

Energy Transition Mechanism (ETM)

Overview

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ADB's Energy Transition Mechanism (ETM)

Increasing momentum—theory to operationalization



2021

- ETM launch
- Japan's \$25M seed financing for ETMPTF

Indonesia ETM Country Platform launch on 14 Nov. 2022 during the Bali G20 by ADB and Indonesia's Ministry of Finance, with World Bank and Islamic Development Bank.



2023

- Agreement to retire Cirebon 1 CFPP ~7 yrs earlier
- New Zealand's \$25M ETMPTF contribution
- MOU with Singapore and GEAPP on the \$2B Transition Finance Platform (ETM FV)
- Approved \$500M CIF ACT concessional financing for Indonesia

MOU signing on 13 Nov. 2024 between ADB and the Kazakhstan Ministry of Energy at COP29 towards piloting ETM.



ETM launch at UN Climate Change COP26, Glasgow on 3 Nov. 2021 by ADB with the Governments of Indonesia and the Philippines.

- Indonesia ETM Country Platform launch
- MOU signing for Cirebon 1, the 1st ETM transaction
- Germany's €30M ETMPTF contribution

2022



MOU signing between ADB, Monetary Authority of Singapore, and GEAPP for the Transition Finance Platform, at Dubai COP28 on 5 Dec. 2023.

- Individual MOUs with Kazakhstan and Cambodia on ETM agreement
- Approved \$500M CIF ACT concessional financing for Philippines

