financial intermediary loans, grants and direct investments. With critical national projects being processed for board approval and financial close in 2023, we kindly request a formal response from the TFC by 31 May 2023.

We look forward to the continued support of CIF and the timely consideration of this IP proposal. Thank you very much for your kind cooperation.

Sincerely Yours,



Ditandatangani secara elektronik
Sri Mulyani Indrawati

² Tracked by ACT Core Indicator 1 and 2.

³ Tracked by ACT Core Indicators 3 and 4.

⁴ Tracked by ACT Core Indicators 5, 6, 7, 8, 9 and 11.





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Donor comments to the Revised Indonesia ACT IP, April 2023

Canada

Many thanks for providing this revised draft and for having worked over the last months to address our comments and concerns. The responses provided in the Comments Matrix are comprehensive, and the “just” component (and inclusivity for women in the traditionally men-led sector) has been elaborated.

Overall, this IP is in good shape, but would benefit further clarifications on some particular points, especially on the relationship/complementarity between Component 1 and 2. Please find below some questions and suggestions.

<u>Feedback</u>	<u>Response</u>
<p>Early Retirement of CFPPs: (para 34) mentions that the analysis suggests that Suralaya unit 1 and 2, and Paiton unit 1 are best suited for retirement, and it may be feasible to terminate their operations as early as 2024.</p> <p>a) Could you please elaborate further on why the analysis suggests that Suralaya and Paiton are the best suited (i.e., is it only because they are the oldest CFPPs of the list, or there are other reasons)?</p> <p>b) Will Suralaya unit 1 and 2, and Paiton unit 1 be the CFPPs retired under Component 1, or it could be other CFPPs of Table 2 (p.25)? If the latter, how and when the determination of which CFPPs to retire using ACT funds will be made? Also, will Component 2 also finance the retirement of some CFPPs showed in Table 2 (p.25)? If so, which ones?</p> <p>c) What would be the best way to summarize how the retirement of the CFPPs will work under this IP, is it: a) ADB will retire, dismantle and repurpose its set of CFPPs (e.g., Suralaya 1 and 2) while WB will do another set (e.g. Paiton), OR b) ADB and WB will work together to retire the same set of CFPPs, OR c) something else (please precise)?</p>	<p>Thank you for your review and clarifications.</p> <p>As noted in Paragraph 33, the <u>actual</u> Early Retirement Roadmap analysis is ongoing and being conducted through a partnership between MEMR, PLN and LAPI-ITB (a modeling lab in the Technical Institute of Bandung, a premier technical institution in Indonesia).</p> <p>The sample analysis provided is from the ADB ETM feasibility study and please note that the information in para 34-35 and Appendix 2 has not changed since the original IP submission in October 2022.</p> <p>a) Please see Paragraph 6 of Appendix 2.</p> <p>b) Component 1 deals with the retirement of the plants, while Component 2 deals with the dismantling and repurposing of plants. The choice of which assets to retire and which assets to repurpose (whether they be one and the same or different) is still under discussion with PLN and MEMR in relation to the Early Retirement Roadmap, PLN’s own energy transition strategy and overall alignment of actions with I-JETP (covered under the I-JETP Technical Working Group).</p> <p>c) Please see Figure 1 and note that ADB is concentrating on Component 1 and World Bank is focusing on Component 2. The assets to be retired and repurposed remains at the shortlist stage but it is anticipated that both ADB and WB will follow PLN and GoI’s lead on which assets to retire. ADB and WB will coordinate to</p>

