

# Briefing Paper: The Philippines' Energy Transition Mechanism – A False Exit from Coal?

## Background: ETM in the Philippines

The Energy Transition Mechanism (ETM), launched by the Asian Development Bank (ADB) in 2021, is a public-private initiative to accelerate the retirement of coal-fired power plants across Asia. Using blended finance—including concessional loans, equity, and guarantees—the ETM proposes to buy out, retire, and potentially repurpose coal assets, making room for “clean energy” alternatives. However, the ETM’s real-world application has revealed significant structural flaws, including a lack of transparency, incentivizing the private sector, and failing to integrate justice and community participation.<sup>1</sup>

*In the Philippines, the ETM is a key pillar of the Climate Investment Funds’ Accelerating Coal Transition (CFACT) program.<sup>2</sup>*

However, the ETM’s actual structure, plant selection process, financial instruments, and governance mechanisms have raised significant concerns from civil society, especially

around plant selection, public disclosure of relevant information, meaningful consultation processes, and the lack of reparation and transition plans.

### **The Mindanao STEAG CFPF: A Case Study in ETM Controversy**

The Mindanao Coal-Fired Power Plant in Misamis Oriental is the only publicly confirmed candidate for ETM in the Philippines announced in 2021. Built in 2006 and currently operated by STEAG State Power Inc., the plant has a capacity of 210 MW. According to ADB, the plant was selected mainly because it is the only asset owned by the Government of the Philippines (GOP). Contracted under a Build-Operate-Transfer (BOT) concession until 2031, the asset will transfer to Power Sector Assets and Liabilities Management (PSALM) Corporation with 15 years of operational life remaining. PSALM, as the offtaker, has the option to pre-terminate the BOT as early as 2026 with agreed termination payouts.

<sup>1</sup> NGO Forum on ADB. (2025). ADB’s Energy Transition Mechanism: Not Fit for Purpose. [https://www.forum-adb.org/\\_files/ugd/898604\\_6a5fa9b0f48c0bcceb929e1415ce.pdf?index=true](https://www.forum-adb.org/_files/ugd/898604_6a5fa9b0f48c0bcceb929e1415ce.pdf?index=true)

<sup>2</sup> Climate Investment Funds. (2024). Accelerating Coal Transition Program: Investment plan for the Republic of the Philippines Revision. [https://cif.org/sites/cif\\_enc/files/2024-06/act\\_ip\\_philippines\\_rev\\_0\\_05302024.pdf](https://cif.org/sites/cif_enc/files/2024-06/act_ip_philippines_rev_0_05302024.pdf)

Date	Event	Key Participants / Highlights
October 2021	Philippines selected as ACT pilot country	DOE and other government agencies begin collaboration with ADB, IFC, and World Bank on IP design
August 2022	Scoping Mission	DOE, DOF, CCC, DENR, DSWD, CIF AU; strategy identification, candidate project review, and role definition
March 2023	First Joint Mission	DOE, DOF, DENR; development of IP project concepts; affirmed continued collaboration
August 2023	First Stakeholder Engagement Meeting	120+ participants from GOP, NGOs, CSOs, private sector; presentation of draft IP and updates on just transition
September 2023	Second Joint Mission	DOE and MDBs with DOF, DENR, DTI, DOLE, CCC, PSALM, TESDA; discussed draft IP and shared CIF contributors' feedback
September 2023	Second Stakeholder Engagement Meeting	Over 100 participants; held during draft IP disclosure; focused on clarifications and feedback
March 2024	Third Stakeholder Engagement Meeting	150 participants; presented IP updates; shared comment matrix from Sept 2023 disclosure; included CIF Trust reps
May 2024	Approval of CIF-ACT IP by GOP	CIF-ACT Committee Board Members

Table 1. Timeline of Events<sup>3</sup>

Early retirement of Mindanao CFPP is one of the components of the CIF-ACT Investment Plan (IP) submitted by the GOP. In May 30, 2024, the CIF-ACT Committee approved the said IP with a total of USD 500 Million, including the project preparation grants and MDB Request for Payment for Project Implementation Services (MPIS).<sup>4</sup> All public financing will be managed by the ADB.

*“The technical studies, including assessment of grid impact and repurposing options for Mindanao CFPP, are still ongoing... The Mindanao CFPP is the only plant selected for the ETM... All remaining CFPPs are private sector-owned and may be considered for ETM only if the owners voluntarily choose to retire or repurpose”.*

After its approval, there is no available project document sheet on the ADB website regarding the ETM Pilot for the Philippines. The recent correspondence of the NGO Forum on ADB in 2024 did not provide any substantial information about the status of the project. Andrew Jeffries, Advisor, Just Energy Transition Partnership, Energy Sector Office, mentioned:

(NGO Forum on ADB, Personal Communication, October 9, 2024)

In a separate bilateral meeting between the CSOs (NGO Forum on ADB and Urgewald) and the ADB ETM Team in 2025, the Bank representatives stated that they could not share additional details about the ongoing processes and repurposing options, as these matters fall under the discretion of the private sector managing them.

