

The True Cost of Coal

Abuses, health impacts and Risks Associated with Indonesia's Batang Coal Fired Power Plant Project

Greenpeace Briefing paper
March 2014

"We oppose the Batang Coal Power plant, because we don't want to face same destiny as the communities who were already affected by coal power plants, like communities in Cirebon, Jepara, and Cilacap. The Government should put our future before the greedy polluters."

Statement by the affected community

"If Indonesia were serious about its commitments, we would try to reduce the country's ruinous dependence on coal, instead of investing in dirty fossil fuels. If the Indonesian government keeps building coal power stations at the current rate, total emissions from the energy sector will double by 2020. We cannot let that happen."

Longgena Ginting, Country Program Manager of Greenpeace Indonesia

Summary

The World Bank and Japan are helping build Southeast Asia's largest coal-fired power plant on Indonesia's Java island, in Batang regency, and thereby encouraging the Indonesian government in its dangerously misguided plan to develop 117 new coal-fired power plants. If constructed, these new plants will have devastating social and environmental impacts in the country, while pushing Indonesia down a catastrophic path towards climate change.

Over 7,000 villagers from 5 villages have spoken out against the proposed Batang plant, courageously creating delays and rising costs that threaten to derail this environmental disaster in the making. They have staged more than 22 protests in the past 3 years, some of which saw over a thousand people coming out in the streets. Moreover, 50 local landowners have refused to sell 55 hectares of land which are needed for the proposed plant. Villagers are concerned that the power plant will contaminate the air they breathe, and pollute local coastal areas where roughly 10,000 fishermen earn their living. The Batang facility could emit some 200kg of mercury per year.

The World Bank is helping finance this mammoth coal-fired power plant in Batang in spite of its new policy to quit supporting coal projects worldwide. Such a shocking betrayal of the bank's own standards must end. Greenpeace calls on the World Bank to immediately cease financing Batang and other coal projects; ensure its existing projects conform to its new standards; and embrace more geothermal and other renewable energy projects in Indonesia.

Japan, which has also played a major role in pushing the dirty Batang plant, must cease peddling its coal projects in Asia, and embrace clean energy as it promised to, after the Fukushima disaster.

The Indonesian government should be pressured to spend the requisite \$4 billion for the 2-million-kilowatt coal-fired power plant on cleaner, more sustainable, renewable energy solutions. President Susilo Bambang Yudhoyono needs real support – and not just lip service – for his government's 2009 commitment to reduce greenhouse gas emissions by 26% by 2020; and to develop 25% renewable energy in its total energy mix by 2025. He does not require international assistance to increase GHG emissions. The Batang power plant alone will likely emit 10.8 million tonnes of CO₂ per year, equivalent to 2.6% of Indonesian energy sector's emissions in 2010¹. As Indonesia's flagship coal project, international support for Batang could accelerate other proposed coal fired power plants (117 in the pipeline), and if all goes ahead, Indonesia's energy sector emissions could double by 2020.²

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1 Indonesia's 2010 total emissions from fuel combustion is 410.0 million tonnes, CO₂ Emissions from fuel combustion Highlights (2012 Edition), International Energy Agency.

² Siaran Pers, "Batang Coal-fired Power Plant Will destroy health and livelihoods," 3 April, 2013. Available at <http://www.greenpeace.org/seasia/id/press/releases/Batang-Coal-fired-Power-Plant-Will-destroy-health-and-livelihoods/>

Batang: key facts

- The 2,000-megawatt coal-fired power plant in Batang, Central Java **will cost at least \$4 billion** – money that could be spent on renewable energy projects.
- Fueled with Indonesia’s low-quality coal, **Batang would be the biggest coal-fired power plant in Southeast Asia**. It is designed to bring electricity to 13 million people, supplying electricity for at least 25 years to the state-owned power generator PLN.
- **Severe project delay**: though companies involved agreed in October 2011 to build the plant, aimed to start construction in 2012 and the plant’s first 1,000-megawatt unit was to start operation in 2016, followed by the second unit in 2017. However, the project has been severely delayed due to strong local opposition. As at March 2014, the project has not completed land acquisition and the financing looks increasingly uncertain.
- **Estimated annual emissions from the Batang power plant** are significant, and yet the government authorities and companies involved, have yet to fully explain their potential impacts to affected communities.

Air Pollutant	Estimated Annual Emissions ³
CO ₂	10.8 million tonnes
SO ₂	16,000 tonnes
NO _x	13,000 tonnes
PM ₁₀	1,800 tonnes
PM _{2.5}	780 tonnes
Mercury	200 kilograms

- Based on existing plans, plant would release approximately **200 kg of toxic mercury each year** into the air. The power plant would increase the amount of mercury in the sea and land around the power plant, including the Ujungnegoro-Roban Regional Marine Protected Area (Kawasan Konservasi Laut Daerah). The mercury deposition would increase mercury levels in fish, rice and other food consumed by people, and could affect the livelihoods of the local fishermen. Mercury is a poison that harms the developing brain and nervous system of fetuses and children, even at very low concentrations. Moreover, the marine protected area is of tremendous value to local communities as a driver of lucrative tourism. “The Ujungnegoro-Roban coastal area was declared a Local Sea Tourism Object under Government Regulation

³ Based on the following values given in the ANDAL: emission rates 329/285/55 g/s of SO₂/NO_x/particulates for each of the two units; and thermal efficiency of 42%. A relatively low capacity factor of 75% was assumed. PM2.5/PM10/TSP ratio 24/54/80 based on U.S. EPA AP-42. Standard IPCC CO₂ emission factor for coal of 94.6 g/MJ. Coal mercury content 0.06 ppm in Indonesian coal ([http://www.neaspec.org/documents/airpollution/PDF/S1_17am_Moritomi\(GifuUniv\)_1211.pdf](http://www.neaspec.org/documents/airpollution/PDF/S1_17am_Moritomi(GifuUniv)_1211.pdf)) and 50% capture rate for mercury based on UNEP Mercury toolkit.

No. 26/2008. According to the Central Java provincial bylaw No 6/2010 on spatial planning, part of ***the project's site at sea infringes upon a marine protected area.***"

- ***The project has run into massive local resistance and land acquisition problems.*** 50 landowners refused to sell their land, totaling roughly 55 hectares (as of October 2013). This adds up to about 15-20% of the land needed for the plant, which would cover 200-350 hectares (conflicting reports about land needed for Batang CFPP have muddied the water, but according to official data from the government and companies involved, 226 hectares are at stake).