	ensure that guidelines handling retirement actions (Component 1) are consistent with ultimate World Bank guidance on dismantling, remediation and (as applicable) repurposing (Component 2).
<p><u>Relationship between Component 1 and Component 2:</u></p> <p>a) (para 10) mentions that Component 2 would be implemented in parallel to Component 1 as needed, and would involve the repurposing, repowering and just transition of early retired state-owned CFPPs including, but not limited to, CFPPs identified under Component 1. It remains unclear whether Component 2 (implemented mostly by WB/IFC) would mostly work on its own or if it would build on the work achieved under Component 1 (implemented by ADB). Could you elaborate further on the sequencing and relationship between Components 1 and 2?</p> <p>b) On p.17 of the Comments Matrix, it is mentioned that Component 1 will not decommission for the state assets, ensuring that there is a smooth handover and coordination for Component 2 activities for the same state assets. However, in the IP, Appendices 10 and 11, which describe Component 1, indicate the plant decommissioning [of some PLN-owned CFPPs] as a Result Indicator. Could you please clarify and elaborate further on this point?</p>	<p>a) Please see the revised wording of revised paragraphs 10-12 and the new Figure 1, where this has been clarified. Components 1 and 2 consist of several different subprojects. Some will likely be sequential (PLN-owned plants) while others will go in parallel (just transition projects, for example). Component 1 also includes privately-owned CFPPs, which will not be repurposed under Component 2.</p> <p>b) Thank you for pointing out an inconsistency. There is some nuance and the comments matrix stands to be corrected. Component 1.1 (a) will focus on the retirement and closure of the plants and the related financial implications of existing debt, termination of contracts and closure preparedness, while the Component 2 related activities would provide financing for the dismantling and remediation (and repurposing, as applicable) activities themselves. As such, while the commitment to decommissioning is secured in Component 1, many activities will take place under Component 2. When the Projects proceed to CIF TFC for Project level approvals (and the activities per project are more defined with asset identification secured), the decommissioning target will be assigned to the appropriate Component.</p>
<p>➤ We would like the responses to questions #1 and #2 above to be integrated as part of the IP, as it would greatly help the reader to understand concretely how the ACT funding will be used for.</p> <p>We have added some clarification to paragraphs 10-13 and footnote 36 for Paragraph 34 to bring out the points made above.</p>	
<u>Table 1 (p.10):</u> Of the 70% of the ACT funding that will go toward Infrastructure, how much will	For Component 1, all of the infrastructure spending is towards early retirement costs,

<p>go toward CFPPs retirement/decommission versus toward building new renewable energy power plants (to compensate what was lost by the early retirement of some CFPPs)?</p>	<p>accounting for 40% of the ACT Funding. For Component 2, approximately \$10 million of the ACT funding will go towards the dismantling and remediation while the remaining will go towards repurposing (which is expected to include not only renewable energy but also ancillary services and battery storage) and just transition.</p>
<p>Acquisition of shares of CFPPs: (para 63) mentions that CIF ACT resources could be used for <i>“equity through acquisition of majority shares of the CFPP’s SPV, thereby shortening the operational and economic life of the CFPP and contributing to the reduction of carbon dioxide emissions.”</i> This could pose problems in terms of compatibility with Canadian policy:</p> <ol style="list-style-type: none"> a. Please provide more information on how the mechanism will function. b. Why is this considered the best use of CIF funds? c. If such project is presented to the CIF TFC in the future, we would require the project documentation to show that it has completed the due diligence steps below. Will this be possible to conduct for such project? <ol style="list-style-type: none"> i. An assessment that the project manages stranded asset risks and carbon lock-in risks; ii. An analysis conducted on clean energy alternatives versus the proposed acquisition; An analysis that justify the use of majority shares versus other type of financing. iii. Establish that the support will not delay or diminish the transition to clean energy technology where its development would be an available and affordable option; iv. Ensure that the project under consideration has best practices in environmental and social standards, including the integration of abatement technologies and measures to abate negative 	<p>Thank you for this clarification. It has been discussed with PT SMI and we have amended Paragraph 63 to clarify the following: “It is important to note that while the project entails both a debt and equity investment, the ACRF will only go towards the investment loan (i.e. debt). PT SMI will be sourcing equity funding from other budgets internally.”</p> <p>Duly noted on the requirements to use ACT funds for equity to ensure compliance with Canadian policy.</p>

