

## Indonesia's Coal Phaseout Is Just More Business as Usual, Report Says

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*Indonesia's plan to phase out coal is a mere rebranding of an existing timeline to decommission aging plants, with no meaningful shift toward actually quitting the fossil fuel, a new report says.*

State-owned utility PLN announced in May that it would [start shutting down](#) coal-fired power plants and phasing them all out by 2055, amounting to 50 gigawatts of capacity, with a view to net-zero carbon emissions by 2060.

But on closer scrutiny, there's no early retirement of coal plants in sight and more than 40 new plants are still expected to be built, according to the Institute for Energy Economics and Financial Analysis (IEEFA), a Jakarta-based think tank.

A review of the announced numbers and the existing data and planning documents show that the plant retirement and net-zero emissions plans, though sounding “very promising” and looking like “a real breakthrough,” are “simply putting a new face on old plans,” the IEEFA says in a [report](#).

This sends a mixed signal to the world and to investors, which subsequently could deter investment in clean energy, something the country badly needs in order to transition away from dirty coal to renewable energy, experts warn.

“It looked like the net-zero [emissions] policy is progressive, but if you dissect it, the content doesn't give a strong enough signal that this is a very progressive policy,” said Andri Prasetyo, a researcher at Trend Asia, an NGO that focuses on clean energy transition.

Mongabay reached out to PLN for comment but did not receive a response.



Coal-fired power plant in Indramayu, West Java, Indonesia. Image by Bkusmono/Wikimedia Commons.

### **No early retirements**

For one thing, PLN's announcement that it would retire all coal-fired power plants by 2055 gives the impression that some plants would be decommissioned earlier than their expected end of life. But the retirement plan simply highlights existing plans for an orderly decommissioning of sub-scale and antiquated coal facilities, in line with diminishing returns from these plants.

In other words, the coal plants that have been cited for retirement are those that are on track to be decommissioned anyway due to their old age.

“So this is not early retirement,” IEEFA energy finance analyst Erika Hamdi said during a webinar. “All steam power plants will be retired in accordance with their respective ages and their contracts. So this is not something new.”

The first four plants to be retired, in 2030, will have been in service for 50 to 60 years by then; by industry standards, their decommissioning will have been long overdue.

“Planning to retire 50- to 60-year-old units is far from being ambitious, even within a purely competitive electricity market,” the IEEFA said in its report.

Erika said PLN should be retiring those four plants well before 2030.

With no early retirement in sight, all coal plants are still on track to operate for their projected economic or contractual life, with PLN [saying](#) that both existing plants and those expected to come online will operate for their “natural economic life.”

Since most of Indonesia's coal plants are still relatively new, this means the country's power

grid will still be dominated by coal for the foreseeable future, with coal plants typically operating for 25 to 30 years.

In its report, the IEEFA asked what would happen with these plants after they are retired and whether the decommissioning would include remediation of environmental impacts that the plants have caused during their operation. The IEEFA also questioned whether PLN, which has a monopoly on the national grid, has the technical or financial resources to decommission the plants in line with international standards.

“What steps have been taken by PLN to prepare for the decommissioning [of the plants]?” Erika said. “Because we don’t know if PLN has experience in decommissioning or not. Because it’s not only about retiring coal power plants, but also about environmental remediation.”

**Eddy Soeparno**, deputy chair of the national parliament’s oversight committee for energy, said PLN is carrying out a study on how to monetize retired coal plants, one option being to relocate plants from the islands of Java and Sumatra to other parts of the country. The two islands have an [oversupply](#) of electricity, given the rush to build new coal plants in recent years.

“But [we] have to think about this [option] looking ahead because coal [consumption] has been limited and [planned to be] reduced to zero,” Eddy [said](#) as quoted by local media. “How far can PLN benefit from coal plant assets? Because they’re related to financial responsibility.”



Worker holding up a piece of coal in front of a coal firing power plant in the Netherlands. Image by Adrem68/Wikimedia Commons.

### **New coal capacity**

Then there’s also the fact that PLN still plans to build new coal plants.

In touting its carbon neutrality goals earlier this year, the government [announced](#) a plan to stop building new coal plants after an ongoing program to add 35 GW to the national grid — powered mostly by coal — is completed. The government said only coal plants that are under construction or for which financing has been secured would be built, as instructed by President Joko Widodo.

This prompted speculation that the government was finally reevaluating the controversial 35 GW program, according to the IEEFA report.

However, PLN deputy CEO **Darmawan Prasodjo** [said](#) 21 GW of coal capacity will still come online, which includes planned plants for which financing has been finalized. Analysis by the IEEFA, meanwhile, suggests there are at least 44 coal plants with a total capacity of nearly 16 GW in the pipeline between 2021 and 2030, with the biggest ones planned for Java and Sumatra.

“This is a warning because there has been overcapacity [of electricity] in the Java-Bali and Sumatra grids in the past few years,” Erika said. “We have to be critical. When we’re adding more plants in already congested [grids], this uses subsidy and compensation money [from the government], and that’s our tax money.”

