## **Strengthening an Inclusive, Green and Effective Just Energy Transition:** A Call from CSOs in Indonesia



This joint-recommendation for the JETP CIPP document is prepared by:







## CELIOS



# 350.org

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• Arise! Communications

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### **Executive Summary**

#### Context

The Just Energy Transition Partnership (JETP) represents an agreement that combines public and private financing to accelerate Indonesia's energy transition. Through the JETP Secretariat in Indonesia, the Comprehensive Investment and Policy Plan (CIPP) was launched to facilitate this agreement. Hence, after careful review by a community of Civil Society Organizations ("CSOs") passionate about keeping JETP inclusive, effective, and accountable, this document seeks to provide a nuanced view of both its positive points as well as criticism of the CIPP. Furthermore, this document will propose recommendations that can strengthen the CIPP to maximize its implementation.

#### Assessment (Chapter-by-Chapter)

This review from a community of CSOs committed to maximizing JETP has assessed the document through the form of a table, which breaks down what CSOs are happy about, hoping what can be improved as well as recommendations that can be brought forward. Hence, readers are invited to look through the table and specifically at comments chapter-by-chapter within the table in the Annex. However, to ensure clarity and readability, a summary of the comments can be found following this. (01)

## 02 CIPP Overview

The CIPP was able to highlight the importance of Just Transition measures to bring innovation opportunities through industry and develop quality green jobs. Furthermore, the CIPP Overview has also placed attention that communities affected directly and indirectly need to be supported by this shift in workforce. 02

## **03** Achieving Decarbonization Vision of Indonesia Through JETP

The CIPP document has accelerated the net zero emission target by ten years (2050). In addition, the related policy instruments that support JETP have been placed (regardless of whether or not such policies can be entirely effective) which can provide the government with an outlook for the decarbonization, power, and energy sectors. However, the General Regional Energy Plan (RUED) has been ignored, and so policies at the provincial level have not been affirmed. This would sideline regional governments within the implementation of JETP, which is not only exclusive at the national level. Besides this, no connection nor analysis has been made yet on how JETP is able to fulfill NDC commitments.

#### 04 | Impact on Indonesia's Economy: A Case for Energy Transition

The CIPP has also established in light that communities might be phased out from the Just Transition. The importance of strengthening the labor force and providing social protection is highlighted. Understanding that the JETP might result in job losses as well as bringing in new jobs, the amount of job loss to the number of jobs created has not been articulated.

#### 05 | The JETP Pathway and Portfolio of Programs

Within the JETP scenario, renewables will take the largest share of the generation mix, with a rise in variable renewables expected to rise. Furthermore, the CIPP document includes a technical pathway for an on-grid system with a 250 MT target for the on-grid power system in 2030. This extent needs to be further explored by the JETP Secretariat. There also needs to be further assurances that such achievements within RE developments are feasible, while also ensuring that new energy initiatives are clean, support environmental sustainability, and that communities are empowered.

## 06 | Ensuring a Just Energy Transition

The CIPP has shown that the definition of a Just Transition takes into account principles of the International Labour Organization, taking into account decent work and leaving no one behind.

### **07** | Financing the Just Energy Transition

The CIPP has put the importance of being aware of ESG principles and an improvement of the Green Taxonomy at the ASEAN level. However, the document needs to expand on specificity regarding the debt financing model, grants that should be able to cover early retirement of coal-fired power plants, as well as US Non-concessional loans. In addition, there needs to be other sources of finance to fund JETP which includes measures from the European Union (EU) as well as through alternative funding.

## 08 | Enabling Policies for JETP

The CIPP document brought forward initiatives that can assist JETP, such as establishing an e-waste management mechanism. However, several nuances need to be expanded, including the coal phase-out strategy, reducing the exploitation of critical minerals, policy reform of Domestic Price Obligation (DPO)-Coal, strengthening of legal frameworks, and the acceleration of policy roadmaps. Local government involvement should also be at the forefront to enable policies at the regional level. Specifically on the acceleration of the coal phase-out, we believe that a much higher target for coal retirement by 2030 in the current CIPP is feasible. We have listed potential coal-fired power plants that can be considered for different scenarios.

#### **U9** | JETP Implementation and Governance

We include some recommendations to further strengthen the CIPP document.

### **Recommendation Highlights**

A list of detailed recommendations can be found within the annex, but to summarize, proposed recommendations include (but are not limited to) the following

#### Putting Inclusivity at the Forefront, Empowering Regional Governments

The CIPP document is non-binding, but can serve as solid recommendations for the National Energy Transition Task Force, specifically when it comes to bringing forward a "whole-of-government" approach that prioritizes diverse stakeholder involvement, community empowerment and guidance for regional governments to manage JET. This must be translated to policy mapping that trickles down to the regional level. The implementation of GEDSI can serve as the foundation that prioritizes a diverse pageant of vulnerable groups and affected communities.

#### Expelling the False Solution

Several forms of technology in the energy transition such as nuclear, large scale hydro power, biomass, CCUS/CCS, hydrogen and geothermal need to be considered for exclusion from the CIPP JETP document due to various problems such as expensive investment costs, and posses high risk to socio-environmental impacts for local community.

#### Transitioning into Quality Green Jobs

The CIPP document has acknowledged both the creation of new jobs and the losses of other jobs because of JET. This needs to be further calculated. In addition, current government initiatives to advance Green Jobs in Indonesia need to be incorporated within national and regional policy to ensure that existing policy levers are utilized

## Strengthening and Diversifying Financing for JET

There needs to be more pathways for alternative financing to be brought forward. IPG countries need to reduce the portion of non-concessional loans and be resolute in providing financial commitments, including utilizing direct funding from state budgets and alternative levies from MNCs. Alternative financing must also be increased. Furthermore, fair mechanisms need to be put in place that ensures the willingness of IPG and GFAZ to equally share the burden of any excess cost of projects. Ensuring the transparency of financing schemes is also equally important and thus, the financing scheme of projects should be part of the public domain.

#### Raising the Bar on Early Coal Retirement

JETP should be built based on ambitious coal retirement goals. To do this, IPG countries should follow the Indonesian Government's initiatives in phasing out old power plants and provide clearer schemes in termination schemes. Immediate retirement of 4.5 GW "low-hanging fruit" plants needs to be considered as well.