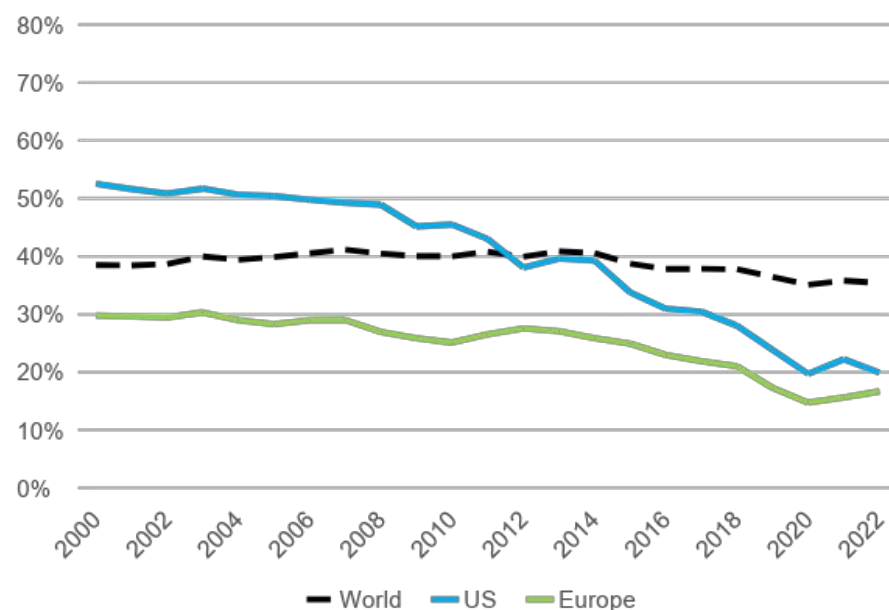
2024



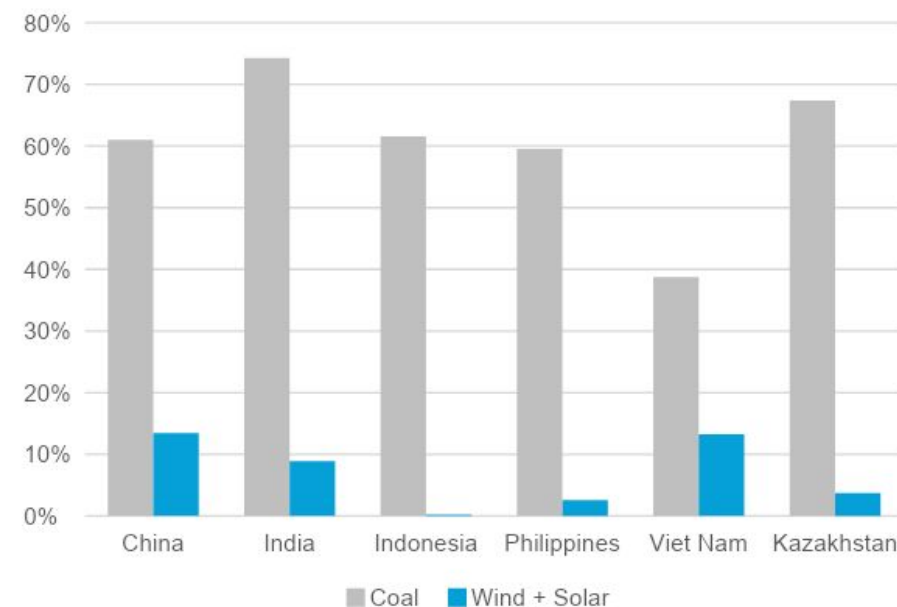
Coal-fired electricity must drop, but remains significant in developing Asia



Share of coal-fired power generation dropped in Europe and the US...



...but remains very high in Asia (2022)



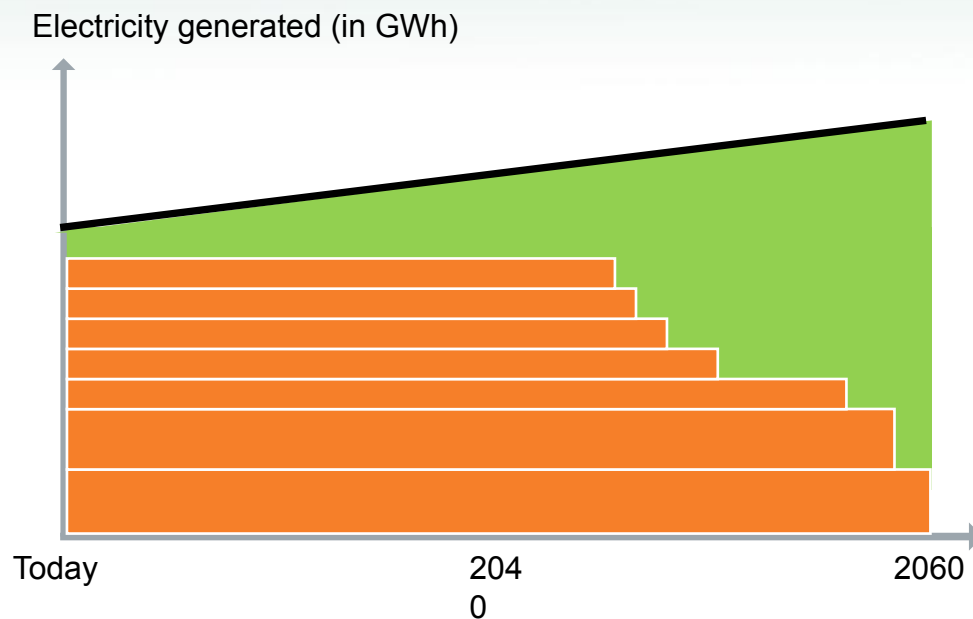
Large-scale solution needed to simultaneously and rapidly decarbonize and build up clean energy in Asian developing countries.



