Preliminary Just Transition Assessment

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Indonesia: Cirebon Energy Transition Mechanism Pilot Project

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Asian Development Bank
# ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<tr>
<td>CEP</td>
<td>PT Cirebon Electric Power</td>
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<tr>
<td>CFPP</td>
<td>coal-fired power plant</td>
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<td>COI</td>
<td>Channels of Impact</td>
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<tr>
<td>CSO</td>
<td>civil society organization</td>
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<td>CSR</td>
<td>corporate social responsibility</td>
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<td>ETM</td>
<td>Energy Transition Mechanism</td>
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<td>GAP</td>
<td>gender analysis pathway</td>
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<td>GHG</td>
<td>greenhouse gas</td>
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<td>JETP</td>
<td>Just Energy Transition Partnership</td>
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<td>JT</td>
<td>just transition</td>
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<td>JTP</td>
<td>Just Transition Plan</td>
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<tr>
<td>MDB</td>
<td>multilateral development bank</td>
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<tr>
<td>NDC</td>
<td>nationally determined contribution</td>
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<td>O&amp;M</td>
<td>operations and maintenance</td>
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<td>PJTA</td>
<td>Preliminary Just Transition Assessment</td>
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<td>PLN</td>
<td>PT Perusahaan Listrik Negara</td>
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<td>PPA</td>
<td>power purchase agreement</td>
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<td>PSA</td>
<td>poverty and social analysis</td>
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<td>SEAH</td>
<td>sexual exploitation, abuse, and harassment</td>
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<tr>
<td>SESA</td>
<td>strategic environmental and social assessment</td>
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## NOTE

In this report, "$" refers to US dollars.

In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.
CONTENTS

I. CIREBON 1 ENERGY TRANSITION MECHANISM TRANSACTION OVERVIEW 1

II. INTEGRATING JUST TRANSITION APPROACH IN CIREBON 1 4
   A. Cirebon 1 Detailed Timeline 4
   B. Just transition approach 5
   C. Methodology for the Preliminary Just Transition Assessment 7

III. SOCIO-ECONOMIC CHARACTERISTICS OF CIREBON 1 10

IV. PRELIMINARY JUST TRANSITION ASSESSMENT AND OUTLINE OF THE JUST TRANSITION PROCESS BETWEEN 2024-2035 11
   A. Impacts and Indicative Actions to be Taken by Cirebon Electric Power 12
   B. Indirect and Induced Impacts 15
   C. Approach to prepare the Just Transition Plan to Mitigate Indirect & Induced Impacts 17

APPENDIX

Channels of Impact 20
I. CIREBON 1 ENERGY TRANSITION MECHANISM TRANSACTION OVERVIEW

1. ADB launched the ETM in 2021. The ETM is a program that utilizes concessional and commercial capital from various public and private sources to incentivize the early retirement or repurposing of CFPPs and other carbon-intensive power generation (e.g., heavy fuel oil) while supporting investments in clean energy, grid modernization, and energy storage. Twenty-five percent of annual global greenhouse gas (GHG) emissions arise from CFPPs and 90% of CFPPs younger than 20 years old are in Asia. To accelerate their closure and unlock new investments in renewable energy across its developing member countries (DMCs), ADB launched the ETM in 2021.

2. Indonesia is one of three countries in Southeast Asia partnering with the ADB for a pilot phase of the ETM, aside from Viet Nam and the Philippines. In its Enhanced Nationally Determined Contribution (NDC), submitted in September 2022, Indonesia committed to reducing GHG emissions by 31.89% unconditionally by 2030 and achieving net-zero emissions by 2060 or sooner. Over 60% of the current installed capacity of Indonesia’s electricity grid is CFPPs. Their average age is approximately 12 years, making them relatively young. Given this, in the absence of incentives for early retirement, they would likely remain operational for decades and block meaningful pathways to energy transition and greenhouse gas emission reductions.

3. The first pilot transaction under the Asian Development Bank’s (ADB’s) Energy Transition Mechanism (ETM) is the Cirebon 1 660-megawatt (MW) coal-fired power plant (CFPP) in the village administrative area of Kanci Kulon, Astanajapura Subdistrict, Cirebon Regency, in the province of West Java, Indonesia (Cirebon 1 or ‘the Project’). Cirebon 1 is a single unit supercritical facility that began construction in 2008 and became operational in 2012. It is owned by PT Cirebon Electric Power (CEP), which is a joint venture between four shareholders—Marubeni Corporation (32.5%), Korea Midland Power Co (27.5%), ST International Ltd (20%) and PT Indika Energy (20%) (collectively, the ‘Sponsors’). Under its existing contracts, Cirebon 1 sells electricity to the Indonesian state-owned power utility company, PT Perusahaan Listrik Negara (PLN) under a power purchase agreement (PPA) that extends to August 2042.

4. At the 28th Conference of Parties in Dubai, ADB, PLN, CEP, and the Indonesian Investment Authority signed a nonbinding framework agreement to shorten the plant’s PPA and retire the plant by 2035, subject to final due diligence, including environmental, social, and just transition related assessments, and endorsement from the Government of Indonesia. ADB’s ETM financing will support early retirement.

5. ADB will provide an ETM facility (benefiting from a combination of commercial loan, concessional finance, and grant) with a lower cost that will allow for the shortening of Cirebon 1 PPA tenor by 6.7 years (from August 2042 to December 2035), while maintaining the neutrality of Sponsors’ return on a present value basis compared to a business as usual scenario. The ETM Facility proceeds will be used for (i) refinancing of the existing debt, and (ii) a one-off special dividend distribution to the Sponsors to cover foregone dividend cash flow due to PPA tenor shortening and ETM transaction costs. ADB is targeting transaction close within 2024. Closer to the time of PPA expiry, CEP will work with ADB to finalize and agree on the activities leading up

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4 The shortened PPA term leads to the loss of revenue that would have gone as equity cashflow to the Sponsors.
to and following expiry of the PPA in 2035 (i.e. decommissioning and/or repurposing activities) through a Post-PPA plan.

6. The early retirement of Cirebon 1 without proper planning or consideration could have an adverse impact on the livelihoods of workers and businesses linked to plant operations, and implications for the local communities, and the local economy. There could also be broader indirect and induced impacts. The ETM prioritizes a just transition, to plan for and manage these impacts and ensure that the transition towards renewable and sustainable economies will leave no one behind, especially women, marginalized stakeholders, vulnerable groups including indigenous people and the youth. The just transition process at the project level also takes account of the broader structural socioeconomic transition that will take place in Indonesia as part of energy transition, and how the two processes intersect.

