

ADB'S COAL ENERGY TRANSITION MECHANISM (ETM): A BRIEF OVERVIEW

WHAT IS THE ETM?

- 1 ADB - in partnership with other multilateral development banks (MDBs), philanthropic funds, and donor governments - is proposing to sponsor (or "incentivize") coal operating companies and utility companies through a private-sector plan to hasten the retirement of specific coal project sites within the next fifteen years.
- 2 According to the ADB, coal projects prioritized for the scheme should be generating a profit and among the highest emitting and /or with a clear ongoing project lifespan.
- 3 Simultaneously, the scheme is intended to channel funds towards yet-to-be defined clean energy options. These new 'greenfield' initiatives may include developing hydropower dams, geothermal projects or vast wind and solar farms, or for example used to set up carbon offset/carbon crediting schemes (reliant on distracting, flawed market-based logic of carbon accounting that has no basis in scientific evidence). Significantly, such projects may also end up associated with a loss of community access to land, water and other resources as well encroachment onto critical ecological zones.



However, there are no assurances that:

- the mechanism will not undermine ILO Core Conventions, core UN Conventions or the UN Guiding Principles on Business and Human Rights.
- closure of projects will result in clean up, land reclamation and redistribution or redress for harms wrought on community, worker and environmental health.



REALITY CHECK #1:

- This means the ETM is a market-oriented transition process for coal projects, wrested entirely in the hands of financial, philanthropic, corporate, and government actors.
- There are few clear options for oversight in the interests of the workers, affected communities, and surrounding populations.
- Though the ETM will boost support for clean energy projects and initiatives, the definition of 'clean' is yet to be clarified.
- There are no notable channels for accountability or filing grievances/complaints.



WHERE IS THE ETM PLANNED TO BE PILOTED?

- Indonesia and the Philippines are expected to be the first testing grounds for the scheme. However, authorities from both governments are yet to agree to terms of reference for a rolling out an ETM mechanism
- ADB also expects the initiative to be replicated in other countries in the region in the future (e.g. Vietnam and Pakistan) [1]

REALITY CHECK #2:

- The grounds for a just transition, including actions required for site closure, clean up, and reparations for damage are specific and subject to contestation in local and national contexts.
- Resolving the outstanding concerns about transitioning from coal power to non-resource intensive, non-extractivist energy solutions should rightfully be negotiated in a situation where community, civil society and workers' selected representatives are all at the table.
- An inclusive, sustainable just transition process must be rights-based, subject to public accountability mechanisms, and resonate with the concerns of people living in affected and surrounding areas.



WHO ARE THE KEY ACTORS INVOLVED IN THE ADB'S ETM?

- Though the ETM model includes key roles for the ADB, other MDBs and financial institutions, philanthropic funds, government representatives, and coal companies date, no clear leverage is identified for:
 - Representatives of civil society or labour rights /trade union associations.
 - National Human Rights Commissions or regional/country offices of the International Labour Organization (ILO) or the UN Office of the High Commission on Human Rights (OHCHR).

[1] ADB materials also reference an initiative in Chile financed by IDB Invest to support the French company, Engie, in building a large scale wind farm and retiring two coal projects as a scheme with comparative features.



REALITY CHECK #3:

- In effect, this scheme provides governments and coal project operators the means to transition projects by entirely bypassing demands of independent trade unions or other civil society groups.
- Similarly, advice and support for ‘clean energy’ projects and initiatives could be dispensed behind closed doors with no clear channels for CSOs to be involved or contest them.
- Given the challenging contexts for environmental and workers’ rights defenders as well as journalists in both countries, it is notable there are no clear options available for people to alert ADB about related instances of reprisals or threats that may occur.

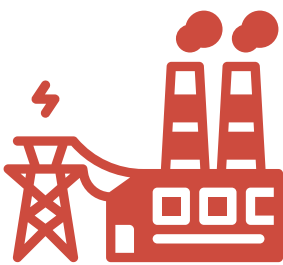
How will the plan become operational?

- ADB is undertaking a full-feasibility study between 2021-2023 by KPMG, Pinsent Masons and Mott Macdonald and plans to launch a “Southeast Asia ETM Partnership Platform” this year.
- **The ETM Partnership Platform will have a governing body made up of donors and country governments (philanthropies, contributing MDBs, donor and borrowing member countries). Its roles include:**
 - Blending highly concessional government funds and philanthropic grants
 - Channeling these funds into two separate “ETM Country Funds” via debt, equity, and guarantees
 - Providing oversight to ensure ‘climate credentials’ (emissions reductions) and ‘just transition’ process by providing guidance and technical assistance to country-level funds
 - Supporting ways for country-level funds to accelerate transition via carbon crediting schemes and carbon offsets or repurposing sites



• Clean energy projects to be promoted in relation to this scheme may include:

- Floating solar schemes;
- Supporting specific hydroelectric dam developments;
- Setting up harmful carbon offsets/carbon crediting schemes (which rely on vast areas of land and lack any scientific credibility);
- Repurposing sites to accommodate further fossil gas production or carbon capture developments (thereby exacerbating rather than resolving the issue of fossil fuel extractivism)



• An “ETM Country Fund” will be developed by both the governments of Indonesia and Philippines. These will:

- Receive financing from “ETM Partnership Platform”
- Channel investments into incentivizing coal projects to retire earlier (shortened lifespan) and to build clean energy projects (i.e. two pronged strategy of ‘carbon reduction’ and ‘clean energy’)



IN THE PHILIPPINES

- The ETM Country Fund is expected to be used to invest in existing coal project operating companies, which retain operational responsibility of project sites.
- The flow of funds would be conditional on early termination being contractually agreed upon by the project owner and utility company.



IN INDONESIA

- The ETM Country Fund is expected to invest capital in PT PLN (state owned energy company) on the condition that clean energy projects will be built and coal plants retired ahead of schedule.
- Financial incentives to be used to ensure that the transition occurs.



• NO CLARITY ON:

- How the ADB plans to uphold its own safeguard standards, access to information policy, or any options to access grievance redress
- How clean energy options will be defined, or if they will be required to uphold ADB safeguards
- Whether terms of coal project site retirement will be made public and if /how clear timebound benchmarks for site retirement will be communicated to affected communities and workers
- How/if costs will be incorporated into financing plans for the clean up and rehabilitation of the coal project site area, as well as for redress of health problems caused
- Whether coal companies and utility companies (including Indonesia’s PLN) will be required to commit to a rigorous coal exit plan at the portfolio level in country and abroad
- How/If time-bound transition benchmarks will be upheld at sites of associated mining and infrastructure sites