Andri of Trend Asia called the moratorium on new coal plants a “half-hearted” commitment to fighting climate change, given that these new coal plants will still be churning out 107 million tons of carbon dioxide emissions per year for decades to come.

From the 44 coal plants already in the pipeline, there was around 4.1 GW of capacity that was still in the financing phase as of the end of 2020, according to IEEFA. This means that unless there’s been progress in the first six months of 2021, these plants have not achieved financial closure and may be cancelled.

Two of the projects — Tanjung Jati and Indramayu — haven’t secured financing in the more than a decade since they were included in the government’s power planning program in 2010.

Erika said these projects should be scrapped per the president’s instruction, especially projects that have been in the pipeline for more than five years but still haven’t secured financial backing. This, at least, would be a starting point, she said.

She added independent power producers — private sector developers that build plants and sell the electricity to PLN — must realize that it’s getting increasingly difficult to secure financing for coal plants. More than 160 financial institutions around the world have adopted stricter investment policies to steer clear of coal, whether mining or power generation.

“When these financial institutions are already out [of the coal business], who wants to fund” these plant projects that are still in the pipeline, Erika asked.



Paiton coal-fired power plant in East Java, Indonesia. Image courtesy of Pinerineks/Wikimedia Commons.

### **Cancellation, though not really**

Even when unfeasible projects are cancelled, that's not necessarily a mark of progress in the move away from coal, observers say. The Indonesian government recently announced the cancellation of 12 coal plants, which the Ministry of Energy and Mineral Resources [said](#) weren't making any progress.

However, the IEEFA pointed out that 10 of the 12 plants were actually cancelled two years ago in PLN's electricity procurement plan. And since these plants, with combined capacity of 177 megawatts, are small in scale — with poor operating efficiencies and high emissions — their cancellation has limited impact on overall carbon emissions targets.

“If PLN is serious [about achieving carbon neutrality], then give [us] the list of big coal plants [that will be cancelled],” Andri said. “We need to know which ones will be cancelled, especially the big ones.”

The IEEFA said there are indications the government will cancel 6.8 GW of new coal power based on the draft of this year's procurement plan.

These projects “have either been modified and changed to renewable baseload or shifted to other sources of generation or postponed until further notice,” the IEEFA said in its report.

Elrika questioned why PLN and the government haven't played up the potential cancellation of the 6.8 GW of coal power.

“This is something that should be celebrated, but it's not being put into the spotlight,” she said. “Instead, [the government] focuses on small things, like the cancellation of problematic little plants of 177 MW.”



Villagers playing volleyball in the Suralaya village with the Suralaya coal power plant in the background in Cilegon city, Banten Province, Indonesia. Image by Ulet Ifansasti / Greenpeace.

### **Public health threat**

Isabella Suarez, Southeast Asia analyst at the Centre for Research on Energy and Clean Air (CREA), said an example of a big project that would have a significant impact on the country's emissions is the Java 9 and 10 coal plants.

The \$3.5 billion project, [funded](#) mainly by South Korean public financing agencies, is an expansion of the Suralaya coal-fired power plant complex, located in Banten province, Java.

With eight units already in operation, the industrial complex is the largest and most polluting in all of Southeast Asia. The two new plants will provide an additional 2 GW of installed electricity capacity in Indonesia, dwarfing other coal projects in the pipeline.

The project has been mired in controversy and [faced opposition](#) from local communities and environmentalists since its inception. They question the need to build more polluting plants in a region that already has a surplus of electricity.

The power plants are located approximately 120 kilometers (75 miles) northwest of Jakarta, in a region that already hosts 22 coal-fired power plants. Banten province as a whole has 52 coal power projects.

Critics have also voiced concerns over the environmental and health impacts of the new plants, with residents complaining that existing units have already caused problems for public health, agriculture and water.

Proponents of the project [say](#) the two plants will be built using ultra-supercritical technology, which uses less coal to generate a unit of electricity, and hence emits less carbon and other pollutants than older plants.

Once they're up and running, the two plants will emit levels of nitrous oxides, sulfur oxides

and dust lower than Indonesian standards. But they'll still be nearly 10 times as high as the similar Gangneung Eco coal-fired plant being built in South Korea, the country underwriting and building the Java 9 and 10 plants.

[Modeling](#) done by Greenpeace in 2019 on the health impacts of the project show the two plants will cause 4,700 premature deaths over their lifetime if they stay within the Indonesian government's emission limits. And even if they were built to comply with South Korean standards, they would still cost 500 to 1,500 lives over their 30-year lifetime.

"I guess those two plants are ultra-supercritical plants, but if you look at their EIAs [environmental impact assessments], that's not going to help with the emissions that they're going to have in the area," CREA's Suarez said.

She said a more ambitious coal phaseout policy and drastic policy reform in Indonesia will send a clear signal to investors that the country is ready and eager to quit its coal addiction and develop clean renewable energy.

"PLN's ambition is an important indicator of how much Indonesia is taking their net zero goal seriously," Suarez said. "So I agree a more ambitious PLN plan is needed to really firm up what Indonesia wants to do moving forward."

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