According to information available to Greenpeace, the AMDAL (Indonesian Environmental Impact Assessment) was approved on August 26th, 2013; and the environmental permit was received on the same day. The site investigation by private banks was understood to be done in June 2013. Through an amendment of a President's decree, the financing deadline (the October 2013 expiry of the loan contract for the project) was extended by a year; as an environmental review is necessary before financing can be set. ***The AMDAL process failed to include the community concerns and voices.*** Instead of being participatory or taking note of local residents' protests, it ignored the community's very explicit resistance. Indeed, the community's response was completely excluded from the record of the AMDAL hearing. The final AMDAL forum minimized the participation of registered, verifiable residents and included the participation of groups with no prior track record and no verifiable connection to the community, or to the land. Residents allege that some of these participants were brought in from farther afield by the company and the local government in order to drown out the community's voice.

Financing of Batang

Who are the players?

- The International Finance Corporation (IFC), private sector arm of the World Bank Group, acts as the *Transaction Advisor* for the project; and under its advisory, the project scale grew from 800MW to 2000MW⁴.
- The Batang Coal Power Plant Project (officially known as the Central Java Coal Power Plant Project) is set up as a joint venture PT Bhimasena Power Indonesia between:
 - o Adaro Power of Indonesia, a subsidiary of AdaroEnergy, *owns 34 percent of the joint venture*
 - o "J Power" also known as Electric Power Development Co., a company linked to the Japanese government, *owns 34 percent of the joint venture*
 - o Itochu Corp, a Japanese trading house, *owns 32 percent of the joint venture*The Batang power plant will be built by PT Bhimasena Power Indonesia, the local company established for the deal in a build-operate-transfer (BOT) scheme, and will operate as an independent power producer.
- PT Perusahaan Listrik Negara (PLN or Persero), the monopoly distributor of power in Indonesia, has signed a 25-year Power Purchase Agreement to *buy the electricity*.⁵ On 6

⁴ Oil Change International, "World Bank Accelerating Coal Development in Indonesia, 2013, accessible at: http://priceofoil.org/content/uploads/2013/09/OCI_World_Bank_Indonesia_Coal_09_2013.pdf

⁵ http://www.indii.co.id/news_daily_detail.php?id=4976 17 October 2012: Bisnis Indonesia, "Financial Closing for Central Java PLTU Delayed." Riendy Astria

October 2011, a guarantee agreement was signed between the Ministry of Finance and PT Penjaminan Infrastruktur Indonesia (Persero) as guarantor, with PT Bhimasena Power Indonesia as the private power developer.”⁶ The plant is allegedly slated to sell its electricity to state owned Persero at 5.79 cents per kilowatt-hour.⁷

- The government of Indonesia is *actively promoting the project as a flagship development project for Indonesia*. President Susilo Bambang Yudhoyono, the Coordinating Ministry for Economic Affairs, the Committee of Infrastructure Provision Acceleration (KKPPI), the Ministry of Finance, the Ministry of Planning / Head of Bappenas, the Ministry of State Owned Enterprises, the Ministry of Energy and Mineral Resources, the Coordinating Board Investment, the Governor of Central Java, PT Indonesia Infrastructure Guarantee Corporation Limited, and PT Indonesia Infrastructure Guarantee Corporation Limited.
- Japanese Prime Minister Shinzo Abe is *promoting the project*. In December, 2013, at a meeting with Indonesia’s president, Abe confirmed that they will continue to support high efficiency coal-fired power plants in an effort to boost the public and private sectors.
- The Japan Bank for International Cooperation (JBIC) the world’s largest public coal financier for overseas coal expansion⁸, is considering to be one of the leading financiers of this project, and has proposed giving a *loan* to the consortium⁹. Due to delays in purchasing land for the site, the USD 3 billion in loans from JBIC and private banks allegedly has not been forthcoming, and without these funds, construction of the Batang plant cannot begin.¹⁰
- Bank Raya Indonesia BRI, which has *provided cash for land acquisitions* thus far
- In August 2012, as mentioned in a report by the Ministry of Land and Transport, private banks made a bridge loan agreement for one year. The loan amount was around US\$ 270 million, composed of
 - o \$ 135 million from Sumitomo Mitsui Trust/Banking Corporation,¹¹
 - o \$ 62 million from Tokyo-Mitsubishi UFJ,
 - o \$ 18 million from Mizuho,
 - o \$ 18 million from DBS (the Development Bank of Singapore), and
 - o \$ 18 million from OCBC (Oversea-Chinese Banking Corporation Limited, in Singapore).

Japan: leading the charge in overseas coal expansion

The real reason Japan is backing Batang is to increase export of Japanese so-called “clean coal” technology – prioritising a few rich Japanese companies’ bottom lines over the health of Indonesian people. A senior METI official outlined in a 2011 presentation Japan’s vision of “Japan to lead the

⁶Riendy Astria, “Financial Closing for Central Java PLTU Delayed,” *Bisnis Indonesia*, 17 October 2012.

Available at http://www.indii.co.id/news_daily_detail.php?id=4976

⁷ Retno Ayuningtyas, “Investment for Central Java Power Plant to Soar,” *The Jakarta Globe*, October 17, 2013.

Available at <http://www.thejakartaglobe.com/business/investment-for-central-java-power-plant-to-soar/>

⁸ JBIC’s overseas coal lending between 2007-2013 amounts to \$11.9 billions, way higher than other International Financial Institutions (IFIs). Source: *Way Too Much Public Funding is Going into Coal Projects in Key Countries: Preliminary Findings Show*, Jake Schmidt, Natural Resource Defense Council, 21 Nov 2013, http://switchboard.nrdc.org/blogs/jschmidt/way_too_much_public_funding_is.html

⁹ http://www.indii.co.id/news_daily_detail.php?id=4976 17 October 2012: *Bisnis Indonesia*, “Financial Closing for Central Java PLTU Delayed.” Riendy Astria

¹⁰ Hirofumi Matsuo, Nikkei senior staff writer “Prospects dimming for key Japanese power plant in Indonesia,” *Nikkei Asia Review*, November 28, 2013. Available at <http://asia.nikkei.com/Business/Trends/Prospects-dimming-for-key-Japanese-power-plant-in-Indonesia> [hereinafter Matsuo, Prospects dimming.]

¹¹ http://www.indii.co.id/news_daily_detail.php?id=4976 17 October 2012: *Bisnis Indonesia*, “Financial Closing for Central Java PLTU Delayed.” Riendy Astria; Japanese report of Ministry of Land, Infrastructure, Transport and Tourism (MLIT) (March 2013).

world's coal usage", using "coal diplomacy" to further strengthen the ties with major coal producing and consuming countries¹². According to new research by Natural Resource Defense Council (NRDC), Japan has emerged as the biggest public financier in overseas coal projects (\$19.7 billion) globally¹³, mainly using The Japanese Bank for International Cooperation (JBIC) as its conduit.