<p>environmental impacts, such as methane leakage;</p> <p>v. Establish that the project will be coherent with the Indonesian Nationally Determined Contribution and a 1.5°C pathway and long-term decarbonisation pathway to net-zero by 2050, in line with the Paris Agreement.</p>	
<p>Result Framework: On pp.76 and 77, the “Target” column and “Means of Verification” seems misaligned. Also, what are the targets for co-benefits 3 and 4?</p>	<p>Thank you the columns have been fixed. The targets for co-benefits 3 and 4 will be determined when the Projects proceed to CIF TFC for project level approvals.</p>
<p>Complementary between the ACT and the ADB ETM: (p.108) Could ADB elaborate more on how both funds will be complementary and will work together? What are the main distinctions between the ACT and the ETM, especially in terms of objectives and proposed activities to achieve these objectives?</p>	<p>ETM is ADB’s program and strategy (not a specific source of funds) to prioritize the early retirement of CFPPs starting with ETM partner countries Indonesia, the Philippines and Vietnam (see Appendix 8 paragraph 4) through analytical, financial and implementation support for a successful, accelerated energy transition in a just and equitable manner. The objectives of CIF-ACT and ADB’s ETM are aligned. Please see here for more details https://www.adb.org/what-we-do/energy-transition-mechanism-etm</p> <p>Concessional funds from CIF-ACT, alongside funds raised from other interested donors directly for ADB’s ETM Trust Fund, will help reduce the cost of debt for CFPPs, paving the way for an earlier termination of the CFPP operational life. Grant funds from CIF-ACT will be deployed as technical assistance to support the just transition elements of the projects as outlined in the IP.</p> <p>For the projects in Component 1, the exact financial structuring is still to be determined. The use of any additional concessional capital is not envisioned at the moment, but the complementarity and alignment of other funds, should they be applied, will be described and presented as part of the Project approvals.</p>
<p>Local currency lending: (p.110) mentions that “Concessional funds from CIF-ACT will also contribute to expanding PT SMI’s lending capacity</p>	<p>A cap on local currency lending may be part of the financial structuring discussion once the</p>

<p><i>in local currency to support accelerating coal transition.” Will there be any cap on the proportion of ACT funding that can go toward local currency lending?</i></p>	<p>facility design has been finalized and is presented for Project Approval to the CIF TFC.</p>
<p>Forced labour: On the Comments matrix, p.6, it acknowledges the conversation around forced labour in the space of renewables and that it is one of the considerations within the social dimension of the Just Transition approach. However, the clarification which follows seems to focus on local concerns (e.g., Stakeholder Engagement Plan). These are, of course, critical, but our concern is also related to forced labour early in the solar supply chains, and specifically potential exposure to forced labour. It would be useful if the IP could provide a bit more clarification on how acknowledgment of the conversation around forced labour at the production end of the solar PV supply chains will be reflected in project design.</p>	<p>Noted. Both ADB and the WBG have integrated a prohibition of forced labor into their Environmental and Social Safeguards and Standards (ESS and ADB SPS 2009) on projects to mitigate risks of forced labor in the deployment of solar technologies. Under ESS 2 of the World Bank’s Environment and Social Framework, for example, forced labor, which consists of any work or service not voluntarily performed that is exacted from an individual under threat of force or penalty, cannot be used in connection with the project. This prohibition covers any kind of involuntary or compulsory labor, such as indentured labor, bonded labor, or similar labor-contracting arrangements. In addition, where there is a significant risk of child labor or forced labor related to primary supply workers, ESS 2 also requires the primary supplier to identify those risks. In accordance with the ADB SPS, the ADB Prohibited Investment Activities List sets forth that among others, the production or activities involving harmful or exploitative forms of forced labor or child labor do not qualify for ADB financing. These requirements are and will continue to be incorporated in the safeguards planning documents ADB prepares for CIF ACT investment plan projects.</p>
<p>Gender:</p> <p>a. We appreciate that the Government of Indonesia (GoI) has added language, considering the disproportionate challenges faced by women and groups in vulnerable situations, into the Theory of Change and IRF and has confirmed that gender mainstreaming activities will be incorporated into design of each individual investment project. We look forward to seeing how the gender equality commitments made in the IP are concretely reflected across all projects funded through CIF-ACT, including in their theories of change and result and measurement frameworks.</p>	<p>Duly noted. Thank you for your comments and outline of expectations.</p>

<p>b. We thank the GoI for confirming that they have considered, via the Just Transition assessments, the broad spectrum of the economic and social challenges faced by women in the context of the energy transition, which go beyond inequitable access to decent work opportunities. We look forward to seeing how the environmental and social impact assessments, with dedicated gender and just transition analysis, will inform the investments to follow and enable programming that reflects the gender equality commitments in the IP.</p> <p>c. We appreciate the further details added in on the WOLCOT Grant Mechanism – we look forward to observing how it will be used to create an enabling environment for diverse women’s rights organizations to meaningfully engage in decision-making processes in the transition dialogue; we expect that their expertise will be engaged throughout the whole project cycle, (from design to implementation), and not just within the consultations stage; and we thank the GoI for confirming that the progress made via WOLCOT resources will be further scaled up through the investment projects.</p> <p>d. We emphasize the importance of collecting sex-disaggregated data across CIF-ACT projects/programs, and we would recommend considering investments that prioritize improving data collection on women in the energy sector, as we recognize that, while this is currently quite limited, it is crucial for being able to address gender-related gaps in the sector, including during the energy transition.</p>	
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Denmark

