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Investor update: Adaro Energy Indonesia (IDX:ADRO) and Adaro Minerals Indonesia (IDX:ADMR)

Adaro's latest transition pathway inconsistent with global climate goals

Adaro's 'decarbonization journey' and commitment to achieve net zero emissions by 2060 ("[NZE Statement](#)") fails to align with the climate goals of the Paris Agreement. Adaro's 'transition' plans do not involve a phase out of thermal coal production. Instead, they rely heavily on expanding Adaro's metallurgical coal business and even involve constructing a new coal-fired power plant.

These plans are incompatible with the International Energy Agency (IEA)'s net zero emissions by 2050 scenario (NZE Scenario), which requires "**no new coal mines, mine extensions or new unabated coal plants**" in order to have just a 50% chance of meeting the Paris Agreement's goal of limiting global warming to 1.5°C.

Adaro's plans undermine global climate goals, posing unacceptable reputational and financial risks. Investors are urged to demand the company adopt a credible transition strategy that involves a Paris-aligned phase out of coal operations, and withdraw capital if Adaro is unwilling to do so.

Adaro's plans pose significant climate-related financial risk to its investors

By pursuing strategies and allocating significant capital to assets that are incompatible with global climate goals, Adaro is exposing itself – and investors – to significant financial risk as a result of major looming market, policy and regulatory action required to meet the world's climate change commitments.

IEA NZE Scenario conclusion	Adaro's NZE Statement and business plans
<p>No new unabated coal plants are needed in the NZE Scenario (p. 16)</p>	<p>Adaro is constructing a new 1.1 GW coal-fired power plant to power its aluminium smelter in North Kalimantan. The coal-fired power plant will emit 5.2 MtCO₂-e of greenhouse gas emission per annum.</p>
<p>No new coal mines, mine extensions are needed in the NZE Scenario (p. 16)</p> <p>Driven by clean energy investments in the NZE Scenario, coal demand declines by 45% in 2030 (p. 75)</p> <p>Declines in demand can be met without approving new coal mines or mine lifetime extensions (p. 75)</p>	<p>Adaro has no plan to reduce or cap <i>thermal</i> coal production.</p> <p>Adaro plans to continue developing its greenfield metallurgical coal mining areas through its metallurgical coal entity, Adaro Minerals. It has among the largest metallurgical coal resources in the world (p. 95). Its subsidiaries, Juloi Coal, Sumber Barito Coal and Kalteng Coal are currently exploring new coal in the largest undeveloped greenfield metallurgical coal mines in Central Kalimantan.</p> <p>Burning Adaro's 1.1 billion tonnes of coal reserves would release emissions of 2.18 GtCO₂-e, equivalent to India's average annual emissions.¹</p>

Adaro's business outlook is becoming increasingly vulnerable as new climate policies to exit coal are adopted by Indonesia and Adaro's export markets. The current President of Indonesia, Joko Widodo, has [announced](#) that all coal plants must be shut down in 2050. China, which accounted for nearly a quarter of Adaro's coal sales [in 2023](#), has pledged to achieve net zero emissions by 2060, and its coal consumption is projected to decline sharply [by 2025](#).

According to Fitch's climate vulnerability [score](#) projection, climate risks to the thermal and metallurgical coal sectors grow rapidly after 2025, threatening their very existence in the medium to long term.

¹ Assuming all thermal coal reserves are combusted, and all metallurgical coal reserves are used in the steel industry. Potential emissions from coal use are estimated using Australian National Greenhouse Accounts Factors

Supporting Adaro carries significant reputational risk

Investors associated with Adaro could be exposed to significant reputational risks. Last year, Adaro faced public criticism due to its inconsistency with global climate goals. [Youth and environmental](#) groups called on banks not to finance Adaro, [shareholders](#) protested at its annual general meeting, and Korean-pop ([KPOP](#)) fans even targeted Adaro's aluminium customer Hyundai.

Given the reputational risks Adaro carries, a number of Adaro's former global lenders, such as [Standard Chartered](#), [DBS](#), and [OCBC](#), have publicly advised they will not provide any further financial support to the company. Global financial institutions' disassociation from Adaro was increasingly apparent last year, with foreign banks [declining](#) to finance Adaro's smelter project.

Adaro's continued coal expansion plans undermine investors' own climate commitments and responsibilities, exposing investors to unacceptable reputational risks.

Given Adaro's failure to align its transition plan with the Paris Agreement and a net zero by 2050 pathway, we are keen to understand any engagement or divestment plans that your institution may have.

Please let us know if there is a suitable time to discuss this matter with you, and send any information or thoughts by email in the interim. You may reach us at nabilla@marketforces.org.au

Sincerely,
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