The Japanese government has promoted this Batang plant as a showpiece in Japan's worldwide efforts to help its own corporations beat Chinese companies for international coal plant contracts. In this tough international race with billions at stake, Japan's strategy involves promoting the country's so-called "high-efficiency" ultra-supercritical coal-fired power generation technology as a climate change solution. A Japanese media source alleged, Tokyo "hopes the ultra-supercritical technology will help Japanese businesses push back the advance of Chinese rivals in the global infrastructure development market. 'We want to make the Central Java project a showcase that will open the door to more projects,' said an official at Japan's Ministry of Economy, Trade and Industry."¹⁴

In a clear "coal diplomacy" drive, the Batang project has been explicitly endorsed as a critical public-private project by Japanese Prime Minister Shinzo Abe, and in a bilateral summit with President Susilo Bambang Yudhoyono and Abe, the plant was high on the agenda. Abe publicly pressured Indonesia to advance this Japan-funded power plant project, including "a public scolding at October's APEC CEO Summit."¹⁵ Moreover, Japan's trade ministry has sought more support from the Indonesian government.

Abe claims he supports Batang because this is a clean coal project which can serve as a showcase for clean new technology. The notion of 'clean coal' and the claim that this is a climate change solution are both highly misleading. Ultra-supercritical coal-fired power generation technology offers marginal improvement in combustion efficiency compared to sub-critical coal plant technology (4 to 6 percentage points) but will lock in huge amount of emissions (for example, Batang coal plant will lock-in approximately 432 million tonnes of carbon emissions in its operating life-time of 40 years). Moreover, coal is by far the world's most polluting fuel, no matter which way it is burned. Toxicants that are not released into the atmosphere end up in coal ash that is produced. Currently, Indonesia has no laws categorising coal ash as a toxic substance, and allows coal ash to be dumped in waterways, near drinking water sources, near schools, and right next to homes.

Japanese coal imports

Japan has a long and unsavory history of connections to Indonesia's coal industry. Besides Japan's eagerness to market its coal-fired power plant technology to Indonesia, its imports of Indonesian coal have also gone up consistently and show no signs of tapering off.

Indonesia's coal exports to Japan are large and growing. Since 2009, they have played an increasingly vital role in Japan's energy mix – highlighting the somber reality that while Japan may talk a green talk about its energy strategy, it is charting a dirty course for the country; one grounded in deep dependence on coal.

¹² Japan's Policy Direction for Coal, Presentation by Hisayoshi Ando, Director General of Natural Resources and Fuel Department, Japan's Ministry of Economy, Trade and Industry (METI), Sep 2011. Accessible at: http://www.jcoal.or.jp/coaldb/shiryo/material/day1_keynote_a_en.pdf

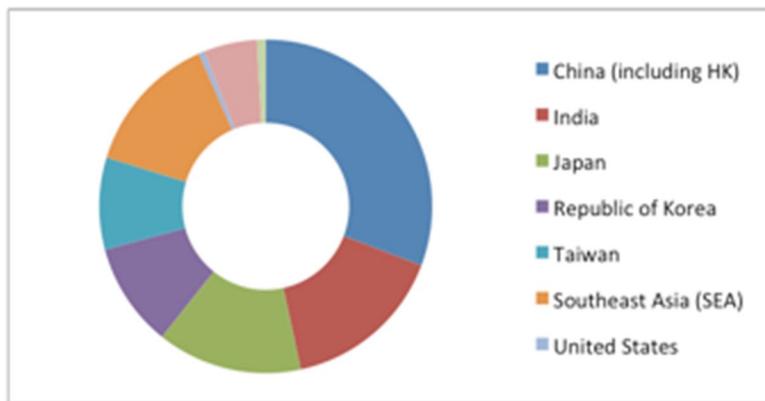
¹³ *Way Too Much Public Funding is Going into Coal Projects in Key Countries: Preliminary Findings Show*, Jake Schmidt, Natural Resource Defense Council, 21 Nov 2013, http://switchboard.nrdc.org/blogs/jschmidt/way_too_much_public_funding_is.html

¹⁴ Matsuo, Prospects dimming.

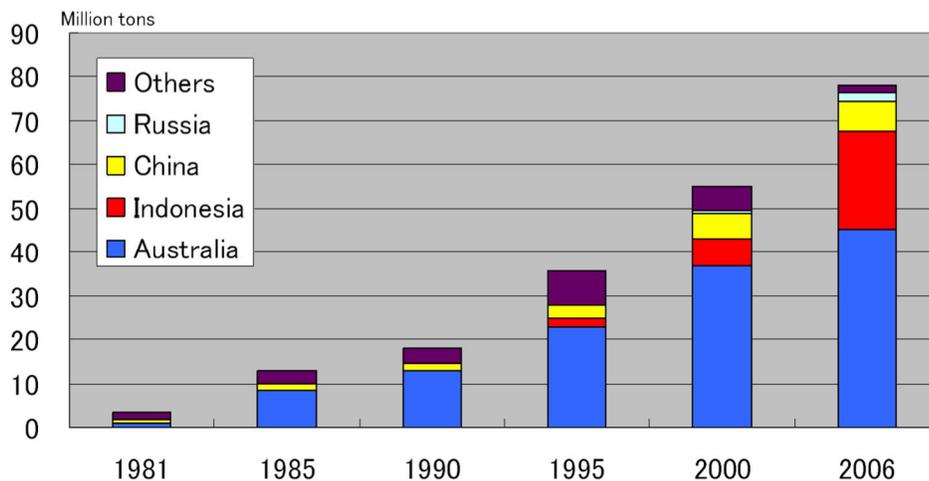
¹⁵ Matsuo, Prospects dimming.

2009-2013 Indonesia Coal Exports by Destination¹⁶

DESTINATION	2009-2013 (thousand Rupiah)	%
China (including HK)	253,691,692.10	30.76
India	130,786,121.11	15.86
Japan	116,230,136.04	14.09
Republic of Korea	83,269,620.44	10.10
Taiwan	73,656,899.73	8.93
Southeast Asia (SEA)	112,786,907.88	13.68
United States	4,602,576.00	0.56
Europe	42,633,253.09	5.17
Others	7,006,356.97	0.85
TOTAL	824,663,563.36	100



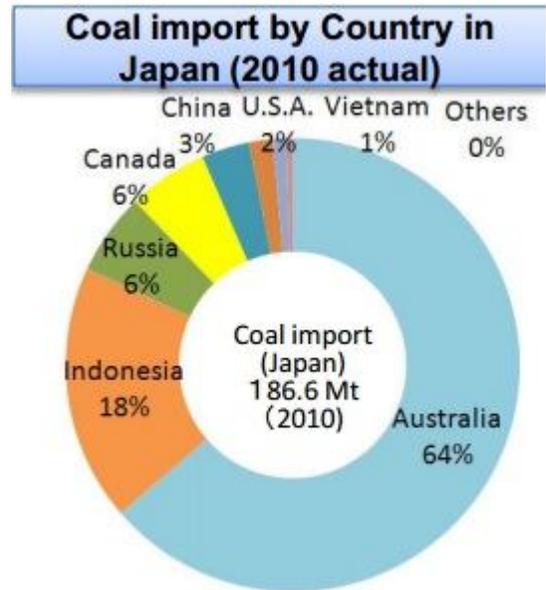
Japanese coal imports rely more and more on Indonesian coal¹⁷



