

(This is a translation version. The original letter is written in Japanese.)

March 28, 2023

Mr. Shunichi Suzuki, Minister of Finance

Mr. Nobumitsu Hayashi, Governor, Japan Bank for International Cooperation

Cirebon Coal-Fired Power Plant Project - Expansion Plan in Indonesia
Request for Immediate Suspension of the Loan Disbursement and Responsible Action to Halt the Project

Friends of the Earth Japan
Japan Center for a Sustainable Environment and Society (JACSES)
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Bribery allegations have been raised since 2019 with respect to the Cirebon Coal-Fired Power Plant Project - Expansion Plan (Unit 2, 1,000MW) (hereafter "Unit 2 Project") in West Java, Indonesia, for which the Japan Bank for International Cooperation (JBIC) has been disbursing its loan since November 14, 2017. Recently, the Indonesian Corruption Eradication Commission (KPK) has indicted the former Cirebon regent in relation to a series of bribery and money laundering, including cases related to the Unit 2 Project, we once again strongly call on JBIC to immediately suspend its loan disbursement, conduct a thorough investigation into the bribery related to the Unit 2 project, and fulfill its accountability to the public as a public institution regarding the results of such investigation and JBIC's forthcoming actions.

At the first trial against the former Cirebon regent on March 20, KPK prosecutors explained the contents of the indictment concerning massive bribery and money laundering (totaling 64.2 billion rupiah). Regarding the Unit 2 project, it was reported that the indictment generally contains such information as below. [1]

- Two former high-ranking officials of Cirebon Energi Prasarana (CERP) asked the former Cirebon regent for his cooperation and handed over 1 billion rupiah to ensure the smooth implementation of the Unit 2 project, which has faced continuous protests from the local residents.
- Two former high-ranking officials of CEPR (same as above) introduced a few officials of Hyundai (Hyundai Engineering and Construction Co., Ltd.), which is the EPC contractor of the Unit 2 project, and the former Cirebon regent each other.
- The former Cirebon regent requested "operational funds" to calm down the protests of local residents. The "funds" were to be paid by Hyundai officials as a fictitious consulting contract.
- The former Cirebon regent instructed the former Beber district head to let her son-in-law (who is also the son-in-law of the former district head of Astanajapura district, where the Unit 2 project is located)'s company, Milades Indah Mandiri (MIM), participate in a fictitious contract with Hyundai.
- On July 14, 2017, a fictitious project contract (10 billion rupiah) was signed between MIM and Hyundai for consultancy services for the Unit 2 project.
- Between June 2017 and October 2018, "funds" in the amount of 7.02 billion rupiah were paid to the former Cirebon regent in four installments by a few officials of Hyundai through MIM.

- During the same period, the former Cirebon regent and others traveled to South Korea, with Hyundai covering the expenses.

For the bribery case related to the Unit 2 project, the former Cirebon regent and a former high-ranking official of Hyundai had already been identified as suspects by the KPK in 2019, and two former high-ranking officials of CEPR had also been banned from traveling outside Indonesia. JBIC's response at that point was, "Based on the status of the investigation by the Indonesian authorities, we will make an appropriate decision based on the loan agreement." "JBIC is taking appropriate action in light of 'Recommendation of the Council on Bribery and Officially Supported Export Credits' (the "OECD Bribery Recommendation"), among others." [2] Thus, it is our understanding that no measures such as suspension of loan disbursement have yet been taken.

On the other hand, as part of its "Anti-Bribery Policy," [3] JBIC has stated that *"JBIC takes the appropriate actions, such as informing law enforcement authorities, refusal of providing official export credit support, suspension or cancellation of the unutilized portion of loans or mandatory prepayment if it turns out that bribery has been involved in the transaction."* The OECD Bribery Recommendation [4] also recommends as *"Post-final commitment"* that *"Take appropriate action, consistent with their national laws and without causing prejudice to the rights of any parties not responsible for bribery, such as enhanced due diligence, denial of payment, indemnification, or refund of sums provided, if, in relation to the transaction, one of the parties involved is convicted of violation of laws against bribery, subjected to equivalent measures, or found as part of a publicly-available arbitral award to have engaged in bribery."*

Taking seriously the fact that the former Cirebon regent has been indicted by the authorities in the bribery case related to the Unit 2 project, JBIC should take appropriate measures including suspension of its loan disbursement, cancellation of the unutilized portion of loans, and mandatory prepayment. Not to mention that JBIC should suspend its loan disbursement for the Unit 2 project, at least until the verdict on the bribery case involving the former Cirebon regent is issued.

With regard to the Unit 2 project, many issues have been pointed out, including the impact on local residents, such as loss of means of livelihood and environmental pollution; illegal processes, such as violation of the Cirebon Regency Spatial Plan and the improper issuance of environmental permits; human rights violations, such as harassment and intimidation against residents who express opposition and concerns; and retrogression against climate change measures. Thus, there have been repeated calls for the project to be halted. To begin with, the necessity to implement the Unit 2 project in the Java-Bali power grid, which is expected to have a reserve margin of 40-60% (from 2021 to 2030) [5], has also been questioned.

In such circumstances, in November 2022, a memorandum of understanding (MOU) was signed between the project owners (excluding JERA, which has a stake in CEPR), the Indonesian government, and the Asian Development Bank (ADB) for the early retirement of the adjacent Cirebon Coal-Fired Power Plant Unit 1. [6] This development implies that the project owners, the Indonesian government, and the Japanese government, as the largest donor to the ADB, recognize the need to address the imminent climate crisis. The reasons for justifying the continuation or the start of commercial operation of the Unit 2 project, which has been unfairly pushed through in a manner that also involves bribery, are now further disappearing.

Therefore, we request the Ministry of Finance and JBIC to take wise decisions and actions, including responsible actions to halt the Unit 2 project, so that the local communities, who have already suffered

serious impacts on their means of livelihood and health due to the construction and operation of the Unit 1 project and construction of the Unit 2 project, will not suffer further damage.

Cc:

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Footnotes:

- [1] <https://www.detik.com/jabar/hukum-dan-kriminal/d-6629271/sunjaya-pasang-badan-untuk-gm-hyundai-muluskan-proyek-pltu-2-cirebon/1>
- [2] http://jacses.org/wp_jp/wp-content/uploads/2020/02/mof72-2.pdf (only in Japanese)
- [3] <https://www.jbic.go.jp/en/support-menu/export/prevention.html>
- [4] [https://one.oecd.org/document/TAD/ECG\(2019\)2/En/pdf](https://one.oecd.org/document/TAD/ECG(2019)2/En/pdf)
- [5] <https://ieefa.org/resources/indonesia-wants-go-greener-pln-stuck-excess-capacity-coal-fired-power-plants>
- [6] <https://www.adb.org/news/adb-indonesia-partners-sign-landmark-mou-early-retirement-plan-first-coal-power-plant-etm>