7. ADB’s approach to just transition supports Developing Member Countries (DMCs) to integrate socioeconomic needs and ambitions into climate action, supports the creation of decent work and quality jobs during greening of the economy, includes gender-inclusive approaches and methods to address structural inequalities in the labor market, and aims to maximize economic, social, and societal, and cultural opportunities associated with the energy transition in line with nationally determined development priorities. This is in line with commitments articulated in the joint multilateral development bank (MDB) Just Transition High-Level Principles.5

8. ADB has been working with CEP, the Government of Indonesia, and other stakeholders to develop a just transition process as part of the transaction. There is a period of 11 years between transaction close in 2024 and the plant retirement in 2035. Thus, a detailed just transition impact assessment is not being prepared now due to uncertainty about the future socioeconomic and physical context in the project area, changes in regulatory or policy environment, and uncertainty related to the retirement or repurposing scenario that will be agreed. However, ADB recognizes that there are concerns amongst workers, district, and provincial government, national civil society organizations (CSOs) and other stakeholders about potential impacts of the early retirement, and that robust planning for just transition takes time and extensive stakeholder consultation. Accordingly, the just transition process is a four-staged approach that includes a preliminary just transition assessment being undertaken now, and a process for more detailed consultation, assessment, and planning as appropriate in line with the project timeline.

9. This document is a high-level summary of the preliminary just transition assessment (PJTA). It is being disclosed as part of ADB’s consultations on the approach to achieving just transition in ETM investments. The full assessment and supporting analyses are maintained by ADB given commercial sensitivities. The assessment considers direct, indirect, and induced impacts as defined in the PJTA and this high-level summary. However, the focus of the assessment is on the direct impacts, as this is the most relevant to the current transaction process and the responsibilities of ADB, CEP and the Sponsors. The assessment provides a preliminary discussion on the indirect and induced impacts and potential mitigation options, but further analytical work and stakeholder engagement is required. This will be done in future stages of the just transition process (see para. 10), and ADB will work with the government to determine the best approach for avoiding and/or mitigating these impacts to ensure they are fully accounted for.

10. The four stages (Figure 1) of the just transition process for Cirebon 1 include:
   (i) **Stage 1 (2023–2024)**
      (a) Preliminary data collection and consultations.

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(b) Preparation of the Preliminary Just Transition Assessment (PJTA), including an outline of an iterative just transition process
(c) Socializing the PJTA and just transition process and planning for future stakeholder engagement.
(d) Disclosure of the summary of the PJTA for public consultation.

(ii) **Stage 2** (2024–2030)
(a) Active engagement with the government (national, subnational, and district) to support economic, institutional, regulatory, and governance assessments, as well as capacity building.
(b) Ongoing data collection, including socioeconomic data and workforce data to assess reskilling needs, including through gender-disaggregated data collection and a gender analysis pathway (GAP).
(c) Consultations with core stakeholder groups for their input on the process and the results.
(d) Assessing just transition implications of the repurposing options examined in technical feasibility studies. These studies along with the assessments will form the basis of the draft Post-PPA Plan.

(iii) **Stage 3** (2030–2032)
(a) Preparation of the Just Transition Plan (JTP)\(^6\) including confirmation of the assessment methodology, further data gathering, and impact analysis. The JTP will be developed in close consultation with core stakeholder groups including asset owners, the government (national and provincial), and subdistrict, businesses, and workforce, local communities, CSOs and NGOs and ensure active participation of women and marginalized and vulnerable groups who may be disproportionately impacted by the retirement.
(b) Input to the preparation of the Post-PPA Plan as required.

(iv) **Stage 4** (2033 onward) is when the Post-PPA Plan and JTP will be implemented by the responsible parties.

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\(^{6}\) JTP is a plan to address the different kinds of impacts resulting from the Cirebon 1 ETM Transaction, prepared by ADB, in accordance with the process presented in the Preliminary Just Transition Assessment.
11. This disclosure of the PJTA as part of stage 1 therefore aims to:

(i) Present the methodology for the preliminary just transition assessment based on just transition principles (discussed below).

(ii) Outline the approach that will be taken to prepare the JTP as part of the post-PPA Plan. The approach will be defined during stage 2 and the JTP prepared in stage 3.

(iii) Highlight mitigating interventions that will be required by different parties (including CEP, the sponsors, and the Government of Indonesia) to initiate just transition process.

(iv) Provide information to stakeholders regarding expected just transition impacts to facilitate early planning.

(v) Support the government to consider the early retirement of Cirebon 1 within the context of a programmatic energy transition (e.g., identify potential compounding impacts).

(vi) Inform inclusion of just transition requirements in the financial agreements between ADB, CEP, and the sponsors.

II. INTEGRATING JUST TRANSITION APPROACH IN CIREBON 1

A. Cirebon 1 Detailed Timeline

12. Table 1 details the critical steps in Post-PPA Plan design and development between transaction close and implementation of Post-PPA Plan activities. It also demonstrates how the Post-PPA Plan and just transition plan will be developed in tandem. The financial close of the transaction (i.e., disbursement of loan) will be the key trigger for deeper engagement on delineating Post-PPA Plan options and implementing a just transition process in their finalization, based on borrower, sponsor and government commitments.
13. The Post-PPA Plan—a key undertaking within the transaction documents—will govern the way Cirebon 1 will be decommissioned, and/or repurposed upon the early termination of the PPA. It will identify the actions required for its implementation along with the parties responsible for such actions and define a timebound schedule to implement those activities. The plan also triggers related requirements for environmental, social, and just transition planning pertaining to post-PPA termination activities. ADB’s approval of the plan must be obtained prior to the repayment of ETM loans.