¹⁶ <http://www.minerba.esdm.go.id/public/38477/produksi-batubara/.ekspor-negara/2009/2013>

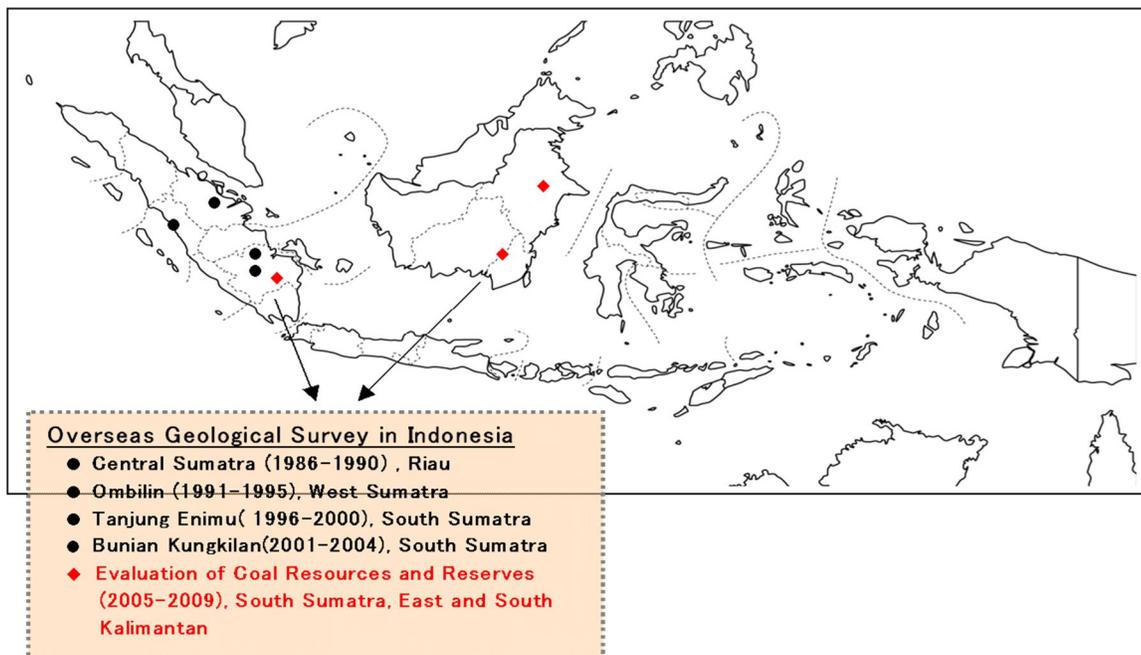
¹⁷ "Outline of Electric Power Supply and Demand," Agency for Natural Resources and Energy, on file with Greenpeace.

In 2010, coal imported from Indonesia reached 33 million tonnes and accounts for 18% of Japan's total coal import¹⁸.



Not only is Japan importing coal – it is also boosting joint Japanese-Indonesian coal exploration, in the hopes of playing a more central role in coal mining.

Location of Coal Exploration and Database Projects conducted jointly by Japan and Indonesia¹⁹



Abe himself bears personal responsibility for promoting coal in Indonesia. When speaking of Batang, Abe has said, “My message to you is the following: When considering the mounting need for infrastructure and urban development in your countries, always remember that you have Japan.”²⁰

¹⁸ Japan's Policy Direction for Coal, Presentation by Hisayoshi Ando, Director General of Natural Resources and Fuel Department, Japan's Ministry of Economy, Trade and Industry (METI), Sep 2011. Accessible at: http://www.jcoal.or.jp/coaldb/shiryo/material/day1_keynote_a_en.pdf

¹⁹ Yoshihiko Nakagaki (Chairman, Japan Coal Energy Center President, Electric Power Development Co., Ltd.), “Future of Indonesian Energy Coal and Japanese Involvement,” March 27, 2009, Tokyo. Available at http://www.jcoal.or.jp/publication/seminar/pdf_for_hp_indonesia_s/future_of_indonesia_energy_coal.pdf

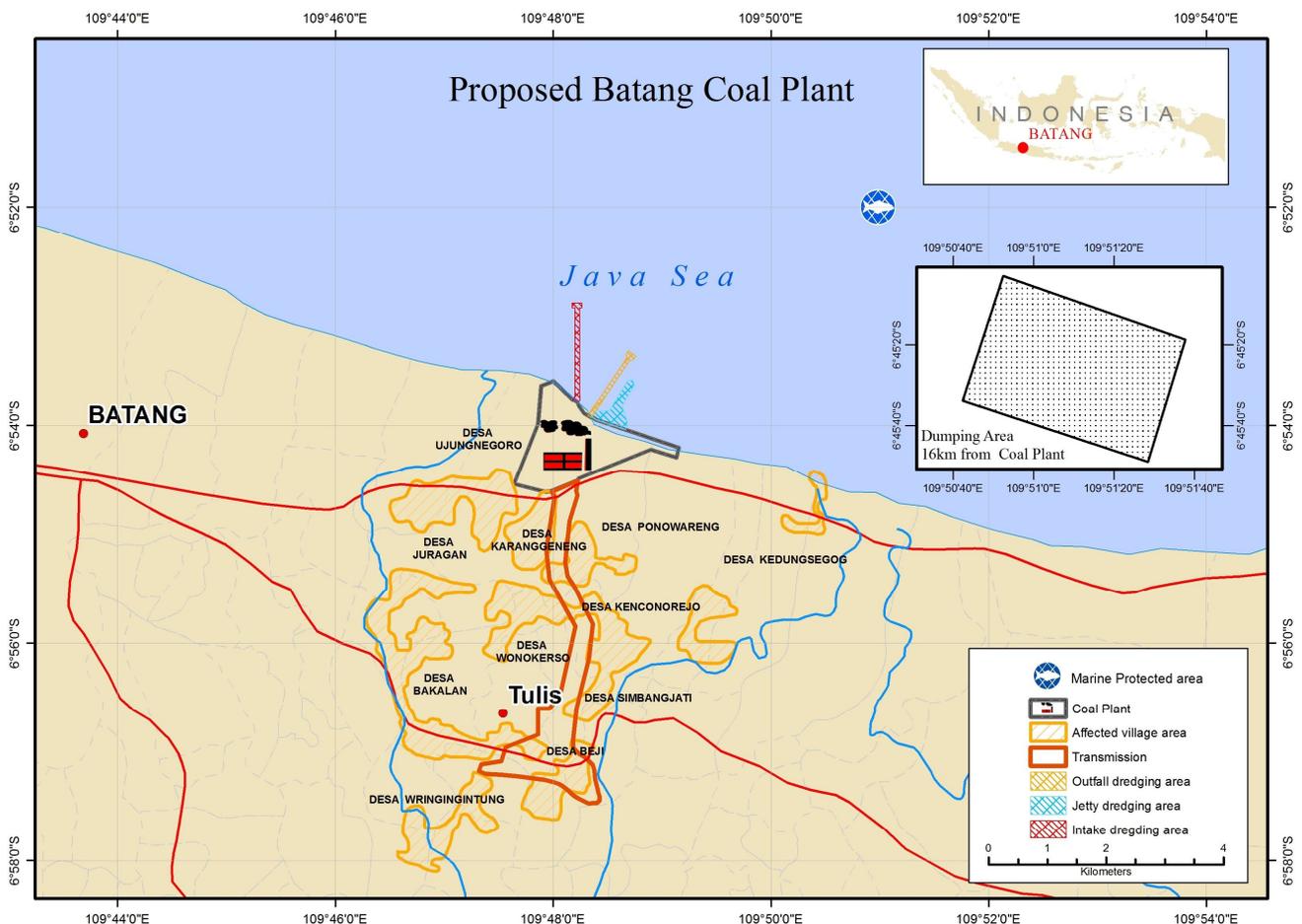
²⁰ Kate Sheppard, “World Bank Aids New Coal Project Abroad, Defying Policy, Environmental Group Says,” Huffington Post, 25 September 2013. Available at http://www.huffingtonpost.com/2013/09/25/world-bank-coal_n_3986125.html [hereinafter Huffington, World Bank Aids New Coal Project]; See also Satria Sambijantoro,