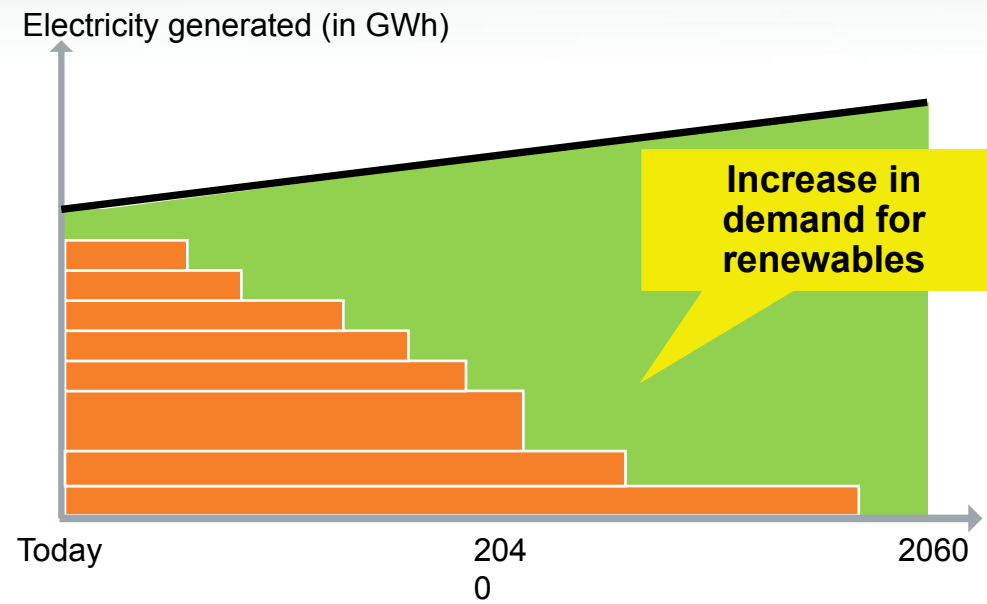
Why speed up the retirement of coal-fired power plants?



Business-as-Usual



With Energy Transition Mechanism



— Total energy demand

■ Coal-fired generation

■ Renewable energy generation

Early retirement of existing coal-fired power plants can

- reduce emissions and improve population health,
- create additional demand for clean energy investments, and
- lower overall generation costs in the long-run.



ADB's Holistic 4P Approach Anchoring the ETM



People

Supporting just transition, protecting livelihoods and affordable electricity

- Just transition assessments from national to asset level, financing facility, and technical assistance
- Strategic environmental and social assessment and project safeguards
- Stakeholder engagement and communications

Policy

Supporting policies and regulations to accelerate energy transition

- Climate change policy programs, including carbon market and taxonomy
- Energy sector reform programs
- Sector analyses and advisory
- Policy-based and results-based loans

Power

Promoting scalable, market-based model for energy transition

- Investments in early retirement or repurposing of fossil-based heat and power plants, clean energy, storage and grid enhancement
- Technical, financial, and commercial analyses
- Transaction advisory

Partnership

Based on solid partnership with national and international stakeholders

- Partnering with governments; international financial institutions; private sector; commercial lenders and investors; philanthropies; CSOs
- Fund mobilization (ETMPTF, ETM FV, Indonesia ETM Country Platform, JETP, CIF ACT) and carbon credit generation



ETM's Phased Approach in DMCs



ADB

Illustrative examples of activities under each phase.



0 | PRE-FEASIBILITY STUDY

- Policy and regulatory assessment
- Multicriteria analysis to identify priority plants for retirement
- Financial and economic analysis

Country-level



1 | FULL FEASIBILITY STUDY

- Technical feasibility (grid impacts, replacement power, captive power studies, etc.)
- Policy and regulatory feasibility, policy-economy dynamics
- Broad just transition impacts
- Contractual and financial feasibility
- Strategic environmental and social assessment



2 | PILOT TRANSACTIONS

- Technical and legal due diligence
- Financial and commercial modeling (termsheet)
- Just transition impacts at asset-level
- Environmental and social safeguards