#### Prioritizing Good Governance

Recognizing that the journey

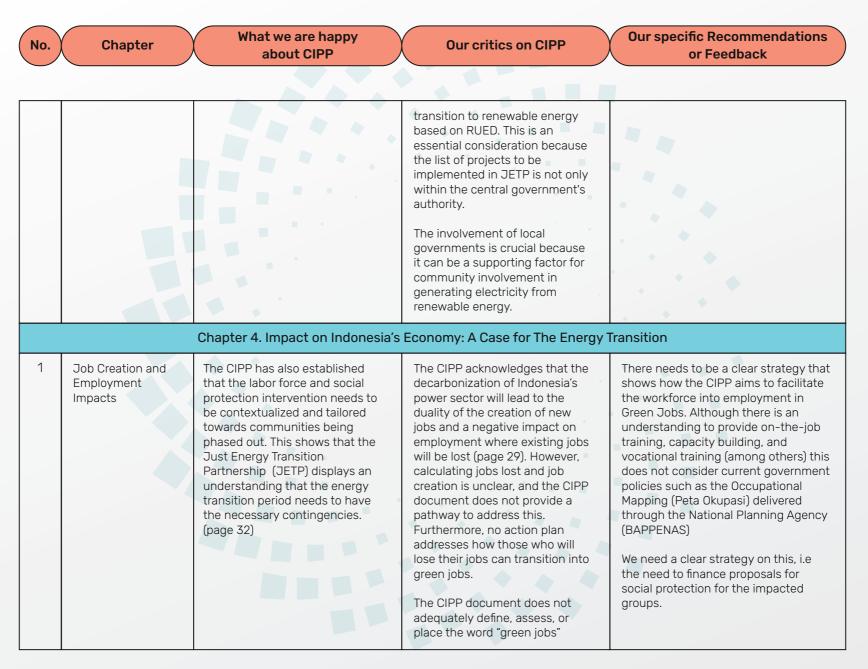
to develop Renewable Energy is critical, the affirmation of socio-economic safeguards must be highlighted. This includes ensuring that procurement practices are transparent. In addition, Indonesia should rely on clean energy as a competitiveness-enabling tool that can help heighten corporate standards and provide more value.



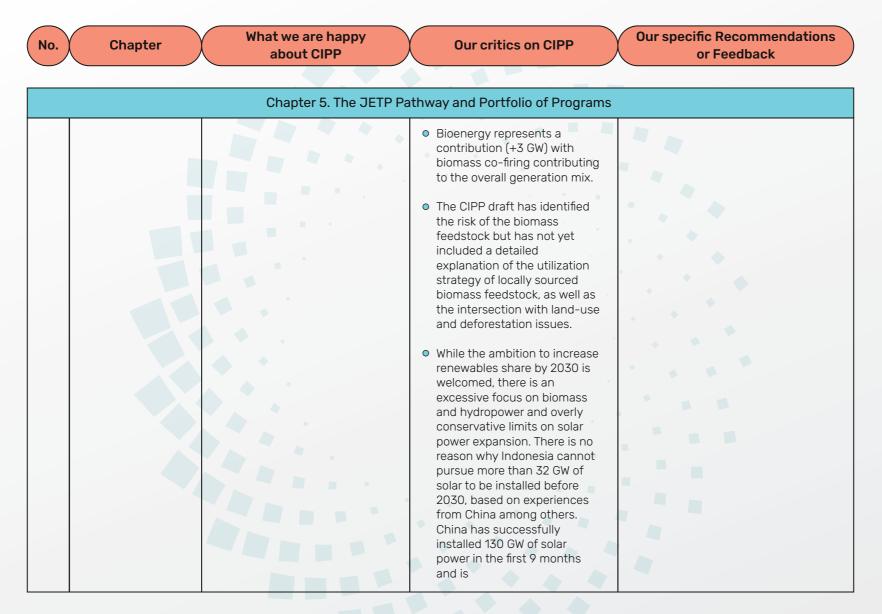
## CIPP Feedback Form

No.	Chapter	What we are happy about CIPP	Our critics on CIPP	Our specific Recommendations or Feedback
		Chapter 1. Executive S	ummary comments and remarks	
1	N/A			
		Chapter	r 2. CIPP Overview	
1	Objective and Guiding Principles	The CIPP has stated that the importance of just transition measures brings about opportunities for innovation through the industry to create quality green jobs where all communities are affected directly and indirectly (page 10).		Understanding that the CIPP is not a binding document and subject to approval and further deliberation of the National Energy Transition Task Force (SATGAS TEN), the CIPP should adopt a "whole-of-government" approach that maps out relevant government programs, initiatives, and plans and pinpoints where government programs at the ministerial and regional government level can fit within the Just Energy Transition Partnership.

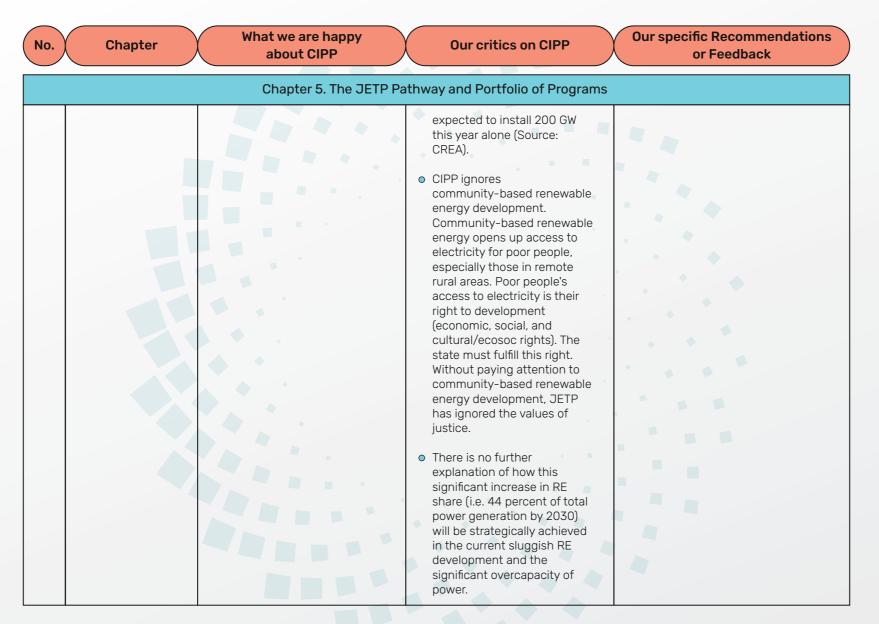
No.	Chapter	What we are happy about CIPP	Our critics on CIPP	Our specific Recommendations or Feedback		
	Chapter 3. Achieving Decarbonization Vision of Indonesia Through JETP					
1	Indonesia's Climate Target	Indonesia will accelerate its zero emission target by ten years by 2060 (page 20).				
2		JETP will indeed be used for the decarbonization of the electricity sector.	Implementing JETP poses challenges in quantifying its impact on achieving the National Determined Contributions (NDC) targets in the energy sector. While international funding can support certain aspects of JETP, it remains to be seen how much the government needs to independently raise to meet the overall NDC targets in the energy sector. Specifically, suppose international assistance contributes to meeting NDC targets in some energy sectors. In that case, there is a need for clarity on the amount of funding required from the government to achieve the broader NDC target	The CIPP document should assess the implementation of JETP and its ability to fulfill the commitment.		
3	Indonesia's Regulatory and Institutional Landscape on Energy Transition	Describe the policies produced to support JETP implementation. Whether we agree with this policy is another matter, but in this chapter, we can see an overview of government policy regarding the decarbonization of the energy sector.	Ignoring RUED (General Regional Energy Plan) policies. Provincial-level regional governments have energy policies that need to be confirmed in the discussion in Chapter 3. RUED should be an integrated policy in the energy transition policy so that regional governments that are ready can be involved in the energy	There must be involvement of local governments or at least open space for participation in the generation of renewable energy or implementation of JETP in their region. Whether the project is in RUPTL or not, ensuring it is in RUED is vital.		