Greenpeace's message is the following: When you consider destroying your environment with dirty coal, always remember that it won't bounce back. That there is no Planet B.

When Indonesia considers the mounting need for infrastructure and urban development, it may wish to calculate that existing coal power plants have already cost the nation millions in health care, agriculture, and fisheries costs. Coal companies have reaped tremendous profits while regular citizens are left to cope alone with sickness, death, failing harvests, and vanishing fish.

Batang: the situation on the ground

Close to 7,000 villagers in 3 villages live in the immediate vicinity of the proposed site of the Central Java Coal Power Plant (1 Fishing village, Roban, and 2 farming villages, Karanggeneng and Ponowareng, are especially close.). However, as many as 15,000 villagers in 5 villages are estimated to be within range of the huge coal power project's most damaging pollution.



Map of Batang: showing the location of the proposed Batang Coal Fired Power Plant, associated

"PM Abe puts heat on RI over stalled Japan-funded power plant," The Jakarta Post, 08 October 2013. Available at <http://www.thejakartapost.com/news/2013/10/08/pm-abe-puts-heat-ri-over-stalled-japan-funded-power-plant.html>.

*infrastructure including coal shipment ports, transmission lines, impacted villages and the dredging and dumping in the local marine protected areas.*²¹ (Greenpeace)

Thousands of villagers have organised upwards of 22 protests in Jakarta, in Batang, and in Samarang, from 2011 until the time of this writing. Many of them fear that the coal power plant will harm their health, water supply, farms, and fisheries.²² The local community has protested at and written to almost all relevant governmental institutions related to fisheries, agriculture, energy, and more. They have even protested at the Presidential Palace on 17 June 2012, with as many as 3,000 people attending. The second largest protest took place 3 April 2013 in front of the Coordinating Minister of Economy offices in Jakarta with 1,500 people. Another especially large protest with over 2000 people unfolded in Semarang on 23 August 2013, when the new local government was inaugurated. Local parliament office and regency office protests in Batang have consistently drawn the most participants, with over a thousand people, primarily because of their proximity to affected villagers – but these protests tend to be the least covered in local and international media.

The villagers' rally at the Japanese embassy on 22 July 2013 was better covered by media: "A group of villagers from the Central Java Province in Indonesia staged a protest in front of the Japanese Embassy in Jakarta to protest the construction of a coal-fired power plant that will be built by an Indonesia-Japan consortium... Around 120 villagers from Batang Regency formed a line amidst heavy rain and carried banners with the message 'Reject the Batang Power Plant! Choose a Clean Environment!'. They also handed over to an embassy representative a letter for Japanese Prime Minister Shinzo Abe, asking him to halt the 2,000-megawatt power plant project."²³

"Another demonstration was also held in front of the Semarang State Administrative Court (PTUN) when residents filed a lawsuit against the Batang regent for making a bylaw that contradicted other regulations,"²⁴ including ones to protect the Marine Natural Park. Residents alleged that the project had not received necessary environmental permits to begin construction.²⁵

Violent clashes, intimidation and documented human rights concerns

One particularly crucial protest emerged when 15 community representatives from all 5 affected villages (3 from each village) undertook a **3-day hunger strike** in Semarang to protest the unfair jailing of their colleagues. At the time, **7 community reps had already been interned on spurious charges: with 2 men under house arrest and 5 more incarcerated.** The hunger strike took place in

²¹ Mapping by Greenpeace Southeast Asia, using information from the environmental impacts assessment (Analisis Dampak Lingkungan Hidup) reports.

²² "Thousands oppose steam power plant establishment in Batang," Jakarta Post, 3 September 2012. Available at

²² <http://www.thejakartapost.com/news/2012/09/03/thousands-oppose-steam-power-plant-establishment-batang.html-0>

²² See also, "Villagers clash with officials while rejecting power plant project drilling," Mongabay Indonesia, 30 July 2013. Available at <http://www.mongabay.co.id/2013/07/31/warga-desa-bentrok-dengan-aparat-menolak-pengeboran-proyek-pltu-batang/>

²² See also, "Protracted impediments hold back power plant expansions," Jakarta Post, 23 April 2013. <http://www.thejakartapost.com/news/2013/04/23/protracted-impediments-hold-back-power-plant-expansions.html>

²³ Huffington, World Bank Aids New Coal Project.

²⁴ Agus Maryono, "Thousands oppose steam power plant establishment in Batang," The Jakarta Post, 03 September 2012. Available at <http://www.thejakartapost.com/news/2012/09/03/thousands-oppose-steam-power-plant-establishment-batang.html-0>

²⁵ Oil Change International, World Bank Accelerating Coal.

front of the most iconic place in Samarang, near the governor's office. Over 1000 people joined this protest in solidarity. The 7 detained leaders had been charged by police of kidnapping a Japanese individual, allegedly surveying the land for Sumitomo, in July 2012. Community leaders stated that they had intervened in a tense situation to save the Sumitomo surveyor from angry villagers, and had escorted him to a location secured by police and military, in order to avoid his being harmed should a riot break out. The Central Java Regional Court (Pengadilan Negeri Java Tengah) held that the 7 community leaders did nothing wrong, found them innocent of kidnapping, and freed them with no penalty whatsoever. Based on the findings of the court and clear evidence, there is no basis in the companies' and banks' claims that a Japanese person was abducted by locals – nor is there a valid security rationale for a heavy and intimidating military and police presence on the project site.