### Proposed IP concepts and indicative financing (\$ million)

#	Component	MDB Sector	ACT	MDB	Other / Private	GoP	TOTAL	Pillars		
								Governance	People & Communities	Infrastructure
<b>Component 1: Accelerating Retirement / Repurposing of CFPPs and Replacement of Power</b>										
1.1	Early Retirement of Mindanao CFPP	ADB (Private / Public) <sup>a</sup>	95 and 1 (grant) <sup>b</sup>	95	285		475 and 1 (grant)	✓		✓
1.2	Private Sector Decarbonization and Repowering Program	ADB (Private / Public) <sup>a</sup>	120 and 2 (grant) <sup>b</sup>	240	240		600 and 2 (grant)	✓		✓
1.3	Accelerating Development of Renewable Energy and Transition from Coal	IFC (Private)	140 and 5 (grant)	280	280		700 and 5 (grant)	✓		✓
<b>Component 2: Just Transition and Governance</b>										
2.1	Project PRISTINE	ADB (Public)	120 and 5 (grant)	280		50	450 and 5 (grant)	✓	✓	✓
2.2	National Just Transition Approach Development Program	ADB (Public)	2 (grant)	1 (grant)			3 (grant)	✓	✓	
2.3	Energy Transition Technical Assistance	World Bank (Public)	10 (grant)	600		5	605 and 10 (grant)	✓	✓	
<b>TOTAL</b>			<b>475 and 25 (grant)</b>	<b>1,496</b>	<b>805</b>	<b>55</b>	<b>2,830 and 26 (grant)</b>	<b>23 (5%)</b>	<b>115 (23%)</b>	<b>362 (72%)</b>

a. ADB (Public) will manage the grant received for the Project. b. Grant funding will be utilized primarily for Just Transition-related activities.

Source: Asian Development Bank (2024)<sup>5</sup>

<sup>3</sup> See footnote 2

<sup>4</sup> Climate Investment Funds. (2024). Decision: Revised Philippines Accelerating Coal Transition (ACT) Investment Plan. <https://www.cif.org/decisions/revised-philippines-accelerating-coal-transition-act-investment-plan>

<sup>5</sup> Department of Energy, Asian Development Bank, and World Bank Group. (2024). 3rd Stakeholder Engagement Meeting on the Philippines' CIF ACT Investment Plan. [PowerPoint Slides]. <https://drive.google.com/file/d/1X1l-SxdcknQgAg4HrQvVXhWJlzAlwAr/view?usp=sharing>

## AboitizPower: A Creeping Moral Hazard and The Threat of Coal Bailout

As mentioned, STEAG State Power Inc. (SPI) is the current operator of Mindanao CFPP. Notably, in 2022, Aboitiz Power—a major fossil energy player in the Philippines—acquired a controlling 69.4% stake in SPI, just as the ADB was conducting feasibility studies for early retirement. It even increased in February 2024, bringing its equity interest by 85%, making it the largest shareholder of the company.<sup>6</sup>

*AboitizPower is also notorious for abusing the rent-seeking behavior of Energy Department heads.*

Case in point, its subsidiary, Therma Visayas Inc. (TVI), had entered into a joint venture agreement with another company to build a third coal plant in Toledo, Cebu, in 2025-2028.<sup>7</sup> This is amid the prevailing coal moratorium in the country and the strong resistance of residents who are gravely affected by the existing plants hosted in their area. AboitizPower faces mounting integrity concerns due to its failure to conduct a legally required Health Impact Assessment (HIA) for its proposed plant expansion, raising questions about its commitment to public health and legal compliance.<sup>8</sup>

The company's continued operations near protected marine areas reflect environmental negligence, while its

apparent disregard for community opposition underscores a troubling prioritization of corporate expansion over local well-being.

*This issue raises concerns on moral hazards, as the company continues to expand its fossil fuel capacities, given that it may benefit from public subsidies intended to support the early retirement of coal assets without fully addressing the legacy impacts of such operations.<sup>9</sup>*

Further, its ongoing proposals for fossil gas and hybrid projects,<sup>10</sup> coupled with the possibility of repurposing the Mindanao CFPP into another fossil-based mixing options,<sup>11</sup> suggest a continued reliance on non-renewable energy sources. This positioning undermines the broader goals of the coal phaseout and energy transition. Moreover, the current IP lacks provisions that would hold companies accountable, such as requiring a clear break from future fossil investments or offering reparations for past environmental and social harms,<sup>12</sup> leaving a critical gap in ensuring a just and equitable energy transition.

## Lack of Public Participation and Oversight

Stakeholders have raised serious concerns regarding the adequacy of the proposed public consultation period for the CIF-ACT IP. Given the document's likely length and complexity, this timeframe is considered insufficient for



<sup>6</sup> Asian Power. (2024, February 23). Aboitiz Power increases stake in STEAG State Power. Asian Power.

<https://asian-power.com/project/news/aboitiz-power-increases-stake-in-steag-state-power>

<sup>7</sup> Cacho-Laurejas, K. (2024, June 14). Toledo coal plant targets construction in 2025. Sunstar.