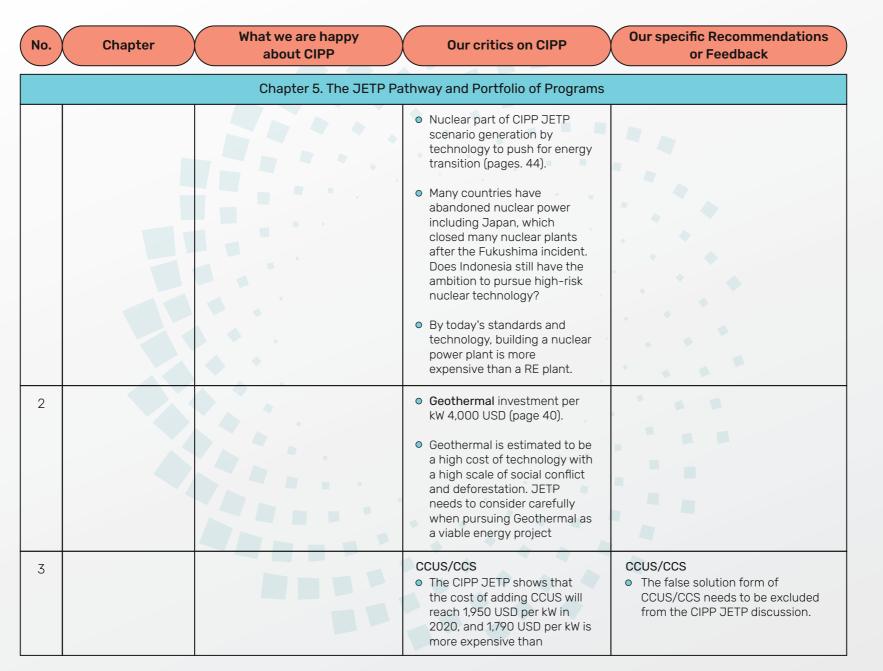


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			context, nor is this integrated as a way to facilitate a Just Transition, when the International Labour Organization has a close relationship understanding of green jobs to be in line with "decent work".	
		Chapter 5. The JETP Pa	thway and Portfolio of Programs	
1	Clean Energy Transition Pathway for the On-grid Power Sector Sector	In the JETP scenario, renewables will be the largest share of the generation mix, accounting for 44% of total power generation by 2030 and rising to over 75% by 2040 and over 90% by 2050. The share of variable renewable energy (VRE) is projected to rise from less than 1% today to 14% by 2030, 25% by 2040, and 36% by 2050.	<ul> <li>While RE development targets increase by 44%, we are yet to see a feasible roadmap and timeline for at least the first 12 months of implementation. Also, coal derivatives considered "New Energy" (energi baru) are still mainly included.</li> <li>Has consultations with main stakeholders such as PLN and MEMR been done? As we can see in the 1st Chapter, key principles include "Maintaining long-term financial stability for PLN and its subsidiaries." This will have implications for the increased 44% RE target.</li> <li>Hydropower (+9 GW) and geothermal (+4 GW) lead the way for dispatchable RE until 2030. Big emphasis on hydropower development, most notably in 2036-2040.</li> </ul>	<ul> <li>The next steps of RE development are very critical. Outlining the 44% renewables target requires the Government of Indonesia (Gol) to focus on immediate targets and progress - for shorter targets instead of long-term targets.</li> <li>Enhance the procurement process and a thorough assessment of social-environmental risks and safeguards during the pre-development stage.</li> <li>Improved tender and procurement processes, enhanced domestic manufacturing, and Free Prior Informed Consent (FPIC) for land acquisition</li> <li>The JETP Secretariat and other key stakeholders must ensure communications between JETP (or the task force), PLN, and MEMR must run smoothly to ensure that we can hit the 44% RE target by 2030</li> </ul>

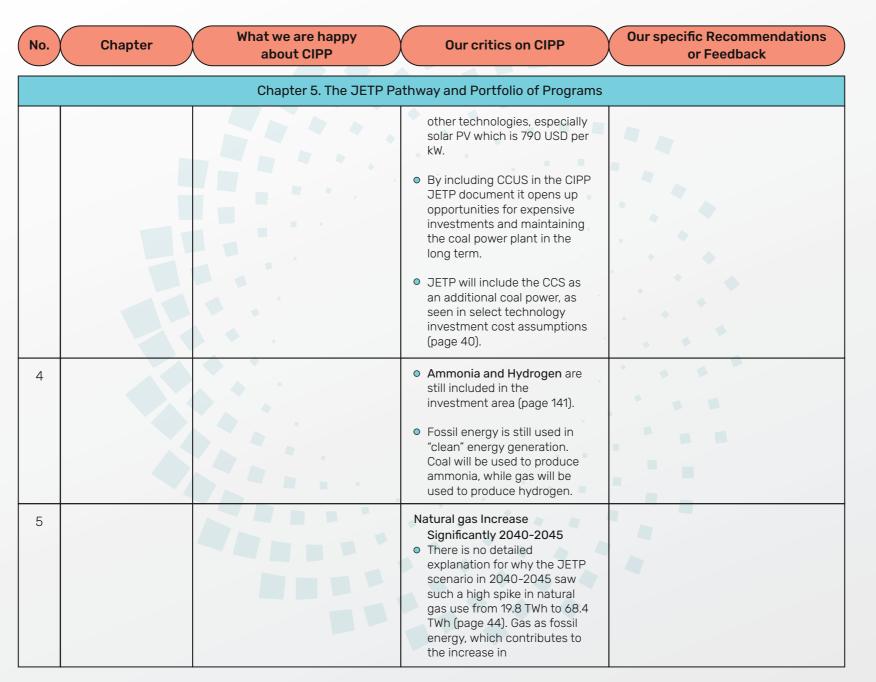


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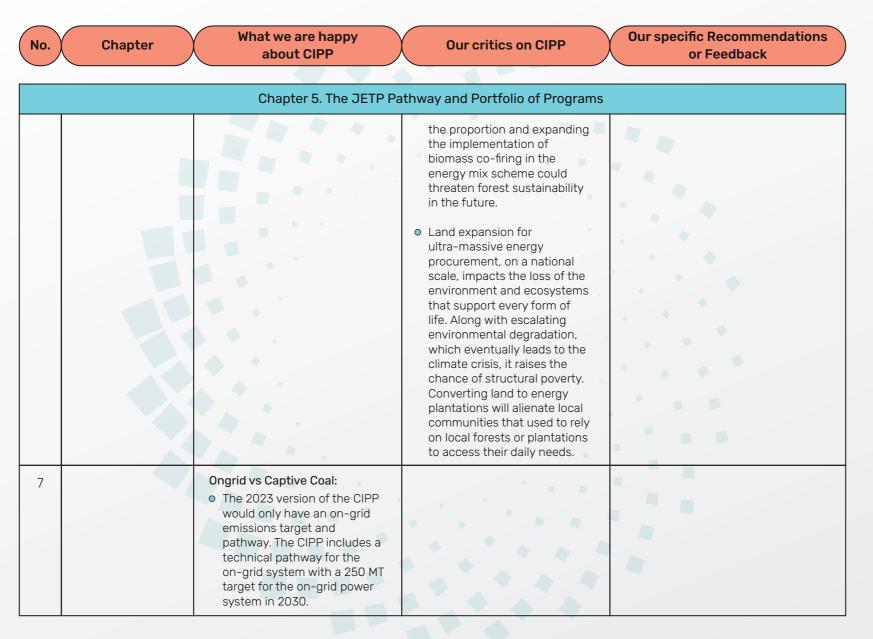