“On July 30, local residents reported that they were beaten by project security, military and police because of their involvement in a protest of approximately 500 residents attempting to halt construction operations. Local news reports 17 residents were injured, including 15 men and 2 women.”²⁶ Villagers told Greenpeace that in this **violent clash** the police destroyed community motorcycles, and that policemen and military beat community members including women and boys under 17 years of age. Residents also alleged that hired thugs had come to create tension and provoke the community.

Local villagers, who depend on ancestral lands for livelihoods, “allege the government is attempting to bully them out of their land.”²⁷ The 2013 land price is 100,000 rupiah/m², and residents have claimed that company representatives have pressured them repeatedly to sell the land for an unfair price, when in fact many do not want to sell at any price, because of their fears that the plant would pollute rich fishing waters and threaten the livelihoods of local fishermen. **Villagers “allege illegal intimidation and human rights abuses from police and government representatives in attempting to acquire the land.”**²⁸ Residents of the 5 affected villages repeatedly complained to Greenpeace about intimidation they have faced. Greenpeace collected testimonies as well as footage shot of army and police attacking locals.

Governmental authorities and company representatives have begun using frivolous lawsuits as a legal tactic to intimidate and to weaken the community opposition to coal power plant. **Currently, there are two community leaders named Carman and Cayadi from Karanggeneng, who have faced charges although they were acquitted and freed in the district court.** Last week, community leader Kasmir from Karanggeneng, received a letter from the Central Java authority, alleging that he had committed crimes during a protest in July 2013. Government and company representatives have also been slandering and defaming members of the anti-coal community. In recent months, several community leaders also received mysterious calls and sms messages, intimidating and threatening them, and ordering them to stop their opposition to the power plant.

Although the Batang case received relatively little new coverage for some time, the tide is turning. For instance, a press trip for domestic media to Batang organized by Greenpeace, with community

²⁶ Ibid.

²⁷ Forcechange.com, “Protect Indonesia from Environmentally Damaging Coal Plant,” Posted by Liz Mellem. Target: Indonesian President Susilo Bambang Yudhoyono. Goal: Preserve Indonesia’s environment and local livelihoods. Available at <http://forcechange.com/65628/protect-indonesia-from-environmentally-damaging-coal-plant/>

²⁸ Ibid.

members, resulted in far greater awareness in Indonesian news media²⁹ about the many abuses and difficulties faced by villagers near the proposed power plant site (in spite of subsequent government fear-mongering with the press about Indonesia or Java's alleged impending electricity crisis³⁰).

In spite of the long and dirty campaign by Indonesian police, military, and company-backed thugs to intimidate residents who refused to lose their land and fisheries, the resistance by 5 villages has continued. It is inspiring thousands of other activists and creating shockwaves as far away as Tokyo. Most crucial are the farmers and fishermen in Central Java refusing to sell their land and creating delays that have driven the project costs from \$3.2 billion to \$4 billion (some analysts claim the costs are actually now closer to \$5 billion).³¹ The longer the construction is delayed, the higher the project's costs. This will derail the consortium's contract with the state-owned power utility (signed in 2011) by increasing the supply price beyond what the parties already agreed on. Even one more year of delays in land purchases and cost increases could succeed in completely undermining the project's bottom line. It is to be hoped that the resistance to Batang will grow and ultimately succeed, creating a model for other communities threatened by coal.

²⁹ For a sample of the news coverage after the press visit to Batang and community event organized by Greenpeace, see <http://www.thejakartapost.com/news/2014/02/12/coal-fired-plant-project-faces-local-opposition.html>

<http://www.thejakartaglobe.com/news/residents-environmentalists-see-common-threat-in-planned-power-plant/>

<http://www.antaraneews.com/berita/418446/greenpeace-tolak-pltu-batang>

http://www.huffingtonpost.com/justin-guay/will-japan-end-its-intern_b_4791052.html

<http://www.mongabay.co.id/2014/02/14/greenpeace-ungkap-fakta-merugikan-pltu-batang/>

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<http://sains.kompas.com/read/2014/02/11/1549163/Pertahanan.Terakhir.Nelayan.Pantura.Terancam>

<http://energitoday.com/2014/02/11/greenpeace-tolak-pembangunan-pltu-batang/>

<http://www.energitoday.com/2014/02/11/pltu-batang-lepas-226-kg-emisi-merkuri/>

http://www.majalahambang.com/detail_berita.php?lang=in&category=18&newsnr=8647

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<http://harian-nasional.com/warga-batang-tolak-pltu/>

³⁰ See e.g. <http://www.beritasatu.com/ekonomi/169006-pln-sebut-2018-pulau-jawa-alami-krisis-listrik.html>;

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³¹ References regarding a US\$ 3.2 billion price-tag:

* Wilda Asmarini, Energy & renewable energy, Adaro Projects Batang PLTU Investment to Rise, 16 October 2013, available at en.indonesiainancetoday.com/read/36527/Adaro-Projects-Batang-PLTU-Investment-to-Rise

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* Emi Urabe, Tsuyoshi Inajima and Fitri Wulandari, "Partners Delay \$4 Billion Indonesia Coal Power Plant," Bloomberg NewsJ-Power, 04 October 2013, available at www.businessweek.com/news/2013-10-04/j-power-partners-delay-4-billion-indonesia-coal-power-plant

* available at http://www.climatenetwork.org/sites/default/files/2014feb_batang_international_petition_letter_to_jbic.pdf

* New Central Java Power Plant Faces DelaysBy Investor Daily, May 13, 2013.

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References regarding a US\$ 5 billion price-tag:

* Investment for Central Java Power Plant to SoarBy Retno Ayuningtyas on 1:54 pm October 17, 2013.

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Violations of the law and institutional standards associated with the Batang Project

Due to climate protection concerns, significant environmental impacts and worsening human rights situation on the ground, Japanese groups have begun campaigning to pressure JBIC to reconsider its coal investments and in particular the Batang power plant. Friends of the Earth Japan, Kiko-Net, and JACSES, and others have conducted research and collaborated with Indonesian grassroots activists, in addition to confronting JBIC in Tokyo about Batang.

The Japanese groups have joined Greenpeace Indonesia, LBH Semarang, Oil Change International, and other groups to support the community. Friends of the Earth Japan, Kiko-Net, and JACSES share the community's concerns about environmental destruction, loss of livelihoods, emissions increases, and also human rights violations related to land grabbing. Japanese civil society activists' perspective is that Japanese tax money and Japanese public funds should not be fueling coal projects in Asia, but rather be allocated to renewable energy and energy efficiency projects.

JBIC risks flouting its own standards

JBIC risks flouting its own standards, particularly with respect to the problem of the Batang project's lack of "social acceptability," as required by JBIC Guidelines. This project has been met with a groundswell of opposition and giant protests in the local community, the regional capital, and Jakarta. In JBIC's "Guidelines for Confirmation of Environmental and Social Considerations (referred to hereafter as 'guidelines'), it is stated, "Projects must be adequately coordinated so that they are accepted in a manner that is socially appropriate to the country and locality in which the project is planned." In the case of the Batang project, JBIC has not complied with its commitment to social acceptability.

