**MEDIA STATEMENT**

**South Korea must commit to finance in Indonesia transition**

**July 28, 2022 –** Indonesian President Joko Widodo’s historic visit to South Korea is set to break new ground for the two countries. Not only because it will strengthen bilateral relations but open new doors for the Asia-Pacific region.

President Widodo will be the second foreign leader to pay an official visit to South Korean President Yoon Suk-yeol after U.S. President Joe Biden. Widodo’s trip to Seoul marks his last stop on his East Asian tour, following China and Japan.

South Korea’s presidential office said the meeting will be “important to deepen the special strategic partnership between South Korea and Indonesia and to strengthen cooperation between South Korea and ASEAN.” Indonesia’s Press, Media, and Information Bureau of the Presidential Secretariat echoed these sentiments calling the three countries strategic partners in the economic sector and adding that “various issues from trade cooperation, investment, health, infrastructure, fisheries, to regional and world issues will be discussed.”

After Singapore and China, [South Korea was Indonesia’s third largest foreign investor with investments reaching over $850 million dollars in 2021](https://www.thestar.com.my/aseanplus/aseanplus-news/2021/06/15/indonesia-skorea-in-talks-over-bali-lrt-jakarta-mrt), according to Investment Coordinating Board (BKPM). A large portion of South Korea’s investments went into infrastructure, including transportation, such as developing Bali’s light rail transits, as well as energy.

In the coastal town of Suralaya in West Java Province, South Korea is financing the expansion of coal power plants in an area that already houses eight coal-fired power generating units. More than half of the [$3.5-billion-dollar project](https://jp.reuters.com/article/uk-climate-change-indonesia-coal-idUKKCN24H0QU) is sponsored by South Korean public financing. The planned Jawa 9 & 10 coal plants are being undertaken by a special consortium, PT Indo Raya Tegana, that’s made up of various entities including state-owned [PT Indonesia Power (51%) as well as South Korea’s state-run Korea Electric Power Corporation, or KEPCO (15%).](https://www.neraca.co.id/article/134120/danai-peroyek-pltu-jawa-9-dan-10-barito-pacific-beri-pinjaman-anak-usaha)

However, while KEPCO is developing Jawa 9 & 10, the power utility announced this past May that it will sell all overseas coal power plants in an effort to improve its financial status. [In 2021, KEPCO posted its largest deficit on yearly performance with an operating loss of 5.8 trillion won and then another record loss of 7.8 trillion won in the first quarter of this year](https://forourclimate.org/en/sub/news/%EB%B3%B4%EB%8F%84%EC%9E%90%EB%A3%8C-%ED%95%9C%EC%A0%84-%EC%97%AD%EB%8C%80%EA%B8%89-%EC%A0%81%EC%9E%90-%EC%82%AC%ED%83%9C-%EC%8A%A4%EB%AA%A8%ED%82%B9-%EA%B1%B4%EC%9D%80-%EB%AC%B4%EC%97%87%EC%9D%B8%EA%B0%80).

“Coal-fired power plants around the world are being funded by South Korea, including Jawa 9 & 10,” said **Joojin Kim, managing director of SFOC**. “South Korea is putting taxpayers’ money into stranded assets by investing in coal plants, which comes at the expense of global climate and public health.”

One of South Korea’s biggest public health concerns is air pollution. Yet, South Korea is financing the expansion of [coal plants in Suralaya, which will exaceberate respiratory ailments from “black ash” in the area](https://earthjournalism.net/stories/pollution-and-foreign-debt-indonesias-unhealthy-addiction-to-coal). In addition, [the coal-fired plants are adversely affecting local fisheries](https://earthjournalism.net/stories/pollution-and-foreign-debt-indonesias-unhealthy-addiction-to-coal), a mainstay of Indonesia’s economy.

“During Widodo’s visit, it will be crucial for South Korea and Indonesia to discuss the fate of Jawa 9 & 10, amid all the problems they are facing,” **SFOC’s Kim** said. “Much like how the country was a trailblazer in announcing ending overseas coal financing, South Korea can use this opportunity to become an advocate and leader for transition finance, not only in Southeast Asia but in the Asia-Pacific.”

South Korea’s new government lead by Yoon pledged to make the nation into a [“global pivotal power.”](https://www.kedglobal.com/business-politics/newsView/ked202203100018) To not fall behind, South Korea must take swift and concrete actions to lead the financing of the [transition from coal to clean energy](https://www.koreatimes.co.kr/www/opinion/2022/06/791_329725.html?WA), especially as neighboring East Asian countries are beginning to take initiative, such as Japan announcing it will [cancel financial support of the Indramayu development coal plants and provide renewable investment opportunity for Indonesia](https://ember-climate.org/insights/commentary/japan-leaving-indramayu-coal-is-indonesias-chance-to-ramp-up-renewables/).

If South Korea gives up coal and instead creates financing through its public institutions to invest in Indonesian renewable energy projects, it will drastically change the course of energy transition in both countries and benefit their economies and public health. But if left unresolved, there are mounting concerns the Jawa coal plants will close even before the project pays for itself; with regulations on greenhouse gases (GHG) expected to eventually become stricter—leaving investors, and the South Korean public, with stranded assets.

During [last week’s G20 meeting](https://www.koreaherald.com/view.php?ud=20220708000398), attended by MDBs and the IMF, G20 Indonesia presidency urged members to join in the transition finance movement for clean energy. In the bilateral summit between South Korea and Indonesia this week, Seoul must respond to this call and go beyond discourse to lead with action.

**ENDS.**  
  
*Solutions for Our Climate (SFOC) is a South Korea-based group that advocates for stronger climate policies and reforms in power regulations. SFOC is led by legal, economic, financial, and environmental experts with experience in energy and climate policy and works closely with policymakers.*   
  
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