Table 1: Energy Transition Mechanism Activity Timeline between 2024 and 2035

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<tbody>
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<td>Agreement on Post-PPA plan outline and development process.</td>
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<td>Pre-Financial Close</td>
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<td>Disclosure of the Preliminary Just Transition Assessment with JTP Outline.</td>
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<td><strong>Ongoing just transition-related activities:</strong></td>
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<td>Ongoing inclusive stakeholder engagement, women’s meaningful participation, and assessment of legal, regulatory, and institutional capacity for JTP implementation.</td>
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<tr>
<td><strong>Ongoing activities:</strong> Government of Indonesia (PLN and MEMR) analyses on viable repurposing options (i.e., updated grid impact and replacement power analyses).</td>
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<td>Active discussion and gender-responsive and inclusive stakeholder engagement that realize women’s meaningful participation to reach agreement on Post-PPA plan and JTP between ADB and CEP by end of 2032.</td>
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<tr>
<td>Post-PPA plan and JTP implementation period.</td>
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B. Just transition approach

14. The Paris Agreement recognizes that countries need to consider the imperatives of a just transition as they undergo an economy-wide transformation to deliver on their climate goals. Since 2015, international momentum around the need for a just transition has been increasing as the world moves away from fossil fuels. ADB recognizes that a just transition is imperative and made institutional commitments and raised resources to support DMCs to develop institutional and policy frameworks, build capacity, and support ADB to mainstream just transition in operational

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7 Global actions that have been contributing to the just transition momentum: 2015 Paris Agreement; creation of the working group on just transition and decent work at COP23; Silesia Declaration in COP24; climate actions for jobs initiative at COP25; South Africa JETP at COP26 and the first ever mention of phasing down coal in the Glasgow Climate Pact; creation of a working program on just transitions at COP27; and UAE Just Transition work program at COP28.
approaches and projects. In October 2021, MDBs including ADB adopted the MDB Just Transition High-Level Principles (footnote 5) that provide high-level direction on the aim, approach, scope, scale, outcome, and processes for just transitions. These principles guide ADB's approach to just transition. In 2022, ADB established a Just Transition Support Platform that provides support to ADB DMCs to strategically plan, implement, and finance just transition. Through the ETM and other activities, ADB is in the process of operationalizing these principles to ensure a just, equitable, and inclusive transition process is followed.

15. ADB's just transition approach considers potential impacts across multiple levels—regional, national, subnational, community and asset (Figure 2). This considers the national impacts of fossil fuel transitions, scaled down to the impact of a single asset closure or retirement. At each level, potential financial, economic, institutional, political, gender and social impacts are considered, and affected stakeholders across the supply and value chain are identified. The approach considers the socioeconomic and geographical context for the project, as well as the institutional and regulatory environment within which the project takes place, and how this relates to a just transition. The approach also integrates stakeholder consultation to ensure fair participation particularly from women and other marginalized groups in the assessment and planning process.

16. Cirebon 1 would be the pilot transaction under ETM, and therefore demonstrates the just transition process to be implemented as part of ETM and how concerns of stakeholders will be taken into account. Lessons from Cirebon 1 will be the basis for ADB to develop an assessment approach for future ETM transactions. To facilitate the preparation and implementation of just transition activities for individual ETM transactions, it is necessary to have (i) national, subnational, and local enabling conditions; and (ii) an understanding and approach to manage programmatic just transition impacts across multiple transactions and the broader energy transition. ADB is therefore committed to supporting the Government of Indonesia and other stakeholders through technical assistance to develop the capacity, institutional, and policy approaches required at the ETM country platform, subnational, and national level, including in realizing a socially inclusive and gender-responsive just transition.

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8 In addition to the ADB, other signatories include African Development Bank Group, Asian Infrastructure Investment Bank, European Bank for Reconstruction and Development, European Investment Bank, Islamic Development Bank, and the New Development Bank.

9 ADB. 2022 Technical Assistance for Enabling a Just Transition to Low-Carbon and Climate-Resilient Economies and Societies in Asia and the Pacific. Manila.
Figure 2: The ADB Just Transition Approach under the Energy Transition Mechanism

This diagram represents ADB’s overall approach to just transition for ETM. The implementation of this approach is tailored to the specific circumstances of the transaction including which just transition elements are applicable.


C. Methodology for the Preliminary Just Transition Assessment

17. The methodology developed for the PJTA is underpinned by existing Indonesian laws and regulations, relevant ADB policies and processes, global just transition practice, and ADB expertise. The approach reflects the multidimensional nature of just transition and considers social, environmental, climate change, energy transition, institutional, economic, financial, and political issues. The methodology needs to be flexible to align with the four stage just transition approach and project timeline. To develop the methodology, ADB’s approach for poverty and social analysis (PSA) provided an important basis to build the methodology for assessing just transition impacts. The objective of the PSA is to understand how ADB operations can reduce the multidimensional aspects of poverty, social exclusion of vulnerable or marginalized groups and vulnerability to poverty, especially from shocks and climate change. PSA is typically used in ADB operations as an ex-ante poverty assessment. In ADB investments, the assessment uses the Channels of Impact (COI) approach to frame the analysis—identifying the pathways through which a particular investment can minimize social risks, promote social development, and contribute to gender equality.

18. In line with Strategy 2030, the PSA also regards gender as one of the interrelated dimensions, requiring all operations to incorporate gender considerations through gender analysis to determine classification into one of the four gender categories. ADB acknowledges the pivotal role of gender equality, establishing it as one of its operational priorities in Strategy 2030 and Operational Priority 2 on Accelerating progress in Gender Equality. A gender-responsive approach to just transition aligns with ADB’s commitment, evident in its support for innovative

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11 ADB projects have four gender mainstreaming categories: Category I (gender equity as a theme [GEN]), Category II (effective gender mainstreaming [EGM]), Category III (some gender elements [SGE]), and no gender elements [NGE]).
gender-responsive climate finance, the development of gender-responsive NDCs, and the promotion of women’s involvement in the renewable energy transition for a fair transition.10

19. The analytical frame of the PSA and COI framework was expanded to also include induced impacts (defined in para. 20) on impacts on key stakeholders that are relevant in the just transition context such as local and supply chain businesses, but may not belong to the poor and vulnerable social groups and therefore be captured in the PSA. To do this, the PJTA assessment references other frameworks within ADB that highlight the economic, institutional, and political economy dimensions. The approach for Preparing a Fragility and Resilience Assessment discusses the drivers that can help us to understand risks from the economic,12 institutional,13 political and societal dimensions.14 The Appendix has detailed information on the analytical framework.