<https://www.sunstar.com.ph/cebu/toledo-coal-plant-targets-construction-in-2025>

<sup>8</sup> Ballescas, C. (2024, September 14). Save Toledo City Communities and Tañon Strait from coal. Philstar.

<https://www.philstar.com/the-freeman/opinion/2024/09/14/2385215/save-toledo-city-communities-and-taon-strait-coal>

<sup>9</sup> Urgewald and NGO Forum on ADB. (2024). POLLUTERS GETTING PAID: The ADB's Energy Transition Mechanism (ETM).

Center for Energy, Ecology, and Development. (2021). Will ADB's ETM assist the Philippines' energy transition?.

<https://ceedphilippines.com/will-adbs-etm-assist-the-philippines-energy-transition/>

<sup>10</sup> Power Philippines News. (2024, March 5). AboitizPower: LNG to complement RE in maintaining stable supply. Power Philippines.

<https://powerphilippines.com/aboitizpower-lng-to-complement-re-in-maintaining-stable-supply/>

<sup>11</sup> Based on the proposed project concept for the Philippine ETM, IFC may support pilot projects to convert coal plants by switching to RDF, green hydrogen, or biomass, aiming to reduce coal use through cleaner fuel blending. (See Footnote 5)

<sup>12</sup> See Footnote 9: Urgewald and NGO Forum on ADB's joint publication

affected communities to meaningfully engage with the proposed project concepts, particularly those in areas surrounding coal power facilities.

*There is also uncertainty over how non-English feedback-particularly in Tagalog and other local languages-will be treated, raising issues of inclusivity.*<sup>13</sup>

The lack of timely updates during the drafting delays, combined with limited representation of key sectors such as Indigenous Peoples, fisherfolk, farmers, women, youth, and trade unions at engagement events, points to significant gaps in outreach.

*Drawing from similar experiences in countries like Indonesia and Pakistan, stakeholders emphasize the need for longer, more transparent, and locally grounded consultations.*

Unfortunately, the residents from Villanueva, Misamis Oriental (where the plant is located) were only brought in-person during the last stakeholders consultation in 2024 – at the time when the IP was close to its finalization and consequent approval.

## No Reparation Plans for Communities

Residents of Villanueva have long been protesting against the construction of the Mindanao CFPP. From the very start, the community faced significant challenges, including flawed consultation processes, forced displacement, and below-standard compensation. The plant is also built within the Macajalar Bay and Tagaloan River, which disrupted the livelihoods of fisherfolks and caused severe environmental harm and health hazards over the years.<sup>14</sup> Villanueva residents suffer from high rates of chronic respiratory diseases, including childhood asthma. Apart from this, they suffer from higher rates and frequent power interruptions.<sup>15</sup>

*While early coal retirement is one, the current ETM model does not zero in on any clear remedial measures. Coal plant operators are not held liable for past environmental harm or required to invest in reparations.*

The ETM also replicates a broader trend of “technocratic transition planning” and a “technology agnostic” stance that excludes workers, Indigenous Peoples, women, and frontline communities.

## Added Debt Burden

It is clear that the current model of ETM, including the Philippines, is a matter of financialization over energy justice. Its paradigm compels private profit at the expense of public risk, with taxpayers potentially bearing significant financial burdens. Moreover, it is largely structured around concessional loans and blended finance tools to “de-risk” private investments. The Philippines, with PHP 16.632 trillion in public debt as of February 2025,<sup>16</sup> faces increased debt pressure from implementing the ETM through loans rather than grants.

## Conclusion

The ETM, as presently proposed in the Philippines, does not constitute a just transition; rather, it functions as a debt-financed corporate exit strategy. In the absence of substantial reform, the mechanism risks enabling polluters to derive profit from historical and ongoing environmental harm, exacerbating public indebtedness, and marginalizing the communities most adversely affected by coal dependency. A genuinely just energy transition must be grounded in principles of truth, transparency, and justice, rather than financial structures that reward entities historically responsible for the climate crisis.

<sup>13</sup> NGO Forum on ADB. (2023). Re: Philippines CIF ACT Investment Plan. <https://www.forum-adb.org/post/re-philippines-cif-act-investment-plan>

<sup>14</sup> Case presented by the Philippine Movement for Climate Justice during the public launch of NGO Forum on ADB’s Report on ETM. See: NGO Forum on ADB. (2025, March 13). [LAUNCH] Not fit for purpose. [Video]. Youtube. <https://www.youtube.com/watch?v=TjbqMifpQb4>

<sup>15</sup> Philippine Movement for Climate Justice. (2025). PMCJ Position on Energy Transition Mechanism and Japan-Funded Fossil Fuel [https://foejapan.org/wpcms/wp-content/uploads/2025/02/20250207\\_5e.pdf](https://foejapan.org/wpcms/wp-content/uploads/2025/02/20250207_5e.pdf)

<sup>16</sup> Bureau of the Treasury. (2025). National Government Outstanding Debt As of February 2025. [https://www.treasury.gov.ph/wp-content/uploads/2025/04/NG-Debt-web\\_Feb2025.pdf](https://www.treasury.gov.ph/wp-content/uploads/2025/04/NG-Debt-web_Feb2025.pdf)

