

February 03, 2014

To: Mr. Hiroshi Watanabe,
Governor
Japan Bank for International Cooperation (JBIC)

We, representatives from X civil society groups from Y countries, wish to draw your attention to the problems surrounding JBIC's coal financing and to urge you to abandon plans to finance the proposed Batang coal fired power plant in Central Java, Indonesia. The Batang power plant has already been beset by delays, controversy, and local opposition. We strongly call on JBIC to cancel plans to finance the Batang power plant and to join the growing international consensus to stop financing coal projects abroad.

1. Violation of Indonesian law

The Batang project has already violated several aspects of Indonesian law. As a Public-Private Partnership project (PPP), the Batang power plant must follow President's regulation No.67/2005 (since amended by Presidential Regulation No. 13/2010 and No. 56/2011) which requires power projects to achieve financial close within 1 year. The project's guarantee agreement was signed on October 6th, 2011 with a financial close deadline of October 6th, 2012. However, the project was delayed due to local opposition¹ and financial close was extended for 2 consecutive years to 2014.

Moreover, the proposed power plant infringes upon the Ujungnegoro-Roban coastal area, which is protected as a Marine Protected Area and Local Sea Tourism Object under Government Regulation No. 26/2008. Part of the power plant will be built at sea and infringes upon a protected area, in direct violation of Central Java provincial bylaw No 6/2010 on spatial planning. Therefore, the project violates JBIC's Guidelines for Confirmation of Environmental and Social Consideration [hereinafter "JBIC Guidelines"], which requires that *"projects must comply with laws, ordinances and standards relating to environmental and social considerations established by the governments that have jurisdiction over the project site (including both national and local governments)."*

2. Opposition by local community:

More than 7,000 villagers have expressed concern over the proposed power plant. Fifty local landowners have refused to sell 55 ha of land that is needed for the proposed 226 ha power plant. The local community has protested on over 22 occasions in the local as well as in Jakarta. On July 22nd, 2013, about 180 Batang locals protested at the Japanese embassy in Jakarta. The following week, on July 30th, local authorities and the military resorted to taking violent action against protestors, which resulted in 17 injuries, according to local news reports. These events

¹<http://www.bloomberg.com/news/2013-10-04/j-power-partners-delay-4-billion-indonesia-coal-power-plant.html>

make it difficult to see how the project has secured “*social acceptability*,” as required by JBIC Guidelines.

In addition, local people are concerned about the plant’s impact on their livelihood and health. Construction will destroy fertile agricultural land. Emissions from the plant will pollute local coastal areas where more than 10,000 fishers earn their living. It is estimated that the facility can emit some 226 kg of mercury per year. Just 0.907 grams of mercury in a lake has the potential make any fish in a 0.1km² area unfit to eat.²

3. A turning tide against public finance for coal:

In 2013, as part of a growing international consensus, several financial institutions and governments declared their intention to cut financing for coal projects abroad. The US government, the 5 Nordic countries, the World Bank and the European Investment Bank all took steps to set stricter standards for coal financing. JBIC should follow suit and implement a ban on financing coal projects overseas.

4. Indonesia’s commitment to reducing greenhouse gas emissions:

There have been major initiatives by the Indonesian government to combat climate change. In 2009, the government pledged to reduce its greenhouse gas emissions by 26% by 2020. However, the Batang power plant alone is likely to emit 10.8 million tonnes of CO₂ per year. If coal fired power plants continue to be built, Indonesia’s energy sector emissions could double by 2020.³ If we are to have any chance of avoiding catastrophic climate change, according to scientists we must limit global temperature rises to 2°C from pre-industrial level. We must phase out coal which is responsible for more than 40% of global CO₂ emissions. The \$4 billion dollars required for the plant should be used to promote renewable energy, which is becoming increasingly cost-competitive and avoids negative impacts on communities, health and the environment.

In conclusion, we call on JBIC to:

- (i) Confirm the above concerns by conducting a field investigation and talking directly with local residents/ NGOs rather than relying solely on the project implementer and the Indonesian government.
- (ii) Disclose all social and environmental documents related to the project, including the Environmental Impact Assessment and Resettlement Action Plan in both Indonesian and English.
- (iii) Reject financing for the Batang coal-fired power plant in Indonesia.
- (iv) Release an official policy statement that pledges an end to coal financing and support for funding cleaner, more sustainable renewable energy projects using innovative Japanese technology.

²<http://www.greenpeace.org/seasia/id/press/releases/Batang-Coal-fired-Power-Plant-Will-destroy-health-and-livelihoods/>

³ ditto

Thank you in advance for your consideration and we look forward to your response.

Yours sincerely,

Cc: Mr. Shinzo Abe, Prime Minister, Japan
Mr. Taro Aso, Minister of Finance, Japan
Mr. Masahiro Okafuji, President & Chief Executive Officer, ITOCHU Corporation
Mr. Yasuo Maeda, Chairman, Electric Power Development Co.,Ltd. (J-POWER)
Mr. Masayoshi Kitamura, President, Electric Power Development Co.,Ltd. (J-POWER)
Mr. Takeshi Kunibe, President, Sumitomo Mitsui Banking Corporation
Mr. Yasuhiro Sato, President & CEO, Mizuho Bank, Ltd.
Mr. Nobuyuki Hirano, President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.

This letter is endorsed by the following organizations.