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# How Southeast Asia can ensure a swift and just transition away from coal

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## Press release

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**Despite their climate commitments, Indonesia, Vietnam and the Philippines expect to build 45 GW new coal power by 2030. Concrete coal phase-out strategies would help reduce emissions and avoid stranded assets if they reassess new projects and retire existing power plants. To ensure a successful implementation of these strategies, international financing partnerships such as the just energy transition partnerships (JETPs) are key.**

**Berlin, 30 November 2023.** The currently planned new coal power capacities in the Southeast Asian countries Indonesia, Vietnam and the Philippines could lead to additional 330 MtCO<sub>2</sub> emissions in this decade, contradicting the countries' commitments to peak emissions by 2030. Overall, the countries' coal pipeline adds up to 45 GW, a new analysis by energy think tanks Agora Energiewende, Institute for Essential Services Reform and Institute for Climate and Sustainable Cities finds.

In the longer run, the planned projects represent a significant risk of becoming stranded assets or locking the three economies onto high emissions pathways that exceed the net-zero emissions commitments defined for 2050 or 2060.

"Over the past few years, coal power in the region has become more costly and less reliable and several international investors are moving to cheaper renewables. To avoid the risk of stranded assets or locking-in high emissions, it's imperative that governments follow this trend and adopt concrete plans to gradually move away from coal," said Dimitri Pescia, Programme Lead for Southeast Asia at Agora Energiewende.

### **International financing partnerships as tools to drive the transition away from coal**

The think tanks underline that, in addition to accelerating renewable energy deployment and improving energy efficiency, concrete policies should target the early retirement of existing coal power plants, as well as critically reassess the pipeline of new coal projects. International financing partnerships are key to implementing such strategies.

Indonesia and Vietnam have signed energy transition partnerships (JETPs) with international funders, the aim of which is to ensure a just transition away from coal in heavily coal-dependent emerging economies. Indonesia has just adopted its investment plan to mobilise the JETP funding and Vietnam is expected to adopt one at the United Nations climate summit in Dubai (COP28). However, none of the plans so far deliver concrete measures to phase down coal in this decade in line with climate mitigation ambitions.

"The Indonesian JETP is a first step to accelerate the power sector transition, but it so far lacks adequate financial support to allow for a retirement of coal-fired power plants by 2030. Early plant retirement is a key element of a successful strategy to move away from coal in Indonesia and it could also be implemented with the support from the energy transition mechanism of the Asian Development Bank. The Indonesian government should thus make use of this financing tool, while planning for an orderly coal phase-out by 2050 as stipulated in the presidential regulation 112," said Fabby Tumiwa, Executive Director of the Institute for Essential Services Reform.

The Philippines has announced a coal moratorium, banning the construction of new coal-fired power plants for which investment decisions had not yet been taken and the expansion of existing ones. However, the moratorium doesn't concern power plants in the pipeline and the country has so far adopted no policy to retire existing power plants. While the country hasn't signed an JETP, it could mobilise funds in the context of the energy transition mechanisms of the Asian Development Bank.

"Accelerating the transition to clean, affordable, secure and indigenous energy sources will make the power sector less dependent on imported fossil fuels, like coal. The Philippine power market is already mature enough for renewable energy to compete with coal. Moreover, we have the potential to not only mitigate the economic impact of moving away from coal, but also create green jobs and foster the development of more dynamic and revitalized communities. To tap into this potential, the country will need a clear transition roadmap and adequate international financial support," said Roberto Emilio Hernandez, Director for Energy Policy at the Institute for Climate and Sustainable Cities.

### **Coal phase-out strategies need to include just transition policies**

The coal sector is an important employer and source of revenues in the three countries. In Indonesia, the sector employs about 1 million people directly and indirectly, and the revenues from the coal mining industry correspond to around two percent of the country's national GDP, and around ten percent of regional GDP in the coal-mining provinces of Kalimantan and Sumatra. In Vietnam, the coal mining industry provides about 86 000 jobs, concentrated in the mining regions of the north of the country, and the coal power generation provides about 120 000 jobs. While the Philippine coal mining sector is less relevant economically than those of Indonesia and Vietnam - employing about 4 000 people -, the coal-fired power generation provides 47 000 jobs.

To ensure a just transition away from coal, inclusive, transparent and concrete policies are required to mitigate the economic, political and social impacts of coal phase-out. They should address topics such as reskilling of workers and developing and diversifying the economies of coal regions.

### **The region can exploit its vast renewables potential**

While commitments to move away from coal to renewables are insufficient in Southeast Asia, solar and wind are increasingly being seen as economic alternatives that can also alleviate some of the financial and climate risks associated with coal power. To be aligned with their climate commitments, Indonesia, Vietnam and the Philippines should multiply by five their installed capacity of wind and solar power until 2030.

The shift towards renewables in the region is happening in the context of a rapid energy demand growth that will require significant infrastructure investments, in particular in the transmission grid.

“The clean energy transition in Southeast Asia is an opportunity for green growth and for enhancing the resilience of the energy system in the region. Given the scale of investment required, international financial support is crucial to drive the transition,” Pescia concluded.

The 75-page analysis **Transitioning away from coal in Indonesia, Vietnam and the Philippines** is available for free download at <https://www.agora-energiewende.org/publications/transitioning-away-from-coal-in-indonesia-vietnam-and-the-philippines>

#### ➔ About Agora Energiewende:

Agora Energiewende develops scientifically sound and politically feasible concepts for a successful pathway to climate neutrality – in Germany, Europe and internationally. The organization which is part of the Agora Think Tanks works independently of economic and partisan interests. Its only commitment is to climate action.

#### ➔ About Institute for Essential Services Reform:

Institute for Essential Services Reform (IESR) is a think-tank in the field of energy and environment, IESR encourage transformation into a low carbon energy system by advocating a public policy that rests on data-driven and scientific studies, conducting capacity development assistance, and establishing strategic partnerships with non-governmental actors.

#### ➔ About Institute for Climate and Sustainable Cities:

The Institute for Climate and Sustainable Cities (ICSC) is an international non-government group advancing fair climate policy and low carbon, climate-resilient development. Based in the Philippines, it is engaged with the wider international climate and energy policy arena, particularly in Asia. It is recognized for its role in helping advance effective global climate action and the Paris climate agreement.