20. Within the context of the assessment, just transition impacts have been defined as follows:

(i) **Direct impacts.** Impacts occurring at asset level; affecting workers (formal, [contractual or outsourced], informal)), local suppliers, vendors with whom the borrower has a contractual relationship. The borrower will be responsible for the implementation of mitigation measures, as confirmed in the JTP.

(ii) **Indirect impacts.** Impacts (revenue, income, job losses) that cannot be immediately traced to a project activity but can be causally linked. Here impacts occurring across the supply chain (coal supply, transport etc.) due to the retirement of an asset are classified as indirect. The magnitude and extent of this impact is proportional to the number of assets being retired. The detailed planning of mitigation actions will be undertaken in stages 2 and 3 and documented in the JTP. The borrower will be responsible for any actions assigned to them as part of that process. The party/ies responsible for other indirect actions will be discussed and agreed with the Government.

(iii) **Induced impacts.** Adverse impacts on areas and communities that are unintended but occur due to project or sector developments occurring later or at a different location. For the just transition assessment, this is the impact generated in Indonesia’s local, subnational, or national economy. Local impact could be in the form of revenue loss or livelihood loss for local businesses and communities, including for female workers and entrepreneur such as vendors nearby, catering providers, restaurant owners, and other service providers (i.e., within Astanajapura subdistrict) who rely on the presence of Cirebon 1 for all or part of their livelihoods. This could impact aggregated incomes and employment in the region and lead to a decrease in private spending. National and subnational impacts could be in the form of revenue loss for the government (corporate taxes, coal royalties, coal transport corporate taxes etc.), which could impact public expenditure budgets. The retirement of a single asset like Cirebon 1 will likely have an insignificant impact on national or subnational government revenue. Local impacts will be more

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12 Economic dimensions refer to the state capacity to deliver sustainable growth with a shared distribution of benefits across society comprising of elements including broader macro-economic policy environment and its ability to withstand endogenous and exogenous shocks (such as loss of revenue) and its ability to raise revenue streams to provide public goods, public sector debt etc.

13 Institutional dimensions refer to the state’s capacity and effectiveness to deliver its core functions and mandate. It also considers the role and continued ability of informal institutions (such as key local influence makers in the just transition context) to build and maintain local resilience capacity.

14 Political and societal dimensions account for the capacity of the sociopolitical systems to broker continuously evolving expectations both within communities and within the state. It captures the political processes involved in adjusting the social contract to dynamic state-society relations and the state’s ability to build social cohesion around evolving themes and ideas.
significant and will involve communities and businesses that rely on the assets in some way. Managing these impacts will require a combined effort by governments, businesses, and international and national financial institutions as supported during stage 2 and confirmed in the JTP in stage 3.

21. The preliminary data gathering for Cirebon 1 included:
   (i) Site visit conducted by ADB 25–27 July 2023 to understand the site context, observe the surrounding community, and participate in initial stakeholder engagement with local CSOs and nongovernment organizations, corporate social responsibility (CSR) delivery partners, village leaders, Cirebon district government and Cirebon city government.
   (ii) Review of documents, including those provided by CEP and readily available secondary data sources and documents.
   (iii) Preliminary assessment of labor regulations.
   (iv) Engagement with CEP management including finance and legal director, human resources manager, operations manager, and community relations manager.
   (v) Local stakeholder consultation conducted as part of the Environmental and Social Compliance Audit (ESCA), capturing inputs from village leaders, local CSOs and CSR delivery partners.
   (vi) District stakeholder consultation conducted as part of the strategic environmental and social assessment (SESA) and Climate Investment Funds Accelerating Coal Transition program, capturing direct inputs from a range of departments within both Cirebon district and Cirebon city governments.
   (vii) Media review to understand local and national perceptions on the proposed early retirement of Cirebon 1.
   (viii) Inputs from the ESCA and the labor audit.

22. Engagement with external stakeholders was conducted on two occasions. The first targeted local level stakeholders in and around Cirebon 1 as part of the ESCA process, and the second was with district level stakeholders as part of ongoing SESATA engagement. Media review was undertaken to understand local and national perceptions on the proposed early retirement of Cirebon 1.

23. ADB conducted a second round of stakeholder consultations with national CSOs and nongovernment organizations in February 2024 to socialize the methodology and outcomes of the PJTA to get their inputs. Further consultations are being planned with local stakeholder groups in February 2024 to seek their input.

24. ADB recognizes that further consultations are necessary to inform future just transition planning. ADB has developed a detailed Stakeholder Engagement Plan (SEP) which highlights the process undertaken for the ESCA, labor audits and the PJTA, and the process for future consultations between 2024–2032. This is an iterative process and will be revised as the JTP evolves to ensure meaningful engagement of stakeholders. The next stakeholder consultation is scheduled for February 2024 in Cirebon.

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15 SESATA is being developed to guide strategic decision making for implementation of the broader ETM. Beginning in 2022, the SESATA (i) generates information on key environmental and socioeconomic issues; (ii) provides a platform for well-structured stakeholder discussion on issues between government, the private sector, and civil society; (iii) offers a mechanism to capture results of the assessment and debate into account in institutions and governance; and (iv) establishes a planning framework for rational and sustainable retirement of CFPPs and their replacement by renewable energy projects.
III. SOCIO-ECONOMIC CHARACTERISTICS OF CIREBON 1

25. Cirebon 1 provides full time employment for 465 individuals and holds agreements with about 100 national, provincial, and local suppliers to ensure that the facility operates in accordance with its design and PPA requirements.