Thank you for the new draft and the efforts that have been put into it. In general, we welcome the revisions and improvement of the IP. We share many of the same points of view expressed by other donors and would like to highlight the below questions where we see need for clarification:

Feedback	Response																																																																																																														
<p>Important that the selection of plants is based on solid assessment of where the largest potentials are for the ACT contribution – where the largest added value is achieved in terms of phasing out plants that would not have been taken out of operation without the ACT support.</p> <ul style="list-style-type: none">○ The life time has been extended in the PLN books for all plants with COD <2000. Referencing the table below from the new IP, that means the average age of the 1,2,3,4,5,7 are on average 30,6 years old. And 1,2 are respectively 38 and 37 years old. In comparison the expected age of decommissioning for the newer plants are on average around 33 years.⇒ It will be good to understand the underlying analysis behind the concrete selections vis-à-vis PLN/Gol closure expectations without ACT funding. <table><caption>Table 2: Initial Proposed List of PLN Coal-Fired Power Plants for Retirement by 2030</caption><thead><tr><th>No.</th><th>Facility / Unit Name</th><th>Capacity (MW)</th><th>Book Value (TR Rp)</th><th>Book Value (USD MN)</th><th>Book Value (USD MN/ MW)</th><th>COD (Year)</th><th>Remaining Life</th><th>Decommissioning Year</th><th>Age at Decommissioning</th></tr></thead><tbody><tr><td>1</td><td>Surabaya U1</td><td>400</td><td>5.85</td><td>390</td><td>0.49</td><td>1985</td><td>33</td><td>2055</td><td>70</td></tr><tr><td>2</td><td>Surabaya U2</td><td>400</td><td></td><td></td><td></td><td>1986</td><td>33</td><td>2055</td><td>69</td></tr><tr><td>3</td><td>Surabaya U5</td><td>600</td><td></td><td></td><td></td><td>1996</td><td>33</td><td>2055</td><td>59</td></tr><tr><td>4</td><td>Surabaya U6</td><td>600</td><td>45.20</td><td>3,013</td><td>1.67</td><td>1997</td><td>33</td><td>2055</td><td>58</td></tr><tr><td>5</td><td>Surabaya U7</td><td>600</td><td></td><td></td><td></td><td>1997</td><td>33</td><td>2055</td><td>58</td></tr><tr><td>6</td><td>Surabaya U8</td><td>625</td><td>8.60</td><td>573</td><td>0.92</td><td>2011</td><td>23</td><td>2045</td><td>34</td></tr><tr><td>7</td><td>Palton U1</td><td>400</td><td>5.05</td><td>337</td><td>0.84</td><td>1993</td><td>33</td><td>2055</td><td>62</td></tr><tr><td>8</td><td>Palton U9</td><td>615</td><td>6.50</td><td>433</td><td>0.70</td><td>2012</td><td>23</td><td>2045</td><td>33</td></tr><tr><td>9</td><td>Adipala</td><td>660</td><td>12.30</td><td>820</td><td>1.24</td><td>2015</td><td>23</td><td>2045</td><td>30</td></tr><tr><td colspan="2">Total</td><td>4,900</td><td>83.50</td><td>5,567</td><td></td><td></td><td></td><td></td><td></td></tr></tbody></table>	No.	Facility / Unit Name	Capacity (MW)	Book Value (TR Rp)	Book Value (USD MN)	Book Value (USD MN/ MW)	COD (Year)	Remaining Life	Decommissioning Year	Age at Decommissioning	1	Surabaya U1	400	5.85	390	0.49	1985	33	2055	70	2	Surabaya U2	400				1986	33	2055	69	3	Surabaya U5	600				1996	33	2055	59	4	Surabaya U6	600	45.20	3,013	1.67	1997	33	2055	58	5	Surabaya U7	600				1997	33	2055	58	6	Surabaya U8	625	8.60	573	0.92	2011	23	2045	34	7	Palton U1	400	5.05	337	0.84	1993	33	2055	62	8	Palton U9	615	6.50	433	0.70	2012	23	2045	33	9	Adipala	660	12.30	820	1.24	2015	23	2045	30	Total		4,900	83.50	5,567						<p>Without ACT funding and broad external support, the GOI will not be in a position to retire any plants before 2030, as all early retirement mechanisms rely on highly concessional financing, of which ACT is a large proportion.</p>
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<p>Re the valuing of the power plants, it is of course very important to aim to value the plants as correctly and realistic as possible, including considering the remaining life time if the plant would not have been selected for early retirement.</p> <ul style="list-style-type: none">○ For example, for the plants 3,4,5, the book value is 1.67 Million USD/MW. Putting that into perspective the expected capex of a brand new subcritical coal plant is estimated to 1.65 million USD/MW. The valuation therefore puts the units at a higher value or	<p>Noted – The underlying assumptions and valuation of the underlying assets will be scrutinized and optimized during project development to ensure that international funds are deployed in the more efficient and effective manner possible. (We agree that retiring barely used assets does not optimize MWh of coal-based electricity production and that capacity itself is not the primary input for the desired outcome.) The World Bank is also undertaking a legal and accounting analysis to understand and find solutions to the barriers to reducing the</p>																																																																																																														

