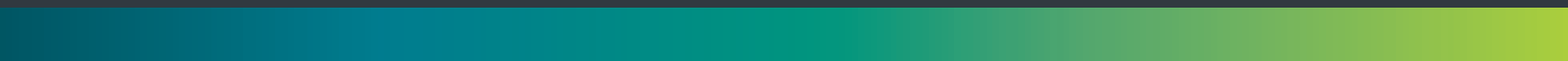




FACTSHEET

ACCELERATING COAL TRANSITION (ACT) INVESTMENT PLAN FOR INDONESIA



BACKGROUND

There is no winning the fight against climate change without a just, rapid transition away from coal. If coal were a country, it would be the single largest greenhouse gas emitter in the world. Coal-fired power plants are increasingly uncompetitive with renewable energy and out of step with a green economy. Coal-dependent countries have a once-in-a-generation opportunity to re-evaluate new coal assets being built, and re-purpose existing assets that still have considerable life left. Yet in the developing world, this is easier said than done, with coal deeply interwoven into economies, societies, and livelihoods.

Since 2008, the Climate Investment Funds (CIF) has been on the vanguard of helping developing countries as they solve challenges like these – currently supporting nearly 400 projects across more than 70 countries, and mobilizing more than \$62 billion in added finance.

In November 2021, CIF established the [Accelerating Coal Transition \(ACT\) program](#), a new initiative to support coal-reliant developing countries as they capitalize on this moment of change. The ACT program is structured around three core pillars – governance, people and communities, and infrastructure – each designed specifically to address one of the three major challenges of coal transition. The goal of ACT is to provide the support needed to ensure a holistic, socially inclusive, and equitable transition. **In the first phase of ACT, CIF selected Indonesia as one of four pioneer countries for investment alongside India, South Africa, and the Philippines.**

THE CHALLENGE

Indonesia is the world's largest coal exporter. Coal is an abundant natural resource in the country, underpinning most domestic electricity generation as well. Even more challenging, the coal-fired power plants in Indonesia are young: 12 years old, on average, with the potential of decades of emissions ahead of them. As a first step, Indonesia's state national utility, PT Perusahaan Listrik Negara, recently announced a plan to begin permanently retiring coal-fired power plants:

- By 2030: Retire 2-3 coal-fired power plants with a combined capacity of ~1 gigawatt
- By 2035: Retire plants with a combined capacity of ~9 gigawatts
- By 2050: Retire plants with a combined capacity of ~49 gigawatts

But it is necessary to move even faster: To achieve alignment with the Paris Agreement, unabated coal must be phased out in developing Asia between 2040-2050. As with all coal transitions, it is not as simple as closing the plants. This effort requires a robust policy framework for the broader energy transition. It will also require special considerations: supporting key coal-producing regions like Kalimantan and South Sumatra, which will be disproportionately affected by moving away from coal; ensuring that women, who comprised only 12% of all graduates in STEM-related fields in Indonesia in 2018, participate fully in the clean energy transition and access new opportunities; and growing the currently-limited technical knowledge and skills for clean energy across the workforce.

CIF'S ACT INDONESIA INVESTMENT PLAN HIGHLIGHTS

This investment plan, developed by the government of Indonesia in collaboration with the Asian Development Bank and the World Bank Group, identifies potential areas for investment and support to begin accelerating the retirement and repurposing of coal-fired power plants (CFPPs) and mines, as well as the financing of clean energy alternatives. It is designed to proactively address associated challenges linked to the energy transition as it applies to national strategies, people and communities, and land and infrastructure. CIF and multilateral development banks (MDBs) will provide support and concessional capital needed to accelerate the retirement of these plants by 5-10 years, and pave the way for a range of additional changes in the medium-term to address these interrelated challenges.

The plan is split into three key components: (i) Accelerated CFPP Retirement, (ii) Governance, Just Transition and Repurposing, and (iii) Scale Up of Renewable Energy and Storage. Through CIF ACT funding, together with \$2.2 billion in MDB co-financing and over \$1.3 billion in commercial co-financing, this plan aims to achieve the following:

- **People:** Up to 1,160 (i.e., 89% of) employees of retired coal-fired power plants and coal mines with access to sustained income and up to 2,200 direct beneficiaries of social plans and economic regeneration activities. These beneficiaries will be targeted and determined according to gender, other key social characteristics (e.g., age, disability status) and documented information about the quality of the jobs (e.g., salary and skilled vs. non-skilled positions) whenever relevant and feasible.
- **Infrastructure:** Avoiding greenhouse gas emissions of up to 50 million tons of carbon dioxide equivalent (CO₂e) after 2029 through the accelerated retirement of up to 2 GW of CFPP generation capacity, as well as up to 15 million tons of coal diversion, up to 150 hectares (ha) of mine area reclaimed, reforested or restored, and an increase of up to 400 megawatts (MW) of installed renewable energy and 90 MW of energy storage capacity.
- **Governance:** The adoption or amendment of relevant policies, regulations, standards or codes and three accelerated CFPP retirement roadmaps, including policies and regulations that are explicitly inclusive of gender and other social inequalities and/or the gaps and barriers faced by specific social groups and targeted actions to address those gaps.

FUTURE IMPACT

This investment plan is structured to maximize transformational change, covering coal-fired power plant retirement all the way from policies and financial incentives to asset-level retirement and repurposing. It is designed to consider just transition and gender mainstreaming challenges along the entire value chain, as well as enabling activities that can support Indonesia to capitalize on energy transition opportunities. Examples include:

- The Asian Development Bank collaborating with top universities to establish centers of excellence on energy transition, providing the foundation for skills mapping and the development and retraining required for the clean energy labor transition.
- The World Bank Group and CIF engaging in energy transition dialogue with coal-based communities, to (i) support workers and people adversely impacted by the closure of mines and (ii) maximize the value of the land post-mining, repurposing land for a diverse range of uses towards economic regeneration.

- Across the engagement, women, women's rights organizations, and gender equality advocates and organizations will be key stakeholders, ensuring they have access to training, retraining, and capacity-building opportunities provided. Transition plans will also include education initiatives for local communities, including youth and children.

This investment plan will lay a strong foundation for sustainable change. It will pave the way for more realizable opportunities in scaling up renewable energy, both for the public and private sectors; help Indonesia realize the environmental and socio-economic benefits of sustainable development; and enable more integrated, innovative approaches for a greener, more inclusive, and gender-equal transition.

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