JBIC's Guidelines also require that all its projects be lawful. JBIC guidelines hold 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)." However, the Batang project breaks several laws on their face and has been plagued by allegations of illegality and human rights violations (see below for details).³² Here, again, we see that the Batang project fails to comply with JBIC's Guidelines.

Moreover, JBIC's environmental guidelines state that "The project proponents, etc. must make efforts to enable the people affected by the project, to improve their standard of living, income opportunities and production levels, or at least to restore them to pre-project levels." However, with the forced sale of their agricultural land, locals will in all likelihood face economic hardships including a plummeting in fish catch near the plant, as well as a substantial decrease in productivity of their remaining agricultural lands. JBIC and the project proponent have yet to provide any information regarding what kind of compensation will be offered to the local farmers and fishermen, should their livelihoods be negatively impacted or destroyed. No official information, in writing, has been forthcoming with respect to land compensation, job creation and livelihood support. Worse yet, the livelihood baseline data has not been established. Without livelihood baseline data it may be impossible to properly compensate the thousands of farmers and fishermen who stand to be affected.³³

³² Notes from a meeting hosted by JBIC, regarding "the Batang coal-fired power plant project," on 22 November 2013, from 15:30 -16:30, at JBIC's 3rd floor meeting room. Participants included: JACSES, Kiko Network, FoE Japan, and JBIC. On file with Greenpeace. [hereinafter, Notes from a meeting hosted by JBIC]

³³ Notes from a meeting hosted by JBIC.

The Batang project violates several Indonesian laws

“As a Public-Private Partnership project (PPP), the Batang power plant must follow President's regulation No.67/2005 (amended by Presidential Regulation No. 13/2010 and No. 56/2011). This regulation requires power projects to achieve financial closure within one year. The project's guarantee agreement was signed on October 6th, 2011 with a financial deadline of October 6th, 2012. However, the project was delayed due to local opposition³⁴ and financial closure was extended for two consecutive years, to 2014. Moreover, the proposed power plant infringes upon the Ujungnegoro-Roban coastal area, which is protected as a marine conversation area and Local Sea Tourism Object under Government Regulation No. 26/2008. Therefore, the project violates Central Java provincial bylaw No 6/2010.”³⁵

The World Bank flouts its own standards by supporting the Batang plant

In a welcome and historic shift, the World Bank's recently published Energy Strategy Directions Paper commit to a policy shift away from coal. The Bank promises therein that it will only support coal in “rare cases” when “no feasible alternative” exists. With this historic decision, the World Bank joins a growing number of financial institutions that are quitting coal.³⁶

In Indonesia, “feasible alternatives” to coal abound. Recent studies indicate that:

- **Geothermal:** Indonesia could lead the world in geothermal, with 40% of the world's geothermal reserves. Geothermal capacity exceeds 29,000 MW but only 1.34 MW have been developed thus far.³⁷ “Indonesia sits on the Ring of Fire and has more active volcanoes than any other country on the planet and yet it has developed less than 4% of its geothermal capacity.”³⁸
- **Hydro:** Estimated hydro capacity exceeds 75,000 MW,³⁹ and total installed capacity stood at 5,711.29 MW in 2010 – with microhydro installed capacity of 228.7 MW in 2010.⁴⁰
- **Wind:** to date there is only 1.96 MW installed capacity for wind,⁴¹ in a country with thousands of miles of coastline on hundreds of islands, and constant winds.⁴² There is a lack of ambition

³⁴ Emi Urabe, Tsuyoshi Inajima and Fitri Wulandari, “J-Power, Partners Delay \$4 Billion Indonesia Coal Power Plant,” Bloomberg, 4 October 2013. Available at <http://www.bloomberg.com/news/2013-10-04/j-power-partners-delay-4-billion-indonesia-coal-power-plant.html>

³⁵ Correspondence from Japanese NGOs to JBIC, on file with Greenpeace.

³⁶ With a lending portfolio of 72 billion euro, the European Investment Bank (EIB) announced on July 24th 2013 the adoption of a new Emissions Performance Standard (EPS): 162 of 550 grams of carbon dioxide per kilowatt hour (CO2/kWh) to be applied to all fossil fuel generation projects. The Nordic countries made a joint statement with the US on September 4th 2013, stating that “the leaders of Denmark, Finland, Iceland, Norway, and Sweden will join the United States in ending public financing for new coal-fired power plants overseas, except in rare circumstances.” The European Bank for Reconstruction and Development (EBRD) will also revise its energy policy. See, *urgewald*, BankTrack, CEE Bankwatch Network and Polska Zielona, “Banking on Coal,” 15 November 2013. Available at <http://bankwatch.org/sites/default/files/banking-on-coal.pdf>

³⁷ <http://energitoday.com/2014/02/10/esdm-targetkan-tahun-2025-kapasitas-pltp-capai-7-214-mw/>

³⁸ WFS Home › Blogs › Len Rosen's blog › “Climate Change, the World Bank, Indonesia and Coal,”

³⁸ Posted on 15 October 2013. Available at <https://www.wfs.org/blogs/len-rosen/climate-change-world-bank-indonesia-and-coal> [hereinafter WFS, Len Rosen's blog]

³⁹ Statistik EBTKE, “Ditjen Energi Baru Terbarukan dan Konservasi Energi 2011,” 2011.

⁴⁰ Ibid.

⁴¹ Statistik EBTKE, Ditjen Energi Baru Terbarukan dan Konservasi Energi 2011.

⁴² Presentation: Wind Energy Potential and Development in Indonesia, Indonesia Wind Energy Society, IWES (Masyarakat Energi Angin Indonesia), May 2012. Accessible at: <http://energy->

for renewables in Indonesia's energy vision and policy support such as feed-in-tariff that has attracted investors in other countries is still missing.

- **Solar:** Indonesia has "a mere 12 Megawatts to date in a country that straddles the equator and receives more sunlight than most other places in the world,"⁴³ with a potential of approximately 4.8 kWh/m²/day.⁴⁴

By embracing the biggest coal project in Indonesia, the country office of the Bank is "making a mockery of its Energy Directions' pledge to limit coal financing."

The International Finance Corporation, which serves as the private sector arm of the World Bank, is currently the Central Java Power Project transaction adviser. That means, "the Bank arranged financing for the project, promoted the project to investors, and supported the project's expansion."⁴⁵

Worse still, the World Bank Group provided a US\$33.9 million guarantee for the risks related to the Central Java Power Project through the Indonesia Infrastructure Guarantee Fund (IIGF).⁴⁶ In fact, the Bank created and backed the IIGF. This entity is designed to help finance government projects, including those to develop coal-fired power plants, railways to transport coal, and transmission lines to those plants. In fact, IIGF supports the Indonesian government's "Fast Track I projects"⁴⁷ listed as "under development" include 40 coal power plants totaling 16.4 GW. In total, coal generation accounts for 94% of the Fast Track I generation capacity." By enabling a government guarantee for the Central Java Power Project, the Bank made it possible for the Batang project to secure project finance. Without the Bank, the Batang deal would never have gone through.