26. Table 2 shows the composition and characteristics of Cirebon 1’s workforce.

Table 2: Workforce Composition and Characteristics

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<th>PT CEP (Cirebon Electric Power)</th>
<th>Holds the PPA and has an administrative function</th>
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<td></td>
<td>Employs a total of 20 individuals on indefinite employment agreements (as defined by employment law within Indonesia) including 9 women based in Jakarta</td>
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<td></td>
<td>Mainly management and corporate and based in Jakarta; average age in 2023 is 40 years with an average service period of 10 years</td>
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<td>PT CPS (Cirebon Power Services)</td>
<td>Entity established by the shareholders of PT CEP to hold the operation and maintenance (O&amp;M) contract for Cirebon 1</td>
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<td>Employs a total of 205 staff on indefinite employment agreements (197 men and 8 women)</td>
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<td>Site-based, responsible for the day-to-day operations of the facility</td>
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<td>Mixture of management, supervisors, superintendents, and workers working full time with Cirebon 1</td>
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<td></td>
<td>Average age in 2023 is 35 with an average service period of 8 years</td>
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<td>Outsourcing Arrangements</td>
<td>Three outsourcing companies provide outsourcing arrangements</td>
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<td></td>
<td>A total of 247 individuals employed across all three companies, including 2 women, typically semiskilled and unskilled positions,</td>
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<td>Outsourcing contracts procured held and managed by the PT CPS General Affairs department as part of their obligation under the O&amp;M contract to PT CEP</td>
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<td>Lead contracts negotiated annually; no direct employer–employee relationship</td>
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<td>Discussions during ADB’s labor audit suggest that a new government regulation (GR) on outsourcing, to replace GR 35/2021, may be issued</td>
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<td>Supplier composition</td>
<td>Two coal suppliers in East Kalimantan and South Kalimantan supplying between 7,200 and 8,000 tons/day</td>
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<td>Contracts are awarded on a 5-year basis and subject to renegotiating and/or retendering</td>
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<td>Coal supply to Cirebon 1 is about 0.83% of the combined outputs of East Kalimantan and South Kalimantan annually</td>
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<td>Number of workers’ production of the required volume of coal is not known</td>
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<td>Coal Transportation</td>
<td>Responsibility lies with PT CPS as part of its O&amp;M contract with PT CEP</td>
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<td></td>
<td>Average, up to 12,000 tons/day is delivered by barges sizes at the Cirebon 1 port facility</td>
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<td>Port facility serves only Cirebon 1 and does not receive coal for any other users</td>
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<td></td>
<td>Upstream transport modalities between the mine mouth and port are typically a combination of trucks, staging or transfer areas, and barges; contracts renegotiated every 5 years</td>
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<tr>
<td></td>
<td>No. of employees not known</td>
</tr>
<tr>
<td>Other Suppliers</td>
<td>Approximately 100 vendors approved by CEP and CPS from whom goods and services may be procured</td>
</tr>
<tr>
<td></td>
<td>Eighty-four are local, based in either the district of Cirebon or Cirebon city</td>
</tr>
</tbody>
</table>
• Diesel oil supply contract for the provision of approximately 2,000,000 liters/year for main boiler unit start-up and shutdown, heavy equipment operation, auxiliary boilers, and other testing activities
• Various contracts for maintenance activities such as painting; scaffolding; heating, ventilation, and air-conditioning; miscellaneous construction, and road maintenance. More details are needed on if these laborers are locals
• Technical and scientific services such as wastewater discharge analysis, oil analysis and preparation of environmental reports
• Supply of chemicals required for the water treatment plant, wastewater treatment plan, condensate polisher plant and seawater cooling system.
• Local contracts for the provision of catering services to provide daily meals to the entire operational workforce with meals prepared offsite and transported daily.
• Contracts for providing vehicles, mainly light vehicles necessary for local transport at the asset location (PT CPS), Jakarta offices of PT CEP and between the locations as required.
• Local industrial supplies, mechanical workshop services, laundry, health care services, and shops providing miscellaneous electrical, computer, hardware, and stationery on an as-needed basis.

### Fly Ash and Bottom Ash (FABA) Contracts
• Provides 100% of its FABA to a local cement industry
• Total materials provided in 2021 was approximately 75,000 tons

**CEP** = PT Cirebon Electric Power, **CPS** = PT Cirebon Power Services, **FABA** = fly ash and bottom ash, **GR** = government regulation, **O&M** = operations and maintenance.


### IV. PRELIMINARY JUST TRANSITION ASSESSMENT AND OUTLINE OF THE JUST TRANSITION PROCESS BETWEEN 2024-2035

27. The following tables provide a high-level summary of the initial just transition assessment indicating the type of impact, the COI and dimensions it covers, the impacted parties, the nature of risk and indicative actions that might be taken to mitigate the impacts. The assessment considers direct, indirect, and induced impacts as defined in the PJTA and this high-level summary (para 20). However, the focus of the assessment is on the direct impacts, as this is the most relevant to the current transaction process and the responsibilities of ADB, CEP and the Sponsors. The assessment provides a preliminary discussion on the indirect and induced impacts and potential mitigation options, but further analytical work and stakeholder engagement is required. This will be done in future stages of the just transition process (see para 8), and ADB will work with the government to determine the best approach for avoiding and/or mitigating these impacts to ensure they are fully accounted for. The tables have been structured following the PJTA Analytical Framework.

#### Table 3: Preliminary Just Transition Assessment Analytical Framework

<table>
<thead>
<tr>
<th>Channel of Impact</th>
<th>Impact channels include employment, prices, taxes, access, assets, agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dimensions of Impact</td>
<td>Social, institutional, environmental, political and societal, economic</td>
</tr>
<tr>
<td>Nature of Impact</td>
<td>Direct, indirect, induced</td>
</tr>
<tr>
<td>People Affected</td>
<td>Includes workers, vulnerable groups including women, communities, businesses, the Government of Indonesia (national, provinces, district and subdistrict)</td>
</tr>
<tr>
<td>Nature of Risk</td>
<td>Qualifies and discusses the nature of risk</td>
</tr>
</tbody>
</table>
A. **Impacts and Indicative Actions to be Taken by Cirebon Electric Power**

28. Table 4 summarizes the impacts of the early retirement of Cirebon 1 to various stakeholder groups and indicative mitigation actions that will be implemented by CEP.

