

10 January 2024

Dear Civil Society Organization representatives (the Philippine Working Group),

Thank you for your letter dated 13 September 2023, addressed to the technical staff of Asian Development Bank (ADB), International Finance Corporation (IFC), and World Bank (WB), *Re: CIFACT Proposed Investment Plan in the Philippines*. We appreciate and share your commitment to ensuring that the government's renewable energy investment plans and projects will be implemented in a manner that safeguards and protects affected communities and stakeholders.

As many of the points raised in the letter were also highlighted during the second stakeholder engagement meeting on 22 September 2023 and in the written comments to the investment plan (IP), a consolidated response will be shared with the stakeholders.

The responses correspond to the comments under each section in the letter.

**1. “Lack of Meaningful Time and Options for Comprehensive Inputs from Civil Society Groups Across Sectors, Especially in Coal Affected Communities”**

We would like to clarify that the IP process is currently at an initial concept stage which will help secure a pool of concessional finance from the CIF. It is meant to identify potential projects or activities which the Government would like to pursue in partnership with ADB, IFC, and the World Bank under CTF ACT.

After the approval of IP by CIF and during preparation of individual projects, each activity will be subject to review and confirmation by the borrower – government or the private sector, as applicable – and the multilateral development banks (MDBs). Any project supported by the MDBs will include meaningful consultations so that the CSO groups across sectors could provide inputs as appropriate.

During project preparation, MDBs will apply their respective policies and procedures to ensure meaningful consultation with potentially affected communities, workers, businesses and other stakeholders as well as disclose relevant information as and when required. Project level consultations will be conducted in English and local languages, and meetings will be held in relevant project areas with the concerned stakeholders, including meetings with the civil society, workers, women, youth, indigenous peoples, other vulnerable groups, and other stakeholders, especially in coal-affected communities.

Regarding the government-owned Mindanao Coal-fired Power Plant, the sole site specified in the IP, it currently stands as a candidate with limited information of its project design. A comprehensive dissemination of details to the respective communities will occur in a systematic manner, as outlined above, as soon as this information becomes available. As for the other project concepts, no specific projects or communities are identified yet. It is premature to conduct meetings and discussions with specific communities.

In relation to the timeline for disclosure of the IP, the initial project concepts presented during the first stakeholder meeting on 4 August 2023 have not changed in substance, and the two-week public commenting period follows the CIF ACT guidelines and was also agreed by the Department of Energy (DOE). Please note that the MDBs extended an invitation to trade unions and indigenous groups to the second stakeholder meeting on 22 September, taking suggestions made by the International Labour Organization and civil society. As mentioned at the 22 September stakeholder meeting, the DOE is willing to engage with civil society to further discuss and get

additional comments to this initiative should anyone feel that the consultation so far still does not satisfy their requirements.

## **2. “Lack of Consideration for Transparency”**

As mentioned above, the project proposals in the IP are at an initial concept stage and more information, including the use of proceeds, will be shared as each project concept under the IP begin to take shape, following the MDBs’ processes.

Regarding the power purchase agreements (PPAs), the existing contracts are confidential and cannot be published because they are commercial arrangements between the offtakers and the private sector power producers. However, under the project concept 1.2, auctions for the replacement power are being envisaged, where the bidders of the renewable energy generation will be tendering for the power tariff, which will be disclosed, ensuring transparency and competition in power price.

Regarding the characterization of the energy transition mechanism (ETM) as a “bail out” of the private sector, it is to be noted that the privately owned CFPPs are legally operating businesses, that provide electricity to households, health and education institutions, enabling growth and development of their respective countries. The plants may have mid-/long-term PPAs with stable revenue stream with options to sell power in the electricity market. In the absence of any intervention, these plants will continue to operate. A program such as ETM is intended for encouraging voluntary early retirement or repurposing.

## **3. “Facilities Should be Decommissioned, Not Repurposed”**

Regarding replacement power for CFPPs retired under the IP, renewable energy such as solar and wind are the most likely to be used. There is currently no proposed project that uses hydrogen, waste, biomass, or refuse-derived fuel (RDF). Moreover, the CIF ACT program cannot support oil or gas, or any fossil fuel as replacement energy.

Since the CIF funding will be channeled through the MDBs, any projects considered will have to follow MDB policies and guidelines. For example, ADB projects under the IP will be guided by ADB's 2021 Energy Policy which supports the technologies mentioned—fuel switching, green hydrogen, and use of RDF—with specific prerequisites to ensure high-quality projects and environmental compliance. IFC and the World Bank’s projects will be guided by the World Bank Group’s Climate Change Action Plan 2021–2025 in line with the WBG’s Green, Resilient, and Inclusive Development approach, which promotes economic progress through a recovery path that is inclusive and consistent with environmental and social sustainability. Priorities for climate-focused action depends on the country context, while maintaining a just transition.

## **4. “Clear Exclusions for Reliance on False Solutions”**

Please refer to the response above. Introducing exclusions beyond the scope of technologies to be supported by the MDBs may reduce their potential to help mitigate emissions and drive energy transition in the Philippines.

## **5. “Lack of Accountability for Past Coal Power Project Financing”**

The objective of the IP is to accelerate the transition from coal to clean energy, and consultation with the relevant project areas, with the concerned audience, will be conducted during project

preparation of individual projects in accordance with the MDBs' processes, as mentioned earlier under item 1.

## **6. “Lack of Assurances that Plans Will Not Add to Existing Public Debt Burdens”**

Most of the CFPPs in the Philippines are private sector-owned and as such all projects are entered into on a voluntary basis by coal plant owners. Project concepts (1.1-1.3) pertaining to early retirement or repurposing coal power plants are all nonsovereign transactions, i.e., loans will be made to the private sector, which does not add to public debt. The sovereign loans are ADB's proposed PRISTINE project (project concept 2.1) which supports reskilling and upskilling of workers who will be affected by the transition to clean energy, and WB's Energy Transition Technical Assistance Project (project concept 2.3) which will be implemented alongside a proposed development policy financing to strengthen the legal, institutional, and regulatory environment in the energy sector to enable the energy transition.

All MDB loans go through due diligence processes, including debt sustainability analysis, before approval. Publicly available documents of approved projects reflect this analysis and, along with sovereign financing terms, are disclosed on the MDB websites.

## **7. “Moving Forward”**

On the inappropriate remarks made by one of the participants during the first stakeholder engagement meeting on 4 August please be noted that the organizers took action and the individual who made the remarks apologized to the CSO representative and made a public apology to all participants, right after the intermission when the remarks were made.

During the second stakeholder meeting on 22 September, the ADB official on behalf of the organizers emphasized at the beginning that the forum is a “safe space”, and we promote the creation of safe spaces for dialogues to allow everyone to express opinions without fear.

In closing, the MDB team appreciates the comments and questions raised in your letters and believe that respectful discussion and sharing of different views are an important part of the learning process. The MDB team is open to listening to all the varied voices around the challenges our region faces and remains committed to ongoing dialogue and engagement with members of civil society.

Sincerely,

Joint MDB technical team