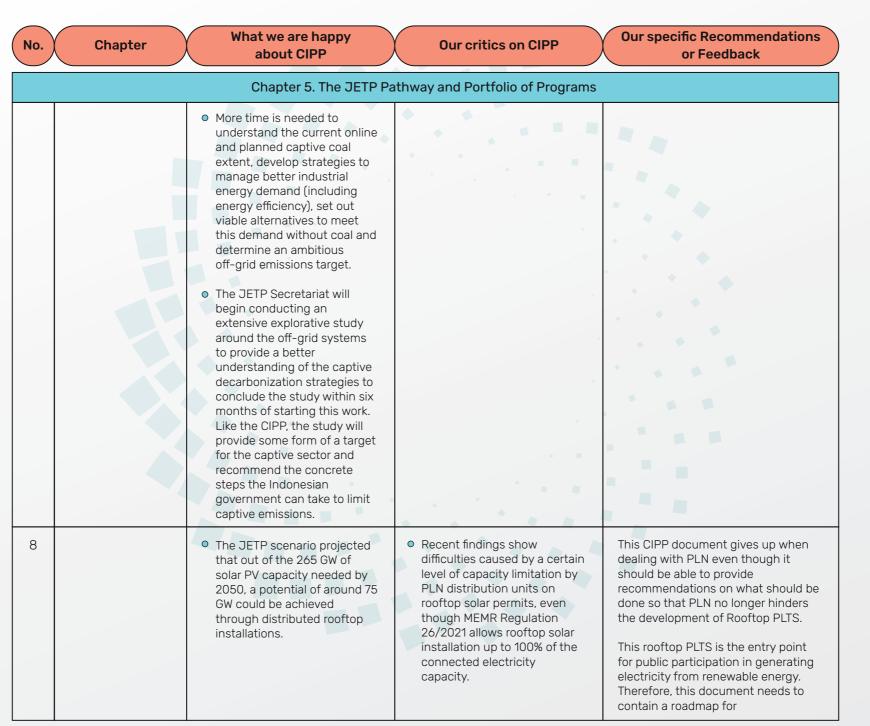
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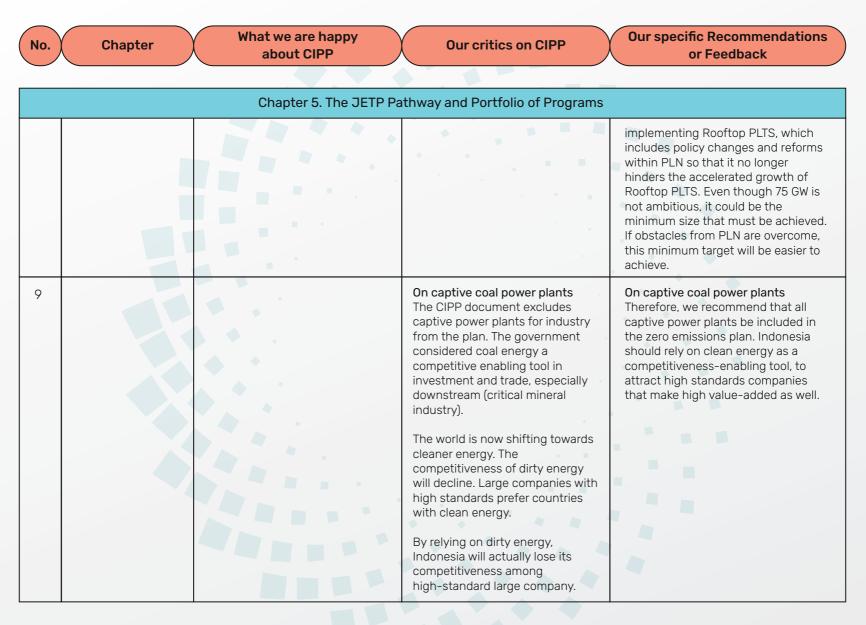


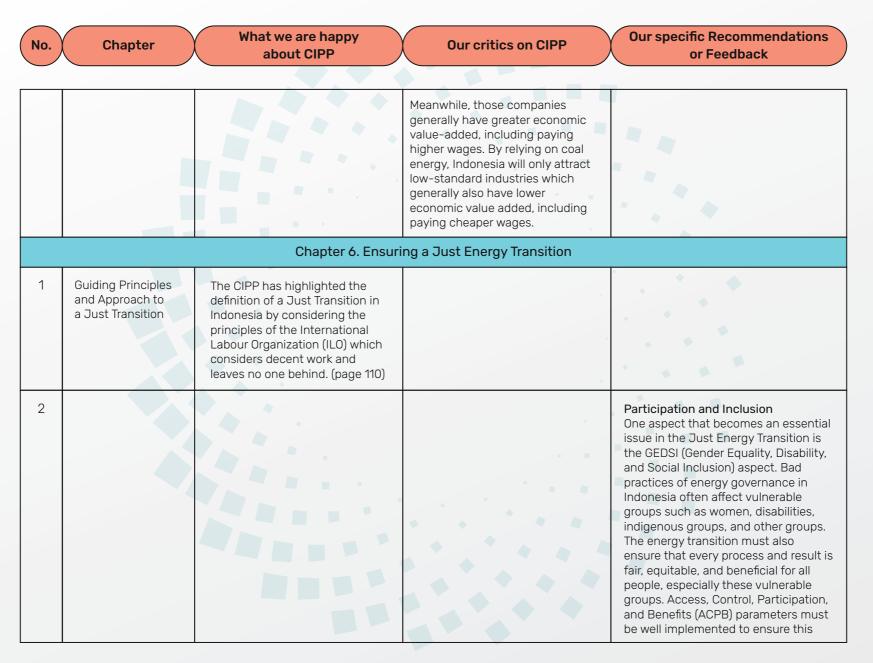
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		Chapter 5. The JETP F	athway and Portfolio of Programs	
			carbon emissions still plays an essential part in the problematic energy transition. Using gas directly or as hydrogen/ammonia material raises concerns about an energy transition that accommodates false solutions.	
6			<ul> <li>In the JETP scenario, the role of bioenergy co-firing in coal power plants also increases, with the share of co-firing rising to 7% in 2030 and 9% after 2040. (page 69).</li> <li>Biomass and low-emission fuels co-firing at existing thermal power plants is a possibility to increase the share of renewables in the power system while providing flexibility from existing assets (page 60).</li> </ul>	
			<ul> <li>(page 60).</li> <li>Research estimates that the energy plantation area required for 18 GWh capacity is at least 2.33 million hectares. In 2019, 38% of the total energy plantation came from natural forest deforestation. It is not impossible that emphasizing</li> </ul>	



