

INVESTOR UPDATE | Contact: [Nabilla Gunawan](#)

Adaro's weak diversification plan increases risks to shareholders

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Indonesia's second largest thermal coal mining company Adaro Energy Indonesia (IDX: ADRO) and its metallurgical coal unit, Adaro Minerals Indonesia (IDX: ADMR), will host their Annual General Meetings (AGMs) on May 14 and 15.

Both Adaro entities (Adaro) are at risk of exposing their investors to **increasing climate-related financial risks** as Adaro's '[decarbonization journey](#)' fails to set an absolute reduction plan for coal mining and coal-fired power plants. This is inconsistent with accepted pathways to meet global climate goals, including the International Energy Agency's Net Zero by 2050 scenario (NZE) (see Table 1).

Adaro faces material financial risk owing to its lack of a credible transition plan. For example, Adaro [lost](#) Hyundai Motors as an aluminium purchaser due to **reputational risks** arising from Adaro's new coal power project.

Adaro shareholders are exposed to these risks. It is critical that shareholders raise questions at Adaro's upcoming AGMs and in future engagements.

Adaro's current plan relies on coal expansion

Adaro's 'decarbonization' plans primarily involve expanding metallurgical coal and adding a new coal-fired power plant in North Kalimantan to power its aluminium project. Adaro's plans remain inconsistent with IEA NZE, as outlined in the table below.

Table 1: IEA NZE comparison with Adaro's plans

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 which would emit 5.2 million tonnes of carbon dioxide equivalent (MtCO₂-e) 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 coal production.</p> <p>Adaro continues to develop its greenfield metallurgical coal mining areas through Adaro Minerals Indonesia. It has among the largest metallurgical coal resources in the world (p. 95). Juloi Coal, Sumber Barito Coal and Kalteng Coal are Adaro's greenfield coal mining concessions yet to be operational (p. 20). Adaro's metallurgical coal production is set to increase, already having increased by 52% from last year (p.40).</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>

The absence of absolute coal reduction plans demonstrates Adaro is failing to properly safeguard its business from the incoming risks from the necessary decline of the coal industry. Such risks are poised to increase. Fitch's climate vulnerability [score](#) projects climate risks to the thermal and metallurgical coal sectors grow rapidly after 2025, threatening these sectors' very existence in the medium to long term.

Without any plans to cap and phase down coal production, Adaro continues to expose its investors and shareholders to rapidly growing climate-related financial risks.

Investors and analysts are encouraged to raise questions at Adaro's AGM:

1. What are Adaro's revenue goals by 2025, 2030, and 2040 for renewable energy, thermal coal and metallurgical coal?
2. Does Adaro have plans to revise its net zero statement and align its plans with accepted pathways to achieve global climate goals, such as IEA NZE?

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

Adaro risk increases with recent loss of aluminium deal

Adaro [intends](#) for an aluminium smelter powered by a new 1.1 GW coal-fired power plant to form part of its diversification strategy. However, this greenwashing approach backfired after Hyundai Motors [withdrew](#) from a deal [signed](#) in November 2022 following mounting pressure from numerous climate groups. Because of Adaro's reliance on coal power, Hyundai's purchase of Adaro's aluminium could have [added](#) 3% – 6% to Hyundai's annual emissions and jeopardise Hyundai's carbon neutrality goals.² The loss of this client is material to Adaro as Hyundai represented [30%](#) of potential buyers of Adaro's aluminium.

The prospects for Adaro to secure more deals with major electric vehicle producers would be difficult as long as new coal is involved. Many electric vehicle manufacturers have adopted coal exit and carbon neutrality policies, including [CATL](#) and Ford. **Shareholders will continue to be exposed to increasing risks if Adaro maintains its existing plans.**

Investors and analysts are encouraged to raise questions at Adaro's AGM:

1. As Adaro's current diversification plan is insufficient to secure aluminium buyers, what is Adaro's plan to cap and phase-down its coal dependency?
2. The average coal-fired power plant operates for [46 years](#) globally. Assuming Adaro's North Kalimantan coal plant operates at the average CFPP life expectancy, it would operate beyond 2070. Does Adaro have any plans to reduce the running life of its coal plant?

Shareholder action required

Given the growing financial risks that Adaro's plans carry, we urge investors to engage with Adaro and raise the questions listed above at Adaro Energy Indonesia and Adaro Minerals' upcoming AGMs.

If you have any questions, please do not hesitate to contact [Nabilla Gunawan](#).

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² Based on assumptions that the smelter would produce 500,000 tons annually as planned and the coal power plant uses the best available technology (ultra-supercritical). The power intensity for smelting aluminium is from the International Aluminium Institute and the coal emission intensity is from [International Energy Agency](#).

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Note

All dollar figures in USD unless otherwise stated.