<p>similar value (depending of type of plant) than a new plant. The quite high evaluation for plants 3,4,5 with an average age of 26,3 years also puts the book value per MW 75% higher than plants 6,8,9, which at present have been in operation for max. 12 years.</p> <ul style="list-style-type: none"> ○ Probably the book value is like this in order for PLN to have leveraged debt against the assets. For that reason, the book value can probably not be changed. ○ However, the real value of these plants will probably be significantly different from the book value showcased here. <p>⇒ It is recommended that it is being given additional thought whether the instruments used are sufficient to provide a realistic valuing of the plants for the ACT purpose. This should also be given some thought since reducing the number of MW of coal capacity does not in itself reduce emission, only reducing the use of MWh of coal based electricity production will reduce emission.</p>	<p>expected compensation to PLN based on the book value.</p>
<p>In regard to the point on captive plants, it is positive that there is mapping of the captive coal power landscape, but very little mentioning of concrete action. Would it be possible to strengthen this part?</p>	<p>Please note that the approach to address the captive power needs in a sustainable manner is being developed as part of the I-JETP investment plan and activities. As such the commitment is outlined in paragraph 26, but the action plan is under development.</p>
<p>Regarding the job/just transition pillar, it would be good to understand better how the ACT IP will be linked to the general JETP, and how the accountability and transparency in the CIF ACT context will be undertaken and ensured.</p>	<p>Just Transition activities and frameworks developed under CIF-ACT will inform and become part of the deliverables of the Just Transition Working Group of the I-JETP. The exact activities and frameworks and <u>how</u> they feed into the Just Transition Working Group will be outlined in the particular project proposals.</p>

Germany

Assessment

<u>Feedback</u>	<u>Response</u>
Requested CIF-ACT funding envelope reduced to <u>USD 500 million</u> : Gol reduced requested funding envelope from USD 600 million to USD 500 million , in line with the decision the TFC took on October 12 th , 2021, which stated that “indicative allocations may range from USD 200.0 - USD 500.0 million per country”	Confirmed.
<u>Better linkage to national climate and energy strategies and priorities</u> : Reference to updated NDC as well as target of net zero emissions in the power sector by 2050 (with emissions peaking in 2030) included. According to Gol, NDC will be updated again in 2023 to better reflect its current ambitions. Furthermore, Gol will present a formal “Early Retirement Roadmap” for grid-connected CFPPs (state-owned as well as IPPs) by mid-2023.	Confirmed.
<u>More information on captive coal provided, however conflicting with information provided in JETP context</u> : Information on captive coal is now provided in the introductory section of the document and well-integrated into the coal exit strategy outlined in the document. According to the Gol, the captive pipeline lies at 11 GW, which is not in line with figures that are being discussed within the JETP context (22 GW, 27 GW including gas). Gol expresses wish to leverage I-JETP to intervene in the development of captive CFPPs In order to prevent a lock-in of new large CFPP fleet, mainly by expanding grid connection to remote industrial production and by the “pursuit of abatement alternatives”, which would include CCSU. Gol makes it clear, however, that the growth of “off-grid demand centers” for captive coal CFPPs stems from their own policy priorities and that it mainly intends to “collaborate” to find solutions to reducing installed capacity, which indicates Gol’s lack of willingness to reduce captive coal without external support . A captive power working group will be established between ADB and USAID to identify suitable assets.	<p>The numbers being provided in the I-JETP context by Pak Rachmat through the GFANZ Working Group update (also referenced in the IP in paragraph 6 include informal understanding of upcoming plans that have not been formally filed with MEMR for permitting purposes. As the Captive Power Landscape Assessment will be published and the data has been vetted by all parties as verifiable paper captive power demand, it remains a conservative estimate of the total captive power demand. That said, the same presentation cited above explains the critical role transmission and distribution investments under I-JETP will play to address this challenge (connecting RE resources to captive power demand).</p> <p>The captive power working group has been expanded to include KfW and dialogue has commenced. The full study will be disseminated by mid-2023.</p> <p>Confirmed.</p>