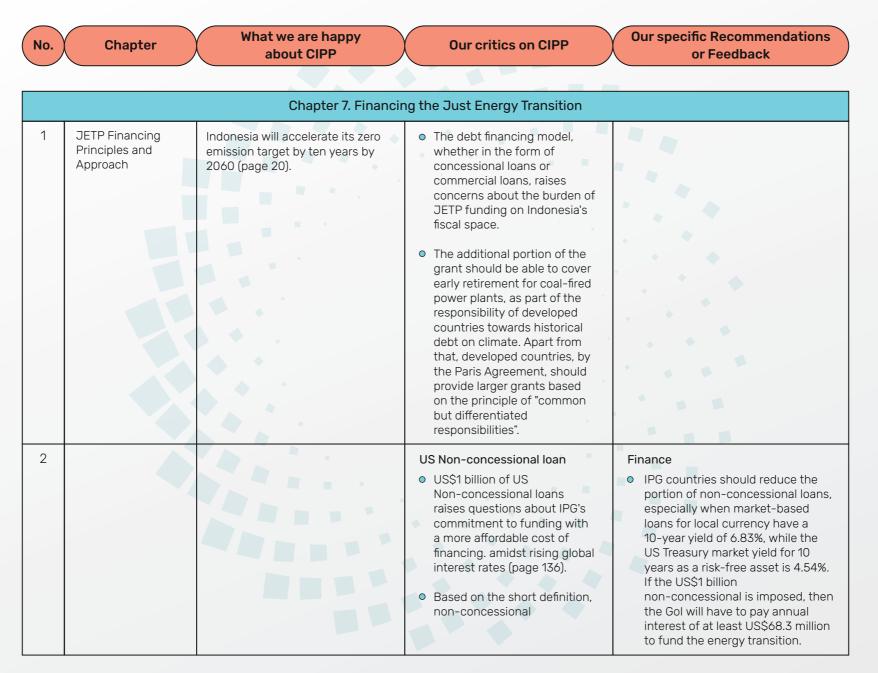
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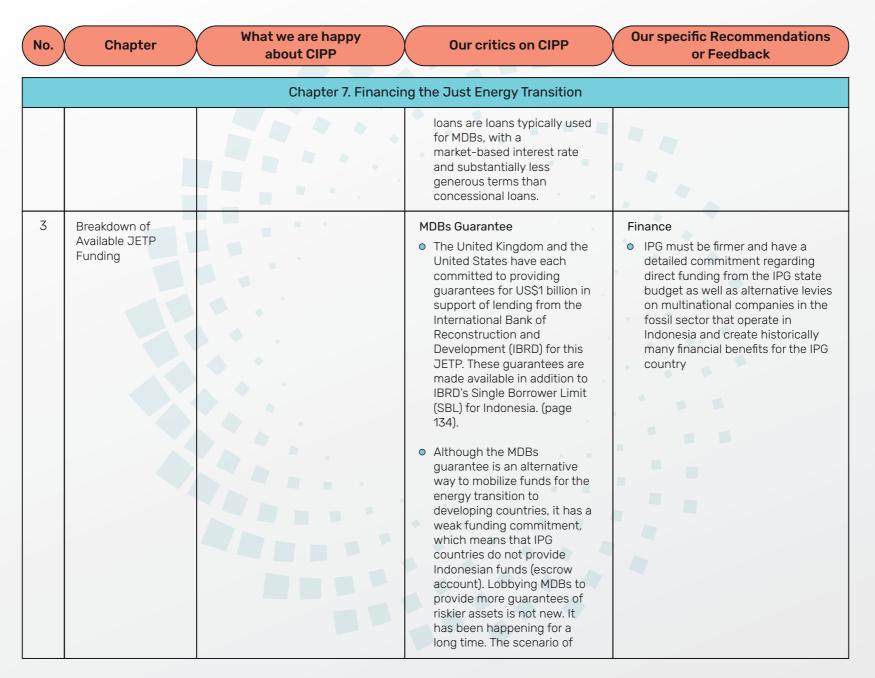




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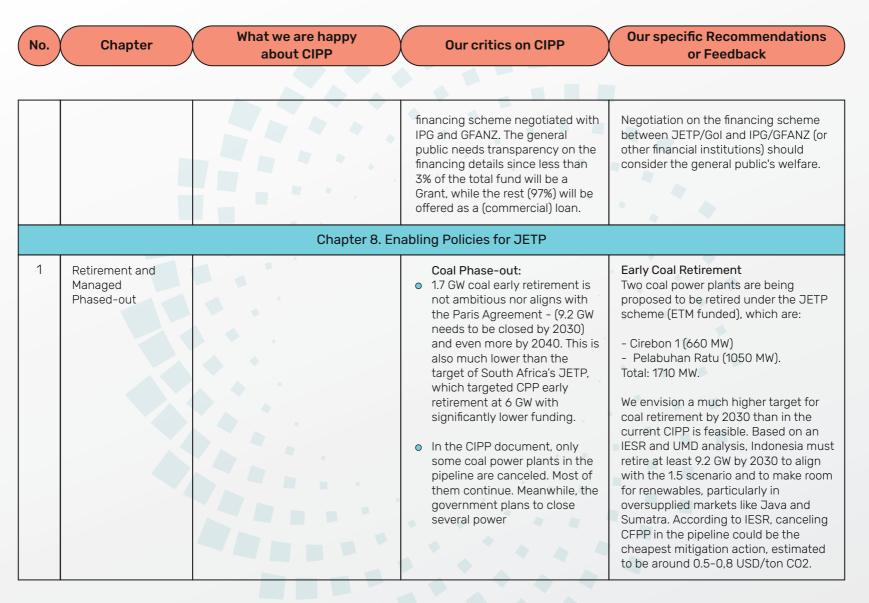