**Table 4: Impacts and Indicative Actions – Cirebon Electric Power**

<table>
<thead>
<tr>
<th>Impacted Parties</th>
<th>COI, Dimension and Type of Impact</th>
<th>Nature of Risk</th>
<th>Indicative Mitigation Actions to be implemented by CEP</th>
</tr>
</thead>
</table>
| Employee of PT Cirebon Electric Power (CEP) and PT Cirebon Power Services (CPS) (all those classed as full-time permanent employees) | Channels of Impact (COI): Asset (Human), Employment, Price Dimenion: Social, Economic Type of Impact: Direct | • It is possible that workers in management, key positions or those who are highly skilled will actively seek employment elsewhere given increased uncertainty on their medium and long-term position security.  
• It is also possible that CEP may face a shortage in skilled workers in case their retirement is 2-3 years prior to retirement, and it will likely be difficult to find replacement for a short period of time (This will mostly be the case for skilled employees)  
• Possibility of gradual reduction in workforce to meet early retirement in 2035.  
• A workforce whose average age in 2035 will be 52 for CEP and 47 for CPS and a skill set focused on coal-fired power plants | • Management commences engagement with the workforce within 30 days of financial close.  
• Management continues engagement with workforce and community until plant retirement.  
• Engagement includes communicating long-term plans for early retirement, overview of proposed termination entitlements, access to career center and mental support services and plans for future stakeholder engagement.  
• Preparation and implementation of a Retrenchment Management Plan as part of Post-PPA Plan process which will set out the workforce requirements for plant operations until 2035 in a manner that ensures continued mandated performance of plant operations until 2035, based on applicable Indonesian national laws at the time.  
• CEP will offer a severance package in accordance with the prevailing regulation at the time of retrenchment. |
| Workers contracted to outsourcing providers of PT CEP and PT CPS (all of whom are classed as fixed term contract workers) | COI: Employment, Price, Access Dimension: Social, Economic, Political, and Societal Type of Impact: Direct | (CFPPs), which could impact on suitability for alternative employment.  
- Complete loss of wages, could potentially impact lower income groups within the workforce, depending on prevailing macroeconomic conditions in 2035.  
- Retrenched workforce would be unable to access mandated retirement funds since average age would be below mandatory retirement age.  
- Establish, fund, and facilitate fair and equitable access to career counseling and job placement services (through a male and female career counselor), counseling/wellness coaching (with at least one female clinician), expanded training and reskilling facilities at the Plant vocational training center, and staff a liaison for district and city government social services.  
- The career center for job placement and reskilling, counseling/wellness coaching, and other social support services for impacted people is also designed to meet women’s needs through gender sensitive services and delivery.  
- All outsourced workers have the same access as full-time workers to counseling/wellness coaching and reskilling/upskilling services at the vocational training center.  
- All contracts for outsourced workers will include a statement on the date of the planned retirement. This will be done closer to the retirement date aligned with annual outsource worker contracts.  
- Outsourcing companies will also be asked to provide a quarterly update on the number of outsourced workers participating in vocational training and mental health services.  
- CEP will consider reasonably diversifying their business plans. | |
| Owners and workforce of companies with established supply agreements with Cirebon 1 | COI: Assets (Human) Prices, Taxes/Transfers | • Absence of opportunities to diversify, or lack of other client base could lead to loss of some or all existing income (magnitude of loss will vary depending on several factors)  
• Complete loss of wage for local small and medium-sized enterprises that depend highly on the plant  
• Businesses having a significant revenue impact could result in job and income losses for the workforce | • All contracts for local vendors will include a statement on the date of the planned retirement. This will be done closer to 2035.  
• Ensure payment of all dues, especially toward the end of the life of the plant.  
• Try to accommodate as many local vendors as possible and suppliers in the repurposing plan, if applicable.  

*Parts of the mitigation measures also reflect responsibility of local administration (detailed below).* |

| Owners and workforce of companies with established supply agreements with Cirebon 1 | COI: Assets (Human) Prices, Taxes/Transfers | • Reduction in private spending, increase in local poverty indicator levels due to business income and job losses  
• Possible increased reliance by workers on government schemes and reskilling programs  
• Lower direct and indirect tax collection because of income loss | • Cooperation between government and CEP on economic diversification activities and support for new markets and businesses  
• Targeted measures for women entrepreneurs, vendors contractually linked to Cirebon 1 etc., to mitigate any additional adverse impacts caused by the early retirement.  
• Engage in discussion on economic diversification with local, provincial governments. |

CEP = PT Cirebon Electric Power, COI = channels of impact, CPS = PT Cirebon Power Services, PPA = power purchase agreement.

B. Indirect and Induced Impacts

29. Table 5 provides a preliminary discussion on the indirect and induced impacts. Further analytical work and stakeholder engagement is required to understand the extent of the indirect and induced impacts. This will be done in future stages of the just transition process. More detailed planning will be undertaken as part stages 2 and 3 of the just transition process between 2024 and 2030, and implementation arrangements with the government will be confirmed in the JTP. Further assessments (detailed in the approach to prepare the JTP) will include assessing the dependency of local businesses that service CEP employees, their families, plant suppliers, and vendors, and the impact the retirement of Cirebon 1 will have on revenue and consequently on incomes and private spending.

30. Women working in informal sectors around the Cirebon 1 could be affected by the early plant retirement, with some possibly losing sources of income. The circumstances and degree of impact will be unique to each woman, depending on their economic and social profiles. Specific attention needs to be paid to this as part of the just transition process and assessment and planning for indirect impacts. GAP will be used as one method to understand the specific impact on women. This level of assessment is beyond the scope of the PJTA and is planned as part of subsequent stages.

31. Mitigation measures to address the indirect and induced impacts will involve multiple parts of the government, including different national, subnational, and district ministries and agencies. Coordination at village level may also be required. Different parties will have their roles with respect to planning, financing, and implementation for mitigation actions further defined as part stages 2 and 3 of the just transition process. Other stakeholders, including international institutions, are also likely to be involved through technical support and financing.

32. Unlike direct impacts, it is not always suitable to determine individual mitigation actions linked to individual impacts. Consistent with the conceptual basis of just transition, a programmatic and coordinated approach should be adopted that can (i) provide positive enabling interventions early to help avoid impacts, (ii) ensure that an integrated approach is taken to mitigating different impacts (iii) involves the views and reflects the needs to different stakeholders. This programmatic approach is described in section C, responding to the risks identified in Table 5 (footnote 9).