<p>Document now includes revised target outcomes that provide more clarity: Component 1 (implemented from 2023-2025) will focus on the early retirement of state-owned and privately-owned CFPPs (up to 3 GW retired coal capacity, first draft only targeted 2 GW) and Component 2 (largely implemented from 2026-2027 or earlier) aims at repurposing and repowering of state-owned CFPPs as well as closing 150 ha of mine sites and just transition activities such as the provision of sustained income to 89% of retired CFPP's employees and up to 2300 direct beneficiaries of social plans and economic regeneration activities. Given that the overall CIF-ACT funding envelope is now being reduced by USD 100 million, funding cutbacks have mainly impacted the expansion of renewable energy (from initially 550 MW to now 300 MW) and energy storage capacity. Former Component 3 (Scaling up RE & Storage) has now been integrated into Component 2.</p>	
<p><u>Broadly aligned with ACT investment pillars:</u> The revised IP now broadly aligns with ACT priorities across the ACT's three investment pillars with approximately ~5% of CIF-ACT funding dedicated to governance, ~25% to people and communities and ~70% to infrastructure.</p>	Confirmed.
<p><u>Updated Financing Plan now includes GoI co-financing figures:</u> Indicative financing for the expansion of RE&Storage has declined from roughly USD 200 million to USD 50 million, freeing up USD 50 million that have mainly been moved to expanded CFPP retirement and just transition related activities. Overall, MDB co-financing has gone down from USD 2,245 billion to USD 2,059 billion due to reduced RE&storage related activities. MDB co-financing for retirement of CFPPs, repurposing and just transition however, has slightly gone up. Targeted private and bilateral co-financing has stayed the same at USD 1,35 billion (USD 650 million from commercial actors and USD 600 million from KfW and AFD) which is very welcome, given that investments in RE&storage related activities generally provide a better business case for private investors than retiring and repurposing CFPPs and just transition</p>	Confirmed.

<p>activities. In comparison to the first draft, the Gol has now filled in the blanks with regards to their co-financing estimates, which will be around USD 1,293 billion, mainly targeting early CFPP retirement. Overall, the CIF-ACT funding envelope of USD 500 million is now set to mobilize an additional USD 4,602 billion in co-financing, providing a total financing plan of USD 5,1 billion (according to the Gol not including an additional USD 2 billion of private investments for RE replacement power). This constitutes an ACT-funding leverage ratio of roughly 1:9, which is broadly in line with the average leverage ratio of the entire CTF portfolio.</p>	
<p><u>More coordinated MDB collaboration:</u> As opposed to the last draft, the revised version now provides more clarity on the coordination and complementarity of MDB activities. In order to ensure that the same coal assets are being targeted by ADB and the WBG, MDB energy teams will now coordinate more closely. MDB safeguard teams will meet alongside KfW and AFD every two weeks to ensure that PLN's environmental and social safeguards system is consistent with the CIF-ACT IP. Furthermore, MDBs together with the I-JETP Secretariat, MoF and PT SMI will establish a just transition working group to coordinate approaches. Lastly, a gender coordination mechanism will be developed between ADB and the WBG to ensure consistent and comprehensive support and to develop proposals for funding under the WOLCOT mechanism.</p>	<p>Confirmed. A clarification that the Just Transition Working Group for I-JETP is already in operation and it includes both MDBs and is led by UNDP. The MDBs will separately coordinate on JT progress and objectives with relevant government counterparts and implementing partners such as MoF and PT SMI.</p>
<p><u>JETP Alignment:</u></p> <ul style="list-style-type: none"> • Linkages to JETP prominently mentioned in introductory section and on relevant points throughout the document. Rationale is that CIF-ACT will serve as first tranche of I-JETP. JETP and CIF-ACT are well connected to form a coherent strategy towards coal exit and energy sector transition. • IP clearly makes reference to overarching JETP JDI targets (e.g. Peak power sector emissions by 2030, max 290 MT CO₂; net zero emissions in the power sector by 2050, 34% RE of total power generation by 2030, coal 	<p>Confirmed.</p>