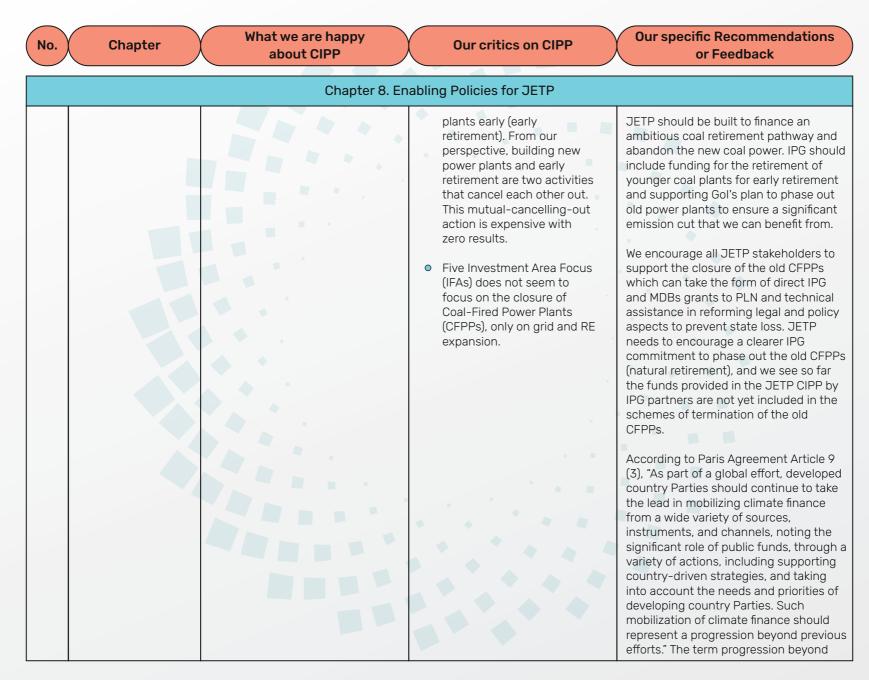
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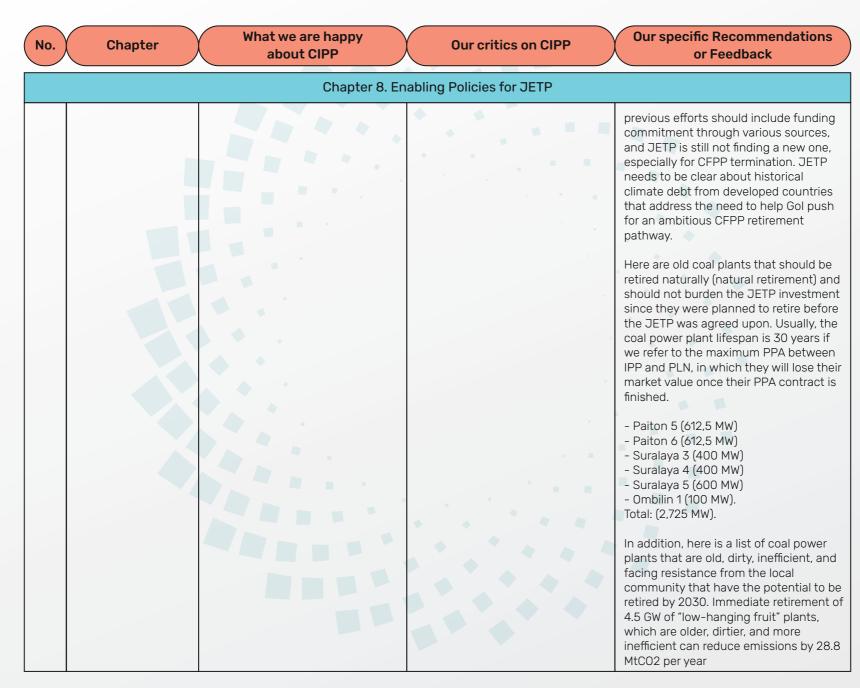


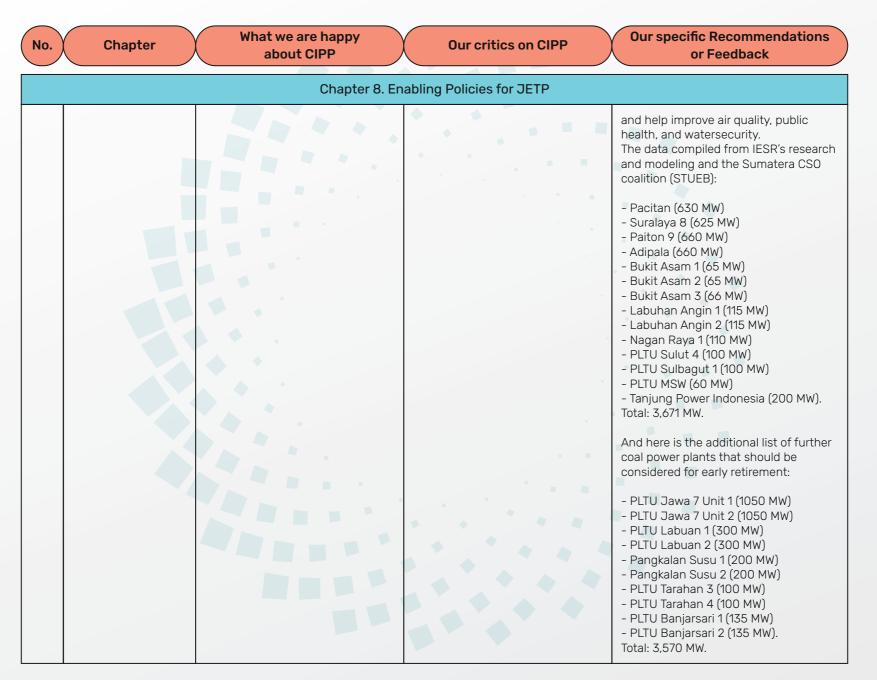
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		Chapter 7. Financir	ng the Just Energy Transition	
			using MDB guarantees raises concerns about the lack of clarity regarding the technical realization of the IPG direct funding in JETP.	
4			The EU is not keen to finance early retirement CFPP The EUR 1 billion loan includes sovereign and non-sovereign loans, which financing terms might vary project by project. This loan can be used for all JETP Investment Focus Areas except IFA2 Early Retirement of CFPP (page 139).	The EU funding commitment for the early retirement of CFPP is very weak and does not provide significant support for Indonesia. The EU can include some of the funds from the CBAM (Carbon Border Adjustment Mechanism), which has the potential to reach EUR 1.5 billion per year until 2028. Some of the funds from the carbon tax in the EU can also be used to fund the early retirement of CFPP in Indonesia.
5	Financing Structure Options	The Capacity building to raise awareness of ESG investment and standardize sustainability guidelines should be introduced by having public ESG data and impact platforms (page 150).		
6		The proposed improvement of THI 1.0 will be aligned at least with the second version of the ASEAN Taxonomy for Sustainable Finance v2 (ASEAN Taxonomy Board, 2023) a common basis to classify sustainable finance in the region. Financing an early phase-out of coal-power plant operations is now being considered as an eligible		

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		sustainable activity if the plant's commercial operation period is capped at 35 years,with the expectation that the early retirement effort will facilitate the diversity of the energy transition pathways of ASEAN member countries (page 155).		
7			Lack of alternative financing Apart from carbon financing, philanthropy, and banks, the CIPP JETP document does not include potential alternative funding, including the Loss and Damage Fund in financing CFPP early retirement, RE deployment, and just aspects.	The revised CIPP JETP needs to include alternative funding potential, especially in the form of a climate debt framework from IPG, which could be loss and damage funds channeled directly to Gol and affected communities.
8			<ul> <li>On Project Financial Feasibility:</li> <li>CIPP does not include a fair mechanism if there is an unexpected increase in the cost of new projects (IFA1, IFA3, IFA4) funded using commercial rate loans so that the financial feasibility of the project becomes uncertain.</li> <li>Ensuring the financial feasibility of the projects is essential to protect the welfare of the general public (saving taxpayers money).</li> </ul>	On Project Financial Feasibility: A fair mechanism to ensure the financial feasibility of new projects (IFA1, IFA3, IFA4) should include the willingness of IPG and GFANZ to equally share the burden of any excess cost of the projects by giving grant for 50 percent of the total amount of extra cost. While the Government of Indonesia will absorb 50 percent of the remaining excess cost. On Financing Scheme Transparency: As part of transparency, the financing scheme for each project should be announced to the public in addition to the project's financial feasibility.