Table 5: Potential Indirect and Induced Impacts due to Early Retirement of Cirebon 1

<table>
<thead>
<tr>
<th>Impacted Parties</th>
<th>COI, Dimension and Type of Impact</th>
<th>Nature of Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upstream coal mining and transportation sector impacting Owners and shareholders within coal mining and coal transportation companies. Workers</td>
<td>Channels of Impact (COI): Employment, Price, Taxes/Transfers, Agency</td>
<td>• Low impact from retirement of one plant, but job losses could increase across the coal transportation sector and broader coal mining sectors in East Kalimantan and South Kalimantan if more assets close that also source their coal from these areas.</td>
</tr>
</tbody>
</table>

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16 Women working in informal sectors around the Cirebon 1 could be affected in relation to the just transition efforts conducted in the area, with some possibly losing sources of income. The circumstances and degree of impact will be unique to each woman, depending on their economic and social profiles.

| Impacts to Local Services due to discontinuation of corporate social responsibility (CSR) initiatives by Cirebon 1 impacting those within Astanajapura subdistrict that access CSR Programs funded, developed, and implemented by Cirebon 1 | COI: Access to goods and services | Dimensions: Social, Economic, Institutional | Type of impact: Indirect | • CSR programs by Cirebon Electric Power (CEP) and Cirebon Power Services (CPS) provide important additional services to the district subdistrict and village governments and take a livelihood-based approach to address poverty and vulnerability factors within the local community.  
• Women could also face a disproportionate impact due to discontinuation of the CSR initiatives. This is because CEP runs a number of programs that concentrate on industries predominantly led by women like shrimp paste (*terasi*) production, Cirebon batik craftsmanship, cooking and catering groups, fish cracker production, make-up artistry *Pembinaan Kesejahteraan Keluarga* (PKK, or the Family Welfare Development) Guidance Program which facilitates a community-based women's empowerment initiative, aimed at involving and empowering local women, traditional cake producers, salty milkfish, women unit cooperation & herbal drinks etc.  
• The transaction document ensures that these programs will continue till 2042, but it also raises the risk of increased reliance on village government budgets after 2042 and a commensurate increase in need for additional funds to compensate for the loss |

| Impacts on local businesses and workforce in the Greater Cirebon Area. | COI: Price, Taxes/Transfers | Dimensions: Social, Economic | Type of impact: Indirect | • Impact on incomes and potential job losses for the formal and informal businesses and workers servicing the suppliers to Cirebon 1 and also providing services directly to the Cirebon 1 workforce and their families.  
• Potential reduced spending resulting in lower direct and indirect tax collection.  
• Women could face an increased risk of SEAH due to increased unemployment in the local labor force. |

| Impacts on local community cohesion, identity due to retirement of Cirebon 1 and from participation and access barriers to economic diversification opportunities | COI: Assets (Human); Employment, Agency, Access | Dimensions: Economic, Institutional, Political and Societal | • High likelihood that Cirebon 1 has become an important focal point for the socioeconomic fabric of these communities, providing direct and indirect employment and livelihood opportunities, around which villages and households may have developed their social and business networks.  
• Early retirement and related impacts on income, employment etc., leading to potential outward migration could impact community identity and social cohesion. |

within coal mines and coal transport contractors utilized by Cirebon 1 | Dimensions: Social, Economic, Political and Societal | Type of Impact: Indirect | • Individual workers in coal mining regions will include temporary loss of wages leading to poverty and associated hardships.  
• In the absence of any economic diversification in these provinces, there may be increase in overall poverty and vulnerability levels with associated social issues |
Type of impact: Indirect

- It is possible that without local area economic diversification plans and green economy plans, businesses are unable to participate fully in the ongoing energy and economic transition and thus unable to absorb the local workforce.
- Likelihood of higher impact on those working in informal and/or auxiliary business sectors, which are represented by women.

Impact due to potential instability in the Java Bali grid

<table>
<thead>
<tr>
<th>COI: Prices</th>
<th>Dimensions: Economic</th>
</tr>
</thead>
</table>

Type of impact: Induced

- Lack of grid stability and reliability could lead to decreased investor confidence in manufacturing and allied sectors which require stable electricity supply. This could consequently have socioeconomic impacts on the province.
- Failure to meet electricity demand (including peak) has the potential to place upward pressure on established electricity tariffs which could put pressure on and impact household budgets.

Impacts on governments due to reduced taxes, and nontax revenue sources (especially at the local level)

<table>
<thead>
<tr>
<th>COI: Prices; Taxes/Transfers, Agency</th>
<th>Dimensions: Economic and Institutional</th>
</tr>
</thead>
</table>

Type of impact: Induced

- Retirement of one plant unlikely to have a major impact on national, subnational, tax, and nontax revenue.
- Impact likely to be seen at district and subdistrict level especially any revenue collected by local government.
- Lower incomes and wages likely to impact spending which will be felt on tax revenues collected from the district and subdistrict given the cascading impacts of retirement across the district.

CEP = PT Cirebon Electric Power, COI = channels of impact, CPS = PT Cirebon Power Services, CSR = corporate social responsibility, PPA = power purchase agreement.


C. Approach to prepare the Just Transition Plan to Mitigate Indirect & Induced Impacts

33. Based on the assessment conducted for the PJTA and data available at the time, the retirement of Cirebon 1 could impact the local economy and village government revenues. It is unlikely to have an impact along the coal value chain, or induced impact in the provincial or national economy. However, by 2035, given the Government of Indonesia’s global climate commitments, it is expected that other CFPPs will be retired, or repurposed, and the impact of Cirebon 1 may add to, or compound with, impacts at multiple locations and across the supply and value chain.

34. This necessitates an integrated and early planning approach by the government, that looks beyond the impact of a single CFPP retirement and takes a programmatic approach to just energy transitions. It also requires the development of the appropriate institutional structure to promote government coordination (across national government, and between national and subnational levels). A proactive approach will help to avoid impacts from occurring, and support Indonesia to take advantage of opportunities for economic development and job creation that can come alongside the energy transition.
35. The government has taken steps to establish the institutional structure through the creation of the National Energy Transition Taskforce\(^{18}\) and the establishment of various working groups under the taskforce, as well as the Just Energy Transition Partnership (JETP) and ongoing discussions through the JETP Secretariat to operationalize the Comprehensive Investment and Policy Plan.\(^{19}\) In 2021, the government also established PT Sarana Multi Infrastruktur (SMI) as the ETM country platform manager\(^{20}\) and established the Energy Transition Steering Committee.

36. Based on these preliminary arrangements, the government needs to design and implement an approach that accounts for the indirect and induced impacts associated with the retirement of Cirebon 1 power plant as part of a programmatic approach. This is particularly crucial for vulnerable groups (including women) in the local economy and government, as they are most likely to be detrimentally affected first.