<p>pipeline reduction, restricting development of captive coal power)</p> <ul style="list-style-type: none"> • Newly launched I-JETP secretariat is viewed as entity with clear responsibility for JETP process and coordination platform for international energy transition support. MDB participation and contribution to JETP working groups (Just Transition, Captive Power, IPG/MDB Finance working groups) is stated. • Issues of the JETP process are addressed: <ul style="list-style-type: none"> ○ Local Content Regulation: IP mentions local content roadmap to be developed by IDN (support ADB/WB) and subsequent alignment of local content requirements in accordance. CIF ACT admitting its own structural limitations in independently influencing this process that is currently limiting renewable energy deployment. ○ Captive Coal power: Acknowledgement of relevance of this topic. Current collaboration between implementing agencies (e.g. ADB, USAID) ongoing and formalization of collaboration within JETP working group on captive power intended. ○ Just Transition: Support by WB/ADB (through analytical tools) to IDN in developing National Just Transition Framework for energy transition (specifically regarding closure and repurposing of coal power plants); WB developing just transition approach for coal mining regions and communities; promotion of women's role in decision making processes in collaboration with JETP Secretariat 	
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Remarks

<u>Feedback</u>	<u>Response</u>
<u>General:</u> Throughout the document (e.g. para 6, 18/19, 32) different reference years (2020, 2021,	Appreciate the challenge this poses to the reader. Paragraph 32 is being updated. Paragraph 6

2022) are used for installed capacities limiting consistency and comparability.	(inclusive of captive power) is a different and more recent data source. Paragraphs 18/19 refer to the latest available published PLN data.
<u>Proposal Summary – Para 6:</u> Official JETP number on Captive coal pipeline is 22GW (27GW with gas), not 11 GW as mentioned in this document. Please confirm – see also APPENDIX 1.	Please see note above on the formality and verified nature of the two numbers. GOI is ok with having a conservative verified reference point of ~11GW, with up to 22 GW as potential. The differential of 11GW remains informal and subject to adjustment and changes as part of I-JETP discussions.
<u>Proposal summary – Para 13:</u> How is the Just Transition Working Group aligned with JETP working groups that are being set up right now? Objective should be not to create double structures.	They are now one and the same, led by UNDP.
<u>Country context – Para 31:</u> JETP targets should be translated in all relevant national policies, unconditional of international support.	The IP wording remains consistent with the JETP Joint Statement.
<u>Country Context – Para 32:</u> Given the dynamic development of the power sector in Indonesia and in particular the rapid expansion of coal-fired power generation in recent years, more recent data -if available- would help inform the JETP.	This has been updated.
<u>APPENDIX 1:</u> It would be interesting to depict the financing structure of these captive coal operations and include the financing parties as part of the conversation captive coal, esp. foreign investments.	The broad case studies may be able to provide this data and will be part of the final report, disseminated after the submission of the IP.
<u>APPENDIX 2:</u> As coal overcapacity is a significant (financial) problem in the Java-Bali-grid, shouldn't there be early retirement in this grid, too, to allow for profitability of renewable energy investments?	This should be consistent with Paragraph 3: Retirements before 2030 <u>are expected to focus on PLN assets in the Java-Bali grid</u> which are connected to the 500kV transmission line and are therefore less likely to have significant impacts on security of supply.

United Kingdom

On the whole, we welcome the revisions in the new document, including the representation of just transition. The questions we have primarily relate to seeking greater clarity on some details and the practical functioning of the proposals.