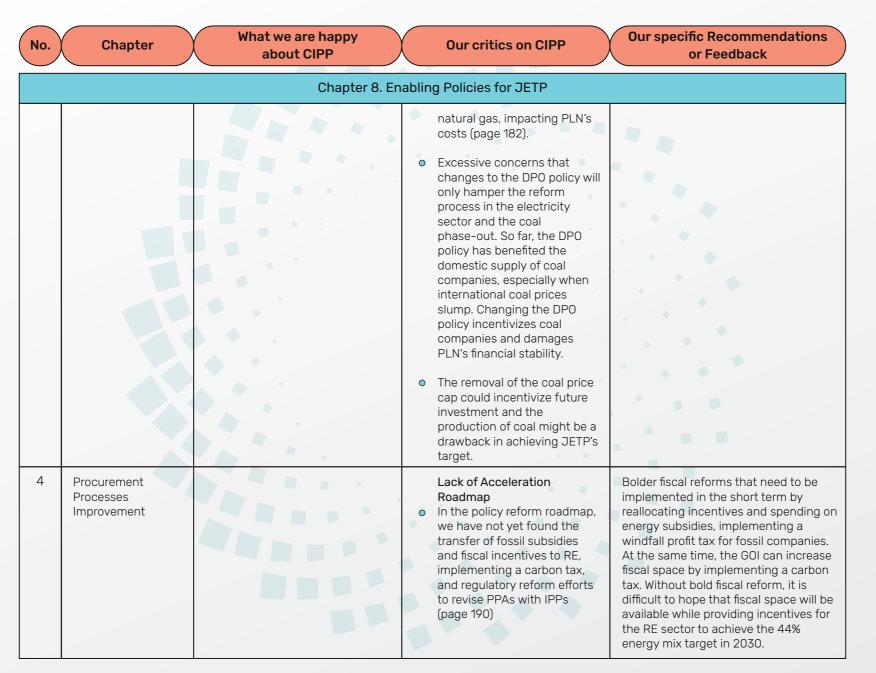


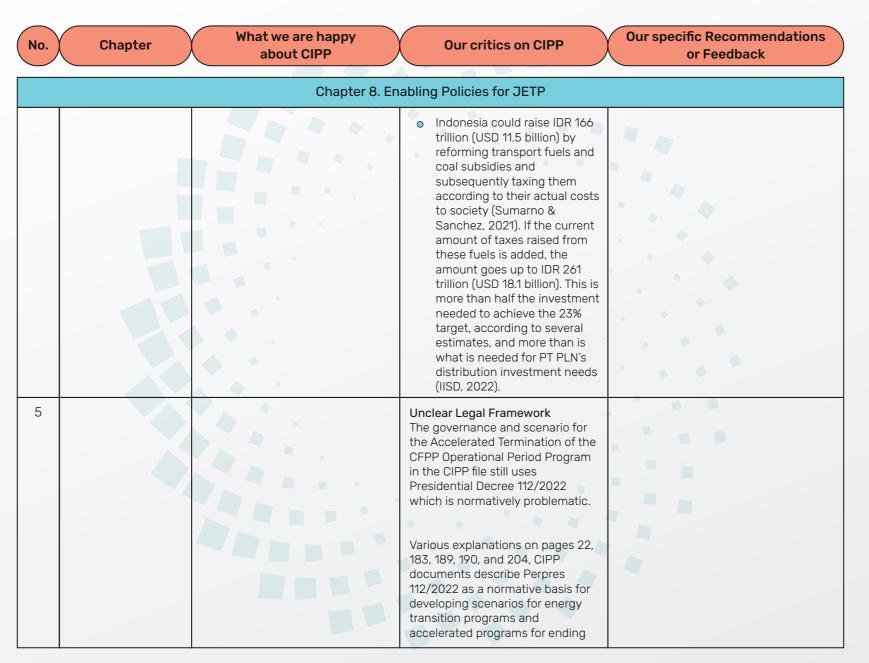


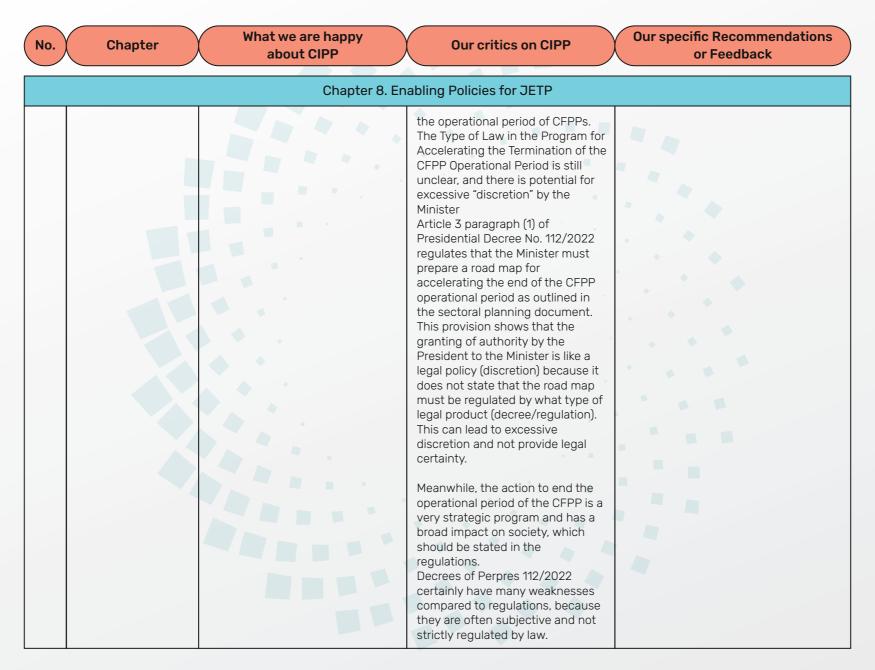


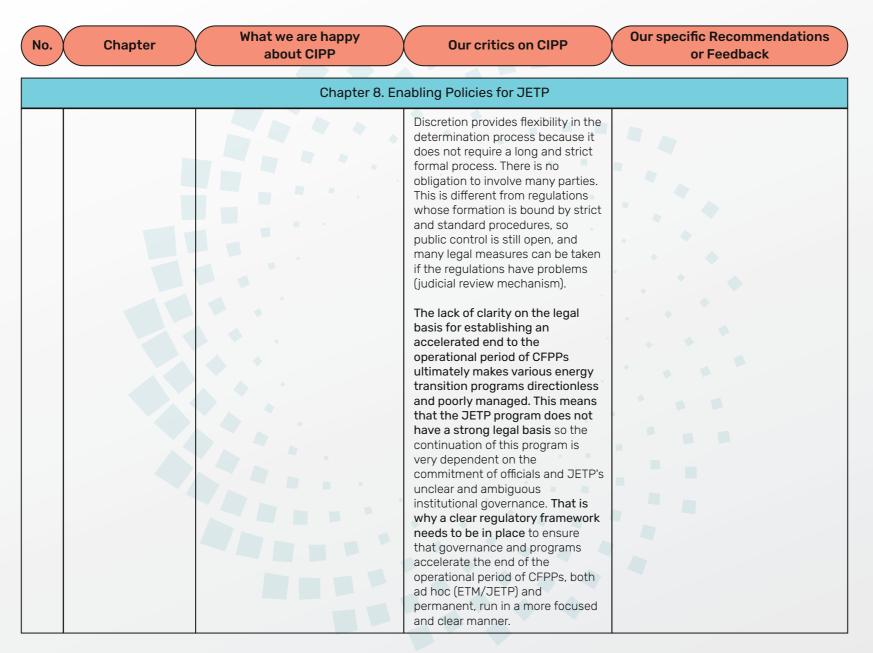


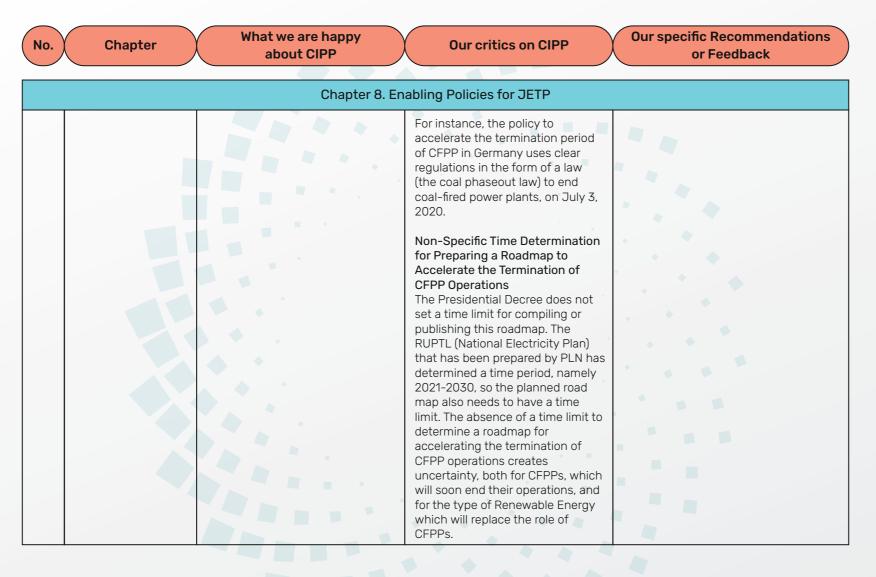
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	Chapter 8. Enabling Policies for JETP						
2	Strengthening Domestic Supply Chain of Renewable Energy by Reforming Local Content Requirement (LCR)	E-waste management: Establish proper mechanisms for collection, recycling, and safe disposal of e-waste including local recycling facilities for PV panels (page 173).	Critical Minerals: The need to reduce the level of exploitation of critical minerals is very urgent, especially for battery (storage) needs. The CIPP JETP document only discusses limited solar PV recycling.	Transition energy also means reducing dependency on extractive sectors. It is important not only for PV waste, but other e-waste programs must be expanded to all components requiring critical minerals (nickel, bauxite, etc). It needs to be stated clearly the recycling target in the CIPP JETP. For instance, 15-20% of solar PV components and EV batteries will come from