37. Upstream assessments can be considered across the following areas:
   (i) Technical assessment to link asset retirements in different provinces and their impact on the grid.
   (ii) Economic assessment including impact on public budgets across different levels of the government and the supply and value chain due to asset closure retirements, including specific gender impacts on economic and social well-being. Between 2024 and 2030, assessments carried out in the Greater Cirebon region will include understanding the economic and financial impact of plant retirement on local businesses (both vendors servicing the plant as well as other businesses in the area); economic analysis on the impact of plant retirement on local government; economic diversification potential for the Greater Cirebon region.
   (iii) Socioeconomic assessments to evaluate the readiness and suitability of the labor force to participate in the transition and identify upskilling needs. This should include integrating specific gender considerations such as enhancing women’s participation within previously male-dominated sectors. In the Greater Cirebon region, this will include socioeconomic analysis of the local labor force. This will also assess how gender and inclusion-related stakeholders (such as local women’s organizations, CSOs supporting women’s rights in just transition, etc.) can be involved.
   (iv) Institutional assessment on the capacity of different levels of government institutions and stakeholders to participate and implement the just transition process. This will also include regulatory assessments to understand the transfer of capital and the capacity of the local government to access and absorb green capital.

38. For the Greater Cirebon region, these assessments will help in analyzing the actual Just Transition Assessment and create the JTP. Stakeholder consultations will be an ongoing process through stage 2 assessments. Stakeholder grouping will evolve depending on the type of assessment at which it is being conducted. In Stage 3, the JTP will be fully socialized with all the stakeholder groups to seek their inputs before the implementation from 2033. Government authorities and corporations will be equipped with the necessary skills through institutional capacity building and knowledge platforms for executing the JTP implementation. Capacity

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\(^{19}\) Just Energy Transition Partnership (JETP) Indonesia. *Comprehensive Investment and Policy Plan*.

\(^{20}\) PT Sarana Multi Infrastruktur. *Indonesia Energy Transition Mechanism Country Platform*. 
building programs, such as training with customized curricula, may be conducted to ensure the successful implementation of the JTP.

39. ADB has committed to providing technical assistance resources to the Government of Indonesia to undertake analytical work and develop the institutional arrangements required for just transition and undertake planning for mitigating measures and associated investments (footnote 9). This support will be provided throughout Stages 2 and 3 in line, with the scope to be agreed with the government. The just transition process will be flexible to respond to changes over time, including programmatic approaches that are not only targeting the Cirebon 1 transaction. This will allow sufficient preparation time to work with the government to (i) prioritize early enabling interventions where possible, (ii) and provide continuous support through stage 2 as preparation for developing the JTP in Stage 3.
## CHANNELS OF IMPACT

<table>
<thead>
<tr>
<th>Channel of Impact and Dimension</th>
<th>Description and Relevance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Channels of Impact (COI): Employment Dimension(s): Social</td>
<td>The original definition has been expanded to recognize that early retirement of a coal-fired power plant (CFPP) is likely to lead to job losses. Therefore, there are social and poverty dimensions because wage-based employment is the primary source of income for many households. This dimension also covers those involved directly in the CFPP supply and value chain and those who depend indirectly on the continued operation of the CFPP in the region and whose livelihood will be impacted as the asset closes. The social dimension is assessed through the Poverty and Social Analysis (PSA) approach. This is supplemented with tools on gender analysis, social and environmental impact assessment, and socioeconomic profiling.</td>
</tr>
<tr>
<td>COI: Prices Dimension(s): Economic</td>
<td>The original definition has been augmented to include impact on incomes and revenues of beneficiaries within and outside the project boundaries (i.e., businesses, supply chains, etc.). It has a macroeconomic dimension as key price aspects may pertain to national and provincial drivers, such as electricity prices. It is supplemented with tools and analysis including sector analysis, economic analysis based on ADB's operations manual, and elements on downstream impact analysis from ADB Guidance Note: Use of Political Economy Analysis for ADB Operations.¹</td>
</tr>
<tr>
<td>COI: Taxes/Transfers Dimension(s): Economic, Institutional</td>
<td>In the context of the Preliminary Just Transition Assessment (PJTA), potential negative impacts on tax and nontax revenue at the national and subnational levels is likely. In this case, they are an outcome of the intervention (as defined by the PSA). The taxes and transfers analysis aspect of the PSA is further supplemented with sectoral analysis arising from elements of the ADB Guidance Note: Use of Political Economy Analysis for ADB Operations,¹ economic analysis based on ADB's operations manual,² and benefit incidence analysis. It has an economic dimension, as in the context of early retirement, a single asset can have only a localized economic impact. Overall, it may also have an institutional dimension as it can reduce the ability of the Government of Indonesia to effectively deliver on its core mandates.</td>
</tr>
<tr>
<td>COI: Access Dimension: Political and Societal</td>
<td>This refers to whether a project will improve access to essential goods or services. It recognizes that expanded, improved, or diminished provision of basic services has an impact on nonmonetary poverty dimensions. In the context of the PJTA, this COI has been expanded to include the impacts of loss of access to essential services in case of project closure. It has as political and societal dimensions as changes in access to goods and services can influence expectations between communities and the corresponding levels of the government. The COI is supplemented with institutional analysis and benefit incidence analysis.</td>
</tr>
<tr>
<td>COI: Assets Dimension: Economic, Social &amp; Environment;</td>
<td>The analysis should determine whether the level of assets and potential returns from assets are changing because of the project. There are five broad categories: physical (housing, roads, etc.), human (skills, health, etc.), natural environment (land, water resources, and air quality), social (development of social networks and community cohesion), and financial (e.g., savings accounts). In the context of the PJTA, these assets can have social, economic, and environmental dimensions.</td>
</tr>
<tr>
<td>COI: Agency Dimension: Political and Societal</td>
<td>The analysis should determine whether there is the possibility of establishing new forms of participation, empowerment, and accountability. This is especially important in the case of the PJTA. This COI can capture political</td>
</tr>
</tbody>
</table>

Dimensions, 
Institutional Dimensions

and societal aspects (due to potential changes in how communities engage with the government) and institutional (as agency captures aspects of empowerment and accountability, which are elements of institutions’ effective delivery on their mandates). It can be supplemented by stakeholder analysis, institutional analysis, growth diagnostic tools, and regulatory system analysis.

ADB = Asian Development Bank, CFPP = coal-fired power plant, COI = channels of impact, PJTA = Preliminary Just Transition Assessment, PSA = poverty and social analysis.