<u>Feedback</u>	<u>Response</u>
Can the IP clearly state upfront how much coal capacity is being decommissioned? We have taken away a figure from our reading, but it would be good to avoid any doubt.	Paragraph 10 summarizes the decommissioning target of up to 3GW. The breakdown is available in the IRF. Because the underlying PLN assets for Component 1.1 (a) are not determined, an exact number cannot be stated in Paragraph 10.
<p>The revised draft outlines stronger analysis for captive coal, including alignment with I JETP priorities. The text include language such as “restricting the development of captive coal power plants in accordance with the prevailing regulation and collaborate to find and implement potential zero-emission and renewable solutions for power generation facilities, including captive power facilities”.</p> <p>Could they clarify when this restriction will happen or how this will happen? How will they ensure that that captive coal remains consistent with the emissions trajectory set out in the JETP?</p> <p>We believe this explanation could be added to the text on page 20, for example, noting that all new permit requests need to perform thorough analysis for alternative zero-emissions and renewable solutions, taking into account the JETP commitment made by Indonesia. This would be important to reduce risk of stranded assets and improving product competitiveness.</p>	<p>The restriction is already part of the RE PR. The challenge arises because the exception to the restriction allows for CFPPs (in certain circumstances) for circumstances of national priority, which includes the mineral ore processing for the electric transport market.</p> <p>The commitment on specific captive power action items will be determined as part of I-JETP discussions and is a topic for discussion under the Policy Working Group under the JETP Secretariat. For now, the GOI is committed to finding a sustainable path forward by modeling captive power demand as part of the broader Early Retirement Roadmap exercise and I-JETP investment plan development.</p> <p>For now the GOI would like to stick to the following note: “Further articulation of the conditions and plans, beyond initial thoughts described in Paragraph 6, will be part of the I-JETP roadmap under development.”</p>
<p>We would appreciate further information on the practical interaction between components 1 and 2 of the investment plan.</p> <p>Could we have clarity on how they are aligned and feed into one another?</p> <p>It states in paragraph 10 that the two components will run in parallel but we recognise</p>	Please see the revised wording of paragraphs 10-13 and the new Figure 1, where this has been clarified. Components 1 and 2 consist of several different subprojects. Some will likely be sequential (PLN-owned plants) while others will go in parallel (just transition projects, for example). Component 1 also includes privately-

<p>there is a (potentially sequential) relationship at times so it would be good to hear how they intend for this to work.</p>	<p>owned CFPPs, which will not be repurposed under Component 2.</p> <p>The choice of which assets to retire and which assets to repurpose (whether they be one and the same or different) when it comes to PLN-owned plants is still under discussion with PLN and MEMR in relation to the Early Retirement Roadmap, PLN's own energy transition strategy and overall alignment of actions with I-JETP (covered under the I-JETP Technical Working Group).</p>
<p>We understand from a question on the efforts from IFC that they had previously wanted to deploy renewable energy in a way that better fitted the CIF REI programme; their revised wording here suggests the same. Could they confirm that they are aligning their plans with the agreed scope of ACT for which coal capacity has to be replaced by renewable energy in the same location?</p>	<p>IFC will focus efforts to develop projects in target areas of the grid which have a high percentage of coal plants that are suitable for early retirement, and also seek to support IPP clients who have thermal assets and have tangible plans to transition to renewable energy generation sources instead.</p> <p>While it would be ideal for the RE source to be co-located in the same location as the coal power plant being retired, it might not always be achievable. There could be technical constraints, such as the power plant site not having sufficient area to install RE (solar or wind) equipment to adequately replace the energy loss from the coal abatement. Also at a regulatory level, the approvals for new RE developments are based on the 10 year procurement plan of PLN (RUPTL) where any power generation project and its location would be included in the RUPTL and require PLN approval or go through a tender process.</p> <p>So while IFC would definitely seek to pursue RE development at coal power plant sites, we will also expand our focus to encourage development of RE if it occurs in proximity at the regional grid-level of coal closures, or support IPP clients in transitioning their thermal/RE generation mix at the portfolio-level, in order to adhere to the goal of the ACT while accepting the known constraints of the Indonesian market. At this stage of the Investment Plan development IFC does not have further details and specifics of the proposed pipeline of projects, but will be able to present</p>

	more granular discussion of this issue at the time when IFC will be submitting the respective Program proposal.
Finally, we think it would be helpful to mention the ILO Guidelines as a framework and basis for policies and programmes. A short reference in section 2.4/para 38 following the strong commitment from GOI to a just transition may be an appropriate place.	<p>We have added the following wording to the section as follows:</p> <p>Aligned with the ILO Guidelines for Just Transition (2015), the design and implementation of a just transition strategy should be propped upon coherent policies across the economic, environmental, social, education/training and labour portfolios. These coherent policies will also provide the just transition framework for all to promote the creation of more decent jobs, including anticipating impacts on employment, adequate and sustainable social protection for job losses and displacement, skills development and social dialogue.</p>