Transaction-level



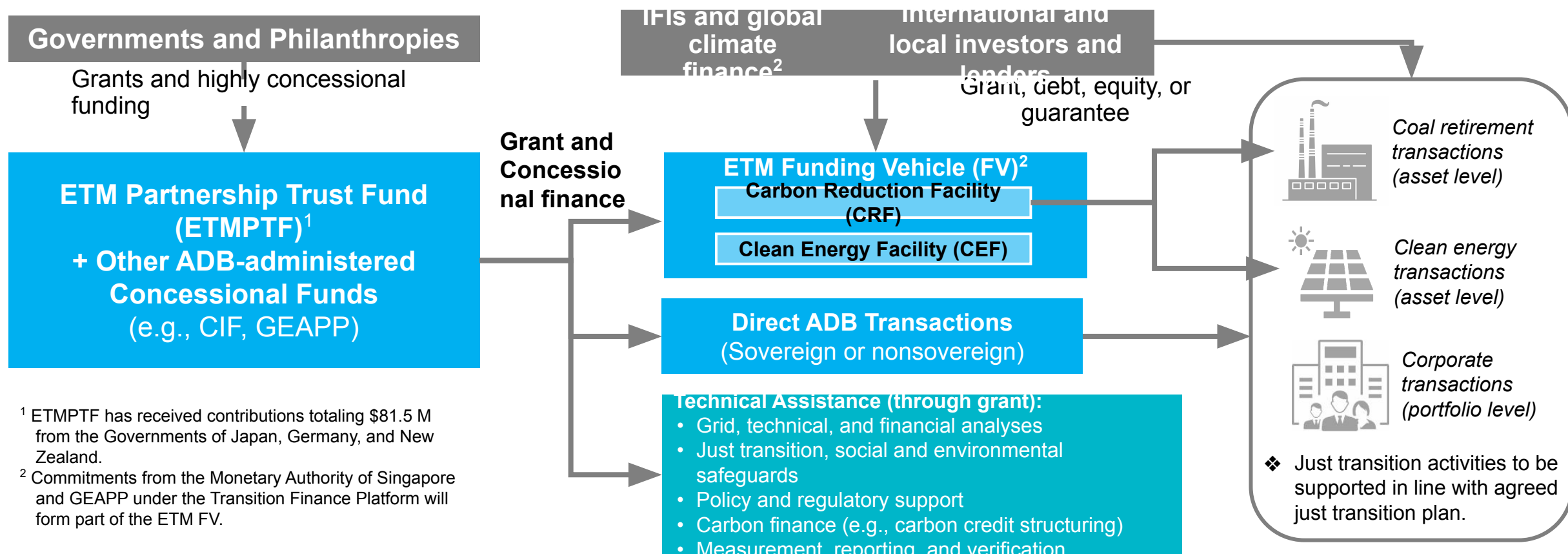
3 | SCALE UP

Replicating ETM transactions in other plants. This will only be done once the country has in place a robust policy framework that irreversibly commits them to a decarbonization path consistent with Paris targets.



The ETM Program Overview

- **Accelerate the retirement or repurposing** of coal-fired power plants using public and private finance through refinancing, acquisition, or sustainability-linked corporate loans
- **Scale up investment** in clean energy and energy storage
- Aim to achieve **just and affordable transition**, addressing impacts of coal retirement on people and communities





What have we learned through the ETM journey



- **Coal plants rarely retire naturally.** They are operated until there is a clear driving force to shut them down and replace them—this is true not just for DMCs or Asia but also globally.
- **Genuine engagement is highly valued by DMCs.** “Telling them what to do” is not acceptable.
- **Countries do want to transition away from coal for a range of reasons.** However, they need demonstrable national benefits and support with tools and financing to do so.
- **Energy security and affordability are paramount.** Other energy transition benefits are important (e.g., climate change mitigation, improvement in air quality), but action must be cost-effective and viable.
- **Politics and policy can often change rapidly.** Navigating these requires continuous senior-level and staff-level engagement to various degrees at different times.
- **Transitioning away from fossils requires complex financial engineering.** Not everyone can fully understand intricate financing and contractual structures required for ETM transactions. This poses challenges in obtaining support from governments and even from private sector owners of coal plants.
- **Impacts of energy transition are far-reaching.** Effects on the economy and power system need to be considered alongside impacts on individual communities, powerplant workers and others along the coal value chain.

Thank you!

