

Cirebon Coal Power Station Indonesia, West Java



Intimidation, Human Rights, Environmental Concerns Community Legal Challenges Against Illegal Environmental Permits



1. Background and Marubeni Connection

Marubeni is the largest financier for both Cirebon 1 (Unit 1) and Cirebon 2 (Unit 2) coal power projects in West Java, Indonesia.

Cirebon 1 is a 660-megawatt coal-fired power plant developed by Cirebon Electric Power (CEP), a joint venture between Marubeni Corporation (32.5%), Korea Midland Power Co. (27.5%), Samtan Co. Ltd. (South Korea, 20%) and Indika Energy (Indonesia, 20%). CEP has signed a 30-year power purchase agreement (PPA) with PT Perusahaan Listrik Negara (PLN)¹.

Cirebon 2 is an expansion plant of Cirebon 1 with an additional 1,000-megawatt unit on an adjacent site. This plant is developed by PT Cirebon Energi Prasarana (CEPR), a joint venture between Marubeni (35%), Samtan (20%), IMECO (Indonesia, 18.75%), KOMIPO (South Korea, 10%), JERA (Japan, 10%), and Indika Energy (6.25%). CEPR has signed a 25-year PPA with PLN².

Major funding comes from the Japan Bank for International Cooperation (JBIC)³ and the Export-Import Bank of Korea. Loans are being insured by the Nippon Export and Investment Insurance (NEXI).⁴ The Cirebon projects have tight links with Japanese companies; such as Mitsubishi Hitachi Power Systems (a boiler) and Toshiba (a turbine) for Cirebon 2.

2. ESG Concerns

Illegality: Environmental lawsuits on Cirebon 2

The local community filed a lawsuit to challenge the environmental permit for Cirebon 2, claiming that it was issued illegally by the West Java Provincial Government. A district court ruling cancelled the permit in April 2017. The government appealed the verdict. It later withdrew the appeal, but while the appeal process was still underway, it issued a new environmental permit, despite having no prior consultation with residents about the application for this new permit. As plaintiffs, the local community and an NGO lodged another lawsuit, calling for its cancellation. In May 2018, the district court rejected that case, but plaintiffs have brought an appeal to the high court. Meanwhile, the community has become concerned about its security. For example, a plaintiff found he was under surveillance by unidentified men taking a video of him at work without permission. Such incidents have made members of the community feel anxious and intimidated, and have undermined the social appropriateness and democratic basis for community participation in the decision-making process.

Environmental pollution: Insufficient environmental mitigation measures

Since both Cirebon 1 (currently operating) and Cirebon 2 (planned) are not using the Best Available Technology (BAT) for pollution mitigation, there are concerns about health damage from fly ash (dust) and other pollutants.

Project implementers deny any problem because the units can meet host country standards. Environmental standards in Indonesia are not high. Ethically, proponents should use good practices similar to those of Japan and other countries that have world class standards.

Environmental and social concerns: Inadequate compensation and livelihood restoration

There are reports of huge negative impacts from the time of construction of Cirebon 1 on the livelihoods of local residents, including coastal salt farmers and shellfish harvesters. After its operation started, small-scale fishermen are having hard lives due to the impacts on fishing ground restrictions and thermal discharged water from the power plant. The project implementer paid compensation for land and provided CSR programs, but these measures did not cover all affected residents. Many residents who suffered serious damages have not received appropriate compensation or livelihood restoration. They are concerned that the construction and operation of Cirebon 2 will have even greater negative impacts on them. The effectiveness of livelihood restoration programs is also being questioned.

Environmental and social concerns: Lack of proper EIA and public participation on Cirebon 1

Although construction work for Cirebon 1 began around July 2007, the associated Environment Assessment Report was only submitted to the local environmental department later, in April 2008. This means that the environmental impacts and alternative plans were not analyzed prior to the project launch. Residents who should have been involved in the project decision-making process were not provided any opportunities to learn

about the project. Adequate measures to avoid and/or mitigate negative livelihood impacts were not in place.

Environmental, social & human rights concerns: Inadequate land acquisition on Cirebon 2

The project implementer for Cirebon 2 claims that its construction site was acquired by an Indonesian government agency and became public land in 1986. However, many residents still seek proper compensation for their land because it had been forcibly expropriated without them receiving sufficient monetary compensation. Some landowners did not receive any compensation at all. After they sought an adequate response from relevant government agencies and project implementer, one of their leaders was reportedly intimidated by “thugs.”

1) Indonesia signs \$750 mln power deal with Marubeni, Reuters, August 20, 2007, <https://uk.reuters.com/article/marubeni-indonesia/update-1-indonesia-signs-750-mln-power-deal-with-marubeni-idUKJAK10890420070820>

2) Cirebon Coal Thermal IPP Project (JERA), <https://www.jera.co.jp/english/business/projects/cirebon.html>

3) Project Finance for Expansion of Cirebon Coal-fired Power Plant in Indonesia (JBIC), November 14, 2017, <https://www.jbic.go.jp/en/information/press/press-2017/1114-58532.html>

4) Indonesia / Loan Insurance for Cirebon2 Ultra-Supercritical Coal Fired Power Plant (NEXI), November 14, 2017, <http://nexi.go.jp/en/topics/newsrelease/2017103102.html>

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Published June 2018

Project Overview

	Cirebon 1 (Unit 1)	Cirebon 2 (Unit 2)
Capacity	660 megawatts	1000 megawatts
Technology	Supercritical (SC)	Ultra-Supercritical (USC)
Fuel	Coal	
Implementation	Cirebon Electric Power (CEP)	Cirebon Energi Prasarana (CEPR)
Operator	Cirebon Electric Power (CEP)	Cirebon Energi Prasarana (CEPR)
Schedule	Construction began 2007 Commercial operation began July 2012	Construction began 2016 Operation to begin 2022
Location	Cirebon, West Java Province, Indonesia	
Cost	About 850 million USD (595 million USD is co-financed by JBIC, Korea Eximbank, Mitsubishi UFJ, Mizuho, Mitsui-Sumitomo, ING)	About 2.18 billion USD. (1.74 billion USD is co-finance by banks: JBIC, Korea Eximbank, Mitsubishi UFJ, Mizuho, Mitsui-Sumitomo, ING (Crédit Agricole withdrew)