recycling in 2030. As a comparison, the EU Critical Mineral Act plan states an effort to reach at least 15% of the EU's annual consumption for recycling in 2030. Apart from clear targets, it is necessary to encourage fiscal and non-fiscal incentives to increase domestic capacity in encouraging the recycling industry.			
3	Supply Side Incentives		Policy Reform DPO-Coal On the risk mitigation regarding the policy reform, CIPP JETP stated that PLN's financials could be negatively impacted by the taking out of the DPO which would cause fuel cost increase. In addition, PLN faces liquidity risks relative to the time needed to receive compensation payments. Furthermore, dispatch decisions may result in prioritizing lower-carbon fuels such as	DPO There needs to be caution in eliminating coal DPO, and it would be better to reform policy by eliminating coal DPO through a more in-depth study process.			



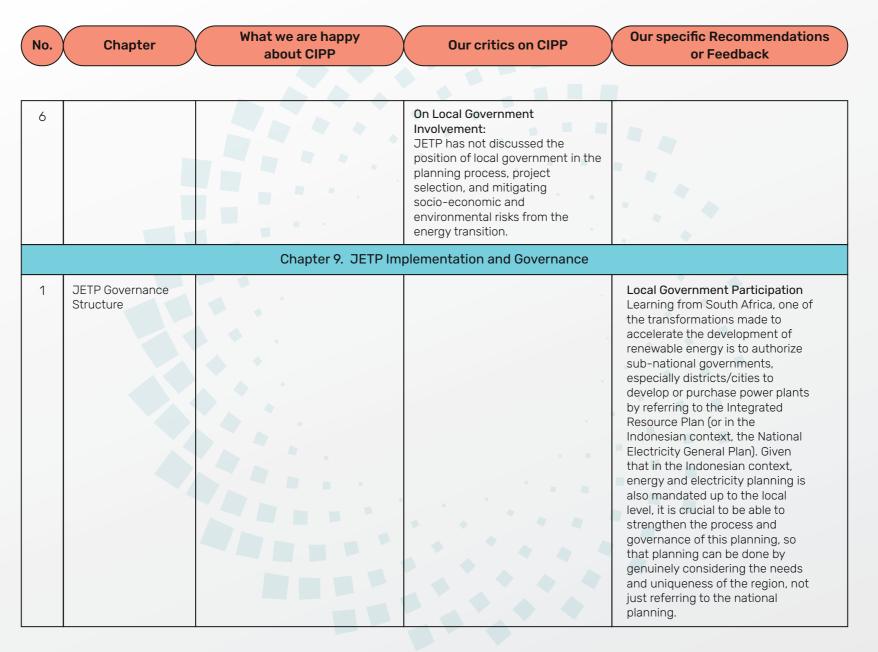








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Strengthening an Inclusive, Green and Effective Just Energy Transition: A Call from CSOs in Indonesia

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