For more information, visit:

[https://www.adb.org/what-we-do/
energy-transition-mechanism-etm](https://www.adb.org/what-we-do/energy-transition-mechanism-etm)





Operationalizing ETM

Updates on thematic workstreams



ETM Financial Partnerships

- Established the ETM Partnership Trust Fund with \$81.5 million funding from Japan, Germany, and New Zealand; continuous fundraising
- Development for the establishment of ETM Funding Vehicle with a range of partners
- Supported by Global Energy Alliance for People and Planet

Carbon finance and taxonomy

- Draft concept for carbon methodology for submission under Article 6.4; Collaboration with methodology developers for Article 6.2 and voluntary market
- Participation in TRACTION, supporting the development of 2 pilots on carbon crediting for CFPP retirement and the development of carbon market policy/framework in the PHI
- Support to the ASEAN taxonomy revision

Partnerships

- Support for INO JETP Secretariat; Early inputs to VIE JETP
- Support to INO and PHI to access CIF ACT \$500M concessional finance
- Working with the financial, philanthropic and NGO coal to clean ecosystem

Just Transition

- Ongoing JT national framework development—INO, PHI and KAZ
- Pilot preliminary JT assessment and plan for Cirebon 1 published
- Upstream analytics for JT at Mindanao CFPP initiated
- Ongoing development of the ADB JT ETM framework

Safeguards and stakeholder engagement

- Regional SESA scoping report published; INO SESA wrapping up; Ongoing PHI SESA scoping
- Disclosed draft Cirebon 1 E&S compliance audit report with E&S action plan to communities and on the ADB website
- Development of ETM stakeholder engagement plan and ongoing engagement at national- and asset-levels

Technical feasibility

- Technical, financial and commercial feasibility studies
- Grid impact and captive power analyses conducted in INO
- Ongoing conceptualization for repurposing study scope

\$ = United States dollar, ADB = Asian Development Bank, ASEAN = Association of Southeast Asian Nations, CFPP = coal-fired power plant, CIF ACT = Climate Investment Funds Accelerating Coal Transition, E&S = environmental and social, ETM = Energy Transition Mechanism, GEAPP = Global Energy Alliance for People and Planet, JETP = Just Energy Transition Partnership, JT = just transition, INO = Indonesia, MOU = memorandum of understanding, PHI = Philippines, SESA = strategic environmental and social assessment, TRACTION = Transition Credits Coalition, VIE = Viet Nam.

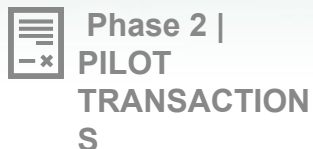


Operationalizing ETM

Updates on country workstreams

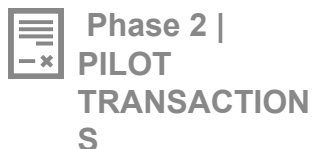


Indonesia



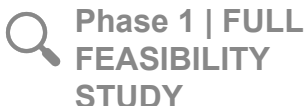
- Support for the Indonesia ETM Country Platform
- Completed studies (captive power, grid impact)
- MOUs for precedent transaction (Cirebon 1) signed in 2022 G20 and COP28; Legal documentation ongoing
- CIF ACT IP approved in June 2023 (\$500M concessional leveraging \$4.5B of cofinancing); \$1M JT TA approved in Jan. 2024; \$100M IPP program approved in March 2024
- Lead the support to the JETP Secretariat which manages the \$20B International Partners Group pledge

Philippines



- CIF ACT IP approved in May 2024 (\$500M concessional funding to leverage \$2.3B of cofinancing)
- Transaction advisory for ETM transaction of Mindanao CFFP under government concession
- Initiating feasibility study on coal and gas plant repurposing with ammonia/hydrogen

Kazakhstan



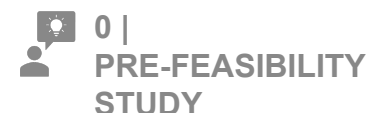
- Completed pre-feasibility study
- Ministry of Energy agreed to proceed with full feasibility on combined heat and power transition (MOU COP29)

Viet Nam



- Completed pre-feasibility study
- Ongoing discussions with government for launching a feasibility study on coal and gas plant repurposing with alternative fuels (biomass, ammonia, hydrogen)
- Technical support for JETP ongoing

Pakistan



- Completed pre-feasibility study with stakeholder consultation
- Awaiting government direction to proceed with full feasibility

Expanding to new DMCs

- Exploring private sector transactions
- Preliminary discussions for combined heat and power efforts