Bank loans should be earmarked for renewable energy projects alone, as should commitments to serve as transaction adviser in energy-related deals.

indonesia.com/03dqe/Soeripno%20Martosaputro.pdf

⁴³ Ibid.

⁴⁴ See, <http://www.giz.de/fachexpertise/downloads/giz2013-en-eichelbroenner-pep-workshop-indonesien-pv-hybridssysteme.pdf>

⁴⁵ Oil Change International, "World Bank Accelerating Coal Development in Indonesia," September 2013. Available at <http://priceofoil.org/2013/09/25/world-bank-accelerating-coal-development-indonesia/> [hereinafter Oil Change International, World Bank Accelerating Coal]

⁴⁶ Ibid: "The IIGF guarantee provides a tenor of 16 years for equity and 21 years for debt, much longer tenors than are typically provided commercially."

⁴⁷ Ibid: "Since 2006, the Government of Indonesia (GOI) has been pursuing an accelerated energy infrastructure program, called Fast Track I, targeting more than 16 GW of coal-fired power generation... The GOI's master plan for infrastructure also involves projects for coal rail links and ports aimed at increasing Indonesia's coal exports. In support of the GOI's development of infrastructure, including the energy Fast Track program, since 2007 the World Bank has provided four Infrastructure Development Policy Loans (IDPL) totaling US\$850 million. A central part of the World Bank IDPLs was the conceptualization and establishment of two government facilities aimed at providing long-term financing for infrastructure projects: the Indonesia Infrastructure Guarantee Fund (IIGF) and the Indonesia Infrastructure Financing Facility (IIFF). The IIGF is mandated by the Ministry of Finance (MOF) to provide guarantees for infrastructure projects under the public-private partnership (PPP) scheme. In the case of power generation, IIGF supports the GOI's Fast Track projects. IIGF government guarantees provide insurance at lower cost and longer tenor than commercial insurance. By covering almost all the risks related to infrastructure projects at lower costs, the IIGF guarantees can turn infrastructure projects that would otherwise be financially unfeasible into attractive projects for private investors and creditworthy projects to bankers. Though the IIGF's own capital can be limited, co-guarantors and a World Bank standby facility of approximately US\$480 million backstop it. In addition, the World Bank also provided a US\$30 million loan to the IIGF and "a platform for ongoing engagement in the development and appraisal of PPP infrastructure operations."

While the Bank's support for Indonesian geothermal, environmentally responsible hydropower, and reductions in fuel and energy subsidies are laudable, as is the IIGF decision not to provide a guarantee to the Puruk Cahu-Bangkuang Coal Railway, these positives cannot distract us from the problem of coal.

Emitting progressive standards is positive. But if the World Bank talks the talk, it must walk the walk. Its new standards are worthless unless they are implemented on the ground. If the World Bank's pledge is to have any significance, the Bank must reverse support for coal developments in Indonesia. World Bank's senior management should enforce and monitor enforcement of its new energy directive, ensuring that it covers all World Bank Group projects. The standards are weakened if exceptions crop up for policy loans, advisory services, and support through intermediaries, or anything else that a local World Bank office wishes to add to the list.

The Energy Strategy Directions Paper clearly lays out direction for *future* engagements in the sector – but it should also be interpreted as a guide, inspiration, and framework within which even *past and present* commitments for investments and advisory services in the energy sector, can be understood, reconsidered, improved, and implemented. The Bank already committed to supporting the Indonesian government's Fast Track I power projects. These projects are almost all coal-focused. If the Bank only changes future project plans but doesn't alter current support for the Fast Track I power projects – which are almost all coal-promoting projects – then nearly all Bank assistance would end up promoting Indonesia's coal industry.

Conclusions and recommendations

The proposed 2,000-MW Batang Coal Fired Power Plant is the flagship project of Indonesia's dangerously misguided plan to develop 117 new coal-fired power plants. Support for Batang could speed up these new plants, resulting in devastating social and environmental impacts in the country, while the lock-in emissions would help send the world down a path towards catastrophic climate change. The Batang project is facing long delays due to strong local opposition, and is plagued by scandals of intimidation and human rights violations. Public and private financial institutions associated with the project should re-evaluate their financial and reputational risks, and instead put the requisite 4 billions in support of clean, sustainable, renewable energies and climate protection.

Recommendations to the Government of Indonesia

- Cancel the guarantee extended to the Batang project;
- Stop all 116 other new coal fired power plants that have been approved.
- Build on the success of the recently introduced feed-in tariffs for geothermal power, removing obstacles to geothermal projects.
- Expedite implementation of feed-ins for solar photovoltaics and wind.
- Focus on a smart grid overhaul of the national grid, and off-grid rural systems.
- Pass and enforce more robust energy conservation legislation.

Recommendations to the World Bank

- Cancel support for the Central Java Power Project and all future planned coal investments in Indonesia (including the South Sumatera Mine Mouth Coal Plants).
- Transparently and publicly explain the World Bank policy shift on coal worldwide, as well as ramifications for World Bank programming in Indonesia, including for development policy loans, financial intermediaries, and advisory services.
- Ensure that under the direct Bank loan to the Indonesia Infrastructure Guarantee Fund, all

guarantees must be compliant not only with social and environmental safeguards but also the Bank's coal lending guidelines.

- Ensure that World Bank-assisted infrastructure investment tax exemptions apply only to renewable energy projects.
- Deploying more public international finance for renewable energy and energy efficiency in Indonesia.
- Help Indonesia establish clear, consistent plans for phasing out dirty coal, starting by retiring the dirtiest, worst performing coal-fired power plants, and replacing them with renewable energy facilities.
- Immediately put all past World Bank coal projects in Indonesia on a path to minimizing their environmental damages.
- Avoid unsustainable expansion of gas, and ensure sustainability criteria for large hydropower projects.
- Develop a national database of its GHG-intensive investments and GHG emissions (including coal plants); calculate the true cost of coal in Indonesia; and start Greenhouse Gas Screening and Accounting and Shadow Carbon Pricing for projects emitting greenhouse gases in Indonesia.

Recommendations to JBIC

- Conduct a field investigation and directly (and confidentially) interview local residents/ NGOs, without the presence of representatives of the project implementer or the Indonesian government.
- Follow all relevant JBIC standards in implementing projects.
- Disclose the Environmental Impact Assessment and Resettlement Action Plan
- Reject financing for the Batang coal-fired power plant.
- End to coal financing worldwide and support cleaner, sustainable energy projects.