

(This is a translation by WALHI West Java- The original document was written in Indonesian.)

October 1, 2024

Mr. Masatsugu Asakawa, President, Asian Development Bank

Request: Don't Make a Premature Agreement that Disrespects Local Communities and Civil Societies on the Early Retirement of the Cirebon Coal-Fired Power Plant Unit 1

We have already conveyed our views to your bank in February 2024 through our “Position Paper on the Application of the Energy Transition Mechanism for Cirebon Coal-Fired Power Plant Unit 1 in Indonesia: We firmly reject the mechanism for the sake of huge greenwashing by major corporations, not for the sake of the climate, environment, and local communities.”¹ With this letter, as we are concerned that the present Indonesian administration is currently trying to reach an agreement on the early retirement of the Cirebon Coal-Fired Power Plant Unit 1 (Cirebon 1) before the inauguration of the new president next October 20², we urge your bank not to conclude any premature agreement.

In our above-mentioned position paper (dated February 28, 2024), we strongly condemned the fact that since the signing of the Memorandum of Understanding (MOU) on November 14, 2022 on the utilization of the Energy Transition Mechanism (ETM) for the early retirement of Cirebon 1³, there has been no opportunity for meaningful participation in the decision-making process by civil society, including residents who have been concerned about the problems of the project. However, to date, there has been no improvement in the opportunities for participation in the decision-making process by civil society. Running into a rush agreement without disclosing the details by the lame-duck Indonesian administration, which has only a short term left in office, is nothing but a neglect of local communities and civil society, which violates your bank's safeguard policy⁴ that emphasizes consultation and participation.

Based on the limited information available to us, it is our understanding that the mechanisms and frameworks currently underway in the name of energy transition with respect to Cirebon 1 do not truly address the imminent climate crisis and lack appropriate consideration for the local communities that have been severely impacted by the construction and operation of the Cirebon 1. On the other hand, the ETM has been full of deceptions that exempt the large corporations, such as Cirebon Electric Power (CEP) and its investors, from taking responsibility for the climate crisis and rather preserve the profits of the large corporations.

¹ <https://walhijabar.id/kertas-posisi-penerapan-mekanisme-transisi-energi-untuk-pltu-batubara-cirebon-unit-1/>

² <https://finance.detik.com/energi/d-7528700/sri-mulyani-soal-pensiun-dini-pltu-cirebon-1-jangan-sampai-merugikan-negara> ; <https://www.krjogja.com/derap-nusantara/1245131768/sri-mulyani-sebut-proses-pensiun-dini-pltu-cirebon-1-masih-berlangsung> ; <https://www.reuters.com/sustainability/climate-energy/global-plan-early-ditch-coal-power-hits-indonesia-hurdle-2024-09-25/>

³ <https://www.adb.org/news/adb-indonesia-partners-sign-landmark-mou-early-retirement-plan-first-coal-power-plant-etm>

⁴ <https://www.adb.org/sites/default/files/institutional-document/32056/safeguard-policy-statement-june2009.pdf>

First of all, given the imminent climate crisis, the severe impacts that the construction and operation of Cirebon 1 have already had on the local residents in terms of their means of livelihood as well as their health, and the chronic oversupply of electricity in the Java-Bali power grid, Cirebon 1 must be decommissioned as soon as possible. Nevertheless, the framework for the early retirement of Cirebon 1, which is currently being implemented using the ETM, has already determined the timeline of 2035 for the early retirement or repurposing of Cirebon 1⁵. The current frameworks must be reformed because they give justification for operating Cirebon 1 for a further 11 years, rather than encouraging the earliest possible retirement, and don't rule out the "repurposing" option of Cirebon 1 with "false solutions to climate change," such as uncertain hydrogen/ammonia co-firing etc., which will extend the life of coal-fired power plant.

In addition, it is not justified to have started the operation of Cirebon Unit 2 (1,000 MW. Cirebon 2), which has higher total greenhouse gas emissions compared to Cirebon 1 (660 MW), while there are discussions to achieve the early retirement of Cirebon 1 due to the urgency of dealing with the climate crisis. This contradiction must be resolved first by stopping the operation of Cirebon 2 Unit.

Furthermore, CEP, the project proponent of Cirebon 1, and its investors (Marubeni (32.5%), Komipo (27.5%), Samtan (20%), and Indika Energy (20%)) will be compensated by the ETM's loan for losses resulting from the shortening of the term of the Power Purchase Agreement (PPA) from August 2042 to December 2035⁶. This is despite the fact that adequate consideration has remained lacking for local communities whose means of livelihood and health have been affected by the construction and operation of Cirebon 1 and 2. These unfair and unjust frameworks for the climate, the environment, and the local communities that allow companies to be exempted from liability for coal-fired power plants that should become stranded assets must be reformed.

Therefore, we reiterate the necessity to take the current ETM and frameworks for the early retirement of Cirebon 1 back to the drawing board for now. Following this, discussions toward the earliest possible retirement of Cirebon 1 must ensure meaningful participation from a broad range of stakeholders, including local communities, who have been affected by the construction and operation of Cirebon 1, as well as civil society. We again strongly request that your bank not make any premature agreement that disrespects the local communities and civil society.

Contact:

WALHI West Java

Address: Jalan Simponi No. 29, Kel. Turangga, Kec. Lengkong, Kota Bandung, Jawa Barat 40264, Indonesia

TEL: +62 22 63175011

Email: walhijabar@gmail.com

⁵ <https://www.adb.org/projects/documents/ino-56294-001-ipsa>

⁶ Same as footnote 5.